

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (date of earliest event reported): July 15, 2004

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

DELAWARE (State or other jurisdiction of Incorporation)	0-28839 (Commission File Number)	13-1964841 (IRS Employer Identification Number)
---------------------------------------------------------------	----------------------------------------	----------------------------------------------------------

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

NONE
(Former name or former address, if changed since last report)

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ITEM 5. OTHER EVENTS

Fifth Amended and Restated Credit Agreement: Effective July 16, 2004, the Company entered into the Fifth Amended and Restated Credit Agreement (the "Credit Agreement") which supersedes the Fourth Amended and Restated Credit Agreement, as amended, in its entirety.

The Credit Agreement provides for aggregate commitments of the Lenders in the amount of \$150,000,000. The Credit Agreement contains various covenants requiring, among other things, minimum quarterly and annual levels of pre-tax income and net worth. The Credit Agreement will expire on the earlier of July 15, 2005 or the date of consummation of (x) the sale of substantially all the assets of Audiovox Communications Corp. to UTStarcom, Inc. pursuant to the UTStarcom Purchase Agreement and/or (y) the purchase by the Borrower of Toshiba Corporation's interest in Audiovox Communications Corp. and the repayment by Audiovox Communications Corp. of the Toshiba Note pursuant to the Toshiba Agreement.

In addition, pursuant to a Guarantee and Collateral Agreement, certain of the Company's subsidiaries guaranteed the Company's obligations and pledged certain of their assets as security for the performance of those obligations. A copy of the Guarantee and Collateral Agreement is annexed as Exhibit 99.2 to this Form 8-K.

For the full terms and conditions of the Credit Agreement and the Guarantee and Collateral Agreement, please see the copies of these documents which are filed as Exhibit 99.1 and 99.2, respectively, to this Form 8-K.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(c) Exhibits.

Exhibit No.	Description
Exhibit 99.1	Fifth Amended and Restated Credit Agreement
Exhibit 99.2	Guarantee and Collateral Agreement

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SIGNATURES

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

AUDIOVOX CORPORATION

Dated: July 20, 2004

By: /s/ Charles M. Stoehr

Charles M. Stoehr
Senior Vice President and
Chief Financial Officer

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FIFTH AMENDED AND RESTATED CREDIT AGREEMENT

among

AUDIOVOX CORPORATION,
as Borrower,

the Lenders Party Hereto

and

JPMORGAN CHASE BANK,
as Administrative Agent

Dated as of July 15, 2004

Exhibit 99.1

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Exhibits

Exhibit A	Form of Note
Exhibit B	Form of Borrowing Certificate
Exhibit C-1	Form of Borrowing Base Certificate
Exhibit C-2	Form of Borrowing Base Notice
Exhibit D	Form of Assignment and Acceptance
Exhibit E	Form of Acceptance Request
Exhibit F	Form of Draft
Exhibit G-1	Form of Opinion of Counsel to the Borrower and the Subsidiaries
Exhibit G-2	Form of Opinion of Simpson Thacher & Bartlett LLP
Exhibit H	Form of Landlord's Consent
Exhibit I	Form of Guarantee and Collateral Agreement
Exhibit J	Form of Exemption Certificate

FIFTH AMENDED AND RESTATED CREDIT AGREEMENT, dated as of July 15, 2004, among AUDIOVOX CORPORATION, a Delaware corporation (the "Borrower"), the several banks and other financial institutions from time to time parties to this Agreement (collectively, the "Lenders"; individually, a "Lender"), and JPMORGAN CHASE BANK, a New York banking corporation, as administrative agent for the Lenders hereunder (in such capacity, the "Administrative Agent").

W I T N E S S E T H :

WHEREAS, the Borrower, the Lenders and the Administrative Agent are parties to the Fourth Amended and Restated Credit Agreement, dated as of July 28, 1999 (as amended prior to the date hereof, the "Existing Credit Agreement");

WHEREAS, pursuant to the Existing Credit Agreement, certain of the Lenders have over time made loans to, and have issued letters of credit, steamship guarantees and airway releases and created bankers' acceptances for or for the account of, the Borrower (collectively, the "Existing Extensions of Credit") which are secured pursuant to the Security Documents (as defined in the Existing Credit Agreement);

WHEREAS, the Borrower has requested that the Existing Credit Agreement be amended and restated in the manner provided for herein; and

WHEREAS, the security interests granted and guarantees issued pursuant to the Guarantee and Collateral Agreement (as hereinafter defined) will provide collateral security for the obligations of the Borrower under this Agreement:

ACCORDINGLY, the parties hereto hereby agree that, upon the satisfaction of the conditions set forth in subsections 8.1 and 8.2 of this Agreement, the Existing Credit Agreement is hereby amended and restated as follows:

SECTION 1. DEFINITIONS

1.1 Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"Acceptance Obligations": at any time, an amount equal to the sum of (a) the aggregate face amount of unmatured Acceptances (including Existing Acceptances) at such time and (b) the aggregate amount of all unpaid Acceptance Reimbursement Obligations at such time.

"Acceptance Participants": with respect to each Acceptance (including each Existing Acceptance), collectively, all the Lenders other than the Accepting Bank.

"Acceptance Rate": the rate per annum equal to the Applicable Margin then in effect for Eurodollar Loans plus the discount rate, as determined from time to time by the Accepting Bank, in its sole and absolute discretion, as generally available as the discount rate to other customers of the Accepting Bank for bankers' acceptances for up to and including

90-day tenor.

"Acceptance Reimbursement Obligations": the obligation of the Borrower to reimburse the Accepting Bank pursuant to subsection 5.5(b) for the face amount of Acceptances (including any Existing Acceptances).

"Acceptance Request": an Acceptance Request, substantially in the form of Exhibit E hereto, with appropriate insertions, or in such other form as the Accepting Bank shall reasonably request, including any such Acceptance Request issued in connection with any Existing Acceptance.

"Acceptances": as defined in subsection 5.1(a).

"Accepting Bank": JPMorgan Chase, or its successor pursuant to subsections 12.9 and 12.10, in its capacity as creator of Acceptances pursuant to subsection 5.1(a).

"Account Debtor": as to any Account, any Person who is or may become obligated to any other Person under, with respect to, or on account of, such Account.

"Accounts": as defined in the UCC.

"Acquisition": as to any Person, the acquisition by such Person of (a) all of the Capital Stock of any other Person, (b) all or substantially all of the assets of any other Person or (c) all or substantially all of the assets constituting a business unit or division of any other Person.

"Adjustment Date": the second Business Day following receipt by the Administrative Agent of both (i) the financial statements required to be delivered pursuant to subsection 9.1(a) or 9.1(b), as the case may be, for the most recently completed fiscal period and (ii) the compliance certificate required to be delivered pursuant to subsection 9.2(b) with respect to such fiscal period.

"Affiliate": as to any Person, (a) any other Person (other than a Subsidiary) which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person, including, without limitation, any Joint Venture of such Person, or (b) any Person who is a director, officer, shareholder or partner (i) of such Person, (ii) of any Subsidiary of such Person or (iii) of any Person described in the preceding clause (a). For purposes of this definition, "control" of a Person means the power, directly or indirectly, either to (i) vote 10% or more of the securities having ordinary voting power for the election of directors of such Person or (ii) direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"AG Holdings": Audiovox German Holdings GmbH, a subsidiary of the Borrower formed in connection with the effectuation of the Recoton Acquisition.

"Aggregate Outstanding Direct Extensions of Credit": as to any Lender at any time, an amount equal to the sum of (a) the aggregate principal

amount of all Loans made by such Lender then outstanding, and (b) such Lender's Commitment Percentage of the Acceptance Obligations then outstanding.

"Aggregate Outstanding Extensions of Credit": as to any Lender at any time, an amount equal to the sum of (a) the aggregate principal amount of all Loans made by such Lender then outstanding, (b) such Lender's Commitment Percentage of the L/C Obligations then outstanding and (c) such Lender's Commitment Percentage of the Acceptance Obligations then outstanding.

"Agreement": this Fifth Amended and Restated Credit Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

"Airway Release": as defined in subsection 4.1(b).

"Applicable Commitment Fee Rate": 0.375 %

"Applicable Margin": means (a) prior to August 31, 2004 (i) 0.75%, with respect to any Base Rate Loan, and (ii) 2.25%, with respect to any Eurodollar Loan and (b) on and after August 31, 2004 the Applicable Margin for Base Rate Loans and Eurodollar Loans shall be adjusted as necessary on each Adjustment Date (with the first such Adjustment Date to occur following the delivery of the financial statements with respect to the period ended on August 31, 2004) to be equal to the Applicable Margin set forth below opposite the range of Consolidated Pre-Tax Income within which the Consolidated Pre-Tax Income for the period of four consecutive fiscal quarters ending on the last day of the period covered by the financial statements relating to such Adjustment Date falls:

Consolidated Pre-Tax Income Range	Applicable Margin for Eurodollar Loans	Applicable Margin for Base Rate Loans
<\$10,000,000	2.50%	0.75%
>=\$10,000,000 but <\$20,000,000	2.25%	0.75%
>=\$20,000,000 but <\$30,000,000	2.00%	0.50%
>=\$30,000,000	1.75%	0.50%

provided, however, that (a) if, on any Adjustment Date, an Event of Default shall have occurred and be continuing, no adjustment of the Applicable Margin shall be made on such Adjustment Date which decreases the Applicable Margin then in effect and any such decrease shall not be effective unless and until such Event of Default is cured or waived on or prior to the next succeeding Adjustment Date and (b) in the event that the financial statements required to be delivered pursuant to subsection 9.1(a) or 9.1(b), as applicable, and the related compliance certificate required pursuant to subsection 9.2(b), are not delivered when due, then if such

financial statements are delivered after the date such financial statements were required to be delivered and the Applicable Margin increases from that previously in effect as a result of the delivery of such financial statements, then the Applicable Margin during the period from the date upon which such financial statements were required to be delivered until two Business Days following the date upon which they actually are delivered shall be the Applicable Margin as so increased.

"Application": an application, in such form as the Issuing Bank may specify from time to time, requesting the Issuing Bank to open a Letter of Credit, including any such application issued in connection with any Existing Letter of Credit.

"Available Commitment": as to any Lender at any time, an amount equal to the excess, if any, of (a) the amount of such Lender's Commitment over (b) the aggregate principal amount of the Aggregate Outstanding Extensions of Credit of such Lender then outstanding.

"Base Rate": the rate of interest per annum publicly announced by JPMorgan Chase as its prime rate in effect at its principal office in New York, New York. The prime rate is not intended to be the lowest rate of interest charged by JPMorgan Chase in connection with extensions of credit to debtors.

"Base Rate Loans": Loans the rate of interest applicable to which is based upon the Base Rate.

"Borrowing Base": on any date of determination thereof, the sum of (a) 75% of the aggregate amount of Eligible Accounts of the Borrower and its consolidated Domestic and Canadian Subsidiaries on such date of determination and (b) the lesser of (i) 30% of the aggregate amount of Eligible Inventory of the Borrower and its consolidated Domestic and Canadian Subsidiaries on such date of determination and (ii) \$25,000,000. The Borrowing Base shall be reduced from time to time by an amount equal to the Foreign Exchange Liabilities of the Borrower as most recently determined prior to such time by the Administrative Agent pursuant to subsection 6.16. The Borrowing Base shall be determined by the Administrative Agent in its sole discretion exercising reasonable judgment from time to time by reference to the most recent monthly Borrowing Base Certificate delivered to the Administrative Agent pursuant to subsection 9.2(g). The Administrative Agent shall determine the Borrowing Base in effect on the first Business Day of each month during the Commitment Period and shall send a Borrowing Base Notice on such Business Day of the Borrower and each Lender setting forth the Borrowing Base as so determined. The Administrative Agent shall also send a Borrowing Base Notice to the Borrower and each Lender on each Business Day on which the Borrowing Base is changed other than pursuant to the immediately preceding sentence setting forth the Borrowing Base as so changed. Notwithstanding the foregoing, the Borrowing Base shall be reduced by the amount of any outstanding Indebtedness guaranteed pursuant to subsection 10.4(g).

"Borrowing Base Certificate": a certificate, substantially in the form of Exhibit C-1, or in such other form as the Administrative Agent shall

from time to time request.

"Borrowing Base Notice": a notice, substantially in the form of Exhibit C-2, or in such other form as the Administrative Agent shall from time to time specify.

"Borrowing Date": any Business Day specified in a notice pursuant to subsection 2.3 or 3.2 as a date on which the Borrower requests the Lenders to make Loans hereunder.

"Business Day": a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close.

"Calculation Date": the last Business Day of each calendar month and such other Business Days during such calendar month as may be specified by the Administrative Agent.

"Canadian Subsidiaries": Audiovox Canada Limited, an Ontario corporation and Audiovox Communications Canadian Co., a Nova Scotia corporation.

"Capital Stock": any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants or options to purchase any of the foregoing.

"Cash Equivalents": (i) securities issued or directly and fully guaranteed or insured by the United States Government or any agency or instrumentality thereof having maturities of not more than 180 days from the date of acquisition, (ii) time deposits and certificates of deposit having maturities of not more than 180 days from the date of acquisition of any Lender or of any domestic commercial bank the long-term debt of which is rated at least A-2 or the equivalent thereof by Standard & Poor's Corporation or a-2 or the equivalent thereof by Moody's Investors Service, Inc. and having capital and surplus in excess of \$500,000,000, (iii) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (i) and (ii) entered into with any bank meeting the qualifications specified in clause (ii) above, (iv) commercial paper rated at least A-2 or the equivalent thereof by Standard & Poor's Corporation or a-2 or the equivalent thereof by Moody's Investors Service, Inc. and in either case maturing within 180 days after the date of acquisition, (v) securities issued by any municipality in the United States rated at least A-2 or the equivalent thereof by Standard & Poor's Corporation or a-2 or the equivalent thereof by Moody's Investors Service, Inc. and in either case maturing within 180 days after the date of acquisition or (vi) any other investment approved by the Administrative Agent in its sole discretion.

"CellStar": CellStar Corporation, a Delaware corporation.

"Cellular Inventory": at a particular date, all cellular telephones and other cellular Inventory of the Borrower and its Subsidiaries on hand at such date.

"Closing Date": the date on which all the conditions set forth in Section 8 shall first have been satisfied.

"Code": the Internal Revenue Code of 1986, as amended from time to time.

"Collateral": all property of the Borrower and its Subsidiaries, now owned or hereafter acquired, upon which a Lien is purported to be created by any Security Document.

"Commitment": as to any Lender at any time, the obligation of such Lender to make or participate in Loans and/or issue or participate in Letters of Credit issued on behalf of the Borrower and/or create or participate in Acceptances created for the Borrower in an aggregate principal amount and/or face amount at any one time outstanding not to exceed the amount set forth opposite such Lender's name on Schedule 1.1(a) hereto, as the same may be changed from time to time in accordance with the terms of this Agreement; collectively as to all the Lenders, the "Commitments".

"Commitment Percentage": as to any Lender at any time, the percentage which such Lender's Commitment then constitutes of the aggregate Commitments (or, at any time after the Commitments shall have expired or terminated, the percentage which the aggregate amount of such Lender's Aggregate Outstanding Extensions of Credit then outstanding constitutes of the aggregate amount of the Aggregate Outstanding Extensions of Credit of all Lenders then outstanding).

"Commitment Period": the period from and including the date hereof to but not including the Termination Date or such earlier date on which the Commitments shall terminate as provided herein.

"Commonly Controlled Entity": an entity, whether or not incorporated, which is under common control with the Borrower within the meaning of Section 4001 of ERISA or is part of a group which includes the Borrower and which is treated as a single employer under Section 414 of the Code.

"Consolidated Current Assets": at a particular date, all amounts which would, in conformity with GAAP, be included under current assets on a consolidated balance sheet of the Borrower and its Subsidiaries as at such date.

"Consolidated Current Liabilities": at a particular date, all amounts which would, in conformity with GAAP, be included under current liabilities on a consolidated balance sheet of the Borrower and its Subsidiaries as at such date.

"Consolidated Net Income": for any period, the consolidated net income of the Borrower and its Subsidiaries for such period (taken as a cumulative whole), determined in conformity with GAAP (but excluding gains or losses from sale of securities of any Person (other than a Subsidiary)). If Consolidated Net Income is less than zero for any period, it is referred to herein as a "Consolidated Net Loss".

"Consolidated Net Worth": at a particular date, all amounts which would, in conformity with GAAP, be included under stockholders' equity on a consolidated balance sheet of the Borrower and its Subsidiaries as at such date, excluding any treasury stock and any Foreign Translation Adjustments.

"Consolidated Pre-Tax Income": for any period, the amount which would appear opposite the caption "Income (loss) before provision for (recovery of) income taxes, minority interest, extraordinary item and cumulative effect of a change in accounting for negative goodwill", on a consolidated statement of operations of the Borrower and its Subsidiaries in accordance with GAAP, adjusted (a) to reflect (either by adding or subtracting) "minority interest" as determined in accordance with GAAP and set forth on such consolidated statement of operations and (b) to reflect (by subtracting) extraordinary charges or expenses of the Borrower and its Subsidiaries as determined on a consolidated basis in accordance with GAAP. If Consolidated Pre-Tax Income is less than zero for any period, it is referred to herein as a "Consolidated Pre-Tax Loss". For purposes of this Agreement, Consolidated Pre-Tax Income shall not include (i) any extraordinary gains and (ii) any Consolidated Pre-Tax Income or Consolidated Pre-Tax Loss attributable to the operations of RG Holdings and its Subsidiaries (including their share of allocated corporate expenses).

"Consolidated Total Liabilities": at a particular date, all amounts which would, in conformity with GAAP, be included under liabilities on a consolidated balance sheet of the Borrower and its Subsidiaries as at such date, and including in any event the Aggregate Outstanding Direct Extensions of Credit of the Lenders on such date.

"Contractual Obligation": as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"Default": any of the events specified in Section 11, whether or not any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"Dollar Equivalent": at any time as to any amount denominated in any relevant currency (other than Dollars), the equivalent amount in Dollars as determined by the Administrative Agent at such time on the basis of the Exchange Rate for the purchase of Dollars with such other relevant currency on the most recent Calculation Date for such relevant currency.

"Dollars" and "\$": dollars in lawful currency of the United States of America.

"Domestic Subsidiary": any Subsidiary incorporated under the laws of the United States of America or a State thereof.

"Draft": a draft, substantially in the form of Exhibit F hereto, or in such other form as the Accepting Bank shall reasonably request.

"Eligible Accounts": as to any Person, at a particular date, the total outstanding balance of Accounts of such Person:

(a) which are bona fide, valid and legally enforceable obligations of the Account Debtor in respect thereof and arise from the actual sale and

delivery of goods or rendition and acceptance of services in the ordinary course of business to such Account Debtor;

(b) which do not contravene, or arise from sales which contravene, any Requirement of Law applicable thereto;

(c) which are payable in full not later than 60 days after the date of the creation of original invoices related thereto unless the payment of such Accounts are supported by letters of credit issued by a bank, and on terms, reasonably acceptable to the Administrative Agent, provided that, notwithstanding the foregoing, Eligible Accounts of the Borrower and its Domestic and Canadian Subsidiaries may include up to \$5,000,000 in Accounts which are payable in full not later than 90 days (and not earlier than 60 days) after the creation of the original invoices related thereto ("Ninety-Day Accounts");

(d) which are not subject to any offset, net-out, set-off, deduction, dispute, counterclaim or defense (other than co-operative advertising credits), and with respect to which no return, rejection or repossession has occurred;

(e) which do not represent a consignment sale, guaranteed sale, sale or return or other similar arrangement;

(f) which are not Accounts relating to sales to employees or representatives;

(g) which are reduced by any amounts then owing by such Person to the Account Debtor or obligor in respect of such Accounts, including, without limitation, any amounts credited or charged back to such Accounts;

(h) which have been invoiced by such Person and which have not been past due for more than 60 days (or, in the case of Ninety-Day Accounts (as defined above), 30 days) after the payment dates specified in the invoices related to such Accounts;

(i) with respect to which, the Administrative Agent is, and continues to be, reasonably satisfied with the credit standing of the Account Debtor or obligor;

(j) which are not owed by an Account Debtor or obligor which is an Affiliate or Subsidiary of such Person;

(k) which are not owed by an Account Debtor or obligor which has taken any of the actions or suffered any of the events of the kind described in paragraph (g) of Section 11, except to the extent any such Accounts are entitled to an administrative expense priority under the Bankruptcy Code;

(l) with respect to which, together with its Affiliates, more than 50% of the aggregate amount of Accounts owed by any Account Debtor or obligor to such Person are not more than 60 days (or, in the case of Ninety-Day

Accounts (as defined above), 30 days) past due after the payment dates specified in the invoices related to such Accounts;

(m) which are (i) with respect to Accounts owed to the Borrower or any Domestic Subsidiary, denominated in Dollars and payable only in Dollars and only in the United States of America or denominated in any other currency which is covered by a Foreign Exchange Contract and is otherwise acceptable to the Administrative Agent and (ii) with respect to Accounts owed to the Canadian Subsidiaries, are denominated in Dollars or Canadian dollars and payable only in Dollars or Canadian dollars and only in the United States of America or Canada;

(n) which are owned solely by such Person free and clear of all Liens or other rights or claims of any other Person (except in favor of the Administrative Agent for the benefit of the Lenders) and arise from sales in respect of which all sales, excise or similar taxes have been paid in full;

(o) which are subject to a perfected first priority security interest in favor of the Administrative Agent for the benefit of the Lenders pursuant to the Guarantee and Collateral Agreement;

(p) with respect to which all consents, licenses, approvals or authorizations of, or registrations or declarations with, any Governmental Authority, required to be obtained, effected or given in connection with the execution, delivery and performance of such Accounts have been duly obtained, effected or given, and are in full force and effect;

(q) which are not Accounts owed by any Governmental Authority other than such Accounts as to which all required filings to perfect the security interest in such Accounts in favor of the Administrative Agent for the benefit of the Lenders pursuant to the Guarantee and Collateral Agreement, have been made, including, without limitation, any filings and/or assignments required under the Assignment of Claims Act of 1940, as amended;

(r) which, with respect to Accounts owed to the Canadian Subsidiaries, may be reduced by an amount, as determined by the Administrative Agent in its reasonable discretion, equal to any costs, taxes or other amounts that might be payable in the event the security interest in such Accounts in favor of the Administrative Agent for the benefit of the Lenders was to be enforced;

(s) other than with respect to Accounts owed to Canadian Subsidiaries, which constitute "accounts" within the meaning of the Uniform Commercial Code of the state under the laws of which such Person is organized;

(t) which are owed by Account Debtors (i) which are organized under the laws of the United States of America or a State thereof or under the laws of Canada or a Province thereof, (ii) the Capital Stock of which is traded on the New York Stock Exchange, the NASDAQ or any other American exchange and which has a market capitalization of at least \$1,000,000,000, (iii) at least 20% of the outstanding Capital Stock of which is owned by

one or more of the Bell operating companies or by any other Person the Capital Stock of which is traded on the New York Stock Exchange, the NASDAQ or any other American exchange and which has a market capitalization of at least \$1,000,000,000 or (iv) which are otherwise acceptable to the Administrative Agent, provided that the aggregate amount of Eligible Accounts of Account Debtors described in clause (ii) and (iii) above (and which do not qualify pursuant to clause (i) above) shall not exceed \$30,000,000 at any time; and

(u) which conform in all other respects to the representations and warranties contained in the Guarantee and Collateral Agreement.

