CELLSTAR CORP
Form PREM14A
January 23, 2007
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x
Filed by a Party other than the Registrant o
Check the appropriate box:

x	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
o	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

CELLSTAR CORPORATION

(Name of Registrant as Specified In Its Charter)
N/A
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

o	No fee required.		
x	Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.		
		(1)	Title of each class of securities to which transaction applies: N/A
		(2)	Aggregate number of securities to which transaction applies: N/A
		(3)	Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): The filing fee of $11,770 was calculated pursuant to Exchange Act Rule 0-11(c)(2) and is equal to $107.00 per million of the aggregate cash to be received by the registrant, as adjusted, in the transactions, $110,000,000.00. The aggregate cash to be received by the registrant, as adjusted, is calculated as the sum of (a) the anticipated U.S. sale consideration of $88,000,000 in cash and (b) the anticipated Mexico sale consideration of $22,000,000 in cash.
		(4)	Proposed maximum aggregate value of transaction: $110,000,000.00
		(5)	Total fee paid: $11,770
o	Fee paid previously with preliminary materials.		
o	Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.		
		(1)	Amount Previously Paid:
		(2)	Form, Schedule or Registration Statement No.:
		(3)	Filing Party:
		(4)	Date Filed:

Preliminary Copy

[ ] [ ], 2007

To CellStar Corporation Stockholders:

You are cordially invited to attend a Special Meeting of stockholders of CellStar Corporation (***CellStar***) at [,], Dallas, Texas, [ ] on [ ], 2007, at [ ] [a.m./p.m.], Dallas time. CellStar is also sometimes referred to herein as ***we,*** ***our***, ***us***, or the ***Company***.

1. At the Special Meeting, you will be asked to consider and vote upon a proposal to approve the Asset Purchase Agreement, dated as of December 18, 2006 (the ***U.S. Sale Agreement***), by and among (a) 2601 Metropolis Corp. (***U.S. Buyer***), a wholly-owned subsidiary of Brightpoint, Inc. (***Brightpoint***), and (b) the Company, National Auto Center, Inc. (***NAC***), CellStar, Ltd. (***CellStar, Ltd.***) and CellStar Fulfillment, Ltd. (***CellStar Fulfillment*** and collectively with the Company, NAC and CellStar, Ltd, the ***U.S. Sellers***). Pursuant to the U.S. Sale Agreement, U.S. Buyer will purchase substantially all of the assets of the Company s United States and Miami-based Latin American operations(the ***Business***)and assume certain liabilities related to the Business. The Company s operations in Mexico and Chile and certain other assets and obligations of the Company are excluded from the U.S. Sale Agreement. We sometimes refer to the transactions contemplated by the U.S. Sale Agreement as the ***U.S. Sale***.

2. At the Special Meeting, you will also be asked to consider and vote upon a proposal to approve the Stock Purchase Agreement, dated as of December 18, 2006 (the ***Mexico Sale Agreement***), by and among (a) Audiomex Export Corp. (***Audiomex***) and NAC (together with Audiomex, the ***Mexico Sellers***), which are subsidiaries of the Company, (b) Soluciones Inalámbricas, S.A. de C.V. (***Soluciones***) and Prestadora de Servicios en Administración y Recursos Humanos, S.A. de C.V. (***Prestadora***), as purchasers (collectively the ***Mexico Buyers***), (c) Celular Express, S.A. de C.V. (***Celular Express***), Celular Express Management, S.A. de C.V. (***Celular Express Management*** and collectively with Celular Express, the ***Acquired Companies***), and (d) CellStar México, S.A. de C.V. (***CellStar México***), Comunicación Inalámbrica Inteligente, S.A. de C.V. (***CII***), and the Series A Shareholders (as defined in the Mexico Sale Agreement), providing for the sale of substantially all of CellStar s Mexico operations. Pursuant to the Mexico Sale Agreement, Mexico Buyers will purchase, directly or indirectly, all of the outstanding shares of stock of the Acquired Companies, which are CellStar s Mexican subsidiaries, together with CellStar s interest in CII, a joint venture with Soluciones. We sometimes refer to the transactions contemplated by the Mexico Sale Agreement as the ***Mexico Sale*** and the Mexico Sale together with the U.S. Sale as the ***U.S. and Mexico Sales***.

3. At the Special Meeting, you will also be asked to consider and vote upon a proposal to approve the Plan of Dissolution, including the complete liquidation and dissolution of CellStar after the completion of the U.S. Sale, as contemplated by the Plan of Dissolution and described more fully herein.

4. At the Special Meeting, you will also be asked to consider and vote upon a proposal to amend CellStar s Amended and Restated Certificate of Incorporation (the ***Certificate of Incorporation***) to change our corporate name to [ ], after the completion of the U.S. Sale because we have agreed to sell our intellectual property to U.S. Buyer and have agreed to change our name as a result.

We also ask that you grant the authority to vote your shares to adjourn or postpone the Special Meeting, if necessary or appropriate, to solicit additional proxies if sufficient votes in favor of approval of the above proposals have not been received at the time of the Special Meeting.

This Proxy Statement is dated [ ], 2007,
and is first being mailed to CellStar stockholders on or about [ ], 2007.

Directors and officers of the Company will be present to help host the Special Meeting and to respond to any questions that our stockholders may have. We hope you will be able to attend.

After careful consideration and for the reasons described in this proxy statement, the Company s board of directors has unanimously determined that (i) the U.S. Sale Agreement and the transactions contemplated by the U.S. Sale Agreement are advisable and in the best interests of the Company and its stockholders; (ii) the Mexico Sale Agreement and the transactions contemplated by the Mexico Sale Agreement are advisable and in the best interests of the Company and its stockholders; (iii) the approval of the Plan of Dissolution is advisable and in the best interests of the Company and its stockholders; and (iv) the amendment of the Company s Certificate of Incorporation to change our corporate name to [ ] after the completion of the U.S. Sale is advisable and in the best interests of the Company and its stockholders. Our board of directors has unanimouslyapproved the U.S. Sale Agreement, the Mexico Sale Agreement, the Plan of Dissolution, and the amendment of our Certificate of Incorporation and unanimouslyrecommends that you vote FOR each of these proposals at the Special Meeting.

The Company s board of directors considered a number of factors and consulted with its financial and legal advisors in evaluating each of the U.S. and Mexico Sales and the proposed liquidation and dissolution of CellStar. The enclosed proxy statement provides information about the U.S. Sale Agreement, the Mexico Sale Agreement, the transactions contemplated by each such agreement, and the Plan of Dissolution, including the complete liquidation and dissolution of CellStar after the completion of the U.S. Sale. The description of the U.S. Sale Agreement, the Mexico Sale Agreement, the Plan of Dissolution, the amendment to our Certificate of Incorporation and all other agreements and documents described in this proxy statement are subject to the terms of the actual agreements and documents. Accordingly, we urge you to review this proxy statement carefully, including its annexes.

Your vote is very important, regardless of the number of shares you own. The U.S. Sale Agreement, the Plan of Dissolution, and the amendment of our Certificate of Incorporation must each be approved by an affirmative vote of the holders of a majority of the outstanding shares of the Company s Common Stock. The Mexico Sale Agreement and the proposal to adjourn or postpone the Special Meeting must be approved by the affirmative vote of the holders of a majority of shares of Common Stock present in person or represented by proxy at the Special Meeting and entitled to vote. If you fail to return your proxy card and do not vote in person at the Special Meeting, your shares will effectively be counted as a vote AGAINST approval of the U.S. Sale Agreement, the Plan of Dissolution, the amendment of our Certificate of Incorporation, and will not be counted for purposes of determining whether a quorum is present at the Special Meeting, for purposes of the vote to approve the Mexico Sale Agreement or for purposes of the vote to adjourn or postpone the Special Meeting, if necessary or appropriate, to solicit additional proxies. Only stockholders who owned shares of CellStar Common Stock at the close of business on [ ], 2007, the record date for the Special Meeting, will be entitled to vote at the Special Meeting. To vote your shares, you may use the enclosed proxy card or attend the Special Meeting and vote in person. **On behalf of the board of directors, I urge you to complete, sign, date and return the enclosed proxy card, as soon as possible, even if you currently plan to attend the Special Meeting.**

If you have any questions or need assistance voting your shares, please call D.F. King & Co., Inc., which is assisting us, toll-free at (888) 886-4425.

Thank you for your support of the Company. I look forward to seeing you at the Special Meeting.

Sincerely,

Robert A. Kaiser,
Chairman of the Board and Chief Executive Officer

CELLSTAR CORPORATION
601 S. Royal Lane
Coppell, Texas 75019

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

Date and Time:	[ ] [a.m./p.m.] Dallas, Texas Time on [ ], 2007.
Place:	[,], Dallas, Texas [ ]
Items of Business:	1. To approve the U.S. Sale Agreement, dated as of December 18, 2006, by and among U.S. Buyer, the Company, NAC, CellStar, Ltd. and CellStar Fulfillment, Ltd., and the transactions contemplated by the U.S. Sale Agreement, including (i) U.S. Buyer s purchase of substantially all of the Company s United States and Miami-based Latin American operations and (ii) U.S. Buyer s assumption of certain liabilities related to those operations; 2. To approve the Mexico Sale Agreement, dated as of December 18, 2006, by and among Audiomex, NAC, Soluciones, Prestadora, Celular Express, Celular Express Management, CellStar México, CII, and the Series A Shareholders, and the transactions contemplated by the Mexico Sale Agreement, including the sale of all of CellStar s Mexico operations; 3. To approve the Plan of Dissolution, including the complete liquidation and dissolution of CellStar after the completion of the U.S. Sale; 4. To approve the proposal to amend our Certificate of Incorporation to change our corporate name; and 5. To approve adjournments or postponements of the Company s Special Meeting, if necessary or appropriate to permit further solicitation of proxies if there are not sufficient votes at the time of the Company s Special Meeting to approve the above proposals.
Who May Vote:	You can vote if you were a stockholder of record as of the close of business on [ ], 2007, the record date for the Special Meeting. Your vote is important. The affirmative vote of the holders of a majority of the outstanding shares of the Company s Common Stock is required to approve each of the U.S. Sale Agreement, the Plan of Dissolution and the amendment to our Certificate of Incorporation to change the Company s name. The Mexico Sale Agreement and the proposal to adjourn or postpone the Special Meeting must each be approved by the affirmative vote of the holders of a majority of shares of the Company s Common Stock present in person or represented by proxy at the Special Meeting and entitled to vote. A complete list of CellStar stockholders entitled to vote at the Special Meeting will be available for inspection at the principal executive offices of CellStar during regular business hours for a period of no less than ten days before the Special Meeting and at the Special Meeting.

Proxy Voting:	All stockholders are cordially invited to attend the Special Meeting in person. Even if you plan to attend the Special Meeting in person, we request that you complete, sign, date and return the enclosed proxy and thus ensure that your shares will be represented at the Special Meeting if you are unable to attend. If you sign, date and return your proxy card without indicating how you wish to vote, your proxy will be counted as a vote in favor of approval of the U.S. Sale Agreement, in favor of approval of the Mexico Sale Agreement, in favor of approval of the Plan of Dissolution, in favor of the amendment of our Certificate of Incorporation to change the Company s name, and in favor of adjournment or postponement of the Special Meeting, if necessary or appropriate, to permit solicitations of additional proxies. If you fail to return your proxy card and do not vote in person at the Special Meeting, your shares will effectively be counted as a vote AGAINST approval of the U.S. Sale Agreement, the Plan of Dissolution, the amendment of our Certificate of Incorporation to change the Company s name, and will not be counted for purposes of determining whether a quorum is present at the Special Meeting, for purposes of the vote to approve the Mexico Sale Agreement or for purposes of the vote to adjourn or postpone the Special Meeting, if necessary or appropriate, to solicit additional proxies. We are soliciting proxies to grant discretionary authority to the persons named as proxies to adjourn the Special Meeting for the purpose of soliciting additional proxies in favor of Proposals 1, 2, 3 and 4. The individuals to whom proxies are granted will have discretion to decide whether or not to use the authority granted to them pursuant to Proposal 5 to adjourn the Special Meeting. If you do attend the Special Meeting and wish to vote in person, you may withdraw your proxy and vote in person.
Recommendations:	**After careful consideration, the board of directors unanimously recommends that you vote:** • **FOR the proposal to approve the U.S. Sale Agreement;** • **FOR the proposal to approve the Mexico Sale Agreement;** • **FOR the proposal to approve the Plan of Dissolution;** • **FOR the proposal to approve amendment of our Certificate of Incorporation to change the Company s name; and** • **FOR the proposal to adjourn or postpone the Special Meeting.**
Appraisal Rights:	Holders of our Common Stock are not entitled to appraisal rights in connection with the proposed sales or the proposed liquidation and dissolution under the Delaware General Corporation Law, Delaware State law, our Certificate of Incorporation or our Amended and Restated Bylaws.

By order of the Board of Directors,

Elaine Flud Rodriguez,
Senior Vice President, Secretary and General Counsel

Please vote your shares promptly. You can find instructions for voting on the enclosed proxy card or voting instruction card.

If you have questions, contact:

CellStar Corporation
601 S. Royal Lane
Coppell, Texas 75019
Attention: General Counsel
(972) 462-3550
(800) 530-4664, ext. 3550

If you need assistance voting your shares, contact:

D.F. King & Co., Inc.
48 Wall Street
New York, New York 10005
(888) 886-4425 (toll free)
Banks & Brokers Call Collect: (212) 269-5550

Your vote is important. Please complete, date, sign and return your proxy cards at your earliest convenience so that your shares are represented at the meeting.

Dallas, Texas, [ ], 2007

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CELLSTAR CORPORATION

SPECIAL MEETING OF STOCKHOLDERS

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SUMMARY

This summary highlights selected information from this proxy statement and may not contain all of the information that is important to you. To understand the transactions fully and for a more complete description of the U.S. Sale Agreement, the Mexico Sale Agreement, the Plan of Dissolution and the amendment of our Certificate of Incorporation, you should read carefully this entire proxy statement, the annexes to this proxy statement and the documents we refer to in this proxy statement. We encourage you to read the U.S. Sale Agreement, the Mexico Sale Agreement, the Plan of Dissolution, and the form of amendment to our Certificate of Incorporation, which are the legal documents that govern these transactions and which are attached as Annex A , Annex B, Annex C and Annex D, respectively, to this proxy statement.

Overview (page 38)

The Company has faced a number of issues over the past 24 months which have led to the determination by the board of directors that the U.S. and Mexico Sales are advisable and in the best interests of our stockholders. The board believes that these proposed transactions preserve value for our stockholders and protect stockholders against future potential declines in the stock price.

Certain financial and operating issues have limited the Company s ability to address competitive pressures and to pursue new opportunities and were among the factors that have led our board of directors to conclude that the proposed sales are advisable and in the best interests of our stockholders.

Reasons for the U.S. and Mexico Sales and the Plan of Dissolution (page 48)

In evaluating the U.S. and Mexico Sales and the Plan of Dissolution, the board of directors consulted with the Company s management, financial advisors and legal counsel. In concluding that the U.S. and Mexico Sales were advisable and in the best interests of the Company and our stockholders, the board of directors considered a variety of factors including, among others:

- the current and historical market prices of our common stock and that the range of $2.91 to $3.25 per share anticipated to be paid following the closing of the U.S. Sale and the Mexico Sale and the liquidation and dissolution of the Company preserves value for the stockholders relative to the potential risks to the Company of continuing to operate as a going concern;

- the continued weakness of our balance sheet and our inability to expend or attract significant amounts of capital in order to grow our business, despite our return to profitability for the first, second and third quarters of fiscal 2006;

- the Company s significant dependency on vendor credit lines and the ability to factor receivables for our working capital needs;

- our limited ability to raise additional equity without significant dilution to our stockholders and impairing the tax benefit of our ability to use our net operating losses;

- the increasing competitive pressures we face, including pressures resulting from the continued consolidation of our customer base, and management s belief that these pressures were likely to continue to increase due to the likelihood of further consolidation in the wireless industry as well as the increasing competitive pressures we face in Mexico;

- the loss of significant customers in fiscal 2005 and fiscal 2006 and the risk of losing other significant customers in the future given the high concentration of our revenues among a few large customers;

- after conducting an extensive review of our financial condition, results of operations and business and revenue prospects, the determination of management and the board of directors that continuing to operate independently was not reasonably likely to create greater value for our stockholders over the next 12 to 18 months, and the belief that the Company could not continue its

operations in Mexico if the U.S. and Miami operations were divested and could not continue its operations in the U.S. and Miami if the Mexico operations were divested, unless additional capital was raised, which management and the board believed would be highly dilutive to stockholders, and profitable related businesses were acquired, which we had no assurance could be accomplished;

- our belief that, after evaluating various strategic alternatives and conducting an extensive review of our financial condition, results of operations and business and revenue prospects, continuing to operate independently was not reasonably likely to create greater value for our stockholders as compared to the value obtained for the stockholders pursuant to the U.S. Sale Agreement and the Mexico Sale Agreement;

- the fact that the U.S. Sale Agreement is subject to the approval of the holders of a majority of the outstanding shares of our Common Stock; and

- the fact that the Mexico Sale Agreement is subject to the approval of the holders of a majority of shares of Common Stock present in person or represented by proxy at the Special Meeting and entitled to vote.

For a more detailed description of the factors that the board of directors considered in concluding that the U.S. and Mexico Sales were advisable and in the best interests of the Company and our stockholders, see Reasons for the U.S. and Mexico Sales and the Plan of Dissolution beginning on page 48.

Consequences of the Failure to Approve One or Both of the Transactions (page 51)

If our stockholders approve the U.S. Sale Agreement but do not approve the Mexico Sale Agreement.

The Company does not believe that operating Mexico by itself is a viable alternative for the Company because the Mexico operations alone would not provide the Company with adequate scope and scale to remain a major distributor, the Company would have financial difficulty remaining a publicly traded entity, given the costs of compliance with SEC and the requirements of the Sarbanes-Oxley Act of 2002, as amended (***Sarbanes-Oxley***), and the Company would be operating in only one region with significant customer concentration, thereby increasing the adverse impact of the loss of any of those customers. Therefore, the Company would either need to find another acceptable sale transaction for Mexico, or liquidate those assets and distribute any remaining proceeds to stockholders, assuming the Plan of Dissolution is approved by stockholders at the Special Meeting. Alternatively, the Company could use the proceeds from the U.S. Sale to pay off existing debt and then begin to look to acquire additional profitable businesses. There can be no assurance that the Company would be able to consummate such acquisitions.

Management and the Company s board of directors also believe that it may be necessary to immediately reduce corporate overhead and institute cost cutting measures throughout the remaining business. The board and management believe that the Company may need to deregister its Common Stock under the Securities Exchange Act of 1934, as amended (the ***Exchange Act***) reduce corporate staff, and take additional cost measures to right size the remaining operations. We cannot assure you that these actions would be sufficient to allow us to continue to operate as a going concern without the U.S. and Miami operations.

If our stockholders approve the Mexico Sale Agreement but do not approve the U.S. Sale Agreement.

In this event, the Company will be left with the challenges to its business described above under Reasons for the U.S. and Mexico Sales and the Plan of Dissolution beginning on page 48.

To close the Mexico Sale without the proceeds from the U.S. Sale, the Company would be required to obtain consents from its lenders acceptable to the Company. We cannot assure you that such consents could be obtained. If consents on acceptable terms were obtained, management believes that it may have to use the proceeds from the Mexico Sale to pay down some of its existing debt, which would reduce interest expense going forward; however, the Company would lose the on-going income stream from the Mexico operations. This would also result in a greater concentration of the Company s revenues from a smaller group of customers in only two regions, thereby increasing the adverse impact of the loss of any of those customers.

The Company believes that it would require additional capital in order to (i) acquire complementary businesses as necessary to obtain the required scope and scale to maintain its position as a major distributor and logistics provider and necessary for the Company to remain competitive in its industry, and (ii) make necessary investments in its business, particularly in IT systems, to allow the Company s distribution business to better compete. The Company believes that obtaining additional capital could be highly dilutive to existing stockholders. There can be no assurance that the Company would be able to obtain such additional capital on satisfactory terms, if at all. There can also be no assurance that the Company would be able to consummate such complementary acquisitions.

Management and the board of directors believe that it may also be necessary to immediately reduce the costs associated with being a public company by deregistering its Common Stock under the Exchange Act, thereby eliminating its obligations to file most of the reports it is currently required to file with the SEC and reducing the Company corporate overhead.

If our stockholders do not approve either the U. S. Sale Agreement or the Mexico Sale Agreement.

In the event our stockholders do not approve either the U. S. Sale Agreement or the Mexico Sale Agreement, the Company will be left with the challenges to its business described above under Reasons for the U.S. and Mexico Sales and the Plan of Dissolution beginning on page 48.

The Company believes that it would require additional capital in order to (i) acquire complementary businesses as necessary to obtain the required scope and scale to maintain its position as a major distributor and logistics provider and necessary for the Company to remain competitive in its industry, and (ii) make necessary investments in its business, particularly in IT systems, to allow the Company s distribution business to better compete. The Company believes that obtaining additional capital could be highly dilutive to existing stockholders. There can be no assurance that the Company would be able to obtain such additional capital on satisfactory terms, if at all. There can also be no assurance that the Company would be able to consummate such complementary acquisitions.

Management and the board of directors believe that it may also be necessary to immediately reduce the costs of being a public company by deregistering its Common Stock under the Exchange Act.

Proposal One*: *The U.S. Sale

The U.S. Sale Agreement

On December 18, 2006, we entered into the U.S. Sale Agreement with U.S. Buyer pursuant to which we will, subject to certain conditions, including approval by our stockholders at the Special Meeting, sell substantially all of our United States and Miami-based Latin American operations to U.S. Buyer. As consideration for this sale, U.S. Buyer will assume certain of our liabilities related to those operations, and pay us approximately $88,000,000 in cash subject to adjustment based on CellStar s net working capital and the amount of certain other assets and liabilities, a portion of which will be held in escrow as security for our indemnity obligations, if any are asserted by U.S. Buyer. The U.S. Sale Agreement is attached to this proxy statement as *Annex A*. We encourage you to read the U.S. Sale Agreement in its entirety, as it is the legal document that governs the proposed U.S. Sale.

Principal Parties under the U.S. Sale Agreement (page 37)

CellStar Corporation
601 S. Royal Lane
Coppell, Texas 75019
(972) 462 3530
(800) 530 4664, ext. 3530

CellStar, a Delaware corporation, was formed in 1993 to hold the stock of NAC, a company that is now an operating subsidiary. NAC was originally founded in 1981. CellStar is a leading distributor of wireless products and provider of distribution and value-added logistics services to the wireless communications industry, serving network operators, agents, resellers, dealers, and retailers with operations in the North American and Latin American Regions. CellStar provides comprehensive logistics solutions and facilitates the effective and efficient distribution of handsets, related accessories and other wireless products from leading manufacturers to network operators, agents, resellers, dealers and retailers. CellStar also provides activation services in some of our markets that generate new subscribers for wireless carriers.

2601 Metropolis Corp.
501 Airtech Parkway
Plainfield, Indiana 46168
(800) 952-2355

2601 Metropolis Corp. is a wholly-owned subsidiary of Brightpoint, Inc., a global leader in the distribution of wireless devices and in providing customized logistic services to the wireless industry. In 2005, Brightpoint handled 42 million wireless devices globally. Brightpoint s innovative services include distribution, channel development, fulfillment, product customization, e-Business solutions, and other outsourced services that integrate seamlessly with its customers. Brightpoint s effective and efficient platform allows its customers to benefit from quickly deployed, flexible, and cost effective solutions.

Purchase Price under U.S. Sale Agreement (page 68)

Upon consummation of the U.S. Sale, the U.S. Buyer will pay us $88,000,000 cash, subject to adjustment based on CellStar s net working capital and the amount of certain other assets and liabilities at the closing pursuant to the U.S. Sale Agreement (the ***Purchase Price***). Net working capital is defined with respect to the Business as (a) the value of the accounts receivable and inventories, less (b) the sum of certain accounts payable, deferred revenue in excess of $350,000 and $36,350,000. At the closing of the U.S. Sale, $8,800,000 of the Purchase Price will be deposited into an escrow account as security for our indemnification obligations, if any are asserted by U.S. Buyer within six months of the closing.

Description of Assets to be Sold under U.S. Sale Agreement (page 68)

In connection with the proposed U.S. Sale Agreement, we have agreed to sell to U.S. Buyer substantially all of the assets related to the Company s United States and Miami-based Latin American operations, which we will refer to as the *Purchased Assets.*

Description of Liabilities to be Assumed by U.S. Buyer under U.S. Sale Agreement (page 69)

Subject to and upon the terms and conditions of the U.S. Sale Agreement, U.S. Buyer will assume certain liabilities relating to the Business and the conduct of the Purchased Assets after the closing but will not assume any other liabilities.

Description of Assets to be Retained by CellStar under U.S. Sale Agreement (page 69)

If the proposed U.S. Sale is completed, the Company will retain the following:

- all of U.S. Sellers cash and cash equivalents on hand and in banks;
- the promissory notes held by CellStar in connection with the sale of its Asia, Peru and Colombia operations;
- the assets subject to sale under the Mexico Sale Agreement;
- the assets related to CellStar s operations in Chile; and
- CellStar s 19% ownership interest in CellStar Colombia Ltda.

Description of Liabilities to be Retained by CellStar under U.S. Sale Agreement (page 69)

- all liabilities relating to any retained businesses or assets;
- all liabilities in respect of taxes, other than those for which U.S. Buyer is responsible pursuant to the U.S. Sale Agreement;
- any compensation or benefits payable to present or past employees of the Company who are not transferred employees;
- certain liabilities under any employment, change of control, or other compensation agreement and any liabilities arising out of the termination by the Company of any of its employees in anticipation or as a consequence of, or following, consummation of the U.S. Sale Agreement;
- all indebtedness and capital lease obligations of the Company and its affiliates and subsidiaries;
- any environmental liabilities; and
- any liabilities of the Company, its subsidiaries or current or former affiliates thereof, if any, other than those liabilities assumed by U.S. Buyer.

Representations and Warranties under the U.S. Sale Agreement (page 71)

In the U.S. Sale Agreement, we make certain representations and warranties to U.S. Buyer and, subject to certain limitations, we have agreed to indemnify U.S. Buyer for any breach of the representations and warranties. These representations and warranties include, but are not limited to, the following:

- required consents;
- our financial statements;
- absence of undisclosed liabilities;
- ownership and title to the Purchased Assets and the absence of any liens or encumbrances on any of the Purchased Assets;

- sufficiency of the Purchased Assets;
- our material contracts;
- our solvency;
- litigation matters;
- our material licenses and permits used in the operation of our business;

- quality and condition of our inventory;
- certain employment matters;
- our intellectual property; and
- environmental matters.

In the U.S. Sale Agreement, U.S. Buyer makes certain representations and warranties to us and, subject to certain limitations, U.S. Buyer has agreed to indemnify us for any breach of the representations and warranties. These representations and warranties include, but are not limited to the following:

- due organization, valid existence and good standing;
- authority, approvals, validity and enforceability of the U.S. Sale Agreement and the transactions contemplated thereby;
- execution, delivery and performance of the transaction documents requiring no action from any governmental authority other than compliance with the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the ***HSR Act***); and
- litigation matters.

Conduct of Business Pending the U.S. Sale (page 73)

Under the U.S. Sale Agreement, we have agreed that prior to the closing of the U.S. Sale, subject to certain exceptions, we will and will cause each of our subsidiaries to, among other things:

- carry on our and their businesses in the ordinary course and in a manner consistent with past practice;
- use reasonable best efforts to keep available the services of our current officers, employees and consultants and to preserve our present business relationships;
- preserve intact U.S. Sellers business organizations and maintain and preserve the Purchased Assets; and
- use our reasonable best efforts to obtain all of required consents.

For a period of two years following the closing of the U.S. Sale, we will not directly or indirectly, engage in competition with the Business. We will not for a period of two years after the closing of the U.S. Sale, and will cause our affiliates and representatives not to, for a period of one year after the closing, disclose to any third party any confidential or proprietary information included in the Purchased Assets.

We will also not liquidate or dissolve, or enter into any proceeding relating to bankruptcy, insolvency, liquidation or dissolution, until seven months after the closing.

Conditions to Closing of the U.S. Sale(page 75)

The U.S. Sale is subject to the satisfaction or waiver of various conditions, including those listed below.

U.S. Buyer and the Company are not obligated to effect the U.S. Sale unless the following conditions are satisfied or waived:

- any applicable waiting period under the HSR Act relating to the U.S. Sale has expired or been terminated;

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- no provision of any applicable law shall prohibit the consummation of the closing or subject U.S. Buyer or U.S. Sellers to any penalty or other condition that has, in the case of U.S. Sellers, a material adverse effect; and

- the U.S. Sale Agreement has been approved by our stockholders at the Special Meeting.

U.S. Buyer is not obligated to effect the U.S. Sale unless the following conditions, among others, are satisfied or waived:

- we have performed in all material respects all of our obligations under the U.S. Sale Agreement required to be performed by us on or prior to the closing date;

- our representations and warranties contained in the U.S. Sale Agreement are true in all respects when made and at and as of the closing date, except where any failure of such representations and warranties to be so true in all respects would not result in a material adverse effect;

- we have operated the Business and held the Purchased Assets in the ordinary course of business consistent with past practices;

- all required consents of third parties have been obtained;

- all material governmental licenses, authorizations, permits, consents and approvals required to carry on the Business as currently conducted have been transferred to or otherwise obtained by U.S. Buyer on or before the closing date;

- since the date of the U.S. Sale Agreement, there has been no event, development or state of facts that results in or would result in a material adverse effect;

- no suit or governmental order exists that would prohibit or adversely affect the U.S. Sale; and

- a technical service agreement and a supply agreement have been extended and assigned to U.S. Buyer and are the only material contracts in existence at the closing of the U.S. Sale in respect of our business in Colombia.

We are not obligated to effect the U.S. Sale unless the following conditions, among others, are satisfied or waived:

- U.S. Buyer has performed in all material respects all of its obligations under the U.S. Sale Agreement required to be performed by it on or prior to the closing;

- the representations and warranties of U.S. Buyer contained in the U.S. Sale Agreement are true in all respects when made and at and as of the closing, as if made at and as of such date, except where any failure of such representations and warranties to be so true in all respects would not result in a material adverse effect on the ability of U.S. Buyer to consummate the transactions contemplated by the U.S. Sale Agreement; and

- no suit or governmental order exists that would prohibit or adversely affect the U.S. Sale.

Limitation on Considering Other Acquisition Proposals under U.S. Sale Agreement (page 77)

Subject at all times to the Company s and our directors duty to act in a manner consistent with their fiduciary duties, we will not, nor will we permit any of our affiliates or representatives to, directly or indirectly:

- solicit, initiate, encourage or knowingly facilitate (including by furnishing nonpublic information) any inquiries or the making of any proposal or offer that constitutes, or may reasonably be expected to lead to, an acquisition proposal;

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- participate in any discussions or negotiations in furtherance of such inquiries or to obtain an acquisition proposal or provide any confidential information with respect to an acquisition proposal;

- agree to approve or recommend or propose publicly to approve or recommend any acquisition proposal; or

- execute any letter of intent or other similar document related to an acquisition proposal.

Subject to our compliance with the U.S. Sale Agreement, nothing shall prevent CellStar or our board of directors from (i) entering into a definitive agreement providing for the implementation of a superior proposal if we or our board of directors has complied with certain procedures in the U.S. Sale Agreement; or (ii) furnishing information to, or entering into or participating in discussions or negotiations with, any person that makes an unsolicited bona fide written acquisition proposal to us if (1) our board of directors determines in good faith that failure to do so would create a reasonable probability of a breach of its duties to stockholders imposed by applicable law, (2) our board of directors determines in good faith that such acquisition proposal would be reasonably likely, if consummated, to constitute a superior proposal, and (3) prior to taking such action, we comply in all material respects with the procedures set forth in the U.S. Sale Agreement.

Indemnification under U.S. Sale Agreement (page 78)

U.S. Sellers have agreed to indemnify U.S. Buyer from and against any and all losses resulting from, among other things:

- the breach by any U.S. Seller of any representation, warranty or covenant made by any of them in the U.S. Sale Agreement;

- any unpaid taxes for any pre-closing tax period; and

- any liability or obligation of any of U.S. Sellers arising out of or relating to any of the liabilities retained by CellStar.

Certain representations survive the closing for six months, and certain representations survive until the earlier of two years after the closing or the liquidation or dissolution of CellStar. CellStar s total liability for all U.S. Buyer losses shall not exceed $17,600,000 except for actual fraud, intentional misrepresentation or breach of a covenant not to liquidate or dissolve until seven months after closing.

Termination of the U.S. Sale Agreement; Termination Fees (page 79)

CellStar and U.S. Buyer can terminate the U.S. Sale Agreement under certain circumstances, including:

- by mutual written consent of U.S. Buyer and us;

- by either U.S. Buyer or us, if the U.S. Sale has not been completed before May 31, 2007, provided that such date may be extended for a period of 60 days if the staff of the SEC has not closed its comment period with respect to this proxy statement;

- by U.S. Buyer, if there has been a breach of the U.S. Sale Agreement by any U.S. Seller that could have a material adverse effect on the Business or Purchased Assets and any U.S. Seller is not using its reasonable best efforts to cure such breach, if such breach may be cured;

- by U.S. Sellers, if there has been a material breach of the U.S. Sale Agreement on the part of U.S. Buyer that could have a material adverse effect on the ability of U.S. Buyer to consummate the U.S. Sale and U.S. Buyer is not using its reasonable efforts to cure such breach, if such breach may be cured;

- by U.S. Buyer, if our board of directors has (i) failed to recommend the U.S. Sale to our stockholders, (ii) withdrawn the recommendation, (iii) modified the recommendation in a manner adverse to U.S. Buyer, (iv) approved or recommended to our stockholders an acquisition proposal other than that contemplated by the U.S. Sale Agreement or entered into any agreement with respect to an acquisition proposal, (v) after an acquisition proposal has been made, fails to affirm the recommendation of the U.S. Sale within five days of any request by U.S. Buyer to do so, or (vi) recommended that the stockholders tender their shares in any tender offer or exchange offer that is commenced which would result in any person or group becoming a beneficial owner of 20% or more of the outstanding capital stock of CellStar;

- by U.S. Sellers, if our board of directors shall have concluded in good faith, after consultation with outside counsel, that such action is necessary in order for it to be deemed to have acted in a manner consistent with its fiduciary duties in connection with its approval of a proposal that is superior to the U.S. Sale Agreement; and

- by U.S. Sellers or U.S. Buyer, if our stockholders approval has not been obtained at the Special Meeting; *provided*, *however,* that the right to terminate the U.S. Sale Agreement shall not be available to U.S. Sellers if the failure to obtain our stockholders approval shall have been caused by the action or failure to act by U.S. Sellers and such action or failure constitutes a material breach by U.S. Sellers.

The U.S. Sale Agreement provides that we will pay U.S. Buyer a termination fee of $3,080,000 plus fees and expenses incurred in connection with the transactions contemplated by the U.S. Sale Agreementif it is terminated under certain conditions.

Deregistration of CellStar Common Stock (page 81)

If the U.S. Sale is completed, the Company intends to immediately file a Form 15 with the SEC to voluntarily deregister our Common Stock under the Exchange Act. Upon the filing of the Form 15, our obligation to file certain reports with the SEC, including Forms 10-K, 10-Q, and 8-K, will immediately be suspended. We anticipate that our Common Stock will continue to be traded on the over-the-counter (OTC) market and be quoted in the Pink Sheets® upon completion of the U.S. Sale, but we cannot assure you that our Common Stock will continue to be traded and quoted in this manner.

Proposal Two: The Mexico Sale

The Mexico Sale Agreement

On December 18, 2006, we entered into the Mexico Sale Agreement with Mexico Buyers pursuant to which we will, subject to certain conditions, including approval by our stockholders at the Special Meeting, sell to Mexico Buyers all of the shares of stock of the Acquired Companies which conduct ourMexico operations. As consideration for this sale, unless Mexico Buyers elect the Alternate Transaction (as hereinafter defined) and give three days notice of such election to Mexico Sellers, Mexico Buyers will pay us between $20,000,000 and $22,000,000 in cash, based on the 2007 operating performance of the operations up to the closing date, for substantially all of CellStar s Mexico operations. If, however, Mexico Buyers elect the Alternate Transaction and give three days notice of such election to Mexico Sellers, CellStar will receive $13,000,000 for the CII Series B Shares, which represent 51% of the corporate capital of CII, upon consummation of the Mexico Sale. The Mexico Sale Agreement is attached to this proxy statement as *Annex B*. We encourage you to read the Mexico Sale Agreement in its entirety, as it is the legal document that governs the proposed Mexico Sale.

Approval of the Mexico Sale by the Company s stockholders is not required under the Delaware General Corporation Law (the ***DGCL***). However, our board of directors believes that, as a matter of good corporate governance, the Mexico Sale should not occur unless the Mexico Sale Agreement is approved by the affirmative vote of the holders of a majority of shares of the Company s Common Stock present in person or represented by proxy at the Special Meeting and entitled to vote. Consequently, the Company will not effect the Mexico Sale unless it is so approved.

Principal Parties under the Mexico Sale Agreement (page 38)

National Auto Center, Inc.
c/o CellStar Corporation
601 S. Royal Lane
Coppell, Texas 75019
Telephone: (972) 462-3530

NAC, a Delaware corporation and a wholly owned subsidiary of CellStar, was originally formed in 1981 to distribute and install automotive aftermarket products. In 1984, NAC began offering wireless communications products and services, and in 1989, NAC became an authorized distributor of Motorola wireless handsets in certain portions of the United States. NAC entered into similar arrangements with Motorola in the Latin American Region in 1991. NAC currently operates the Company s Miami-based Latin American operations, and owns approximately 1% of the outstanding shares of the Acquired Companies.

Audiomex Export Corp.
c/o CellStar Corporation
601 S. Royal Lane
Coppell, Texas 75019
Telephone: (972) 462-3530

Audiomex is a Texas corporation which acts as the U.S. holding company for the Company s Mexico operations. Audiomex is wholly owned by NAC and is an indirect, wholly owned subsidiary of CellStar. Audiomex owns approximately 99% of the shares of the Acquired Companies.

Soluciones Inalámbricas, S.A. de C.V.
Colonia Barrio del Niño Jesus
Coyoacán, Mexico, D.F.

Soluciones is a Mexican corporation and its affiliates are retail distributors of wireless devices in Mexico with distribution centers located throughout Mexico. In April 2005, the Company s subsidiary in Mexico, Celular Express, invested in CII, a joint venture with Soluciones and its individual partners. CII provides handset distribution and activation services for Radio Movil Dipsa S.A. de C.V. (***Telcel***), the largest cellular phone company in Mexico, through department stores, pharmacies, supermarkets and convenience stores in Mexico. Celular Express owns 51% of CII and the remaining 49% is owned by the individual partners of Soluciones. CII also provides logistic services including procurement, inventory management and customized packaging, fulfillment and activation services in Mexico. Its principal executive offices are located at Alberto Zamora No. 110, Colonia Barrio del Niño Jesus, 04020, Coyoacán, México, D.F.

Prestadora de Servicios en Administración y Recursos Humanos, S.A. de C.V.
Alberto Zamora No. 110
Colonia Barrio del Niño Jesus
Coyoacán, Mexico, D.F.

Prestadora, a Mexican corporation and a wholly owned subsidiary of Soluciones, is an entity with no significant activity. Its principal executive offices are located at Alberto Zamora No. 110, Colonia Barrio del Niño Jesus, 04020, Coyoacán, México, D.F.

