

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For Quarter Ended February 28, 1995

Commission file number 1-9532

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

Delaware 13-1964841
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

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

Registrant's telephone number, including area code (516) 231-7750

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Number of shares of each class of the registrant's Common Stock outstanding as of the latest practicable date.

Class	Outstanding at April 6, 1995
Class A Common Stock	6,777,788 Shares
Class B Common Stock	2,260,954 Shares

AUDIOVOX CORPORATION

I N D E X

	Page Number
PART I FINANCIAL INFORMATION	
ITEM 1 Financial Statements:	
Consolidated Balance Sheets at November 30, 1994 and February 28, 1995 (unaudited)	3
Consolidated Statements of Earnings for the Three Months Ended February 28, 1994 and February 28, 1995 (unaudited)	4
Consolidated Statements of Cash Flows for the Three Months Ended February 28, 1994 and February 28, 1995 (unaudited)	5
Notes to Consolidated Financial Statements	6-7
ITEM 2 Management's Discussion and Analysis of Financial Operations and Results of Operations	8-15
PART II OTHER INFORMATION	
ITEM 1 Legal Proceedings	16

ITEM 5	Other Information	16-17
ITEM 6	Reports on Form 8-K	17
	SIGNATURES	18

AUDIOVOX CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
(In thousands)

	November 30, 1994	February 28, 1995 (unaudited)
Assets		
Current Assets:		
Cash and cash equivalents	\$ 5,495	\$ 3,547
Accounts receivable, net	94,242	76,400
Inventory, net	83,430	106,724
Prepaid expenses and other current assets	6,065	7,040
Deferred income taxes	2,247	2,719
Total current assets	191,479	196,430
Restricted cash	6,559	6,409
Property, plant and equipment, net	6,180	6,518
Equity investments	25,902	27,209
Debt issuance costs, net	4,840	4,553
Excess cost over fair value of assets acquired and other intangible assets, net	1,032	1,006
Other assets	3,106	2,973
	\$ 239,098	\$ 245,098
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 21,088	\$ 26,131
Accrued expenses and other current liabilities	13,063	14,607
Income taxes payable	834	1,639
Bank obligations	1,084	27,834
Current installments of long-term debt	159	5,621
Total current liabilities	36,228	75,832
Bank obligations	29,100	-
Deferred income taxes	5,945	6,131
Long-term debt, less current installments	75,653	70,327
Total liabilities	146,926	152,290
Minority interest	138	148
Stockholders' equity:		
Preferred stock	2,500	2,500
Common Stock:		
Class A	68	68
Class B	22	22
Paid-in capital	39,715	39,814
Retained earnings	50,254	50,790
	92,559	93,194
Cumulative foreign currency translation and adjustment	(525)	(534)
Total stockholders' equity	92,034	92,660
Commitments and contingencies		
	\$ 239,098	\$ 245,098

See accompanying notes to consolidated financial statements.

AUDIOVOX CORPORATION AND SUBSIDIARIES
Consolidated Statements of Earnings
(In thousands, except per share data)

	Three Months Ended	
	February 28, 1994 (unaudited)	February 28, 1995 (unaudited)
Net sales	\$ 115,337	\$ 131,391
Cost of sales	93,159	108,805
Gross profit	22,178	22,586
Operating expenses:		
Selling	7,485	9,057
General and administrative	7,397	9,196
Warehousing, assembly and repair	2,068	2,470
	16,950	20,723
Operating income	5,228	1,863
Other income (expenses):		
Interest and bank charges	(1,523)	(2,050)
Equity in income of equity investments	685	1,187
Management fees and related income	210	396
Gain on sale of equity investment	27,783	-
Gain on public offering of equity investment	10,565	-
Other, net	(308)	(313)
	37,412	(780)
Income before provision for income taxes and cumulative effect of a change in an accounting principle	42,640	1,083
Provision for income taxes	18,477	547
Income before cumulative effect of a change in accounting for income taxes	24,163	536
Cumulative effect of change in accounting for income taxes	(178)	-
Net income	\$ 23,985	\$ 536
Net income per common share (primary):		
Income before cumulative effect of change in accounting for income taxes	\$ 2.63	\$ 0.06
Cumulative effect of change in accounting for income taxes	\$ (0.02)	-
Net income	\$ 2.61	\$ 0.06
Net income per common share (fully diluted):		
Income before cumulative effect of change in accounting for income taxes	\$ 2.38	\$ 0.06
Cumulative effect of change in accounting for income taxes	\$ (0.02)	-
Net income	\$ 2.36	\$ 0.06
Weighted average number of common shares outstanding, primary	9,176,592	9,070,392
Weighted average number of common shares outstanding, fully diluted	10,218,770	10,125,070

See accompanying notes to consolidated financial statements.

AUDIOVOX CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands)

Three Months Ended
February 28, February 28,
1994 1995
(unaudited) (unaudited)

Cash flows from operating activities:

Net income	\$ 23,985	\$ 536
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	981	980
Provision for bad debt expense	(503)	393
Equity in income of equity investments	(685)	(1,187)
Minority interest	55	10
Gain on sale of business	-	-
Gain on sale of equity investment	(27,783)	-
Gain on public offering of equity investment	(10,565)	-
Provision for deferred income taxes, net of extraordinary item	5,127	(286)
Provision for unearned compensation	72	99
Cumulative effect of change in accounting for income taxes	178	-
Changes in:		
Accounts receivable	5,791	17,422
Inventory	(9,238)	(23,324)
Income taxes receivable	228	-
Accounts payable, accrued expenses and other current liabilities	(1,122)	6,594
Income taxes payable	12,728	802
Prepaid expenses and other assets	(3,530)	(796)
Net cash (used in) provided by operating activities	(4,281)	1,243

Cash flows from investing activities:

Purchase of equity investments		
Purchases of property, plant and equipment, net	(572)	(886)
Notes receivable from equity investment	7,973	-
Net proceeds from sale of equity investment	29,433	-
Payment for purchase of subsidiary	(148)	-
Net cash provided by (used in) investing activities	36,686	(886)

Cash flows from financing activities:

Net (repayments) borrowings under line of credit agreements	(22,054)	(2,350)
Net (repayments) borrowings under documentary acceptances	(6,713)	-
Principal payments on long-term debt	(3,681)	-
Debt issuance costs	-	(32)
Proceeds from exercise of stock options	170	-
Principal payments on capital lease obligation	(29)	(70)
Proceeds from release of restricted cash	-	150
Net cash used in financing activities	(32,307)	(2,302)

Effect of exchange rate changes on cash	(29)	(3)
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Net increase (decrease) in cash and cash equivalents	69	(1,948)
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Cash and cash equivalents at beginning of period	1,372	5,495
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Cash and cash equivalents at end of period	\$ 1,441	\$ 3,547
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See accompanying notes to consolidated financial statements.

AUDIOVOX CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Three Months Ended February 28, 1994 and February 28, 1995

(1) The accompanying consolidated financial statements were prepared in accordance with generally accepted accounting principles and include all adjustments which, in the opinion of management, are necessary to present fairly the consolidated financial position of Audiovox Corporation and subsidiaries (the "Company") as of November 30, 1994 and February 28, 1995 and the results of operations and consolidated statement of cash flows for the three month periods ended February 28, 1994 and February 28, 1995.