Standards of eligibility may be fixed and revised from time to time solely by the Administrative Agent in the Administrative Agent's reasonable judgment, provided that the Administrative Agent shall not revise the standards of eligibility in a manner which would increase the outstanding balance of Eligible Accounts at the time of such revision without the prior written consent of the Required Lenders. Unless a Default or Event of Default has occurred and is continuing, the Administrative Agent shall give five days prior written notice to the Borrower of any change in the standards of eligibility set forth above, except for changes relating to the credit standing of the Account Debtor or obligor on any Account. To the extent that the aggregate amount of co-operative advertising credits exceeds \$10,000,000 at any time, the aggregate amount of Eligible Accounts shall be reduced by an amount equal to such excess.

"Eligible Inventory": as to any Person, at a particular date, the aggregate amount of Inventory of such Person:

(a) which is owned solely by such Person free and clear of all Liens or other rights or claims of any other Person (except in favor of the Administrative Agent for the benefit of the Lenders);

(b) which (i) is subject to a perfected first priority security interest in favor of the Administrative Agent for the benefit of the Lenders pursuant to the Guarantee and Collateral Agreement, and (A) is located at a storage, manufacturing or public facility owned or leased by such Person in the United States of America or, with respect to the Inventory of the Canadian Subsidiaries, in Canada, or (B) is in transit from one such location in the United States of America (or in the case of Canadian Subsidiaries, in Canada) to another such location in the United States of America (or in the case of Canadian Subsidiaries, Canada), and, in either case, as to which, if such storage, manufacturing or public facility is leased, a Landlord's Consent has been received by the Administrative Agent, provided that the aggregate amount of Inventory in transit pursuant to clause (i)(B) which may be Eligible Inventory shall not exceed \$2,000,000, or (ii) is being shipped to the United States of America or Canada if, upon arrival of such Inventory in the United States of America or Canada, such Inventory will immediately be subject to a first priority security interest in favor of the Administrative Agent for the benefit of the Lenders pursuant to the Guarantee and Collateral Agreement,

provided that, (x) if such Inventory is being shipped under a Letter of Credit which is not denominated in Dollars, the value of such Inventory shall be reduced from time to time to account for currency fluctuations and (y) the aggregate amount of Inventory which may be included in the determination of Eligible Inventory as a result of this clause (ii) and which is not being shipped under a Letter of Credit issued, or Acceptance created, under this Agreement shall not exceed \$15,000,000;

(c) which is readily marketable for sale;

(d) which is not damaged;

(e) which has not been returned or rejected by any prospective buyer thereof, unless, if such Inventory is returned, such Inventory is readily marketable for sale upon return;

(f) which are not display goods;

(g) which is not in the form of books or other literature;

(h) which, in the case of Cellular Inventory, is expected to be sold within six months based upon the turnover applicable to such Cellular Inventory and, in the case of other Inventory, is expected to be sold within nine months based upon the turnover applicable to such Inventory provided that no Inventory in respect of new products shall be subject to the requirements of this paragraph (h) until such Inventory has been available for sale by such Person, in the case of Cellular Inventory, for a period of at least six months, and, in the case of all other Inventory, for a period of at least nine months;

(i) which is not owned by an Affiliate or Subsidiary of such Person;

(j) with respect to which, no Account has been created;

(k) which, with respect to Inventory located at (or in transit to) a storage, manufacturing or public facility in Canada, may be reduced by an amount, as determined by the Administrative Agent in its sole discretion, equal to any costs, taxes or other amounts that would be payable in the event the security interest in favor of the Administrative Agent was to be enforced;

(l) which is not work in progress, raw materials, supplies or capitalized fees (it being understood that parts that are held for resale in the automotive business of the Borrower shall not be excluded pursuant to this paragraph (l) so long as the aggregate amount thereof does not exceed \$2,000,000); and

(m) which conforms in all other respects to the representations and warranties contained in the Guarantee and Collateral Agreement.

Eligible Inventory shall be increased by an amount equal to the undrawn face amount of any Letter of Credit against which goods are to be shipped to the Borrower or any of its Subsidiaries, provided that if any such Letter of Credit is not denominated in Dollars, the amount by which Eligible Inventory is increased pursuant to this sentence shall be adjusted from time to time by the Administrative Agent to account for currency fluctuations. Standards of eligibility may be fixed and revised from time to time solely by the Administrative Agent in the Administrative Agent's reasonable judgment, provided that the Administrative Agent shall not revise the standards of eligibility in a manner which would increase the outstanding amount of Eligible Inventory at the time of such revision without the prior written consent of the Required Lenders. Unless a Default or Event of Default has occurred and is continuing, the Administrative Agent shall give five days prior written notice to the Borrower of any change in the standards of eligibility set forth above.

"Environmental Laws": any and all foreign, Federal, state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, requirements of any Governmental Authority or other Requirements of Law (including common law) regulating, relating to or imposing liability or standards of conduct concerning protection of human health or the environment, as now or may at any time hereafter be in effect.

"ERISA": the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Eurocurrency Reserve Requirements": for any day as applied to a Eurodollar Loan, the aggregate (without duplication) of the rates (expressed as a decimal fraction) of reserve requirements in effect on such day (including, without limitation, basic, supplemental, marginal and emergency reserves under any regulations of the Board of Governors of the Federal Reserve System or other Governmental Authority having jurisdiction with respect thereto) dealing with reserve requirements prescribed for eurocurrency funding maintained by a member bank of such System or any London branch of any Lender.

"Eurodollar Base Rate": with respect to each day during each Interest Period pertaining to a Eurodollar Loan, the rate per annum determined on the basis of the rate for deposits in Dollars for a period equal to such Interest Period commencing on the first day of such Interest Period appearing on Page 3750 of the Telerate screen as of 11:00 A.M., London time, two Business Days prior to the beginning of such Interest Period. In the event that such rate does not appear on Page 3750 of the Telerate screen (or otherwise on such screen), the "Eurodollar Base Rate" shall be determined by reference to such other comparable publicly available service for displaying eurodollar rates as may be selected by the Administrative Agent or, in the absence of such availability, by reference to the rate at which the Administrative Agent is offered Dollar deposits at or about 11:00 A.M., New York City time, two Business Days prior to the beginning of such Interest Period in the interbank eurodollar market where its eurodollar and foreign currency and exchange operations are then being conducted for delivery on the first day of such Interest Period for the number of days comprised therein.

"Eurodollar Loans": Loans the rate of interest applicable to which is based upon the Eurodollar Rate.

"Eurodollar Rate": with respect to each day during each Interest Period pertaining to a Eurodollar Loan, a rate per annum determined for such day in accordance with the following formula (rounded upward to the nearest 1/100th of 1%):

$$\frac{\text{Eurodollar Base Rate}}{1.00 - \text{Eurocurrency Reserve Requirements}}$$

"Eurodollar Tranche": the collective reference to Eurodollar Loans whose Interest Periods each begin on the same day and end on the same other day.

"Event of Default": any of the events specified in Section 11, provided that any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"Exchange Rate": on any day, with respect to any currency, the rate at which such currency may be exchanged into Dollars (and, for purposes of any provision of this Agreement requiring or permitting the conversion of amounts in Foreign Currencies to Dollars, the rate at which Dollars may be exchanged into the applicable Foreign Currency), as set forth at approximately 11:00 a.m., London time, on such date on the Reuters World Currency Page for such currency. In the event that such rate does not appear on any Reuters World Currency Page, the Exchange Rate shall be determined by reference to such other publicly available service for displaying exchange rates as may be agreed upon by the Administrative Agent or the Issuing Bank) and the Borrower, or, in the absence of such agreement, such Exchange Rate shall instead be the arithmetic average of the spot rates of exchange of the Issuing Bank in the market where its foreign currency exchange operations in respect of such currency are then being conducted, at or about 10:00 a.m., local time, on such date for the purchase of Dollars (or such Foreign Currency, as the case may be) for delivery two Business Days later, provided that if at the time of any such determination, for any reason, no such spot rate is being quoted, the Issuing Bank after consultation with the Administrative Agent and the Borrower, may use any reasonable method it deems appropriate to determine such rate, and such determination shall be presumed correct absent manifest error.

"Excluded Foreign Subsidiary": any Foreign Subsidiary that is not a Wholly Owned Foreign Subsidiary.

"Existing Acceptances": such bankers' acceptances as are part of the Existing Extensions of Credit and are outstanding and/or unreimbursed on the Closing Date.

"Existing Credit Agreement": as defined in the recitals to this Agreement.

"Existing Extensions of Credit": as defined in the recitals to this Agreement.

"Existing Letters of Credit": such letters of credit, steamship guarantees and airway releases as are part of the Existing Extensions of Credit and are outstanding and/or unreimbursed on the Closing Date.

"Exiting Lenders": as defined in subsection 8.1(n).

"Financing Lease": any lease of property, real or personal, the obligations of the lessee in respect of which are required in accordance with GAAP to be capitalized on a balance sheet of the lessee.

"Foreign Currency": any currency other than Dollars.

"Foreign Currency Letter of Credit": any Letter of Credit issued in a Foreign Currency.

"Foreign Exchange Contracts": as defined in subsection 6.16.

"Foreign Exchange Liabilities": as defined in subsection 6.16.

"Foreign Subsidiary": any Subsidiary of the Borrower that is not a Domestic Subsidiary.

"Foreign Translation Adjustment": as defined under GAAP.

"Funding Office": (a) with respect to borrowings, conversions or continuations of loans, the office of the Administrative Agent located at 395 North Service Road, Melville, New York 11747, or such other office as the Administrative Agent shall designate in writing to the Borrower and the Lenders from time to time, (b) with respect to the issuance of Letters of Credit hereunder, the office of the Issuing Bank located at 395 North Service Road, Melville, New York 11747, or such other office as the Issuing Bank shall designate in writing to the Borrower, the Administrative Agent and the Lenders from time to time and (c) with respect to the creation of Acceptances hereunder, the office of the Accepting Bank located at 395 North Service Road, Melville, New York 11747, or such other office as the Accepting Bank shall designate in writing to the Borrower, the Administrative Agent and the Lenders from time to time.

"Funding Time": 2:00 P.M., New York City time.

"GAAP": generally accepted accounting principles in the United States of America in effect from time to time.

"Governmental Authority": any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Government Contracts": as defined in subsection 7.21.

"Guarantee and Collateral Agreement": the Guarantee and Collateral Agreement to be executed and delivered by the Borrower and each Subsidiary Guarantor, substantially in the form of Exhibit I.

"Guarantee Obligation": as to any Person (the "guaranteeing person"), any obligation of (a) the guaranteeing person or (b) another Person (including, without limitation, any bank under any letter of credit or bankers' acceptance) to induce the creation of which the guaranteeing person has issued a reimbursement, counter indemnity or similar obligation, in either case guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations (the "primary obligations") of any other third Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor if such purchase of property is primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by the Required Lenders in good faith.

"ICC Rules" as defined in subsection 4.1(c)

"Indebtedness": of any Person at any date, (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services (other than current trade liabilities, accrued expenses and documentary acceptances incurred in the ordinary course of business and payable in accordance with customary practices) or which is evidenced by a note, bond, debenture or similar instrument, (b) all obligations of such Person under Financing Leases, (c) all obligations of such Person in respect of letters of credit or bankers' acceptances issued or created for or for the account of such Person, (d) all obligations of such Person under Foreign Exchange Contracts, (e) all liabilities secured by any Lien on any property owned by such Person even though such Person has not assumed or otherwise become liable for the payment thereof and (f) for the purposes of Section 11(f) only, all obligations of such

Person in respect of any agreement (other than Foreign Exchange Contracts) of the type described in subsection 10.20.

"Insolvency": with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

"Insolvent": pertaining to a condition of Insolvency.

"Interest Payment Date": with respect to any Loan, the last day of each month to occur while such Loan is outstanding, provided that (a) with respect to any Base Rate Loan, the date upon which such Loan is converted to another Type of Loan shall also be an Interest Payment Date for such Loan and (b) with respect to any Eurodollar, the last day of the Interest Period with respect to such Loan shall also be an Interest Payment Date for such Loan.

"Interest Period": with respect to any Eurodollar Loan:

(a) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such Eurodollar Loan and ending one, two, three or six months thereafter, as selected by the Borrower in its notice of borrowing or notice of conversion, as the case may be, given with respect thereto; and

(b) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Loan and ending one, two, three or six months thereafter, as selected by the Borrower by irrevocable notice to the Administrative Agent not less than three Business Days prior to the last day of the then current Interest Period with respect thereto;

provided that all of the foregoing provisions relating to Interest Periods are subject to the following:

(i) if any Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) no Interest Period shall extend beyond the Scheduled Termination Date;

(iii) if the Borrower shall fail to give notice as provided above in respect of any Eurodollar Loan, the Borrower shall be deemed to have selected a Base Rate Loan to replace such Eurodollar Loan; and

(iv) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding

day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month.

"Inventory": as defined in the UCC and including, without limitation, all Cellular Inventory.

"Issuing Bank": JPMorgan Chase, or its successor pursuant to subsections 12.9 and 12.10, in its capacity as issuer of Letters of Credit pursuant to subsection 4.1(a).

"Joint Venture": as to any Person, a corporation, partnership or other entity (other than a Subsidiary) of which 50% or less (but more than 10%) of the shares of stock or other ownership interests are at the time owned, directly or indirectly, through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Joint Venture" or "Joint Ventures" in this Agreement shall refer to a Joint Venture or Joint Ventures of the Borrower, including, without limitation, the entities listed in Schedule 7.15 under the heading "Joint Ventures".

"JPMorgan Chase": JPMorgan Chase Bank, a New York banking corporation.

"Landlord's Consent": a consent substantially in the form of Exhibit H hereto.

"L/C Obligations": at any time, an amount equal to the sum of (a) the aggregate then undrawn and unexpired amount of the then outstanding Letters of Credit issued in Dollars (including any such Existing Letters of Credit), (b) the aggregate Dollar Equivalents of the then undrawn and unexpired amount of the then outstanding Foreign Currency Letters of Credit (including any such Existing Letters of Credit), (c) the aggregate amount of unpaid L/C Reimbursement Obligations in respect of Letters of Credit issued in Dollars at such time and (d) the aggregate Dollar Equivalents of the amount of unpaid L/C Reimbursement Obligations in respect of Foreign Currency Letters of Credit at such time (including any such Existing Letters of Credit).

"L/C Reimbursement Obligations": the obligation of the Borrower to reimburse the Issuing Bank pursuant to subsection 6.5(a) for amounts drawn under Letters of Credit (including Existing Letters of Credit).

"L/C Participants": with respect to each Letter of Credit (including each Existing Letter of Credit), collectively, all the Lenders other than the Issuing Bank.

"Letters of Credit": as defined in subsection 4.1(a).

"Lien": any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any Financing Lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction in respect of any of the foregoing).

"Loan Documents": this Agreement, the Notes, the Security Documents, any Application, any Acceptance Request, and all other documents executed and delivered in connection herewith or therewith, including any amendments, supplements or other modifications to any of the foregoing.

"Loans": as defined in subsection 2.1.

"London Banking Day": any day on which banks in London, England, are open for general banking business, including dealings in foreign currency and exchange.

"Material Adverse Effect": a material adverse effect on (a) the business, operations, property or financial condition of the Borrower and its Subsidiaries taken as a whole, (b) the ability of the Borrower to perform its obligations under this Agreement, the Notes or any of the other Loan Documents, or (c) the validity or enforceability of this Agreement, the Notes or any of the other Loan Documents or the rights or remedies of the Administrative Agent or the Lenders hereunder or thereunder.

"Material Foreign Subsidiary": any Subsidiary, other than a Domestic Subsidiary, which (a) has total assets of \$5,000,000 (or the equivalent thereof in any Foreign Currency) or greater or (b) has net income in Dollars (or the equivalent thereof in any Foreign Currency) in any year equal to or in excess of an amount equal to 10% of Consolidated Net Income for such year, in either such case as determined in accordance with GAAP or the comparable principles of any foreign country used in the preparation of the financial statements of such Subsidiary.

"Materials of Environmental Concern": any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products or any hazardous or toxic substances, materials or wastes, defined or regulated as such in or under any Environmental Law, including, without limitation, asbestos, polychlorinated biphenyls and urea-formaldehyde insulation.

"Multiemployer Plan": a Plan which is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Cash Proceeds": in connection with any issuance or sale of Capital Stock, the cash proceeds received from such issuance or sale, net of attorneys' fees, investment banking fees, accountants' fees, underwriting discounts and commissions and other customary fees and expenses actually incurred in connection therewith.

"Net Worth Base Amount": (a) \$300,000,000 plus (b), at any time after the delivery of the financial statements pursuant to subsection 9.1 in respect of the fiscal year ended on November 30, 2004, 50% of Consolidated Net Income, if any, for such fiscal year.

"Non-Excluded Taxes": as defined in subsection 6.15.

"Non-U.S. Lender": as defined in Section 6.15(b).

"Note": the collective reference to the promissory notes, substantially in the form of Exhibit A hereto, issued pursuant to this Agreement, including, without limitation, the promissory notes issued pursuant to subsection 2.2.

"Participant": as defined in subsection 13.6(b).

"Participating Interest": with respect to each Letter of Credit (including each Existing Letter of Credit) or Acceptance (including each Existing Acceptance), (i) in the case of the Issuing Bank or the Accepting Bank, as the case may be, its interest (a) in such Letter of Credit and any Application relating thereto or (b) in such Acceptance and any Acceptance Request relating thereto, as the case may be, in either case after giving effect to the granting of any participating interests therein pursuant to this Agreement and (ii) in the case of each Participating Lender, its undivided participating interest (a) in such Letter of Credit and any Application relating thereto or (b) in such Acceptance and any Acceptance Request relating thereto, as the case may be.

"Participating Lender": any Lender (other than the Issuing Bank or the Accepting Bank, as the case may be) with respect to its Participating Interest in each Letter of Credit (including each Existing Letter of Credit) and Acceptance (including each Existing Acceptance).

"Payment Office": (a) with respect to any payments to the Issuing Bank hereunder in respect of Letters of Credit issued hereunder, the office of the Issuing Bank located at 395 North Service Road, Melville, New York 11747, or such other office as the Issuing Bank shall designate in writing to the Borrower, the Administrative Agent and the Lenders from time to time, (b) with respect to any payments to the Accepting Bank hereunder in respect of Acceptances created hereunder, the office of the Accepting Bank located at 395 North Service Road, Melville, New York 11747, or such other office as the Accepting Bank shall designate in writing to the Borrower, the Administrative Agent and the Lenders from time to time, and (c) with respect to all other payments under this Agreement, the office of the Administrative Agent located at 395 North Service Road, Melville, New York 11747, or such other office as the Administrative Agent shall designate in writing to the Borrower, the Administrative Agent and the Lenders from time to time.

"Payment Time": 12:00 P.M. (Noon), New York City time.

"PBGC": the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA.

"Person": an individual, partnership, corporation, business trust, joint stock company, limited liability company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Plan": at a particular time, any employee benefit plan which is covered by ERISA and in respect of which the Borrower or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Proceeds": as defined in the UCC.

"Purchasing Lenders": as defined in subsection 13.6(c).

"Recoton": Recoton Corporation, a New York corporation.

"Recoton Acquisition": the acquisition transaction contemplated by the Recoton Purchase Agreement.

"Recoton Purchase Agreement": the Stock and Asset Purchase Agreement, dated as of May 23, 2003, among Recoton Audio Corporation, Recoton Home Audio, Inc., Recoton Mobile Electronics, Inc., Recoton International Holdings, Inc., Recoton Corporation, Recoton Canada LTD. and Jax Assets Corp.

"Regulation U": Regulation U of the Board of Governors of the Federal Reserve System.

"Reimbursement Obligations": the collective reference to Acceptance Reimbursement Obligations and L/C Reimbursement Obligations.

"Reportable Event": any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the thirty day notice period is waived under subsections .27, .28, .29, .30, .31, .32, .34 or .35 of PBGC Reg.ss.4043.

"Required Lenders": at any time, Lenders the Commitment Percentages of which then aggregate at least 51%.

"Requirement of Law": as to any Person, the Certificate of Incorporation and By-Laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its material property is subject.

"Reset Date": as defined in Section 1.3.

"Responsible Officer": the chief executive officer, the president or the chief financial officer of the Borrower.

"RG Holdings": Recoton German Holdings GmbH, the subsidiary of Recoton acquired by the Borrower pursuant to the Recoton Purchase Agreement.

"Scheduled Termination Date": the date that is 364 days after the Closing Date.

"Security Documents": the collective reference to the Guarantee and Collateral Agreement and all other security documents hereafter delivered to the Administrative Agent granting a Lien on any property of any Person to secure the obligations and liabilities of the Borrower or any of its Subsidiaries under any Loan Document.

"Single Employer Plan": any Plan which is covered by Title IV of ERISA, but which is not a Multiemployer Plan.