Purchase Price under Mexico Sale Agreement (page 83)

Upon consummation of the Mexico Sale, unless Mexico Buyers elect the Alternate Transaction (as hereinafter defined) and give three days notice of such election to Mexico Sellers, CellStar will receive between $20,000,000 and $22,000,000 in cash, based on the 2007 operating performance of the Mexico operations up to the closing date, for substantially all of CellStar s Mexico operations. If, however, Mexico Buyers elect the Alternate Transaction and give three days notice of such election to Mexico Sellers, upon consummation of the Mexico Sale, CellStar will receive $13,000,000 and Soluciones will receive the CII Series B Shares, which represent 51% of the corporate capital of CII. In such event, CellStar would retain ownership of the stock of Celular Express, Celular Express Management, and CellStar Mexico.

Description of Mexican Operations to be Sold under Mexico Sale Agreement (page 83)

Unless Mexico Buyers give three business days notice prior to the closing date of the Mexico Sale that they elect the Alternate Transaction, we have agreed to sell to Mexico Buyers substantially all of the Company s Mexico operations, which we will refer to as the ***Stock Sale***, including (i) all of the outstanding shares of the Company s Mexican subsidiaries, including Celular Express interest in a joint venture with certain individuals who own Series A Stock in CII, in exchange for a payment of $8,000,000, and (ii) CellStar International Corporation/SA s (***CIC/SA***) accounts receivable from CellStar Mexico for $12,000,000. Upon three business days prior notice to Mexico Sellers, Mexico Buyers may elect not to consummate the Stock Sale described above and, instead, Soluciones will purchase from Celular Express the CII Series B Stock representing 51% of the corporate capital of CII, which we will refer to as the ***Alternate Transaction***, in exchange for a payment of $13,000,000.

Representations and Warranties under the Mexico Sale Agreement (page 83)

In the Mexico Sale Agreement, Mexico Sellers make certain representations and warranties to Mexico Buyers and, subject to certain limitations, Mexico Sellers have agreed to indemnify Mexico Buyers for any breach of the representations and warranties. These representations and warranties include, but are not limited to, the following:

- due organization, valid existence, good standing and qualification to do business;
- title to all of the issued and outstanding shares of stock of the Acquired Companies;
- no claims pending or threatened against Mexico Sellers, CellStar Mexico or the Acquired Companies before or by any governmental authority or any third party that threatens or challenges the validity of the Mexico Sale Agreement, any agreement or document to be delivered in connection therewith or any action taken or to be taken by Mexico Sellers, CellStar Mexico or the Acquired Companies in connection with, or which seeks to enjoin or obtain monetary damages in respect of, the consummation of the transactions contemplated by the Mexico Sale Agreement;
- no event that has had or would reasonably be expected to have a material adverse effect on CellStar Mexico and/or the Acquired Companies, taken as a whole, or to materially delay the consummation of the transactions contemplated by the Mexico Sale Agreement has occurred; and
- ownership and title to the Purchased Assets and the absence of any liens or encumbrances on any of the Purchased Assets.

In the Mexico Sale Agreement, Mexico Buyers make certain representations and warranties to Mexico Sellers and, subject to certain limitations, Mexico Buyers have agreed to indemnify Mexico Sellers for any breach of the representations and warranties. These representations and warranties include, but are not limited to the following:

- due organization, valid existence and good standing;
- authority, approvals, validity and enforceability of the U.S. Sale Agreement and the transactions contemplated thereby; and
- no agreement or actions taken which will cause any person or entity to become entitled to a broker s fee or commission as a result of the Mexico Sale.

Conduct of Business Pending the Mexico Sale (page 85)

Under the Mexico Sale Agreement, we have agreed that prior to the closing of the Mexico Sale, we will continue the business of the Acquired Companies, CellStar Mexico and CII according to recent historical business practices. Except for certain exceptions that are specifically provided for in the Mexico Sale Agreement, the Sellers will not have any continuing obligations to Mexico Sellers, the Acquired Companies, CellStar Mexico or CII after the closing.

Conditions to Closing to the Mexico Sale (page 85)

The Mexico Sale is subject to the satisfaction or waiver of various conditions, including those listed below.

The Mexico Sellers are not obligated to consummate the Stock Sale unless the following conditions are satisfied or waived:

- the written approval of secured lenders to Mexico Sellers permitting the transfer of stock to Mexico Buyers and releasing any rights they may have to such stock;
- the release and termination of any and all guarantees issued by CellStar and CellStar, Ltd. for the benefit of the Acquired Companies, CellStar Mexico, CII, and any of their subsidiaries or affiliates;
- the delivery by Mexico Buyers to Mexico Sellers of a $13 million letter of credit (delivered to the Company on December 18, 2006), which is payable to Celular Express in the event Mexico Buyers default in their obligation to pay the Mexico Sale consideration or the Alternate Transaction consideration;
- the delivery to Mexico Sellers and CellStar of a mutual release, executed by Mexico Buyers, the Acquired Companies, CellStar Mexico and CII; and
- payment of the consideration for the Stock Sale.

The Mexico Buyers are not obligated to consummate the Stock Sale unless the following conditions are satisfied or waived:

- Mexico Buyers have performed satisfactory financial, accounting and legal due diligence on CellStar Mexico and the Acquired Companies;
- Mexico Buyers have received satisfactory evidence, certifying that the net working capital of the Acquired Companies and CellStar Mexico on a consolidated basis is at least $10,000,000 as of the closing date;

- the Acquired Companies and CellStar Mexico have been managed and operated as of the date of the Mexico Sale Agreement and as of the closing date of the Mexico Sale in the ordinary course of their respective businesses and in accordance with sound commercial and financial practices;

- no preliminary or permanent injunction or other order of any governmental authority of competent jurisdiction restraining or prohibiting the consummation of the transactions contemplated by the Mexico Sale Agreement are in effect; and

- Mexico Sellers have delivered properly endorsed stock certificates for the Acquired Companies.

If as a consequence of their due diligence process, Mexico Buyers decide not to consummate the Stock Sale, then the Alternate Transaction will be consummated pursuant to which Soluciones will acquire from Celular Express the CII Series B Shares upon and subject to the satisfaction or waiver by Soluciones of the following conditions:

- Celular Express has delivered to Mexico Buyers a written assignment to CII of its contract with Radiomovil Dipsa, S.A. de C.V granting to CII good and marketable title to the rights and obligations derived from such agreement;

- Celular Express has assigned certain tangible personal property and leases to CII; and

- Celular Express has received the Alternate Transaction consideration.

Indemnification under Mexico Sale Agreement (page 88)

Mexico Sellers have agreed, subject to certain limitations, to indemnify and hold harmless Mexico Buyers, the Acquired Companies, CellStar Mexico (the ***Buyer Indemnified Parties***) and their respective representatives, stockholders, controlling persons, and Affiliates, from and against any loss, liability, claim damage, expense (including costs of investigation and defense and reasonable attorneys fees) arising, directly or indirectly, from or in connection with:

- any breach of any representation or warranty (other than those which do not survive the closing of the Mexico Sale) made by either Mexico Seller in the Mexico Sale Agreement or any other document delivered by either Mexico Seller pursuant to the Mexico Sale Agreement; or any breach by either Mexico Seller of any of its covenants or obligations under the Mexico Sale Agreement.

Additionally, Mexico Sellers, jointly and severally, shall indemnify Buyer Indemnified Parties for, and will pay to the amount of damages arising from, any taxes owing by Mexico Sellers to any governmental body.

The Buyer Indemnified Parties sole remedy in respect of an indemnity claim against Mexico Sellers is to withhold payments to Celular Express and Audiomex of certain calendar year 2007 profits of CII and Celular Express.

Termination of the Mexico Sale Agreement; Termination Fees (page 88)

The Mexico Sale Agreement may be terminated at any time prior to the closing date of the Mexico Sale:

- by mutual written consent of Mexico Buyers and Mexico Sellers;

- by Mexico Buyers or Mexico Sellers if (i) the closing shall not have been consummated by March 31, 2007, *provided*, *however*, that the right to terminate the Mexico Sale Agreement is not available to any party whose failure to fulfill any obligation under the Mexico Sale Agreement has been the cause of the failure of the closing date to occur on or before such date or (ii) a court of competent jurisdiction or governmental, regulatory or administrative agency or commission has taken any action permanently prohibiting the transactions contemplated by the Mexico Sale

Agreement;

- by Mexico Buyers, if Mexico Buyers are not in material breach of any of their representations, warranties, covenants and agreements under the Mexico Sale Agreement and there has been a breach of any representation, warranty, covenant or agreement contained in the Mexico Sale Agreement on the part of Mexico Sellers and Mexico Sellers are not using their reasonable best efforts to cure such breach within ten business days after receipt of notice of such breach, if such breach may be cured;

- by Mexico Sellers, if Mexico Sellers are not in material breach of any of their representations, warranties, covenants and agreements under the Mexico Sale Agreement and there has been a material breach of any representation, warranty, covenant or agreement contained in the Mexico Sale Agreement on the part of Mexico Buyers and Mexico Buyers are not using their reasonable efforts to cure such breach within ten business days, after receipt of notice of such breach, if such breach may be cured; and

- by Mexico Sellers or Mexico Buyers, if our board of directors approves or recommends for shareholder approval any other transaction regarding the assets and property that are the subject of the Mexico Sale Agreement.

The Mexico Sale Agreement provides that we will pay toMexico Buyers the sum of $600,000, plus Mexico Buyers costs and expenses (including reasonable attorney s fees and expenses) up to an additional $200,000 incurred in connection with the Mexico Sale Agreement in the event that the Mexico Sale Agreementis terminated because our board approves or recommends for stockholder approval any transaction other than the transaction described in the Mexico Sale Agreement.

Proposal Three: The Plan of Dissolution

Events Preceding Consummation of the Plan of Dissolution

If the U.S. Sale is completed, the Company intends to immediately deregister its Common Stock under the Exchange Act. Approximately 60 days after the closing, the Company intends to pay a dividend of $1.00 per share under the circumstances described in the next paragraph.

General

Upon stockholder approval of the U.S. Sale and the Mexico Sale, consummation of the U.S. Sale and the Mexico Sale in accordance with their terms, stockholder approval of the Plan of Dissolution, and consummation of the Plan of Dissolution in accordance with its terms, we anticipate that the stockholders of the Company will receive distributions (which may include dividends as well as liquidating distributions) in an aggregate amount between $2.91 and $3.25 per share of Common Stock, to be made as follows: a dividend of $1.00 per Common Share paid approximately 60 days after closing the U. S. and Mexico Sales and liquidating distributions of substantially all of the remaining available cash in one or more payments beginning approximately [ ] months after closing. Although we intend to make distributions to our stockholders as promptly as possible, the amount and timing of the distributions are subject to uncertainties and depend on the resolution of contingencies, including the SEC investigation described on page 108 of this proxy statement. No distribution will be made until the SEC investigation is resolved, and there can be no assurance of when resolution of the SEC investigation will occur or what the outcome will be. Furthermore, we cannot assure you that available cash and amounts received from the sale of our assets will be adequate to provide for the Company s obligations, liabilities, expenses and claims. Consequently, no assurance can be given that any amounts will be paid to stockholders, or will be paid when anticipated. See Proposal Three The Plan of Dissolution Factors to be Considered by Stockholders in Deciding Whether to Approve the Plan of Dissolution beginning on page 108. Under the terms of the U.S. Sale Agreement, no liquidating distributions will be made until seven months after the closing of the U.S. Sale, but dividends may be paid prior to that time under certain circumstances.

Summary of the Plan of Dissolution

The Plan of Dissolution provides that the board of directors will liquidate the Company s assets in accordance with any applicable provision of the DGCL, including Sections 280 or 281. Without limiting the flexibility of the board of directors, the board of directors may, at its option and following the dissolution of the Company pursuant to Section 275 of the DGCL, cause the Company to follow the procedures set forth in Sections 280 and 281(a) of the DGCL which provide for the Company to: (i) give notice of the dissolution to all persons having a claim against the Company and publish such notice; (ii) offer to any claimant on a contract whose claim is contingent, conditional or unmatured security in an amount the Company determines is sufficient to provide compensation to the claimant if the claim matures; (iii) petition the Delaware Court of Chancery to determine the amount and form of security which would be reasonably likely to be sufficient to provide compensation for (A) any claim against the Company which is the subject of pending action, suit or proceeding to which the Company is a party other than a claim barred pursuant to Section 280(a), (B) any claimant on a contract whose claim is contingent, conditional or unmatured who has rejected the Company s offer of security and (C) claims that have not been made known to the Company or that have not arisen at the time of dissolution, but that, based on facts known to the Company, are likely to arise or become known to the Company within five years after the date of dissolution or such longer period of time as the Delaware Court of Chancery may determine not to exceed ten years after the date of dissolution (in respect of any such proceeding, the Court may appoint a guardian ad litem to protect the interests of unknown future claimants); (iv) pay all claims made against the Company and not rejected; (v) post all security offered and not rejected and all security ordered by the Delaware Court of Chancery in accordance with Section 280 of the DGCL; and (vi) pay or make provision for all other claims that are mature, known and uncontested or finally determined to be owing by the Company.

Notwithstanding the foregoing, the Company shall not be required to follow the procedures described in Section 280 of the DGCL, and the adoption of the Plan of Dissolution by the Company s stockholders shall constitute full and complete authority for the board of directors and the officers of the Company, without further stockholder action, to proceed with the dissolution and liquidation of the Company in accordance with Section 281(b) of the DGCL, which requires the adoption by the board of directors of a plan of distribution pursuant to which the Company shall pay or make reasonable provision to pay all claims and obligations, including all contingent, conditional or unmatured claims known to the Company, make such provision as will be reasonably likely to be sufficient to provide compensation for any claim against the Company that is the subject of a pending action, suit or proceeding to which the Company is a party, and make such provision as is reasonably likely to be sufficient to provide compensation for claims that have not been made known to the Company or that have not arisen but that, based on facts known to the Company are likely to arise or to become known to the Company within ten years after the date of dissolution. If there are insufficient assets, the plan must provide that such claims and obligations shall be paid or provided for according to their priority and, among claims of equal priority, ratably to the extent of assets legally available therefor. Any remaining assets shall be distributed to stockholders.

In a dissolution under Section 281(b), the Company may, from time to time, make liquidating distributions of the remaining funds and unsold assets of the Company, if any, in cash or in kind, to the holders of record of Common Stock at the close of business on the dissolution date. Such liquidating distributions, if any, will be made to the holders of Common Stock on a pro rata basis; all determinations as to the time for and the amount and kind of distributions will be made by the board of directors in its absolute discretion and in accordance with Section 281 of the DGCL.

As part of our Plan of Dissolution, we are obligated to pay, or make provision for the payment of, our expenses and our fixed and contingent liabilities. While CellStar intends to pay or reserve funds for payment to all creditors and to otherwise endeavor to assure that all claims are paid or provided for, there is a possibility, despite CellStar s best estimates, that the amounts reserved for payments to creditors will turn out to be inadequate. Under the DGCL, a stockholder could be held personally liable to our creditors for any deficiency, to the extent of such stockholder s previous distributions from us in dissolution, if we fail to make adequate provision for the payment of our expenses and liabilities. Moreover, if a stockholder has paid taxes on distributions previously received by the stockholder, a repayment of all or a portion of the prior distribution could result in a stockholder incurring a net tax cost if the stockholder s repayment of an amount previously distributed does not cause a commensurate reduction in taxes payable by that stockholder. If we fail to create an adequate contingency reserve for payment of our expenses and liabilities, our stockholders could be held liable for payment to our creditors for amounts owed to creditors in excess of the contingency reserve, up to the amount actually distributed to such stockholder. While the possibility of the occurrences set forth above cannot totally be excluded, after a review of its assets and liabilities the Company believes that the contingency reserve will be adequate and that a return of amounts previously distributed will not be required.

Relationship to Sale Proposals

The implementation of the Plan of Dissolution is conditioned upon stockholder approval and consummation of the U.S. Sale. If the U.S. Sale is consummated, but the Mexico Sale is not, the Company will implement the Plan of Dissolution, and will seek to dispose of, or curtail, its Mexico operations as part of the plan.

The U.S. and Mexico Sales are not conditioned upon approval of the Plan of Dissolution. If our stockholders do not approve the Plan of Dissolution, we will complete each of the U.S. and Mexico Sales, or either of them, if they are approved by our stockholders and the other conditions to closing are met. In that case, we will have transferred substantially all of our operating assets and will have no means to generate significant revenue. We will use the proceeds of the U.S. and Mexico Sales, as well as our other cash, to pay ongoing operating expenses. We will retain only those employees required to maintain our corporate existence and manage our remaining affairs. We do not intend to invest in another operating business.

The Plan of Dissolution is attached to this proxy statement as *Annex C*. We encourage you to read the Plan of Dissolution in its entirety, as it is the legal document that governs the proposed liquidation and dissolution of the Company.

Proposal Four*: *Amendment to the Certificate of Incorporation to Change the Company s Name

Pursuant to the terms of the U.S. Sale Agreement, we have agreed to sell our intellectual property to U.S. Buyer, and have agreed to change our corporate name as a result. Our board of directors proposes to change our corporate name to [ ] if the U.S. Sale Agreement and the transactions contemplated thereby are consummated. If the proposed name change is approved, we must amend our Certificate of Incorporation to change our name. By voting to approve the amendment to the Certificate of Incorporation, stockholders will authorize the board of directors to amend the Certificate of Incorporation to change our name if the U.S. Sale Agreement and the transactions contemplated thereby are consummated. If the U.S. Sale Agreement and the transactions contemplated thereby are not approved or consummated, the amendment to the Certificate of Incorporation to change our name will not be filed and our name will not be changed. Approval of the proposed amendment to the Certificate of Incorporation to change our name requires the affirmative vote of the holders of a majority of the issued and outstanding shares of our Common Stock. The full text of the amendment if approved as proposed will be substantially in the form attached hereto as *Annex D*. We encourage you to read the amendment in its entirety, as it is the legal document that will effect the proposed name change.

Interests of CellStar s Management and Directors in the U.S. Sale (page 67)

When considering the recommendation of the board of directors with respect to the U.S. Sale Agreement and the transactions contemplated by the U.S. Sale Agreement, stockholders should be aware that some directors and executive officers of CellStar may have interests in the transactions contemplated by the U.S. Sale Agreement that may be different from, or in addition to, their interests as stockholders and the interests of CellStar stockholders. CellStar s board of directors was aware of these arrangements during its deliberations on the merits of the transactions set forth in this proxy statement, and in deciding to recommend that you vote for the approval of the U.S. Sale Agreement at the Special Meeting. These interests include, among others:

- payments under employment agreements or other agreements upon a change of control; and
- accelerated vesting of CellStar restricted stock following a change of control.

Market Prices and Dividend Data (page 32)

Our Common Stock is currently traded on the over-the-counter (OTC) market under the symbol CLST and is quoted on the Pink Sheets.® On December 18, 2006, the last full trading day before the public announcement of the transactions, the closing sale price for our Common Stock was $3.45 per share, and on [ ], 2007, the latest practicable trading day before the printing of this proxy statement, the closing sale price for our Common Stock was $[ ] per share.

Material United States Federal Income Tax Consequences of the U.S. Sale and the Mexico Sale (page 126)

The following is a summary of certain United States federal income tax consequences from the U.S. and Mexico Sales. This discussion does not address any tax consequences arising under the laws of any state, local, or foreign jurisdiction.

The sale of assets by CellStar pursuant to the U.S. Sale Agreement and the Mexico Sale Agreement will be a taxable transaction for United States federal income tax purposes. Accordingly, CellStar will recognize a gain with respect to the sale of assets pursuant to the U.S. Sale Agreement and a loss with respect to the Mexico Sale Agreement in an amount equal to the difference between the amount of the consideration received for each asset over the adjusted tax basis in the asset sold. The amount of consideration will include the amount of liabilities assumed, for United States federal income tax purposes, by U.S. Buyer in the U.S. Sale. Although the U.S. and Mexico Sales will result in a net taxable gain to CellStar, we believe that a substantial portion of the taxable gain will be offset by current year losses from operations and available net operating loss carry forwards.

Material United States Federal Income Tax Consequences of the Dissolution (page 125)

The following discussion is a general summary of the material federal income tax consequences of the Plan of Dissolution to the Company and its stockholders, but does not purport to be a complete analysis of all the potential tax effects. The discussion addresses neither the tax consequences that may be relevant to particular categories of investors subject to special treatment under certain federal income tax laws (such as dealers in securities, banks, insurance companies, tax-exempt organizations, and foreign individuals and entities) nor any tax consequences arising under the laws of any state, local or foreign jurisdiction. The discussion is based upon the Code, Treasury Regulations, IRS rulings and judicial decisions now in effect, all of which are subject to change at any time; any such changes may be applied retroactively. The following discussion has no binding effect on the IRS or the courts and assumes that the Company will liquidate substantially in accordance with the Plan of Dissolution. Distributions pursuant to the Plan of Dissolution may occur at various times and in more than one tax year. No assurances can be given that the tax treatment described herein will remain unchanged at the time of such distributions. No ruling has been requested from the IRS with respect to the anticipated tax treatment of the Plan of Dissolution, and the

Company will not seek an opinion of counsel with respect to the anticipated tax treatment. The failure to obtain a ruling from the IRS or an opinion of counsel results in less certainty that the anticipated tax treatment summarized herein will be obtained. There can be no assurance that the distributions made pursuant to the Plan of Dissolution will be treated as liquidating distributions. If any of the conclusions stated herein proves to be incorrect, the result could be increased taxation at the Company and/or stockholder level, thus reducing the benefit to the stockholders from the liquidation.

Tax Consequences of the Dissolution to the Company

After the approval of the Plan of Dissolution and until the liquidation is complete, the Company will continue to be subject to tax on its taxable income. The Company will generally recognize income, gain or loss on sales of its property or collection of claims pursuant to the Plan of Dissolution. Upon any distribution of property to stockholders, the Company will generally recognize gain or loss as if such property was being sold to the stockholders at its fair market value. If it were determined that distributions made pursuant to the Plan of Dissolution were not liquidating distributions, the Company may not be able to recognize loss with respect to distributions of depreciated property to the stockholders.

Tax Consequences of the Dissolution to Stockholders

As a result of the liquidation of the Company, a stockholder will recognize gain or loss equal to the difference between (i) the sum of the amount of cash and the fair market value of any property distributed to such stockholder, and (ii) such stockholder s tax basis for his or her shares of Common Stock. A stockholder s tax basis in his or her shares will depend upon various factors, including the stockholder s cost and the amount and nature of any distributions received with respect thereto. A stockholder s gain or loss will be computed on a per share basis. The Company may, from time to time, make liquidating distributions of the remaining funds and unsold assets of the Company, if any, in cash or in kind, to the holders of record of Common Stock at the close of business on the dissolution date. However, the Company could make more than one liquidating distribution, each of which will be allocated proportionately to each share of Common Stock owned by a stockholder. The value of each liquidating distribution will be applied against and reduce a stockholder s tax basis in his or her shares of Common Stock. Gain will be recognized by reason of a liquidating distribution only to the extent that the aggregate value of such distributions received by a stockholder with respect to a share exceeds his or her tax basis for that share. Any loss will generally be recognized only when the final distribution from the Company has been received and then only if the aggregate value of the liquidating distributions with respect to a share is less than the stockholder s tax basis for that share. Gain or loss recognized by a stockholder will generally be treated as capital gain or loss provided the shares are held as capital assets. Such gain or loss will be subject to tax at the short-term or long-term capital gain tax rate, depending on the period for which such shares are held by the stockholder. If it were to be determined, however, that distributions made pursuant to the Plan of Dissolution were not liquidating distributions, the result could be treatment of certain distributions as dividends, which may be taxable at favorable rates under certain circumstances for individuals and, in the case of corporate holders, may be subject to a dividends received deduction. Dividends may not, however, be offset by capital losses. The Company will provide stockholders and the IRS with a statement each year of the amount of cash and the fair market value of any property distributed to the stockholders during that year, at such time and in such manner as required by the Treasury Regulations.

Tax Consequences of the Dividend to Stockholders

Dividends received by non-corporate stockholders of the Company generally will be taxed at a maximum rate of 15%, subject to certain holding-period requirements. Dividends received by corporate stockholders of the Company generally will be taxed at ordinary corporate income tax rates and will qualify for the dividends-received deduction, subject to certain holding-period requirements.

Recommendation of our Board of Directors (page 35)

After careful consideration, the board of directors unanimously recommends that you vote:

- FOR the proposal to approve the U.S. Sale Agreement;
- FOR the proposal to approve the Mexico Sale Agreement;
- FOR the proposal to approve the Plan of Dissolution;
- FOR the proposal to approve amendment of our Certificate of Incorporation to change the Company s name; and
- FOR the proposal to adjourn or postpone the Special Meeting, if necessary or appropriate, to solicit additional proxies if sufficient votes in favor of approval of the above proposals have not been received at the time of the Special Meeting.

Opinions of our Financial Advisors Regarding the Fairness of the U.S. and Mexico Sales (page 90)

Raymond James & Associates, Inc.(page 90)

Our board of directors retained Raymond James & Associates, Inc. (***Raymond James***)to act as our financial advisor in connection with a review and analysis of our potential strategic alternatives, including the U.S. Sale and the Mexico Sale. As part of the engagement, Raymond James was asked to determine whether, in its view, the consideration we are to receive from U.S. Buyer in connection with the U.S. Sale, and the consideration we are to receive from Mexico Buyers in connection with the Mexico Sale, is fair, from a financial point of view, to the Company. The full text of the written opinions of Raymond James relating to the U.S. Sale and Mexico Sale, which are dated December 18, 2006, and December 17, 2006, respectively, and set forth the assumptions made, procedures followed, matters considered, and limitations on the review undertaken in connection with such opinions, are attached as *Annex E* and *Annex F*, respectively, to this proxy statement. We encourage you to read these opinions carefully in their entirety. Raymond James opinions were provided to our board of directors in connection with its evaluation of the transaction and does not address any other aspect of the proposed U.S. or Mexico Sales and does not constitute a recommendation as to how any holder of CellStar Common Stock should vote with respect to the U.S. or Mexico Sales.

Southwest Securities, Inc. (page 101)

Our board of directors retained Southwest Securities, Inc. (***Southwest Securities***) on November 15, 2006, to act as one of our financial advisors in connection with a review and analysis of the U.S. Sale and the Mexico Sale. As part of the engagement, Southwest Securities was asked to determine whether, in its view, the consideration we are to receive from U.S. Buyer in connection with the U.S. Sale, and the consideration we are to receive from Mexico Buyers in connection with the Mexico Sale, is fair, from a financial point of view, to the Company. The full text of the written opinions of Southwest Securities relating to the U.S. Sale and Mexico Sale, which are dated December 18, 2006 and December 17, 2006, respectively, and set forth the assumptions made, procedures followed, matters considered, and limitations on the review undertaken in connection with such opinions, are attached as *Annex G* and *Annex H*, respectively, to this proxy statement. We encourage you to read these opinions carefully in their entirety. Southwest Securities opinions were provided to our board of directors in connection with its evaluation of the purchase price, do not address any other aspect of the proposed U.S. or Mexico Sales and do not constitute a recommendation as to how any holder of CellStar Common Stock should vote with respect to the U.S. or Mexico Sales.

Security Ownership of Management (page 129)

As of the close of business on the record date for the Special Meeting, directors and executive officers of CellStar and their affiliates beneficially owned and were entitled to vote approximately [ ] shares of CellStar Common Stock, collectively representing [ ]% of the shares of CellStar Common Stock outstanding on that date.

The Special Meeting of CellStar s Stockholders (page 33)

Date, Time and Place. A Special Meeting of our stockholders will be held on [ ] [ ],2007, at [ ] [a.m./p.m.], Dallas, Texas Time, at [ ], [ ], Dallas, Texas,[ ] to:

- consider and vote upon the proposal to approve the U.S. Sale Agreement;
- consider and vote upon the proposal to approve the Mexico Sale Agreement;
- consider and vote upon the Plan of Dissolution;
- consider and vote upon the proposal to approve the amendment of our Certificate of Incorporation to change the Company s name; and
- consider and vote upon the proposal to adjourn or postpone the Special Meeting, if necessary or appropriate, to solicit additional proxies if sufficient votes in favor of approval of the above proposals have not been received at the time of the Special Meeting.

Record Date; Outstanding Shares; Shares Entitled to Vote. The record date for the Special Meeting of CellStar stockholders is [ ] [ ], 2007. This means that you must have been a stockholder of record of CellStar s Common Stock at the close of business on [ ] [ ], 2007, in order to be entitled to vote at the Special Meeting. You are entitled to one vote for each share of Common Stock you own.

Vote Required. The approval of the U.S. Sale Agreement, the Plan of Dissolution, and the proposal to amend our Certificate of Incorporation requires the affirmative vote by the holders of a majority of CellStar s outstanding Common Stock. Approval of the Mexico Sale Agreement and the proposal to adjourn or postpone the Special Meeting, if necessary or appropriate to solicit additional proxies, each requires approval by the holders of a majority of shares of Common Stock present in person or represented by proxy at the Special Meeting and entitled to vote.

Regulatory Matters

The U.S. Sale is subject to review by the United States Federal Trade Commission and the Antitrust Division of the United Stated Department of Justice under the HSR Act which requires CellStar and Brightpoint to make notification filings prior to the transaction and to await the expiration or early termination of the statutory waiting period prior to completing the transaction. These filings were made on January 5, 2007 and, if early termination is not granted sooner, the waiting period under the HSR Act expires on February 6, 2007.

Absence of Appraisal Rights For CellStar Stockholders (page 89)

Holders of our Common Stock are not entitled to appraisal rights in connection with the proposed sales or the proposed liquidation and dissolution under the DGCL, our Certificate of Incorporation or our Amended and Restated Bylaws.

QUESTIONS AND ANSWERS ABOUT THE PROPOSALS

The following questions and answers briefly address some commonly asked questions about the Special Meeting and the proposals. They may not include all of the information that is important to you. We urge you to carefully read this entire proxy statement, including the annexes and the other documents to which we have referred you.

Q: What are the proposed transactions for which I am being asked to vote at the Special Meeting?

A: 1. To approve the U.S. Sale Agreement providing for, among other things, (i) U.S. Buyer s purchase of substantially all of the Company s United States and Miami-based Latin American operations and (ii) U.S. Buyer s assumption of certain liabilities related to those operations;

2. To approve the Mexico Sale Agreement providing, among other things, the sale of all of CellStar s Mexico operations;

3. To approve the Plan of Dissolution, including the complete liquidation and dissolution of CellStar after the completion of the U.S. Sale and the Mexico Sale;

4. To approve the proposal to amend our Certificate of Incorporation to change the Company s name to [ ], effective upon the consummation of the transactions contemplated by the U.S. Sale Agreement; and

5. To approve adjournments or postponements of the Company s Special Meeting, if necessary or appropriate to solicit additional proxies if sufficient votes in favor of approval of the above proposals have not been received at the time of the Special Meeting.

Q: What will happen if the U.S. Sale Agreement and the Mexico Sale Agreement are approved by our stockholders?

A: If the U.S. Sale Agreement and the Mexico Sale Agreement are approved by our stockholders, we will (i) sell substantially all of the assets of our United States and Miami-based Latin American operations to U.S. Buyer under the terms of the U.S. Sale Agreement, as more fully described in this proxy statement, and (ii) sell the Company s Mexico operations to Mexico Buyersunder the terms of the Mexico Sale Agreement, as more fully described in this proxy statement.

Q: What will happen if the Plan of Dissolution is approved by our stockholders?

A: If the Plan of Dissolution is approved, we intend to file a certificate of dissolution with the Delaware Secretary of State to dissolve CellStar as a legal entity as soon as we may do so pursuant to the U.S. Sale Agreement, which is seven months after the closing of the U.S. Sale. As soon as the U.S. and Mexico Sales close, we would take all steps necessary to reduce our operating expenses so that the focus of our operations would be to wind up the remaining operations of the Company. We would hold the cash proceeds of the U.S. and Mexico Sales and all of our other cash to fund the satisfaction of our obligations, our ongoing operating expenses and make distributions to our stockholders of any available proceeds following the resolution of the SEC investigation as promptly as possible. See Proposal Three The Plan of Dissolution Factors to be Considered by Stockholders in Deciding Whether to Approve the Plan of Dissolution beginning on page 108 and Principal Provisions of the Plan of Dissolution beginning on page 114.

Q: What will happen if the proposal to amend our Certificate of Incorporation to change the Company s name is approved by our stockholders?

A: If the proposal to amend our Certificate of Incorporation to change the Company s name is approved by the stockholders, an amendment to our Certificate of Incorporation, in the form attached to this proxy statement as *Annex D*, will be filed with the Secretary of State of the State of Delaware and our corporate name will change to [ ] upon the acceptance of such filing by the Secretary of State of the State of Delaware. If, however, the U.S. Sale Agreement is not approved, the amendment to the Certificate of Incorporation will not be filed.

Q: What will happen between the closing of the U.S. and Mexico Sales and the dissolution of CellStar?

A: Immediately after the closing, the Company intends to deregister its Common Stock under the Exchange Act. In addition, the Company intends to pay a dividend of $1.00 per share of Common Stock approximately 60 days after the closing under the circumstances described in the answers to the next two questions.

Q: How much will be distributed to me if the U.S. and Mexico Sales and the Plan of Dissolution are approved and consummated?

A: Upon stockholder approval of the U.S. Sale and the Mexico Sale, consummation of the U.S. Sale and the Mexico Sale in accordance with their terms, stockholder approval of the Plan of Dissolution, and consummation of the Plan of Dissolution in accordance with its terms, we anticipate that the stockholders of the Company will receive cash distributions (which may include dividends as well as liquidating distributions) in an aggregate amount between $2.91 and $3.25 per share of Common Stock, to be made as follows: a dividend of $1.00 per Common Share paid approximately 60 days after closing the U. S. and Mexico Sales and liquidating distributions of substantially all of the remaining available cash beginning approximately [ ] months after closing.

Q: What are the risks that I will receive less than the $2.91 to $3.25 per share of Common Stock, or receive nothing at all?

A: Although we intend to make distributions to our stockholders as promptly as possible, the amount and timing of the distributions are subject to uncertainties and depend on the resolution of contingencies, including the SEC investigation described on page 108 of this proxy statement. No distribution will be made until the SEC investigation is resolved, and there can be no assurance of when resolution of the SEC investigation will occur or what the outcome will be. Furthermore, we cannot assure you that available cash and amounts received from the sale of our assets will be adequate to provide for the Company s obligations, liabilities, expenses and claims. Consequently, no assurance can be given that any amounts will be paid to stockholders, or will be paid when anticipated. See Proposal Three The Plan of Dissolution Factors to be Considered by Stockholders in Deciding Whether to Approve the Plan of Dissolution beginning on page 108. Under the terms of the U.S. Sale Agreement, no liquidating distributions will be made until seven months after the closing of the U.S. Sale, but dividends may be paid prior to that time under certain circumstances.

Q: How will I be taxed on any distributions?

A: In a liquidating distribution, you will recognize a gain or loss equal to the difference between the amount of cash distributed to you by the Company and the tax basis you have in your shares of Common Stock. The gain or loss will generally be treated as capital gain or loss provided you held the shares as a capital asset. Such gain or loss will be subject to tax at the short-term or long-term capital gain rate depending on the time period for which such shares were held by you. Taxation at the long-term capital gain rate requires that you held the shares more than one year. Dividends received by non-corporate stockholders of the Company generally will be taxed at a maximum rate of 15%, subject to certain holding-period requirements. Dividends received by corporate stockholders of the Company generally will be taxed at ordinary corporate income tax rates and will qualify for the dividends-received deduction, subject to certain holding-period requirements. See Material United States Federal Income Tax Consequences beginning on page 125.

Q: Why are management and the board of directors recommending that the Company sell substantially all of its assets in the U.S. and Mexico Sales?

A: In evaluating the U.S. and Mexico Sales and the Plan of Dissolution, the board of directors consulted with the Company s management, financial advisors and legal counsel. In concluding that the U.S. and Mexico Sales were advisable and in the best interests of the Company and our stockholders, the board of directors considered a variety of factors including, among others:

- the current and historical market prices of our common stock and that the range of $2.91 to $3.25 per share anticipated to be paid following the closing of the U.S. Sale and the Mexico Sale and the liquidation and dissolution of the Company preserves value for the stockholders relative to the potential risks to the Company of continuing to operate as a going concern;

- the continued weakness of our balance sheet and our inability to expend or attract significant amounts of capital in order to grow our business, despite our return to profitability for the first, second and third quarters of fiscal 2006;

- the Company s significant dependency on vendor credit lines and the ability to factor receivables for our working capital needs;

- our limited ability to raise additional equity without significant dilution to our stockholders and impairing the tax benefit of our ability to use our net operating losses;

- the increasing competitive pressures we face, including pressures resulting from the continued consolidation of our customer base, and management s belief that these pressures were likely to continue to increase due to the likelihood of further consolidation in the wireless industry as well as the increasing competitive pressures we face in Mexico;

- the loss of significant customers in fiscal 2005 and fiscal 2006 and the risk of losing other significant customers in the future given the high concentration of our revenues among a few large customers;

- after conducting an extensive review of our financial condition, results of operations and business and revenue prospects, the determination of management and the board of directors that continuing to operate independently was not reasonably likely to create greater value for our stockholders over the next 12 to 18 months, and the belief that the Company could not continue its operations in Mexico if the U.S. and Miami operations were divested and could not continue its operations in the U.S. and Miami if the Mexico operations were divested, unless additional capital was raised, which management and the board believed would be highly dilutive to stockholders and profitable related businesses were acquired, which we had no assurance could be accomplished;

- our belief that, after evaluating various strategic alternatives and conducting an extensive review of our financial condition, results of operations and business and revenue prospects, continuing to operate independently was not reasonably likely to create greater value for our stockholders as compared to the value obtained for the stockholders pursuant to the U.S. Sale Agreement and the Mexico Sale Agreement;

- the fact that the U.S. Sale Agreement is subject to the approval of the holders of a majority of the outstanding shares of our Common Stock; and

- the fact that the Mexico Sale Agreement is subject to the approval of the holders of a majority of shares of Common Stock represented in person or represented by proxy at the Special Meeting and entitled to vote.

For a more detailed description of the factors that the board of directors considered in concluding that the U.S. and Mexico Sales were advisable and in the best interests of the Company and our stockholders, see Reasons for the U.S. and Mexico Sales and the Plan of Dissolution beginning on page 48.

Q: What are the risks that CellStar will not receive the entire amount of the sale proceeds from the U.S. and Mexico Sales?

A: If U.S. Sellers or Mexico Sellers breach certain of their representations, warranties, or covenants under the U.S. Sale Agreement or the Mexico Sale Agreement, they may owe damages to U.S. Buyer or Mexico Buyer, as the case may be. The amount of any damages U.S. Sellers pay to U.S. Buyer, whether out of the escrow account or otherwise, or Mexico Sellers pay to Mexico Buyer would reduce the amount of proceeds that could be distributed to stockholders. In addition, under the Mexico Sale Agreement, Mexico Sellers agreed to indemnify Mexico Buyers for certain tax liabilities, the payment of which would reduce proceeds available to be distributed to stockholders. Certain representations and warranties in the U. S. Sale Agreement terminate six months after the closing, and certain representations and warranties terminate upon the earlier of two years after the closing or the liquidation or dissolution of CellStar. U.S. Sellers total liability to U.S. Buyer is limited to $17,600,000, except for actual fraud, intentional misrepresentation, or CellStar s breach of its covenant not to liquidate or dissolve until seven months after the closing. Under the Mexico Sale Agreement, certain representations, warranties, and covenants terminate 150 days after the closing. Mexico Buyer s sole remedy for breaches by Mexico Sellers is to withhold payments to Celular Express of certain calendar year 2007 profits of CII and Celular Express, which are currently estimated to be $700,000.

Q: What will happen if the stockholders fail to approve one or both of the transactions?