Accounting policies adopted by the Company are identified in Note 1 of the Notes to Consolidated Financial Statements included in the Company's 1994 Annual Report filed on Form 10-K.

(2) The information furnished in this report reflects all adjustments (which include only normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of the results for the interim period. The interim figures are not necessarily indicative of the results for the year.

(3) Certain reclassifications have been made to the 1994 Consolidated Financial Statements to conform to the 1995 presentation.

(4) The following is supplemental information relating to the consolidated statements of cash flows:

	Three Months Ended February 28, 1994 1995 (In thousands)	
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Cash paid during the period:

Interest (excluding bank charges)	\$1,325	\$ 859
Income taxes	\$ 454	\$ 95

During 1995, the Company entered into a lease agreement to acquire new computer equipment. As a result, a capital lease obligation of \$86 was incurred.

(5) The Financial Accounting Standards Board (FASB) has issued Statement 115, "Accounting for Certain Investment in Debt and Equity Securities" (Statement 115). This Statement addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities. Those investments are to be classified in three categories and accounted for as follows: 1) debt securities that

the enterprise has the positive intent and ability to hold to maturity are classified as "held-to-maturity securities", 2) debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as "trading securities" and reported at fair value, with realized gains and losses included in earnings, 3) debt and equity securities not classified as either held-to-maturity securities or trading securities are classified as "available-for-sale securities" and reported at fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of shareholders' equity.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain items from the Company's consolidated statements of earnings, expressed as percentages of net sales:

	Three Months Ended February 28,	
	1994	1995
Net sales	100.0%	100.0%
Gross profit	19.2	17.2
Operating expenses	14.7	15.8
Income before provision for income taxes and cumulative effect of change in accounting for income taxes	37.0	0.8
Cumulative effect of change in accounting for income taxes	0.1	-
Net income	20.8	0.4

Net sales by product line for the three month periods ended February 28, 1994 and February 28, 1995 are reflected in the following table:

	Three Months Ended February 28,	
	1994	1995
	(In Millions)	
Cellular Product - Wholesale	\$ 54.3	\$ 71.6
Cellular Product - Retail	7.1	6.1
Activation Commissions	15.2	13.4
Residual Revenues on Customer Usage	0.8	1.1
Total Cellular	77.4	92.2
Automotive Sound Equipment	22.7	24.5
Automotive Security and Accessory Equipment	13.5	14.7
Other	1.7	-
	\$115.3	\$131.4

RESULTS OF OPERATIONS

Net sales increased \$16.1 million or 13.9% for the three month period ended February 28, 1995 compared to the same period last year. This increase was attributable to increases in cellular (\$14.8 million or 19.1%), automotive sound equipment (\$1.8 million

or 7.9%) and automotive accessories (\$1.2 million or 8.9%). There was a decrease in other sales, primarily consumer electronics, of \$1.7 million or 100.0% for the three month period as the Company has discontinued the sale of facsimile machines. The wholesale business increased 22.2% or \$19.7 million and was partially offset by a \$3.6 million decline (13.7%) in the retail business.

The improvement in cellular revenues was a combination of increased unit sales and residuals, partially offset by a decrease in activation commissions. Unit sales of cellular telephones increased by 97,000 (49%) from 201,000 for the three month period ended February 28, 1995 from the respective period in 1994, primarily in the portable telephone lines, although there was a slowdown in sales growth during the latter part of the quarter. This increase was partially offset by decreases in the sales of installed mobile and transportable telephones. The average revenue per unit decreased approximately 13% for the three month period compared to last year. This decrease in unit selling price is primarily attributable to increased market competition in hand-held portable cellular telephones and the introduction of lower priced hand-held portables by competitors. During the first quarter, one of the Company's major competitors over-produced product in anticipation of strong sales during the Christmas season. As a result, this competitor reduced their selling prices in order to relieve its inventory over-supply situation. This put additional pressure on the market which further affected the Company's unit selling prices of cellular telephones. The Company believes this

over-supply of cellular telephones in the U.S. will continue to affect its performance in the second quarter. However, the Company believes this over-supply will begin to dissipate and the market will regain its balance during the second half of the fiscal year. As a result of continuing market competition, unit sales prices and average activation commissions are anticipated to continue to decline in fiscal 1995.

Cellular revenues for activations decreased by \$1.8 million (11.7%) for the three month period ended February 28, 1995 compared to the same period in 1994. This decrease was primarily attributable to an 8% decrease in the Company's average payment received from the carriers for activation commissions compared to 1994. In addition, there was a 4% decrease in new cellular subscriber activations. The reduction in activation commission revenue was partially offset by increased residual revenues on customer phone usage of approximately 40.2%.

Sales of automotive sound equipment for the quarter ended February 28, 1995 increased to \$24.5 million from \$22.7 million for the same period in 1994 or 7.9%. The increase was primarily in the Prestige, Heavy Duty Sound, Private Label and non-Audiovox categories. Automotive accessories sales increased \$1.2 million (8.9%) for the three month period ended February 28, 1995 compared to 1994, principally due to increases in the Prestige and Protector product lines, partially offset by decreases in AA security products. The Company believes there will not be any growth in consumer electronics sales in 1995 as the Company has discontinued its facsimile machine product line.

Gross margins for the quarter ended February 28, 1995 decreased to 17.2% from 19.2% for the same period in 1994. This decline in margins is principally due to a decrease in the cellular product line, partially offset by increases in automotive sound and accessories. The gross margins in the wholesale business decreased from 14.6% to 13.6%, principally in the cellular wholesale business. The retail gross margins also declined slightly compared to last year. The decrease in cellular margins is a result of the decline in the selling price of portable telephones due to increased competition and introduction of lower priced products. The decrease in retail gross margins was primarily due to the aforementioned loss of activation commissions partially offset by residual revenues of customer usage. During the first quarter of 1995, in an effort to maintain market share, the Company reduced the selling prices of available models to meet the competition. Cellular margins were further affected by additional promotions by the Quintex retail group to increase sales.

Automotive sound margins increased from 20.8% for the first quarter of 1994 to 22.0% in 1995. The AV product line experienced a decrease in margins which was offset by an increase in Heavy Duty Sound. Automotive accessory margins increased to 28.4% from 27.9% for the three month period, primarily in the Prestige and Hardgoods product lines, partially offset by a decrease in margins in AA security products. The Company operates in a highly-competitive environment and believes that such competition will intensify in the future. Increased price competition relating to products and services provided to the Company's retail customers on behalf of cellular carriers may result in downward pressure on the Company's gross profit margins.

Total operating expenses increased by approximately \$3.8 million or 22.3% for the three month period ended February 28, 1995 compared to the respective period in 1994. Of this increase, \$2.1 million (55%) was experienced in the wholesale business and \$1.7 million (45%) was in the retail business. Warehousing, manufacturing, and repair expenses increased by \$402,000 or 19.4% (\$289,000 in wholesale, \$113,000 in retail) for the three month period ended February 28, 1995, due to increases in field warehousing costs, principally due to increased inventory levels and sales volume and payroll taxes and benefits, partially offset by reductions in warehouse production expenses. Selling expenses increased by \$1.6 million or 21.0% (\$173,000 in wholesale, \$1.4 million in retail) for the three month period ended February 28, 1995 over the prior year's comparable period due to increases in advertising, commissions paid to outside sales representatives, salesmen's salaries, and payroll taxes and benefits. General and administrative expenses increased by \$1.8 million or 24.3% (\$1.6 million in wholesale, \$149,000 in retail) for the three month period ended February 28, 1995 over the respective period in 1994, resulting from increases in occupancy costs primarily associated with the retail expansion, professional fees and provision for bad debt. The Company has increased its provision for bad debt based upon its evaluation of its accounts receivable considering current and potential market conditions.