"Standby Foreign Currency Letter of Credit": any Standby Letter of Credit issued in a Foreign Currency.

"Standby L/C Commitment": \$15,000,000.

"Standby Letters of Credit": as defined in subsection 4.1(b).

"Standby L/C Obligations": at any time, an amount equal to the sum of (a) the aggregate then undrawn and unexpired amount of the then outstanding Standby Letters of Credit issued in Dollars, (b) the aggregate Dollar Equivalents of the then undrawn and unexpired amount of the then outstanding Standby Foreign Currency Letters of Credit, (c) the aggregate amount of unpaid Standby L/C Reimbursement Obligations in respect of Letters of Credit issued in Dollars at such time and (d) the aggregate Dollar Equivalents of the amount of unpaid L/C Reimbursement Obligations in respect of Standby Foreign Currency Letters of Credit at such time.

"Steamship Guarantee": as defined in subsection 4.1(b).

"Subsidiary": as to any Person, a corporation, partnership or other entity of which more than 50% of the shares of stock, or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity, are at the time owned, directly or indirectly, through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of the Borrower and shall include, without limitation, the corporations listed in Schedule 7.15 under the headings "Domestic Subsidiaries", "Canadian Subsidiaries" and "Material Foreign Subsidiaries".

"Subsidiary Guarantor": any Subsidiary of the Borrower other than any Excluded Foreign Subsidiary.

"Termination Date": the earlier of (i) the Scheduled Termination Date and (ii) the date of consummation of (x) the sale of substantially all the assets of Audiovox Communications Corp. to UTStarcom, Inc. pursuant to the UTStarcom Purchase Agreement and/or (y) the purchase by the Borrower of Toshiba Corporation's interest in Audiovox Communications Corp. and the repayment by Audiovox Communications Corp. of the Toshiba Note pursuant to the Toshiba Agreement.

"Toshiba Agreement": the Stock Purchase Agreement, dated as of June 10, 2004, by and among Toshiba Corporation, Audiovox Communications Corp. and the Borrower, as in effect on such date, and without any amendments, modifications or waivers thereof.

"Toshiba Note": the subordinated convertible promissory note issued by Audiovox Communications Corp. to Toshiba Corporation on May 31, 2002.

"Trade Letters of Credit": as defined in subsection 4.1(b).

"Transferee": as defined in subsection 13.6(f).

"Type": as to any Loan, its nature as a Base Rate Loan or a Eurodollar Loan.

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

"Uniform Customs": the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500, as the same may be amended from time to time.

"UTStarcom Purchase Agreement": the Asset Purchase Agreement, dated as of June 11, 2004, by and among Audiovox Communications Corp., Quintex Mobile Communications Corporation, Audiovox Communications Canada Co., UTStarcom, UTStarcom Canada Company and the Borrower, as in effect on such date, and without any amendments, modifications or waivers thereof.

"Wholly Owned Foreign Subsidiary": as to any Person, any Material Foreign Subsidiary of such Person of which such Person owns, directly or indirectly, all of the Capital Stock of such Material Foreign Subsidiary other than directors qualifying shares or shares held by nominees.

1.2 Other Definitional Provisions. (a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the Notes or any certificate or other document made or delivered pursuant hereto.

(b) As used herein and in the Notes, and any certificate or other document made or delivered pursuant hereto, accounting terms relating to the Borrower and its Subsidiaries not defined in subsection 1.1 and accounting terms partly defined in subsection 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP.

(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, subsection, Schedule and Exhibit 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.

1.3 Exchange Rates. (a) Not later than 1:00 p.m., New York City time, on each Calculation Date, the Issuing Bank shall (i) determine the Exchange Rate as of such Calculation Date with respect to each Foreign Currency in which any undrawn Letter of Credit may be denominated and (ii) give notice thereof to the Lenders and the Borrower. The Issuing Bank shall immediately notify the Administrative Agent of any Exchange Rates so determined. The Exchange Rates so determined shall become effective on the first Business Day immediately following the relevant Calculation Date (a "Reset Date"), shall remain effective

until the next succeeding Reset Date, and shall for all purposes of this Agreement (other than subsection 6.5, or any other provision expressly requiring the use of a current Exchange Rate) be the Exchange Rates employed in converting any amounts between Dollars and Foreign Currencies.

(b) Not later than 5:00 p.m., New York City time, on each Reset Date, each date on which the Borrower requests the issuance of a Letter of Credit, the Administrative Agent shall (i) determine the aggregate amount of the Dollar Equivalents of the principal amounts of the Foreign Currency Letters of Credit then outstanding (after giving effect to any Foreign Currency Letters of Credit made, issued, repaid or canceled on such date) and (ii) notify the Lenders and the Borrower of the results of such determination.

SECTION 2. AMOUNT AND TERMS OF LOANS

2.1 Commitments. (a) Subject to the terms and conditions hereof, each Lender severally agrees to make revolving credit loans ("Loans") to the Borrower from time to time during the Commitment Period in an aggregate principal amount at any one time outstanding, when added to such Lender's Commitment Percentage of the sum of the then outstanding L/C Obligations and Acceptance Obligations not to exceed the lesser of (i) the amount of such Lender's Commitment and (ii) such Lender's Commitment Percentage of the Borrowing Base then in effect. During the Commitment Period, the Borrower may use the Commitments by borrowing, prepaying and reborrowing the Loans, in whole or in part, all in accordance with the terms and conditions hereof.

(b) The Loans may from time to time be (i) Eurodollar Loans, (ii) Base Rate Loans or (iii) a combination thereof, as determined by the Borrower and notified to the Administrative Agent in accordance with subsections 2.3 and 6.8, provided that no Dollar Loan shall be made or continued as or converted to a Eurodollar Loan after the day that is one month prior to the Scheduled Termination Date.

2.2 Repayment of Loans; Notes. (a) The Borrower hereby unconditionally promises to pay to the Administrative Agent at the Payment Office for the account of the Lenders the then unpaid principal amount of each Dollar Loan of such Lender on the Termination Date (or such earlier date on which the Loans become due and payable pursuant to Section II). The Borrower hereby further agrees to pay interest on the unpaid principal amount of the Loans from time to time outstanding from the date hereof until payment in full thereof at the rates per annum, and on the dates, set forth in Section 6.6.

(b) The Loans made by each Lender shall be evidenced by a Note, substantially in the form of Exhibit A hereto, with appropriate insertions as to payee, date and principal amount, payable to the order of such Lender and in a principal amount equal to the lesser of (a) the amount set forth opposite such Lender's name on Schedule 1.1(a) hereto under the heading "Commitment" and (b) the aggregate unpaid principal amount of all Loans made by such Lender. Each Lender is hereby authorized to record the date, Type and amount of each Dollar Loan made by such Lender, each continuation thereof, each conversion of all or a portion thereof to another Type, the date and amount of each payment or prepayment of principal thereof and, in the case of Eurodollar Loans, the Eurodollar Rate and the length of each Interest Period with respect thereto, on the schedule annexed to and constituting a part of its Note, and any such

recordation shall constitute prima facie evidence of the accuracy of the information so recorded; provided that the failure by any Lender to make any such recordation on its Note (or any error therein) shall not affect any of the obligations of the Borrower under such Note or this Agreement. Each Note shall (x) be dated the Closing Date, (y) be stated to mature on the Termination Date and (z) provide for the payment of interest in accordance with subsection 6.6.

2.3 Procedure for Revolving Credit Borrowing. The Borrower may borrow under the Commitments during the Commitment Period on any Business Day, provided that the Borrower shall give the Administrative Agent irrevocable notice (which notice must be received by the Administrative Agent at the Funding Office prior to 11:30 A.M., New York City time, (a) three Business Days prior to the requested Borrowing Date, if all or any part of the requested Loans are to be initially Eurodollar Loans or (b) on the requested Borrowing Date, otherwise), specifying (i) the amount to be borrowed, (ii) the requested Borrowing Date, (iii) whether the borrowing is to be of Eurodollar Loans, Base Rate Loans or a combination thereof and (iv) if the borrowing is to be entirely or partly of Eurodollar Loans, the amount of such Eurodollar Loans and the respective lengths of the initial Interest Periods therefor. Each borrowing of Loans under the Commitments shall be in an amount equal to (x) in the case of Base Rate Loans, \$100,000 or a whole multiple of \$100,000 in excess thereof (or, if the then Available Commitments are less than \$100,000, such lesser amount) and (y) in the case of Eurodollar Loans, an amount equal to \$1,500,000 or a whole multiple of \$500,000 in excess thereof. Upon receipt of any such notice from the Borrower, the Administrative Agent shall (a) in the case of a notice requesting a borrowing of Eurodollar Loans, promptly notify each Lender thereof and (b) in the case of a notice requesting a borrowing of Base Rate Loans, notify each Lender thereof prior to 1:00 P.M. on the requested Borrowing Date. Each Lender will make the amount of its pro rata share of each borrowing of Loans available to the Administrative Agent for the account of the Borrower at the Funding Office prior to the Funding Time on the Borrowing Date requested by the Borrower in funds immediately available to the Administrative Agent. Such borrowing in Dollars will then be made available to the Borrower by the Administrative Agent crediting the account of the Borrower on the books of such Funding Office with the aggregate of the amounts made available to the Administrative Agent by the Lenders and in like funds as received by the Administrative Agent.

2.4 Increase of Commitments. . The Borrower may from time to time, by notice to the Administrative Agent (which shall promptly deliver a copy to each of the Lenders), request that the aggregate Commitments be increased by an amount that is not less than \$5,000,000 and will not result in the Commitments exceeding \$175,000,000. Each such notice shall set forth the requested amount of the increase in the aggregate Commitments and the date on which such increase is to become effective (which shall be not fewer than twenty Business Days after the date of such notice), and shall offer each Lender the opportunity to increase its Commitment by its ratable share, based on its Commitment Percentage (determined on the date of such notice), of the requested increase in the aggregate amount of the Commitments. Each Lender shall, by notice to the Borrower and the Administrative Agent given not more than ten Business Days after the date of the Borrower's notice, either agree to increase its Commitment by all or a portion of the offered amount or decline to increase its Commitment (and any Lender that does not deliver such a notice within such period of ten Business Days shall be deemed to have declined to increase its Commitment). In the event that, on the tenth Business Day after the Borrower shall have delivered a notice pursuant to the first sentence of this paragraph, the Lenders

shall have agreed pursuant to the preceding sentence to increase their respective Commitments by an aggregate amount less than the increase in the Commitments requested by the Borrower, the Borrower shall have the right to arrange for one or more banks or other financial institutions (any such bank or other financial institution being called an "Augmenting Lender"), which may include any Lender, to extend a Commitment or increase their existing Commitment in an aggregate amount equal to the unsubscribed amount, provided that each Augmenting Lender, if not already a Lender hereunder, shall be subject to the approval of the Administrative Agent (which approval shall not be unreasonably withheld or delayed) and shall execute all such documentation as the Administrative Agent shall specify to evidence its status as a Lender hereunder. If (and only if) Lenders (including Augmenting Lenders) shall have agreed to increase their respective Commitments or to extend a new Commitment in an aggregate amount not less than \$5,000,000, such increases and such new Commitment shall become effective on the date specified in the notice delivered by the Borrower pursuant to the first sentence of this Section. On the effective date of any increase in the Commitments pursuant this Section, the Borrower shall be deemed to have repaid and reborrowed all outstanding Loans, as the case may be, as of the date of any increase in the relevant Commitments (with such reborrowing to consist of the Types of Loans, with related Interest Periods if applicable, specified in a notice delivered by the Company in accordance with the requirements of Section 2.3). The deemed payments made pursuant to the immediately preceding sentence in respect of each Eurodollar Loan shall be subject to indemnification by the Borrower pursuant to the provisions of Section 6.13 if the deemed payment occurs other than on the last day of the related Interest Periods.

SECTION 3. [Intentionally omitted]

SECTION 4. AMOUNT AND TERMS OF LETTERS OF CREDIT

4.1 Letters of Credit.(a) Subject to the terms and conditions hereof, the Issuing Bank, in reliance on the agreements of the other Lenders set forth in subsection 4.4(a), agrees to issue letters of credit, steamship guarantees and airway releases (collectively, "Letters of Credit") for the account of the Borrower on any Business Day during the Commitment Period in such form as may be approved from time to time by the Issuing Bank; provided that the Issuing Bank shall not issue any Letter of Credit if, after giving effect to such issuance, the Aggregate Outstanding Extensions of Credit of the Lenders would exceed the lesser of (i) the Commitments and (ii) the Borrowing Base then in effect; and provided, further, that the Issuing Bank shall not issue any Standby Letter of Credit if, after giving effect to such issuance, the Standby L/C Obligations would exceed the Standby L/C Commitment. On the Closing Date, the Existing Letters of Credit outstanding on the Closing Date shall be deemed to be Letters of Credit issued and outstanding under this Agreement.

(b) Each Letter of Credit shall (i) (A) be denominated in Dollars, Japanese Yen or any other currency reasonably acceptable to the Issuing Bank and shall be either (x) a documentary letter of credit in respect of the purchase of goods or services by the Borrower or any of its Subsidiaries in the ordinary course of business (a "Trade Letter of Credit") or (y) a standby letter of credit issued

to support obligations of the Borrower, contingent or otherwise, in favor of such beneficiaries as the Borrower may specify from time to time (which shall be reasonably satisfactory to the Issuing Bank) (a "Standby Letter of Credit"), (B) subject to the subsection 4.1(e) hereof, expire no later than, in the case of Trade Letters of Credit, 90 days after the date of issuance (or if earlier five Business Days prior to the Scheduled Termination Date) and, in the case of Standby Letters of Credit, no later than five Business Days prior to the Scheduled Termination Date and (C) be payable at sight or (ii) be a steamship guarantee (a "Steamship Guarantee") or airway release (an "Airway Release") denominated in Dollars and issued in a form satisfactory to the Issuing Bank for the benefit of a shipper of goods the purchase of which has been financed through the issuance of a Trade Letter of Credit.

(c) Each Letter of Credit shall be subject to the Uniform Customs (except to the extent that any Existing Letter of Credit continues to be subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500 (and, after January 1, 1999, the ICC Rules on International Standby Practices (ISP 98)) ("ICC Rules"), in accordance with its terms), and, to the extent not inconsistent therewith, the laws of the State of New York.

(d) The Issuing Bank shall not at any time issue any Letter of Credit hereunder if such issuance would conflict with, or cause the Issuing Bank or any L/C Participant to exceed any limits imposed by, any applicable Requirement of Law.

(e) Subject to the terms and conditions hereof, the Borrower may request the extension or amendment of any Trade Letter of Credit (including any Existing Letter of Credit which is a Trade Letter of Credit) issued hereunder by giving written notice to the Issuing Bank at its Funding Office with respect thereto at least five Business Days prior to the then current expiration date of such Letter of Credit, and the Issuing Bank may, in its discretion, grant such extension or amendment and, if such extension or amendment is granted, shall furnish the Administrative Agent with a copy of such extended or amended Trade Letter of Credit, provided that no extension or amendment of any Trade Letter of Credit (including any Existing Letter of Credit which is a Trade Letter of Credit) shall be granted if (i) such extension or amendment would be for a period of more than 90 days, (ii) prior to such extension or amendment, such Trade Letter of Credit shall have been extended or amended five times, (iii) after giving effect to such extension or amendment, such Letter of Credit would expire later than five Business Days prior to the Scheduled Termination Date, (iv) after giving effect to such extension or amendment, the Aggregate Outstanding Extensions of Credit of the Lenders would exceed the lesser of (A) the Commitments or (B) the Borrowing Base then in effect or (v) any Default or Event of Default has occurred and is continuing; provided, further, that (i) if such amendment (A) increases the face amount of the affected Trade Letter of Credit, the Borrower shall pay to the Administrative Agent, for the account of the Issuing Bank and the L/C Participants, a letter of credit commission or fee on the amount of such increase in the face amount of such Letter of Credit determined in accordance with subsection 4.3 as if the affected Trade Letter of Credit was issued on the date of such increase to be shared ratably among the Issuing Bank and the L/C Participants in accordance with their respective Commitment Percentages or (B) extends the maturity of the affected Trade Letter of Credit, the Borrower shall pay to the Administrative Agent, for the account of the Issuing Bank and the L/C Participants, a letter of credit commission or fee on the face amount of such Letter of Credit determined in accordance with subsection 4.3 as if the affected Trade Letter of Credit was issued on the date

such extension becomes effective to be shared ratably among the Issuing Bank and the L/C Participants in accordance with their respective Commitment Percentages. It is understood and agreed that the Issuing Bank shall be under no obligation to issue any extension or amendment of a Letter of Credit.

(f) The Issuing Bank shall notify each Lender on a monthly basis of the issuance, extension or amendment of Letters of Credit, and any drawings or other payments under Letters of Credit, during such month, provided that the failure to give such notice shall not affect such Lender's obligations in respect of such Letter of Credit.

4.2 Procedure for Issuance, Extension or Amendment of Letters of Credit. The Borrower may from time to time request that the Issuing Bank issue a Letter of Credit by delivering to the Issuing Bank at the Funding Office an Application therefor, including by electronic transmission, completed to the reasonable satisfaction of the Issuing Bank, and such other certificates, documents and other papers and information as the Issuing Bank may reasonably request. Upon receipt of any Application, the Issuing Bank will process such Application and the certificates, documents and other papers and information delivered to it in connection therewith in accordance with its customary procedures and shall promptly issue the Letter of Credit requested thereby (but in no event shall the Issuing Bank be required to issue any Letter of Credit earlier than three Business Days after its receipt of the Application therefor and all such other certificates, documents and other papers and information relating thereto) by issuing the original of such Letter of Credit to the beneficiary thereof or as otherwise may be agreed by the Issuing Bank and the Borrower. The Borrower may request the extension or amendment of a Trade Letter of Credit in accordance with the provisions of subsection 4.1(e). If the Borrower requests such an extension or amendment, the Issuing Bank shall promptly notify the Borrower as to whether such extension or amendment will be granted (but in no event shall the Issuing Bank be required to give such notice to the Borrower earlier than two Business Days after its receipt of a request therefor). If such extension or amendment is granted, the Issuing Bank shall promptly issue such extension or amendment (but in no event shall the Issuing Bank be required to issue such extension or amendment earlier than three Business Days after its receipt of a request therefor) by issuing the original of such extended or amended Letter of Credit to the beneficiary thereof or as otherwise may be agreed by the Issuing Bank and the Borrower.

4.3 Fees, Commissions and Other Charges. (a) The Borrower shall pay to the Administrative Agent at the Payment Office, for the account of the Issuing Bank and the L/C Participants, a letter of credit commission with respect to each Trade Letter of Credit in an amount equal to 0.25% of the face amount of such Trade Letter of Credit to be shared ratably among the Issuing Bank and the L/C Participants in accordance with their respective Commitment Percentages. Such commission shall be payable in advance on the date of issuance of each Trade Letter of Credit and shall be nonrefundable.

(b) The Borrower shall pay to the Administrative Agent at the Payment Office, for the account of the Issuing Bank and the L/C Participants, a letter of credit fee with respect to each Standby Letter of Credit, computed for the period from the date of issuance to the date of expiration at the rate per annum equal to the Applicable Margin in respect of Eurodollar Loans from time to time in effect (or as otherwise agreed from time to time among the Borrower and the Lenders), calculated on the basis of a 360 day year, of the aggregate amount available to be drawn under such Standby Letter of Credit on the date of

issuance to be shared ratably among the Issuing Bank and the L/C Participants in accordance with their respective Commitment Percentages. Such commissions shall be payable in advance on the date of issuance of each Standby Letter of Credit, on each Interest Payment Date to occur after the issuance thereof and on the Termination Date (or such earlier date as the Commitments shall terminate as provided herein) and shall be nonrefundable.

(c) The Borrower shall pay to the Issuing Bank at the Payment Office, for its own account, on the date of issuance of a Steamship Guarantee or Airway Release such processing fees as shall customarily be charged by the Issuing Bank in connection with issuance of a Steamship Guarantee or Airway Release.

(d) In addition to the foregoing commissions, the Borrower shall pay or reimburse the Issuing Bank for such normal and customary costs and expenses as are incurred or charged by the Issuing Bank in issuing, effecting payment under, amending or otherwise administering any Letter of Credit.

(e) The Administrative Agent shall, at the end of each month, distribute to the Issuing Bank and the L/C Participants all commissions received by the Administrative Agent for their respective accounts pursuant to this subsection.

(f) No fees or other commissions shall be payable by any Issuing Bank to any L/C Participant with respect to any Existing Letter of Credit.

4.4 L/C Participations. (a) The Issuing Bank irrevocably agrees to grant and hereby grants to each L/C Participant, and, to induce the Issuing Bank to issue Letters of Credit (including Existing Letters of Credit) hereunder, each L/C Participant irrevocably agrees to accept and purchase and hereby accepts and purchases from the Issuing Bank, on the terms and conditions hereinafter stated, for such L/C Participant's own account and risk, an undivided interest equal to such L/C Participant's Commitment Percentage in the Issuing Bank's obligations and rights under each Letter of Credit issued hereunder and the amount of each draft paid or other payment made by the Issuing Bank thereunder. Each L/C Participant unconditionally and irrevocably agrees with the Issuing Bank that, if a draft is paid or any payment is otherwise made under any Letter of Credit (including any Existing Letter of Credit) for which the Issuing Bank is not reimbursed in full by the Borrower in accordance with the terms of this Agreement or the Application, as the case may be, such L/C Participant shall pay to the Issuing Bank upon demand at the Payment Office an amount equal to such L/C Participant's Commitment Percentage of the amount of such draft or payment, or any part thereof, which is not so reimbursed.