A: *If our stockholders approve the U.S. Sale Agreement but do not approve the Mexico Sale Agreement.*

The Company does not believe that operating Mexico by itself is a viable alternative for the Company because the Mexico operations alone would not provide the Company with adequate scope and scale to remain a major distributor, the Company would have financial difficulty remaining a publicly traded entity, given the costs of compliance with SEC and Sarbanes-Oxley requirements and the Company would be operating in only one region with significant customer concentration, thereby increasing the adverse impact of the loss of any of those customers. Therefore, the Company would either need to find another acceptable sale transaction for Mexico, or liquidate those assets and distribute any remaining proceeds to stockholders, assuming the Plan of Dissolution is approved by stockholders at the Special Meeting. Alternatively, the Company could use the proceeds from the U.S. Sale to pay off existing debt and then begin to look to acquire additional profitable businesses. There can be no assurance that the Company would be able to consummate such acquisitions.

Management and the Company s board of directors also believe that it may be necessary to immediately reduce corporate overhead and institute cost cutting measures throughout the remaining business. The board and management believe that the Company may need to deregister its Common Stock under the Exchange Act, reduce corporate staff, and take additional cost measures to right size the remaining operations. We cannot assure you that these actions would be sufficient to allow us to continue to operate as a going concern without the U.S. and Miami operations.

A. *If our stockholders approve the Mexico Sale Agreement but do not approve the U.S. Sale Agreement.*

In this event, the Company will be left with the challenges to its business described above under Reasons for the U.S. and Mexico Sales and the Plan of Dissolution beginning on page 48.

To close the Mexico Sale without the proceeds from the U.S. Sale, the Company would be required to obtain consents from its lenders acceptable to the Company. We cannot assure you that such consents could be obtained. If consents on acceptable terms were obtained, management believes that it may have to use the proceeds from the Mexico Sale to pay down some of its existing debt, which would reduce interest expense going forward; however, the Company would lose the on-going income stream from the Mexico operations. This would also result in a greater concentration of the Company s revenues from a smaller group of customers in only two regions, thereby increasing the adverse impact of the loss of any of those customers.

The Company believes that it would require additional capital in order to (i) acquire complementary businesses as necessary to obtain the required scope and scale to maintain its position as a major distributor and logistics provider and necessary for the Company to remain competitive in its industry, and (ii) make necessary investments in its business, particularly in IT systems, to allow the Company s distribution business to better compete. The Company believes that obtaining additional capital could be highly dilutive to existing stockholders. There can be no assurance that the Company would be able to obtain such additional capital on satisfactory terms, if at all. There can also be no assurance that the Company would be able to consummate such complementary acquisitions.

Management and the board of directors believe that it may also be necessary to immediately reduce the costs associated with being a public company by deregistering its Common Stock under the Exchange Act, thereby eliminating its obligations to file most of the reports it is currently required to file with the SEC and reducing the Company corporate overhead.

If our stockholders do not approve either the U. S. Sale Agreement or the Mexico Sale Agreement.

In the event our stockholders do not approve either the U. S. Sale Agreement or the Mexico Sale Agreement, the Company will be left with the challenges to its business described above under Reasons for the U.S. and Mexico Sales and the Plan of Dissolution beginning on page 48.

The Company believes that it would require additional capital in order to (i) acquire complementary businesses as necessary to obtain the required scope and scale to maintain its position as a major distributor and logistics provider and necessary for the Company to remain competitive in its industry, and (ii) make necessary investments in its business, particularly in IT systems, to allow the Company s distribution business to better compete. The Company believes that obtaining additional capital could be highly dilutive to existing stockholders. There can be no assurance that the Company would be able to obtain such additional capital on satisfactory terms, if at all. There can also be no assurance that the Company would be able to consummate such complementary acquisitions.

Management and the board of directors believe that it may also be necessary to immediately reduce the costs of being a public company by deregistering its Common Stock under the Exchange Act.

Q: What will happen if the U.S. and Mexico Sales are approved and the Plan of Dissolution is not approved?

A: If our stockholders do not approve the Plan of Dissolution, we will still complete the U.S. and Mexico Sales if they are approved by our stockholders and the other conditions to closing are met. In that case, we will have transferred substantially all of our operating assets to U.S. Buyer and Mexico Buyers and will have minimal operations to generate revenue. With few assets with which to generate revenues and no Plan of Dissolution approved, we would use the cash received from the U.S. and Mexico Sales, as well as our other cash, to, instead of making distributions to stockholders, pay ongoing operating expenses. We would have no material business or operations after the U.S. and Mexico Sales, and will have retained only those employees required to maintain our corporate existence. We have also agreed not to compete with U.S. Buyer for a period of two years following the close of the U.S. Sale. We do not intend to invest in another operating business.

Q: What payments will be made to the board of directors and management if the U.S. Sale or the Mexico Sale is consummated?

A: If the U.S. Sale is consummated, our Chairman of the Board, Chief Executive Officer and other executive officers will receive payments under employment agreements and, in some cases, continued employee benefits. In addition, all of our directors and executive officers have been issued shares of restricted stock, which vest pursuant to their terms upon a change of control. See Interests of CellStar s Management and Directors in the U.S. Sale beginning on page 67. No payments will be owed and no accelerated vesting will occur if the Mexico Sale is consummated but the U.S. Sale is not.

Q: Who will be responsible for managing the Company and protecting the stockholders interests after the closing of the U.S. and Mexico Sales?

A: The Company anticipates that it will either retain [ ] officers to wind up the Company s affairs or hire an independent third party to do so.

Q: Is the Plan of Dissolution conditioned upon the completion of the U.S. and Mexico Sales?

A: The Plan of Dissolution is conditioned upon completion of the U.S. Sale but not the Mexico Sale. If the U.S. Sale is not approved by our stockholders or otherwise not consummated, we will not dissolve and liquidate the Company.

Q: Are the U.S. and Mexico Sales conditioned upon the Plan of Dissolution being approved?

A: No. The U.S. and Mexico Sales are not conditioned upon Plan of Dissolution being approved.

Q: What will happen if the proposal to amend our Certificate of Incorporation to change the Company s name is not approved by our stockholders?

A: If the proposal to amend our Certificate of Incorporation to change the Company s name is not approved by our stockholders, it will be a breach of the U.S. Sale Agreement and U.S. Buyer may have the right to refuse to close the U.S. Sale.

Q: When is the U.S. Sale expected to be completed?

A: If the U.S. Sale Agreement is approved at the Special Meeting, we expect to complete the U.S. Sale as soon as practicable after all of the conditions in the U.S. Sale Agreement have been satisfied or waived. CellStar and U.S. Buyer are working toward satisfying the conditions to closing and completing the U.S. Sale as soon as reasonably possible. We expect to be able to complete the U.S. Sale by the end of March, but no later than May 31, 2007.

Q: When is the Mexico Sale expected to be completed?

A: If the Mexico Sale Agreement is approved at the Special Meeting, we expect to complete the Mexico Sale as soon as practicable after all of the conditions in the Mexico Sale Agreement have been satisfied or waived. CellStar and Mexico Buyers are working toward satisfying the conditions to closing and completing the Mexico Sale as soon as reasonably possible. We expect to be able to complete the Mexico Sale by the end of March, but no later than May 31, 2007.

Q: When will stockholders receive any payment from our liquidation?

A: Upon stockholder approval of the U.S. Sale and the Mexico Sale, consummation of the U.S. Sale and the Mexico Sale in accordance with their terms, stockholder approval of the Plan of Dissolution, and consummation of the Plan of Dissolution in accordance with its terms, we anticipate that the stockholders of the Company will receive distributions (which may include dividends as well as liquidating distributions) in an aggregate amount between $2.91 and $3.25 per share of Common Stock, to be made as follows: a dividend of $1.00 per Common Share paid approximately 60 days after closing the U. S. and Mexico Sales, and a liquidating distribution of substantially all of the remaining available cash approximately [ ] months after closing. Although we intend to make distributions to our stockholders as promptly as possible, the amount and timing of the distributions are subject to uncertainties and depend on the resolution of contingencies, including the SEC investigation described on page 108 of this proxy statement. No distribution will be made until the SEC investigation is resolved, and there can be no assurance of when resolution will occur or what the outcome will be. Furthermore, we cannot assure you that available cash and amounts received from the sale of our assets will be adequate to provide for the Company s obligations, liabilities, expenses and claims. Consequently, no assurance can be given that any amounts will be paid to stockholders, or will be paid when anticipated. See Proposal Three The Plan of Dissolution Factors to be

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Considered by Stockholders in Deciding Whether to Approve the Plan of Dissolution beginning on page 108. Under the terms of the U.S. Sale Agreement, no liquidating distributions will be made until seven months after the closing of the U.S. Sale, but dividends may be paid prior to that time under certain circumstances.

Q: Does the Plan of Dissolution involve any risk of liability to our stockholders?

A: As part of our Plan of Dissolution, we are obligated to pay, or make provision for the payment of, our expenses and our fixed and contingent liabilities. While CellStar intends to pay or reserve funds for payment to all creditors and to otherwise endeavor to assure that all claims are paid or provided for, there is a possibility, despite CellStar s best estimates, that the amounts reserved for payments to creditors will turn out to be inadequate. Under Delaware law, a stockholder could be held personally liable to our creditors for any deficiency, to the extent of such stockholder s previous distributions from us in dissolution, if we fail to make adequate provision for the payment of our expenses and liabilities. Moreover, if a stockholder has paid taxes on distributions previously received by the stockholder, a repayment of all or a portion of the prior distribution could result in a stockholder incurring a net tax cost if the stockholder s repayment of an amount previously distributed does not cause a commensurate reduction in taxes payable by that stockholder. See The Plan of Dissolution Factors to be Considered by Stockholders in Deciding Whether to Approve the Plan of Dissolution beginning on page 108. If we fail to create an adequate contingency reserve for payment of our expenses and liabilities, our stockholders could be held liable for payment to our creditors for amounts owed to creditors in excess of the contingency reserve, up to the amount actually distributed to such stockholder upon dissolution. While the possibility of the occurrences set forth above cannot totally be excluded, after a review of its assets and liabilities the Company believes that the contingency reserve will be adequate and that a return of amounts previously distributed will not be required. See Proposal Three The Plan of Dissolution Contingent Liabilities; Contingency Reserve beginning on page 107.

Q: When is the amendment of our Certificate of Incorporation to change the Company s name expected to be completed?

A: The amendment of our Certificate of Incorporation to change the Company s name is expected to be completed upon the consummation of the U.S. Sale.

Q. What do I need to do now?

A. We urge you to carefully read this proxy statement, including its annexes and the other documents we refer to in this proxy statement, and consider how the proposals affect you. Then mail your completed, dated and signed proxy card in the enclosed return envelope as soon as possible so that your shares can be voted at the Special Meeting of our stockholders. **Please do not send your stock certificates with your proxy card.**

Q: How does the board recommend that I vote on the proposals?

A: The board of directors unanimously recommends that you vote FOR the proposals to approve the U.S. Sale Agreement, the Mexico Sale Agreement and the Plan of Dissolution, to amend the Company s Certificate of Incorporation, and to adjourn the Special Meeting if necessary or appropriate.

Q: What vote is required to approve the proposals?

A: Once a quorum has been established, the proposals to approve the U.S. Sale Agreement, the Plan of Dissolution, and the amendment to the Company s Certificate of Incorporation require the affirmative vote of the holders of a majority of CellStar s outstanding Common Stock. The Mexico Sale Agreement and the proposal to adjourn or postpone the Special Meeting must be approved by

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the affirmative vote of the holders of a majority of shares of Common Stock represented in person or represented by proxy at the Special Meeting and entitled to vote. If your shares are held in street name, your broker will vote your shares for you only if you provide instructions to your broker on how to vote your shares. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Your broker cannot vote your shares of CellStar Common Stock without specific instructions from you. If you fail to return your proxy card and do not vote in person at the Special Meeting, your shares will effectively be counted as a vote AGAINST approval of the U.S. Sale Agreement, the Plan of Dissolution, and the amendment of our Certificate of Incorporation, and will not be counted for purposes of determining whether a quorum is present at the Special Meeting, for purposes of the vote to approve the Mexico Sale Agreement or for purposes of the vote to adjourn or postpone the Special Meeting, if necessary or appropriate, to solicit additional proxies.

Q. Where and when is the Special Meeting of stockholders?

A. The Special Meeting of stockholders of CellStar will be held at [ ], [ ], Dallas, Texas [ ], on [ ], 2007, at [ ] [a.m./p.m.], Dallas time.

Q: Who is entitled to vote at the Special Meeting?

A: Only holders of record of our Common Stock as of the close of business on [ ] [ ], 2007, are entitled to notice of and to vote at the Special Meeting.

Q: How do I vote?

A: Sign and date each proxy card you receive and return it in the enclosed envelope prior to the Special Meeting. A stockholder may vote (i) shares that are held of record directly in the stockholder s name and (ii) shares held for the stockholder, as the beneficial owner, through a broker, bank or other nominee. At the meeting, each outstanding share of Common Stock will be entitled to one vote. Even if you plan to attend the Special Meeting in person, we urge you to complete, sign, date and return the enclosed proxy to ensure that your shares will be represented at the Special Meeting.

Q. What happens if I do not return my proxy card or attend the Special Meeting and vote in person?

A. The approval of the U.S. Sale Agreement, the Plan of Dissolution and the amendment to the Company s Certificate of Incorporation to change our name each requires the affirmative vote by the holders of a majority of the outstanding shares of CellStar s Common Stock. Therefore, if you do not return your proxy card or attend the Special Meeting and vote in person, it will have the same effect as if you voted AGAINST approval of these three proposals. Approval of the Mexico Sale Agreement and the proposal to adjourn or postpone the Special Meeting requires the affirmative vote by the holders of a majority of shares of Common Stock present in person or represented by proxy at the Special Meeting and entitled to vote. Therefore, if you do not return your proxy card or attend the Special Meeting and vote in person, it will have no effect on the approval of these two proposals.

Q: What happens if I abstain?

A: Proxies marked ABSTAIN will be counted as shares present for the purpose of determining the presence of a quorum, but for purposes of determining the outcome of the proposals to approve the U.S. Sale Agreement, the Mexico Sale Agreement, the Plan of Dissolution, the Amendment to our Certificate of Incorporation and the proposal to adjourn or postpone the Special Meeting, shares represented by such proxies will be treated as votes AGAINST those proposals.

Q: May I change my vote after I have voted?

A: Yes. You may change your proxy instructions at any time before your proxy is voted at the Special Meeting. Proxies may be revoked by taking any of the following actions:

- filing a written notice of revocation with our corporate secretary at our principal executive office (601 S. Royal Lane, Coppell, Texas 75019);

- filing a properly executed proxy showing a later date with our corporate secretary at our principal executive office; or

- attending the Special Meeting and voting in person (although attendance at the meeting will not, by itself, revoke a proxy).

Any written notice of revocation or subsequent proxy should be delivered to CellStar, 601 S. Royal Lane, Coppell, Texas, 75019, Attention: Secretary, or hand-delivered to Secretary at or before the taking of the vote at the Special Meeting.

If you have instructed a broker or bank to vote your shares, you must follow directions received from your broker or bank to change your vote.

Q. If my broker or bank holds my shares in street name, will my broker or bank vote my shares for me?

A. Your broker or bank will not be able to vote your shares without instructions from you. You should instruct your broker or bank to vote your shares following the procedure provided by your bank or broker. Without instructions, your shares will not be voted, which will have the same effect as if you voted AGAINST approval of all proposals.

Q: What does it mean if I get more than one proxy card?

A: If your shares are registered differently and are in more than one account, you will receive more than one proxy card. Sign and return all proxy cards to ensure that all your shares are voted.

Q. What happens if I sell my shares of CellStar Common Stock before the Special Meeting?

A. The record date for the Special Meeting is earlier than the date of the Special Meeting. If you transfer your shares of CellStar Common Stock after the record date but before the Special Meeting, you will retain your right to vote at the Special Meeting.

Q: How many shares were outstanding on the record date?

A: At the close of business on [ ], 2007 there were [ ] shares of Common Stock outstanding and entitled to vote.

Q: What is a quorum for purposes of the Special Meeting?

A: In order to conduct business at the Special Meeting, a quorum must be present. A quorum is a majority of the outstanding shares entitled to be voted. The shares may be present in person or represented by proxy at the Special Meeting. Both abstentions and broker nonvotes are counted as present for the purpose of determining the presence of a quorum.

Q: How was the purchase price for the U.S. Sale determined?

A: The purchase price for the assets of our United States and Miami-based Latin American operations proposed to be sold to U.S. Buyer was negotiated between representatives of CellStar and representatives of U.S. Buyer. We have received fairness opinions from our Financial Advisors concluding that the consideration to be received by us for the assets is fair, from a financial point of view, to CellStar. A copy of each fairness opinion from our Financial Advisors is included as *Annex E* and *Annex G* to this proxy statement.

Q: How was the purchase price for the Mexico Sale determined?

A: The purchase price for the Mexico operations proposed to be sold to Mexico Buyers was negotiated between representatives of CellStar and representatives of each of Mexico Buyers. We have received fairness opinions from our Financial Advisors concluding that the consideration to be received by us for the Mexico Sale is fair, from a financial point of view, to CellStar. A copy of each fairness opinion from our Financial Advisors is included as *Annex F* and *Annex H*, respectively, to this proxy statement.

Q: Am I entitled to appraisal rights in connection with the transactions?

A: No. Holders of our Common Stock are not entitled to appraisal rights in connection with the proposals to approve the U.S. Sale Agreement, the Mexico Sale Agreement, or the Plan of Dissolution under the DGCL, our Certificate of Incorporation or our Amended and Restated Bylaws.

Q. Who can help answer my questions?

A. If you would like additional copies, without charge, of this proxy statement or if you have questions about the transactions, including the procedures for voting your shares, you should contact:

CellStar Corporation
601 S. Royal Lane
Coppell, Texas 75019
(972) 462-3550
(800) 530-4664
Attn: Secretary

FORWARD-LOOKING INFORMATION

This proxy statement contains forward-looking statements, as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act, that are based on our current expectations, assumptions, beliefs, estimates and projections about our company and our industry. The forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as anticipate, believe, estimate, expect, intend, plan, project, should and variations of such words expressions.

We caution you that reliance on any forward-looking statement involves risks and uncertainties, and that although we believe that the assumptions on which our forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions could be incorrect. In light of these and other uncertainties, you should not conclude that we will necessarily achieve any plans and objectives or projected financial results referred to in any of the forward-looking statements. We do not undertake to update these forward-looking statements to reflect future events or circumstances. Factors that may affect those forward-looking statements include, among other things:

- the risk that the U.S. Sale may not be consummated in a timely manner, if at all;
- the risk that the Mexico Sale may not be consummated in a timely manner, if at all;
- the risk that the U.S. Sale Agreement may be terminated in circumstances which require us to pay U.S. Buyer a termination fee of $3,080,000 plus fees and expenses incurred by U.S. Buyer in connection with the transactions contemplated by the U.S. Sale Agreement;
- the risk that the Mexico Sale Agreement may be terminated in circumstances which require us to pay Mexico Buyers a termination fee of $600,000 and up to $200,000 in fees and expenses incurred by Mexico Buyers in connection with the transactions contemplated by the Mexico Sale Agreement;
- risks related to the uncertainty of the result of the review of the U.S. Sale by various regulatory agencies;
- risks related to the satisfaction of various conditions to the closing of the U.S. and Mexico Sales, including approval of the transactions by CellStar s stockholders;
- risks related to diverting management s attention from ongoing business operations;
- risks regarding employee retention;
- risks associated with the stockholders of the Company not receiving estimated liquidating distributions from the Plan of Dissolution; and
- other risks detailed in our current filings with the SEC, including our most recent filings on Form 10-K or Form 10-Q, which discuss these and other important risk factors concerning our operations.

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MARKET PRICES AND DIVIDEND DATA

Due to the Company s inability to timely file its Form 10-K for fiscal 2004 and Form 10-Q for the first quarter of 2005, the Company s Common Stock was delisted from the NASDAQ National Market effective with the opening of business on June 10, 2005. The Company s Common Stock is currently traded on the over-the-counter (OTC) market and is quoted on the Pink Sheets® under the symbol CLST.

The following table sets forth, on a per share basis, high and low prices for our Common Stock for each quarter of fiscal years 2005 and 2006. Prices through June 10, 2005, are the high and low closing sale prices as reported by NASDAQ. Prices beginning on June 10, 2005, are the high and low bid Quotations per share for our Common Stock as reported on the OTC market, as compiled by Pink Sheets LLC. Such bid quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

	High	Low
Fiscal Year ended November 30, 2007		
Quarter Ended:		
February 28, 2007	$ [ ]	[ ]
Fiscal Year ended November 30, 2006		
Quarter Ended:		
February 28, 2006	$ 3.25	1.90
May 31, 2006	5.05	2.35
August 31, 2006	3.10	2.46
November 30, 2006	4.11	2.80
Fiscal Year ended November 30, 2005		
Quarter Ended:		
February 28, 2005	$ 4.91	2.77
May 31, 2005	3.05	1.29
August 31, 2005 (June 1 June 9)	1.30	0.96
August 31, 2005 (June 10 August 31)	1.69	0.30
November 30, 2005	2.10	1.08

As of February [ ], 2007, there were [ ] stockholders of record, although we believe that the number of beneficial owners is significantly greater because a large number of shares are held of record by CEDE & Co.

The closing sale price per share of our Common Stock, as reported on the OTC on December 18, 2006, the last full trading day before the public announcement of the U.S. Sale, and on [ ], 2007, the latest practicable trading day before the printing of this proxy statement was $3.45 and $[ ], respectively.

Our policy has been to reinvest earnings to fund future growth. Accordingly, we have never paid cash dividends on our Common Stock. Except in limited circumstances, under the terms of our senior secured credit facility, we may not declare, pay or set aside cash dividends without the consent of the various parties thereto. Accordingly, except as contemplated in Proposal Three Plan of Dissolution, we do not anticipate paying cash dividends on our Common Stock in the foreseeable future.

If the Plan of Dissolution is approved and consummated, CellStar intends to close its stock transfer books on the date of dissolution and at such time cease recording stock transfers and issuing stock certificates (other than replacement certificates). Accordingly, it is expected that trading in the Company s shares will cease after the date of dissolution.

THE SPECIAL MEETING OF CELLSTAR S STOCKHOLDERS

The enclosed proxy is solicited on behalf of the board of directors of CellStar for use at the Special Meeting of stockholders or at any adjournment or postponement thereof.

Date, Time and Place

We will hold the Special Meeting on [ ], 2007, at [ ] [a.m./p.m.], Dallas, Texas time, at [,], Dallas, Texas [ ].

Purpose of the Special Meeting

At the Special Meeting, we will ask the holders of our Common Stock to (i) approve the U.S. Sale Agreement, (ii) approve the Mexico Sale Agreement, (iii) approve the Plan of Dissolution, (iv) approve the amendment of the Company s Certificate of Incorporation to change our corporate name, and, if there are not sufficient votes in favor of these proposals (i), (ii), (iii) and (iv), to adjourn or postpone the Special Meeting, if necessary and appropriate to a later date to solicit additional proxies in favor of approval of the U.S. Sale Agreement, the Mexico Sale Agreement, the Plan of Dissolution and the amendment of our Certificate of Incorporation to change the Company s name. We will also transact such other business as may properly come before the Special Meeting or any adjournment or postponement of the Special Meeting.

Record Date; Shares Entitled to Vote; Quorum

Only holders of record of our Common Stock at the close of business on [ ] [ ], 2007, the record date for the Special Meeting, are entitled to notice of, and to vote at, the Special Meeting. On the record date, [ ] shares of our Common Stock were issued and outstanding and held by approximately [ ] holders of record. Holders of record of our Common Stock on the record date are entitled to one vote per share at the Special Meeting on the proposal to approve the U.S. Sale Agreement, the proposal to approve the Mexico Sale Agreement, the proposal to approve the Plan of Dissolution, the proposal to amend our Certificate of Incorporation, and the proposal to adjourn or postpone the Special Meeting, if necessary or appropriate, to solicit additional proxies in favor of approval of the U.S. Sale Agreement, approval of the Mexico Sale Agreement, approval of the Plan of Dissolution and approval of the proposal to amend our Certificate of Incorporation to change the Company s name.

A quorum of stockholders is necessary to hold a valid Special Meeting. A quorum is present at the Special Meeting if a majority of the total shares outstanding of our Common Stock entitled to vote on the record date are present, in person or represented by proxy. In the event that a quorum is not present at the Special Meeting, it is expected that the Special Meeting will be adjourned or postponed to solicit additional proxies. For purposes of determining the presence or absence of a quorum, votes withheld, abstentions and broker non-votes (where a broker or nominee does not or cannot exercise discretionary authority to vote on a matter) will be counted as present.

Vote Required

The approval of the U.S. Sale Agreement, the Plan of Dissolution and the amendment to our Certificate of Incorporation each requires the affirmative vote by the holders of a majority of CellStar s outstanding Common Stock. If a CellStar stockholder does not vote, either in person or by proxy, it will count as a vote AGAINST the approval of each of those proposals. Approval of the Mexico Sale Agreement and the propsosal to adjourn or postpone the Special Meeting, if necessary or appropriate, to solicit additional proxies in favor of the other proposals, each requires the affirmative vote of the holders of a majority of shares of Common Stock present in person or represented by proxy at the Special Meeting and entitled to vote, provided a quorum is present at the Special Meeting.

Abstentions will count as a vote AGAINST all of the proposals. Each broker non-vote will also count as a vote AGAINST all of the proposals. Brokers holding stock for the accounts of their clients who have not given them specific voting instructions are not allowed to vote client proxies on the proposals.

Voting of Proxies

If your shares are registered in your name, you may vote by returning a signed proxy card or voting in person at the Special Meeting.

If you plan to attend the Special Meeting and wish to vote in person, you will be given a ballot at the Special Meeting. If your shares are registered in your name, you are encouraged to vote by proxy even if you plan to attend the Special Meeting in person.

Voting instructions are included on your proxy card. All shares represented by properly executed proxies received in time for the Special Meeting will be voted at the Special Meeting in accordance with the instructions of the stockholder. Properly executed proxies that do not contain voting instructions will be voted FOR the approval of the U.S. Sale Agreement, FOR the approval of the Mexico Sale Agreement, FOR the approval of the Plan of Dissolution, FOR the approval of the proposal to amend our Certificate of Incorporation, and FOR the proposal to adjourn or postpone the Special Meeting, if necessary or appropriate, to solicit additional proxies in favor of approval of the U.S. Sale Agreement, approval of the Mexico Sale Agreement, approval of the Plan of Dissolution, and approval of the proposal to amend our Certificate of Incorporation to change the Company s name.

If your shares are held in street name through a broker or bank, you may vote by completing and returning the voting form provided by your broker or bank. If you plan to attend the Special Meeting, you will need a proxy from your broker or bank in order to vote the shares. If you do not return your bank s or broker s voting form or attend the Special Meeting and vote in person with a proxy from your broker or bank, it will have the same effect as if you voted AGAINST approval of the U.S. Sale Agreement, approval of the Plan of Dissolution and approval of the proposal to amend our Certificate of Incorporation to change the Company s name.

We are soliciting proxies to grant discretionary authority to the persons named as proxies to adjourn the Special Meeting for the purpose of soliciting additional proxies in favor of Proposals 1, 2, 3 and 4. The individuals to whom proxies are granted will have discretion to decide whether or not to use the authority granted to them to adjourn the Special Meeting.

Revocability of Proxies

Any proxy you give pursuant to this solicitation may be revoked by you at any time before it is voted at the Special Meeting. If your shares are registered in your name, you may revoke your proxy in one of the three following ways:

First, you can deliver a written notice to the Secretary of CellStar bearing a date later than the proxy you delivered to CellStar stating that you would like to revoke your proxy.

Second, you can complete, execute and deliver to the Secretary of CellStar a new, later-dated proxy card for the same shares.

Third, you can attend the Special Meeting and vote in person. Your attendance at the Special Meeting alone will not revoke your proxy. Any written notice of revocation or subsequent proxy should be delivered to CellStar Corporation, 601 S. Royal Lane, Coppell, Texas 75019, Attention: Secretary, or hand-delivered to our Secretary at or before the taking of the vote at the Special Meeting.

If you have instructed a broker or bank to vote your shares, you must follow directions received from your broker or bank to change your vote.

Board of Directors Recommendations

At a meeting held on December 18, 2006, after careful consideration, our board of directors unanimously approved and declared advisable the U.S. Sale Agreement and the terms and conditions of the U.S. Sale anddetermined that the U.S. Sale Agreement and the terms and conditions of the U.S. Sale are fair to, and in the best interests of CellStar and its stockholders. **Our board of directors unanimously recommends that CellStar stockholders vote FOR the proposal to approve the U.S. Sale Agreement and also unanimously recommends that stockholders vote FOR the proposal to adjourn or postpone the Special Meeting, if necessary or appropriate, to permit the solicitation of additional proxies in favor of approval of the U.S. Sale Agreement.**

At a meeting held on December 16, 2006, after careful consideration, our board of directors unanimously approved and declared advisable the Mexico Sale Agreement and the terms and conditions of the Mexico Sale anddetermined that the Mexico Sale Agreement and the terms and conditions of the Mexico Sale are fair to, advisable and in the best interests of CellStar and its stockholders. **Our board of directors unanimously recommends that CellStar stockholders vote FOR the proposal to Mexico Sale Agreement and also unanimously recommends that stockholders vote FOR the proposal to adjourn or postpone the Special Meeting, if necessary or appropriate, to permit the solicitation of additional proxies in favor of approval of the Mexico Sale Agreement.**

At a meeting held on January 22, 2007, after careful consideration, our board of directors unanimously approved and declared advisable the liquidation and dissolution of the Company after the completion of the U.S. Sale anddetermined that the Plan of Dissolution is in the best interests of CellStar and its stockholders. **Our board of directors unanimously recommends that CellStar stockholders vote FOR the approval of the Plan of Dissolution and also unanimously recommends that stockholders vote FOR the proposal to adjourn or postpone the Special Meeting, if necessary or appropriate, to permit the solicitation of additional proxies in favor of approval of the Plan of Dissolution.**

At a meeting held on [ ], 2007, after careful consideration, our board of directors unanimously approved and declared advisable the amendment of the Company s Certificate of Incorporation to change the Company s name to [ ] after the completion of the U.S. Sale anddetermined that the amendment to the Company s Certificate of Incorporation to change the Company s name is in the best interests of CellStar and its stockholders. **Our board of directors unanimously recommends that CellStar stockholders vote FOR the approval of the proposal to amend our Certificate of Incorporation to change the Company s name to [ ] and also unanimously recommends that stockholders vote FOR the proposal to adjourn or postpone the Special Meeting, if necessary or appropriate, to permit the solicitation of additional proxies in favor of approval of amendment of the Company s Certificate of Incorporation to change the Company s name.**

Voting by CellStar Directors and Executive Officers

As of the record date for the Special Meeting, the directors and executive officers of CellStar as a group beneficially owned and were entitled to vote approximately [ ] shares of CellStar Common Stock, or approximately [ ]% of the aggregate voting power for all outstanding shares of CellStar s Common Stock. Each director and executive officer has indicated his or her present intention to vote, or cause to be voted, the shares of CellStar Common Stock owned by him or her FOR the approval of the U.S. Sale Agreement, FOR the approval of the Mexico Sale Agreement, FOR the approval of the Plan of Dissolution, FOR the approval of the proposal to amend our Certificate of Incorporation to change the Company s name, and FOR the proposal to adjourn or postpone the Special Meeting, if necessary or appropriate, to permit the solicitation of additional proxies in favor of approval of the U.S. Sale Agreement, approval of the Mexico Sale Agreement, approval of the Plan of Dissolution, and approval of the proposal to amend our Certificate of Incorporation to Change the Company s name.

Abstentions and Broker Non-Votes

Stockholders that abstain from voting on a particular matter and shares held in street name by brokers or nominees who indicate on their proxies that they do not have discretionary authority to vote such shares as to a particular matter will not be counted as votes in favor of such matter, but will be counted to determine whether a quorum is present at the Special Meeting and will be counted as voting power present at the Special Meeting. Abstentions and broker non-votes will have the effect of a vote AGAINST all proposals.

Solicitation of Proxies

The expense of soliciting proxies will be borne by CellStar. We have retained D.F. King & Co., Inc. (***D.F. King***), a proxy solicitation firm, to solicit proxies in connection with the Special Meeting at a cost of approximately $10,000 plus expenses. In addition, we may reimburse brokers, banks and other custodians, nominees and fiduciaries representing beneficial owners of shares for their expenses in forwarding soliciting materials to such beneficial owners. Proxies may also be solicited by certain of our directors, officers and employees personally or by telephone, facsimile or other means of communication. No additional compensation will be paid for such services.

Multiple Stockholders Sharing One Address

In accordance with Rule 14a-3(e)(1) under the Exchange Act, one proxy statement may be delivered to two or more stockholders who share an address, unless we have received contrary instructions from one or more of the stockholders. We will deliver promptly upon written or oral request a separate copy of the proxy statement to a stockholder at a shared address to which a single copy of the proxy statement was delivered. Requests for additional copies of the proxy statement, and requests that in the future separate proxy statements be sent to stockholders who share an address, should be directed to our Secretary, CellStar Corporation, 601 S. Royal Lane, Coppell, Texas 75019, or at telephone number (972) 462-3550 or (800) 530-4664. In addition, stockholders who share a single address but receive multiple copies of the proxy statement may request that in the future they receive a single copy by contacting us at the address and phone number set forth in the prior sentence.

Postponement or Adjournment of Meeting

Although it is not expected, the Special Meeting may be adjourned or postponed for the purpose of soliciting additional proxies or if a quorum is not present. CellStar s Amended and Restated Bylaws permit adjournment without notice other than an announcement of the new time and place of the re-convened Special Meeting as required by law by a majority vote of the shares entitled to vote at the Special Meeting that are present in person or represented by proxy and vote for or against the adjournment. In the event that there are insufficient shares represented in person or by proxy at the Special Meeting to constitute a quorum required for conduct of business at the Special Meeting, or to solicit additional proxies, the Special Meeting may be postponed or adjourned one or more times until a quorum is present or represented by proxy, or sufficient proxies have been solicited to (i) approve the U.S. Sale Agreement, (ii) approve the Mexico Sale Agreement, (iii) approve the Plan of Dissolution and (iv) approve the proposal to amend our Certificate of Incorporation to change the Company s name.

Stockholder List

A list of our stockholders entitled to vote at the Special Meeting will be available for examination by any CellStar stockholder at the Special Meeting. For ten days prior to the Special Meeting, this stockholder list will be available for inspection during ordinary business hours at our principal executive offices located at 601 S. Royal Lane, Coppell, Texas 75019.

PRINCIPAL PARTIES

CellStar Corporation

CellStar is a leading provider of innovative logistics services to the wireless communications industry, serving network operators, agents, resellers, dealers, and retailers. We provide best-in-class distribution services for competitively priced, quality products from leading manufacturers like Motorola, Kyocera, Sony-Ericsson, Nokia and others. Beyond handsets, CellStar offers a comprehensive line of OEM, aftermarket, and specialty designer brand accessories as well as broadband wireless solutions.

CellStar distributes product through a network of operations in North America and Latin America. Corporate and North American Region headquarters are located just minutes from Dallas/Fort Worth International Airport, and the Latin American Region headquarters are located in Miami, Florida.

Our principal executive offices are located 601 S. Royal Lane, Coppell, Texas 75019. Our telephone number is (972) 462-3530. Our website is located at *www.cellstar.com*. Additional information regarding CellStar is contained in our filings with the SEC. See Where You Can Find More Information beginning on page 130.

Brightpoint, Inc.

Brightpoint, Inc. is a guarantor of the payment and performance of U.S. Buyer under the U.S. Sale Agreement and the parent of 2601 Metropolis, Corp. Brightpoint, Inc. is a global leader in the distribution of wireless devices and accessories and provision of customized logistic services to the wireless industry including wireless network operators (also referred to as ***mobile operators***) and Mobile Virtual Network Operators (***MVNOs***) with operations centers and/or sales offices in various countries including Australia, Colombia, Finland, Germany, India, New Zealand, Norway, the Philippines, the Slovak Republic, Sweden, United Arab Emirates and the United States. Brightpoint provides logistic services including procurement, inventory management, software loading, kitting and customized packaging, fulfillment, credit services and receivables management, call center and activation services, website hosting, e-fulfillment solutions and other services within the global wireless industry. Brightpoint s customers include mobile operators, MVNOs, resellers, retailers and wireless equipment manufacturers. Brightpoint provides distribution and logistic services for wireless products manufactured by companies such as Audiovox, High Tech Computer Corp., Kyocera, LG Electronics, Motorola, Nokia, Samsung, Siemens and Sony Ericsson.

Brightpoint was incorporated under the laws of the State of Indiana in August 1989 under the name Wholesale Cellular USA, Inc. and reincorporated under the laws of the State of Delaware in March 1994. In September 1995, Brightpoint changed its name to Brightpoint, Inc. In June 2004, Brightpoint reincorporated under the laws of the State of Indiana under the name of Brightpoint, Inc.

Brightpoint s website is www.brightpoint.com. Brightpoint makes available, free of charge, at this website its Code of Business Conduct, annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after Brightpoint electronically files such material with, or furnishes it to, the SEC. The information on Brightpoint s website is not incorporated by reference in this proxy statement.

2601 Metropolis Corp.

2601 Metropolis Corp., an Indiana corporation and a wholly owned subsidiary of Brightpoint, was incorporated in 2006 solely for the purpose of entering into the U.S. Sale Agreement with CellStar and completing the U.S. Sale and has not conducted any business operations except as contemplated by the U.S. Sale Agreement. Its principal executive offices are located at 2601 Metropolis Parkway, Suite 210, Plainfield, Indiana 46168,and its telephone number is (317) 707-2355.

National Auto Center, Inc.

NAC, a Delaware corporation and a wholly owned subsidiary of CellStar, was originally formed in 1981 to distribute and install automotive aftermarket products. In 1984, NAC began offering wireless communications products and services, and in 1989, NAC became an authorized distributor of Motorola wireless handsets in certain portions of the United States. NAC entered into similar arrangements with Motorola in the Latin American Region in 1991. NAC currently operates the Company s Miami-based Latin American operations, and owns approximately 1% of the outstanding shares of the Acquired Companies.

Audiomex Export Corp.

Audiomex is a Texas corporation which acts as the U.S. holding company for the Company s Mexico operations. Audiomex is wholly owned by NAC and is an indirect, wholly owned subsidiary of CellStar. Audiomex owns approximately 99% of the shares of the Acquired Companies.

Soluciones Inalámbricas, S.A. de C.V.

Soluciones is a Mexican corporation and its affiliates are retail distributors of wireless devices in Mexico with distribution centers located throughout Mexico. In April 2005, the Company s subsidiary in Mexico, Celular Express, invested in a joint venture with Soluciones and its individual partners. The joint venture, which operates under the name Comunicacion Inalámbrica Inteligente, S.A. de C.V. (which we refer to in this proxy statement as ***CII***), provides handset distribution and activation services for Telcel, the largest cellular phone company in Mexico, through department stores, pharmacies, supermarkets and convenience stores in Mexico. Celular Express owns 51% of CII and the remaining 49% is owned by the individual partners of Soluciones. CII also provides logistic services including procurement, inventory management and customized packaging, fulfillment and activation services in Mexico. Its principal executive offices are located at Alberto Zamora No. 110, Colonia Barrio del Niño Jesus, 04020, Coyoacán, México, D.F.

Prestadora de Servicios en Administración y Recursos Humanos, S.A. de C.V.

Prestadora, a Mexican corporation and a wholly owned subsidiary of Soluciones, is an entity with no significant activity. Its principal executive offices are located at Alberto Zamora No. 110, Colonia Barrio del Niño Jesus, 04020, Coyoacán, México, D.F.