Net interest expense and bank charges increased by \$527,000 or 34.6% for the three month period ended February 28, 1995, compared

to the respective period of 1994 as a result of an increase in interest costs from increased borrowing. Management fees and related income and equity in income from joint venture investments decreased by approximately \$9.9 million for the three-month period ended February 28, 1995, as compared to the same period of 1994, principally due to 1994's increase in the carrying value of the investment in CellStar after their public offering.

For the three months ended February 28, 1995 and 1994, the Company recorded an income tax provision of \$547,000 as compared to a provision of \$18.5 million, respectively. The first quarter of 1994 was higher due to the aforementioned CellStar transaction and higher operating profits.

As discussed in Note 5 to the financial statements, the Financial Accounting Standards Board (FASB) has issued Statement 115, "Accounting for Certain Investment in Debt and Equity Securities" (Statement 115). This Statement addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities. Those investments are to be classified in three categories and accounted for as follows: 1) debt securities that the enterprise has the positive intent and ability to hold to maturity are classified as "held-to-maturity securities", 2) debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as "trading securities" and reported at fair value, with realized gains and losses included in earnings, 3) debt and equity securities not classified as either held-to-maturity securities or trading

securities are classified as "available-for-sale securities" and reported at fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of shareholders' equity.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position at February 28, 1995 was approximately \$1.9 million below the November 30, 1994 level. Operating activities provided approximately \$1.2 million, primarily due to decreases in accounts receivable and profitable operations, partially offset by increases in inventory and accounts payable and accrued expenses. Investing activities used approximately \$886,000 for the purchase of property, plant and equipment. Financing activities used approximately \$2.3 million, primarily from a reduction of bank obligations under line of credit agreements.

During March 1995, the Company amended its credit agreement with its lenders. The amendments increase the amount available for direct borrowings of the Company from \$40 million to \$65 million until June 1, 1995 when direct borrowings will be stepped down to \$20 million. The amendments also provided for an increased borrowing availability based on inventory from \$20 million to \$30 million until June 1, 1995 when it will be stepped down to \$15 million. The Company's wholly-owned subsidiary, Audiovox Holding Corp., pledged 1,050,000 of its shares of CellStar to obtain the amendment. Following such amendments, the Company believes that it has sufficient liquidity to satisfy its anticipated working capital and capital expenditure needs in the reasonably foreseeable future.

On March 23, 1995, CellStar filed a registration statement relating to a public offering for approximately 3.5 to 4 million shares of common stock to be issued by CellStar and for 1,075,000 shares of its common stock which may be sold by the Company pursuant to its piggyback registration rights contained in its registration rights agreement with CellStar. No assurance can be given that such public offering will be consummated or at what price such public offering will be consummated and that, if consummated, Audiovox will elect to sell its shares in such public offering. If the Company elects to sell its shares in such public offering, the Company will no longer receive equity income from CellStar. The Company believes that the loss of such income will not have a material adverse effect on its liquidity since such equity income was a non-cash accrual.

The Company believes that it has sufficient liquidity to satisfy its anticipated working capital and capital expenditure needs through November 30, 1995 and for the reasonable foreseeable future.

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

The action commenced in February 1995 by Thunderball Marketing, Inc. against Quintex Communications Corp., Nynex Mobile Communications Company, and others in the United States District Court of the Southern District of New York has been settled.

Item 5 - Other Information

On March 16, 1995 Audiovox Corporation (the "Company") entered into the Sixth Amendment to the Credit Agreement dated as of March 15, 1994 (the "Sixth Amendment") whereby the Company's direct borrowing was increased from \$40,000,000 to \$50,000,000 and its maximum inventory reliance under the borrowing base was increased from \$15,000,000 to \$20,000,000 until June 1, 1995 when the direct borrowing and maximum inventory reliance will be stepped down to \$20 million and \$15 million, respectively.

The Sixth Amendment was entered into by the Company and acknowledged and consented to by certain of its subsidiaries. A copy of the Sixth Amendment and the Acknowledgement and Consent are annexed as Exhibit A.

On March 31, 1995, the Company entered into the Seventh Amendment to the Credit Agreement dated as of March 15, 1994 (the "Seventh Amendment") whereby the Company's direct borrowing was increased from \$50,000,000 to \$65,000,00 and its maximum inventory reliance under the borrowing base was increased from \$20,000,000 to \$30,000,000 until June 1, 1995 when direct borrowing and maximum inventory reliance will be stepped down to \$20 million and \$15 million, respectively.

The Seventh Amendment was entered into by the Company and acknowledged and consented to by certain of its subsidiaries. A copy of the Seventh Amendment and the Acknowledgment and Consent are annexed as Exhibit B.

In addition, the Seventh Amendment provides for a pledge of 1,050,000 shares of common stock of CellStar Corporation for the benefit of the several banks and financial institutions party to the Credit Agreement dated as of March 15, 1994 as amended (the "Lenders"). The form of Pledge Agreement is an Exhibit to the Seventh Amendment which is annexed hereto as Exhibit B.

Item 6. Reports on Form 8-K

No reports were filed on Form 8-K for the quarter ended February 28, 1995.

SIGNATURES

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

AUDIOVOX CORPORATION

By:s/John J. Shalam
John J. Shalam
President and Chief
Executive Officer

Dated: April 13, 1995

By:s/Charles M. Stoehr
Charles M. Stoehr
Senior Vice President and
Chief Financial Officer

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FEB-28-1995
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77,735
1,335
106,724
196,430
23,000
16,482
245,098
75,832
70,327
90
0
2,500
90,604
245,098
116,886
131,391
104,760
108,805
0
393
2,050
1,083
547
536
0
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536
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SIXTH AMENDMENT, dated as of March 16, 1995 (this "Amendment"), to the Credit Agreement dated as of March 15, 1994 (as amended pursuant to the First Amendment thereto dated as of May 13, 1994, the Second Amendment thereto dated as of August 17, 1994, the Third Amendment thereto dated as of August 26, 1994, the Fourth Amendment and Waiver thereto dated as of January 31, 1995, the Fifth Amendment thereto dated as of February 24, 1995, and as the same may be further amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among AUDIOVOX CORPORATION, a Delaware corporation (the "Borrower"), the several banks and other financial institutions from time to time parties thereto (collectively, the "Lenders"; individually a "Lender") and CHEMICAL BANK, a New York banking corporation, as administrative and collateral agent for the Lenders (in such capacity, the "Agent").

W I T N E S S E T H :

WHEREAS, the Borrower, the Lenders and the Agent are parties to the Credit Agreement;

WHEREAS, the Borrower has requested that the Lenders amend the Credit Agreement in the manner provided for herein;

WHEREAS, the Agent and the Lenders are willing to agree to the requested amendments;

NOW, THEREFORE, in consideration of the premises contained herein, the parties hereto agree as follows:

1. Defined Terms. Unless otherwise defined herein, terms which are defined in the Credit Agreement and used herein as defined terms are so used as so defined.