(b) If any amount required to be paid by any L/C Participant to the Issuing Bank pursuant to subsection 4.4(a) in respect of any unreimbursed portion of any payment made by the Issuing Bank under any Letter of Credit (including any Existing Letter of Credit) is paid to the Issuing Bank within three Business Days after the date such payment is due, such L/C Participant shall pay to the Issuing Bank on demand an amount equal to the greater of (i) the product of (1) such amount, times (2) the daily average Federal funds rate, as quoted by the Issuing Bank, during the period from and including the date such payment is required to the date on which such payment is made available to the Issuing

Bank, times (3) a fraction the numerator of which is the number of days that elapse during such period and the denominator of which is 360 and (ii) a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, for the period until such L/C Participant makes such amount immediately available to the Issuing Bank. If any such amount required to be paid by any L/C Participant pursuant to subsection 4.4(a) is not in fact made available to the Issuing Bank by such L/C Participant within three Business Days after the date such payment is due, the Issuing Bank shall be entitled to recover from such L/C Participant, on demand, such amount with interest thereon calculated from such due date at the rate per annum applicable to Base Rate Loans which are not overdue hereunder. A certificate of the Issuing Bank submitted to any L/C Participant with respect to any amounts owing under this subsection shall be conclusive in the absence of manifest error.

(c) Whenever, at any time after the Issuing Bank has made payment under any Letter of Credit (including any Existing Letter of Credit) and has received from any L/C Participant its pro rata share of such payment in accordance with subsection 4.4(a), the Issuing Bank receives any payment related to such Letter of Credit (whether directly from the Borrower or otherwise, including proceeds of collateral applied thereto by the Issuing Bank), or any payment of interest on account thereof, the Issuing Bank will, within three Business Days after receipt thereof, distribute to such L/C Participant its pro rata share thereof; provided, however, that in the event that any such payment received by the Issuing Bank shall be required to be returned by the Issuing Bank, such L/C Participant shall, within three Business Days, return to the Issuing Bank the portion thereof previously distributed by the Issuing Bank to it. If any amount payable under this paragraph is paid within three Business Days after such payment is due, the Lender which owes such amount shall pay to the Lender to which such amount is owed on demand an amount equal to the greater of (i) the product of (1) such amount, times (2) the daily average Federal funds rate, as quoted by such Lender, during the period from and including the date such payment is required to the date on which such payment is made available to such Lender, times (3) a fraction the numerator of which is the number of days that elapse during such period and the denominator of which is 360 and (ii) a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, for the period until such Lender makes such amount immediately available to the other Lender. If any amount required to be paid under this paragraph is not in fact made available to the Lender to which such amount is owed within three Business Days after the date such payment is due, such Lender shall be entitled to recover from the Lender which owes such amount, on demand, such amount with interest thereon calculated from such due date at the rate per annum applicable to Base Rate Loans which are not overdue hereunder.

4.5 Obligations Absolute. The Borrower's obligations under this Section 4 and subsection 6.5(a) shall be absolute and unconditional under any and all circumstances and irrespective of any set-off, counterclaim or defense to payment which the Borrower may have or have had against the Issuing Bank or any beneficiary of a Letter of Credit (including any Existing Letter of Credit). The Borrower also agrees with the Issuing Bank that the Issuing Bank shall not be responsible for, and the Borrower's L/C Reimbursement Obligations under subsection 6.5(a) shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, or any dispute between or among the Borrower and any beneficiary of any Letter of Credit (including any Existing Letter of Credit) or any other party to which

such Letter of Credit may be transferred or any claims whatsoever of the Borrower against any beneficiary of such Letter of Credit or any such transferee. The Issuing Bank shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit (including any Existing Letter of Credit), except for errors or omissions caused by the Issuing Bank's gross negligence or willful misconduct. The Borrower agrees that any action taken or omitted by the Issuing Bank under or in connection with any Letter of Credit (including any Existing Letter of Credit) or the related drafts or documents, if done in the absence of gross negligence or willful misconduct and in accordance with the standards of care specified in the Uniform Customs or ICC Rules, as applicable (and, to the extent not inconsistent therewith, the UCC), shall be binding on the Borrower and shall not result in any liability of the Issuing Bank to the Borrower.

4.6 Letter of Credit Payments. If any draft shall be presented for payment or any payment is otherwise demanded under any Letter of Credit (including any Existing Letter of Credit), the Issuing Bank shall promptly notify the Borrower of the date and amount thereof. The responsibility of the Issuing Bank to the Borrower in connection with any draft presented for payment or other payment demanded under any Letter of Credit (including any Existing Letter of Credit) shall, in addition to any payment obligation expressly provided for in such Letter of Credit, be limited to determining that the documents (including each draft) delivered under such Letter of Credit in connection with such presentment are in conformity with such Letter of Credit.

4.7 Application. To the extent that any provision of any Application related to any Letter of Credit (including any Existing Letter of Credit) is inconsistent with any provisions of this Agreement, such provisions of this Agreement shall apply. The Borrower acknowledges and agrees that all rights of the Issuing Bank under any Application shall inure to the benefit of each Participating Bank to the extent of its Commitment Percentage as fully as if such Participating Bank was a party to such Application.

SECTION 5. AMOUNT AND TERMS OF ACCEPTANCES

5.1 Acceptances. (a) Subject to the terms and conditions hereof, the Accepting Bank, in reliance on the agreements of the other Lenders set forth in subsection 5.3(a), agrees to create acceptances ("Acceptances") in respect of Drafts in Dollars drawn on the Accepting Bank by the Borrower and discounted by the Accepting Bank for the account of the Borrower on any Business Day during the Commitment Period; provided that the Accepting Bank shall not create any Acceptance, if after giving effect to such creation, the Aggregate Outstanding Extensions of Credit of the Lenders would exceed the lesser of (x) the Commitments and (y) the Borrowing Base then in effect; provided, further, that concurrently therewith, the Borrower requests that such Bank discount such Draft pursuant to subsection 5.4. On the Closing Date, the Existing Acceptances outstanding on the Closing Date shall be deemed to be Acceptances created and outstanding under this Agreement.

(b) The Accepting Bank shall not at any time create an Acceptance hereunder if such creation would conflict with, or cause the Accepting Bank or any Acceptance Participant to exceed any limits imposed by, any applicable Requirement of Law or if, for reasons beyond the control of the Accepting Bank, such Acceptance does not comply with applicable requirements of Section 13 of

the Federal Reserve Act or the regulations of the Board of Governors of the Federal Reserve System of the United States of America governing the creation and discounting of, and the maintenance of reserves with respect to, bankers' acceptances.

(c) The Accepting Bank shall notify each Lender on a monthly basis of the creation of Acceptances during such month, provided that the failure to give such notice shall not affect such Lender's obligations in respect of such Acceptance.

5.2 Procedure for Creation of Acceptances. (a) The Borrower may from time to time request the creation of Acceptances hereunder by delivering to the Accepting Bank at the Funding Office on the date a draft presented under any Letter of Credit is paid, (i) an Acceptance Request, completed to the reasonable satisfaction of the Accepting Bank and specifying, among other things, the date (which must be a Business Day), maturity and amount of the Draft to be accepted, (ii) to the extent not theretofore supplied to the Accepting Bank in accordance with subsection 5.7, a Draft to be drawn on the Accepting Bank, appropriately completed in accordance with this subsection 5.2 and (iii) such other certificates, documents and other papers and information as the Accepting Bank may reasonably request.

(b) Each Draft submitted by the Borrower for acceptance hereunder shall be denominated in Dollars, shall be dated the date specified in the Acceptance Request with respect thereto and shall be stated to mature on a Business Day which is 30, 60 or 90 days after the date thereof and, in any event, not more than 90 days after the anticipated date of shipment specified in the relevant Acceptance Request. No Acceptance created hereunder shall (i) be created more than 30 days after the date of any shipments of goods to which such Acceptance relates, (ii) have a tenor in excess of the period of time which is usual and reasonably necessary to finance transactions of a similar character, (iii) be in a face amount of less than \$250,000 or (iv) be in a face amount which, when taken together with all other Acceptances and other financings relating to the shipment of goods to which such Acceptance relates, exceeds the fair market value of such shipment.

(c) Subject to subsection 5.2(d), not later than the close of business at its address for notices specified herein on the Business Day specified in an Acceptance Request, and upon fulfillment of the applicable conditions set forth in Section 8, the Accepting Bank shall, in accordance with such Acceptance Request, (i) complete the date, amount and maturity of each Draft presented for acceptance (to the extent not completed by the Borrower), (ii) accept such Drafts and (iii) upon such acceptance, discount such Acceptances in accordance with subsection 5.4.

(d) The acceptance and discounting of Drafts by the Accepting Bank hereunder shall at all times be in the discretion of the Accepting Bank.

5.3 Acceptance Participations. (a) The Accepting Bank irrevocably agrees to grant and hereby grants to each Acceptance Participant, and, to induce the Accepting Bank to create Acceptances (including Existing Acceptances) hereunder, each Acceptance Participant irrevocably agrees to accept and purchase and hereby accepts and purchases from the Accepting Bank, on the terms and conditions hereinafter stated, for such Acceptance Participant's own account and risk, an undivided interest equal to such Acceptance Participant's Commitment Percentage

in the Accepting Bank's obligations and rights under each Acceptance created hereunder and the face amount of each Acceptance created by the Accepting Bank. Each Acceptance Participant unconditionally and irrevocably agrees with the Accepting Bank that, if the Accepting Bank is not reimbursed in full by the Borrower for the face amount of any Acceptance in accordance with the terms of this Agreement, such Acceptance Participant shall pay to the Accepting Bank upon demand at the Payment Office an amount equal to such Acceptance Participant's Commitment Percentage of the face amount of such Acceptance, or any part thereof, which is not so reimbursed.

(b) If any amount required to be paid by any Acceptance Participant to the Accepting Bank pursuant to subsection 5.3(a) in respect of any unreimbursed portion of any payment made by the Accepting Bank under any Acceptance is paid to the Accepting Bank within three Business Days after the date such payment is due, such Acceptance Participant shall pay to the Accepting Bank on demand an amount equal to the greater of (i) the product of (1) such amount, times (2) the daily average Federal funds rate, as quoted by the Accepting Bank, during the period from and including the date such payment is required to the date on which such payment is immediately available to the Accepting Bank, times (3) a fraction the numerator of which is the number of days that elapse during such period and the denominator of which is 360 and (ii) a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, for the period until such Lender makes such amount immediately available to the Accepting Bank. If any such amount required to be paid by any Acceptance Participant pursuant to subsection 5.3(a) is not in fact made available to the Accepting Bank by such Acceptance Participant within three Business Days after the date such payment is due, the Accepting Bank shall be entitled to recover from such Acceptance Participant, on demand, such amount with interest thereon calculated from such due date at the rate per annum applicable to Base Rate Loans which are not overdue hereunder. A certificate of the Accepting Bank submitted to any Acceptance Participant with respect to any amounts owing under this subsection shall be conclusive in the absence of manifest error.

(c) Whenever, at any time after the Accepting Bank has made payment under any Acceptance and has received from any Acceptance Participant its pro rata share of such payment in accordance with subsection 5.3(a), the Accepting Bank receives any payment related to such Acceptance (whether directly from the Borrower or otherwise, including proceeds of collateral applied thereto by the Accepting Bank), or any payment of interest on account thereof, the Accepting Bank will, within three Business Days after receipt thereof, distribute to such Acceptance Participant its pro rata share thereof; provided, however, that in the event that any such payment received by the Accepting Bank shall be required to be returned by the Accepting Bank, such Acceptance Participant shall, within three Business Days, return to the Accepting Bank the portion thereof previously distributed by the Accepting Bank to it. If any amount payable under this paragraph is paid within three Business Days after such payment is due, the Lender which owes such amount shall pay to the Lender to which such amount is owed on demand an amount equal to the greater of (i) product of (1) such amount, times (2) the daily average Federal funds rate, as quoted by such Lender, during the period from and including the date such payment is required to the date on which such payment is made available to such Lender, times (3) a fraction the numerator of which is the number of days that elapse during such period and the denominator of which is 360 and (ii) a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, for the period until such Lender makes such amount immediately available to the

other Lender. If any amount required to be paid under this paragraph is not in fact made available to the Lender to which such amount is owed within three Business Days after the date such payment is due, such Lender shall be entitled to recover from the Lender which owes such amount, on demand, such amount with interest thereon calculated from such due date at the rate per annum applicable to Base Rate Loans which are not overdue hereunder.

5.4 Discount of Acceptances. (a) The Accepting Bank agrees, on the terms and conditions of this Agreement, that on any date on which it creates an Acceptance hereunder, the Accepting Bank will discount such Acceptance at the Acceptance Rate, by making available to the Borrower an amount in immediately available funds equal to the face amount of each Acceptance created by the Accepting Bank on such date less such discount and notify the Administrative Agent that such Draft has been accepted and discounted by the Accepting Bank. The Accepting Bank will then pay to the Administrative Agent for the account of the Borrower an amount equal to the proceeds of such discount.

(b) On the date that any Acceptance is discounted pursuant to subsection 5.4(a), the Accepting Bank shall pay to each Acceptance Participant an amount equal to a percentage of such Acceptance Participant's Commitment Percentage of the face amount of such Acceptance, which percentage shall be equal to the Applicable Margin for Eurodollar Loans used to calculate the Acceptance Rate with respect to such Acceptance.

5.5 Mandatory Prepayment. (a) In the event that (i) there is a determination made by any regulatory body or instrumentality thereof (including, without limitation, any Federal Reserve Bank or any bank examiner), or there is a change in, or change in interpretation of, any applicable law, rule or regulation (such determination or such change, a "Reserve Determination"), in either case to the effect that any bankers' acceptance created hereunder or in connection with a substantially similar facility (whether or not the Borrower or any Bank is directly involved as a party) will be ineligible for reserve-free treatment (or, if already discounted, should have been ineligible for reserve-free treatment) under Section 13 of the Federal Reserve Act or any other regulation or rule of the Board of Governors of the Federal Reserve System of the United States of America, and as a result any Lender is required to maintain, or determines as a matter of prudent banking practice that it is appropriate for it to maintain, additional reserves, or (ii) any restriction is imposed on any Lender (including, without limitation, any change in acceptance limits imposed on any Lender) which would prevent such Lender from creating or participating in bankers' acceptances or otherwise performing its obligations in respect of the Acceptances, then, with the consent of the Required Lenders, the Administrative Agent may, or upon the direction of the Required Lenders, the Administrative Agent shall, by notice to the Borrower in accordance with subsection 13.2, demand prepayment of all outstanding Acceptances (if such prepayment is required), and the Accepting Bank shall have no further obligation to accept or discount Drafts hereunder. The Borrower agrees that it shall, within two Business Days of its receipt of a notice of mandatory prepayment of the Acceptances, prepay all Acceptance Obligations in accordance with the provisions of subsection 5.5(b) hereof.

(b) Any prepayment of any Acceptance Obligation made pursuant hereto shall be made to the Accepting Bank and shall be in an amount equal to the face amount

of such Acceptance minus a prepayment discount calculated by the Accepting Bank in accordance with its customary practice for similar Acceptances and communicated to the Borrower; provided that, in the event that the Borrower fails to make such prepayment as provided in this subsection 5.5(b), such Acceptance Obligation shall be automatically converted into Base Rate Loans in the amount of such prepayment. The Borrowing Date with respect to such borrowing shall be the date of such prepayment.

(c) Except as otherwise provided herein, Acceptances may not be prepaid prior to maturity.

5.6 Obligations Absolute. The Borrower's obligations under this Section 5 and subsection 6.5(b) shall be absolute and unconditional under any and all circumstances and irrespective of any set-off, counterclaim or defense to payment which the Borrower may have or have had against the Accepting Bank. The Borrower also agrees with the Accepting Bank that the Accepting Bank shall not be responsible for, and the Borrower's Acceptance Reimbursement Obligations under subsection 6.5(b) shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, or any dispute between or among the Borrower or any other party to which such Acceptance may be transferred or any claims whatsoever of the Borrower or any such transferee. The Borrower agrees that any action taken or omitted by the Accepting Bank under or in connection with any Acceptance or the related drafts or documents, if done in the absence of gross negligence or willful misconduct and in accordance with the standards of care specified in the Uniform Customs or ICC Rules, as applicable (and, to the extent not inconsistent therewith, the UCC), shall be binding on the Borrower and shall not result in any liability of the Accepting Bank to the Borrower.

5.7 Supply of Drafts. To enable the Accepting Bank to create Acceptances in the manner specified in this Section 5, the Borrower may provide to the Accepting Bank, on the Closing Date and thereafter from time to time upon request of the Administrative Agent or the Accepting Bank, such number of blank Drafts conforming to the requirements hereof as the Administrative Agent or the Accepting Bank may reasonably request, each duly executed on behalf of the Borrower, and the Accepting Bank shall hold any such documents in safekeeping. The Borrower and the Accepting Bank hereby agree that in the event that any authorized signatory of the Borrower whose signature shall appear on any Draft shall cease to have such authority at the time that an Acceptance is to be created with respect thereto, such signature shall nevertheless be valid and sufficient for all purposes as if such authority had remained in full force and effect at the time of such creation.

5.8 Delivery of Certain Documentation. Upon request by the Administrative Agent or the Accepting Bank, the Borrower shall furnish to the Administrative Agent or the Accepting Bank (a) a copy of the contract of sale or any bill of lading, warehouse receipt, policy or certificate of insurance or other document covering or otherwise relating to each shipment of goods specified in the Acceptance Request relating to such Acceptance and (b) such other documents or information as the Accepting Bank or the Administrative Agent shall reasonably request with respect to the creation of such Acceptance.

5.9 Notice. The Administrative Agent shall notify the Federal Reserve Bank of New York of the terms under which Acceptances may be made if requested or required to do so by such institution.

5.10 Use of Proceeds. The proceeds of the Acceptances shall be used solely to finance the payment of an L/C Obligation with respect to any Letter of Credit which relates to the purchase of Inventory of the Borrower in transactions which fulfill the requirements of Section 13 of the Federal Reserve Act or the regulations of the Board of Governors of the Federal Reserve System of the United States of America governing the creation and discounting of, and the maintenance of reserves with respect to, bankers' acceptances.

SECTION 6. GENERAL PROVISIONS APPLICABLE TO THE
LOANS, LETTERS OF CREDIT AND ACCEPTANCES.

6.1 Termination or Reduction of Commitments. (a) The Borrower shall have the right, upon not less than five Business Days' notice to the Administrative Agent, to terminate the Commitments or, from time to time, reduce the amount of the Commitments to an amount not less than the sum of (i) the aggregate principal amount of the Loans then outstanding after giving effect to any contemporaneous prepayment thereof, and (ii) the then outstanding L/C Obligations and Acceptance Obligations. Any termination of the Commitments shall be accompanied by the prepayment in full of the Loans, together with accrued interest thereon to the date of such prepayment, the collateralization of the then outstanding L/C Obligations and Acceptance Obligations in accordance with subsection 6.3(a), and the payment of any unpaid commitment fee and any other fees and commissions then accrued hereunder with respect to the Commitments and any other amounts payable hereunder. Any such reduction shall be in an amount of \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof and shall reduce permanently pro rata in accordance with subsection 6.11 the amount of the Commitments then in effect.

6.2 Optional Prepayments. The Borrower may on the last day of any Interest Period with respect thereto, in the case of Eurodollar Loans, and at any time and from time to time, in the case of Base Rate Loans, prepay the Loans, in whole or in part, without premium or penalty, upon in the case of Loans, at least four Business Days' irrevocable notice to the Administrative Agent at its payment Office, specifying the date and amount of prepayment and whether the prepayment is of Eurodollar Loans, Base Rate Loans or a combination thereof, and, if of a combination thereof, the amount allocable to each. Upon receipt of any such notice in respect of Loans, the Administrative Agent shall promptly notify each Lender thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, together with any amounts payable pursuant to subsection 6.13. Partial prepayments shall be, in the case of Eurodollar Loans, in an aggregate principal amount of \$1,000,000 or a whole multiple thereof, and in the case of Base Rate Loans, in an aggregate principal amount of \$100,000 or a whole multiple of \$100,000 in excess thereof. All repayments shall be made to the Payment Office specified herein.

6.3 Mandatory Prepayments. (a) The Borrower, without notice or demand, shall immediately prepay the Loans to the extent, if any, that at any time the Aggregate Outstanding Extensions of Credit at such time exceeds the Commitments

of all the Lenders then in effect. To the extent that after giving effect to any prepayment of the Loans required by the immediately preceding sentence, the Aggregate Outstanding Extensions of Credit of the Lenders exceed the Commitments of all the Lenders then in effect, the Borrower shall, without notice or demand, immediately deposit in a cash collateral account with the Administrative Agent, having terms and conditions satisfactory in form and substance to the Administrative Agent, as cash collateral security for the liability of the Issuing Bank (whether direct or contingent) under any Letters of Credit (including any Existing Letters of Credit) then outstanding or of the Accepting Bank (whether direct or contingent) under any Acceptances (including any Existing Acceptances) then outstanding, an aggregate amount equal to the amount by which the Aggregate Outstanding Extensions of Credit of the Lenders exceed the Commitments of all the Lenders then in effect.

(b) If, at any time during the Commitment Period, the Aggregate Outstanding Extensions of Credit of the Lenders exceed the Borrowing Base then in effect, the Borrower shall, without notice or demand, immediately prepay the Loans in an aggregate principal amount equal to such excess, together with commitment fees, fronting fees and letter of credit fees accrued to the date of such payment or prepayment. To the extent that after giving effect to any prepayment of the Loans required by the immediately preceding sentence, the Aggregate Outstanding Extensions of Credit of the Lenders exceed the Borrowing Base then in effect, the Borrower shall, without notice or demand, immediately deposit in a cash collateral account with the Administrative Agent, having terms and conditions satisfactory in form and substance to the Administrative Agent, as cash collateral security for the liability of the Issuing Bank (whether direct or contingent) under any Letters of Credit (including any Existing Letters of Credit) then outstanding or of the Accepting Bank (whether direct or contingent) under any Acceptances (including any Existing Acceptances) then outstanding, an aggregate amount equal to the amount by which the Aggregate Outstanding Extensions of Credit of the Lenders exceed the Borrowing Base then in effect.

(c) [Intentionally omitted]

(d) [Intentionally omitted].

(e) Interest accrued on any Loans prepaid pursuant to this subsection 6.3 to and including the date of such prepayment shall be payable on the next succeeding Interest Payment Date following the date on which such prepayment is made. All prepayments pursuant to this subsection 6.3 shall be subject to the provisions of subsection 6.13 and shall be made to the Payment Offices specified herein.