OVERVIEW

The Company has faced a number of issues over the past 24 months which have led to the determination by the board of directors that the proposed sales discussed below are advisable and in the best interest of our stockholders. The Board believes that these proposed transactions preserve value for our stockholders and protect stockholders against future potential declines to the stock price.

In early February 2005, concerns about the accuracy of our accounting for certain accounts receivable and revenue in the Company s operations in the People s Republic of China (the ***PRC***) were brought to management s attention. As a result, the Company delayed filing its Annual Report on Form 10-K for the fiscal year ended November 30, 2004 (the ***2004 Form 10-K***), and subsequent Quarterly Reports on Form 10-Q while these issues were reviewed by the Company and the Audit Committee of the Company s board of directors. Due to the Company s inability to timely file its 2004 Form 10-K and Form 10-Q for the first quarter of 2005, the Company s common stock was delisted from the Nasdaq National Market effective with the opening of business on June 10, 2005. As a result of the delisting, our common stock is currently traded on the over-the-counter market (OTC), and is quoted in the Pink Sheets®, which provide electronic quotation information.

In May 2005, corporate management concluded that prior period financial statements could not be relied upon and should be restated. In August 2005, the Audit Committee of the Company s board of directors finished its independent review of the PRC accounts receivable and revenue issues, finding certain accounting irregularities. Based upon management s review, as well as our evaluation of the Audit Committee s findings, we restated our previously reported financial results for the fiscal years 2000 to 2003 and for the quarters ended February 29, May 31, and August 31, 2004, and filed our fiscal 2004 Form 10-K on September 6, 2005, and our Form 10-Qs for the quarters ended February 28, May 31, and August 31, 2005, on October 11, 2005.

We believe the issues in the PRC and the related delay in filing the 2004 Form 10-K and subsequent Form 10-Qs negatively impacted the Company in fiscal 2005 and added significant risk to its long-term business prospects. As a result of the delay in filing the 2004 Form 10-K and the subsequent Form 10-Qs, the Company was forced to obtain waivers of default under its $85.0 million revolving credit facility (the ***Facility***). During the second half of 2005, we also experienced a tightening of credit by our vendors, including the Company s primary supplier Motorola, Inc. (***Motorola***), which adversely affected the Company s liquidity. As a result, the Company was forced to begin factoring a significant portion of its foreign accounts receivable to finance its operations, which reduced the Company s net income. Concerns over the financial viability of the Company made securing new customers in all regions more difficult, and strained the Company s management and financial resources. In addition, the Company was unable to make significant capital expenditures that could have improved its future business opportunities.

At the same time that the Company was experiencing financial issues, the industry in which the Company competes was changing. Through the middle to late 1990 s, the Company believes that a substantial portion of carrier activations in the U.S. came through independent agents and resellers of wireless products. Historically in the U.S., distributors of wireless handsets such as the Company provided manufacturers and carriers with a much needed distribution channel to reach these independent agents and resellers. Today, the number of activations done through independent channels such as these have decreased, and major carriers have limited the role of handset distributors such as the Company. Also, the emergence of national retailers as sellers of handsets has further limited the role of handset distributors, since most national retailers purchase their products directly from the manufacturers or carriers. The only remaining carriers who place significant reliance on handset distributors are rural carriers, which remain the Company s core business in the U.S. The rural carrier channel is also experiencing consolidation, however. Two of the largest rural carriers, which were also customers of the Company, Western Wireless and Midwest Wireless, were acquired in 2005 and 2006, respectively, and subsequently ceased buying products and services from the Company. The Company believes that industry consolidation in the U.S. will continue to occur. In Latin America, consolidation has also occurred, with both Telefonica Moviles and American Movil acquiring many smaller carriers that comprised the Company s customer base. This continued trend toward consolidation has increased competition among handset distributors and placed continued downward pressure on margins. In addition, as margins on handset sales continue to decrease, the Company believes that handset manufacturers may begin to sell directly to more customers, including some of the Company s customers in the rural carrier channel.

As a result, large U.S. handset distributors began expanding their operations geographically into new international markets and seeking new product and service lines to diversify their operations. Due to the Company s liquidity limitations, it does not have the financial or management resources to embark on an aggressive international expansion program or to pursue other business opportunities such as logistics services. In addition, the Company s attempts to expand its product lines have had only limited success. The Company s expansion into the insurance replacement business with lock/line LLC was successful for a period of time, with lock/line becoming the Company s largest customer in the U.S. However, lock/line completed its merger with Asurion Corporation in early 2006, and in April 2006 Asurion took in-house the business previously performed by the Company. The Company s efforts to launch new products and to add other manufacturers to its handset product list have not generated significant revenue.

The Company s customer base is also concentrated. For the nine months ended August 31, 2006, one customer accounted for approximately 24% of the Company s total U.S. revenues, excluding lock/line, one customer accounted for approximately 64% of the Company s total Miami revenues and one customer accounted for approximately 73% of the Company s Mexico revenues. As a result, the Company remains vulnerable to a significant and dramatic loss of revenues in the event it should lose any additional major customer.

Despite our return to profitability for the first, second and third quarters of fiscal 2006, the Company s loss of customers has negatively impacted the Company s profitability and ability to obtain additional financing. In addition to losing the lock/line business in 2006, the Company also lost several independent rural carrier customers when the Associated Carrier Group, LLC, a consortium of independent rural carriers, announced in April 2006 that it signed a preferred supplier agreement with Brightpoint.

The Company s attempts to refinance it debt have had limited success. At November 30, 2005, the Company had outstanding $12.4 million of Senior Notes, bearing interest at 12%, which were coming due in January 2007. The Senior Notes were issued as part of a troubled debt restructuring in 2002. With the assistance of Raymond James, the Company s financial advisor, the Company sought to refinance the Senior Notes during the first half of fiscal 2006, and approached a number of potential lenders. Most contacted, however, were unwilling to pursue the proposed refinancing due to the Company s financial and operational situation. An attempt to accomplish the refinancing through the Facility proved unsuccessful due to the inability of the lead bank to syndicate the debt. Ultimately, the Company was successful in closing the refinancing of the Senior Notes on August 31, 2006, but at a higher interest rate and on a fully secured basis.

These financial and operating issues have limited the Company s ability to address competitive pressures and to pursue new opportunities and were among the factors that have led our board of directors to conclude that the proposed sales discussed below are advisable and in the best interests of our stockholders.

BACKGROUND OF THE U.S. AND MEXICO SALES

We believe the issues in the PRC and the related delay in filing the 2004 Form 10-K and subsequent Form 10-Qs negatively impacted the Company in fiscal 2005. As a result of the delay in filing the 2004 Form 10-K and the subsequent Form 10-Qs, the Company was forced to obtain waivers of default under the Facility. The Company had no assurances that its lender would continue to grant such waivers. In May of 2005, our board of directors unanimously approved the engagement of Raymond James to act as our financial advisor and explore potential strategic alternatives for the Company, which included divesting the Asia operations, pursuing a financial transaction that would provide capital to the business, or pursuing a strategic transaction which could result in an ownership change. In June of 2005, the board of directors discussed various strategic options for the Company, including a proposal from Stanford Financial Group Company and Alan H. Goldfield, the Company s former Chairman and CEO. We believe that our inability to file the 2004 Form 10-K, which would have included audited financial statements for fiscal 2004, made a transaction with the Company unattractive to many investors who were not already familiar with and invested in the Company. Accordingly, Raymond James discussed potential transactions with some of the Company s large shareholders. On June 15, 2005, the board of directors authorized CellStar to execute a letter of intent with Stanford. Pursuant to the letter of intent, the Company was to sell $25 million in debentures to Stanford to increase the Company s liquidity.

After completing due diligence, Stanford notified the Company on July 11, 2005, that it was no longer interested in consummating the proposed transaction and that the letter of intent was terminated. On July 15, 2005, we entered into a non-disclosure agreement with a potential strategic buyer (the ***First Potential Strategic Buyer***) in order to begin discussions of a potential business combination. Mr. Robert Kaiser, our Chairman of the Board, Chief Executive Officer and President, had various informal meetings with the President and Chief Executive Officer of the First Potential Strategic Buyer from July of 2005 through May of 2006.

In August of 2005, the Company began negotiating with Mr. A.S. Horng, who was the Chairman and Chief Executive Officer of CellStar (Asia) Corporation Limited and effectively the head of the Company s Asia-Pacific Region, to purchase the Company s operations in the PRC and Hong Kong. On September 2, 2005, the Company sold its PRC and Hong Kong operations to Fine Day Holdings Limited, a company formed by Mr. Horng, for a total consideration of $12 million. In November 2005, the Company sold its operations in Taiwan, completing the exit of the Asia-Pacific Region.

By October of 2005, the Company was current in its Form 10-K and 10-Q filings. At an October 31, 2005, board of directors meeting, Mr. Kaiser presented an operating plan for each of the Company s operating units, discussing historical financial results, the proposed budget for 2006, and plans to reduce overhead through various means. Mr. Kaiser also discussed management s assessment of the risks and opportunities associated with each operating unit. Mr. Kaiser then presented management s recommendation to the board of directors that the Company proceed to execute the operating plan and then reassess the Company s performance at the end of the second quarter of 2006 to determine whether or not to continue operating according to the plan or to consider other alternatives that would be more advantageous to stockholders. At the same meeting, Raymond James presented its analysis of the Company s strategic alternatives for increasing stockholder value, including (i) maintenance of the current ownership structure and public status with an extension of the existing debt facilities, (ii) maintenance of the current ownership structure and public status with a refinancing and potential increase in debt, (iii) sale of one or both of the operating divisions to one or more strategic buyers, or (iv) sale of the entire company to one or more financial buyers. Raymond James discussed its analysis of each of these alternatives, noting a number of considerations that could materially impact future Company valuations. The board of directors discussed Raymond James analysis in detail, including potential strategic buyers identified by Raymond James. Following the discussion, the board of directors requested that Raymond James conduct high level discussions with Brightpoint, and that Mr. Kaiser renew discussions with the First Potential Strategic Buyer, to determine their respective levels of interest in a possible transaction.

In conjunction with Raymond James, the Company evaluated its ability to raise additional equity in an effort to reduce the amount of debt that it carried and to improve liquidity. The Company concluded that a public offering would not be possible because (i) of the Company s history of losses, (ii) its Common Stock was traded in the Pink Sheets®, and (iii) of the Company s competitive position. The Company also concluded that a private placement of equity would have been highly dilutive to the stockholders, if it could have been completed at all. Between October 2005 and December 2006, the Company did receive some informal indications of interest in an equity investment in the Company that confirmed that such an equity investment would be highly dilutive to the stockholders.

On November 21, 2005, we received an unsolicited offer related to our Latin American Region from a potential strategic buyer (the ***Second Potential Strategic Buyer***), offering to purchase all of the assets of the Company s Latin American business for $32 million and assuming certain specified liabilities. We declined the offer because at the time, the Company did not believe that selling individual business units was in the best interests of stockholders. Management was pursuing a consolidation plan and the board of directors had requested that the Company pursue informal discussions with Brightpoint and the First

Potential Strategic Buyer regarding possible transactions involving the sale or merger of the entire Company.

In December of 2005, Robert Laikin, Chief Executive Officer of Brightpoint, met with Mr. Kaiser and representatives of Raymond James in Indianapolis to discuss synergies between the companies and the possibility of the two companies completing a transaction. Following this initial meeting, Mr. Kaiser and Mr. Laikin agreed to continue discussions and on January 18, 2006, we entered into a confidentiality agreement with Brightpoint. Management met with Brightpoint again on January 26, 2006, in Texas and provided limited non-public information related to the Company at that time.

On January 26, 2006, the investment advisors for the Second Potential Strategic Buyer met with management and Raymond James in Texas and discussed publicly available information related to the Company. On February 21, 2006, Mr. Kaiser and Raymond James met with the Second Potential Strategic Buyer in Miami and again discussed publicly available information. Subsequent to that meeting, the parties determined that they wished to share further information, and entered into a non-disclosure agreement on March 9, 2006.

On February 14, 2006, we received a subpoena from the SEC requiring production of certain documents relating to our Asia-Pacific Region. The subpoena was issued in connection with a fact-finding inquiry under a formal order of investigation issued by the SEC. We began providing documentation to the SEC in response to this request.

On February 21, 2006, we received a non-binding proposal from Brightpoint to acquire for cash all of the outstanding shares of the Company for a price ranging between $2.50 to $3.00 per share. On March 2, 2006, the board of directors met to discuss the terms of the offer. Mr. Kaiser informed the board of directors that subsequent to the receipt of the letter from Brightpoint, a group of stockholders had filed a Schedule 13D with the SEC reporting an increase in holdings, and the Company s stock price was trading at an unusually high price. Mr. Kaiser reported that Brightpoint had indicated that it might rescind the offer and submit a new offer after the Company released first quarter earnings and the stock returned to its historical trading range. At the meeting of the board of directors, Mr. Kaiser also discussed conversations between Raymond James and the Second Potential Strategic Buyer. Mr. Kaiser also discussed renewed informal conversations he had with the principals of the Company s joint venture partners in Mexico, which include CII (the ***Mexican Joint Venture Partners***) regarding a possible purchase of the Company s Mexico operations.

At the meeting of the board of directors held on March 6, 2006, Mr. Kaiser presented the board of directors with a three-year plan for the Company in order to assist the board of directors in evaluating strategic alternatives. Because the Second Potential Strategic Buyer was proposing that Mr. Kaiser be part of management if the Second Strategic Buyer purchased the Company s Latin American business, the board of directors designated a special committee to work with Mr. Kaiser on strategic initiatives to avoid any potential conflicts of interest. The special committee was composed of Mr. Dale V. Kesler and Mr. J.L. Jackson.

On March 8, 2006, Brightpoint notified us in writing that it was rescinding the offer made on February 21, 2006 due to the impact of the 13D filing on our stock price, but that it wished to continue negotiations once we had announced our earnings for the fiscal quarter ended February 28, 2006.

On March 23 and 24, 2006, management met with the investment advisor for the Second Potential Strategic Buyer in Texas and provided limited non-public information related to the Company. On March 31, 2006, we received a non-binding proposal from the Second Potential Strategic Buyer to purchase the entire company for $2.15 per share.

On April 14, 2006, Mr. Kaiser again met with the Second Potential Strategic Buyer s investment advisor in Florida. At this meeting, the investment advisor indicated that the Second Potential Strategic Buyer would be willing to purchase the entire company for $2.50 per share. On April 27, 2006, we received a non-binding proposal from the Second Potential Strategic Buyer to purchase the entire company for a range of $2.75 to $3.15 per share.

The Company continued discussions with the First Potential Strategic Buyer. On May 4, 2006, the board of directors unanimously approved a proposed term sheet outlining a potential merger between the two parties. The board of directors directed Raymond James to present the term sheet to the First Potential Strategic Buyer for consideration. Following the meeting of the board of directors, Raymond James submitted the proposal to the First Potential Strategic Buyer, and provided an updated confidentiality agreement to be signed prior to commencing due diligence.

On April 27, 2006, representatives of Brightpoint and CellStar and their legal and financial advisors met in Texas to discuss the SEC investigation.

On May 8, 2006, the Company received a new offer letter from Brightpoint containing a non-binding proposal to acquire all of the outstanding shares of the Company for cash consideration between $2.50 and $3.25 per share, and requesting exclusivity for a minimum of 45 days.

On May 10, 2006, we entered into an updated confidentiality agreement with the First Potential Strategic Buyer that superseded the terms and conditions of the non-disclosure agreement entered into on July 15, 2005, and met with the First Potential Strategic Buyer to provide a limited due diligence review of the Asia issues that resulted in the SEC investigation. Following that review, the First Potential Strategic Buyer informed us that it was no longer interested in pursuing the transaction due to the uncertainties resulting from the SEC investigation.

At a meeting of the board of directors held on May 16, 2006, the board of directors examined the proposal from Brightpoint and discussed the status of discussions with the First and Second Potential Strategic Buyers. The board of directors and management questioned the ability of the Second Potential Strategic Buyer to finance the April 27, 2006 non-binding proposal and to consummate the proposed transaction due to its inexperience in mergers of this magnitude. The special committee reported to the full board of directors that it had several discussions with Raymond James and Mr. Kaiser related to the transactions, and that the special committee members were in agreement with proceeding with the Brightpoint transaction. The board of directors discussed the proposed transaction in detail, receiving input from management, Haynes and Boone, LLP, our outside legal counsel (***Haynes and Boone***) and representatives of Raymond James. Following the discussion, the board of directors authorized management to sign the exclusivity agreement with Brightpoint. Following this meeting, negotiations with the Second Potential Strategic Buyer were suspended pending the outcome of the Brightpoint negotiations.

On May 18, 2006, we executed the exclusivity agreement with Brightpoint, which restricted us through June 19, 2006, from soliciting any competing offers and from approving, recommending or discussing with any party any competing offer unless our board of directors determined that the offer would be reasonably likely to constitute a superior offer. Subsequent to the execution of the exclusivity agreement, Brightpoint provided us with a due diligence request and began further business, financial and legal due diligence on the Company. We provided documents responsive to the due diligence request.

On June 19, 2006, the exclusivity agreement with Brightpoint expired, and we contacted the Second Potential Strategic Buyer to determine if it still had an interest in the Company. The Second Potential Strategic Buyer indicated that it was interested in purchasing the Latin American operations only. Subsequent to this discussion, in late June, the Second Potential Strategic Buyer provided us with a due diligence request list and began further business, financial and legal due diligence on the Company. We provided documents responsive to the due diligence request.

As a result of its due diligence review, on June 27, 2006, we received a revised, non-binding proposal from Brightpoint, which changed the proposed transaction from an acquisition of the stock of the Company to a proposal to acquire only certain assets of the Company, specifically the stock of the Company s subsidiaries which conducted the operations in the United States, Miami and Chile for a purchase price of $90 million, subject to adjustment for net working capital, with 15% of the purchase price to be held in escrow for 12 months after the closing of the transaction. The revised proposal required CellStar to repay all outstanding indebtedness of the parent company and its subsidiaries, and to retain certain other liabilities. Brightpoint indicated that the reason for the change was due to its concern regarding possible liabilities which might arise primarily from the on-going SEC investigation and its lack of strategic interest in purchasing the Company s Mexico operations.

We also renewed discussions with Mexican Joint Venture Partners related to the purchase of the Mexico operations during this time. On July 3, 2006, Mexican Joint Venture Partners verbally indicated an interest in purchasing the Mexico operations for approximately $18 million.

On July 5, 2006, the Second Potential Strategic Buyer submitted a letter of intent to purchase all of the assets of our Latin American operations, which included Miami, Mexico and Chile, for a cash purchase price of $37 million, with 10% of the purchase price to be held in escrow.

On July 6, 2006, the board of directors met with management and Raymond James to discuss the revised offer from Brightpoint and the revised offer from the Second Potential Strategic Buyer. The board of directors discussed the complexities involved with the revised proposal from Brightpoint, including the need to complete a concurrent sale of our Mexico operations, the issues involved with distributing the proceeds from the sales to stockholders, and the tax implications of the distributions. The board of directors concluded that consummation of the Brightpoint transaction would require a simultaneous sale of the Mexico operations, as these operations were not capable of supporting the Company. Mr. Kaiser also informed the board of directors that he received a verbal offer from Mexican Joint Venture Partners to acquire the Mexico operations. After extensive discussion of the proposals, the board of directors directed a representative of Raymond James and Mr. Kaiser to schedule a meeting with Mr. Laikin to discuss the Brightpoint proposal and to determine whether the transaction could be restructured as an acquisition of CellStar Common Stock. Brightpoint subsequently confirmed that it was no longer interested in pursuing a stock transaction and would only be interested in pursuing the transaction outlined in its June 27, 2006 proposal.

On July 14, 2006, the board of directors met to review an extension of the exclusivity agreement with Brightpoint, which would be applicable only to the U.S. and Miami operations. Representatives from Raymond James, as well as Haynes and Boone, participated in the meeting via telephone. After an extensive discussion of the structure of the proposed transaction from the proposal dated June 27, 2006 and upon management s recommendation, the board of directors unanimously agreed to authorize management to execute the new exclusivity agreement, with specific language added stating that the current proposal was unacceptable to the board of directors but that the parties wished to continue to negotiate a mutually acceptable transaction. Because the Second Potential Strategic Buyer was no longer proposing that Mr. Kaiser be a part of the post-closing management, the board of directors decided to disband the special committee and asked Mr. Kaiser to take a more direct role in the negotiations with Brightpoint. On July 18, 2006, we executed a new exclusivity agreement with Brightpoint through August 8, 2006, that excluded the Mexico operations.

The Company, through Raymond James, approached the Second Potential Strategic Buyer about its interest in pursuing a transaction involving only the Mexico operations. From July 17 through July 19, 2006, Elaine Flud Rodriguez, our Senior Vice President and General Counsel, along with representatives from Raymond James, went to Mexico to meet with representatives from the Second Potential Strategic Buyer and assist them with their due diligence of the Mexico operations. On August 3, 2006, we entered into an exclusivity agreement with the Second Potential Strategic Buyer relating to our Mexico operations for a period of one month.

On July 21, 2006, we began term-sheet negotiations with Brightpoint. On August 8, 2006, the exclusivity agreement with Brightpoint lapsed.

From August 8 through August 9, 2006, Mr. Kaiser and representatives from Raymond James met with both the Second Potential Strategic Buyer and Mexican Joint Venture Partners in Mexico. Mr. Kaiser again discussed the possibility of a transaction involving the whole company with the Second Potential Strategic Buyer; however, the Second Potential Strategic Buyer indicated that it was no longer interested in a whole-company transaction.

On August 14, 2006, Mr. Kaiser presented to the board of directors an analysis of various enterprise risks facing the Company. The risks discussed included (i) our dependence on Motorola as our primary supplier, (ii) the industry trend toward consolidation, (iii) our tight liquidity and weak balance sheet, (iv) retention of key employees, (v) IT/infrastructure competitiveness, and (vi) lack of predictability that an adequate return on investment could be achieved. Mike Farrell, our Executive Vice President of Finance and Chief Administrative Officer, discussed the relative competitiveness and the balance sheet of the Company as compared to Brightpoint and other competitors. Mr. Kaiser also discussed the outlook for the Company over the next 6 to 18 months. Management also discussed the current valuation of the Company and whether, based on the enterprise risks previously discussed, it was reasonable to conclude that the current valuation was higher than that which may be achieved in the future. Management also presented its analysis of the probable impact on the Company s future prospects assuming the Company was able to recapitalize by bringing in a substantial equity investment. Management s conclusion was that such additional capital would improve the Company s balance sheet, but that the Company would still be at a disadvantage compared to its competitors. Management also noted that such a recapitalization would likely be very dilutive to existing stockholders. Our board of directors concluded that the Company should continue negotiations with Brightpoint and the Second Potential Strategic Buyer.

Throughout September 2006, we continued to negotiate the term sheet with Brightpoint. During that time, Mr. Kaiser received an unsolicited letter from a third party indicating a general interest in beginning discussions regarding a possible strategic transaction. However, extensive due diligence would need to be conducted by the party before it would provide an offer. As a result, we continued to extend our exclusivity agreement with Brightpoint throughout September and October. Mr. Kaiser continued to have regular meetings with the board of directors, both formal and informal, to update them on the progress of the transaction.

On September 22, 2006, the Second Potential Strategic Buyer informed Raymond James that it was ceasing negotiations regarding the potential acquisition due to concerns over the potential impact of such a transaction on its existing customer relationships in Central America.

On September 28, 2006, we received the first draft of the U.S. Sale Agreement from Brightpoint. Brightpoint had changed the transaction from the terms of the term sheet to an acquisition of the assets of the Company s subsidiaries rather than the stock of those subsidiaries. The parties exchanged multiple drafts of the U.S. Sale Agreement, and began to focus their attention on material issues on which the parties disagreed. On October 24 and 25, 2006, Ms. Rodriguez, Mr. Farrell, representatives of Haynes and Boone, our outside counsel, and representatives from Raymond James met with Brightpoint, representatives of Blank Rome LLP, its outside counsel, and investment bankers in New York to attempt to negotiate the transaction.

On October 17, 2006, we received a formal offer from Mexican Joint Venture Partners offering to purchase our Mexico operations for a purchase price of $20 million in cash, with adjustments for certain debts and liabilities, as well as an adjustment for our profit related to our participation in the joint venture, resulting in net cash at closing of approximately $17.5 million. On November 1, 2006, we submitted a counter proposal with additional terms and conditions to the offer, including the requirement that the transaction be conducted as a stock purchase, for cash consideration of $20 million, with $12 million to be placed in escrow. On November 15, 2006, we delivered a draft form of stock purchase agreement to Mexican Joint Venture Partners and began to further negotiate the terms and conditions of the transaction.

On October 23, 2006, we received an unsolicited letter of intent from another interested party (the ***Third Potential Strategic Buyer***) to purchase the assets of the company for a purchase price equal to a maximum of $3.00 per share, subject to post-closing adjustments and offsets. We notified Brightpoint of the receipt of the offer, as required by the exclusivity agreement, and requested that Raymond James discuss the offer with the Third Potential Strategic Buyer in order to determine whether the offer was superior to the Brightpoint offer. After review and discussion with the Third Potential Strategic Buyer, Raymond James advised the board of directors that it did not believe the offer to be superior because (i) the price was not higher than the combined range of the Brightpoint and Mexico Joint Venture Partners offers, (ii) whether the party had the financial capability to do the transaction was unclear, and (iii) extensive due diligence would need to be completed by the offeror before a more formal offer could be given and the Company would risk losing the transaction with Brightpoint. As a result, the board of directors determined not to pursue the offer further.

We continued our negotiations with Brightpoint through November 2006, and management made reports to our board of directors regarding our progress in the negotiations and outstanding issues. Throughout November 2006, we continued to exchange drafts of the asset purchase agreement, worked to complete the required schedules to the agreement, and provided additional due diligence items as requested by Brightpoint.

At a meeting of the board of directors held on November 10, 2006, the board of directors discussed the merits of receiving a fairness opinion from both Raymond James, which would receive a success fee upon consummation of the transactions, and an additional investment banking firm with no financial interest in the completion of the transactions, compared to receiving only one opinion from either party. The board of directors discussed the issue extensively, finally approving the engagement of both Raymond James and Southwest Securities to provide fairness opinions.

On December 7, 2006, the board of directors convened in order to consider the U.S. Sale Agreement with Brightpoint and the transactions contemplated thereunder, and the Mexico Sale Agreement with Mexico Buyers, affiliates of Mexican Joint Venture Partners, and the transactions contemplated thereunder. Haynes and Boone began the meeting with a discussion of the fiduciary duties of the board of directors. Haynes and Boone then presented a detailed overview of the proposed terms of the U.S. Sale Agreement. Representatives from Raymond James attended and discussed the chronology of the transaction and its rationale in rendering its opinion that the transaction is fair to the Company. Representatives from Southwest Securities attended and discussed its rationale in rendering its opinion that the transaction is fair to the stockholders. Haynes and Boone also presented a detailed overview of the Mexico Sale Agreement because the members of the board of directors wanted an opportunity to further review the terms of the transactions.

The board of directors met again on December 9, 2006. Haynes and Boone advised the board of directors of certain changes made to the U.S. Sale Agreement since the last meeting, which were not material. At this meeting, Southwest Securities and Raymond James rendered their opinions that the consideration to be received by the Company in the U.S. Sale is fair from a financial point of view.

Mr. Kaiser presented management s belief that in light of the Company s financial and operating limitations and for the reasons set forth in the analyses by Raymond James and Southwest Securities, the proposed transactions were in the best interests of the stockholders. For these reasons and others, the board of directors concluded that the U.S. Sale and the distribution to the stockholders of the proceeds therefrom after satisfying all liabilities, would have the highest probability of returning the greatest value to our stockholders, and were advisable and in the best interests of our stockholders, and the board of directors unanimously approved the U.S. Sale Agreement and the U.S. Sale. The board of directors also determined that the termination fees and related provisions contained in the U.S. Sale Agreement were reasonable, for the reasons set forth below.

The board of directors also reviewed the proposed Mexico Sale Agreement. Haynes and Boone advised the board of directors of certain changes made to the Mexico Sale Agreement, which were not material. Mr. Farrell presented a financial analysis of the Mexico Sale. At this meeting, Southwest Securities and Raymond James rendered their opinions that the consideration to be received by the Company in the Mexico Sale is fair from a financial point of view. Mr. Kaiser presented management s belief that in light of the Company s financial and operating limitations and for the reasons set forth in the analyses by Raymond James and Southwest Securities, the proposed transactions were in the best interests of the stockholders. For these reasons and others, the board of directors concluded that the Mexico Sale, along with the U.S. Sale and the distribution to the stockholders of the proceeds therefrom after satisfying all liabilities, would have the highest probability of returning the greatest value to our stockholders, and were advisable and in the best interests of our stockholders, and the board of directors unanimously approved the Mexico Sale Agreement and the Mexico Sale. The board also determined that the termination fees and related provisions contained in the Mexico Sale Agreement were reasonable, for the reasons set forth below.

We continued to negotiate the final details of the U.S. Sale Agreement and the Mexico Sale Agreement.

The board of directors met again on December 16, 2006 to discuss final changes to the Mexico Sale Agreement, as outlined by Haynes and Boone. Mr. Kaiser presented management s view that the Mexico Sale was appropriate for the Company whether or not the U.S. Sale was completed because it would provide cash to the Company and improve the balance sheet. Mr. Farrell informed the board of directors that we anticipated receiving updated fairness opinions related to the Mexico Sale from both Raymond James and Southwest Securities. The board of directors unanimously (i) determined that the Mexico Sale Agreement and the Mexico Sale are advisable and in the best interests of our stockholders, (ii) approved the Mexico Sale Agreement and the Mexico Sale and (iii) recommended that our stockholders vote in favor of the adoption of the Mexico Sale Agreement. The Mexico Sale Agreement was executed on December 18, 2006, and a press release announcing the proposed transaction with the Mexico Buyers was issued after the close of the stock market on the following day.

The board of directors met again on December 18, 2006 to discuss final changes to the U.S. Sale Agreement as outlined by Haynes and Boone. Mr. Farrell informed the board of directors that he had received updated fairness opinions related to the U.S. Sale from both Raymond James and Southwest Securities. The board of directors unanimously (i) determined that the U.S. Sale Agreement and the U.S. Sale are advisable and in the best interests of our stockholders, (ii) approved the U.S. Sale Agreement and the U.S. Sale, and (iii) recommended that our stockholders vote in favor of the adoption of the U.S. Sale Agreement. The U.S. Sale Agreement was executed on December 18, 2006 following the board of directors meeting, and a press release announcing the proposed transaction with Brightpoint was issued after the close of the stock market on that day.

REASONS FOR THE U.S. AND MEXICO SALES AND THE PLAN OF DISSOLUTION

In considering the U.S. Sale Agreement and the U.S. Sale, and the Mexico Sale Agreement and the Mexico Sale, our board of directors consulted with Raymond James regarding the financial aspects of the Sales and sought and received Raymond James written opinion as to the fairness, as of the date of such opinion, from a financial point of view, of the consideration to be received by the Company pursuant to the U.S. and Mexico Sale Agreements, which opinion is described below under Opinions of Raymond James beginning on page 90. In addition, our board of directors sought the opinion of Southwest Securities, who had no financial interest in the completion of the transactions, regarding the financial aspects of the U.S. Sale Agreement and the U.S. Sale and the Mexico Sale Agreement and the Mexico Sale and sought and received Southwest Securities written opinion as to the fairness, as of the date of such opinion, from a financial point of view, of the consideration to be received by the Company pursuant to the U.S. and Mexico Sale Agreements, which opinion is described below under Opinions of Southwest Securities beginning on page 101. Our board of directors also consulted with representatives of Haynes and Boone, our outside legal counsel, regarding the fiduciary duties of the members of our board of directors and the terms of the U.S. Sale Agreement and the Mexico Sale Agreement and related agreements. Based on the fairness opinions, these consultations and the factors discussed below, our board of directors unanimously (i) determined that the U.S. Sale Agreement and the U.S. Sale and the Mexico Sale Agreement and the Mexico Sale are advisable and in the best interests of our stockholders, (ii) approved the U.S. and Mexico Sale Agreements and (iii) recommended that our stockholders vote in favor of the adoption of the U.S. Sale Agreement and the Mexico Sale Agreement.

In the course of reaching that determination and recommendation, our board of directors considered a number of potentially supportive factors in its deliberations, in addition to those given in the preceding paragraph, including:

- the current and historical market prices of our common stock and that the estimated range of $2.91 to $3.25 per share anticipated to be distributed following the closing of the U.S. Sale and the Mexico Sale and the liquidation and dissolution of the Company preserves value for the stockholders relative to the potential risks to the Company of continuing to operate as a going concern. Although $3.25, the highest estimate of the distribution range to stockholders, is a discount of 5.8% over the closing sale price of $3.45 on December 18, 2006, and $2.91, the lowest estimate of the distribution range to stockholders, is a discount of 15.7% over the closing sale price on December 18, 2006, we believe that the range reflects the historical trading range for the Company for the last two years and protects stockholders against future potential declines to the stock price which could occur for the reasons stated below. The high-end estimate of $3.25 represents a premium of 62.5% over the 52-week low sale price of $2.00 for the 12 month period ended January 22, 2007, and the low-end estimate of $2.91 represents a premium of 45.5% over the 52-week low sale price for the same period;

- the continued weakness of our balance sheet and our inability to expend or attract significant amounts of capital in order to grow our business, despite our return to profitability for the first, second and third quarters of fiscal 2006;

- the Company s significant dependency on vendor credit lines and the ability to factor receivables for our working capital needs;

- our limited ability to raise additional equity without significant dilution to our stockholders and impairing the tax benefit of our ability to use our net operating losses;

- the increasing competitive pressures we face, including pressures resulting from the continued consolidation of our customer base, and management s belief that these pressures were likely to continue to increase due to the likelihood of further consolidation in the wireless industry;

- our dependence upon Motorola as our primary supplier, and the likelihood of more of our customers going directly to Motorola and Motorola s increasing use of other distributors for its products;

- our dependence upon our primary customer in Mexico, Telcel;

- the loss of significant customers in fiscal 2005 and fiscal 2006 and the risk of losing other significant customers in the future due to the high concentration of our revenues among a few large customers;

- after conducting an extensive review of our financial condition, results of operations and business and revenue prospects, the determination of management and the board of directors that continuing to operate independently was not reasonably likely to create greater value for our stockholders over the next 12 to 18 months, and the belief that the Company could not continue its operations in Mexico if the U.S. and Miami operations were divested and could not continue its operations in the U.S. and Miami if the Mexico operations were divested, unless additional capital was raised, which management and the board believed would be highly dilutive to stockholders, and profitable related businesses were acquired, which we had no assurance could be accomplished;

- our belief that, after evaluating various strategic alternatives and conducting an extensive review of our financial condition, results of operations and business and revenue prospects, continuing to operate independently was not reasonably likely to create greater value for our stockholders as compared to the value obtained for the stockholders pursuant to the U.S Sale Agreement and the Mexico Sale Agreement;

- the loss of scale related to our divestiture of the Asia-Pacific operations and previous divestitures and closures of other international operations;

- the marketing process conducted by our management and Raymond James in seeking potential buyers for the Company, and the fact that other proposals to acquire the Company or assets of the Company, including the Mexico operations, were either withdrawn, or were not determined by the board of directors to be superior alternatives to the U.S. Sale Agreement or the Mexico Sale Agreement;

- the extent of negotiations with U.S. Buyer and Mexico Buyers indicated that we obtained the highest consideration that U.S. Buyer, or Mexico Buyers were willing to pay or that we were likely to obtain from any other potential buyers;

- the marketing process conducted by our management and Raymond James in seeking potential buyers for the Company indicated a low likelihood that a third party would offer a higher price than either U.S. Buyer or Mexico Buyers;

- neither the U.S. Buyer s or Mexico Buyers obligations are subject to financing conditions;

- the U.S. Sale and the Mexico Sale are subject to the approval of our stockholders;

- the consideration for the U.S. Sale and the Mexico Sale is cash and will provide our stockholders more certainty of value than if the consideration included equity;

- the Mexico Sale, even if conducted without the U.S. Sale, would be beneficial to the Company as it would provide capital to the Company and improve the balance sheet;

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- the positive treatment of our U.S. and Miami employees, many of whom will be offered employment with U.S. Buyer following the closing of the U.S. Sale, as well as the positive treatment of our Mexico employees, all of whom will be offered employment with Mexico Buyers following the closing of the Mexico Sale;

- the terms of the U.S. Sale Agreement, including without limitation:

- the provisions of the U.S. Sale Agreement that allow the board of directors to withdraw its recommendation that our stockholders vote in favor of the U.S. Sale if required to do so by its fiduciary duties under applicable law;

- the provisions of the U.S. Sale Agreement that allow us to terminate the sale agreement in order to accept a superior proposal (as defined in the U.S. Sale Agreement), subject to certain conditions contained in the U.S. Sale Agreement and the payment to U.S. Buyer of a termination fee of $3,080,000, plus fees and expenses incurred by U.S. Buyer in connection with the transactions contemplated by the U.S. Sale Agreement; and

- the conclusion of the board of directors that the termination fee of $3,080,000, plus fees and expenses, payable in the event that the U.S. Sale Agreement is terminated under certain circumstances, and the circumstances under which such fee is payable, were reasonable in light of the benefits of the sale and customary levels for termination fees.

- the terms of the Mexico Sale Agreement, including without limitation:

- the provisions of the Mexico Sale Agreement that allow the board of directors to recommend that our stockholders vote in favor of another transaction regarding the assets and property that are the subject of the Mexico Sale if required to do so by its fiduciary duties under applicable law, subject to certain conditions contained in the Mexico Sale Agreement and the payment to Mexico Buyers of a termination fee of $600,000, plus fees and expenses of up to $200,000 incurred by Mexico Buyers in connection with the transactions contemplated by the Mexico Sale Agreement; and

- the conclusion of the board of directors that the termination fee of $600,000, plus fees and expenses, payable in the event that the Mexico Sale Agreement is terminated under certain circumstances, and the circumstances under which such fee is payable, were reasonable in light of the benefits of the sale and customary levels for termination fees; and

Our board of directors also considered a number of potentially countervailing factors in its deliberations concerning the U.S. and Mexico Sales, including:

- the fact that $3.25, the highest estimate of the distribution range to stockholders, is a discount of 5.8% over the closing sale price of $3.45 on December 18, 2006, and $2.91, the lowest estimate of the distribution range to stockholders, is a discount of 15.7% over the closing sale price on December 18, 2006;

- conditions to closing that must be satisfied or waived;

- the lack of certainty of the timing and amounts of distributions of cash to the stockholders;

- the risk that all or some of the potential benefits of the U.S. Sale and Mexico Sale may not be realized, including the risk that we may not receive the portion of the purchase price to be held in escrow for purposes of our indemnification of U.S. Buyer under the U.S. Sale Agreement;

- the interests of certain of our executive officers and directors in the U.S. Sale (See Interests of CellStar s Management and Directors in the U.S. Sale beginning on page 67.);

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- the restrictions on the conduct of our business prior to completion of the U.S. Sale and the Mexico Sale, including requiring us to conduct our business only in the ordinary course, subject to specific limitations or U.S. Buyer s consent, which may delay or prevent us from undertaking business opportunities that may arise pending completion of the U.S. Sale and the Mexico Sale;

- that the U.S. Sale and the Mexico Sale consideration consists of cash and will, therefore, be taxable to our stockholders for United States federal income tax purposes upon a liquidating distribution or the payment of a dividend;

- the restrictions on our ability to solicit or engage in discussions or negotiations with a third party regarding specified transactions and the requirement that we pay U.S. Buyer a termination fee of $3,080,000, plus fees and expenses if the U.S. Sale Agreement is terminated under certain circumstances;

- the limitations on our ability to solicit or engage in discussions or negotiations with a third party regarding specified transactions and the requirement that we pay Mexico Buyers a termination fee of $600,000, plus fees and expenses if the Mexico Sale Agreement is terminated under certain circumstances;

- the risk of diverting management focus and resources from other strategic opportunities and from operational matters while working to implement the U.S. Sale and the Mexico Sale;

- the possibility of management and employee disruption associated with the U.S. Sale and the Mexico Sale and the potential effect on our business and customer relationships going forward should the U.S. Sale or the Mexico Sale not be completed for any reason; and

- the Mexico Buyers may choose to implement the Alternative Transaction, which will result in less consideration being paid to us and will require us to liquidate the remaining assets of the Mexico operations.