2. Amendments to Subsection 1.1. Subsection 1.1 of the Credit Agreement is hereby amended as follows:

(a) by deleting clause (ii) of the definition of "Borrowing Base" appearing in such subsection and substituting in lieu thereof the following:

"(ii) at any time on or prior to May 31, 1995, \$20,000,000 and, at any time thereafter, \$15,000,000"; and

(b) by deleting the definition of "Maximum Direct Extensions of Credit" in its entirety and substituting in lieu thereof the following new definition:

"Maximum Direct Extensions of Credit": at any time on or prior to May 31, 1995, \$50,000,000, and, at any time thereafter, \$20,000,000.

EXHIBIT A

3. Representations and Warranties. On and as of the date hereof, the Borrower hereby confirms, reaffirms and restates the representations and warranties set forth in Section 6 of the Credit Agreement mutatis mutandis, except to the extent that such representations and warranties expressly relate to a specific earlier date in which case the Borrower hereby confirms, reaffirms and restates such representations and warranties as of such earlier date, provided that the references to the Credit Agreement in such representations and warranties shall be deemed to refer to the Credit Agreement as amended prior to the date hereof and as amended pursuant to this Amendment.

4. Effectiveness. This Amendment shall become effective as of the date first written above upon receipt by the Agent counterparts of this Amendment duly executed by the Borrower and the Required Lenders and acknowledged and consented to by each Subsidiary.

5. Continuing Effect; No Other Amendments. Except as expressly amended hereby, all of the terms and provisions of the Credit Agreement are and shall remain in full force and effect. The amendments provided for herein are limited to the specific

subsections of the Credit Agreement specified herein and shall not constitute an amendment of, or an indication of the Agent's or the Lenders' willingness to amend, any other provisions of the Credit Agreement or the same subsections for any other date or time period (whether or not such other provisions or compliance with such subsections for another date or time period are affected by the circumstances addressed in this Amendment).

6. Expenses. The Borrower agrees to pay and reimburse the Agent for all its reasonable costs and out-of-pocket expenses incurred in connection with the preparation and delivery of this Amendment, including, without limitation, the reasonable fees and disbursements of counsel to the Agent.

7. Counterparts. This Amendment may be executed in any number of counterparts by the parties hereto, each of which counterparts when so executed shall be an original, but all the counterparts shall together constitute one and the same instrument.

8. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered by their respective duly authorized officers as of the date first above written.

AUDIOVOX CORPORATION

By:s/
Name: Charles M. Stoehr
Title: Senior Vice President

CHEMICAL BANK, as Agent and as a
Lender

By:s/
Name:
Title:

NATIONAL WESTMINSTER BANK USA, as a
Lender

By:s/
Name:
Title:

THE CHASE MANHATTAN BANK, N.A., as
a Lender

By:s/
Name:
Title:

FLEET BANK, as a Lender

By:s/
Name:
Title:

EUROPEAN AMERICAN BANK,
as a Lender

By:s/
Name:
Title:

ACKNOWLEDGEMENT AND CONSENT

Each of the undersigned corporations (i) as a guarantor under that certain Amended and Restated Subsidiaries Guarantee, dated as of March 15, 1992 (the "Guarantee"), made by each of such corporations in favor of the Collateral Agent and (ii) as a grantor under that certain Amended and Restated Security Agreement, dated as of March 15, 1992 (the "Security Agreement"), made by each of such corporations in favor of the Collateral Agent, confirms and agrees that the Guarantee and the Security Agreement are, and shall continue to be, in full force and effect and are hereby ratified and confirmed in all respects and the Guarantee and the Security Agreement and all of the Subsidiaries Collateral (as defined in the Security Agreement) do, and shall continue to, secure the payment of all of the Obligations (as defined in the Guarantee and the Security Agreement, as the case may be) pursuant to the terms of the Guarantee or the Security Agreement, as the case may be. Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement referred to in the Sixth Amendment to which this Consent is attached.

QUINTEX COMMUNICATIONS CORP.

By: s/
Name: Charles M. Stoehr
Title: Vice President

QUINTEX MOBILE COMMUNICATIONS CORP.

By: s/
Name: Charles M. Stoehr
Title: Vice President

H & H EASTERN DISTRIBUTORS, INC.

By: s/
Name: Charles M. Stoehr
Title: Secretary

HERMES TELECOMMUNICATIONS INC.

By: s/
Name: Philip Christopher
Title: Vice President

LENEX CORPORATION

By: s/
Name: Chris Lis Johnson
Title: Secretary

AMERICAN RADIO CORP.

By: s/
Name: Charles M. Stoehr
Title: Secretary

AUDIOVOX INTERNATIONAL CORP.

By: s/
Name: Charles M. Stoehr
Title: Vice President

AUDIOVOX CANADA LIMITED

By: s/
Name: Charles M. Stoehr
Title: Vice President

WESTERN AUDIOVOX CORP.

By: s/
Name: Philip Christopher
Title: Vice President

CELL HOLDING CORPORATION

By: s/
Name: Charles M. Stoehr
Title: President

AUDIOVOX ASIA INC.

By: s/
Name: Charles M. Stoehr
Title: President

AUDIOVOX LATIN AMERICA LTD.

By: s/
Name: Charles M. Stoehr
Title: President

Dated as of March 16, 1995

SEVENTH AMENDMENT, dated as of March 30, 1995 (this "Amendment"), to the Credit Agreement dated as of March 15, 1994 (as amended pursuant to the First Amendment thereto dated as of May 13, 1994, the Second Amendment thereto dated as of August 17, 1994, the Third Amendment thereto dated as of August 26, 1994, the Fourth Amendment and Waiver thereto dated as of January 31, 1995, the Fifth Amendment thereto dated as of February 24, 1995, the Sixth Amendment thereto dated as of March 16, 1995, this Amendment and as the same may be further amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among AUDIOVOX CORPORATION, a Delaware corporation (the "Borrower"), the several banks and other financial institutions from time to time parties thereto (collectively, the "Lenders"; individually, a "Lender") and CHEMICAL BANK, a New York banking corporation, as administrative and collateral agent for the Lenders (in such capacity, the "Agent").

W I T N E S S E T H :

WHEREAS, the Borrower, the Lenders and the Agent are parties to the Credit Agreement;

WHEREAS, the Borrower has requested that the Lenders amend the Credit Agreement in the manner provided for herein; and

WHEREAS, the Agent and the Lenders are willing to agree to the requested amendments;

NOW, THEREFORE, in consideration of the premises contained herein, the parties hereto agree as follows:

1. Defined Terms. Unless otherwise defined herein, terms which are defined in the Credit Agreement and used herein as defined terms are so used as so defined.

2. Amendments to Subsection 1.1. Subsection 1.1 of the Credit Agreement is hereby amended as follows:

(a) by deleting clause (ii) of the definition of "Borrowing Base" appearing in such subsection and substituting in lieu thereof the following:

(ii) at any time on or prior to May 31, 1995, \$30,000,000 and, at any time thereafter, \$15,000,000.