6.4 Certain Fees. (a) The Borrower agrees to pay to the Administrative Agent at the Payment Office for the account of the Lenders a non-refundable commitment fee for the period from and including the first day of the Commitment Period to and including the Termination Date or such earlier date as the Commitments shall terminate as provided herein, computed at a rate per annum on the daily average amount of the Available Commitments during the period for which payment is made equal to the Applicable Commitment Fee Rate. Such commitment fees shall be payable quarterly in arrears on the last day of each February, May, August and November and on the Termination Date or such earlier date as the Commitments shall terminate as provided herein, commencing on the first of such dates to occur after the date hereof.

(b) The Borrower agrees to pay to the Administrative Agent at the Payment Office for the account of the Lenders the fees required to be paid pursuant to the Fee Letter, dated as of June 23, 2004, between the Borrower and the Administrative Agent.

(c) The Borrower agrees to pay to the Administrative Agent at the Payment Office during the period from the first day of the Commitment Period to the Termination Date or such earlier date as the Commitments shall terminate as provided herein, as compensation for its services as Administrative Agent hereunder, an administrative fee in an amount separately agreed by the Borrower and the Administrative Agent, payable in advance on the Closing Date and on each anniversary of the Closing Date.

6.5 Reimbursement Obligations of the Borrower. (a) The Borrower agrees to reimburse the Issuing Bank at the Payment Office on demand on each date on which the Issuing Bank notifies the Borrower of the date and amount of a draft presented or other payment demanded under any Letter of Credit (including any Existing Letter of Credit) and paid by the Issuing Bank for the amount of (i) such draft so paid or payment so made and (ii) any taxes, reasonable fees, charges or other costs or expenses incurred by the Issuing Bank in connection with such payment. Each such payment shall be made to the Issuing Bank at its address for notices specified herein in the relevant currency and in immediately available funds. If the Borrower fails to make such payment when due in respect of a Foreign Currency Letter of Credit then, upon notice from the Issuing Bank to the Borrower and the Administrative Agent, the amount payable shall without further action be converted into an obligation denominated in Dollars at the applicable Exchange Rate on the date of such conversion, as determined by the Issuing Bank in accordance with the terms hereof, and the Issuing Bank shall notify the Administrative Agent and each Lender of the applicable L/C Reimbursement Obligation, the payment then due from the Borrower in respect thereof and such Lender's Commitment Percentage thereof. Each drawing or other payment under any Letter of Credit issued in Dollars shall constitute a request by the Borrower to the Administrative Agent for a borrowing pursuant to subsection 2.1 of a Base Rate Loan in the amount of such drawing or payment. The Borrowing Date with respect to such borrowing shall be the date of such drawing or other payment if such drawing or payment is made prior to 10:00 A.M. on such date and otherwise the first Business Day following the date of such drawing or payment.

(b) The Borrower shall be obligated, and hereby unconditionally agrees to reimburse the Accepting Bank on demand at the Payment Office on the maturity date thereof or on such earlier date as the Acceptance Obligations shall become or shall have been declared due and payable in an amount equal to the face amount of each Acceptance created by the Accepting Bank hereunder (including each Existing Acceptance). Each such payment shall be made to the Accepting Bank at the Payment Office in Dollars and in immediately available funds. Each payment under any Acceptance shall constitute a request by the Borrower to the Administrative Agent for a borrowing pursuant to subsection 2.1 of a Base Rate Loan in the amount of such payment. The Borrowing Date with respect to such borrowing shall be the date of such payment if such payment is made prior to 10:00 A.M. on such date and otherwise on the first Business Day following the date of such payment.

(c) To the extent that a drawing or payment is not reimbursed pursuant to this subsection on the date such drawing or payment is made, interest shall be

payable on such amounts for the Business Day for which such amounts remain unpaid at the rate applicable to Base Rate Loans hereunder. Interest shall be payable on any and all amounts remaining unpaid by the Borrower under this subsection from the date such amounts become payable until payment in full at the rate which would be payable on any outstanding Base Rate Loans which were then overdue.

6.6 Interest Rates and Payment Dates. (a) Each Eurodollar Loan shall bear interest for each day during each Interest Period with respect thereto at a rate per annum equal to the Eurodollar Rate determined for such day plus the Applicable Margin.

(b) Each Base Rate Loan shall bear interest at a rate per annum equal to the Base Rate plus the Applicable Margin.

(c) [Intentionally omitted]

(d) [Intentionally omitted]

(e) If all or a portion of (i) any of the principal amount of any Loan, (ii) any interest payable thereon or (iii) any commitment fee or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum which is (x) in the case of overdue principal, the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this subsection plus 2% or (y) in the case of overdue interest, commitment fee or other amount, the rate described in paragraph (b) of this subsection plus 2%, in the case of amounts owing that are denominated in Dollars, from the date of such non-payment until such overdue principal, interest, commitment fee or other amount is paid in full (as well after as before judgment).

(f) Interest shall be payable in arrears on each Interest Payment Date and on the Termination Date, provided that interest accruing pursuant to paragraph (e) of this subsection shall be payable from time to time on demand.

6.7 Computation of Interest and Fees. (a) Interest on Loans, commitment fees and letter of credit fees shall be calculated on the basis of a 360 day year for the actual days elapsed. The Administrative Agent shall as soon as practicable notify the Borrower and the Lenders of each determination of a Eurodollar Rate. Any change in the interest rate on a Loan resulting from a change in the Base Rate or the Eurocurrency Reserve Requirement shall become effective as of the opening of business on the day on which such change in the Base Rate or the Eurocurrency Reserve Requirement becomes effective. The Administrative Agent shall as soon as practicable notify the Borrower and the Lenders of the effective date and the amount of each such change in interest rate.

(b) Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower and the Lenders in the absence of manifest error.

6.8 Conversion and Continuation Options. (a) The Borrower may elect from time to time to convert Eurodollar Loans to Base Rate Loans by giving the Administrative Agent at least two Business Days' prior irrevocable notice of

such election at the Funding Office, provided that any such conversion of Eurodollar Loans may only be made on the last day of an Interest Period with respect thereto. The Borrower may elect from time to time to convert Base Rate Loans to Eurodollar Loans by giving the Administrative Agent at least three Business Days' prior irrevocable notice of such election at the Funding Office. Any such notice of conversion to Eurodollar Loans shall specify the length of the initial Interest Period or Interest Periods therefor. Upon receipt of any such notice the Administrative Agent shall promptly notify each Lender thereof. All or any part of outstanding Eurodollar Loans and Base Rate Loans may be converted as provided herein, provided that (i) no Dollar Loan may be converted into a Eurodollar Loan when any Event of Default has occurred and is continuing and the Administrative Agent has or the Required Lenders have determined that such a conversion is not appropriate, (ii) partial conversions to Base Rate Loans (except pursuant to paragraph (b) of this subsection) shall be in an aggregate principal amount of \$1,000,000 or a whole multiple of \$100,000 in excess thereof and partial conversions to Eurodollar Loans shall be in an amount equal to \$1,500,000 or a whole multiple of \$500,000 in excess thereof and (iii) no Dollar Loan may be converted into a Eurodollar Loan after the date that is one month prior to the Scheduled Termination Date.

(b) Any Eurodollar Loans may be continued as such in the same currency upon the expiration of the then current Interest Period with respect thereto by the Borrower giving notice to the Administrative Agent at the Funding Office, in accordance with the applicable provisions contained in the definition of the term "Interest Period" set forth in subsection 1.1, of the length of the next Interest Period to be applicable to such Loans, provided that (i) no Eurodollar Loan may be continued as such when any Event of Default has occurred and is continuing and the Administrative Agent has or the Required Lenders have determined that such a continuation is not appropriate and (ii) no Eurodollar Loan may be continued as such after the date that is one month prior to the Scheduled Termination Date and provided, further, that if the Borrower shall fail to give any required notice as described above in this paragraph in respect of any Eurodollar Loan or if such continuation is not permitted in respect of any Eurodollar Loan pursuant to the preceding proviso such Eurodollar Loans shall be automatically converted to Base Rate Loans on the last day of such then expiring Interest Period.

6.9 Minimum Amounts of Tranches. All borrowings, conversions, payments, prepayments and selection of Interest Periods hereunder in respect of the Loans shall be in such amounts and be made pursuant to such elections so that, after giving effect thereto, the aggregate principal amount of any one Eurodollar Tranche shall not be less than \$1,500,000.

6.10 Inability to Determine Interest Rate. If prior to the first day of any Interest Period with respect to (i) Loans that the Borrower has requested be made as Eurodollar Loans, (ii) Eurodollar Loans that will result from the requested conversion of Base Rate Loans into Eurodollar Loans or (iii) the continuation of Eurodollar Loans beyond the expiration of the then current Interest Period with respect thereto:

(a) the Administrative Agent shall have determined (which determination shall be conclusive and binding upon the Borrower) that, by reason of circumstances affecting the interbank eurodollar market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for any requested Interest Period; or

(b) the Administrative Agent shall have received notice prior to the first day of such Interest Period from Lenders constituting the Required Lenders that the interest rate determined pursuant to subsection 6.6 for such Interest Period does not accurately reflect the cost to such Lenders (as conclusively certified by such Lenders) of making or maintaining their affected Loans during such Interest Period;

the Administrative Agent shall give telecopy or telephonic notice thereof to the Borrower and the Lenders as soon as practicable thereafter. If such notice is given in respect of Eurodollar Loans (v) any Eurodollar Loans requested to be made on the first day of such Interest Period shall be made as Base Rate Loans, any Loans that were to have been converted on the first day of such Interest Period to Eurodollar Loans shall be continued as Base Rate Loans and (x) any outstanding Eurodollar Loans shall be converted, on the first day of such Interest Period, to Base Rate Loans. Until such notice has been withdrawn by the Administrative Agent, no further Eurodollar Loans shall be made or continued as such, nor shall the Borrower have the right to convert Base Rate Loans to Eurodollar Loans.

6.11 Pro Rata Treatment and Payments. (a) Each borrowing by the Borrower of Loans from the Lenders hereunder, each conversion or continuation of a Dollar Loan, each payment by the Borrower on account of any commitment fee and letter of credit or participation fees hereunder and any reduction of the Commitments of the Lenders shall be made pro rata according to the respective Commitment Percentages of the Lenders. Each payment (including each prepayment) by the Borrower on account of principal of and interest on the Loans shall be made pro rata according to the respective outstanding principal amounts of the Loans then held by the Lenders, except as otherwise provided in subsection 8.1(1). All payments (including prepayments) to be made by the Borrower hereunder and under the Notes, whether on account of principal, interest, fees or otherwise, shall be made without set-off or counterclaim and shall be made, except as otherwise set forth herein, prior to the Payment Time, on the due date thereof to the Payment Office, in Dollars and in immediately available funds. The Administrative Agent shall distribute such payments in accordance with the terms hereof to the Lenders promptly upon receipt in like funds as received. If any payment hereunder (other than payments on the Eurodollar Loans) becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day, and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

(b) Unless the Administrative Agent shall have been notified in writing by any Lender at least two days prior to a Borrowing Date that such Lender will not make the amount that would constitute its Commitment Percentage of any borrowing in Dollars on such date available to the Administrative Agent, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on such Borrowing Date, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If such amount is made available to the Administrative Agent on a date after such Borrowing Date, such Lender shall pay to the Administrative Agent on demand an amount equal to the greater of (i) the product of (1) the daily average Federal funds rate during such period as quoted by the Administrative Agent, times (2) the amount of such Lender's Commitment Percentage of such borrowing, times (3) a fraction the numerator of which is the number of days that elapse from and including such Borrowing Date to the date on which such Lender's Commitment Percentage of such borrowing shall have become

immediately available to the Administrative Agent and the denominator of which is 360 and (ii) a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, for the period until such Lender makes such amount immediately available to the Administrative Agent. A certificate of the Administrative Agent submitted to any Lender with respect to any amounts owing under this subsection shall be conclusive in the absence of manifest error. If such Lender's Commitment Percentage of such borrowing is not in fact made available to the Administrative Agent by such Lender within three Business Days of such Borrowing Date, the Administrative Agent shall be entitled to recover from the Borrower, on demand, such amount with interest thereon at the rate per annum applicable to Base Rate Loans which are not overdue hereunder.

6.12 Illegality. Notwithstanding any other provisions herein, if any Requirement of Law or any change therein or in the interpretation or application thereof shall make it unlawful for any Lender to make, maintain or participate in Eurodollar Loans as contemplated by this Agreement, (a) the commitment of such Lender hereunder to make Eurodollar Loans or to convert Base Rate Loans to Eurodollar Loans shall forthwith be canceled and (b) such Lender's Loans then outstanding as Eurodollar Loans, if any, shall be converted automatically to Base Rate Loans on the respective last days of the then current Interest Periods for such Loans or within such earlier period as required by law. If any such prepayment or conversion of a Eurodollar Loan occurs on a day which is not the last day of the current Interest Period with respect thereto, the Borrower shall pay to such Lender such amounts, if any, as may be required pursuant to subsection 6.13. During any such period of illegality any Eurodollar Loans that, but for the application of the preceding sentence would have been maintained as Eurodollar Loans, shall be made and maintained by the affected Lender as Base Rate Loans.

6.13 Indemnity. The Borrower agrees to indemnify each Lender and to hold each Lender harmless from any loss or expense which such Lender may sustain or incur as a consequence of (a) default by the Borrower in payment when due of the principal amount of or interest on any Eurodollar Loans of such Lender, (b) default by the Borrower in making a borrowing or conversion after the Borrower has given a notice of borrowing or a notice of conversion in accordance with provisions of this Agreement, (c) default by the Borrower in making any prepayment after the Borrower has given a notice in accordance with provisions of this Agreement or (d) the making of a prepayment of a Eurodollar Loan on a day which is not the last day of an Interest Period with respect thereto, including, without limitation, in each case, any such loss or expense arising from the reemployment of funds obtained by it to maintain its Eurodollar Loans hereunder or from fees payable to terminate the deposits from which such funds were obtained. This covenant shall survive termination of this Agreement, payment of the outstanding Notes and all other amounts payable hereunder.

6.14 Requirements of Law. (a) If the adoption of or any change in any Requirement of Law or in the interpretation or application thereof or compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the date hereof:

(i) shall subject any Lender to any tax of any kind whatsoever with respect to this Agreement, any Note or any Eurodollar Loan made by it, or change the basis of taxation of payments to such Lender in respect thereof

(except for Non-Excluded Taxes covered by subsection 6.15 and changes in the rate of tax on the overall net income of such Lender);

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender which is not otherwise included in the determination of the Eurodollar Rate hereunder; or

(iii) shall impose on such Lender any other condition;

and the result of any of the foregoing is to increase the cost to such Lender, by an amount which such Lender deems to be material, of making, converting into, continuing, maintaining or participating in Eurodollar Loans or issuing or participating in Letters of Credit or creating or participating in Acceptances or to reduce any amount receivable hereunder in respect thereof, then, in any such case, the Borrower shall promptly pay such Lender, upon its demand, any additional amounts necessary to compensate such Lender for such increased cost or reduced amount receivable. If any Lender becomes entitled to claim any additional amounts pursuant to this subsection, it shall promptly notify the Borrower, through the Administrative Agent, of the event by reason of which it has become so entitled. A certificate as to any additional amounts payable pursuant to this subsection submitted by such Lender, through the Administrative Agent, to the Borrower shall be conclusive in the absence of manifest error. This covenant shall survive the termination of this Agreement and the payment of the Notes and all other amounts payable hereunder.

(b) If any Lender shall have determined that the adoption of or any change in any Requirement of Law regarding capital adequacy or in the interpretation or application thereof or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the date hereof does or shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder to a level below that which such Lender or such corporation could have achieved but for such change or compliance (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, after submission by such Lender to the Borrower (with a copy to the Administrative Agent) of a written request therefore, the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender for such reduction.

6.15 Taxes. (a) All payments made by the Borrower under this Agreement and the Notes shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding net income taxes and franchise taxes (imposed in lieu of net income taxes) imposed on the Administrative Agent or any Lender as a result of a present or former connection between the Administrative Agent or such Lender and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any

such connection arising solely from the Administrative Agent or such Lender having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or the Notes). If any such non-excluded taxes, levies, imposts, duties, charges, fees deductions or withholdings ("Non-Excluded Taxes") are required to be withheld from any amounts payable to the Administrative Agent or any Lender hereunder or under the Notes, the amounts so payable to the Administrative Agent or such Lender shall be increased to the extent necessary to yield to the Administrative Agent or such Lender (after payment of all Non-Excluded Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement and the Notes, provided, however, that the Borrower shall not be required to increase any such amounts payable to any Lender that is not organized under the laws of the United States of America or a state thereof if such Lender fails to comply with the requirements of paragraph (b) of this subsection. Whenever any Non-Excluded Taxes are payable by the Borrower, as promptly as possible thereafter the Borrower shall send to the Administrative Agent for its own account or for the account of such Lender, as the case may be, a certified copy of an original official receipt received by the Borrower showing payment thereof. If the Borrower fails to pay any Non-Excluded Taxes when due to the appropriate taxing authority or fails to remit to the Administrative Agent the required receipts or other required documentary evidence, the Borrower shall indemnify the Administrative Agent and the Lenders for any incremental taxes, interest or penalties that may become payable by the Administrative Agent or any Lender as a result of any such failure. The agreements in this subsection shall survive the termination of this Agreement and the payment of the Notes and all other amounts payable hereunder.

(b) Each Lender that is not a "U.S. Person" as defined in Section 7701(a)(30) of the Code (a "Non-U.S. Lender") shall:

(i) deliver to the Borrower and the Administrative Agent (A) two duly completed copies of United States Internal Revenue Service Form W-8BEN or Form W-8ECI, or, in the case of a Non-U.S. Lender claiming exemption from U.S. federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a statement substantially in the form of Exhibit J and a Form W-8BEN, or any subsequent versions thereof or successors thereto, properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from U.S. federal withholding tax on all payments by the Borrower under this Agreement and the other Loan Documents;

(ii) deliver to the Borrower and the Administrative Agent two further copies of any such form or certification on or before the date that any such form or certification expires or becomes obsolete and after the occurrence of any event requiring a change in the most recent form previously delivered by it to the Borrower; and

(iii) obtain such extensions of time for filing and complete such forms or certifications as may reasonably be requested by the Borrower or the Administrative Agent;

unless in any such case an event (including, without limitation, any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable

or which would prevent such Lender from duly completing and delivering any such form with respect to it and such Lender so advises the Borrower and the Administrative Agent. Each Person that shall become a Lender or a Participant pursuant to subsection 13.6 shall, upon the effectiveness of the related transfer, be required to provide all of the forms and statements required pursuant to this subsection, provided that in the case of a Participant such Participant shall furnish all such required forms and statements to the Lender from which the related participation shall have been purchased.

6.16 Foreign Exchange Contracts. The Borrower may enter into foreign exchange contracts ("Foreign Exchange Contracts") which are acceptable in form and substance to the Administrative Agent and which are designed to limit the risk and/or exposure of the Borrower to fluctuations in currency exchange rates in the ordinary course of business; provided that the Borrower may only enter into Foreign Exchange Contracts with a Lender or an Affiliate of any Lender; and provided, further, that (a) the Borrower may not in any event enter into Foreign Exchange Contracts for speculative purposes; and (b) the aggregate face or notional amount of all such Foreign Exchange Contracts shall at no time exceed \$50,000,000 and the Borrower shall at no time be obligated or have the right to (i) purchase an aggregate amount of the relevant foreign currency greater than the relevant foreign currency equivalent of \$50,000,000 or (ii) receive payments with respect to fluctuations in the relevant foreign currency to Dollar exchange rate in respect of an aggregate Dollar amount in excess of \$50,000,000. The Borrower and the relevant Lender each agrees to promptly provide to the Administrative Agent a copy of any Foreign Exchange Contract to which it may be a party. The Administrative Agent shall determine the liabilities (the "Foreign Exchange Liabilities") of the Borrower under all outstanding Foreign Exchange Contracts on a "mark to market" basis at least once during each month and at such other times as the Administrative Agent shall determine in its discretion. The Administrative Agent shall upon request notify the Borrower and the Lenders of any determination made by it pursuant to the immediately preceding sentence.

SECTION 7. REPRESENTATIONS AND WARRANTIES

To induce the Lenders to enter into this Agreement and to make or participate in the Loans, to issue or participate in the Letters of Credit (including Existing Letters of Credit) and to create or participate in the Acceptances (including Existing Acceptances), the Borrower hereby represents and warrants to the Administrative Agent and each Lender that:

7.1 Financial Condition. The audited consolidated balance sheets of the Borrower and its Subsidiaries as at November 30, 2002 and November 30, 2003 and the related audited consolidated statements of operations, stockholders' equity and cash flows for the fiscal year ended on such date, reported on by KPMG Peat Marwick and Grant Thornton LLP, respectively, copies of which have heretofore been furnished to each Lender, are complete and correct and present fairly the consolidated financial condition and results of operations of the Borrower and its Subsidiaries as at such dates and for the fiscal years which ended on such dates. The unaudited consolidated balance sheets of the Borrower and its Subsidiaries as at May 31, 2004 and the related unaudited consolidated statements of operations, stockholders' equity and cash flows for the six month period ended on such date, certified by a Responsible Officer, copies of which have heretofore been furnished to each Lender, are complete and correct and present fairly the consolidated financial condition and results of operations of the Borrower and its Subsidiaries as at such date and for the six month period ended on such date. All such financial statements, including the related

schedules and notes thereto, have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as approved by such accountants or Responsible Officer, as the case may be, and as disclosed therein). Other than the Foreign Exchange Contracts set forth in Schedule 7.1, neither the Borrower nor any of its Subsidiaries had, at the date of the most recent balance sheet referred to above, any material Guarantee Obligation, contingent liability or liability for taxes, or any long-term lease or unusual forward or long-term commitment, including, without limitation, any interest rate or foreign currency swap or exchange transaction, which is not reflected in the foregoing statements or in the notes thereto. Except as set forth in Schedule 7.1, during the period from November 30, 2003 to and including the date hereof there has been no sale, transfer or other disposition by the Borrower or any of its Subsidiaries of any material part of its business or property and no purchase or other acquisition of any business or property (including any capital stock of any other Person) material in relation to the consolidated financial condition of the Borrower and its Subsidiaries at November 30, 2003.