The preceding discussion is not meant to be an exhaustive description of the information and factors considered by our board of directors but is believed to address the material information and factors considered. In view of the wide variety of factors considered in connection with its evaluation of the U.S. Sale and the Mexico Sale and the complexity of these matters, our board of directors did not quantify or otherwise attempt to assign relative weights to the various factors considered in reaching its determination. In considering the factors described above, individual members of our board of directors may have given different weight to different factors. After taking into account all of the factors set forth above, as well as others, the board of directors unanimously agreed that the benefits of the U.S. Sale Agreement and the U.S. Sale and the Mexico Sale Agreement and the Mexico Sale outweigh the risks.

Recommendation of Our Board of Directors

At meetings on December 16 and 18, 2006, our board of directors unanimously (i) determined that the U.S. Sale Agreement and the U.S. Sale and the Mexico Sale Agreement and the Mexico Sale are advisable and in the best interests of our stockholders, (ii) approved the U.S. Sale Agreement and the U.S. Sale, and the Mexico Sale Agreement and the Mexico Sale and (iii) recommended that our stockholders vote in favor of the adoption of the U.S. Sale Agreement and the Mexico Sale Agreement.

CONSEQUENCES OF THE FAILURE OF STOCKHOLDERS TO APPROVE ONE OR BOTH OF THE TRANSACTIONS

Although the U.S. Sale and the Mexico Sale are being submitted as separate proposals for your consideration, the Company s board of directors believes that both transactions should be approved and

that the failure of stockholders to approve one or both of the transactions could negatively impact the value which stockholders could receive in the future.

If our stockholders approve the U.S. Sale Agreement but do not approve the Mexico Sale Agreement

The Company does not believe that operating Mexico by itself is a viable alternative for the Company because the Mexico operations alone would not provide the Company with adequate scope and scale to remain a major distributor, the Company would have financial difficulty remaining a publicly traded entity, given the costs of compliance with SEC and Sarbanes-Oxley requirements and the Company would be operating in only one region with significant customer concentration, thereby increasing the adverse impact of the loss of any of those customers. Therefore, the Company would either need to find another acceptable sale transaction for Mexico, or liquidate those assets and distribute any remaining proceeds to stockholders, assuming the Plan of Dissolution is approved by stockholders at the Special Meeting. Alternatively, the Company could use the proceeds from the U.S. Sale to pay off existing debt and then begin to look to acquire additional profitable businesses. There can be no assurance that the Company would be able to consummate such acquisitions.

Management and the Company s board of directors also believe that it may be necessary to immediately reduce corporate overhead and institute cost cutting measures throughout the remaining business. The board and management believe that the Company may need to deregister its Common Stock under the Exchange Act, reduce corporate staff, and take additional cost measures to right size the remaining operations. We cannot assure you that these actions would be sufficient to allow us to continue as a going concern without the U.S. and Miami operations.

Based on the foregoing, management and the Company s board of directors believe that approving the U. S. Sale Agreement but not approving the Mexico Sale Agreement would not be in the best interests of the stockholders and recommends that stockholders approve both the U. S. Sale Agreement and the Mexico Sale Agreement.

Set forth below are pro forma statements of operations for the nine months ended August 31, 2006 and the quarters ended February 28, May 31 and August 31, 2006, and a balance sheet as of August 31, 2006 of the Company if the U.S. Sale Agreement is approved but the Mexico Sale Agreement is not approved by the Company s stockholders.

CellStar Corporation
Unaudited Pro Forma Consolidated Balance Sheet
August 31, 2006
(in thousands)

	CellStar Historical	U.S. & Miami Operations Historical(a)	Pro Forma Adjustments	Total Adjustments	Pro Forma Results
Assets					
Cash and cash equivalents	$ 26,450		69,748 (b)	69,748	96,198
Accounts receivable, net	72,143	(49,376)		(49,376)	22,767
Accounts receivable, intercompany		(149,676)	149,676 (c)		
Inventories	71,838	(49,195)		(49,195)	22,643
Deferred income taxes	792				792
Prepaid expenses	2,260	(268)		(268)	1,992
Total current assets	173,483	(248,515)	219,424	(29,091)	144,392
Property, plant & equipment	2,559	(1,576)		(1,576)	983
Goodwill, net					
Deferred income tax assets	6,655				6,655
Other assets	8,296	(210)		(210)	8,086
Total assets	$ 190,993	(250,301)	219,424	(30,877)	160,116
Liabilities and stockholders equity					
Notes payable	$ 23,977				23,977
12% senior subordinated convertible notes	1,074				1,074
Accounts payable	119,989	(82,833)		(82,833)	37,156
Accounts payable intercompany		(72,834)	72,834 (c)		
Deferred revenue	4,924				4,924
Accrued expenses	12,266	(5,288)		(5,288)	6,978
Income taxes payable	214				214
Minority interest	1,662				1,662
Total current liabilities	164,106	(160,955)	72,834	(88,121)	75,985
12% senior subordinated notes	11,300				11,300
Other long-term liabilities					
Total liabilities	175,406	(160,955)	72,834	(88,121)	87,285
Common stock	212				212
Additional paid in capital	124,094				124,094
Treasury stock	(45)				(45)
Cumulative translation adjustment	(8,484)				(8,484)
Retained earnings	(100,190)	(89,346)	146,590 (d)	57,244	(42,946)
	15,587	(89,346)	146,590	57,244	72,831
Total liabilities and stockholders equity	$ 190,993	(250,301)	219,424	(30,877)	160,116

Notes:

(a) Reflects historical financial information of the U.S. and Miami operations in the consolidated financials.

(b) Reflects the net proceeds from the transaction.

(c) Reflects elimination of intercompany balances.

(d) Reflects the gain on the transaction of $57.2 million and the add back of historical retained earnings of $89.3 million.

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CellStar Corporation
Unaudited Pro Forma Consolidated Statement of Operations
For the nine months ended August 31, 2006
(in thousands, except share data)

	CellStar Historical	U.S. & Miami Operations Historical(a)	Pro Forma Adjustments	Total Adjustments	Pro Forma Results
Revenues	$ 660,261	(455,357)		(455,357)	204,904
Cost of sales	609,758	(421,349)		(421,349)	188,409
Gross profit	50,503	(34,008)		(34,008)	16,495
Operating expenses					
Selling, general & administrative	36,876	(19,781)		(19,781)	17,095
Operating income (loss)	13,627	(14,227)		(14,227)	(600)
Other income (expense):					
Interest expense	(2,752)	16	2,359 (b)	2,375	(377)
Loss on sale of accounts receivable	(1,759)	511		511	(1,248)
Intercompany interest		976	(976)(c)		
Minority interest	(2,016)				(2,016)
Gain on sale of assets	240				240
Corporate allocation		6,855	(6,855)(d)		
Other, net	148	(3)		(3)	145
Total other income (expense)	(6,139)	8,355	(5,472)	2,883	(3,256)
Income (loss) before income taxes	7,488	(5,872)	(5,472)	(11,344)	(3,856)
Provision (benefit) for income taxes	2,265	(3,159)	3,159 (e)		2,265
Income (loss) from continuing operations	$ 5,223	(2,713)	(8,631)	(11,344)	(6,121)
Income (loss) per share from continuing operations:					
Basic	$ 0.25				(0.30)
Diluted	$ 0.25				(0.30)
Weighted average number of shares:					
Basic	20,384				20,384
Diluted	21,079				20,384

Notes:

(a) Reflects historical financial information of the U.S. and Miami operations in the consolidated financials.

(b) Reflects the allocation of interest expense related to revolver borrowings associated with the U.S. and Miami operations.

(c) Reflects adjustment for intercompany interest.

(d) Reflects corporate allocation, including royalty fee, which would no longer be charged.

(e) Reflects the elimination of tax expense for the purchased operations as taxes for these operations are offset with net operating losses.

(f) The above pro forma does not reflect the net gain on the transaction of $57.2 million.

The above pro forma financial statements showing the unaudited results for the first nine months of fiscal 2006 ended August 31, 2006, excluding the United States and Miami-based Latin American operations, indicate a loss of income for the Company.

CellStar Corporation
Unaudited Pro Forma Consolidated Statement of Operations
For the three months ended February 28, 2006
(in thousands, except share data)

	CellStar Historical	U.S. & Miami Operations Historical(a)	Pro Forma Adjustments	Total Adjustments	Pro Forma Results
Revenues	$ 205,645	(148,855)		(148,855)	56,790
Cost of sales	188,198	(136,586)		(136,586)	51,612
Gross profit	17,447	(12,269)		(12,269)	5,178
Operating expenses					
Selling, general & administrative	12,340	(7,518)		(7,518)	4,822
Operating income (loss)	5,107	(4,751)		(4,751)	356
Other income (expense):					
Interest expense	(1,304)	5	1,010 (b)	1,015	(289)
Loss on sale of accounts receivable	(403)	126		126	(277)
Intercompany interest		428	(428)(c)		
Minority interest	(623)				(623)
Gain on sale of assets	240				240
Corporate allocation		2,285	(2,285)(d)		
Other, net	58				58
Total other income (expense)	(2,032)	2,844	(1,703)	1,141	(891)
Income (loss) before income taxes	3,075	(1,907)	(1,703)	(3,610)	(535)
Provision (benefit) for income taxes	901	(1,037)	1,037 (e)		901
Income (loss) from continuing operations	$ 2,174	(870)	(2,740)	(3,610)	(1,436)
Income (loss) per share from continuing operations:					
Basic	$ 0.11				(0.07)
Diluted	$ 0.10				(0.07)
Weighted average number of shares:					
Basic	20,368				20,368
Diluted	20,822				20,368

Notes:

(a) Reflects historical financial information of the U.S. and Miami operations in the consolidated financials.

(b) Reflects the allocation of interest expense related to revolver borrowings associated with the U.S. and Miami operations.

(c) Reflects adjustment for intercompany interest.

(d) Reflects corporate allocation, including royalty fee, which would no longer be charged.

(e) Reflects elimination of tax expense for the purchased operations as taxes for these operations are offset with net operating losses.

(f) The above pro forma does not reflect the net gain on the transaction of $57.2 million.

The above pro forma financial statements showing the unaudited results for the quarter ended February 28, 2006, excluding the United States and Miami-based Latin American operations, indicate a loss of income for the Company.

CellStar Corporation
Unaudited Pro Forma Consolidated Statement of Operations
For the three months ended May 31, 2006
(in thousands, except share data)

	CellStar Historical	U.S. & Miami Operations Historical(a)	Pro Forma Adjustments	Total Adjustments	Pro Forma Results
Revenues	$ 216,841	(156,062)		(156,062)	60,779
Cost of sales	200,218	(144,631)		(144,631)	55,587
Gross profit	16,623	(11,431)		(11,431)	5,192
Operating expenses					
Selling, general & administrative	12,140	(5,523)		(5,523)	6,617
Operating income (loss)	4,483	(5,908)		(5,908)	(1,425)
Other income (expense):					
Interest expense	(853)	5	871 (b)	876	23
Loss on sale of accounts receivable	(419)	157		157	(262)
Intercompany interest		375	(375)(c)		
Minority interest	(618)				(618)
Gain on sale of assets					
Corporate allocation		2,285	(2,285)(d)		
Other, net	20	(2)		(2)	18
Total other income (expense)	(1,870)	2,820	(1,789)	1,031	(839)
Income (loss) before income taxes	2,613	(3,088)	(1,789)	(4,877)	(2,264)
Provision (benefit) for income taxes	557	(1,437)	1,437 (e)		557
Income (loss) from continuing operations	$ 2,056	(1,651)	(3,226)	(4,877)	(2,821)
Income (loss) per share from continuing operations:					
Basic	$ 0.10				(0.14)
Diluted	$ 0.10				(0.14)
Weighted average number of shares:					
Basic	20,378				20,378
Diluted	21,229				20,378

Notes:

(a) Reflects historical financial information of the U.S. and Miami operations in the consolidated financials.

(b) Reflects the allocation of interest expense related to revolver borrowings associated with the U.S. and Miami operations.

(c) Reflects adjustment for intercompany interest.

(d) Reflects corporate allocation, including royalty fee, which would no longer be charged.

(e) Reflects elimination of tax expense for the purchased operations as taxes for these operations are offset with net operating losses.

(f) The above pro forma does not reflect the net gain on the transaction of $57.2 million.

The above pro forma financial statements showing the unaudited results for the quarter ended May 31, 2006, excluding the United States and Miami-based Latin American operations, indicate a loss of income for the Company.

CellStar Corporation
Unaudited Pro Forma Consolidated Statement of Operations
For the three months ended August 31, 2006
(in thousands, except share data)

	CellStar Historical	U.S. & Miami Operations Historical(a)	Pro Forma Adjustments	Total Adjustments	Pro Forma Results
Revenues	$ 237,775	(150,441)		(150,441)	87,334
Cost of sales	221,342	(140,132)		(140,132)	81,210
Gross profit	16,433	(10,309)		(10,309)	6,124
Operating expenses					
Selling, general & administrative	12,396	(6,742)		(6,742)	5,654
Operating income (loss)	4,037	(3,567)		(3,567)	470
Other income (expense):					
Interest expense	(595)	5	472 (b)	477	(118)
Loss on sale of accounts receivable	(937)	228		228	(709)
Intercompany interest		173	(173)(c)		
Minority interest	(775)				(775)
Gain on sale of assets					
Corporate allocation		2,285	(2,285)(d)		
Other, net	70				70
Total other income (expense)	(2,237)	2,691	(1,986)	705	(1,532)
Income (loss) before income taxes	1,800	(876)	(1,986)	(2,862)	(1,062)
Provision (benefit) for income taxes	807	(684)	684 (e)		807
Income (loss) from continuing operations	$ 993	(192)	(2,670)	(2,862)	(1,869)
Income (loss) per share from continuing operations:					
Basic	$ 0.05				(0.09)
Diluted	$ 0.05				(0.09)
Weighted average number of shares:					
Basic	20,405				20,405
Diluted	21,180				20,405

Notes:

(a) Reflects historical financial information of the U.S. and Miami operations in the consolidated financials.

(b) Reflects the allocation of interest expense related to revolver borrowings associated with the U.S. and Miami operations.

(c) Reflects adjustment for intercompany interest.

(d) Reflects corporate allocation, including royalty fee, which would no longer be charged.

(e) Reflects elimination of tax expense for the purchased operations as taxes for these operations are offset with net operating losses.

(f) The above pro forma does not reflect the net gain on the transaction of $57.2 million.

The above pro forma financial statements showing the unaudited results for the quarter ended August 31, 2006, excluding the United States and Miami-based Latin American operations, indicate a loss of income for the Company.

CellStar Corporation
Unaudited Pro Forma Consolidated Statement of Operations
For the three months ended:
(in thousands, except share data)

	Q1 ending 2/28/2006 Pro Forma Results	Q2 Ending 5/31/2006 Pro Forma Results	Q3 Ending 8/31/2006 Pro Forma Results
Revenues	$ 56,790	60,779	87,334
Cost of sales	51,612	55,587	81,210
Gross profit	5,178	5,192	6,124
Operating expenses			
Selling, general & administrative	4,822	6,617	5,654
Operating income (loss)	356	(1,425)	470
Other income (expense):			
Interest expense	(289)	23	(118)
Loss on sale of accounts receivable	(277)	(262)	(709)
Intercompany interest			
Minority interest	(623)	(618)	(775)
Gain on sale of assets	240		
Corporate allocation			
Other, net	58	18	70
Total other income (expense)	(891)	(839)	(1,532)
Income (loss) before income taxes	(535)	(2,264)	(1,062)
Provision (benefit) for income taxes	901	557	807
Income (loss) from continuing operations	$ (1,436)	(2,821)	(1,869)

Notes:

(a) Reflects historical financial information of the U.S. and Miami operations in the consolidated financials.

(b) Reflects the allocation of interest expense related to revolver borrowings associated with the U.S. and Miami operations.

(c) Reflects adjustment for intercompany interest.

(d) Reflects corporate allocation, including royalty fee, which would no longer be charged.

(e) Reflects the elimination of tax expense for the purchased operations as taxes for these operations are offset with net operating losses.

(f) The above pro forma does not reflect the net gain on the transaction of $57.2 million.

The above pro forma financial statements showing the unaudited results for each of the first three quarters of fiscal 2006, excluding the United States and Miami-based Latin American operations, indicate a loss of income for the Company in each quarter.

If our stockholders approve the Mexico Sale Agreement but do not approve the U.S. Sale Agreement.

In this event, the Company will be left with the challenges to its business described above under Reasons for the U.S. and Mexico Sales and the Plan of Dissolution beginning on page 48.

To close the Mexico Sale without the proceeds from the U.S. Sale, the Company would be required to obtain consents from its lenders acceptable to the Company. There is no assurance that such consents could be obtained. If consents on acceptable terms were obtained, management believes that it may have to use the proceeds from the Mexico Sale to pay down some of its existing debt, which would reduce interest expense going forward; however, the Company would lose the on-going income stream from the Mexico operations. This would also result in a greater concentration of the Company s revenues from a smaller group of customers in only two regions, thereby increasing the adverse impact of the loss of any of those customers.

The Company believes that it would require additional capital in order to (i) acquire complementary businesses as necessary to obtain the required scope and scale to maintain its position as a major distributor and logistics provider and necessary for the Company to remain competitive in its industry, and (ii) make necessary investments in its business, particularly in IT systems, to allow the Company s distribution business to better compete. The Company believes that obtaining additional capital could be highly dilutive to existing stockholders. There can be no assurance that the Company would be able to obtain such additional capital on satisfactory terms, if at all. There can also be no assurance that the Company would be able to consummate such complementary acquisitions.

Management and the board of directors believe that it may also be necessary to immediately reduce the costs associated with being a public company by deregistering its Common Stock under the Exchange Act, thereby eliminating its obligations to file most of the reports it is currently required to file with the SEC and reducing the Company corporate overhead.

Based on the foregoing, management and the Company s board of directors believe that approving the Mexico Agreement but not approving the U. S. Sale Agreement would not be in the best interests of the stockholders and recommends that stockholders approve both the Mexico Sale Agreement and the U. S. Sale Agreement.

Set forth below are pro forma statements of operations for the nine months ended August 31, 2006, and the quarters ended February 28, May 31 and August 31, 2006, and a balance sheet as of August 31, 2006 of the Company if the Mexico Sale Agreement is approved but the U.S. Sale Agreement is not approved by the Company s stockholders.

CellStar Corporation
Unaudited Pro Forma Consolidated Balance Sheet
August 31, 2006
(in thousands)

	CellStar Historical	Mexico Operations Historical(a)	Pro Forma Adjustments		Total Adjustments	Pro Forma Results
Assets						
Cash and cash equivalents	$ 26,450	(4,917)	18,400	(b)	13,483	39,933
Accounts receivable, net	72,143	(18,176)			(18,176)	53,967
Accounts receivable, intercompany		(650)	650	(c)		
Inventories	71,838	(15,377)			(15,377)	56,461
Deferred income taxes	792	(672)			(672)	120
Prepaid expenses	2,260	(1,022)			(1,022)	1,238
Total current assets	173,483	(40,814)	19,050		(21,764)	151,719
Property, plant & equipment	2,559	(633)			(633)	1,926
Goodwill, net						
Deferred income tax assets	6,655		(2,695)	(d)	(2,695)	3,960
Other assets	8,296	(4,262)			(4,262)	4,034
Total assets	$ 190,993	(45,709)	16,355		(29,354)	161,639
Liabilities and stockholders equity						
Notes payable	$ 23,977					23,977
12% senior subordinated convertible notes	1,074					1,074
Accounts payable	119,989	(21,022)			(21,022)	98,967
Accounts payable intercompany		(23,307)	23,307	(c)		
Deferred revenue	4,924					4,924
Accrued expenses	12,266	(2,867)			(2,867)	9,399
Income taxes payable	214	(96)			(96)	118
Minority interest	1,662	(1,662)			(1,662)	
Total current liabilities	164,106	(48,954)	23,307		(25,647)	138,459
12% senior subordinated notes	11,300					11,300
Other long-term liabilities						
Total liabilities	175,406	(48,954)	23,307		(25,647)	149,759
Common stock	212	(6)	6	(e)		212
Additional paid in capital	124,094	(10,297)	10,297	(e)		124,094
Treasury stock	(45)					(45)
Cumulative translation adjustment	(8,484)	8,774			8,774	290
Retained earnings	(100,190)	4,774	(17,255)	(f)	(12,481)	(112,671)
	15,587	3,245	(6,952)		(3,707)	11,880
Total liabilities and stockholders equity	$ 190,993	(45,709)	16,355		(29,354)	161,639

Notes:

(a) Reflects historical financial information of the Mexico Operations in the consolidated financials.

(b) Reflects net proceeds from the transaction.

(c) Reflects elimination of intercompany balances.

(d) Reflects reduction in deferred tax asset attributable to income from Mexico.

(e) Reflects elimination of consolidated entity s investment in the Mexico operations.

(f) Reflects the net loss on the transaction of $12.5 million and the add back of historical retained deficit of $4.8 million.

CellStar Corporation
Unaudited Pro Forma Consolidated Statement of Operations
For the nine months ended August 31, 2006
(in thousands, except share data)

	CellStar Historical	Mexico Operations Historical(a)	Pro Forma Adjustments	Total Adjustments	Pro Forma Results
Revenues	$ 660,261	(187,682)		(187,682)	472,579
Cost of sales	609,758	(172,724)		(172,724)	437,034
Gross profit	50,503	(14,958)		(14,958)	35,545
Operating expenses					
Selling, general & administrative	36,876	(9,171)		(9,171)	27,705
Operating income (loss)	13,627	(5,787)		(5,787)	7,840
Other income (expense):					
Interest expense	(2,752)				(2,752)
Loss on sale of accounts receivable	(1,759)	1,036		1,036	(723)
Intercompany interest		1,301	(1,301)(b)		
Minority interest	(2,016)	2,016		2,016	
Gain (loss) on sale of assets	240				240
Corporate allocation		2,794	(2,794)(c)		
Other, net	148	(134)		(134)	14
Total other income (expense)	(6,139)	7,013	(4,095)	2,918	(3,221)
Income (loss) before income taxes	7,488	1,226	(4,095)	(2,869)	4,619
Provision (benefit) for income taxes	2,265	(1,212)	(940)(d)	(2,152)	113
Income (loss) from continuing operations	$ 5,223	2,438	(3,155)	(717)	4,506
Income (loss) per share from continuing operations:					
Basic	$ 0.25				0.22
Diluted	$ 0.25				0.21
Weighted average number of shares:					
Basic	20,384				20,384
Diluted	21,079				21,079

(a) Reflects historical financial information of the Mexico operations in the consolidated financials.

(b) Reflects adjustment for intercompany interest on intercompany loans. The related intercompany loans will not be repaid.

(c) Reflects corporate allocation, including royalty fee, which would no longer be charged.

(d) Reflects taxes related to the Corporate allocation.

(e) The above pro forma does not reflect the net loss on the transaction of $12.4 million. The loss is primarily a result of the cumulative translation adjustment and the change in deferred taxes.

The above pro forma financial statements showing the unaudited results for the first nine months of fiscal 2006 ended August 31, 2006, excluding the Mexico operations, indicate a profitable remaining entity. However, these results include a significant one-time financial event: a $1.4 million recovery of an insurance claim that happened in the second quarter of 2006. Additionally, these results include approximately $48.2 million in sales, as well as the resulting gross margin, from our lock/line business which has been substantially lost. Finally, these results do not include interest expense of $1.1 million related to the Senior Notes that will be recognized in the future as a result of the recent Capital Source financing (see chart on page 66).

CellStar Corporation
Unaudited Pro Forma Consolidated Statement of Operations
For the three months ended February 28, 2006
(in thousands, except share data)

	CellStar Historical	Mexico Operations Historical(a)	Pro Forma Adjustments	Total Adjustments	Pro Forma Results
Revenues	$ 205,645	(54,420)		(54,420)	151,225
Cost of sales	188,198	(49,686)		(49,686)	138,512
Gross profit	17,447	(4,734)		(4,734)	12,713
Operating expenses					
Selling, general & administrative	12,340	(2,428)		(2,428)	9,912
Operating income (loss)	5,107	(2,306)		(2,306)	2,801
Other income (expense):					
Interest expense	(1,304)				(1,304)
Loss on sale of accounts receivable	(403)	277		277	(126)
Intercompany interest		499	(499)(b)		
Minority interest	(623)	623		623	
Gain (loss) on sale of assets	240				240
Corporate allocation		959	(959)(c)		
Other, net	58	(53)		(53)	5
Total other income (expense)	(2,032)	2,305	(1,458)	847	(1,185)
Income (loss) before income taxes	3,075	(1)	(1,458)	(1,459)	1,616
Provision (benefit) for income taxes	901	(590)	(273)(d)	(863)	38
Income (loss) from continuing operations	$ 2,174	589	(1,185)	(596)	1,578
Income (loss) per share from continuing operations:					
Basic	$ 0.11				0.08
Diluted	$ 0.10				0.08
Weighted average number of shares:					
Basic	20,368				20,368
Diluted	20,822				20,822

(a) Reflects historical financial information of the Mexico operations in the consolidated financials.

(b) Reflects adjustment for intercompany interest on intercompany loans. The related intercompany loans will not be repaid.

(c) Reflects corporate allocation, including royalty fee, which would no longer be charged.

(d) Reflects taxes related to the Corporate allocation.

(e) The above pro forma does not reflect the net loss on the transaction of $12.4 million. The loss is primarily a result of the cumulative translation adjustment and the change in deferred taxes.

The above pro forma financial statements showing the unaudited results for the quarter ended February 28, 2006, excluding the Mexico operations, indicate a profitable remaining entity. However, these results include approximately $29.4 million in sales, as well as the resulting gross margin, from our lock/line business that has been substantially lost. Finally, these results do not include interest expense of $371,000 related to the Senior Notes which will be recognized in the future as a result of the recent Capital Source financing (see chart on page 66).

CellStar Corporation
Unaudited Pro Forma Consolidated Statement of Operations
For the three months ended May 31, 2006
(in thousands, except share data)

	CellStar Historical	Mexico Operations Historical(a)	Pro Forma Adjustments	Total Adjustments	Pro Forma Results
Revenues	$ 216,841	(58,188)		(58,188)	158,653
Cost of sales	200,218	(53,417)		(53,417)	146,801
Gross profit	16,623	(4,771)		(4,771)	11,852
Operating expenses					
Selling, general & administrative	12,140	(3,716)		(3,716)	8,424
Operating income (loss)	4,483	(1,055)		(1,055)	3,428
Other income (expense):					
Interest expense	(853)				(853)
Loss on sale of accounts receivable	(419)	262		262	(157)
Intercompany interest		392	(392)(b)		
Minority interest	(618)	618		618	
Gain (loss) on sale of assets					
Corporate allocation		917	(917)(c)		
Other, net	20	8		8	28
Total other income (expense)	(1,870)	2,197	(1,309)	888	(982)
Income (loss) before income taxes	2,613	1,142	(1,309)	(167)	2,446
Provision (benefit) for income taxes	557	264	(783)(d)	(519)	38
Income (loss) from continuing operations	$ 2,056	878	(526)	352	2,408
Income (loss) per share from continuing operations:					
Basic	$ 0.10				0.12
Diluted	$ 0.10				0.12
Weighted average number of shares:					
Basic	20,378				20,378
Diluted	21,229				21,229

(a) Reflects historical financial information of the Mexico operations in the consolidated financials.

(b) Reflects adjustment for intercompany interest on intercompany loans. The related intercompany loans will not be repaid.

(c) Reflects corporate allocation, including royalty fee, which would no longer be charged.

(d) Reflects taxes related to the Corporate allocation.

(e) The above pro forma does not reflect the net loss on the transaction of $12.4 million. The loss is primarily a result of the cumulative translation adjustment and the change in deferred taxes.

The above pro forma financial statements showing the unaudited results for the quarter ended May 31, 2006, excluding the Mexico operations, indicate a profitable remaining entity. However, these results include a significant one-time financial event: an approximately $1.4 million recovery of an insurance claim. Additionally, these results include approximately $15.3 million in sales, as well as the resulting gross margin, from our lock/line business that has been substantially lost. Finally, these results do not include interest expense of $371,000 related to the Senior Notes which will be recognized in the future as a result of the recent Capital Source transaction (see chart on page 66).

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CellStar Corporation
Unaudited Pro Forma Consolidated Statement of Operations
For the three months ended August 31, 2006
(in thousands, except share data)

	CellStar Historical	Mexico Operations Historical(a)	Pro Forma Adjustments	Total Adjustments	Pro Forma Results
Revenues	$ 237,775	(74,835)		(74,835)	162,940
Cost of sales	221,342	(69,384)		(69,384)	151,958
Gross profit	16,433	(5,451)		(5,451)	10,982
Operating expenses					
Selling, general & administrative	12,396	(3,026)		(3,026)	9,370
Operating income (loss)	4,037	(2,425)		(2,425)	1,612
Other income (expense):					
Interest expense	(595)				(595)
Loss on sale of accounts receivable	(937)	497		497	(440)
Intercompany interest		410	(410)(b)		
Minority interest	(775)	775		775	
Gain (loss) on sale of assets					
Corporate allocation		918	(918)(c)		
Other, net	70	(90)		(90)	(20)
Total other income (expense)	(2,237)	2,510	(1,328)	1,182	(1,055)
Income (loss) before income taxes	1,800	85	(1,328)	(1,243)	557
Provision (benefit) for income taxes	807	(885)	116 (d)	(769)	38
Income (loss) from continuing operations	$ 993	970	(1,444)	(474)	519
Income (loss) per share from continuing operations:					
Basic	$ 0.05				0.03
Diluted	$ 0.05				0.02
Weighted average number of shares:					
Basic	20,405				20,405
Diluted	21,180				21,180

(a) Reflects historical financial information of the Mexico operations in the consolidated financials.

(b) Reflects adjustment for intercompany interest on intercompany loans. The related intercompany loans will not be repaid.

(c) Reflects corporate allocation, including royalty fee, which would no longer be charged.

(d) Reflects taxes related to the Corporate allocation.

(e) The above pro forma does not reflect the net loss on the transaction of $12.4 million. The loss is primarily a result of the cumulative translation adjustment and the change in deferred taxes.

The above pro forma financial statements showing the unaudited results for the quarter ended August 31, 2006, excluding the Mexico operations, indicate a profitable remaining entity. However, these results do not include interest expense of $371,000 related to the Senior Notes which will be recognized in the future as a result of the recent Capital Source financing (see chart on page 66).

CellStar Corporation

Unaudited Pro Forma Consolidated Statement of Operations
For the three months ended:
(in thousands, except share data)

	Q1 ending 2/28/2006 Pro Forma Results	Q2 Ending 5/31/2006 Pro Forma Results	Q3 Ending 8/31/2006 Pro Forma Results
Revenues	$ 151,225	158,653	162,940
Cost of sales	138,512	146,801	151,958
Gross profit	12,713	11,852	10,982
Operating expenses			
Selling, general & administrative	9,912	8,424	9,370
Operating income (loss)	2,801	3,428	1,612
Other income (expense):			
Interest expense	(1,304)	(853)	(595)
Loss on sale of accounts receivable	(126)	(157)	(440)
Intercompany interest			
Minority interest			
Gain on sale of assets	240		
Corporate allocation			
Other, net	5	28	(20)
Total other income (expense)	(1,185)	(982)	(1,055)
Income (loss) before income taxes	1,616	2,446	557
Provision (benefit) for income taxes	38	38	38
Income (loss) from continuing operations	1,578	2,408	519

(a) Reflects historical financial information of the Mexico operations in the consolidated financials.

(b) Reflects adjustment for intercompany interest on intercompany loans. The related intercompany loans will not be repaid.

(c) Reflects corporate allocation, including royalty fee, which would no longer be charged.

(d) Reflects taxes related to the Corporate allocation.

(e) The above pro forma does not reflect the net loss on the transaction of $12.4 million. The loss is primarily a result of the cumulative translation adjustment and the change in deferred taxes.

The above pro forma financial statements showing the unaudited results for each of the first three fiscal quarters of 2006, excluding the Mexico operations, indicate a profitable remaining entity in the first two quarters and a marginally profitable remaining entity in the third quarter. However, these results include a significant one-time financial event: a $1.4 million recovery of an insurance claim which happened in the second quarter of 2006. Additionally, these results include approximately $48.2 million in sales, as well as the resulting gross margin, from our lock/line business that has substantially been lost. Finally, these results do not include interest expense of $1.1 million related to the Senior Notes which will be recognized in the future as a result of the recent Capital Source financing (see chart on page 66).

The following chart sets forth the lock/line sales included in the results of the U.S. operations in the pro forma statements of operations, as well as the amount of cash interest by quarter paid but not expensed on the Senior Notes, which was previously accrued as part of the troubled debt restructuring in February 2002.

CellStar Corporation
U.S. Revenues
(in thousands)

	Three months ended		
	Feb 2006	**May 2006**	**Aug 2006**
lock/line	$ 29,444	$ 15,296	$ 3,498
All other	93,305	86,272	85,226
Total Revenues	$ 122,749	$ 101,568	$ 88,724
Cash interest paid but not expensed(a)	$ 371	$ 371	$ 371

(a) The Company did not recognize as interest expense the interest payments on the Senior Notes as the future interest on the Senior Notes was previously accrued as part of the troubled debt restructuring in February 2002.

If our stockholders do not approve either the U. S. Sale Agreement or the Mexico Sale Agreement.

In the event our stockholders do not approve either the U. S. Sale Agreement or the Mexico Sale Agreement, the Company will be left with the challenges to its business described above under Reasons for the U.S. and Mexico Sales and the Plan of Dissolution beginning on page 48.

The Company believes that it would require additional capital in order to (i) acquire complementary businesses as necessary to obtain the required scope and scale to maintain its position as a major distributor and logistics provider and necessary for the Company to remain competitive in its industry, and (ii) make necessary investments in its business, particularly in IT systems, to allow the Company to better compete in its distribution business. The Company believes that obtaining additional capital could be highly dilutive to existing stockholders. There can be no assurance that the Company would be able to obtain such additional capital on satisfactory terms, if at all. There can also be no assurance that the Company would be able to consummate such complementary acquisitions.

Management and the board of directors believe that it may also be necessary to immediately reduce the costs of being a public company by deregistering its Common Stock under the Exchange Act.

Based on the foregoing, management and the Company s board of directors believe that the failure to approve both the U. S. Sale Agreement and the Mexico Sale Agreement would not be in the best interests of the stockholders and recommends that stockholders approve both the U. S. Sale Agreement and the Mexico Sale Agreement.

Recommendation of Our Board of Directors

At meetings on December 16 and 18, 2006, our board of directors unanimously (i) determined that the U.S. Sale Agreement and the U.S. Sale and the Mexico Sale Agreement and the Mexico Sale are advisable and in the best interests of our stockholders, (ii) approved the U.S. Sale Agreement and the U.S. Sale, and the Mexico Sale Agreement and the Mexico Sale and (iii) recommended that our stockholders vote in favor of the adoption of the U.S. Sale Agreement and the Mexico Sale Agreement.

PROPOSAL ONE:

THE U.S. SALE

The following discussion summarizes the material terms of the U.S. Sale. We urge you to read carefully the U.S. Sale Agreement, which is attached as *Annex A* to this proxy statement.

Form of the U.S. Sale

Subject to the terms and conditions of the U.S. Sale Agreement and in accordance with Delaware law, at the closing of the U.S. Sale, U.S. Buyer, a wholly-owned subsidiary of Brightpoint, Inc. and a party to the U.S. Sale Agreement, will acquire substantially all of the assets of the Company s United States and Miami-based Latin American operations and assume certain liabilities related to those operations. The Company s operations in Mexico and Chile and other business or obligations of the Company are excluded from the U.S. Sale Agreement.

The U.S. Sale Agreement

The following summary describes material provisions of the U.S. Sale Agreement. This summary is not complete and is qualified in its entirety by reference to the complete text of the U.S. Sale Agreement, which is attached to this proxy statement as *Annex A*. CellStar urges you to read carefully the U.S. Sale Agreement in its entirety because this summary may not contain all the information about the U.S. Sale Agreement that is important to you.

The U.S. Sale Agreement has been included to provide you with information regarding its terms. It is not intended to provide any other factual information about CellStar. Such information can be found elsewhere in this document and in the other public filings we make with the SEC, which are available, without charge, at *http://www.sec.gov*.

The representations and warranties described below and included in the U.S. Sale Agreement were made by CellStar to U.S. Buyer and by U.S. Buyer to CellStar. These representations and warranties were made as of specific dates and are in some cases subject to important qualifications, limitations and supplemental information agreed to by CellStar and U.S. Buyer in connection with negotiating the terms of the U.S. Sale Agreement. In addition, the representations and warranties may have been included in the U.S. Sale Agreement for the purpose of allocating risk between CellStar and U.S. Buyer rather than to establish matters as facts. The U.S. Sale Agreement is described herein, and included as *Annex A* hereto, only to provide you with information regarding its terms and conditions, and not to provide any other factual information regarding CellStar or its business. Accordingly, the representations and warranties and other provisions of the U.S. Sale Agreement should not be read alone, and you should read the information provided elsewhere in this document regarding CellStar and its business. See Where You Can Find More Information beginning on page 130.

Interests of CellStar s Management and Directors in the U.S. Sale

When considering the recommendation of our board of directors, you should be aware that the members of our board of directors and our executive officers may have interests in the U.S. Sale other than their interests as CellStar stockholders. These interests arise under certain of our existing benefit agreements and, in the case of the executive officers, pursuant to employment agreements and other agreements entered into with CellStar or its operating subsidiaries. These interests may be different from, or in conflict with, your interests as a CellStar stockholder. The members of our board of directors were aware of these additional interests, and considered them, when they approved the U.S. Sale Agreement. See Interests of CellStar s Management and Directors in the U.S. Sale beginning on page 120.

Closing of the U.S. Sale

The closing of the U.S. Sale will take place on a date designated by U.S. Buyer but that will be no later than five business days after the satisfaction or waiver of each of the conditions to the closing of the U.S. Sale set forth in the U.S. Sale Agreement and as described in this proxy statement, or on such other date as U.S. Buyer, U.S. Buyer and CellStar may agree. We currently anticipate the U.S. Sale to be completed by the end of March, 2007, but no later than May 31, 2007.

Purchase Price under U.S. Sale Agreement

Upon consummation of the U.S. Sale, CellStar will receive $88,000,000 cash, subject to adjustment based on CellStar s net working capital and the amount of certain other assets and liabilities at the closing pursuant to the U.S. Sale Agreement. Net working capital is defined with respect to the Business as (a) the value of the accounts receivable and inventories, less (b) the sum of certain accounts payable, deferred revenue in excess of $350,000 and $36,350,000. At the closing of the U.S. Sale, $8,800,000 of the Purchase Price will be deposited into an escrow account as security for our indemnification obligations for a period of six months.