(b) by deleting the definition of "Maximum Direct Extensions of Credit" in its entirety and substituting in lieu thereof the following new definition:

"Maximum Direct Extensions of Credit": at any time on or prior to May 31, 1995, \$65,000,000, and, at any time thereafter, \$20,000,000.

EXHIBIT B

(c) by inserting the words ", the Subsidiary Stock Pledge Agreement" after the word "Guarantee" in the definition of "Security Documents".

(d) by inserting the following definitions in the proper alphabetical order:

"CellStar Option Agreements": the collective reference to the Option Agreement - I dated as of December 3, 1993, between the Borrower and Alan H. Goldfield and the Option Agreement - II dated as of December 3, 1993, between the Borrower and Alan H. Goldfield.

"Subsidiary Stock Pledge Agreement": the Pledge Agreement, dated as of March 30, 1995, made by Audiovox Holding Corp. in favor of the Collateral Agent, as the same may be amended, supplemented or otherwise modified from time to time.

3. Representations and Warranties. On and as of the date hereof, the Borrower hereby confirms, reaffirms and restates the representations and warranties set forth in Section 6 of the

Credit Agreement mutatis mutandis, except to the extent that such representations and warranties expressly relate to a specific earlier date in which case the Borrower hereby confirms, reaffirms and restates such representations and warranties as of such earlier date, provided that the references to the Credit Agreement in such representations and warranties shall be deemed to refer to the Credit Agreement as amended prior to the date hereof and as amended pursuant to this Amendment.

4. Effectiveness. This Amendment shall become effective as of the date first written above upon satisfaction of the following conditions precedent:

(a) the Agent shall have received counterparts of this Amendment duly executed by the Borrower and the Required Lenders and acknowledged and consented to by each Guarantor;

(b) the Agent shall have received a Pledge Agreement, substantially in the form of Exhibit A hereto, duly executed and delivered by Audiovox Holding Corp. (the "Pledge Agreement") pursuant to which Audiovox Holding Corp. will pledge 1,050,000 shares of CellStar to the Collateral Agent for the benefit of the Lenders (the "Pledged Shares");

(c) the Agent shall have received the certificates representing the Pledged Shares together with an undated stock power for each such certificate executed in blank by a duly authorized officer of Audiovox Holding Corp.;

(d) the Agent shall have received evidence satisfactory to it that any consents required in connection with the pledge of the Pledged Shares pursuant to the Pledge Agreement have been obtained and are in full force and effect; and

(e) the Agent shall have received, for the account of the Lenders, an amendment fee of \$25,000 to be shared ratably by the Lenders.

5. Continuing Effect; No Other Amendments. Except as expressly amended hereby, all of the terms and provisions of the Credit Agreement are and shall remain in full force and effect. The amendments provided for herein are limited to the specific subsections of the Credit Agreement specified herein and shall not constitute an amendment of, or an indication of the Agent's or the Lenders' willingness to amend, any other provisions of the Credit Agreement or the same subsections for any other date or time period (whether or not such other provisions or compliance with such subsections for another date or time period are affected by the circumstances addressed in this Amendment).

6. Expenses. The Borrower agrees to pay and reimburse the Agent for all its reasonable costs and out-of-pocket expenses incurred in connection with the preparation and delivery of this Amendment, including, without limitation, the reasonable fees and disbursements of counsel to the Agent.

7. Counterparts. This Amendment may be executed in any number of counterparts by the parties hereto, each of which counterparts when so executed shall be an original, but all the counterparts shall together constitute one and the same instrument.

8. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered by their respective duly authorized officers as of the date first above written.

AUDIOVOX CORPORATION

By:s/
Name: Charles M. Stoehr
Title: Senior Vice President

CHEMICAL BANK, as Agent and as a
Lender

By:s/
Name:
Title:

NATIONAL WESTMINSTER BANK USA, as a
Lender

By:s/
Name:
Title:

THE CHASE MANHATTAN BANK, N.A., as
a Lender

By:s/
Name:
Title:

FLEET BANK, as a Lender

By:s/
Name:
Title:

EUROPEAN AMERICAN BANK,
as a Lender

By:s/
Name:
Title:

ACKNOWLEDGEMENT AND CONSENT

Each of the undersigned corporations (i) as a guarantor under that certain Amended and Restated Subsidiaries Guarantee, dated as of March 15, 1994 (the "Guarantee"), made by each of such corporations in favor of the Collateral Agent and (ii) as a grantor under that certain Amended and Restated Security Agreement, dated as of March 15, 1994 (the "Security Agreement"), made by each of such corporations in favor of the Collateral Agent, confirms and agrees that the Guarantee and the Security Agreement are, and shall continue to be, in full force and effect and are hereby ratified and confirmed in all respects and the Guarantee and the Security Agreement and all of the Subsidiaries Collateral (as defined in the Security Agreement) do, and shall continue to, secure the payment of all of the Obligations (as defined in the Guarantee) and the Secured Obligations (as defined in the Security Agreement), as the case may be, pursuant to the terms of the Guarantee or the Security Agreement, as the case may be. Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement referred to in the Seventh Amendment to which this Consent is attached.

QUINTEX COMMUNICATIONS CORP.

By: s/
Name: Charles M. Stoehr
Title: Vice President

QUINTEX MOBILE COMMUNICATIONS CORP.

By: s/
Name: Charles M. Stoehr
Title: Vice President

H & H EASTERN DISTRIBUTORS, INC.

By: s/
Name: Charles M. Stoehr
Title: Secretary

HERMES TELECOMMUNICATIONS INC.

By: s/
Name: Philip Christopher
Title: Vice President

LENEX CORPORATION

By: s/
Name: Chris Lis Johnson
Title: Secretary

AMERICAN RADIO CORP.

By: s/
Name: Charles M. Stoehr
Title: Secretary

AUDIOVOX INTERNATIONAL CORP.

By: s/
Name: Charles M. Stoehr
Title: Vice President

AUDIOVOX HOLDING CORP.

By: s/
Name: Chris Lazarides
Title:

AUDIOVOX CANADA LIMITED

By: s/
Name: Charles M. Stoehr
Title: Vice President

CELL HOLDING CORPORATION

By: s/
Name: Charles M. Stoehr
Title: President

AUDIOVOX ASIA INC.

By: s/
Name: Charles M. Stoehr
Title: President

AUDIOVOX LATIN AMERICA LTD.

By: s/
Name: Charles M. Stoehr
Title: President

Dated as of March 30, 1995

[FORM OF PLEDGE AGREEMENT]

PLEDGE AGREEMENT, dated as of March 30, 1995, made by AUDIOVOX HOLDING CORP., a New York corporation (the "Pledgor"), in favor of CHEMICAL BANK, a New York banking corporation, as collateral agent (in such capacity, the "Collateral Agent") for the several banks and other financial institutions (collectively, the "Lenders"; individually, a "Lender") from time to time parties to the Credit Agreement, dated as of March 15, 1994 (as amended prior to the date hereof and as the same may be further amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Audiovox Corporation, a Delaware corporation (the "Borrower"), the Lenders and Chemical Bank, a New York banking corporation, as administrative and collateral agent for the Lenders (in such capacity, the "Agent").