7.2 No Change. Except as set forth in Schedule 7.2 or as set forth in the financial statements referred to in subsection 7.1, since November 30, 2003 (a) there has been no development or event which has had or could reasonably be expected to have a Material Adverse Effect and (b) no dividends or other distributions have been declared, paid or made upon the Capital Stock of the Borrower nor has any of the Capital Stock of the Borrower been redeemed, retired, purchased or otherwise acquired for value by the Borrower or any of its Subsidiaries, except as permitted under this Agreement or the Existing Credit Agreement.

7.3 Corporate Existence; Compliance with Law. Each of the Borrower and its Subsidiaries (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has the corporate power and authority to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged, (c) is duly qualified as a foreign corporation and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification except to the extent that the failure to be so qualified could not, in the aggregate, have a Material Adverse Effect and (d) is in compliance with all Requirements of Law except to the extent that the failure to comply therewith could not, in the aggregate, have a Material Adverse Effect.

7.4 Corporate Power; Authorization; Enforceable Obligations. The Borrower has the corporate power and authority to make, deliver and perform this Agreement, the Notes, the Security Documents to which it is a party, any Application and any Acceptance Request and to borrow hereunder and has taken all necessary corporate action to authorize the borrowings on the terms and conditions of this Agreement and the Notes and to authorize the execution, delivery and performance of this Agreement, the Notes, the Security Documents to which it is a party, any Application and any Acceptance Request. Each Guarantor has the corporate power and authority, and the legal right to make, deliver and perform the Security Documents to which it is a party and has taken all necessary corporate action to authorize the execution, delivery and performance of the Security Documents to which it is a party. No consent or authorization of, filing with or other act by or in respect of, any Governmental Authority or any other Person is or will be required in respect of the Borrower or any Guarantor in connection with the borrowings hereunder or with the execution, delivery, performance, validity or enforceability of this Agreement, the Notes,

the Security Documents, the other Loan Documents, any Application or any Acceptance Request. This Agreement has been, each Note will be, and each Security Document to which it is a party has been or will be, duly executed and delivered on behalf of the Borrower. The Security Documents have been or will be duly executed and delivered on behalf of each Guarantor that is a party thereto. This Agreement constitutes, each Note to which it is a party when executed and delivered, will constitute, and each Security Document to which it is a party constitutes or, when executed and delivered, will constitute, legal, valid and binding obligations of the Borrower, and the Security Documents constitute or, when executed and delivered, will constitute, legal, valid and binding obligations of each Guarantor that is a party thereto, in each case enforceable against the Borrower or such Guarantor, as the case may be, in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

7.5 No Legal Bar. The execution, delivery and performance of this Agreement, the Notes, the Security Documents, the other Loan Documents, any Application and any Acceptance Request, the borrowings hereunder and the use of the proceeds thereof will not violate any Requirement of Law or Contractual Obligation of the Borrower or of any of its Subsidiaries that is a party to any such document and will not result in, or require, the creation or imposition of any Lien on any of its or their respective properties or revenues pursuant to any such Requirement of Law or Contractual Obligation.

7.6 No Material Litigation. Except as set forth in Schedule 7.6, no litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the Borrower, threatened by or against the Borrower or any of its Subsidiaries or against any of its or their respective properties or revenues (a) with respect to this Agreement, the Notes, the Security Documents or any of the other Loan Documents or any of the transactions contemplated hereby or thereby, or (b) which could reasonably be expected to have a Material Adverse Effect.

7.7 No Default. Neither the Borrower nor any of its Subsidiaries is in default under or with respect to any of its Contractual Obligations in any respect which could reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

7.8 Ownership of Property; Liens. Each of the Borrower and its Subsidiaries has good record and marketable title in fee simple to, or a valid leasehold interest in, all its real property, and good title to all its other property, and none of such property is subject to any Lien except as permitted by subsection 10.3. Schedule 7.8 (as the same may be updated pursuant to subsection 9.2(g)) sets forth a true and complete list of all leases and warehouse contracts relating to real property upon which any Inventory of the Borrower or any of its Subsidiaries is kept or to which the Borrower or any of its Subsidiaries is a party, in each case identifying the lessor or warehouseman, as the case may be, describing the location of the real property, the size of the real property, the rent and the expiration of such lease or warehouse contract, as the case may be. Schedule 7.8 (as the same may be updated pursuant to subsection 9.2(g)) also sets forth a true and complete list of all leases with Affiliates.

7.9 Intellectual Property. The Borrower and each of its Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights and patents necessary for the conduct of its business as currently conducted except for those the failure to own or license which could not have a Material Adverse Effect (the "Intellectual Property"). No claim has been asserted and is pending by any Person challenging or questioning the use of any such Intellectual Property or the validity or effectiveness of any such Intellectual Property, nor does the Borrower know of any valid basis for any such claim. The use of such Intellectual Property by the Borrower and its Subsidiaries does not infringe on the rights of any Person, except for such claims and infringements that, in the aggregate, do not have a Material Adverse Effect.

7.10 No Burdensome Restrictions. No Requirement of Law or Contractual Obligation of the Borrower or any of its Subsidiaries has a Material Adverse Effect.

7.11 Taxes. Each of the Borrower and its Subsidiaries has filed or caused to be filed all tax returns which, to the knowledge of the Borrower, are required to be filed and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its property and all other taxes, fees or other charges imposed on it or any of its property by any Governmental Authority (other than any the amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of the Borrower or its Subsidiaries, as the case may be); no tax Lien has been filed, and, to the knowledge of the Borrower, no claim is being asserted, with respect to any such tax, fee or other charge.

7.12 Federal Regulations. No part of the proceeds of any Loans, Letters of Credit or Acceptances will be used for "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U of the Board of Governors of the Federal Reserve System as now and from time to time hereafter in effect or for any purpose which violates the provisions of the Regulations of such Board of Governors. If requested by any Lender or the Administrative Agent, the Borrower will furnish to the Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form U-1 referred to in said Regulation U.

7.13 ERISA. Except as set forth in Schedule 7.13, neither a Reportable Event nor an "accumulated funding deficiency" (within the meaning of Section 412 of the Code or Section 302 of ERISA) has occurred during the five-year period prior to the date on which this representation is made or deemed made with respect to any Plan, and each Plan has complied in all material respects with the applicable provisions of ERISA and the Code. No termination of a Single Employer Plan has occurred, and no Lien in favor of the PBGC or a Plan has arisen, during such five-year period with respect to which any liability or encumbrance remains outstanding or in effect. The present value of all accrued benefits under each Single Employer Plan, if any, (based on those assumptions used to fund such Plans) did not, as of the last annual valuation date prior to the date on which this representation is made or deemed made, exceed the value of the assets of such Plan allocable to such accrued benefits. Neither the Borrower nor any Commonly Controlled Entity has had a complete or partial withdrawal from any Multiemployer Plan, and to the best knowledge of the Borrower, neither the Borrower nor any Commonly Controlled Entity would become subject to any liability under ERISA if the Borrower or any such Commonly Controlled Entity were to withdraw completely from all Multiemployer Plans as of

the valuation date most closely preceding the date on which this representation is made or deemed made. To the best knowledge of the Borrower, no such Multiemployer Plan is in Reorganization or Insolvent. The present value (determined using actuarial and other assumptions which are reasonable in respect of the benefits provided and the employees participating) of the liability of the Borrower and each Commonly Controlled Entity for post retirement benefits to be provided to their current and former employees under Plans which are welfare benefit plans (as defined in Section 3(1) of ERISA) does not, as of the valuation date most closely preceding the date on which this representation is made or deemed made, in the aggregate, exceed the value of the assets of all such Plans allocable to such benefits.

7.14 Investment Company Act; Other Regulations. The Borrower is not an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended. The Borrower is not subject to regulation under any Federal or State statute or regulation which limits its ability to incur Indebtedness.

7.15 Subsidiaries and Joint Ventures. Schedule 7.15 sets forth a true and complete list of all Subsidiaries of the Borrower and the Joint Ventures of the Borrower, in each case setting forth the nature and percentage of the capital stock or other ownership interests which is directly or indirectly owned by the Borrower, the respective jurisdictions of organization of such Subsidiaries and Joint Ventures and whether such Subsidiary is a Material Foreign Subsidiary.

7.16 Purpose of Loans. The proceeds of the Loans, Letters of Credit and Acceptances shall be used by the Borrower for working capital purposes in the ordinary course of business and to pay fees and expenses incurred in connection with transactions contemplated under this Agreement and the other Loan Documents.

7.17 Environmental Matters. Except as set forth in Schedule 7.17:

(a) None of the properties of the Borrower or any of its Subsidiaries contain, and have not previously contained, any Materials of Environmental Concern in amounts or concentrations which (i) constitute or constituted a violation of, or (ii) could reasonably give rise to liability under, Environmental Laws.

(b) The properties of the Borrower and its Subsidiaries and all operations at such properties are in compliance, and have in the last 5 years been in compliance, with all applicable Environmental Laws, and there is no contamination at, under or about such properties, or violation of any Environmental Law with respect to such properties which could interfere with the continued operation of such properties or impair the fair saleable value thereof.

(c) Neither the Borrower nor any of its Subsidiaries has received any notice of violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to any of their respective properties or businesses, nor does the Borrower have knowledge or reason to believe that any such notice will be received or is being threatened.

(d) Materials of Environmental Concern have not been transported or disposed of from any property of the Borrower or any of its Subsidiaries in violation of, or in a manner or to a location which could reasonably give rise to liability under, Environmental Laws, nor have any Materials of Environmental Concern been generated, treated, stored or disposed of at, on or under any of such properties in violation of, or in a manner that could reasonably give rise to liability under, any applicable Environmental Laws.

(e) No judicial proceedings or governmental or administrative action is pending, or, to the knowledge of the Borrower, threatened, under any Environmental Law to which the Borrower is or will be named as a party with respect to any of the properties of the Borrower or any of its Subsidiaries nor are there any consent decrees or other decrees, consent orders, administrative orders or other orders, or other administrative or judicial requirements outstanding under any Environmental Law with respect to such properties.

(f) There has been no release or threat of release of Materials of Environmental Concern at or from any of the properties of the Borrower or any of its Subsidiaries, or arising from or related to the operations of the Borrower in connection with such properties, in violation of or in amounts or in a manner that could reasonably give rise to liability under Environmental Laws.

7.18 Security Documents. The Guarantee and Collateral Agreement is effective to create in favor of the Administrative Agent, for the benefit of the Lenders, a legal, valid and enforceable security interest in the Collateral described therein and proceeds thereof. In the case of the Pledged Stock described in the Guarantee and Collateral Agreement, when stock certificates representing such Pledged Stock are delivered to the Administrative Agent, the Guarantee and Collateral Agreement shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Borrower and the Subsidiary Guarantors in such Collateral and the proceeds thereof, as security for the Obligations (as defined in the Guarantee and Collateral Agreement), in each case prior and superior in right to any other Person (except, in the case of Collateral other than Pledged Stock, Liens permitted by Section 10.3).

7.19 Insurance. The Borrower and its Subsidiaries maintain insurance with financially sound and reputable insurance companies on all their properties in such amounts and against such risks (but, including in any event, public liability and product liability) as are usually insured against by companies engaged in the same or a similar business.

7.20 No Change in Credit Criteria or Collection Policies. There has been no material relaxation in credit criteria or collection policies concerning accounts receivable of the Borrower or any of its Subsidiaries since November 30, 1991. All Accounts from time to time designated as Eligible Accounts of the Borrower and its Subsidiaries satisfy (for so long as such Accounts continue to be designated as Eligible Accounts) all the eligibility criteria set forth in the definition of Eligible Accounts and are not subject to any claims, defenses or set-offs. All Accounts of the Borrower and its Subsidiaries are valid, binding and enforceable obligations of the Account Debtors or obligors on such Accounts, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement

of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

7.21 Government Contracts. Schedule 7.21 (as the same may be updated pursuant to subsection 9.2(1)) sets forth a true and complete list of all contracts (the "Government Contracts") between the Borrower or any of its Subsidiaries and any Governmental Authority or other government agency.

7.22 Existing Extensions of Credit. The Borrower hereby acknowledges, confirms and agrees that the Existing Extensions of Credit (a) constitute legal, valid, binding and enforceable obligations of the Borrower, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law) and (b) are subject to no defense, offset or counterclaim of any kind whatsoever.

7.23 Licensing. All export and import licenses and exchange control and other approvals required under applicable laws and regulations with respect to the importation of goods or Inventory by the Borrower and its Subsidiaries and the payment of the purchase price and costs related thereto have been obtained and are in full force and effect, except to the extent that the failure to so obtain could not, in the aggregate, have a Material Adverse Effect.

SECTION 8. CONDITIONS

8.1 Conditions to Effectiveness of Agreement. The effectiveness of this Agreement is subject to the satisfaction on or prior to the Closing Date, of the following conditions precedent:

(a) Loan Documents. The Administrative Agent shall have received (i) this Agreement duly executed and delivered by a Responsible Officer of the Borrower with a counterpart for each Lender, (ii) for the account of each Lender, a Note conforming to the requirements hereof and executed by a Responsible Officer of the Borrower (iii) the Guarantee and Collateral Agreement duly executed and delivered by the Borrower and each Subsidiary Guarantor and (iv) an Acknowledgement and Consent in the form attached to the Guarantee and Collateral Agreement, executed and delivered by each Issuer (as defined therein), if any, that is not a party to the Guarantee and Collateral Agreement.

(b) Corporate Proceedings of the Borrower and each Subsidiary. The Administrative Agent shall have received, with a counterpart for each Lender, a copy of the resolutions, in form and substance satisfactory to the Administrative Agent, of the Board of Directors of the Borrower and each Subsidiary that is a party to any Loan Document authorizing (i) in the case of the Borrower, (A) the execution, delivery and performance of this Agreement, the Notes, the Security Documents to which it is a party, any Application, any Acceptance Request and any other Loan Document to which it is a party, and (B) the borrowings contemplated hereunder, and (ii) in the case of each such Subsidiary, the execution, delivery and performance of the

Security Documents and any other Loan Document to which it is a party, in each case certified by the Secretary or an Assistant Secretary of the Borrower or such Subsidiary, as the case may be, as of the Closing Date, which certificate shall state that the resolutions thereby certified have not been amended, modified, revoked or rescinded and shall be in form and substance satisfactory to the Administrative Agent.

(c) Borrowing Certificate. The Administrative Agent shall have received, with an executed counterpart for each Lender, a Borrowing Certificate of the Borrower dated the Closing Date, substantially in the form of Exhibit B hereto, executed by a Responsible Officer of the Borrower.

(d) Incumbency Certificate. The Administrative Agent shall have received, with an executed counterpart for each Lender, a certificate of the Secretary or an Assistant Secretary of the Borrower and each Subsidiary that is a party to any Loan Document, dated the Closing Date, as to the incumbency and signatures of the officers thereof executing the Loan Documents to which it is a party including, in the case of the Borrower, this Agreement and the Notes, together with evidence of the incumbency of such Secretary or Assistant Secretary.

(e) Corporate Documents. The Administrative Agent shall have received, (i) with an executed counterpart for each Lender, true and complete copies of the certificate of incorporation and by-laws of the Borrower and each Subsidiary that is a party to any Loan Document, certified as of the Closing Date as complete and correct copies thereof by the Secretary or an Assistant Secretary of the Borrower or such Subsidiary, as the case may be, and (ii) good standing certificates for the Borrower and each of its Subsidiaries that is a party to any Loan Document from their respective jurisdictions of organization.

(f) No Violation. The consummation of the transactions contemplated hereby shall not contravene, violate or conflict in any material respect with, nor involve the Administrative Agent or any Lender in any violation of, any Requirement of Law.

(g) [Intentionally omitted].

(h) Filings, Registrations and Recordings. Any documents (including, without limitation, financing statements and filings under the Assignment of Claims Act of 1940) required to be filed, and any other actions required to be taken, under or in connection with any of the Security Documents in order to create or confirm, in favor of the Administrative Agent for the benefit of the Lenders, a perfected security interest in the collateral thereunder shall have been properly filed or taken, as the case may be, and the Administrative Agent shall have received evidence satisfactory to it of each such filing, registration, recordation or other action and satisfactory evidence of the payment of any necessary fee, tax or expense relating thereto.

(i) Fees. The Administrative Agent shall have received the fees to be received on the Closing Date referred to in subsection 6.4, together with any other fees and the reimbursement of expenses which

are due and payable on the Closing Date.

(j) Legal Opinions. The Administrative Agent shall have received, with a counterpart for each Lender, the executed legal opinion of (i) Levy, Stopol & Camelo, LLP, special counsel to the Borrower and certain of its Subsidiaries, substantially in the form of Exhibit G-1 hereto and (ii) Simpson Thacher & Bartlett LLP, special counsel to the Administrative Agent and the Lenders, substantially in the form of Exhibit G-2 hereto. Such legal opinion shall cover such other matters incident to the transactions contemplated by this Agreement as the Administrative Agent may reasonably require.

(k) Borrowing Base Certificate. The Administrative Agent shall have received a Borrowing Base Certificate dated the Closing Date executed and delivered by a Responsible Officer of the Borrower setting forth the Borrowing Base as of June 30, 2004.

(l) Adjustment of Outstanding Extensions of Credit. On the Closing Date, (i) the Lenders shall make such payments to each other (and, in the case of clause (i)(B) below, each Exiting Lender) as may be specified by the Administrative Agent such that (A) each Lender's share of the Aggregate Outstanding Extensions of Credit on the Closing Date corresponds with such Lender's Commitment Percentage hereunder and (B) the Administrative Agent shall receive amounts sufficient to make the payment contemplated by subsection 8.1(n)(iii) in respect of the principal of each Exiting Lender's Loans (as defined in the Existing Credit Agreement) and (ii) the Lenders' Participating Interests in all Letters of Credit and Acceptances outstanding hereunder shall be based upon their Commitments in effect on and after the Closing Date.

(m) Required Lenders under Existing Credit Agreement. The Administrative Agent shall have received written consents from Lenders (as defined in the Existing Credit Agreement) which constitute Required Lenders (as defined in the Existing Credit Agreement) under the Existing Credit Agreement to the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby (it being agreed that the execution of this Agreement by a Lender shall constitute such written consent).

(n) Exiting Lenders; Repayment of Loans under Existing Credit Agreement. The Administrative Agent shall have received evidence reasonably satisfactory to it that (i) all outstanding Foreign Currency Loans (as defined in the Existing Credit Agreement) outstanding under the Existing Credit Agreement shall have been or shall concurrently be repaid in full, together with any accrued interest thereon and any accrued fees payable under the Existing Credit Agreement to but excluding the Closing Date, (ii) the Lenders (as defined in the Existing Credit Agreement) which will not become parties hereto (and will not have a Commitment hereunder) (the "Exiting Lenders") shall have been or shall concurrently be relieved of all obligations in respect of their Commitments (as defined in the Existing Credit Agreement), (iii) each Exiting Lender's Loans (as defined in the Existing Credit Agreement) outstanding under the Existing Credit Agreement shall have been or shall concurrently be repaid in full, together with any accrued interest thereon and any accrued fees payable under the Existing Credit Agreement to but excluding the Closing Date, and (iv) the Administrative Agent shall have received, on behalf of each Lender under the Existing Credit Agreement, all accrued interest and fees (including the commitment fee required to be paid pursuant to Section 6.4) in favor of such Lender

pursuant to the Existing Credit Agreement to but excluding the Closing Date.

(o) Pledged Stock; Stock Powers; Pledged Notes. To the extent required and not already in its possession, the Administrative Agent shall have received the certificates representing the shares of Capital Stock pledged pursuant to the Guarantee and Collateral Agreement, together with an undated stock power for each such certificate executed in blank by a duly authorized officer of the pledgor thereof.

8.2 Conditions to Each Loan, Letter of Credit and Acceptance. The agreement of each Lender to make any Loan requested to be made by it, the agreement of the Issuing Bank to issue any Letter of Credit and the agreement of the Accepting Lender to create any Acceptance, on any date is subject to the satisfaction of the following conditions precedent:

(a) Representations and Warranties. Each of the representations and warranties made by the Borrower or its Subsidiaries in or pursuant to the Loan Documents shall be true and correct in all material respects on and as of such date as if made on and as of such date, except for representations and warranties expressly stated to relate to a specific earlier date, in which case such representations and warranties shall be true and correct as of such earlier date.

(b) No Default. No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the Loans and/or Letters of Credit and/or Acceptances requested to be made, issued or created, as the case may be, on such date.

(c) Borrowing Base. After giving effect to the Loans and/or Letters of Credit and/or Acceptances requested to be made, issued or created, as the case may be, on such date, the Aggregate Outstanding Extensions of Credit of the Lenders shall not exceed the Borrowing Base then in effect.

Each borrowing by, Letter of Credit issued on behalf of, and Acceptance created by or on behalf of, the Borrower hereunder shall constitute a representation and warranty by the Borrower as of the date of such borrowing, of the issuance of such Letter of Credit or of the creation of such Acceptance that the conditions contained in this subsection 8.2 have been satisfied.

SECTION 9. AFFIRMATIVE COVENANTS

The Borrower hereby agrees that, so long as the Commitments remain in effect, any Loan, Letter of Credit (including any Existing Letter of Credit) or Acceptance (including any Existing Acceptance) remains outstanding and unpaid or any other amount is owing to any Lender or the Administrative Agent hereunder, the Borrower shall and shall cause each of its Subsidiaries to:

9.1 Financial Statements. Furnish to the Administrative Agent and each Lender:

(a) as soon as available, but in any event within 90 days after the end of each fiscal year of the Borrower, a copy of the consolidated balance sheet of the Borrower and its Subsidiaries as at

the end of such year and the related consolidated statements of operations, stockholders' equity and cash flows for such year, setting forth in each case in comparative form the figures for the previous year, reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by Grant Thornton LLP, or other independent certified public accountants of nationally recognized standing acceptable to the Required Lenders; and

(b) as soon as available, but in any event not later than 45 days after the end of each of the first three quarterly periods of each fiscal year of the Borrower, the unaudited consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such quarter and the related unaudited consolidated statements of operations, stockholders' equity and cash flows of the Borrower and its Subsidiaries for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures for the previous year, certified by a Responsible Officer as being fairly stated in all material respects when considered in relation to the consolidated financial statements of the Borrower and its Subsidiaries;

all such financial statements to be complete and correct in all material respects and to be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods.