Description of Assets to be Sold under U.S. Sale Agreement

In connection with the proposed U.S. Sale Agreement, we have agreed to sell to U.S. Buyer the Purchased Assets, including, but not limited to: (i) the U.S. Seller s rights to leased real property related to the Business; (ii) all of the U.S. Seller s personal property and interests therein (including machinery, equipment, tools, spare parts, furniture, office furnishings and vehicles); (iii) all raw materials, work-in-process, finished goods, supplies, spare parts, packaging and other inventories; (iv) all rights under all contracts relating primarily to the Business, including all purchase orders of U.S. Sellers relating primarily to the Business; (v) all third party trade accounts or notes receivable and other receivables and all schedules, records and other documentation related to such receivables; (vi) all prepaid assets and claims for refunds or deposits; (vii) all licenses, permits, qualifications or other governmental authorizations transferable without consent of any governmental authority and such other licenses, permits, qualifications, or other governmental authorizations for which consent to transfer is obtained on or prior to the closing of the U.S. Sale Agreement; (viii) all books, records, files and papers, whether in hard copy or computer format, including any information relating to any tax imposed on the assets to be purchased; (ix) certain insurance benefits, including rights and proceeds payable on or after the closing of the U.S. Sale Agreement; (x) goodwill associated with the assets to be purchased; (xi) all rights and claims under any and all transferable warranties extended by suppliers, vendors, contractors, manufacturers and licensors in relation to any of the equipment; (xii) to the extent permitted by applicable law, the personnel records (including all human resources and other records) of transferred employees; (xiii) advertising, sales and promotional literature, other sales and marketing-related materials and customer, vendor, supplier, contractor and service provider lists relating to the Business; (xiv) all claims, causes of action, judgments, reimbursements and demands, whether known or unknown, contingent or otherwise related to either (A) the assets purchased, including the right to sue for past infringement of any U.S. Seller s intangibles or intellectual property rights, or (B) the liabilities to be assumed under the U.S. Sale Agreement; (xv) all assets, including without limitation ideas, concepts, methods, processes, discoveries, software or other intangible assets of any nature, directly and indirectly relating to any business or prospective business, including without limitation CellStar Financo, Inc. involving the lease or sale of equipment (other than handsets and accessories), and/or the modification of handsets and related devices; and (xvi) certain intellectual property.

Description of Liabilities to be Assumed by U.S. Buyer under U.S. Sale Agreement

Subject to and upon the terms and conditions of the U.S. Sale Agreement, U.S. Buyer will assume the obligations under the assumed contracts and obligations after the closing relating to the conduct of the Purchased Assets after the closing, but will not assume any other liabilities.

Description of Assets to be Retained by CellStar under U.S. Sale Agreement

If the proposed U.S. Sale is completed, the Company will retain the following:

- all of U.S. Sellers cash and cash equivalents on hand and in banks;

- the tax records of U.S. Sellers (including tax returns and supporting work papers) covering any period or transaction of any U.S. Seller occurring prior to the closing of the proposed transaction (provided that U.S. Buyer shall be entitled to copies of any such tax returns and other documents to the extent specifically provided in U.S. Sale Agreement);

- U.S. Sellers Mexico operations that reside exclusively within Mexico and U.S. Sellers Chile operations that reside exclusively within Chile;

- CellStar s 19% ownership interest in CellStar Colombia Ltda. (excluding the technical service agreement and the supply agreement as those agreements are defined in the U.S. Sale Agreement);

- the promissory notes held by CellStar in connection with the sale of its Asia, Peru and Colombia operations;

- Sellers right, title, and interest in and to the (i) trademarks and/or service marks (including stylized and design marks) Celular Express , Celular Express Mucho Mas Que Telefonia Celular , Inovacion y Tecnologia Movil , Celex and Pin Virtual , and all registrations and applications therefor; (ii) the domain names celularexpress.com.mx and celex.com.mx ; and (iii) the company names Celular Express S.A. de C.V. , Communicacion Inalambrica Inteligente, S.A. de C.V. , and Celular Express Management S.A. de C.V. in Mexico;

- any claims which may exist against third parties related to CellStar s Asia operations;

- all rights of U.S. Sellers arising under the transaction documents or the transactions contemplated by the U.S. Sale Agreement;

- the right to use Suite 172 at Texas Stadium in Irving, Texas and all related rights in respect thereof;

- all intercompany receivables listed in the U.S. Sale Agreement; and

- any rights of CellStar under that certain Stock Purchase Agreement dated November 11, 2004, and associated Deed of Option dated November 19, 2004, in respect of CellStar s former Singapore operations.

Description of Liabilities to be Retained by CellStar under U.S. Sale Agreement

- all liabilities to the extent arising out of or relating to the operation or conduct by the Company or any of its subsidiaries of any retained businesses, as set forth in the U.S. Sale Agreement, including, without limitation, any outstanding checks of the Company or any of its subsidiaries;

- all liabilities to the extent arising out of or relating to any of the assets excluded from the U.S. Sale;

- all liabilities and commitments of the Company and its subsidiaries in respect of taxes, other than those liabilities and commitments for which U.S. Buyer is responsible pursuant to the U.S. Sale Agreement;

- any compensation or benefits payable to present or past employees of the Company or any of its subsidiaries, including without limitation, any liabilities arising under any employee plan or other employee benefit plan and any of the Company s or its subsidiaries obligations for vacation, holiday or sick pay, including obligations thereof for vacation or holiday pay accrued prior to the closing for employees who are not employed by U.S. Buyer;

- certain obligations under any employment, consulting or non-competition agreement, change of control agreement, indemnity agreement, any retention or performance-based bonus or other compensation agreement, and any similar agreements, whether written or oral, and any liabilities or obligations arising out of the termination by the Company of any of its employees in anticipation or as a consequence of, or following, consummation of the U.S. Sale Agreement;

- certain liabilities and commitments relating to (i) current or former employees of the Company or any of its subsidiaries, (ii) current or former employees (A) that are expressly retained by the Company pursuant to the U.S. Sale Agreement or (B) for which a specific prepaid asset (e.g., an insurance policy), if any, is not sold, conveyed, transferred, assigned or delivered to U.S. Buyer; (iii) employees who, as of the closing of the U.S. Sale, are on a leave of absence resulting from a reduction in force or a bridging of age and/or service credit for purposes of an employee plan; (iv) compensation deferred by employees prior to the closing of the U.S. Sale; and (v) stock option and other equity-based compensation plans of the Company;

- all indebtedness and capital lease obligations of the Company and its affiliates and subsidiaries;

- all obligations to any broker, finder or agent for any investment banking or brokerage fees, finders fees or commission relating to the transactions contemplated by the U.S. Sale Agreement and any other fees and expenses for which the Company is responsible pursuant to the U.S. Sale Agreement;

- all indemnification obligations owed to any person who is or was an officer or director of the Company or any subsidiary prior to the closing in respect of actions or omissions occurring prior to the closing;

- all environmental liabilities including with respect to any release of hazardous materials after the closing date of the U.S. Sale to the extent such environmental liabilities arise from or in connection with conditions, events or circumstances occurring on or before the closing date, including without limitation the migration of hazardous materials which were released on or prior to the closing date;

- all liabilities arising out of intentional violations of applicable law that are punishable by a material criminal fine or imprisonment;

- any liabilities of the Company or any of its affiliates relating to or arising out of state and federal securities laws, rules, and regulations, fiduciary duties, Sarbanes-Oxley, the listing requirements of the over-the-counter market, Pink Sheets® or other national securities exchange or other automated interdealer quotation system on which the shares or debt securities of the Company or any subsidiary thereof are or have been listed, or in connection with any investigation by the National Association of Securities Dealers, Inc. or any criminal investigation by any state, federal or foreign authority;

- any liabilities of the Company, its subsidiaries or current or former affiliates thereof other than the those liabilities assumed by U.S. Buyer;

- all liabilities to the extent arising out of or relating to any right, title, or interest in or to (i) the trademarks and/or service marks (including stylized and design marks) Celular Express , Celular Express Mucho Mas Que Telefonia Celular , Inovacion y Tecnologia Movil , Celex and Pin

Virtual , and all registrations and applications therefor; (ii) the domain names celularexpress.com.mx and celex.com.mx ; and (iii) the company names Celular Express S.A. de C.V. , Celular Express Management S.A. de C.V. , Communicacion Inalambrica Inteligente, S.A. de C.V. ; and

- certain other indemnified liabilities.

Representations and Warranties under the U.S. Sale Agreement

In the U.S. Sale Agreement, we make certain representations and warranties to U.S. Buyer and, subject to certain limitations, we have agreed to indemnify U.S. Buyer for any breach of the representations and warranties. These representations and warranties include, but are not limited to, the following:

- due organization, valid existence, good standing and qualification to do business;
- authority, approvals, validity and enforceability of the U.S. Sale Agreement and the transactions contemplated thereby;
- execution, delivery and performance of the transaction documents requiring no action from any governmental authority other than compliance with the HSR Act;
- the absence of (i) violations under our certificate of incorporation or bylaws or other governing documents, (ii) violations under any applicable laws, (iii) violations, breaches or defaults under any agreement or instrument binding on us, or (iv) the creation of any lien on the Purchased Assets, except for those liens permitted pursuant to the U.S. Sale Agreement;
- required consents;
- our financial statements;
- absence of certain changes and undisclosed liabilities;
- ownership and title to the Purchased Assets and the absence of any liens or encumbrances on any of the Purchased Assets;
- sufficiency of the Purchased Assets;
- our material contracts;
- our solvency;
- our severance plans, bonus plans, employment agreements, change of control, and indemnity agreements;
- litigation matters;
- compliance with applicable laws;
- our material licenses and permits used in the operation of our business;
- quality and condition of our inventory;
- certain employment matters;

- our intellectual property;
- environmental matters;
- customer and supplier relationships; and

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- accounts receivable and accounts payable.

For a complete text of the representations and warranties made by us, refer to Article 3 of the U.S. Sale Agreement.

In the U.S. Sale Agreement, U.S. Buyer makes certain representations and warranties to us and, subject to certain limitations, U.S. Buyer has agreed to indemnify us for any breach of the representations and warranties. These representations and warranties include, but are not limited to the following:

- due organization, valid existence and good standing;

- authority, approvals, validity and enforceability of the U.S. Sale Agreement and the transactions contemplated thereby;

- execution, delivery and performance of the transaction documents requiring no action from any governmental authority other than compliance with the HSR Act;

- litigation matters; and

- of a finder s fee.

Material Adverse Effect

Several of our representations and warranties contained in the U.S. Sale Agreement are qualified by reference to whether the failure of such representation or warranty to be true is reasonably likely to have a Material Adverse Effect on us. The U.S. Sale Agreement provides that a Material Adverse Effect means change, effect or circumstance that is materially adverse to the Business, Purchased Assets, Liabilities, obligations, operations, condition (financial or otherwise) or results of operations or the conduct of the Business, except for any such change, effect or circumstances that to the extent relating solely to any asset or liability excluded from the U.S. Sale and for which U.S. Buyer will have no liability following the closing, or results from or arises in connection with:

- changes, effects or circumstances affecting generally the industries in which our Business operates; or

- changes in economic, regulatory or political conditions generally, laws, GAAP, the accounting rules and regulations of the SEC or publicly announced general interpretations thereof after the date of the U.S. Sale Agreement; provided that the changes or effects described above will be disregarded only to the extent that the effect or change is not disproportionately adverse to our Business compared to others operating in the industries in which our Business operates.

For purposes of the definition of Material Adverse Effect the following will be deemed to constitute a Material Adverse Effect, if it is materially adverse to the Business, Purchased Assets, liabilities, obligations, operations, condition (financial or otherwise) or results of operations or the conduct of the Business:

- a criminal indictment or criminal information or similar proceeding against us or any of our subsidiaries or any of our respective officers or directors;

- an SEC enforcement action in respect of the Company, any of our subsidiaries or any of their respective officers or directors relating to actions within the scope of the Business;

- receipt by us or any of our subsidiaries or any of our respective officers or directors of a Wells Notice, or other similar document indicating or threatening the initiation or recommendation by any governmental authority of a proceeding against any such person or entity who is named in the U.S. Sale Agreement as being an individual whose knowledge is treated as Sellers Knowledge for

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purposes of the U.S. Sale Agreement, or is a Business Employee or Additional Employee, for violation of securities laws; or

- any restatement of earnings, accounting fraud or internal investigation of possible accounting fraud involving the Company or any of our subsidiaries, or any public announcement that it is or may be contemplating any action in respect thereof.

Conduct of Business Pending the U.S. Sale

Under the U.S. Sale Agreement, we have agreed that prior to the closing of the U.S. Sale, subject to certain exceptions, we will and will cause each of our subsidiaries to:

- carry on our and their businesses in the ordinary course and in a manner consistent with past practice;
- use reasonable best efforts to keep available the services of our current officers, employees and consultants and to preserve our present business relationships;
- have in effect and maintain in all material respects insurance substantially of the kinds and in the amounts as are in effect as of the date of the U.S. Sale Agreement; and
- preserve intact U.S. Sellers business organizations and maintain and preserve the Purchased Assets.

In addition, we have also agreed that until the closing of the U.S. Sale, subject to certain exceptions for actions taken in the ordinary course of business, consistent with past practice, or with U.S. Buyer s prior written consent, as necessary to comply with legal requirements, or as specified in the U.S. Sale Agreement, we will and will cause our subsidiaries to comply with specific restrictions relating to, among others:

- acquiring any business, corporation, partnership or any business organization or division thereof;
- the sale, lease, license or other disposition of our or their assets;
- amending our or their certificate of incorporation or bylaws or similar organizational documents;
- other than dividends from any wholly owned subsidiary of CellStar to its parent, declaring or paying any dividend or other distribution with respect to any shares of ours or their capital stock, or purchasing, redeeming or otherwise acquiring any shares of ours or their capital stock, other equity securities or other ownership interests;
- splitting, combining or reclassifying any outstanding shares of our or their capital stock; and
- incurring indebtedness or guarantee any such indebtedness of another person or entity.

In addition to the foregoing, except as specifically permitted by any other provisions in the U.S. Sale Agreement, CellStar and our subsidiaries will not, prior to the closing of the U.S. Sale, directly or indirectly, do any of the following without the prior written consent of U.S. Buyer:

- increase, alter or amend the compensation or fringe benefits of any Transferred Employees;
- enter into employment arrangements or arrangements to provide rights or benefits upon a change of control with any transferred employee or enter into any retention or performance-based bonus or other compensation agreement or any similar agreement with any such employee;
- enter into, amend, modify, renew, replace or terminate any material contract, or place, amend, modify or terminate any purchase orders in respect of U.S. Sellers relating primarily to the Business;

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- expend funds for capital expenditures in excess of $50,000 in the aggregate;
- adopt a plan of complete or partial liquidation or resolutions providing for or authorizing such a liquidation or dissolution, merger, consolidation, restructuring, recapitalization or reorganization;
- recognize any labor union (unless legally required to do so) or enter into or amend any collective bargaining agreement in respect of U.S. Sellers;
- change any accounting principles, unless required by the Financial Accounting Standards Board;
- unless compelled by a final non-appealable court order or other binding order of a governmental authority, settle any litigation in which any U.S. Seller is a defendant in an amount in excess of $25,000 and in the aggregate in an amount in excess of $50,000 or waive any material right, except with respect to the SEC investigation;
- modify or amend any existing insurance policy, except for a renewal thereof on substantially the same terms and conditions;
- knowingly act in a manner intended to materially delay the consummation of the transactions contemplated by the U.S. Sale Agreement; or
- solicit, initiate, encourage or knowingly facilitate (including by furnishing nonpublic information) any inquiries or the making of any proposal or offer that constitutes, or may reasonably be expected to lead to, an any inquiry, offer or proposal concerning any merger agreement, consolidation, share exchange, reorganization of us.

We agree to use our reasonable best efforts to obtain all of required consents.

For a period of two years following the closing of the U.S. Sale, we will not directly or indirectly, engage in or participate in any business or activity in any geographic area in which the Business or any part thereof operates or as of the date of U.S. Sale Agreement plans to operate which is in competition with the Business.

We will not for a period of two years after the closing of the U.S. Sale, and will cause our affiliates and representatives not to, for a period of one year after the closing, directly or indirectly, without the prior written consent of Buyer, disclose to any third party any confidential or proprietary information included in the Purchased Assets.

As of and following the closing date of the U.S. Sale, we will not use, transfer, license or grant or exercise any other right, title, or interest in or to the CellStar name and/or any variants thereof and/or any names, trademarks, or service marks substantially similar thereto, except as set forth in a Mexico license agreement and Chile license agreement.

We will also not liquidate or dissolve, or enter into any proceeding relating to bankruptcy, insolvency, liquidation or dissolution until the expiration of the seven month period following the closing.

Before the closing of the U.S. Sale, we will exercise complete control and supervision of our operations, consistent with the terms and conditions of the U.S. Sale Agreement.

We have also agreed to certain other customary covenants, including to provide U.S. Buyer and its representatives access at reasonable times to CellStar s officers, employees, agents, properties, offices and other facilities, as well as to CellStar s books and records. CellStar has also agreed to promptly furnish information concerning CellStar s business, properties, contracts, assets, liabilities, taxes, personnel and other aspects of the company s business, including internal reviews conducted by the company relating to legal compliance. U.S. Buyer s access rights are subject to its obligations under its existing confidentiality agreement with CellStar.

Conditions to Closing of the U.S. Sale

The U.S. Sale is subject to the satisfaction or waiver of various conditions, including those listed below.

U.S. Buyer and U.S. Sellers are not obligated to effect the U.S. Sale unless the following conditions are satisfied or waived:

- any applicable waiting period under the HSR Act relating to the U.S. Sale shall have expired or been terminated;

- all approvals of governmental authorities listed in the U.S. Sale Agreement shall have been obtained;

- no provision of any applicable law shall prohibit the consummation of the closing or subject U.S. Buyer or U.S. Sellers to any penalty or other condition that has, in the case of U.S. Sellers, a Material Adverse Effect; and

- the U.S. Sale Agreement has been approved by our stockholders at the Special Meeting.

U.S. Buyer is not obligated to effect the U.S. Sale unless the following conditions are satisfied or waived:

- we have performed in all material respects all of our obligations under the U.S. Sale Agreement required to be performed by us on or prior to the closing date;

- our representations and warranties contained in the U.S. Sale Agreement are true in all respects (disregarding conditions of immateriality, materiality, Material Adverse Effect or any other derivation of any of the foregoing contained in any such representations and warranties) when made and at and as of the closing date, as if made at and as of such date (except that any representation or warranty made as of a specified date other than the date hereof shall only be required to have been true on and as of such date), except where any failure of such representations and warranties to be so true in all respects would not result in a Material Adverse Effect);

- we have operated the Business and held the Purchased Assets in the ordinary course of business consistent with past practices;

- we have delivered to U.S. Buyer a certificate, dated as of the closing date, certifying that attached thereto is a complete and correct copy of the charter, bylaws, or operating agreement, other applicable governance document and resolutions adopted by the board of directors or members of each U.S. Seller authorizing the execution, delivery and performance of the U.S. Sale Agreement and the other agreements executed in connection therewith and the transfer of the Purchased Assets to U.S. Buyer, and that such resolutions, approvals and consents have not been amended or modified in any respect and remain in full force and effect as of the date thereof;

- all consents of third parties required by the agreements have been obtained;

- we have delivered possession and control of all of the Purchased Assets to U.S. Buyer, including, but not limited to, all material applicable keys, access cards and other entry devices;

- all material governmental licenses, authorizations, permits, consents and approvals required to carry on the Business as currently conducted have been transferred to or otherwise obtained by U.S. Buyer on or before the closing date;

- each U.S. Seller has entered into the Escrow Agreement and the Transition Services Agreement;

- since the date of the U.S. Sale Agreement, there has been no event, development or state of facts that results in or would result in a Material Adverse Effect;

- U.S. Buyer has timely received from us the Estimated Net Working Capital Statement in form and substance approved by U.S. Buyer, in its sole and absolute discretion;

- we have delivered to U.S. Buyer good standing certificates or the equivalent for each U.S. Seller from its jurisdiction of incorporation;

- U.S. Buyer has received an opinion of Haynes and Boone, counsel for U.S. Sellers;

- no order of any governmental authority is in effect which restrains or prohibits the transactions contemplated by the U.S. Sale Agreement;

- the U.S. Sale Agreement shall not have been terminated;

- the employment agreements and/or modifications entered into by U.S. Buyer and/or one of its Affiliates, on the one hand, and the key employees named in the U.S. Sale Agreement, on the other hand, are in full force and effect;

- we have implemented a formal retention program in order to retain key employees for the period commencing on the date the U.S. Sale Agreement was executed through the closing date;

- U.S. Buyer has received evidence, satisfactory to it with respect to our and our subsidiaries authority to use Microsoft software which has been utilized by us and our subsidiaries;

- all liens with respect to the Purchased Assets (except in favor of Raymond Leasing Corporation and Wells Fargo Financial Leasing Inc.) have been discharged, and all indebtedness under the Loan and Security Agreement dated as of September 28, 2001, between CellStar and each of our subsidiaries signatories thereto and Wells Fargo Foothill, Inc., as amended, and the Term Loan and Security Agreement dated as of August 31, 2006, between CellStar and each of our subsidiaries signatories thereto and CapitalSource Finance, LLC, as amended, and under CellStar s indenture dated as of February 20, 2002, with The Bank of New York, have been satisfied and paid in full;

- U.S. Buyer has received (i) a letter agreement from us acknowledging that the liabilities that are not being assumed by U.S. Buyer include certain accounts payable and accrued expenses and (ii) a schedule reflecting our estimate of such excluded liabilities and accounts payable;

- all intercompany receivables and payables between the Business, on the one hand, and any Retained Business, on the other hand, have been eliminated;

- U.S. Buyer has received evidence, satisfactory to U.S. Buyer in respect of tax or similar clearance from appropriate Governmental Authorities in the States of Florida and Texas;

- U.S. Buyer has received evidence in respect of the payment in full of all obligations due to officers, directors and employees of CellStar;

- we have taken action to ensure that no liability shall attach to U.S. Buyer in respect of CellStar s stockholder rights plan; and

- a technical service agreement and a supply agreement have been extended and assigned to U.S. Buyer and are the only material contracts in existence at the closing of the U.S. Sale in respect of our business in Colombia.

We are not obligated to effect the U.S. Sale unless the following conditions are satisfied or waived:

- U.S. Buyer has performed in all material respects all of its obligations under the U.S. Sale Agreement required to be performed by it on or prior to the closing;

- The representations and warranties of U.S. Buyer contained in the U.S. Sale Agreement are true in all respects (disregarding immateriality, materiality, Material Adverse Effect or any other derivation of any of the foregoing contained in any such representations and warranties) when made and at and as of the closing, as if made at and as of such date, (except that any representation or warranty made as of a specified date, other than the date of the U.S. Sale Agreement, shall only be required to have been true on and as of such date), except where any failure of such representations and warranties to be true in all respects would not result in a Material Adverse Effect on the ability of U.S. Buyer to consummate the transactions contemplated by the U.S. Sale Agreement;

- We have received a certificate signed by an officer of U.S. Buyer to the foregoing effect;

- U.S. Buyer has delivered to us a certificate, dated as of the closing date, in form and substance reasonably satisfactory to us, of the Secretary or an Assistant Secretary of U.S. Buyer certifying that attached thereto is a complete and correct copy of the charter, bylaws, and resolutions adopted by the board of directors of U.S. Buyer authorizing the execution, delivery and performance of the U.S. Sale Agreement and the other agreements executed in connection therewith by it; and that such resolutions, approvals and consents have not been amended or modified in any respect and remain in full force and effect as of the date of the U.S. Sale Agreement;

- no order of any governmental authority shall be in effect which restrains or prohibits the transactions contemplated by the U.S. Sale Agreement, and no claim, suit, action, inquiry, investigation or proceeding in which it will be, or it is, sought to restrain, prohibit or change the terms of or obtain damages or other relief in connection with the U.S. Sale Agreement or any of the transactions contemplated thereby, have been instituted by any person or entity, and which, in the reasonable judgment of CellStar (based on the likelihood of success and material consequences of such claim, suit, action, inquiry or proceeding), makes it impossible or unlawful to proceed with the consummation of the transactions contemplated thereby;

- U.S. Sellers have received an opinion of Blank Rome LLP, counsel for U.S. Buyer, dated the closing date; and

- U.S. Buyer has entered into a transition services agreement.

Limitation on Considering Other Acquisition Proposals under U.S. Sale Agreement

Prior to the earlier of (i) the closing date or (ii) the termination of the U.S. Sale Agreement, subject at all times to the Company s and our directors duty to act in a manner consistent with their fiduciary duties, we will not, nor will we permit any of our affiliates to, nor will we permit any officer, director, employee or agent of, or any investment banker, attorney, accountant or other advisor or representative of, us or any of our subsidiaries to directly or indirectly:

- solicit, initiate, encourage or knowingly facilitate (including by furnishing nonpublic information) any inquiries or the making of any proposal or offer that constitutes, or may reasonably be expected to lead to, an Acquisition Proposal (as defined below);

- participate in any discussions or negotiations in furtherance of such inquiries or to obtain an Acquisition Proposal, or the making of any proposal that constitutes any Acquisition Proposal, or provide any confidential information or data with respect to an Acquisition Proposal;

- agree to approve or recommend or propose publicly to approve or recommend any Acquisition Proposal; or

- execute or enter into any letter of intent, agreement in principle, merger agreement, memorandum of understanding, term sheet or other similar document related to an Acquisition Proposal;

Subject to our compliance with the U.S. Sale Agreement, nothing shall prevent CellStar or our board of directors from (i) entering into a definitive agreement providing for the implementation of a Superior Proposal (as defined below) if we or our board of directors has complied with certain procedures in the U.S. Sale Agreement; or (ii) furnishing information to, or entering into or participating in discussions or negotiations with, any person or entity that makes an unsolicited bona fide written Acquisition Proposal to us if (1) our board of directors determines in good faith that failure to do so would create a reasonable probability of a breach of its duties to stockholders imposed by applicable law, (2) our board of directors determines in good faith that such Acquisition Proposal would be reasonably likely, if consummated, to constitute a Superior Proposal and (3) prior to taking such action, we comply in all material respects with the procedures set forth in the U.S. Sale Agreement.

We will (i) promptly, and in any event within two business days, notify U.S. Buyer orally and in writing after receipt by us of any Acquisition Proposal, including the material terms and conditions thereof, to the extent known, and the identity of the person making it, (ii) promptly, and in any event within two business days, notify U.S. Buyer orally and in writing after receipt of any request for non-public information relating to it or any of its subsidiaries or for access to its or any of its subsidiaries properties, books or records by any person that is reasonably likely to make, or has made, an Acquisition Proposal, and (iii) notify U.S. Buyer within one business day of any material change to the terms and conditions of any Acquisition Proposal.

An ***Acquisition Proposal*** means any inquiry, offer or proposal concerning (i) any merger agreement, consolidation, share exchange, reorganization, recapitalization, business combination, or other similar transaction in which the other party thereto or its stockholders will own 20% or more of the combined voting power of the surviving entity resulting from any such transaction, (ii) any sale, lease exchange, mortgage, pledge, transfer or other disposition of assets of the Company representing 20% or more of the consolidated assets of the Company and our subsidiaries, taken as a whole in a single transaction or series of related transactions, (iii) any tender offer or exchange offer for 20% or more of any class of equity security of the Company or the filing of a registration statement under the Securities Act in connection therewith, (iv) any other transaction or series of related transactions pursuant to which any third party proposes to acquire control of assets of the Company and our subsidiaries having a fair market value equal to or greater than 20% of the fair market value of all of the assets of the Company and our subsidiaries, taken as a whole, immediately prior to such transaction, or (v) any public announcement of a proposal, plan or intention to do any of the foregoing or any agreement to engage in any of the foregoing (other than the transactions contemplated by the U.S. Sale Agreement).

A ***Superior Proposal*** means a bona fide written Acquisition Proposal (except that references in the definition of Acquisition Proposal to 20% shall be 50%) which (i) in the good faith judgment of our board of directors, is reasonably likely to be consummated, and (ii) a majority of our board of directors determines in their good faith judgment after consultation with outside financial advisors to be more favorable to our stockholders from a financial point of view (which determination may take into account legal and regulatory matters) than the transactions contemplated by the U.S. Sale Agreement.

Indemnification under U.S. Sale Agreement

CellStar has agreed to indemnify U.S. Buyer from and against any and all losses, obligations, deficiencies, liabilities, claims (whether actual or threatened), damages, costs and expenses, and all reasonable legal fees resulting from:

- any misrepresentation of a fact contained in any representation of any U.S. Seller contained in this U.S. Sale Agreement;
- the breach by any U.S. Seller of any warranty or covenant made by any of them in the U.S. Sale Agreement;

- any unpaid federal, state, local and foreign taxes of the Business for any pre-closing tax periods and the portion through the closing date for any tax period which does not end on the closing date and any liability or obligation for the unpaid taxes of the Business including under Treasury Regulation Section 1.1502-6 (or any corresponding provision of state, local or foreign Tax Law) as a transferee or successor, by contract or otherwise;

- any liability or obligation of any of U.S. Sellers arising out of or relating to any of the liabilities excluded from the U.S. Sale, including without limitation, any amounts which may be due under any agreement with Robert A. Kaiser including his employment agreement with the Company and CellStar, Ltd.;

- any losses incurred as a result of U.S. Sellers waiver or noncompliance with the bulk sales laws; and

- any claims, charges, suits or legal proceedings against U.S. Buyer or its affiliates by or on behalf of any employee as a result of (i) illegal or unlawful misconduct on or before the closing date, and (ii) any retention agreement or retention memoranda agreed to with, or issued in favor of, any employee.

Certain representations survive the closing for six months, and certain representations survive until the earlier of two years after the closing or the liquidation or dissolution of CellStar. CellStar s total liability for all losses shall not exceed $17,600,000 except for actual fraud, intentional misrepresentation or breach of a covenant not to liquidate or dissolve until seven months after closing.

Termination of the U.S. Sale Agreement; Termination Fees

CellStar and U.S. Buyer can terminate the U.S. Sale Agreement under certain circumstances, including:

- by mutual written consent of U.S. Buyer and us;

- by either U.S. Buyer or us if (i) the U.S. Sale has not been completed before May 31, 2007, provided that such date may be extended for a period of 60 days if the staff of the SEC has not closed its comment period with respect to this proxy statement or (ii) a court or governmental agency has issued an order permanently prohibiting the U.S. Sale. However, the right to terminate the U.S. Sale Agreement under this circumstance will not be available to any party whose failure to fulfill any of its obligations under the U.S. Sale Agreement has been the cause of, or resulted in, the failure of the U.S. Sale to be consummated on or before such date;

- by U.S. Buyer, if U.S. Buyer is not in material breach of any of its representations, warranties, covenants and agreements under the U.S. Sale Agreement and there has been a breach of any representation, warranty, covenant or agreement contained in U.S. Sale Agreement on the part of any U.S. Seller and any U.S. Seller is not using its reasonable best efforts to cure such breach;

- by U.S. Sellers, if U.S. Sellers are not in material breach of any of their representations, warranties, covenants and agreements under this Agreement and there has been a material breach of any representation, warranty, covenant or agreement contained in this Agreement on the part of U.S. Buyer and U.S. Buyer is not using its reasonable efforts to cure such breach;

- by U.S. Buyer, if our board of directors has (i) failed to recommend the U.S. Sale to our stockholders, (ii) withdrawn the recommendation, (iii) modified the recommendation in a manner adverse to U.S. Buyer, (iv) approved or recommended to our stockholders an acquisition proposal other than that contemplated by the U.S. Sale Agreement or entered into any agreement with respect to an acquisition proposal, (v) after an acquisition proposal has been made, fails to affirm the recommendation of the U.S. Sale within five days of any request by U.S. Buyer to do so,

(vi) recommended that the stockholders tender their shares in any tender offer or exchange offer that is commenced which would result in any person or group becoming a beneficial owner of 20% or more of the outstanding capital stock of CellStar;

- by U.S. Sellers, if our board of directors shall have concluded in good faith, after consultation with outside counsel, that such action is necessary in order for it to be deemed to have acted in a manner consistent with its fiduciary duties in connection with its approval of a proposal that is superior to the U.S. Sale Agreement; and

- by U.S. Sellers or U.S. Buyer, if the our stockholders approval has not been obtained at the Special Meeting; p*rovided*, *however*, that the right to terminate the U.S. Sale Agreement shall not be available to U.S. Sellers if the failure to obtain our stockholders approval shall have been caused by the action or failure to act by U.S. Sellers and such action or failure constitutes a material breach by U.S. Sellers.

The U.S. Sale Agreement provides that we will pay U.S. Buyer a termination fee of $3,080,000 plus fees and expenses incurred in connection with the transactions contemplated by the U.S. Sale Agreementif it is terminated (i) by U.S. Sellers if our board of directors has approved a Superior Proposal, (ii) by U.S. Buyer if our board of directors has withdrawn its recommendation that our stockholders approve the U.S. Sale Agreement or recommended an Acquisition Proposal or (iii) by U.S. Sellers or U.S. Buyer if the stockholders do not approve the U.S. Sale Agreement, an Acquisition Proposal has been announced prior to the Special Meeting, and within one year of termination we enter into an agreement for an Acquisition Proposal.

Restrictions on our Liquidation and Dissolution

Pursuant to the U.S. Sale Agreement we will not liquidate or dissolve, or enter into any proceeding relating to bankruptcy, insolvency, liquidation or dissolution until the expiration of the seven month period following the closing of the U.S. Sale. During this seven month period, we will (i) apply the proceeds received under the U.S. Sale Agreement to promptly discharge our liabilities existing on and after the closing date of the U.S. Sale, including all amounts owed to current and future creditors of the Company and our subsidiaries; (ii) maintain sufficient capital with which to continue our operations; and (iii) maintain assets that exceed our liabilities. In addition, at all times during the escrow period, we will be permitted to make distributions, dividends and liquidating or other payments of cash or other assets or property to our stockholders or any other persons provided that we retain an amount of cash at least equal to the amount of the indemnity cap of $17,600,000 (the ***Minimum Cash***) for our indemnity obligations under the U.S. Sale Agreement, which includes the $8,800,000 in the escrow account.

No payment will be made unless our board of directors determines, upon the advice of outside legal counsel, that such payment may be made in compliance with their duties under applicable law, provided adequate provision is made to maintain the Minimum Cash amount.

We may arrange for the payment and satisfaction, at or prior to the closing, of all intercompany liabilities and certain other indebtedness to third parties.

We will provide U.S. Buyer, on a monthly basis, with evidence reasonably satisfactory to U.S. Buyer of our compliance with the foregoing covenants.

Absence of Appraisal Rights

Holders of our Common Stock are not entitled to appraisal rights in connection with the proposal to approve the U.S. Sale Agreement under the DGCL, our Certificate of Incorporation or our Amended and Restated Bylaws.

Vote Required and Recommendation of the Board

The approval of the U.S. Sale Agreement requires the affirmative vote of the holders of a majority of the shares of our Common Stock outstanding. **The board of directors unanimously recommends that you vote FOR the proposal to approve the U.S. Sale Agreement.**

Deregistration of CellStar Common Stock

If the U.S. Sale is completed, the Company intends to immediately file a Form 15 with the SEC to voluntarily deregister our Common Stock under the Exchange Act. Upon the filing of the Form 15, our obligation to file certain reports with the SEC, including Forms 10-K, 10-Q, and 8-K, will immediately be suspended. We expect that the deregistration of our Common Stock will become effective 90 days after the date of filing of the Form 15. We are eligible to deregister by filing a Form 15 because we have fewer than 300 holders of record of our Common Stock. We anticipate that our Common Stock will continue to be traded on the over-the-counter (OTC) market and be quoted in the Pink Sheets® upon completion of the U.S. Sale, but we cannot assure you that our Common Stock will continue to be traded and quoted in this manner.

PROPOSAL TWO:

THE MEXICO SALE

Approval of the Mexico Sale by the Company s stockholders is not required under the DGCL. However, our board of directors believes that, as a matter of good corporate governance, the Mexico Sale should not occur unless the Mexico Sale Agreement is approved by the affirmative vote of the holders of a majority of the shares of Common Stock present in person or represented by proxy at the Special Meeting and entitled to vote. Consequently, the Company will not effect the Mexico Sale unless it is so approved. The following discussion summarizes the material terms of the Mexico Sale. We urge you to read carefully the Mexico Sale Agreement, which is attached as *Annex B* to this proxy statement.

Form of the Mexico Sale

Subject to the terms and conditions of the Mexico Sale Agreement, at the closing of the Mexico Sale, Mexico Buyers will acquire substantially all of CellStar s Mexico operations. Unless Mexico Buyers give three business days notice prior to the closing date of the Mexico Sale that they elect the Alternate Transaction, we will sell to Mexico Buyers (i) all of the outstanding shares of the Company s Mexican subsidiaries, and Celular Express interest in a joint venture with certain individuals who Series A Stock in CII, and (ii) CIC/SA s accounts receivable due from Celular Express. Upon three business days prior notice to Mexico Sellers, Mexico Buyers may elect not to consummate the Stock Sale described above and, instead, purchase the CII Series B Stock, representing 51% of the corporate capital of CII, from Celular Express. In such event, Audiomex and NAC would retain ownership of the stock of Celular Express and Celular Express Management, and indirectly through Celular Express, the stock of CellStar Mexico.

The Mexico Sale Agreement

On December 18, 2006, we entered into the Mexico Sale Agreement with Mexico Buyers pursuant to which we will, subject to certain conditions, including approval by our stockholders at the Special Meeting, sell substantially all of ourMexico operations to Mexico Buyers. As consideration for this sale, unless Mexico Buyers elect the Alternate Transaction (as hereinafter defined) and give three days notice of such election to Mexico Sellers, Mexico Buyers will pay us between $20,000,000 and $22,000,000 in cash, based on the 2007 operating performance of the Mexico operations up to the closing date. If, however, Mexico Buyers elect the Alternate Transaction and give three days notice of such election to Mexico Sellers, CellStar will receive $13,000,000 for the CII Series B Shares, which represent 51% if the corporate capital of CII, upon consummation of the Alternate Transaction.

In the event the Alternate Transaction is consummated, the Company would retain the Alternate Transaction consideration and would be entitled to certain calendar year CII profits attributable to Celular Express 51% ownership of CII up to the consummation of the Alternate Transaction. Moreover, after giving effect to the Alternate Transaction, the Company, through Audiomex and NAC, would retain ownership of the stock of Celular Express and Celular Express Management. Celular Express would in turn own all of the stock of CellStar Mexico. Each of Celular Express and CellStar Mexico has assets, principally accounts receivable and inventory. In the event the Alternate Transaction is consummated, CII has agreed, upon request by Celular Express and CellStar Mexico, to assist in disposing of the inventory and collecting the accounts receivable of the Company s Mexican subsidiaries, for a fee of 5% of the proceeds realized.

Closing of the Mexico Sale

The closing of the Mexico Sale will take place on a date designated by Mexico Buyers but that will be no later than five business days after the satisfaction or waiver of each of the conditions to the closing of the Mexico Sale set forth in the Mexico Sale Agreement and as described in this proxy statement, or on such other date asMexico Buyers and CellStar may agree. We currently anticipate the Mexico Sale to be completed by the end of March, 2007.

Purchase Price under Mexico Sale Agreement

Upon consummation of the Mexico Sale, unless Mexico Buyers elect the Alternate Transaction and give three days notice of such election to Mexico Sellers, CellStar will receive between $20,000,000 and $22,000,000 in cash, based on the 2007 operating performance of the Mexico operations up to the closing date. If, however, Mexico Buyers elect the Alternate Transaction and give three days notice of such election to Mexico Sellers, CellStar will receive $13,000,000 upon consummation of the Mexico Sale.