W I T N E S S E T H:

WHEREAS, pursuant to the Credit Agreement, the Lenders have severally agreed to make loans to, and to issue and/or participate in letters of credit and to create and/or participate in acceptances issued or created for the account of, the Borrower upon the terms and subject to the conditions set forth therein;

WHEREAS, the Borrower has requested that the Lenders amend certain provisions of the Credit Agreement pursuant to the Seventh Amendment thereto dated as of the date hereof (the "Seventh Amendment");

WHEREAS, one of the requested amendments might result in an increase in the amount of Eligible Inventory included in the determination of the Borrowing Base and thereby increase the amount available to be borrowed under the Credit Agreement;

WHEREAS, in connection with such amendment, the Lenders have requested that additional collateral be provided to secure repayment of the Obligations; and

WHEREAS, it is a condition precedent to the effectiveness of the Seventh Amendment that the Pledgor shall have executed and delivered this Pledge Agreement to secure payment and performance of the Pledgor's obligations under that certain Guarantee, dated as of March 15, 1994 (as amended, supplemented or otherwise modified from time to time, the "Guarantee"), entered into by, among others, the Pledgor;

NOW, THEREFORE, in consideration of the premises and to induce the Agent and the Lenders to enter into the Seventh Amendment to the Credit Agreement and to induce the Lenders to

make their respective extensions of credit to the Borrower, the Pledgor hereby agrees with the Collateral Agent, for the ratable benefit of the Lenders, as follows:

1. Defined Terms. (a) Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

(b) The following terms shall have the following meanings:

"Agreement": this Pledge Agreement, as the same may be amended, modified or otherwise supplemented from time to time.

"Code": the Uniform Commercial Code from time to time in effect in the State of New York.

"Collateral": the Pledged Stock and all Proceeds thereof.

"Collateral Account": any account established to hold money Proceeds, maintained under the sole dominion and control of the Collateral Agent, subject to withdrawal by the Collateral Agent for the account of the Lenders only as provided in Section 8(a).

"Issuer": CellStar.

"Obligations": as defined in the Guarantee, provided that the amount of Obligations secured hereunder shall in no event exceed the maximum amount which can be guaranteed by the Pledgor under applicable federal and state laws relating to the insolvency of debtors.

"Pledged Stock": the shares of capital stock listed on Schedule 1 hereto, together with all stock certificates, options or rights of any nature whatsoever that may be issued or granted by the Issuer to the Pledgor in respect of the Pledged Stock while this Agreement is in effect.

"Proceeds": all "proceeds" as such term is defined in Section 9-306(1) of the Uniform Commercial Code in effect in the State of New York on the date hereof of the Pledged Stock and, in any event, shall include, without limitation, all dividends or other income from the Pledged Stock, collections thereon or distributions with respect thereto.

"Secured Obligations": the collective reference to (a) the Obligations and (b) all obligations and liabilities of the Pledgor which may arise under or in connection with this Agreement or any other Loan Document to which the Pledgor is a party, whether on account of reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the Agent, the Collateral Agent or to the Lenders that are required to be paid by the Pledgor pursuant to the terms of this Agreement or any other Loan Document to which the Pledgor is a party).

"Securities Act": the Securities Act of 1933, as amended.

"Voting Trust Agreement" as defined in Section 6.

(c) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and section and paragraph references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

2. Pledge; Grant of Security Interest. (a) The Pledgor hereby delivers to the Collateral Agent, for the ratable benefit of the Lenders, all the Pledged Stock and hereby grants to Collateral Agent, for the ratable benefit of the Lenders, a first security interest in the Collateral, as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Secured Obligations.

(b) In the event that on or prior to June 30, 1995, the Pledgor shall not have sold at least 1,000,000 shares of common stock of the Issuer in a registered public offering of such shares, the Pledgor shall deliver to the Collateral Agent on June 30, 1995, in lieu of the shares of Pledged Stock then pledged to the Collateral Agent pursuant to this Agreement, 1,075,000 shares of common stock of the Issuer which are then subject to resale without restriction under the Securities Act or the Securities Exchange Act of 1934, as amended and which are not subject to the Voting Trust Agreement (the "Unrestricted Shares"). In connection with such substitution, the Collateral Agent and the Pledgor agree to enter into a Supplement to this Agreement in form and substance reasonably satisfactory to the Collateral Agent and the Pledgor pursuant to which the Unrestricted Shares shall be deemed to be and shall become "Pledged Stock" under this Agreement.

3. Stock Powers. Concurrently with the delivery to the Collateral Agent of each certificate representing one or more shares of Pledged Stock (including the Unrestricted Shares) to the Collateral Agent, the Pledgor shall deliver an undated stock power covering such certificate, duly executed in blank by the Pledgor with, if the Collateral Agent so requests, signature guaranteed.

4. Representations and Warranties. The Pledgor represents and warrants that:

(a) The Pledgor has the corporate power and authority and the legal right to execute and deliver, to perform its obligations under, and to grant the security interest in the Collateral pursuant to, this Agreement and has taken all necessary corporate action to authorize its execution, delivery and performance of, and grant of the security interest in the Collateral pursuant to, this Agreement.

(b) This Agreement constitutes a legal, valid and binding obligation of the Pledgor, enforceable in accordance with its terms, and upon delivery to the Collateral Agent of the stock certificates evidencing the Pledged Stock, the security interest created pursuant to this Agreement will constitute a valid, perfected first priority security interest in the Collateral, enforceable in accordance with its terms against all creditors of the Pledgor and any Persons purporting to purchase any Collateral from the Pledgor, except in each case as enforceability may be affected by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(c) The execution, delivery and performance of this Agreement will not violate any provision of any Requirement of Law or Contractual Obligation of the Pledgor and will not result in the creation or imposition of any Lien on any of the properties or revenues of the Pledgor pursuant to any Requirement of Law or Contractual Obligation of the Pledgor, except the security interest created by this Agreement.

(d) Except for such consents as have been obtained and are in full force and effect, no consent or authorization of, filing with, or other act by or in respect of, any arbitrator or Governmental Authority and no consent of any other Person (including, without limitation, any stockholder or creditor of the Pledgor), is required in connection with the execution, delivery, performance, validity or enforceability of this Agreement.

(e) No litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the Pledgor, threatened by or against the Pledgor or against any of its properties or revenues with respect to this Agreement or any of the transactions contemplated hereby.

(f) All the shares of the Pledged Stock have been duly and validly issued and are fully paid and nonassessable.

(g) The Pledgor is the record and beneficial owner of, and has good and marketable title to, the Pledged Stock, free of any and all Liens or options in favor of, or claims of, any other Person, except the security interest created by this Agreement and, with respect to the Pledged Stock not constituting Unrestricted Shares, the rights granted under the Voting Trust Agreement.