9.2 Certificates; Other Information. Furnish to the Administrative Agent and each Lender:

(a) concurrently with the delivery of the financial statements referred to in subsection 9.1(a), a certificate of the independent certified public accountants reporting on such financial statements stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default under subsection 10.1 hereof, except as specified in such certificate;

(b) concurrently with the delivery of (i) the financial statements referred to in subsections 9.1(a) and 9.1(b), a certificate of a Responsible Officer (A) stating that, to the best of such Responsible Officer's knowledge, the Borrower and each of its Subsidiaries during such period has observed or performed all of its covenants and other agreements, and satisfied every condition, contained in this Agreement and in the Notes and the other Loan Documents to which it is a party to be observed, performed or satisfied by it, and that such Responsible Officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate and (B) showing in detail calculations supporting such statement in respect of subsections 10.1, 10.8, 10.9 and 10.10 and (ii) the financial statements referred to in subsection 9.1(a), a certificate of a Responsible Officer showing in detail the calculations required to determine if any Subsidiary is a Material Foreign Subsidiary;

(c) not later than 45 days after the end of each fiscal year of the Borrower, a copy of the projections by the Borrower of the operating budget and cash flow budget of the Borrower and its Subsidiaries for the next fiscal year;

(d) within ten days after the same are sent, copies of all financial statements and reports which the Borrower sends to its stockholders, and within five days after the same are filed, copies of all financial statements and reports which the Borrower may make to, or file with, the Securities and Exchange Commission or any successor or analogous Governmental Authority;

(e) [Intentionally omitted];

(f) at any time at the request of the Administrative Agent and at the Borrower's expense, an audit of the Accounts, Inventory and books and records of the Borrower and its Subsidiaries by the Administrative Agent, in form and substance satisfactory to the Administrative Agent;

(g) within 15 days after the last day of each calendar month, a Borrowing Base Certificate setting forth the Borrowing Base as of such last day, which shall contain among other things a list of any lease or warehouse contract entered into by the Borrower or any of its Subsidiaries and a list of each contract entered into by the Borrower or any of its Subsidiaries with any Governmental Authority or other government agency after the date hereof and in each case still in effect at such time; Schedule 7.8 and Schedule 7.21 shall be deemed to be amended to include any such lease, warehouse contract or government contract on the date such list is provided;

(h) within 15 days after the last day of each month, monthly schedules, in form and substance satisfactory to the Administrative Agent, current as of the close of business on the last Business Day of such month, certified by a Responsible Officer, (i) of all Accounts of the Borrower and its Subsidiaries, showing separately those which are more than 30 days, 60 days, 90 days and 120 days old together with a reconciliation of such Accounts and (ii) setting forth such information as to accounts payable as the Administrative Agent shall request;

(i) [Intentionally omitted];

(j) promptly after receipt thereof, a copy of all management letters from the Borrower's independent certified public accountants;

(k) [Intentionally omitted]; and

(l) promptly, such additional financial and other information and copies of such documents and instruments as the Administrative Agent or any Lender may from time to time reasonably request, including, without limitation, a copy of any material debt instrument, security agreement or other material contract to which the Borrower or any Subsidiary may be a party.

9.3 Payment of Obligations. Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its material obligations of whatever nature, except where the amount or validity thereof is currently being contested in good faith, including by appropriate

proceedings, if any are required in the good faith judgment of the Borrower, and reserves in conformity with GAAP with respect thereto have been provided on the books of the Borrower or its Subsidiaries, as the case may be.

9.4 Conduct of Business and Maintenance of Existence. Continue to engage in business of the same general type as now conducted by it and preserve, renew and keep in full force and effect its corporate existence and take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business except as otherwise permitted pursuant to subsection 10.5; and comply with all Contractual Obligations and Requirements of Law except to the extent that failure to comply therewith could not, in the aggregate, have a Material Adverse Effect.

9.5 Maintenance of Property; Insurance. Keep all material property useful and necessary in its business in good working order and condition; maintain with financially sound and reputable insurance companies insurance on all its property in such amounts and against such risks (but including in any event public liability and product liability) as are usually insured against in the same general area by companies engaged in the same or a similar business; and furnish to each Lender, upon written request, full information as to the insurance carried.

9.6 Inspection of Property; Books and Records; Discussions; Audits. Keep proper books of records and account in which full, true and correct entries in conformity with GAAP and all Requirements of Law shall be made in all material respects of all dealings and transactions in relation to its business and activities; permit representatives of the Administrative Agent and any Lender to visit and inspect any of its properties and examine and make abstracts from any of its books and records at any reasonable time and as often as may reasonably be required, including, without limitation, any such visit, inspection or examination by the Administrative Agent and any Lender in connection with any audit conducted by the Administrative Agent, and at which a representative of any Lender may be present, of the Accounts, Inventory and books and records of the Borrower and its Subsidiaries from time to time at the Administrative Agent's discretion, and to discuss the business, operations, properties and financial and other condition of the Borrower and its Subsidiaries with officers and employees of the Borrower and its Subsidiaries and with its independent certified public accountants. Without limiting the Administrative Agent's rights under this subsection and without creating any obligations on the part of the Administrative Agent, the Administrative Agent currently intends that audits of the Borrower will be conducted on an approximately yearly basis.

9.7 Additional Collateral.

(a) With respect to any property of the type that would constitute Collateral acquired after the Closing Date by the Borrower or any of its Subsidiaries (other than property of the type that would constitute Collateral acquired by any Excluded Foreign Subsidiary) as to which the Administrative Agent, for the benefit of the Lenders, does not have a perfected Lien, promptly (i) execute and deliver to the Administrative Agent such amendments to the Guarantee and Collateral Agreement or such other documents as the Administrative Agent deems necessary or advisable to grant to the Administrative Agent, for the benefit of the Lenders, a security interest in such property and (ii) take all actions necessary or advisable to grant to the Administrative Agent, for the benefit of the Lenders, a perfected first priority security interest in such

property, including the filing of Uniform Commercial Code financing statements in such jurisdictions as may be required by the Guarantee and Collateral Agreement or by law or as may be requested by the Administrative Agent.

(b) With respect to any new Subsidiary (other than an Excluded Foreign Subsidiary) created or acquired after the Closing Date by the Borrower or any of its Subsidiaries (which, for the purposes of this paragraph (b), shall include any existing Subsidiary that ceases to be an Excluded Foreign Subsidiary), promptly (i) cause such new Subsidiary (A) to become a party to the Guarantee and Collateral Agreement, (B) to take such actions necessary or advisable to grant to the Administrative Agent for the benefit of the Lenders a perfected first priority security interest in the Collateral described in the Guarantee and Collateral Agreement with respect to such new Subsidiary, including the filing of Uniform Commercial Code financing statements in such jurisdictions as may be required by the Guarantee and Collateral Agreement or by law or as may be requested by the Administrative Agent and (C) to deliver to the Administrative Agent a certificate of such Subsidiary, substantially in the form of Exhibit B, with appropriate insertions and attachments, provided that in the case of any Wholly Owned Foreign Subsidiary, the Borrower or the relevant Subsidiary may, in lieu of causing such Wholly Owned Foreign Subsidiary to take the actions required by (A), (B) and (C) above, (x) execute and deliver to the Administrative Agent such amendments to the Guarantee and Collateral Agreement as the Administrative Agent deems necessary or advisable to grant to the Administrative Agent, for the benefit of the Lenders, a perfected first priority security interest in the Capital Stock of such new Wholly Owned Foreign Subsidiary and (y) pledge the stock of such new Wholly Owned Foreign Subsidiary by delivering to the Administrative Agent the certificates (if any) representing such Capital Stock, together with undated stock powers, in blank, executed and delivered by a duly authorized officer of the Borrower or the relevant Subsidiary and (ii) if requested by the Administrative Agent, deliver to the Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent. Schedule 7.15 shall be deemed to be amended to include any Subsidiary created after the date hereof, provided that the terms and provisions of this subsection 9.7, subsection 10.9 and any other applicable subsections of this Agreement are complied with in connection with the creation of any such Subsidiary.

9.8 Consignment of Title Documents. At any time at the request of the Administrative Agent or the Required Lenders, deliver or cause to be delivered to the Administrative Agent for the benefit of the Lenders any title or similar documents (including, without limitation, warehouse receipts) in respect of goods covered or originally covered by a Letter of Credit (including any Existing Letter of Credit) or Acceptance (including any Existing Acceptance) or goods which are otherwise included in the determination of Eligible Inventory.

9.9 Notices. Promptly give notice to the Administrative Agent and each Lender of:

(a) the occurrence of any Default or Event of Default;

(b) any (i) default or event of default under any Contractual Obligation of the Borrower or any of its Subsidiaries or (ii)

litigation, investigation or proceeding which may exist at any time between the Borrower or any of its Subsidiaries and any Governmental Authority, which in either case, if not cured or if adversely determined, as the case may be, could have a Material Adverse Effect;

(c) any litigation or proceeding affecting the Borrower or any of its Subsidiaries in which the amount involved is \$1,000,000 or more and which is not covered by insurance or in which injunctive or similar relief is sought which, if granted, could have a Material Adverse Effect;

(d) the following events, as soon as possible and in any event within 30 days after the Borrower knows or has reason to know thereof: (i) the occurrence or expected occurrence of any Reportable Event with respect to any Plan, or any withdrawal from, or the termination, Reorganization or Insolvency of any Multiemployer Plan or (ii) the institution of proceedings or the taking of any other action by the PBGC or the Borrower or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the terminating, Reorganization or Insolvency of, any Plan;

(e) [Intentionally omitted]; and

(f) the occurrence of a development or event which has had or could reasonably be expected to have a Material Adverse Effect.

Each notice pursuant to this subsection shall be accompanied by a statement of a Responsible Officer setting forth details of the occurrence referred to therein and stating what action the Borrower or any of its Subsidiaries proposes to take with respect thereto.

9.10 Environmental Laws. (a) Comply with, and ensure compliance by all tenants and subtenants of any real property owned or leased by the Borrower, if any, with, all applicable Environmental Laws and obtain and comply with and maintain, and ensure that all such tenants and subtenants obtain and comply with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws except to the extent that failure to do so could not be reasonably expected to have a Material Adverse Effect.

(b) Conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws and promptly comply with all lawful orders and directives of all Governmental Authorities regarding Environmental Laws except to the extent that the same are being contested in good faith by appropriate proceedings and the pendency of such proceedings could not be reasonably expected to have a Material Adverse Effect.

(c) Defend, indemnify and hold harmless the Administrative Agent and the Lenders, and their respective parents, subsidiaries, affiliates, employees, agents, officers and directors, from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature known or unknown, contingent or otherwise, arising out of, or in any way relating to the violation of, noncompliance with or liability under any Environmental Laws applicable to the operations or properties of the Borrower or any of its Subsidiaries, or any orders, requirements or demands of Governmental

Authorities related thereto, including, without limitation, attorney's and consultant's fees, investigation and laboratory fees, response costs, court costs and litigation expenses, except to the extent that any of the foregoing arise out of the gross negligence or willful misconduct of the party seeking indemnification therefor. If any claim, action or other proceeding is brought against the Administrative Agent or any Lender or their respective parents, subsidiaries, affiliates, employees, agents, officers or directors with respect to which the Administrative Agent or such Lender would be entitled to seek indemnification under this paragraph, the Borrower shall be entitled to assume the defense thereof with counsel satisfactory to the Administrative Agent or such Lender, as the case may be. The Administrative Agent or such Lender, as the case may be, shall be entitled, at the Borrower's expense, to retain counsel in connection with any such claim, action or other proceeding, provided, that the Administrative Agent and the Lenders shall agree upon and retain one counsel to represent them in connection with any single claim, action or other proceeding unless, the retention of one counsel would be prejudicial to the interests of the Administrative Agent or any Lender in their sole discretion. The Borrower shall not without the prior written consent of the Administrative Agent or any affected Lender effect any settlement of any pending or threatened proceeding, claim or action against the Administrative Agent or such Lender in respect of which the Administrative Agent or such Lender or their respective parents, subsidiaries, affiliates, employees, agents, officers or directors is a party or would be entitled to seek indemnification under this paragraph, unless such settlement includes an unconditional release of the Administrative Agent or such Lender and their respective parents, subsidiaries, affiliates, employees, agents, officers or directors from all liability on claims that are the subject matter of such claim, action or other proceeding and is otherwise acceptable to the Administrative Agent or such Lender and their respective counsel, in their sole discretion. This indemnity shall continue in full force and effect and survive the termination of this Agreement.

9.11 Further Assurances. Execute any and all further documents, and take all further action which the Required Lenders or the Administrative Agent may reasonably request in order to effectuate the transactions contemplated by the Loan Documents. Without limiting the generality of the foregoing, such further documents and actions shall include the execution of agreements and instruments, and filing Uniform Commercial Code financing statements, in order to effectuate the transactions contemplated by this Agreement and in order to grant, preserve, protect and perfect the validity and priority of the security interests created or intended to be created by the Security Documents.

SECTION 10. NEGATIVE COVENANTS

The Borrower hereby agrees that, so long as the Commitments remain in effect, any Loan, Letter of Credit (including any Existing Letter of Credit) or Acceptance (including any Existing Acceptance) remains outstanding and unpaid or any other amount is owing to any Lender or the Administrative Agent hereunder or under any other Loan Document, the Borrower shall not, and shall not permit any Subsidiary to, directly or indirectly:

10.1 Financial Condition Covenants.

(a) Maintenance of Pre-Tax Income. Permit (i) Consolidated Pre-Tax Income for (A) the first and second fiscal quarters (taken as

a single period) of its fiscal year to be less than \$1,500,000 in the aggregate, (B) the third and fourth fiscal quarters (taken as a single period) of its fiscal year to be less than \$2,500,000 in the aggregate (C) the fiscal year ending on November 30, 2004, to be less than \$4,000,000, (ii) a Consolidated Pre-Tax Loss to occur in any two consecutive fiscal quarters or (iii) a Consolidated Pre-Tax Loss in excess of \$1,000,000 to occur in any fiscal quarter.

(b) Maintenance of Consolidated Net Worth. Permit Consolidated Net Worth at any time to be less than (i) the Net Worth Base Amount at such time minus (ii) the aggregate purchase price of all Capital Stock of the Borrower purchased pursuant to subsection 10.7.

(c) Total Liabilities to Consolidated Net Worth Ratio. Permit the ratio of Consolidated Total Liabilities to Consolidated Net Worth at the end of any fiscal quarter to be greater than 1.25 to 1.

10.2 Limitation on Indebtedness. Create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness in respect of the Loans, the Notes, the Letters of Credit (including Existing Letters of Credit), the Acceptances (including Existing Acceptances) and other obligations of the Borrower under this Agreement;

(b) Indebtedness of the Borrower to any Subsidiary and any Domestic Subsidiary to the Borrower or any other Subsidiary;

(c) Indebtedness of any Subsidiary (other than a Domestic Subsidiary) to finance the working capital requirements of such Subsidiary not to exceed, taken together with all Indebtedness of all other Subsidiaries (other than Domestic Subsidiaries) outstanding under this paragraph, \$20,000,000 in the aggregate at any time;

(d) Indebtedness of the Borrower or any Subsidiary incurred to finance the acquisition of fixed or capital assets (whether pursuant to a loan, a Financing Lease or otherwise) permitted under subsection 10.8;

(e) [Intentionally omitted];

(f) Indebtedness of the Borrower in respect of Foreign Exchange Contracts permitted under subsection 6.16;

(g) Indebtedness of the Borrower which is subordinated and junior in right of payment to the Obligations on terms and conditions satisfactory to the Administrative Agent and the Required Lenders (including, without limitation, Indebtedness of Audiovox Communications Corp. under the Toshiba Note);

(h) [Intentionally omitted];

(i) other Indebtedness in an aggregate principal amount not to exceed \$2,000,000 at any one time outstanding, provided that such

Indebtedness shall not represent Indebtedness for money borrowed but shall only represent liabilities, other than Indebtedness for money borrowed secured by a Lien on the property of the Borrower or any of its Subsidiaries permitted under subsection 10.3(j);

(j) (x) Indebtedness of AG Holdings and/or RG Holdings incurred to finance the purchase of RG Holdings pursuant to the Recoton Purchase Agreement, provided that the aggregate initial principal amount of such Indebtedness shall not exceed (euro)15,000,000 and (y) Non-recourse Indebtedness of the Borrower or any of its Subsidiaries arising out of any Lien on the stock of AG Holdings and/or RG Holdings permitted under subsection 10.3(k); and

(k) existing Indebtedness of RG Holdings assumed in an aggregate principal amount not exceeding (euro)5,000,000 in connection with the Recoton Acquisition.

10.3 Limitation on Liens. Create, incur, assume or suffer to exist any Lien upon any of its property, assets (including, without limitation, the capital stock of any Subsidiary) or revenues, whether now owned or hereafter acquired, except for:

(a) Liens for taxes not yet due or which are being contested in good faith by appropriate proceedings, if any are required in the good faith judgment of the Borrower, provided that adequate reserves with respect thereto are maintained on the books of the Borrower or its Subsidiaries, as the case may be, in conformity with GAAP (or, in the case of Subsidiaries organized under the laws of a foreign country, generally accepted accounting principles in effect from time to time in their respective jurisdictions of organization);

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 60 days or which are being contested in good faith by appropriate proceedings;

(c) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation;

(d) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(e) easements, rights-of-way, restrictions and other similar encumbrances which, in the aggregate, are not substantial in amount and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the Borrower or any of its Subsidiaries;

(f) Liens securing Indebtedness of the Borrower and its Subsidiaries permitted by subsection 10.2(d) incurred to finance the acquisition of fixed or capital assets, provided that (i) such Liens shall be created substantially simultaneously with the acquisition of

such fixed or capital assets, (ii) such Liens do not at any time encumber any property other than the property financed by such Indebtedness, (iii) the amount of Indebtedness secured thereby is not increased at any time and (iv) the principal amount of Indebtedness secured by any such Lien shall at no time exceed 100% of the original purchase price of such property at the time it was acquired;

(g) Liens in favor of the Administrative Agent for the benefit of the Lenders created pursuant to the Security Documents and any liens created pursuant to subsection 9.7;

(h) [Intentionally omitted];

(i) [Intentionally omitted];

(j) Liens securing any Indebtedness permitted under subsection 10.2(i), provided that any such Liens shall not cover any Accounts or Inventory of the Borrower or any of its Subsidiaries; and

(k) Liens on the stock and the assets of AG Holdings and/or RG Holdings securing Indebtedness of AG Holdings and/or RG Holdings permitted by subsection 10.2(j)(x).

In no event shall the Borrower create, incur, assume or suffer to exist any Lien upon the Capital Stock of Audiovox Communications Corp. now owned or hereafter acquired by the Borrower, other than Liens in favor of the Administrative Agent for the benefit of the Lenders created pursuant to clause (g) above.

10.4 Limitation on Guarantee Obligations. Create, incur, assume or suffer to exist any Guarantee Obligation except:

(a) Guarantee Obligations under the Subsidiaries Guarantee;

(b) any Guarantee Obligations created pursuant to subsection 9.7;

(c) any Guarantee Obligations (other than in respect of Indebtedness) of Audiovox Communications Corp. in the ordinary course of business;

(d) Guarantee Obligations of the Borrower in respect of obligations of any wholly-owned Guarantor in an aggregate amount not to exceed \$5,000,000 at any time;

(e) [Intentionally omitted];

(f) [Intentionally omitted]; and

(g) Guarantee Obligations of the Borrower in respect of the Indebtedness of AG Holdings and/or RG Holdings permitted under subsection 10.2(j) in an aggregate amount not to exceed (euro)3,000,000.

10.5 Limitations on Fundamental Changes. Enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or convey, sell, lease, assign, transfer or otherwise dispose of, all or substantially all of its property, business or assets, except that:

(a) any Subsidiary of the Borrower may be merged or consolidated with or into the Borrower (provided that (i) the Borrower shall be the continuing or surviving corporation and (ii) the security interests created under the Security Documents in favor of the Administrative Agent, and the rights and remedies under such Security Documents, are not otherwise adversely affected) or with or into any one or more Domestic Subsidiaries (provided that (i) a Domestic Subsidiary shall be the continuing or surviving corporation and (ii) the security interests created under the Security Documents in favor of the Administrative Agent, and the rights and remedies under such Security Documents, are not otherwise adversely affected); and

(b) any Domestic Subsidiary of the Borrower may sell or distribute all or substantially all of its assets to the Borrower or any other Domestic Subsidiary.