Description of Mexican Operations to be Sold under Mexico Sale Agreement

In connection with the proposed Mexico Sale Agreement, unless Mexico Buyers give three business days notice prior to the closing date of the Mexico Sale that they elect the Alternate Transaction, we have agreed to sell to Mexico Buyers substantially all of the Company s Mexico operations in exchange for approximately $20,000,000 to $22,000,000. Upon three business days prior notice to Mexico Sellers, Mexico Buyers may elect not to consummate the Stock Sale and, instead, consummate the Alternate Transaction, in exchange for a payment to Celular Express of $13,000,000.

Representations and Warranties under the Mexico Sale Agreement

In the Mexico Sale Agreement, Mexico Sellers make certain representations and warranties to Mexico Buyers and Mexico Sellers have agreed, subject to certain limitations, to indemnify Mexico Buyers and certain others for any breach of the representations and warranties. These representations and warranties include, but are not limited to, the following:

- due organization, valid existence, good standing and qualification to do business;
- title to all of the issued and outstanding shares of stock of the Acquired Companies free and clear of any mortgages, pledges, liens, encumbrances, charges, restrictions on transfer, security interests, options, warrants, purchase rights, contracts, commitments, equities, claims, demands, rights of first refusal or first offer, voting agreements or other limitations;
- authority, approvals, validity and enforceability of the Mexico Sale Agreement and the transactions contemplated thereby;
- no person or entity, has any option, warrant, subscription, or other right or agreement to acquire any interest in any of the assets or rights of Mexico Sellers;
- the Acquired Companies and CellStar Mexico have been managed, administered and operated according with sound commercial practices and applicable law;
- the books of account, minute books, stock record books, and other records of the Acquired Companies and CellStar Mexico are complete and correct and have been maintained in accordance with sound business practices and the requirements of the Mexican General Law of Business Organizations of the United Mexican States, including the requirement of maintaining an adequate system of internal controls;
- the outstanding shares of equity securities of each such subsidiary have been duly authorized and validly issued and are fully paid and non-assessable and are not subject to any lien and are not subject to or issued in violation of any other right of first refusal, preemptive right or similar right under any provisions of the Mexican General Law of Business Organizations, the corporate by-laws of the subsidiaries or any other agreement;

- no claims pending or threatened against Mexico Sellers, CellStar Mexico or the Acquired Companies before or by any governmental authority or any third party that threatens or challenges the validity of the Mexico Sale Agreement, any agreement or document to be delivered in connection therewith or any action taken or to be taken by Mexico Sellers, CellStar Mexico or the Acquired Companies in connection with, or which seeks to enjoin or obtain monetary damages in respect of, the consummation of the transactions contemplated by the Mexico Sale Agreement;

- there has not been any event, occurrence or development or state of circumstances or facts that has had or would reasonably be expected to have a material adverse effect on CellStar Mexico and/or the Acquired Companies, taken as a whole, or to materially delay the consummation of the transactions contemplated by the Mexico Sale Agreement;

- to the extent that the Acquired Companies and CellStar Mexico have rights to intellectual property pursuant to a license or other contract:

- each such license or other contract is valid and binding;

- each such license or contract is in full force and effect;

- the Acquired Companies and CellStar Mexico, as the case may be, are not in default under or in material breach of any such license or other contract, and

- none of the licensors are in default under or in material breach of any such license or other contract pursuant to which the Acquired Companies and CellStar Mexico have rights to intellectual property;

- each of the Acquired Companies and CellStar Mexico have filed all federal, state, local and foreign tax returns and tax reports;

- each of the Acquired Companies and CellStar Mexico have insurance coverage as reasonably and commercially required;

- compliance with all legal requirements respecting employment and employment practices and Mexican labor laws;

- compliance, in all material respects, with all legal requirements, including the possession of all permits required under applicable environmental laws, relating to the environment or natural resources;

- all inventory owned or held by the Acquired Companies and CellStar Mexico consists of quality and quantity usable and salable in the ordinary course of business; and

- the Mexico Sale will not violate or conflict with the bylaws or organizational documents of CellStar Mexico, the Acquired Companies or Mexico Sellers.

For a complete text of the representations and warranties made by us, see Section 5 of the Mexico Sale Agreement.

In the Mexico Sale Agreement, Mexico Buyers make certain representations and warranties to Mexico Sellers and, subject to certain limitations, Mexico Buyers have agreed to indemnify Mexico Sellers for any breach of the representations and warranties. These representations and warranties include, but are not limited to the following:

- due organization, valid existence and good standing;

- authority, approvals, validity and enforceability of the U.S. Sale Agreement and the transactions contemplated thereby; and

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- no agreement or actions taken which will cause any person or entity to become entitled to a broker s fee or commission as a result of the Mexico Sale.

For a complete text of the representations and warranties made by Mexico Buyers, refer to Section 6 of the Mexico Sale Agreement.

Conduct of Business Pending the Mexico Sale

Under the Mexico Sale Agreement, we have agreed that prior to the closing of the Mexico Sale, we will continue the business of the Acquired Companies, CellStar Mexico and CII according to recent historical business practices. Except for certain exceptions that are specifically provided for in the Mexico Sale Agreement, the Mexico Sellers will not have any continuing obligations to Mexico Buyers, the Acquired Companies, CellStar Mexico or CII after the closing.

Conditions to Closing of the Mexico Sale

The Mexico Sale is subject to the satisfaction or waiver of various conditions, including those listed below.

The Mexico Sellers are not obligated to consummate the Stock Sale unless the following conditions are satisfied or waived:

- the written consent and approval of Wells Fargo Foothill and CapitalSource, secured lenders to Mexico Sellers, permitting the transfer of stock to Mexico Buyers and releasing any rights and interests they may have in and to such stock or the stock of CellStar Mexico;

- the adoption of resolutions of the board of directors of Mexico Sellers and CellStar approving the Stock Sale and the other transactions contemplated in the Mexico Sale Agreement;

- the release and termination of any and all guarantees issued by CellStar and CellStar, Ltd. for the benefit of the Acquired Companies, CellStar Mexico, CII, and any of their subsidiaries or affiliates;

- the delivery by Mexico Buyers to Mexico Sellers of a $13 million letter of credit, which is payable to Celular Express in the event Mexico Buyers default in their obligation to pay the Mexico Sale consideration or the Alternate Transaction consideration;

- the delivery to Mexico Sellers and CellStar of a mutual release, executed by Mexico Buyers, the Acquired Companies, CellStar Mexico and CII;

- the approval by the stockholders of CellStar of the Mexico Sale, and the other transactions contemplated by the Mexico Sale Agreement;

- delivery by Mexico Buyers of a certificate confirming that the representations and warranties of Mexico Buyers contained in the Mexico Sale Agreement are true and correct as of the closing date and that the conditions precedent to Mexico Buyers performance under the Mexico Sale Agreement have either been satisfied or waived by Mexico Buyers;

- delivery to Mexico Sellers and CellStar, Ltd. of the consideration for the Stock Sale;

- all intercompany debt between the Acquired Companies or CellStar Mexico, on the one hand, and CellStar, CellStar, Ltd., and NAC and any of their respective affiliates or subsidiaries, on the other, (other than the accounts receivable from CellStar Mexico) have been capitalized; and

- in consultation with Mexico Buyers, Mexico Sellers have allocated the Mexico Sale consideration paid among

Mexico Sellers and Mexico Buyers.

The Mexico Buyers are not obligated to consummate the Stock Sale unless the following conditions are satisfied or waived:

- the satisfactory performance of a financial, accounting and legal due diligence on CellStar Mexico and the Acquired Companies by the legal and financial advisors of Mexico Buyers, which began as of December 18, 2006 and will conclude on or before four business days prior to the closing date of the Mexico Sale;

- each of the Acquired Companies and CellStar Mexico have held a shareholders meeting approving the transactions contemplated by the Mexico Sale Agreement;

- the valid delivery by Mexico Sellers to Mexico Buyers of good and marketable title to the stock, free and clear of all liens and claims;

- delivery to Mexico Buyers of a certificate issued by the Secretary of the board of directors of each of the Acquired Companies dated the closing date, stating that the transfer of the stock has been recorded in the stock registry books of the Acquired Companies;

- Mexico Sellers have performed in all material respects all of the respective covenants and obligations required by the Mexico Sale Agreement to be performed by them prior to or at the closing date;

- Mexico Buyers have received satisfactory evidence, certifying that the net working capital of the Acquired Companies and CellStar Mexico on a consolidated basis is at least $10,000,000 as of the closing date;

- Mexico Buyers have received a certificate issued by a financial officer of the Acquired Companies certifying that the Acquired Companies and CellStar Mexico have been managed and operated as of the date of the Mexico Sale Agreement and as of the closing date of the Mexico Sale in the ordinary course of their respective businesses and in accordance with sound commercial and financial practices;

- Mexico Buyers have received the audited financial statements of each of the Acquired Companies and CellStar Mexico as of December 31, 2005 and final unaudited financial statements as of December 31, 2006;

- no preliminary or permanent injunction or other order of any governmental authority of competent jurisdiction restraining or prohibiting the consummation of the transactions contemplated by the Mexico Sale Agreement are in effect. No claim pending, or threatened, seeking to restrain, enjoin or prohibit or declare illegal, or seeking substantial damages in connection with, any material part of the transactions contemplated by the Mexico Sale Agreement;

- execution and delivery to Mexico Buyers by CellStar, Ltd. of a trademark license agreement;

- the delivery to Mexico Buyers of a mutual release, executed by Mexico Sellers, CellStar Corp., and certain CellStar affiliates;

- all intercompany debt between the Acquired Companies and CellStar Mexico, on the one hand, and us, CellStar, Ltd. and NAC and any of our respective affiliates or subsidiaries, on the other, (other than the accounts receivable from CellStar Mexico) has been capitalized;

- Mexico Sellers have delivered a written certification of allocation of the consideration paid amongst all assets to be acquired;

- upon payment by Mexico Buyers of the Mexico Sale consideration, Mexico Sellers will deliver to Mexico Buyers a written release authorizing the cancellation of the $13 million letter of credit,

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which was delivered to Mexico Sellers and payable to Celular Express in case of the default by Mexico Sellers in their obligation to pay the Mexico Sale consideration;

- the delivery to Mexico Buyers of documentation that the sale by CIC/SA and NAC of the stock of CellStar Mexico to Celular Express has occurred; and

- delivery by Mexico Sellers of a certificate confirming that the representations and warranties of Mexico Sellers contained in the Mexico Sale Agreement are true and correct as of the closing date of the Mexico Sale, and that the conditions precedent to Mexico Sellers performance under the Mexico Sale Agreement have either been satisfied or waived by Mexico Sellers.

If as a consequence of their due diligence process, Mexico Buyers decide not to consummate the Stock Sale, then the Alternate Transaction will be consummated pursuant to which Soluciones will acquire from Celular Express the CII Series B Shares upon and subject to the satisfaction or waiver by Soluciones of the following conditions:

- Celular Express has held a shareholders meeting approving the Alternate Transaction;

- execution for transfer and assignment and the valid delivery by Celular Express to Soluciones of good and marketable title to the CII Series B Shares free and clear of all liens and claims, including the endorsement in property of the stock certificates representing the CII Series B Shares;

- delivery to Soluciones of a certificate issued by the Secretary of the board of directors of Celular Express dated the closing date of the Mexico Sale, stating that the transfer of the CII Series B Shares has been recorded in the stock registry book of CII;

- insofar as they are applicable to the CII Series B Shares, Mexico Sellers have performed in all material respects all of the respective covenants and obligations required by the Mexico Sale Agreement to be performed by them prior to or at the closing date of the Mexico Sale;

- the delivery to Mexico Buyers of a mutual release, executed by Mexico Sellers, CellStar, and certain CellStar affiliates;

- delivery by Mexico Sellers of a certificate confirming that, insofar as they are applicable to the CII Series B Shares, the representations and warranties of Mexico Sellers contained in the Mexico Sale Agreement are true and correct as of the closing date of the Mexico Sale, and that the conditions precedent to Mexico Sellers performance under the Mexico Sale Agreement have been satisfied or waived by Mexico Sellers;

- Mexico Sellers have delivered to Mexico Buyers a written assignment by Celular Express to CII of its contract with Radiomovil Dipsa, S.A. de C.V granting to CII good and marketable title to the rights and obligations derived from such agreement; and

- Mexico Sellers have delivered to Mexico Buyers a written assignment and transfer of the Fixed Assets (as defined in the Mexico Sale Agreement) in favor of CII, granting to CII good and marketable title to the Assets, which include the assignment and assumption by CII of the rights and obligations of certain lease agreements.

Indemnification under Mexico Sale Agreement

Mexico Sellers have agreed, subject to certain limitations, to indemnify the Buyer Indemnified Parties and their respective representatives, stockholders, controlling persons, and Affiliates, from and against any loss, liability, claim damage, expense (including costs of investigation and defense and reasonable attorneys fees) arising, directly or indirectly, from or in connection with:

- any breach of any representation or warranty (other than those which do not survive the closing of the Mexico Sale) made by either Mexico Seller in the Mexico Sale Agreement or any other certificate or document delivered by either Mexico Seller pursuant to the Mexico Sale Agreement;

- any breach of any representation or warranty made by either Mexico Seller in the Mexico Sale Agreement as if such representation or warranty were made on and as of the closing date of the Mexico Sale;

- any breach by either Mexico Seller of any of its covenants or obligations under the Mexico Sale Agreement; or

- any claim by any person for brokerage or finder s fees or commissions or similar payments based upon any agreement or understanding alleged to have been made by any such person with either Mexico Seller, CellStar Mexico or any Acquired Company (or any person acting on their behalf) in connection with any of the transactions contemplated by the Mexico Sale Agreement.

Additionally, the parties have agreed that Mexico Sellers, jointly and severally, shall indemnify and hold harmless the Buyer Indemnified Parties for, and will pay to the amount of damages arising, directly or indirectly, from or in connection with any taxes owing by of Mexico Sellers to any governmental body as a result of the transactions contemplated by the Mexico Sale Agreement.

The Buyer Indemnified Parties sole remedy in respect of an indemnity claim against Mexico Sellers is to withhold payments to Celular Express and Audiomex of certain calendar year 2007 profits of CII and Celular Express.

Certain representations and warranties will be true as of the closing of the Mexico Sale but will not survive the closing date, and the other representations, warranties, covenants and obligations survive the closing for a period of 150 days.

Termination of the Mexico Sale Agreement; Termination Fees

The Mexico Sale Agreement may be terminated at any time prior to the closing date of the Mexico Sale:

- by mutual written consent of Mexico Buyers and Mexico Sellers;

- by Mexico Buyers, on the one hand, or Mexico Sellers, on the other hand, if (i) the closing shall not have been consummated by March 31, 2007, *provided*, *however*, that the right to terminate the Mexico Sale Agreement is not be available to any party whose failure to fulfill any obligation under the Mexico Sale Agreement has been the cause of, or resulted in, the failure of the closing date of the Mexico Sale to occur on or before such date or (ii) a court of competent jurisdiction or governmental, regulatory or administrative agency or commission shall have issued an order, decree or ruling or taken any other action (which order, decree, ruling or other action the parties hereto shall use their reasonable efforts to vacate), in each case permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by the Mexico Sale Agreement;

- by Mexico Buyers, if Mexico Buyers are not in material breach of any of its representations, warranties, covenants and agreements under the Mexico Sale Agreement and there has been a breach of any representation, warranty, covenant or agreement contained in the Mexico Sale

Agreement on the part of Mexico Sellers and (i) Mexico Sellers are not using their reasonable best efforts to cure such breach or have not cured such breach, in either case, within ten business days after receipt of notice of such breach by Mexico Sellers (*provided*, *however*, that, no cure period shall be required for a breach which by its nature cannot be cured) and (ii) as a result of such breach any of the conditions set forth in the Mexico Sale Agreement would not then be satisfied;

- by Mexico Sellers, if Mexico Sellers are not in material breach of any of its representations, warranties, covenants and agreements under the Mexico Sale Agreement and there has been a material breach of any representation, warranty, covenant or agreement contained in the Mexico Sale Agreement on the part of Mexico Buyers and (i) Mexico Buyers are not using their reasonable efforts to cure such breach or have not cured such breach, in either case, within ten business days, after receipt of notice of such breach by Mexico Buyers (*provided*, *however*, that no cure period shall be required for a breach which by its nature cannot be cured), and (ii) as a result of such breach any of the conditions set forth in the Mexico Sale Agreement would not then be satisfied; and

- by Mexico Sellers or Mexico Buyers, if our board of directors approves or recommends for shareholder approval any other transaction regarding the assets and property that are the subject of the Mexico Sale Agreement; provided from and after the execution of the Mexico Sale Agreement neither CellStar, Mexico Sellers, nor any of our subsidiaries will solicit third parties for any transaction involving the assets that are the subject of the Mexico Sale Agreement; *provided*, *however*, to the extent required by applicable law, CellStar, Mexico Sellers and their affiliates may take reasonable steps to investigate the merits of and negotiate with third parties in connection with an unsolicited transaction regarding the assets and property that are the subject of the Mexico Sale Agreement.

The Mexico Sale Agreement provides that we will pay toMexico Buyers the sum of $600,000, plus Mexico Buyers costs and expenses (including reasonable attorney s fees and expenses) up to an additional $200,000 incurred in connection with the Mexico Sale Agreement in the event that the Mexico Sale Agreementis terminated under the circumstances described immediately above (i.e., approval or recommendation for stockholder approval of any transaction other than the transaction described in the Mexico Sale Agreement).

Absence of Appraisal Rights

Holders of our Common Stock are not entitled to appraisal rights in connection with the proposal to approve the Mexico Sale Agreement under the DGCL, our Certificate of Incorporation, or our Amended and Restated Bylaws.

Vote Required and Recommendation of the Board

The Mexico Sale Agreement must be approved by the affirmative vote of the holders of a majority of shares of CellStar s Common Stock present in person or represented by proxy at the Special Meeting and entitled to vote. **The board of directors unanimously recommends that you vote FOR the proposal to approve the Mexico Sale Agreement.**

OPINIONS OF OUR FINANCIAL ADVISORS REGARDING THE FAIRNESS OF THE U.S. AND MEXICO SALES

Opinion of Raymond James with respect to the U.S. Sale

Pursuant to an engagement letter dated May 19, 2005, as amended, CellStar retained Raymond James to act as its investment banking advisor. Pursuant to the terms of the engagement letter, as amended, the Company requested that Raymond James deliver an opinion, and on December 18, 2006, Raymond James delivered its written opinion dated December 18, 2006, to the CellStar board of directors that, as of that date, and based upon and subject to the various qualifications, limitations, factors and assumptions stated in the full text of Raymond James opinion, the consideration provided for in the U.S. Sale Agreement among U.S. Sellers and U.S. Buyer for the purchase of certain assets and assumption of certain liabilities with respect to CellStar s North America and Miami operations for $88 million in cash (subject to a Net Working Capital and Net Other Assets and Liabilities Adjustments provision pursuant to Section 2.09 of the U.S. Sale Agreement) was fair, from a financial point of view, to the U.S. Sellers.

The full text of the written opinion of Raymond James, dated December 18, 2006, which sets forth assumptions made, matters considered, and limits on the scope of review undertaken, is attached as *Annex E* to this document. The summary of the opinion of Raymond James set forth in this document is qualified in its entirety by reference to the full text of such opinion.

Raymond James opinion was given to CellStar s board of directors for its consideration of the U.S. Sale and is not a recommendation to any board member or any CellStar stockholder as to whether the U.S. Sale, or any other transaction, is in that stockholder s best interest or as to whether any stockholder should vote for or against the U.S. Sale, or any other transaction. Raymond James neither determined nor recommended to the CellStar board of directors the amount of consideration to be paid by U.S. Buyer in connection with the U.S. Sale.

In connection with its review of the U.S. Sale and the preparation of its opinion, Raymond James, among other things:

- reviewed the financial terms and conditions as stated in the U.S. Sale Agreement;
- reviewed financial and operating information requested from and/or provided by the Company, NAC, CellStar Ltd., CellStar Fulfillment and their external advisors (excluding Raymond James);
- reviewed certain other relevant publicly available information on the Company, NAC, CellStar Ltd., and CellStar Fulfillment; and
- discussed with members of the senior management of the Company, NAC, CellStar Ltd., and CellStar Fulfillment certain information relating to the aforementioned and any other matters which Raymond James deemed relevant to its inquiry.

Raymond James has assumed and relied upon the accuracy and completeness of all information supplied or otherwise made available to it by CellStar or any other party, and Raymond James has undertaken no duty or responsibility to verify independently any of such information. Raymond James has not made or obtained an independent appraisal of the assets or liabilities (contingent or otherwise) of CellStar or any of its subsidiaries and operations. With respect to financial forecasts and other information and data provided to or otherwise reviewed by or discussed with Raymond James, Raymond James has assumed, with CellStar s consent, that such forecasts and other information and data have been reasonably prepared in good faith on bases reflecting the best currently available estimates and judgments of management, and Raymond James has relied upon each party to advise it promptly if any information previously provided became inaccurate or was required to be updated during the period of Raymond James review.

Raymond James has assumed, with CellStar s consent, that the U.S. Sale will be consummated in accordance with the terms of the U.S. Sale Agreement, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the U.S. Sale and the other transactions contemplated by the U.S. Sale Agreement, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on the U.S. Sellers or the contemplated benefits of the U.S. Sale in any way meaningful to Raymond James analysis. In rendering its opinion, Raymond James has assumed and relied on the truth and accuracy of the representations and warranties in the U.S. Sale Agreement.

Raymond James opinion is based upon market, economic, financial and other circumstances and conditions existing and disclosed to it as of December 18, 2006 and any material change in such circumstances and conditions would require a reevaluation of its opinion, which Raymond James is under no obligation to undertake.

Raymond James expresses no opinion as to the underlying business decision to affect the U.S. Sale, the structure or tax consequences of the U.S. Sale Agreement or the availability or advisability of any alternatives to the U.S. Sale, or any related transaction, including the Plan of Dissolution. Raymond James did not structure the U.S. Sale or negotiate the final terms of the U.S. Sale. Raymond James opinion is limited to the fairness, from a financial point of view, of the consideration to be received by the U.S. Sellers. Raymond James expresses no opinion with respect to any other reasons, legal, business, or otherwise, that may support the decision of CellStar s board of directors to approve or consummate the U.S. Sale.

Fairness Opinion Analyses. The following is a summary of the financial analyses Raymond James presented to the CellStar board of directors on December 18, 2006 in connection with the delivery of Raymond James opinion.

This summary is provided for your convenience but is not a complete description of the analyses underlying the fairness opinion. The complete text of the fairness opinion is attached to this proxy statement as *Annex E*, and Raymond James urges you to read it in its entirety. Raymond James opinion was not based on any one analysis or any particular subset of these analyses but rather gave consideration to all of the analyses taken as a whole. No company or transaction used in the analyses described below is directly comparable to CellStar s North American and Miami operations or the contemplated U.S. Sale. The information summarized in the tables that follow should be read in conjunction with the accompanying text.

Analysis of Selected Publicly-traded Comparable Companies. Raymond James analyzed selected historical and projected financial, operating, and stock market data of the following nine publicly-traded companies that Raymond James deemed to be reasonably comparable to CellStar s North American and Miami operations:

Company Name
Agilysys, Inc.
Arrow Electronics, Inc.
Avnet, Inc.
Bell Microproducts Inc.
Brightpoint, Inc.
Ingram Micro Inc.
SYNNEX Corporation
Tech Data Corporation
TESSCO Technologies Incorporated

Raymond James examined certain publicly available financial data of the nine publicly-traded comparable companies, including the ratio of enterprise value (equity value plus total debt, including preferred stock, less cash and cash equivalents) to trailing twelve month (***TTM***), projected calendar year 2006 and projected calendar year 2007 earnings before interest, taxes, depreciation and amortization (***EBITDA***), and the ratio of equity market value to tangible net book value. The projections for future EBITDA were derived or obtained from estimates in publicly disseminated research reports. These estimates were not prepared solely for use in Raymond James opinion, and Raymond James has undertaken no duty or responsibility to verify or update these estimates. The following table summarizes the results of this analysis:

Selected Publicly-Traded Comparable Companies	**Minimum**	**Mean**	**Median**	**Maximum**
Total Enterprise Value to:				
TTM EBITDA	6.1x	8.1x	7.6x	11.0x
2006E EBITDA	5.9x	7.8x	7.5x	10.1x
2007E EBITDA	6.0x	6.9x	6.8x	7.8x
Total Equity Market Value to:				
Tangible Net Book Value (most recent quarter reported)	1.3x	2.1x	1.7x	3.9x

Raymond James then applied the ratios derived from its analysis of selected publicly-traded comparable companies to CellStar s unaudited EBITDA and tangible net book value related to CellStar s North American and Miami operations(1) for the TTM and period ended September 30, 2006, respectively, and to projected EBITDA for the fiscal years ended 2006 and 2007 in order to determine an implied value for each of the above financial measures. The projections for future EBITDA for CellStar s North American and Miami operations were obtained from the Company. These estimates were not prepared solely for use in Raymond James opinion, and Raymond James has undertaken no duty or responsibility to verify or update these estimates. The following table summarizes the results of the comparable company analysis as would be comparable to the $88 million of consideration received:

Implied Value of U.S. Sale	**Minimum**	**Mean**	**Median**	**Maximum**
($ in 000 s)				
Total Enterprise Value to:				
TTM EBITDA	$ 78,935	$ 97,340	$ 103,787	$ 141,275
2006E EBITDA	$ 79,514	$ 101,957	$ 105,858	$ 136,010
2007E EBITDA	$ 71,705	$ 81,124	$ 81,674	$ 92,332
Total Equity Market Value to:				
Tangible Net Book Value (most recent quarter reported)	$ 29,615	$ 38,170	$ 48,835	$ 90,910

(1) EBITDA calculations for the U.S. Sale included certain adjustments provided by management

If single company comparisons were to be used, the implied value for CellStar s North American and Miami operations would vary significantly depending on which company is chosen. For this reason, the analysis presents the results for not only the highest and lowest implied values, but also for the mean and median values for the entire group of companies analyzed.

Analysis of Selected Merger and Acquisition Transactions. Raymond James compared the proposed U.S. Sale with selected comparable merger and acquisition transactions. No transaction analyzed in Raymond James comparable transaction analysis was identical to the U.S. Sale. Accordingly, this analysis necessarily involves complex considerations and judgments concerning differences in financial and operating characteristics and in other factors that distinguish the U.S. Sale from the other transactions considered, because all of these factors, both individually and cumulatively, could affect the acquisition value of the target companies to which the U.S. Sale is being compared.

Raymond James assessed seven comparable merger and acquisition transactions that closed between February 2003 and November 2005. The merger and acquisition transactions considered are listed in the following table:

Acquirer	**Target**
Oce N.V.	Imagistics International Inc.
Arrow Electronics, Inc.	DNSint.com AG
Ingram Micro Inc.	Tech Pacific Group
SYNNEX Corporation	EMJ Data Systems Ltd.
Platinum Equity, LLC	CompuCom Systems, Inc.
Global Imaging Systems, Inc.	Imagine Technology Group, Inc.
Tech Data Corporation	Azlan Group PLC

For each of these transactions, Raymond James compared the enterprise value of the transaction to the TTM EBITDA for each of the target companies. The following table summarizes the results of this analysis:

Selected Merger and Acquisition Transaction Multiples				
	Minimum	**Mean**	**Median**	**Maximum**
Total Enterprise Value to:				
TTM EBITDA	6.1x	7.0x	7.0x	8.1x

Raymond James then applied the market multiples derived from the analysis of selected merger and acquisition transactions to CellStar s North American and Miami operations unaudited TTM EBITDA as of September 30, 2006, to determine an implied value for the operations associated with the U.S. Sale. The following table summarizes the results of this analysis as would be comparable to the $88 million of consideration received:

Implied Value of U.S. Sale				
	Minimum	**Mean**	**Median**	**Maximum**
($ in 000 s)				
Total Enterprise Value to:				
TTM EBITDA	$ 78,159	$ 90,039	$ 90,484	$ 104,142

The comparable transaction analysis described above, as is typical, was based on market data for companies deemed to be similar to CellStar s North American and Miami operations and on previous transactions deemed similar to the U.S. Sale. Since no company or transaction is precisely comparable to these operations or the U.S. Sale, the analysis relies on data from a group of companies and transactions. If single transaction comparisons were to be used, the implied value for CellStar s North American and Miami operations would vary significantly depending on which transaction is chosen. For this reason, the analysis presents the results for not only the highest and lowest implied values, but also for the mean and median values for the entire group of transactions analyzed.

Discounted Cash Flow Analysis. Raymond James performed a discounted cash flow analysis to determine the implicit value of CellStar s North American and Miami operations based on the operations projected financial results for fiscal years 2007-2011. Raymond James first computed the projected unlevered free cash flow for the fiscal years ended 2007, 2008, 2009, 2010 and 2011 and the projected EBITDA in 2011. The 2011 projected EBITDA was then multiplied by a terminal value multiple ranging between 6.0x and 8.0x to estimate residual value after 2011. Using discount rates derived from a weighted average cost of capital analysis, Raymond James then summed the present value of the unlevered free cash flows and the 2011 terminal value to obtain a present enterprise value. Projections for future cash flows were derived from estimates provided by the Company. These estimates were not prepared solely for use in Raymond James opinion, and Raymond James has undertaken no duty or responsibility to verify or update these estimates. Raymond James then calculated the implied value of CellStar s North American and Miami operations, which is a function of the estimates, the discount rate, and the EBITDA terminal value multiple. The implied values are shown in the following table as would be comparable to the $88 million of consideration received:

Implied Value of U.S. Sale						
		Terminal Value EBITDA Multiple				
	Discount Rate	**6.0x**	**6.5x**	**7.0x**	**7.5x**	**8.0x**
	($ in 000 s)					
	18.5%	$ 78,835	$ 82,450	$ 86,065	$ 89,679	$ 93,294
	19.5%	$ 76,171	$ 79,637	$ 83,103	$ 86,569	$ 90,035
	20.5%	$ 73,627	$ 76,952	$ 80,276	$ 83,601	$ 86,925

Opinion of Raymond James. The summary set forth above does not purport to be a complete description of the analyses of data underlying Raymond James fairness opinion or its presentation to CellStar s board of directors. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to a partial analysis or summary description. Raymond James believes that its analyses must be considered as a whole and that selecting portions of its analyses, without considering the analyses taken as a whole, would create an incomplete view of the process underlying the analyses set forth in its opinion. In addition, Raymond James considered the results of all such analyses and did not assign relative weights to any of the analyses, so the ranges of valuations resulting from any particular analysis described above should not be taken to be Raymond James view of the actual value of the operations associated with the U.S. Sale.

In performing its analyses, Raymond James made numerous assumptions with respect to industry performance, general business, economic and regulatory conditions and other matters, many of which are beyond Raymond James control. The other principal assumptions upon which Raymond James based its analyses are set forth above under the description of each analysis. The analyses performed by Raymond James are not necessarily indicative of actual values, trading values, or actual future results which might be achieved, all of which may be significantly more or less favorable than those suggested by such analyses. Such analyses were prepared solely as part of Raymond James analysis of the fairness of the consideration to be received in the U.S. Sale by the U.S. Sellers from a financial point of view, and said analyses were provided to CellStar s board of directors. The analyses do not purport to be appraisals or to reflect the prices at which businesses or securities might be sold. In addition, as described above, the opinion of Raymond James was one of many factors taken into consideration by CellStar s board of directors in making its determination to approve the U.S. Sale. Consequently, the analyses described above should not be viewed as determinative of CellStar s board of directors opinion with respect to the value of the operations associated with the U.S. Sale, nor should the analyses be viewed in any way as a recommendation as to how stockholders should vote or act on any manner relating to the U.S. Sale.

Raymond James received a customary fee from CellStar upon delivery of its opinion. Raymond James has been engaged to render financial advisory services to CellStar in connection with the proposed U.S. Sale and will also receive a fee for such services, which fee is contingent upon consummation of the U.S. Sale. In the ordinary course of business, Raymond James may trade in the securities of CellStar and U.S. Buyer for its own account and for the accounts of its customers. Accordingly, Raymond James may at any time hold a long or short position in such securities. Raymond James has provided financial advisory and investment services to CellStar in the past.

Raymond James has consented to the descriptions of its fairness opinion in this proxy statement/prospectus and to the inclusion of the full text of its fairness opinion as *Annex E* to this proxy statement/prospectus. Raymond James is a nationally recognized investment banking firm. Raymond James and its affiliates, as part of their investment banking activities, are regularly engaged in the valuation of businesses and their securities in connection with merger transactions and other types of acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements, and valuations for corporate and other purposes. CellStar selected Raymond James as its financial advisor on the basis of Raymond James experience and expertise in mergers and acquisitions transactions.

Opinion of Raymond James with respect to the Mexico Sale

Pursuant to an engagement letter dated May 19, 2005, as amended, CellStar retained Raymond James to act as its investment banking advisor. Pursuant to the terms of the engagement letter, as amended, the Company requested that Raymond James deliver an opinion on the sale of stock of CellStar s Mexican subsidiaries, Audiomex and NAC, to Mexico Buyers, and on December 17, 2006, Raymond James delivered its written opinion dated December 17, 2006, to the CellStar board of directors that, as of that date, and based upon and subject to the various qualifications, limitations, factors and assumptions stated in the full text of Raymond James opinion, the consideration of $20 million in cash was fair, from a financial point of view, to the Mexico Sellers.

The full text of the written opinion of Raymond James, dated December 17, 2006, which sets forth assumptions made, matters considered, and limits on the scope of review undertaken, is attached as *Annex F* to this document. The summary of the opinion of Raymond James set forth in this document is qualified in its entirety by reference to the full text of such opinion.

Raymond James opinion was given to CellStar s board of directors for its consideration of the Mexico Sale and is not a recommendation to any board member or any CellStar stockholder as to whether the Mexico Sale, or any related transaction, is in that stockholder s best interest or as to whether any stockholder should vote for or against the Mexico Sale, or any related transaction. Raymond James neither determined nor recommended to the CellStar board of directors the amount of consideration to be received by the Mexico Sellers in connection with the Mexico Sale.

In connection with its review of the Mexico Sale and the preparation of its opinion, Raymond James, among other things:

- reviewed the financial terms and conditions as stated in the Mexico Sale Agreement;

- reviewed financial and operating information requested from and/or provided by CellStar, Sellers, CIC/SA, CellStar Mexico, Celular Express, and Celular Express Management;

- reviewed certain other relevant publicly available information on CellStar, Sellers, CIC/SA, CellStar Mexico, Celular Express, and Celular Express Management; and

- discussed with members of the senior management of CellStar, Sellers, CIC/SA, CellStar Mexico, Celular Express, and Celular Express Management certain information relating to the aforementioned and any other matters which Raymond James have deemed relevant to its inquiry.

Raymond James has assumed and relied upon the accuracy and completeness of all information supplied or otherwise made available to it by CellStar or any other party, and Raymond James has undertaken no duty or responsibility to verify independently any of such information. Raymond James has not made or obtained an independent appraisal of the assets or liabilities (contingent or otherwise) of CellStar or any of its subsidiaries and operations. With respect to financial forecasts and other information and data provided to or otherwise reviewed by or discussed with Raymond James, Raymond James has assumed, with CellStar s consent, that such forecasts and other information and data have been reasonably prepared in good faith on bases reflecting the best currently available estimates and judgments of management, and Raymond James has relied upon each party to advise it promptly if any information previously provided became inaccurate or was required to be updated during the period of Raymond James review.

Raymond James has assumed, with CellStar s consent, that the Mexico Sale will be consummated in accordance with the terms of the Mexico Sale Agreement, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the Mexico Sale and the other transactions contemplated by the Mexico Sale Agreement, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on the Mexico Sellers or the contemplated benefits of the Mexico Sale in any way meaningful to Raymond James analysis. In rendering its opinion, Raymond James has assumed and relied on the truth and accuracy of the representations and warranties in the Mexico Sale Agreement.

Raymond James opinion is based upon market, economic, financial and other circumstances and conditions existing and disclosed to it as of December 17, 2006 and any material change in such circumstances and conditions would require a reevaluation of its opinion, which Raymond James is under no obligation to undertake.

Raymond James expresses no opinion as to the underlying business decision to affect the Mexico Sale, the structure or tax consequences of the Mexico Sale Agreement or the availability or advisability of any alternatives to the Mexico Sale, or any related transaction, including the Plan of Dissolution. Raymond James did not structure the Mexico Sale or negotiate the final terms of the Mexico Sale. Raymond James opinion is limited to the fairness, from a financial point of view, of the consideration to be received by the Mexico Sellers. Raymond James expresses no opinion with respect to any other reasons, legal, business, or otherwise, that may support the decision of CellStar s board of directors to approve or consummate the Mexico Sale.

Fairness Opinion Analyses. The following is a summary of the financial analyses Raymond James presented to the CellStar board of directors on December 17, 2006 in connection with the delivery of Raymond James opinion.

This summary is provided for your convenience but is not a complete description of the analyses underlying the fairness opinion. The complete text of the fairness opinion is attached to this proxy statement/prospectus as *Annex F*, and Raymond James urges you to read it in its entirety. Raymond James opinion was not based on any one analysis or any particular subset of these analyses but rather gave consideration to all of the analyses taken as a whole. No company or transaction used in the analyses described below is directly comparable to CellStar s Mexican Operations or the contemplated Mexico Sale. The information summarized in the tables that follow should be read in conjunction with the accompanying text.

Analysis of Selected Publicly-traded Comparable Companies. Raymond James analyzed selected historical and projected financial, operating, and stock market data of the following five publicly-traded companies that Raymond James deemed to be reasonably comparable to CellStar s Mexico operations:

Company Name
Avnet, Inc.
Bell Microproducts Inc.
InfoSonics Corporation
Ingram Micro Inc.
Tech Data Corporation

Raymond James examined certain publicly available financial data of the five publicly-traded comparable companies, including the ratio of enterprise value (equity value plus total debt, including preferred stock, less cash and cash equivalents) to TTM, projected calendar year 2006 and projected calendar year 2007 EBITDA. Raymond James also computed the ratio of equity market value to tangible net book value. The projections for future EBITDA were derived or obtained from estimates in publicly disseminated research reports. These estimates were not prepared solely for use in Raymond James opinion, and Raymond James has undertaken no duty or responsibility to verify or update these estimates. The following table summarizes the results of this analysis:

Selected Publicly-Traded Comparable Companies

	Minimum	**Mean**	**Median**	**Maximum**
Total Enterprise Value to:				
TTM EBITDA	7.5x	9.1x	8.9x	11.0x
2006E EBITDA	7.5x	8.8x	8.7x	10.1x
2007E EBITDA	6.4x	7.1x	6.9x	7.8x
Total Equity Market Value to:				
Tangible Net Book Value (most recent quarter reported)	1.3x	1.7x	1.7x	2.3x

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Raymond James then applied the ratios derived from its analysis of selected publicly-traded comparable companies to CellStar s unaudited EBITDA and tangible net worth related to CellStar s Mexican operations(2) for the TTM and period ended September 30, 2006, respectively, and to projected EBITDA for the fiscal years ended 2006 and 2007 in order to determine an implied value for each of the above financial measures. The projections for future EBITDA for CellStar s Mexican operation was obtained from the Company. These estimates were not prepared solely for use in Raymond James opinion, and Raymond James has undertaken no duty or responsibility to verify or update these estimates. The following table summarizes the results of the comparable company analysis as would compare to the $20 million of consideration received:

Implied Value of Mexico Sale	**Minimum**	**Mean**	**Median**	**Maximum**
($ in 000 s)				
Total Enterprise Value to:				
TTM EBITDA	$ 20,699	$ 25,152	$ 24,726	$ 30,457
2006E EBITDA	$ 22,394	$ 26,083	$ 26,005	$ 29,927
2007E EBITDA	$ 20,222	$ 22,635	$ 21,991	$ 24,747
Total Equity Market Value to:				
Tangible Net Book Value (most recent quarter reported)	$ 16,676	$ 22,617	$ 21,538	$ 30,093

If single company comparisons were to be used, the implied value for CellStar s Mexican operations would vary significantly depending on which company is chosen. For this reason, the analysis presents the results for not only the highest and lowest implied values, but also for the mean and median values for the entire group of companies analyzed.