5. Covenants. The Pledgor covenants and agrees with the Collateral Agent and the Lenders that, from and after the date of this Agreement until this Agreement is terminated and the security interests created hereby are released:

(a) If the Pledgor shall, as a result of its ownership of the Pledged Stock, become entitled to receive or shall receive any stock certificate (including, without

limitation, any certificate representing a stock dividend or a distribution in connection with any reclassification, increase or reduction of capital or any certificate issued in connection with any reorganization), option or rights, whether in addition to, in substitution of, as a conversion of, or in exchange for any shares of the Pledged Stock, or otherwise in respect thereof, the Pledgor shall accept the same as the agent of the Collateral Agent and the Lenders, hold the same in trust for the Collateral Agent and the Lenders and deliver the same forthwith to the Collateral Agent in the exact form received, duly indorsed by the Pledgor to the Collateral Agent, if required, together with an undated stock power covering such certificate duly executed in blank by the Pledgor and with, if the Collateral Agent so requests, signature guaranteed, to be held by the Collateral Agent, subject to the terms hereof, as additional collateral security for the Secured Obligations. Any sums paid upon or in respect of the Pledged Stock upon the liquidation or dissolution of the Issuer shall be paid over to the Collateral Agent to be held by it hereunder as additional collateral security for the Secured Obligations, and in case any distribution of capital shall be made on or in respect of the Pledged Stock or any property shall be distributed upon or with respect to the Pledged Stock pursuant to the recapitalization or reclassification of the capital of the Issuer or pursuant to the reorganization thereof, the property so distributed shall be delivered to the Collateral Agent to be held by it hereunder as additional collateral security for the Secured Obligations. If any sums of money or property so paid or distributed in respect of the Pledged Stock shall be received by the Pledgor, the Pledgor shall, until such money or property is paid or delivered to the Collateral Agent, hold such money or property in trust for the Lenders, segregated from other funds of the Pledgor, as additional collateral security for the Secured Obligations.

(b) Without the prior written consent of the Collateral Agent, the Pledgor will not (i) vote to enable, or take any other action to permit, the Issuer to issue any stock or other equity securities of any nature or to issue any other securities convertible into or granting the right to purchase or exchange for any stock or other equity securities of any nature of the Issuer (it being agreed that action taken by Alan Goldfield pursuant to the Voting Trust Agreement will not violate this clause), (ii) sell, assign, transfer, exchange, or otherwise dispose of, or grant any option with respect to, the Collateral, (iii) create, incur or permit to exist any Lien or option in favor of, or any claim of any Person with respect to, any of the Collateral, or any interest therein, except for the security interests created by this Agreement or (iv) enter into any agreement or undertaking restricting the right or ability of the Pledgor or the Collateral Agent to sell, assign or transfer any of the Collateral.

(c) The Pledgor shall maintain the security interest created by this Agreement as a first, perfected security interest and shall defend such security interest against claims and demands of all Persons whomsoever. At any time

and from time to time, upon the written request of the Collateral Agent, and at the sole expense of the Pledgor, the Pledgor will promptly and duly execute and deliver such further instruments and documents and take such further actions as the Collateral Agent may reasonably request for the purposes of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted. If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any promissory note, other instrument or chattel paper, such note, instrument or chattel paper shall be immediately delivered to the Collateral Agent, duly endorsed in a manner satisfactory to the Collateral Agent, to be held as Collateral pursuant to this Agreement.

(d) The Pledgor shall pay, and save the Collateral Agent and the Lenders harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Agreement.

6. Cash Dividends; Voting Rights. Unless an Event of Default shall have occurred and be continuing and the Collateral Agent shall have given notice to the Pledgor of the Collateral Agent's intent to exercise its corresponding rights pursuant to Section 7 below, the Pledgor shall be permitted to receive all cash dividends paid in the normal course of business of the Issuer and consistent with past practice in respect of the Pledged Stock and to exercise all voting and corporate rights with respect to the Pledged Stock; provided, however, that (i) no vote shall be cast or corporate right exercised or other action taken which, in the Collateral Agent's reasonable judgment, would impair the Collateral or which would be inconsistent with or result in any violation of any provision of the Credit Agreement, any Notes, this Agreement or any other Loan Document and (ii) the parties hereto acknowledge that the Pledged Stock is currently subject to the Voting Trust Agreement, dated as of December 3, 1993 (the "Voting Trust Agreement"), among the Borrower, Alan Goldfield and CellStar, which shall not be a violation of this Agreement.

7. Rights of the Lenders and the Collateral Agent.

(a) All money Proceeds received by the Collateral Agent hereunder shall be held by the Collateral Agent for the benefit of the Lenders in a Collateral Account. All Proceeds while held by the Collateral Agent in a Collateral Account (or by the Pledgor in trust for the Collateral Agent and the Lenders) shall continue to be held as collateral security for all the Secured Obligations and shall not constitute payment thereof until applied as provided in Section 8(a).

(b) If an Event of Default shall occur and be continuing and the Collateral Agent shall give notice of its intent to exercise such rights to the Pledgor, (i) the Collateral Agent shall have the right to receive any and all cash dividends paid in respect of the Pledged Stock and make application thereof to the Secured Obligations in such order as the Collateral Agent may determine and (ii) all shares of the Pledged Stock shall be

registered in the name of the Collateral Agent or its nominee, and the Collateral Agent or its nominee may thereafter exercise, subject to the terms and conditions of the Voting Trust Agreement, (A) all voting, corporate and other rights pertaining to such shares of the Pledged Stock at any meeting of shareholders of the Issuer or otherwise and (B) any and all rights of conversion, exchange, subscription and any other rights, privileges or options pertaining to such shares of the Pledged Stock as if it were the absolute owner thereof (including, without limitation, the right to exchange at its discretion any and all of the Pledged Stock upon the merger, consolidation, reorganization, recapitalization or other fundamental change in the corporate structure of the Issuer, or upon the exercise by the Pledgor or the Collateral Agent of any right, privilege or option pertaining to such shares of the Pledged Stock, and in connection therewith, the right to deposit and deliver any and all of the Pledged Stock with any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as the Collateral Agent may determine), all without liability except to account for property actually received by it, but the Collateral Agent shall have no duty to the Pledgor to exercise any such right, privilege or option and shall not be responsible for any failure to do so or delay in so doing.

8. Remedies. (a) If an Event of Default shall have occurred and be continuing, at any time at the Collateral Agent's election, the Collateral Agent may apply all or any part of Proceeds held in any Collateral Account in payment of the Secured Obligations in such order as the Collateral Agent may elect.

(b) If an Event of Default shall occur and be continuing, the Collateral Agent, on behalf of the Lenders, may exercise, in addition to all other rights and remedies granted in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Secured Obligations but subject to the terms and conditions of the Voting Trust Agreement, all rights and remedies of a secured party under the Code. Without limiting the generality of the foregoing, subject to the terms and conditions of the Voting Trust Agreement, the Collateral Agent, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon the Pledgor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, assign, give option or options to purchase or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, in the over-the-counter market, at any exchange, broker's board or office of the Collateral Agent or any Lender or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Collateral Agent or any Lender shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so

sold, free of any right or equity of redemption in the Pledgor, which right or equity is hereby waived or released. The Collateral Agent shall apply any Proceeds from time to time held by it and the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale, after deducting all reasonable costs and expenses of every kind incurred in respect thereof or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Collateral Agent and the Lenders hereunder, including, without limitation, reasonable attorneys' fees and disbursements of counsel to the Collateral Agent, to the payment in whole or in part of the Secured Obligations, in such order as the Collateral Agent may elect, and only after such application and after the payment by the Collateral Agent of any other amount required by any provision of law, including, without limitation, Section 9-504(1)(c) of the Code, need the Collateral Agent account for the surplus, if any, to the Pledgor. To the extent permitted by applicable law, the Pledgor waives all claims, damages and demands it may acquire against the Collateral Agent or any Lender arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition.

(c) The Pledgor waives and agrees not to assert any rights or privileges which it may acquire under Section 9-112 of the Code. The Pledgor shall remain liable for any deficiency if the proceeds of any sale or other disposition of Collateral are insufficient to pay the Secured Obligations and the fees and disbursements of any attorneys employed by the Agent, the Collateral Agent or any Lender to collect such deficiency.

9. Registration Rights; Private Sales. (a) If the Collateral Agent shall determine to exercise its right to sell any or all of the Pledged Stock pursuant to Section 8(b) hereof, and if in the opinion of the Collateral Agent it is necessary or advisable to have the Pledged Stock, or that portion thereof to be sold, registered under the provisions of the Securities Act, the Pledgor will use its best efforts to cause the Issuer thereof to (i) execute and deliver, and cause the directors and officers of the Issuer to execute and deliver, all such instruments and documents, and do or cause to be done all such other acts as may be, in the opinion of the Collateral Agent, necessary or advisable to register the Pledged Stock, or that portion thereof to be sold, under the provisions of the Securities Act, (ii) to use its best efforts to cause the registration statement relating thereto to become effective and to remain effective for a period of one year from the date of the first public offering of the Pledged Stock, or that portion thereof to be sold, and (iii) to make all amendments thereto and/or to the related prospectus which, in the opinion of the Collateral Agent, are necessary or advisable, all in conformity with the requirements of the Securities Act and the rules and regulations of the Securities and Exchange Commission applicable thereto. The Pledgor agrees to use its best efforts to cause the Issuer to comply with the provisions of the securities or "Blue Sky" laws of any and all jurisdictions which the Collateral Agent shall designate and to make available to its security holders, as soon as practicable, an earnings statement (which need not be audited) which will satisfy the provisions of Section 11(a) of the Securities Act.

(b) The Pledgor recognizes that the Collateral Agent may be unable to effect a public sale of any or all the Pledged Stock, by reason of certain prohibitions contained in the Securities Act and applicable state securities laws or otherwise, and may be compelled to resort to one or more private sales thereof to a restricted group of purchasers which will be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof. The Pledgor acknowledges and agrees that any such private sale may result in prices and other terms less favorable than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. The Collateral Agent shall be under no obligation to delay a sale of any of the Pledged Stock for the period of time necessary to permit the Issuer thereof to register such securities for public sale under the Securities Act, or under applicable state securities laws, even if the Issuer would agree to do so.

(c) The Pledgor further agrees to use its best efforts to do or cause to be done all such other acts as may be necessary to make such sale or sales of all or any portion of the Pledged Stock pursuant to this Section valid and binding and in compliance with any and all other applicable Requirements of Law. The Pledgor further agrees that a breach of any of the covenants contained in this Section will cause irreparable injury to the Agent, the Collateral Agent and the Lenders, that the Agent, the Collateral Agent and the Lenders have no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Section shall be specifically enforceable against the Pledgor, and the Pledgor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no Event of Default has occurred under the Credit Agreement.

10. Irrevocable Authorization and Instruction to Issuer. The Pledgor hereby authorizes and instructs the Issuer to comply with any instruction received by it from the Agent or the Collateral Agent in writing that (a) states that an Event of Default has occurred and (b) is otherwise in accordance with the terms of this Agreement, without any other or further instructions from the Pledgor, and the Pledgor agrees that the Issuer shall be fully protected in so complying.

11. Collateral Agent's Appointment as Attorney-in-Fact. (a) The Pledgor hereby irrevocably constitutes and appoints the Collateral Agent and any officer or agent of the Collateral Agent, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Pledgor and in the name of the Pledgor or in the Collateral Agent's own name, from time to time in the Collateral Agent's discretion, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement, including, without limitation, any financing statements, endorsements, assignments or other instruments of transfer.

(b) The Pledgor hereby ratifies all that said attorneys shall lawfully do or cause to be done pursuant to the power of attorney granted in Section 11(a). All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the security interests created hereby are released.

12. Duty of Collateral Agent. The Collateral Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the Code or otherwise, shall be to deal with it in the same manner as the Collateral Agent deals with similar securities and property for its own account, except that the Collateral Agent shall have no obligation to invest funds held in any Collateral Account and may hold the same as demand deposits. Neither the Collateral Agent, any Lender nor any of their respective directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of the Pledgor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof.

13. Execution of Financing Statements. Pursuant to Section 9-402 of the Code, the Pledgor authorizes the Collateral Agent to file financing statements with respect to the Collateral without the signature of the Pledgor in such form and in such filing offices as the Collateral Agent reasonably determines appropriate to perfect the security interests of the Collateral Agent under this Agreement. A carbon, photographic or other reproduction of this Agreement shall be sufficient as a financing statement for filing in any jurisdiction.

14. Authority of Collateral Agent. The Pledgor acknowledges that the rights and responsibilities of the Collateral Agent under this Agreement with respect to any action taken by the Collateral Agent or the exercise or non-exercise by the Collateral Agent of any option, voting right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Agreement shall, as between the Collateral Agent and the Lenders, be governed by the Credit Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Collateral Agent and the Pledgor, the Collateral Agent shall be conclusively presumed to be acting as agent for the Lenders with full and valid authority so to act or refrain from acting, and neither the Pledgor nor the Issuer shall be under any obligation, or entitlement, to make any inquiry respecting such authority.

15. Notices. Notices may be given by hand, by telecopy, or by nationally recognized overnight courier service, addressed or transmitted to the Person to which it is being given at such Person's address or transmission number set forth in the Credit Agreement or the Guarantee and shall be effective (a) when delivered by hand, (b) in the case of a nationally recognized overnight courier service, one Business Day after delivery to such courier service, and (c) in the case of telecopy notice when received. The Pledgor may change its address and transmission

number by written notice to the Collateral Agent, and the Collateral Agent or any Lender may change its address and transmission number by written notice to the Pledgor and, in the case of a Lender, to the Collateral Agent.

16. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

17. Amendments in Writing; No Waiver; Cumulative Remedies. (a) None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except by a written instrument executed by the Pledgor and the Collateral Agent (with the consent of the Required Lenders), provided that any provision of this Agreement may be waived by the Collateral Agent (with the consent of the Required Lenders) in a letter or agreement executed by the Collateral Agent or by telex or facsimile transmission from the Collateral Agent.

(b) Neither the Collateral Agent nor any Lender shall by any act (except by a written instrument pursuant to Section 17(a) hereof), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default or in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of the Collateral Agent or any Lender, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Collateral Agent or any Lender of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Collateral Agent or such Lender would otherwise have on any future occasion.

(c) The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

18. Section Headings. The section headings used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

19. Successors and Assigns. This Agreement shall be binding upon the successors and assigns of the Pledgor and shall inure to the benefit of the Collateral Agent and the Lenders and their successors and assigns.

20. Governing Law. This Agreement shall be governed by, and construed and interpreted in accordance with, the law of the State of New York.

IN WITNESS WHEREOF, the undersigned has caused this Agreement to be duly executed and delivered as of the date first above written.

AUDIOVOX HOLDING CORP.

By

Title

SCHEDULE 1
TO PLEDGE AGREEMENT

DESCRIPTION OF PLEDGED STOCK

Issuer	Class of Stock*	Stock Certificate No.	No. of Shares
CellStar Corporation			1,050,000

*Stock is assumed to be common stock unless otherwise indicated.