Analysis of Selected Merger and Acquisition Transactions. Raymond James compared the proposed Mexico Sale with selected comparable merger and acquisition transactions. No transaction analyzed in Raymond James comparable transaction analysis was identical to the Mexico Sale. Accordingly, this analysis necessarily involves complex considerations and judgments concerning differences in financial and operating characteristics and in other factors that distinguish the Mexico Sale from the other transactions considered, because all of these factors, both individually and cumulatively, could affect the acquisition value of the target companies to which the Mexico Sale is being compared.

Raymond James assessed seven comparable merger and acquisition transactions that closed between February 2003 and November 2005. The merger and acquisition transactions considered are listed in the following table:

Acquirer	**Target**
Oce N.V.	Imagistics International Inc.
Arrow Electronics, Inc.	DNSint.com AG
Ingram Micro Inc.	Tech Pacific Group
SYNNEX Corporation	EMJ Data Systems Ltd.
Platinum Equity, LLC	CompuCom Systems, Inc.
Global Imaging Systems, Inc.	Imagine Technology Group, Inc.
Tech Data Corporation	Azlan Group PLC

(2) EBITDA calculations for the Mexico Sale included certain adjustments provided by management

For each of these transactions, Raymond James compared the enterprise value of the transaction to the TTM EBITDA for each of the target companies. The following table summarizes the results of this analysis:

Selected Merger and Acquisition Transaction Multiples				
	Minimum	**Mean**	**Median**	**Maximum**
Total Enterprise Value to:				
TTM EBITDA	6.1x	7.0x	7.0x	8.1x

Raymond James then applied the market multiples derived from the analysis of selected merger and acquisition transactions to CellStar s Mexican operations unaudited TTM EBITDA as of September 30, 2006, to determine the implied value of the operations associated with the Mexico Sale. The following table summarizes the results of this analysis as would compare to the $20 million of consideration received:

Implied Value of Mexico Sale				
	Minimum	**Mean**	**Median**	**Maximum**
($ in 000 s)				
Total Enterprise Value to:				
TTM EBITDA	$ 16,779	$ 19,450	$ 19,354	$ 22,410

The comparable transaction analysis described above, as is typical, was based on market data for companies deemed to be similar to CellStar s Mexican operations and on previous transactions deemed similar to the Mexico Sale. Since no company or transaction is precisely comparable to these operations or the Mexico Sale, the analysis relies on data from a group of companies and transactions. If single transaction comparisons were to be used, the implied value for CellStar s Mexican operations would vary significantly depending on which transaction is chosen. For this reason, the analysis presents the results for not only the highest and lowest implied values, but also for the mean and median values for the entire group of transactions analyzed.

Discounted Cash Flow Analysis. Raymond James performed a discounted cash flow analysis to determine the implicit value of the Mexican operations based on the operations projected financial results for fiscal years 2007-2011. Raymond James first computed the projected unlevered free cash flow for the fiscal years ended 2007, 2008, 2009, 2010 and 2011 and the projected EBITDA in 2011. The 2011 projected EBITDA was then multiplied by a terminal value multiple ranging between 6.0x and 8.0x to estimate residual value after 2011. Using discount rates derived from a weighted average cost of capital analysis, Raymond James then summed the present value of the unlevered free cash flows and the 2011 terminal value to obtain a present enterprise value. Projections for future cash flows were derived from estimates provided by the Company. These estimates were not prepared solely for use in Raymond James opinion, and Raymond James has undertaken no duty or responsibility to verify or update these estimates. Raymond James then calculated the implied value of CellStar s Mexican operations, which is a function of the estimates, the discount rate, and the EBITDA terminal value multiple. The implied values are shown in the following table as would compare to the $20 million of consideration received:

Implied Value of Mexico Sale										
	Terminal Value EBITDA Multiple									
Discount Rate	**6.0x**		**6.5x**		**7.0x**		**7.5x**		**8.0x**	
($ in 000 s)										
19.0%	$	12,707	$	13,597	$	14,486	$	15,376	$	16,266
21.0%	$	11,721	$	12,540	$	13,358	$	14,177	$	14,995
23.0%	$	10,826	$	11,580	$	12,334	$	13,088	$	13,842

Opinion of Raymond James. The summary set forth above does not purport to be a complete description of the analyses of data underlying Raymond James fairness opinion or its presentation to CellStar s board of directors. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to a partial analysis or summary description. Raymond James believes that its analyses must be considered as a whole and that selecting portions of its analyses, without considering the analyses taken as a whole, would create an incomplete view of the process underlying the analyses set forth in its opinion. In addition, Raymond James considered the results of all such analyses and did not assign relative weights to any of the analyses, so the ranges of valuations resulting from any particular analysis described above should not be taken to be Raymond James view of the actual value of the operations associated with the Mexico Sale.

In performing its analyses, Raymond James made numerous assumptions with respect to industry performance, general business, economic and regulatory conditions and other matters, many of which are beyond Raymond James control. The other principal assumptions upon which Raymond James based its analyses are set forth above under the description of each analysis. The analyses performed by Raymond James are not necessarily indicative of actual values, trading values, or actual future results which might be achieved, all of which may be significantly more or less favorable than those suggested by such analyses. Such analyses were prepared solely as part of Raymond James analysis of the fairness of the consideration to be received in the Mexico Sale by Mexico Sellers from a financial point of view, and said analyses were provided to CellStar s board of directors. The analyses do not purport to be appraisals or to reflect the prices at which businesses or securities might be sold. In addition, as described above, the opinion of Raymond James was one of many factors taken into consideration by CellStar s board of directors in making its determination to approve the Mexico Sale Agreement. Consequently, the analyses described above should not be viewed as determinative of CellStar s board of directors opinion with respect to the value of the operations associated with the Mexico Sale, nor should the analyses be viewed in any way as a recommendation as to how stockholders should vote or act on any manner relating to the Mexico Sale.

Raymond James received a customary fee from CellStar upon delivery of its opinion. Raymond James has been engaged to render financial advisory services to CellStar in connection with the proposed Mexico Sale and will also receive a fee for such services, which fee is contingent upon consummation of the Mexico Sale. In the ordinary course of business, Raymond James may trade in the securities of CellStar for its own account and for the accounts of its customers. Accordingly, Raymond James may at any time hold a long or short position in such securities. Raymond James has provided financial advisory and investment services to CellStar in the past.

Raymond James has consented to the descriptions of its fairness opinion in this proxy statement/prospectus and to the inclusion of the full text of its fairness opinion as *Annexes E* and *F* to this proxy statement/prospectus. Raymond James is a nationally recognized investment banking firm. Raymond James and its affiliates, as part of their investment banking activities, are regularly engaged in the valuation of businesses and their securities in connection with merger transactions and other types of acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements, and valuations for corporate and other purposes. CellStar selected Raymond James as its financial advisor on the basis of Raymond James experience and expertise in mergers and acquisitions transactions.

Opinions of Southwest Securities

Pursuant to the letter agreement dated as of November 15, 2006, the Company requested that Southwest Securities render an opinion to the Company s board of directors as to the fairness, from a financial point of view, of the consideration to be received by the Company under the U.S. Sale Agreement. The Company also requested that Southwest Securities render an opinion to its board of directors as to the fairness, from a financial point of view, of the consideration to be received by the Company under the Mexico Sale Agreement.

On December 7, 2006, December 9, 2006 and December 18, 2006, at meetings of the Company s board of directors held to evaluate the U.S. and Mexico Sales, Southwest Securities delivered its analyses. Subsequently Southwest Securities delivered its written opinions dated December 17, 2006 and December 18, 2006, to the effect that, as of those dates and subject to the various assumptions summarized below, the consideration to be paid to the Company in each of the U.S. and Mexico Sales was fair, from a financial point of view, to the Company. Southwest Securities does not have any obligation to update, revise or reaffirm its opinion.

The full text of Southwest Securities written opinions to the Company s board of directors, which set forth, among other things, the procedures followed, assumptions made, matters considered and limitations on the review undertaken, are attached as *Annex G* and *Annex H* to this proxy statement and are incorporated into this proxy statement by reference. Holders of the Company s Common Stock are encouraged to read the opinions carefully and in their entirety. The following summary is qualified in its entirety by reference to the full text of such opinions. Southwest Securities analyses and opinions were prepared for and addressed to the Company s board of directors and are directed only to the fairness, from a financial point of view, to the Company of the consideration to be paid in each of the U.S. and Mexico Sales. The opinions do not address the merits of the underlying decision by the Company to engage in the sales or the relative merits of the sales compared to any alternative business strategy or transaction in which the Company might engage. Additionally, Southwest Securities was not asked to and did not evaluate the Plan of Dissolution. Southwest Securities did not provide any advice or services in connection with the sales other than the delivery of its opinions, and Southwest Securities was not authorized to solicit, and did not solicit, other potential parties with respect to a transaction with the Company. Southwest Securities opinions do not constitute a recommendation to the Company s stockholders on how to vote at any meeting held in connection with the U.S. and Mexico Sales. Southwest Securities opinions also do not in any manner address the prices at which the Company s Common Stock has traded or may trade in the future, including subsequent to the completion of either or both of the U.S. and Mexico Sales.

In preparing its opinions to the Company s board of directors, Southwest Securities performed various financial and comparative analyses, including those described below. The summary set forth below does not purport to be a complete description of the analyses underlying Southwest Securities opinions or the presentation made by Southwest Securities to the Company s board of directors. The preparation of a fairness opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinions, Southwest Securities did not attribute any particular weight to any analysis or factor considered by it, but rather made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses. Accordingly, Southwest Securities believes that its analyses must be considered as a whole and that selecting portions of its analyses and factors, or focusing on information presented in tabular format, without considering all of the analyses and factors or the narrative description of the analyses, would create a misleading or incomplete view of the process underlying its opinion.

In performing its analyses, Southwest Securities made numerous assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Southwest Securities and the Company. Any estimates contained in the analyses performed by Southwest Securities are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than those suggested by such analyses. Additionally, estimates of the value of businesses or securities do not purport to be appraisals or to reflect the prices at which such businesses or securities might actually be sold. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty. In addition, as described above, Southwest Securities opinions were among several factors taken into consideration by the Company s board of directors in making its determination to approve the U.S. and Mexico Sales. Consequently, Southwest Securities analyses should not be viewed as determinative of the decision of the Company s board of directors or the Company s management with respect to the fairness of the consideration provided for in the U.S. and Mexico Sale Agreements.

In arriving at its opinion, Southwest Securities, among other things, did the following:

- reviewed the U.S. and Mexico Sale Agreements;
- reviewed certain financial and other data with respect to the Company and the operations being sold made available from published sources and from the internal records of the Company;
- reviewed certain internal financial analyses and forecasts prepared by the management of the Company relating to the Company s businesses;
- conducted discussions with members of the senior management and other representatives of the Company;
- compared certain financial information for the Company with similar information for certain other companies, the securities of which are publicly traded;
- reviewed the financial terms, to the extent publicly available, of selected precedent transactions that Southwest Securities deemed generally comparable to the U.S. and Mexico Sales; and
- conducted such other financial studies, analyses and investigations and considered such other information as Southwest Securities deemed appropriate.

In rendering its opinions, Southwest Securities assumed and relied on the accuracy and completeness of information that was publicly available or was furnished by the Company. Southwest Securities did not assume any responsibility for independently verifying and did not independently verify such information. Southwest Securities did not independently evaluate, physically inspect or appraise any of the respective assets or liabilities (contingent or otherwise) of the Company and was not furnished with any such valuations or appraisals. In relying on the financial analyses and forecasts provided to Southwest Securities, it assumed that they have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of the Company as to the future financial performance of Company. Southwest Securities further relied on the assurances of management of the Company that they are unaware of any facts that would make such business prospects and financial outlook incomplete or misleading. Southwest Securities also assumed that the allocation of the Company s corporate expenses to the operations being sold provided to it by management was appropriate. Southwest Securities was not asked to and did not consider the possible effects of any litigation or other legal claims. Southwest Securities further assumed that the U.S. and Mexico Sales will be consummated in a timely manner and in accordance with the terms of the U.S. and Mexico Sale Agreements without resort to the Alternative Transaction (as defined in the Mexico Sale Agreement) and without waiver, modification or amendment of any material term, condition or agreement and that all governmental, regulatory and other consents and approvals necessary for the consummation of the U.S. and Mexico Sales will be obtained without any material adverse effect on the Company. Southwest Securities further assumed that adjustments to the purchase price as provided in the U.S. Sale Agreement will not materially reduce the consideration received by the Company in the U.S. Sale.

Southwest Securities opinions are necessarily based upon, economic, market and other conditions as in effect on, and information made available to Southwest Securities as of December 17, 2006 and December 18, 2006. Southwest Securities opinion addresses solely the fairness of the consideration to be paid pursuant to the U.S. and Mexico Sale Agreements, and does not address any other terms or agreement relating to the U.S. and Mexico Sales or any other matters pertaining to the Company. Southwest Securities opinions do not address the merits of the underlying decision by the Company to engage in the U.S. and Mexico Sales or the relative merits of the U.S. and Mexico Sales compared to any alternative business strategy or transaction in which the Company might engage.

Summary of Financial Analyses

The following is a summary of the material financial analyses performed by Southwest Securities in connection with its opinions to the Company s board of directors dated December 17, 2006 and December 18, 2006. Some of the financial analyses summarized below include information presented in tabular format. In order to understand fully Southwest Securities financial analyses, the tables must be read together with the text of the summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data set forth below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Southwest Securities financial analyses.

Selected Publicly Traded Comparable Company Analyses. Southwest Securities separately analyzed selected historical and projected operating information for the United States and Miami-based Latin American operations (the U.S. business) and the Mexico operations (the Mexico business) provided by management of the Company and compared this data to that of eight publicly traded companies deemed by Southwest Securities to be generally comparable to the businesses based upon business model and market focus. In conducting its analysis, Southwest Securities analyzed the trading multiples of the following comparable companies:

- Agilysys, Inc.
- Bell Microproducts Inc.
- Brightpoint, Inc.
- CDW Corporation

- Infosonics Corporation
- ScanSource, Inc.
- TESSCO Technologies Incorporated
- Zones, Inc.

For the purposes of the comparable company analyses performed by Southwest Securities, enterprise value (***EV***) represents a company s equity value based on the closing price of a company s common stock as of a certain date, plus debt and preferred stock and minority interest, minus cash. For each of the selected companies, Southwest Securities calculated a range of multiples for EV to latest 12 months revenues, EBITDA, and earnings before interest and taxes (***EBIT***); market capitalization to latest 12 months pretax income and to tangible book value. The EV and market capitalization multiples in the following table are based on closing stock prices of the comparable companies on December 15, 2006. The following table summarizes the calculated multiples for the comparable companies:

	Median Multiples	Range of Multiples
EV/Revenue	0.24x	0.11x - 0.83x
EV/EBITDA	7.7x	6.1x - 14.6x
EV/EBIT	10.2x	7.2x - 15.1x
Market Capitalization/Pretax Income	10.9x	8.0x - 15.1x
Market Capitalization/Tangible Book Value	2.7x	1.6x - 4.9x

For analyses employing the financial results of each business, Southwest Securities utilized figures for the 11 months ended October 31, 2006, and added management s estimates for the month ending November 30, 2006 to arrive at 12-month financial metrics (***Operating Metrics***) for each of the businesses. Southwest Securities derived a mean and median implied equity value for both businesses by applying the median multiples described above to the corresponding Operating Metric for each business adjusted where appropriate for net debt (debt minus cash). These implied mean and median equity values were then compared to the implied equity values of each of the U.S. and Mexico Sales.

Southwest Securities derived a mean and median implied equity value for the U.S. business of $94.5 million and $107.3 million, respectively, and derived a mean and median implied equity value for the Mexico business of $33.9 million and $34.0 million, respectively, based on the Selected Publicly Traded Comparable Company Analysis.

Selected Precedent Transactions Analyses. Southwest Securities reviewed publicly available financial information from March 31, 2003 to October 11, 2006, relating to the following nine transactions involving value-added reseller and distribution companies as the target of business combinations:

Acquirer	Target
CDW Corporation	Berbee Information Networks Corp.
Telmar Network Technology, Inc.	Somera Communications Inc.
Caxton-Iseman Capital, Inc.	Electrograph Systems, Inc.
eXpansys Limited	MobilePlanet, Inc.
SYNNEX Canada Ltd.	EMJ Data Systems Ltd.
Platinum Equity, LLC	CompuCom Systems Inc.
Tech Team Global Inc.	Digital Support Corporation
Tech Data Corp.	Azlan Group plc
Zones Inc.	Corporate PC Source, Inc.

Using publicly available information, Southwest Securities calculated the EV of the target reflected in each transaction as a multiple of revenue, EBITDA and EBIT for the last 12 months preceding announcement of the transaction and the equity value of the purchase price to net earnings and tangible book value for the last 12 months preceding announcement of the transaction. The following table summarizes the calculated multiples for the selected precedent transactions:

	Median Multiples	**Range of Multiples**
EV/Revenue	0.22x	0.11x - 0.47x
EV/EBITDA	5.3x	3.6x - 14.2x
EV/EBIT	8.1x	3.8x - 15.5x
Equity Purchase Price/Net Earnings	13.8x	1.8x - 21.7x
Equity Purchase Price/Tangible Book Value	1.4x	1.0x - 1.9x

Southwest Securities derived a mean and median implied equity value for both businesses by applying the median multiples described above to the corresponding Operating Metric for each business adjusted where appropriate for net debt (debt minus cash). These implied mean and median equity values were then compared to the implied equity values of each transaction.

Southwest Securities derived a mean and median implied equity value for the U.S. business of $76.8 million and $74.1 million, respectively and derived a mean and median implied equity value for the Mexico business of $25.7 million and $20.7 million, respectively, based on the Selected Precedent Transaction Analysis.

No company, transaction or business used in the Selected Publicly Traded Comparable Company Analyses or the Selected Precedent Transactions Analyses is identical to the U.S. business or the Mexico business. Accordingly, an evaluation of the results of those analyses is not entirely mathematical. Rather, the analyses involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, business segments or transactions to which the U.S. Sale and the Mexico Sale were compared.

Discounted Cash Flow Analyses. Southwest Securities calculated the estimated net present value of the unlevered after-tax free cash flows of the U.S. business and of the Mexico business for the five years ending November 30, 2011, based on projections provided to Southwest Securities by the Company s management. Southwest Securities then calculated a range of terminal values, representing the estimated values of the U.S. business and the Mexico business at November 30, 2011, based on (i) EBITDA multiples (***Terminal Value Method***) of 5.0x to 8.0x and (ii) perpetuity growth rates (***Perpetuity Method***) (which represent the rates at which normalized, unlevered after-tax free cash flow in fiscal year 2011 might be expected to continue to grow in perpetuity) of 2.00% to 2.75%. The net present value of the free cash flows and terminal values were calculated using a range of discount rates of 12.0% to 18.0%, which was selected based on the mean and median of the publicly traded comparable companies calculated weighted average cost of capital of 16.4% and 15.9%, respectively.

Based on the Terminal Value Method, Southwest Securities derived a mean and median implied equity value for the U.S. business of $79.5 million and $79.0 million, respectively, and based on the Perpetuity Method, Southwest Securities derived a mean and median implied equity value for the U.S. business of $65.9 million and $63.9 million, respectively.

Based on the Terminal Value Method, Southwest Securities derived a mean and median implied equity value adjusted where appropriate for net debt (debt minus cash) for the Mexico business of $15.1 million and $15.1 million, respectively, and based on the Perpetuity Method, Southwest Securities derived a mean and median implied equity value for the Mexico business of $9.4 million and $9.3 million, respectively.

Liquidation Analyses. Southwest Securities prepared a liquidation analysis for each of the businesses using management s assessment of the equity value that may reasonably be expected to be realized in an orderly liquidation of the assets and liabilities of each business. Southwest Securities relied upon an analysis prepared by management estimating the percent of the book value of each asset class that could be realized upon disposition. The derived aggregate range of fair values for the assets of each business was then netted against the estimated fair value of all existing liabilities of each business, resulting in an indication of the equity value of each business.

Southwest Securities derived an implied equity value for the U.S. business ranging from a low of negative $8.2 million to a high of $8.3 million and derived an implied equity value for the Mexico business ranging from a low of negative $0.2 million to a high of $7.5 million based on the Liquidation Analysis.

Miscellaneous

The Company has paid Southwest Securities a customary fee for its financial advisory services, none of which is contingent on completion of the U.S. and Mexico Sales. The Company also has agreed to reimburse Southwest Securities for reasonable expenses incurred by Southwest Securities in performing its services and to indemnify Southwest Securities and related persons and entities against liabilities, including liabilities under the United States federal securities laws, arising out of Southwest Securities engagement.

The Company retained Southwest Securities based upon Southwest Securities experience and expertise. Southwest Securities is a nationally recognized investment banking and advisory firm. As part of its investment banking business, Southwest Securities is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes.

PROPOSAL THREE:

THE PLAN OF DISSOLUTION

General

The Company is proposing a Plan of Dissolution, including the complete liquidation and dissolution of CellStar after the completion of the U.S. and Mexico Sales, for approval by the stockholders at the Special Meeting. The resolution to dissolve the Company and the Plan of Dissolution was approved by our board of directors, subject to stockholder approval, on January 22, 2007. A copy of the Plan of Dissolution is attached as *Annex C* to this proxy statement. The material features of the Plan of Dissolution are summarized below; this summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the Plan of Dissolution. Stockholders are urged to read the Plan of Dissolution in its entirety. By approving the Plan of Dissolution, stockholders will be approving the dissolution of the Company under Section 275 of the DGCL.

Upon stockholder approval of the U.S. Sale and the Mexico Sale, consummation of the U.S. Sale and the Mexico Sale in accordance with their terms, stockholder approval of the Plan of Dissolution, and consummation of the Plan of Dissolution in accordance with its terms, we anticipate that the stockholders of the Company will receive distributions (which may include dividends as well as liquidating distributions) in an aggregate amount between $2.91 and $3.25 per share of Common Stock, to be made as follows: a dividend of $1.00 per Common Share paid approximately 60 days after closing the U. S. and Mexico Sales and liquidating distributions of substantially all of the remaining available cash after settlement of all outstanding liabilities in one or more payments beginning approximately [ ] months after closing. Although we intend to make distributions to our stockholders as promptly as possible, the amount and timing of the distributions are subject to uncertainties and depend on the resolution of contingencies, including the SEC investigation described on page 108 of this proxy statement. No distribution will be made until the SEC investigation is resolved, and there can be no assurance of when resolution will occur or what the outcome will be. Furthermore, we cannot assure you that available cash and amounts received from the sale of our assets will be adequate to provide for the Company s obligations, liabilities, expenses and claims. Consequently, no assurance can be given that any amounts will be paid to stockholders, or will be paid when anticipated. Under the terms of the U.S. Sale Agreement, no liquidating distributions will be made until seven months after the closing of the U.S. Sale, but dividends may be paid prior to that time under certain circumstances.

The board of directors may declare and pay dividends upon the shares of Common Stock out of CellStar s surplus, as computed in accordance with the DGCL, or out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Surplus is defined as the amount by which (i) CellStar s total assets minus its total liabilities exceed (ii) the aggregate par value of the shares of Common Stock issued.

The U. S. Sale Agreement provides that CellStar shall not liquidate or dissolve until seven months after the closing of the U. S. Sale. During this seven-month period, CellStar shall (i) apply the proceeds from the U. S. Sale to promptly satisfy its liabilities existing on and after the closing, (ii) maintain sufficient capital with which to continue its proposed operations, and (iii) maintain assets that exceed its liabilities. CellStar is permitted to pay dividends provided that it retains an amount of cash equal to $17,600,000, which includes the $8,800,000 held in escrow.

Management of CellStar believes that, under the DGCL and the terms of the U. S. Sale Agreement, the board of directors will be able to declare a dividend in an amount of $1.00 per share of Common Stock after closing the U. S. and Mexico Sales, but there can be no assurance to that effect.

The federal income tax consequences to a stockholder of a dividend and a liquidating distribution are different. In a liquidating distribution, the stockholder will recognize gain or loss equal to the difference between (i) the sum of the amount of cash distributed to the stockholder, and (ii) the stockholder s tax basis in his or her shares of Common Stock. Dividends received by non-corporate stockholders of the Company generally will be taxed at a maximum rate of 15%, subject to certain holding-period requirements. Dividends received by corporate stockholders of the Company generally will be taxed at ordinary corporate income tax rates and will qualify for the dividends-received deduction, subject to certain holding-period requirements. See Material United States Federal Income Tax Consequences beginning on page 125. Certain stockholders may therefore pay federal income taxes on the receipt of a dividend that they would not have to pay if they received a liquidating distribution. The payment of the dividend may also result in certain stockholders having a reduced capital gain or an increased capital loss upon payment of the liquidating distribution. Nevertheless, the board of directors is considering the payment of a dividend because it can be paid earlier than a liquidating distribution.

The implementation of the Plan of Dissolution is conditioned upon stockholder approval and consummation of the U.S. Sale. If the U.S. Sale is consummated, but the Mexico Sale is not, the Company will implement the Plan of Dissolution, and will seek to dispose of, or curtail, its Mexico operations as part of the plan.

If our stockholders do not also approve the Plan of Dissolution, we will still complete the U.S. and Mexico Sales if they are approved by our stockholders and the other conditions to closing are met. In that case, we will have transferred substantially all of our operating assets to U.S. Buyer and Mexico Buyers and will have minimal operations to generate revenue. With few assets with which to generate revenues and no Plan of Dissolution approved, we would use the cash received from the U.S. and Mexico Sales, as well as our other cash, to, instead of making distributions to stockholders pursuant to the Plan of Dissolution or in the form of dividends, and pay ongoing operating expenses. We would have no material business or operations after the U.S. and Mexico Sales, and will have retained only those employees required to maintain our corporate existence. We do not intend to invest in another operating business.

Factors to be Considered by Stockholders in Deciding Whether to Approve the Plan of Dissolution

There are many factors that our stockholders should consider when deciding whether to vote to approve the Plan of Dissolution. Such factors include those risk factors set forth below.

Our stockholders could vote against the Plan of Dissolution.

If we do not obtain stockholder approval of the Plan of Dissolution (either because we fail to achieve a quorum at the Special Meeting or if there are insufficient votes in favor of the proposal to approve the Plan of Dissolution), we would have to continue our business operations from a very difficult position in light of our announced intent to liquidate and dissolve. If the U.S. and Mexico Sales are completed, we will have minimal assets with which to generate revenue, and we would use any remaining cash and the cash received from the U.S. and Mexico Sales to pay ongoing operating expenses instead of possibly making distributions to stockholders pursuant to the Plan of Dissolution or in the form of dividends after the resolution of the SEC investigation described below.

In February 2006, the Company received from the SEC a subpoena requiring production of certain documents relating to the Company s Asia-Pacific Region, which the Company exited in September 2005. The subpoena was issued in connection with a fact-finding inquiry under a formal order of investigation issued by the SEC. The Company is cooperating fully with the SEC in this matter. The Company was advised in the Commission s letter sent with the subpoena that the Commission s investigation and subpoena do not mean that the Commission or its staff has concluded that CellStar or anyone else has broken the law, nor that the Commission or its staff has a negative opinion of any person, entity or security. The Company is unable to predict the outcome of the investigation, the scope of matters that the SEC may choose to investigate in connection with the subpoena, the SEC s views of the issues about which it is inquiring, or any action that the SEC might take.

If we fail to create an adequate contingency reserve for payment of our expenses and liabilities, our stockholders could be held liable for payment to our creditors for amounts owed to creditors in excess of the contingency reserve, up to the amount actually distributed to such stockholder in dissolution.

As part of our Plan of Dissolution, we are obligated to pay, or make provision for the payment of, our expenses and our fixed and contingent liabilities. While CellStar intends to pay or reserve funds for payment to all creditors and to otherwise endeavor to assure that all claims are paid or provided for, there is a possibility, despite CellStar s best estimates, that the amounts reserved for payments to creditors will turn out to be inadequate. Under the DGCL, a stockholder could be held personally liable to our creditors for any deficiency, to the extent of such stockholder s previous distributions from us in dissolution, if we fail to make adequate provision for the payment of our expenses and liabilities. Moreover, if a stockholder has paid taxes on distributions previously received by the stockholder, a repayment of all or a portion of the prior distribution could result in a stockholder incurring a net tax cost if the stockholder s repayment of an amount previously distributed does not cause a commensurate reduction in taxes payable by that stockholder. If we fail to create an adequate contingency reserve for payment of our expenses and liabilities, our stockholders could be held liable for payment to our creditors for amounts owed to creditors in excess of the contingency reserve, up to the amount actually distributed to such stockholder. While the possibility of the occurrences set forth above cannot totally be excluded, after a review of its assets and liabilities the Company believes that the contingency reserve will be adequate and that a return of amounts previously distributed will not be required.

Our stockholders could be liable for dividends paid to them.

In the event the Company pays dividends to stockholders as authorized by the DGCL, but subsequently, there is insufficient money to pay all remaining creditors, then there is a possibility that stockholders might be liable under state or federal fraudulent transfer laws to return the amount of the dividends received. If the Company were unable to pay all of its creditors, then each of those creditors, or the bankruptcy trustee in the case of a bankruptcy proceeding, would have a cause of action against stock-holders who received a dividend if it is established (i) after giving effect to the dividend, the Company was rendered insolvent on a balance sheet basis, or was left with unreasonably small capital for its continuing business, and (ii) the dividend was paid within four years of the commencement of a suit by the creditor or of a bankruptcy proceeding. The Company does not believe that its payment of dividends prior to the filing of the Certificate of Dissolution would render it insolvent or with unreasonably small capital.

We cannot assure you of the amount, if any, of any distribution to our stockholders under the Plan of Dissolution.

Although we intend to make distributions to our stockholders as promptly as possible, the amount of the distributions is subject to uncertainties and depends on the resolution of contingencies, including the SEC investigation. Furthermore, we cannot assure you that available cash and amounts received from the sale of our assets will be adequate to provide for the Company s obligations, liabilities, expenses and claims. Consequently, no assurance can be given that distributions will be paid.

We will continue to incur claims, liabilities and expenses that will reduce the amount available for distribution to stockholders.

Claims, liabilities and expenses from operations (including operating costs such as salaries, directors fees, directors and officers insurance, payroll and local taxes, legal and accounting fees and miscellaneous office expenses) will continue to be incurred as we seek to close the U.S. Sale Agreement, close the Mexico Sale Agreement, resolve the SEC investigation and wind up operations. We anticipate that the amount of change of control payments, severance payments and incentive and retention bonuses we will have to pay to all employees in 2007 would be approximately $7,654,000 and would be paid prior to or upon the closing of the U.S. and Mexico Sales. We also estimate that salaries and directors fees after closing of the U.S. and Mexico Sales would be approximately $[ ] per quarter. These expenses will reduce the amount of assets available for ultimate distribution to stockholders.

We intend to file the certificate of dissolution seven months after the closing of the U.S. Sale, although we would begin the process of winding up our business as soon as the U.S. and Mexico Sales close.

If the U. S. Sale Agreement and the Plan of Dissolution are approved by stockholders, we intend to file the Certificate of Dissolution with the Delaware Secretary of State seven months after the closing of the U.S. Sale. Nevertheless, we would take all steps necessary to reduce our operating expenses so that the focus of our operations would be the winding up of the Company s operations and participation in the SEC investigation. In addition, our board of directors also has the right to abandon the proposed dissolution without further action by the stockholders.

Distribution of assets, if any, to our stockholders could be delayed.

Although we intend to make distributions to our stockholders as promptly as possible, the timing of the distributions is subject to uncertainties and depends on the resolution of contingencies, including the SEC investigation. No distribution will be made until the SEC investigation is resolved, and there can be no assurance of when resolution of the SEC investigation will occur or what the outcome will be. Consequently, no assurance can be given that any amounts will be paid to stockholders or will be paid when anticipated. Additionally, a creditor could seek an injunction against the making of distributions to our stockholders on the ground that the amounts to be distributed were needed to provide for the payment of our liabilities and expenses. Any action of this type could delay or substantially diminish the amount available for distribution to our stockholders.

Our stock transfer books will close on the Dissolution Date we file the Certificate of Dissolution with the Delaware Secretary of State, after which it will not be possible for stockholders to trade our stock.

We intend to close our stock transfer books and discontinue recording transfers of our Common Stock at the close of business on the date upon which we file the Certificate of Dissolution with the Delaware Secretary of State or upon such later date as may be specified in the Certificate of Dissolution (the ***Dissolution Date***), referred to as the final record date. Thereafter, certificates representing our Common Stock shall not be assignable or transferable on our books. The proportionate interests of all of our stockholders shall be fixed on the basis of their respective stock holdings at the close of business on the final record date, and, after the final record date, any distributions made by us shall be made solely to the stockholders of record at the close of business on the final record date.

Liquidating Distributions; Nature; Amount; Timing

General

The Company will make distributions of Available Cash pro rata to the Company s stockholders at such times and in such amounts as shall be determined by the board of directors. ***Available Cash*** means the cash held by the Company after deduction of the expenses of the operation of the Company through the distribution date and the Contingency Reserve (as defined below). The Company cannot predict the timing of the distributions to stockholders. It is the intention that Available Cash will be distributed to stockholders of the Company as promptly as practicable following the winding up of the Company s affairs.

Nevertheless, no distributions will be made until such time as the SEC investigation has been concluded and the board of directors has determined the amount of the Contingency Reserve.

The liquidation is expected to conclude prior to the third anniversary of the filing of the Certificate of Dissolution in Delaware by a final liquidating distribution directly to our stockholders. The proportionate interests of all of our stockholders shall be fixed on the basis of their respective stock holdings at the close of business on the final record date, which is the date we file our Certificate of Dissolution with the Delaware Secretary of State, and after such date, any distributions made by us shall be made solely to stockholders of record on the close of business on the final record date. The board of directors is, however, currently unable to predict the precise nature, amount or timing of this distribution or any other distributions pursuant to the Plan of Dissolution. The actual nature, amount and timing of all distributions will be determined by the board of directors, in its sole discretion, and will depend in part upon our ability to convert our remaining assets into cash and pay and settle our remaining liabilities and obligations. No distributions will be made until the SEC investigation has been resolved. The U.S. Sale Agreement does not permit liquidating distributions to be made until seven months after the closing of the U.S. Sale. See Factors to be Considered by Stockholders in Deciding Whether to Approve the Plan of Dissolution beginning on page 108.

If the U.S. and Mexico Sales occur, the board of directors believes that the Company will have sufficient assets to pay the current and future obligations of the Company and to make distributions to stockholders, but there can be no assurance to that effect. The amount of the distributions will depend on a number of factors, including the accounts payable and other liabilities of the Company existing on the date of the approval of the Plan of Dissolution (including severance payments), the expenses of operation of the Company that accrue following approval of the Plan of Dissolution and the amount of any claims that may be asserted against the Company. The expenses of operation of the Company will include professional fees and other expenses of liquidation and could be substantial. In addition, the actual amount, if any, to be received by stockholders upon dissolution will depend significantly upon the length of time and costs associated with the SEC investigation, as well as the settlement obligation, if any, that the Company must pay with respect to such matter.

In lieu of satisfying all of our liabilities and obligations prior to making distributions to our stockholders, we may instead reserve assets deemed by management and the board of directors to be adequate to provide for such liabilities and obligations. See Contingent Liabilities; Contingency Reserve beginning on page 118.

Uncertainties as to the precise value of our non-cash assets and the ultimate amount of our liabilities make it impracticable to predict the aggregate net value ultimately distributable to stockholders. Claims, liabilities and expenses from operations (including operating costs such as salaries, directors fees, income taxes, payroll and local taxes, legal, accounting and miscellaneous office expenses), although currently declining, will continue to be incurred following stockholder approval of the U.S. and Mexico Sales and Plan of Dissolution. These expenses will reduce the amount of assets available for ultimate distribution to stockholders, and, while a precise estimate of those expenses cannot currently be made, management and the board of directors believe that available cash and amounts received on the U.S. and Mexico Sales will be adequate to provide for our obligations, liabilities, expenses and claims (including contingent liabilities). However, no assurances can be given that available cash and amounts received on the U.S. and Mexico Sales and the sale of our other assets will be adequate to provide for our obligations, liabilities, expenses and claims and to make cash distributions to stockholders. If such available cash and amounts received are not adequate to provide for our obligations, liabilities, expenses and claims, distributions of cash to our stockholders will be reduced and could be eliminated. See Factors to be Considered by Stockholders in Deciding Whether to Approve the Plan of Dissolution beginning on page 108.

We anticipate that, following the closing of the U.S. and Mexico Sales, our principal activities would be related to the SEC investigation and the winding up of our business. In that regard, we anticipate either retaining [ ] officers upon the closing of the U.S. and Mexico Sales to wind up the Company s affairs or hire an independent third party to do so.

Estimated Distribution to Stockholders Assuming Approval and Implementation of the Plan of Dissolution

The following table shows management s estimate of cash proceeds and outlays and of our ultimate distribution to stockholders as of the date of this proxy statement. **The following estimates were calculated using unaudited preliminary balance sheet data as of November 30, 2006, and are not guarantees. They do not reflect the total range of possible outcomes and do not include any potential costs incurred as a result of the resolution of the SEC investigation, nor do they include possible claims for breaches by CellStar under the U. S. Sale Agreement or the Mexico Sale Agreement.** The table assumes that we complete the U.S. and Mexico Sales by the end of the first quarter of 2007. We anticipate that the stockholders of the Company will receive distributions (which may include dividends as well as liquidating distributions) in an aggregate amount between $2.91 and $3.25 per share of Common Stock, to be made as follows: a dividend of $1.00 per Common Share paid approximately 60 days after closing the U.S. and Mexico Sales and a liquidating distribution of substantially all of the remaining available cash approximately nine months after closing. Although we intend to make distributions to our stockholders as promptly as possible, the amount and timing of the distributions are subject to uncertainties and depend on the resolution of contingencies, including the SEC investigation. No distribution will be made until the SEC investigation is resolved, and there can be no assurance of when resolution of the SEC investigation will occur or what the outcome will be. Furthermore, we cannot assure you that available cash and amounts received from the sale of our assets will be adequate to provide for the Company s obligations, liabilities, expenses and claims. Consequently, no assurance can be given that any amounts will be paid to stockholders, or will be paid when anticipated. Under the terms of the U.S. Sale Agreement, no liquidating distributions will be made until seven months after the closing of the U.S. Sale, but dividends may be paid prior to that time under certain circumstances.

To the extent that such distribution to stockholders is delayed beyond the end of 2007, the Company anticipates its ongoing expenses would be approximately $[ ] per quarter. For a discussion of the risk factors related to the Plan of Dissolution and any potential proceeds which we may be able to distribute to stockholders, see Factors to be Considered by Stockholders in Deciding Whether to Approve the Plan of Dissolution beginning on page 108.

Summary Estimated Stockholder Proceeds Analysis
(calculations using unaudited preliminary balance sheet data as of November 30, 2006)

	High Recovery Range	Mid Recovery Range	Low Recovery Range
	Dollars and Shares in thousands (rounded to the nearest hundred thousand dollars/Shares) except per share amounts		
Transaction Gross Proceeds			
U.S. Sale Proceeds	$ 81,145	$ 81,145	$ 81,145
Mexico Sale Proceeds	20,660	20,660	20,660
Notes and Chile Assets	9,172	7,160	3,900
Cash	20,641	20,641	20,641
Gross Proceeds	**$ 131,618**	**$ 129,606**	**$ 126,346**
Debt			
Facility	$ (33,469)	$ (33,469)	$ (33,469)
Term Loan	(12,075		