10.6 Limitation on Sale of Assets. Except as permitted hereunder, convey, sell, lease, assign, transfer or otherwise dispose of any of its property, business or assets (including, without limitation, receivables and leasehold interests), whether now owned or hereafter acquired, or, in the case of any Subsidiary, issue or sell any shares of such Subsidiary's Capital Stock to any Person (other than the Borrower or any Guarantor or, if such Subsidiary is not a Guarantor, the Borrower or any Subsidiary), except:

(a) obsolete or worn out property disposed of in the ordinary course of business or other items of property (other than Accounts or Inventory) disposed of in the ordinary course of business which, individually or in the aggregate, are of nonmaterial economic value to the Borrower or any of its Subsidiaries disposing of such item of property;

(b) (i) the sale of Inventory in the ordinary course of business and (ii) the sale in an aggregate amount not exceeding \$5,000,000 after the date hereof of Inventory or Accounts receivable outside the ordinary course of business;

(c) the liquidation of investments in Cash Equivalents permitted under subsection 10.9(b);

(d) the transfer of the stock or other ownership interests in any Joint Venture by the Borrower or any of its Subsidiaries to Audiovox Holding Corp., provided that (x) Audiovox Holding Corp. (i) does not engage in any business other than the ownership of such stock or other ownership interests, (ii) does not incur any indebtedness for borrowed money or issue any Guarantee Obligation (other than under the Subsidiaries Guarantee) or (iii) does not acquire or own any assets other than such stock or other ownership interests and (y) if any Capital Stock of Audiovox Communications Corp. is transferred to Audiovox Holding Corp., such Capital Stock shall be pledged as collateral security pursuant to the

Guarantee and Collateral Agreement pursuant to documentation in form and substance satisfactory to the Administrative Agent;

(e) the sale of any CellStar stock owned by the Borrower or Audiovox Holding Corp.;

(f) the sale of assets (other than Accounts or Inventory) in an aggregate amount not exceeding \$1,000,000 in the aggregate after the date hereof;

(g) [Intentionally omitted];

(h) as permitted by subsection 10.5;

(i) [Intentionally omitted];

(j) [Intentionally omitted];

(k) the sale of Accounts receivable by RG Holdings or its Subsidiaries pursuant to factoring arrangements in the ordinary course of business; and

(l) the sale of Accounts payable by (i) AutoZone, Inc. (which do not constitute Eligible Accounts) pursuant to an ongoing arrangement with a financial institution providing for the purchase thereof by such financial institution or its affiliates or (ii) Spiegel Inc. or its Subsidiaries (in each case which do not constitute Eligible Accounts) in an aggregate amount of up to \$125,000 as a result of the bankruptcy filing by Spiegel Inc. or such Subsidiaries.

10.7 Limitation on Dividends; Stock Repurchases. Declare or pay any dividend (other than dividends payable solely in common stock of the Borrower) on, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of, any shares of any class of Capital Stock of the Borrower, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of the Borrower or any Subsidiary, except that the Borrower may (i) declare or pay any dividend (other than dividends payable solely in common stock of the Borrower) on any shares of any class of its Capital Stock and (ii) repurchase shares of its Capital Stock, provided that the aggregate amount of all such dividends or stock repurchases subsequent to the date hereof shall not exceed \$10,000,000.

10.8 Limitation on Capital Expenditures. Make or commit to make (by way of the acquisition of securities of a Person or otherwise) any expenditure in respect of the purchase or other acquisition of fixed or capital assets except for expenditures not exceeding, in the aggregate for the Borrower and its Subsidiaries, \$7,500,000 during the term of this Agreement.

10.9 Limitation on Investments, Loans and Advances. Make any advance, loan, extension of credit or capital contribution to, or purchase any stock, bonds, notes, debentures or other securities of or any assets constituting a business unit of, or make any other investment in, any Person (an "Investment"), except:

(a) extensions of trade credit in the ordinary course of business;

(b) Investments in Cash Equivalents;

(c) Acquisitions by the Borrower and its Domestic Subsidiaries, provided that the aggregate amount of all such Acquisitions since the Closing Date (including assumed Indebtedness) shall not exceed \$10,000,000, provided that, to the extent any such Acquisition results in the creation or acquisition of a Subsidiary, the Borrower and such Subsidiary comply with the requirements of subsection 9.7;

(d) Investments arising as a result of the compromise or settlement of Accounts (other than Eligible Accounts) in the ordinary course of business as generally conducted over a period of time;

(e) Investments in (i) Domestic Subsidiaries and (ii) Joint Ventures and Subsidiaries (other than Domestic Subsidiaries) outstanding on the date hereof and described in Schedule 10.9(e), provided that the Borrower and its Subsidiaries shall be in compliance with their obligations under subsection 9.7; and

(f) (i) Investments by the Borrower and its Subsidiaries in (A) any newly formed Joint Venture or Subsidiary (other than a Domestic Subsidiary) and (B) any existing Joint Venture or Subsidiary (other than a Domestic Subsidiary) made after the date hereof, not to exceed \$10,000,000 with respect to any single such investment and (ii) Acquisitions, provided that (w) the aggregate amount of all such Investments and Acquisitions after the date hereof shall not exceed \$10,000,000 in the aggregate, (x) to the extent that any such Subsidiary in which an Investment is made is or becomes a Wholly Owned Foreign Subsidiary, the Borrower and such Wholly Owned Foreign Subsidiary comply with the provisions of subsection 9.7 and (y) to the extent that any Acquisition pursuant to clause (ii) above results in the acquisition or creation of a Subsidiary, the Borrower and such Subsidiary comply with the provisions of subsection 9.7.

10.10 Limitation on Payments on Subordinated Indebtedness. Make any optional prepayment, optional redemption, optional defeasance or optional purchase of the principal of any Indebtedness permitted under subsection 10.2(g).

10.11 Limitation on Subordinated Indebtedness. Amend, modify or waive any provision of any Indebtedness permitted under Section 10.2(g).

10.12 Transactions with Affiliates. Except as set forth on Schedule 10.12, enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of property or the rendering of any service, with any Affiliate, unless such transaction is in the ordinary course of, and pursuant to the reasonable requirements of, the Borrower's or such Subsidiary's business, is in good faith and is upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary, as the case may be, than it would obtain in a comparable arm's length transaction with a Person not an Affiliate and, with respect to a transaction between the Borrower or any Subsidiary, on the one hand, and a Joint Venture, on the other hand, is upon such terms that are (a) commercially reasonable based upon the volume of business transacted between the

Borrower or such Subsidiary, on the one hand, and such Joint Venture, on the other hand, and (b) with respect to transfers of Inventory, at a price not less than the lowest price charged to the Borrower's other Joint Ventures and in no event less than the price for a sale of such Inventory in effect with such Joint Venture on the Closing Date. Accounts owed by any Joint Venture to the Borrower or any Subsidiary shall be promptly invoiced (and, in any event, shall be invoiced within five days after the shipment of goods relating thereto), shall be payable not later than 90 days after the date of creation of original invoices related thereto, and the time for payment on any such Account shall not be extended, nor shall any such Account be compromised, compounded or settled for less than the full amount thereof.

10.13 Sale and Leaseback. Enter into any arrangement with any Person providing for the leasing by the Borrower or any Subsidiary of real or personal property which has been or is to be sold or transferred by the Borrower or such Subsidiary to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such property or rental obligations of the Borrower or such Subsidiary.

10.14 Fiscal Year. Permit the fiscal year of the Borrower or any of its Subsidiaries to end on a day other than November 30.

10.15 Limitation on Negative Pledge Clauses. Enter into any agreement or Financing Leases permitted by this Agreement (in which cases, any prohibition or limitation shall only be effective against the assets financed thereby), with any Person other than the Lenders pursuant hereto which prohibits or limits the ability of the Borrower or any of its Subsidiaries to create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired.

10.16 Compromise of Receivables. Except other than in the ordinary course of business as generally conducted over a period of time, grant any extension of the time of payment of any of the Accounts, compromise, compound or settle the same for less than the full amount thereof, release, wholly or partially, any Person liable for the payment thereof, or allow any credit or discount whatsoever thereon.

10.17 Accounting Policies and Procedures. Except as set forth in Schedule 10.17, permit any material change in the accounting policies or procedures of the Borrower or any of its subsidiaries, other than as required by GAAP (or, in the case of Subsidiaries organized under the laws of a foreign country, generally accepted accounting principles in effect from time to time in their respective jurisdictions of organization), without the prior written consent of the Administrative Agent.

10.18 Consignment of Title Documents. Deliver any title or other similar documents in respect of Inventory as collateral security to any Person other than the Administrative Agent.

10.19 Limitation on Restrictions on Intercompany Payments. Enter into any agreement which restricts in any way, or has the effect of restricting, the payment of dividends, distributions or other amounts to the Borrower by any Subsidiary or amend the terms of any existing agreement so as to impose or

increase any restrictions on the payment of dividends, distributions or other amounts to the Borrower by any Subsidiary or Joint Venture in a manner that is more onerous than any such restrictions in effect on the Closing Date.

10.20 Limitation on Foreign Exchange Contracts and Interest Rate Agreement.

(a) Enter into a Foreign Exchange Contract except in the ordinary course of business for non-speculative purposes and so long as the aggregate amount of Foreign Exchange Liabilities of the Borrower at such time, as most recently determined prior to such time by the Administrative Agent pursuant to this subsection 6.16 and after giving effect to such Foreign Exchange Contract, does not exceed \$10,000,000 and (b) enter into any interest rate swap agreement, option, collar or other similar or derivative agreement, except in the ordinary course of business for non-speculative purposes.

SECTION 11. EVENTS OF DEFAULT

If any of the following events shall occur and be continuing:

(a) The Borrower shall fail to pay any principal of or interest on any Loan or any L/C Obligation or Acceptance Obligation or any fee or other amount payable hereunder when due in accordance with the terms thereof or hereof; or

(b) Any representation or warranty made or deemed made by the Borrower herein, in any Security Document or in any other Loan Document or which is contained in any certificate, document or financial or other statement furnished at any time under or in connection with this Agreement or any Security Document or other Loan Document shall prove to have been incorrect in any material respect on or as of the date made or deemed made; or

(c) The Borrower shall default in the observance or performance of any agreement contained in subsections 9.2(g), 9.4 or Section 10 of this Agreement, or Sections 5.5 and 5.7(b) of the Guarantee and Collateral Agreement; or

(d) The Borrower shall default in the observance or performance of any other agreement contained in this Agreement, any Security Document or any of the other Loan Documents (other than as provided in paragraphs (a) through (c) of this Section), and such default shall continue unremedied (i) in the case of the agreements contained in subsection 9.1, for a period of 14 days and (ii) in the case of all other agreements, for a period of 30 days; or

(e) [Intentionally omitted]; or

(f) The Borrower or any of its Subsidiaries shall (i) default in any payment of principal of or interest on any Indebtedness, or in the payment of any Guarantee Obligation (provided that the principal amount of such Indebtedness or Guarantee Obligation exceeds, individually, or in the aggregate, \$500,000), provided in the instrument or agreement under which such Indebtedness or Guarantee Obligation was created; or (ii) default in the observance or performance of any other agreement or condition relating to any such Indebtedness or Guarantee Obligation (provided that the

principal amount of such Indebtedness or Guarantee Obligation exceeds, individually, or in the aggregate, \$500,000) or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness or beneficiary or beneficiaries of such Guarantee Obligation (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity or such Guarantee Obligation to become payable; or

(g) (i) The Borrower or any of its Subsidiaries shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the Borrower or any of its Subsidiaries shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Borrower or any of its Subsidiaries any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or (iii) there shall be commenced against the Borrower or any of its Subsidiaries any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) the Borrower or any of its Subsidiaries shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) the Borrower or any of its Subsidiaries shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(h) (i) Any Person shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the reasonable opinion of the Required Lenders, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA, (v) the Borrower or any Commonly Controlled Entity shall, or in the reasonable opinion of the Required Lenders is likely to, incur any liability in connection with a withdrawal from, or the Insolvency or Reorganization of, a Multiemployer Plan or (vi) any other event or condition shall occur or exist, with respect to a Plan; and in each case in clauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, could, in the reasonable judgment of the Borrower or

the Required Lenders, subject the Borrower or any Commonly Controlled Entity to any tax, penalty or other liabilities that in the aggregate could reasonably be expected to have a Material Adverse Effect; or

(i) One or more judgments or decrees shall be entered against the Borrower or any of its Subsidiaries involving in the aggregate a liability (not paid or fully covered by insurance) of \$500,000 or more and (i) all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 60 days from the entry thereof or (ii) the judgement creditors with respect to such judgments or their successors or assigns shall have commenced enforcement proceedings, which enforcement proceedings shall have remained unstayed for 10 consecutive days; or

(j) Any Security Document shall cease for any reason to be in full force and effect, or the Borrower shall so assert or the security interests created by any such Security Document shall cease for any reason, other than a release by the Lenders, to be enforceable and of the same effect and priority purported to be created thereby;

then, and in any such event, (A) if such event is an Event of Default specified in clause (i) or (ii) of paragraph (g) above with respect to the Borrower, automatically the Commitments shall immediately terminate and the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement (including, without limitation, all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder and all amounts of Acceptance Obligations, whether or not the Acceptances related thereto have matured) and the Notes shall immediately become due and payable, and (B) if such event is any other Event of Default, either or both of the following actions may be taken: (i) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower declare the Commitments to be terminated forthwith, whereupon the Commitments shall immediately terminate; and (ii) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice of default to the Borrower, declare the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement (including, without limitation, all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder and all amounts of Acceptance Obligations, whether or not the Acceptances related thereto have matured) and the Notes to be due and payable forthwith, whereupon the same shall immediately become due and payable.

With respect to all Letters of Credit (including Existing Letters of Credit) with respect to which presentment for honor shall not have occurred at the time of an acceleration pursuant to the preceding paragraph, the Borrower shall at such time deposit in a cash collateral account opened by the Administrative Agent an amount equal to the aggregate then undrawn and unexpired amount of such Letters of Credit. Amounts held in such cash collateral account shall be applied by the Administrative Agent to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon and, if any, shall be applied to repay other Obligations of the Borrower hereunder and under the Notes. After all such Letters of Credit shall have expired or been fully drawn

upon, all L/C Obligations shall have been satisfied and all other Obligations of the Borrower hereunder and under the Notes shall have been paid in full, the balance, if any, in such cash collateral account shall be returned to the Borrower.

Except as expressly provided above in this Section, presentment, demand, protest and all other notices of any kind are hereby expressly waived.

SECTION 12. THE ADMINISTRATIVE AGENT

12.1 Appointment. Each Lender hereby irrevocably designates and appoints JPMorgan Chase as the Administrative Agent of such Lender under this Agreement, the Security Documents and the other Loan Documents, and each such Lender irrevocably authorizes JPMorgan Chase, as the Administrative Agent for such Lender, to take such action on its behalf under the provisions of this Agreement, the Security Documents and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement, the Security Documents and the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement, the Security Documents or any other Loan Document or otherwise exist against the Administrative Agent.

12.2 Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement, the Security Documents and the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys in-fact selected by it with reasonable care.

12.3 Exculpatory Provisions. Neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement, the Security Documents or any other Loan Document (except for its or such Person's own gross negligence or willful misconduct) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Borrower or any officer thereof contained in this Agreement, the Security Documents or any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement, the Security Documents or any other Loan Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement, the Notes, the Security Documents or any other Loan Document or for any failure of the Borrower to perform its obligations hereunder or thereunder. The Administrative Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement, the Security Documents or any other Loan Document, or to inspect the properties, books or records of the Borrower.

12.4 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any Note, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement, the Security Documents or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement, the Notes, the Security Documents and the other Loan Documents in accordance with a request of the Required Lenders, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Notes.

12.5 Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Administrative Agent has received notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders, including any action under the Security Documents; provided that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders. Any knowledge of any Default or Event of Default which the Administrative Agent has or acquires in its capacity as a Lender shall be deemed to be notice to the Administrative Agent of such Default or Event of Default.

12.6 Non-Reliance on Administrative Agent and Other Lenders. Each Lender expressly acknowledges that neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates has made any representations or warranties to it and that no act by the Administrative Agent hereinafter taken, including any review of the affairs of the Borrower, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Lender. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Borrower and made its own decision to make its Loans and/or issue or participate in Letters of Credit (including Existing Letters of Credit) and/or create or participate in Acceptances (including Existing Acceptances) hereunder and enter into this Agreement. Each Lender also

represents that it will, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Borrower. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of the Borrower which may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates.

12.7 Indemnification. The Lenders agree to indemnify the Administrative Agent in its capacity as such (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), ratably according to their original Commitment Percentages, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time following the payment of the Notes) be imposed on, incurred by or asserted against the Administrative Agent in its capacity as such in any way relating to or arising out of this Agreement, the Security Documents, any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Administrative Agent under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements to the extent resulting from the Administrative Agent's gross negligence or willful misconduct. The agreements in this subsection shall survive the payment of the Notes and all other amounts payable hereunder.

12.8 Administrative Agent in Its Individual Capacity. The Administrative Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower as though the Administrative Agent were not the Administrative Agent hereunder, the Security Documents and the other Loan Documents. With respect to Loans made or renewed by it and any Note issued to it and with respect to any Letter of Credit issued or participated in by it or any Acceptance created or participated in by it, the Administrative Agent shall have the same rights and powers under this Agreement, the Security Documents and the other Loan Documents as any Lender and may exercise the same as though it were not the Administrative Agent, and the terms "Lender" and "Lenders" shall include the Administrative Agent in its individual capacity.

12.9 Successor Administrative Agent. The Administrative Agent may resign as Administrative Agent upon 30 days' notice to the Lenders. If the Administrative Agent shall resign as Administrative Agent under this Agreement then the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders, which successor agent shall be approved by the Borrower, whereupon such successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term "Administrative Agent" shall mean such successor agent effective upon its appointment, and the former Administrative

Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any holders of the Notes. After any retiring Administrative Agent's resignation as Administrative Agent, the provisions of this subsection shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

12.10 Issuing Bank and Accepting Bank. The provisions of this Section 12 shall apply mutatis mutandis to the Issuing Bank and the Accepting Bank in their respective capacities as such to the same extent that such provisions apply to the Administrative Agent.

SECTION 13. MISCELLANEOUS

13.1 Amendments and Waivers. Neither this Agreement, any Note, Security Document or other Loan Document, nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this subsection. With the prior written consent of the Required Lenders, the Administrative Agent and the Borrower may, from time to time, enter into written amendments, supplements or modifications hereto and to the Notes, the Security Documents and the other Loan Documents for the purpose of adding any provisions to this Agreement, the Notes, the Security Documents or the other Loan Documents or changing in any manner the rights of the Lenders or of the Borrower hereunder or thereunder or waiving, on such terms and conditions as the Administrative Agent may specify in such instrument, any of the requirements of this Agreement, the Notes, the Security Documents or the other Loan Documents or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall (a) increase the Commitments, reduce the amount or extend the maturity of any Loan or any installment thereof, or extend the maturity of any Letter of Credit or Acceptance to a date later than the Scheduled Termination Date, or reduce the rate or extend the time of payment of interest thereon, or reduce the amount, or extend the time of payment, of any fee payable to any Lender hereunder, or change the amount of any Lender's Commitment, in each case without the consent of all the Lenders affected directly or indirectly thereby, or (b) amend, modify or waive any provision of this subsection or reduce the percentage specified in the definition of Required Lenders, or increase the advance rates specified in the definition of Borrowing Base, or consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement or the other Loan Documents or consent to the release of all or a substantial part of the Collateral upon which Liens have been created pursuant to the Security Documents or consent to the release of any Guarantee Obligations under the Security Documents, in each case without the prior written consent of all the Lenders, or (c) amend, modify or waive any provision of Section 4 without the prior written consent of the Issuing Bank, or (d) amend, modify or waive any provision of Section 5 without the prior written consent of the Accepting Bank, or (e) amend, modify or waive any provision of Section 12 without the prior written consent of the then Agent. Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Borrower, the Lenders, the Administrative Agent and all future holders of the Loans. In the case of any waiver, the Borrower, the Lenders and the Administrative Agent shall be restored to their former position and rights hereunder and under the outstanding Notes and any other Loan Documents, and any Default or Event of Default waived shall be deemed to be

cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

13.2 Notices. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy or nationally recognized courier service), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered by hand, or, in the case of telecopy notice, when received, or, in the case of a nationally recognized courier service, one Business Day after delivery to such courier service, addressed as follows in the case of the Borrower and the Administrative Agent, and as set forth in Schedule 13.2 in the case of the other parties hereto, or to such other address as may be hereafter notified by the respective parties hereto and any future holders of the Notes:

The Borrower: Audiovox Corporation
150 Marcus Boulevard
Hauppauge, New York 11788
Attention: Charles M. Stoehr
Telecopy: (516) 273-6922
Telephone: (516) 231-7750

With a copy to: Levy, Stopol & Camelo, LLP
East Tower, 14th Floor,
190 EAB Plaza
Uniondale, NY 11556-0190
Attention: Robert Levy

The Administrative Agent
(and JPMorgan Chase, in its
capacity as Issuing Bank and
Accepting Bank):

JPMorgan Chase Bank
395 North Service Road
Melville, New York 11747
Attention: John Budzynski
Telecopy: (631) 755-5184
Telephone: (631) 755-5179

With a copy to: JPMorgan Chase Bank
395 North Service Road
Melville, New York 11747
Attention: Richard Grabowski
Telecopy: (631) 755-5184
Telephone: (631) 755-5151

provided that any notice, request or demand to or upon the Administrative Agent or the Lenders pursuant to subsection 2.3, 5.1, 5.3 or 5.8 shall not be effective until received.

13.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Lender, any right,

remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

13.4 Survival of Representations and Warranties. All representations and warranties made hereunder or under any other Loan Document and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the Notes.

13.5 Payment of Expenses and Taxes. The Borrower agrees (a) to pay or reimburse the Administrative Agent and each Lender for all its out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Agreement, the Notes, the Security Documents and the other Loan Documents and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby, including, without limitation, the reasonable fees and disbursements of counsel to the Administrative Agent, (b) to pay or reimburse each Lender and the Administrative Agent for all its costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the Notes, the Security Documents, the other Loan Documents and any such other documents, including, without limitation, fees and disbursements of counsel to the Administrative Agent and to the several Lenders, (c) to pay, indemnify, and hold each Lender and the Administrative Agent and their respective parents, subsidiaries, affiliates, employees, agents, officers and directors harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the Notes, the Security Documents, the other Loan Documents and any such other documents, and (d) to pay, indemnify, and hold each Lender and the Administrative Agent and their respective parents, subsidiaries, affiliates, employees, agents, officers and directors harmless from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement, the Notes, the Security Documents, the other Loan Documents, and any such other documents including, without limitation, any costs and expenses relating to the conversion of amounts owing in any currency under this Agreement to another currency (all the foregoing, collectively, the "indemnified liabilities"), provided, that the Borrower shall have no obligation hereunder to the Administrative Agent or any Lender, as the case may be, with respect to indemnified liabilities arising from (i) the gross negligence or willful misconduct of the Administrative Agent or any such Lender, as the case may be, (ii) legal proceedings commenced against the Administrative Agent or any such Lender by any security holder or creditor thereof arising out of and based upon rights afforded any such security holder or creditor solely in its capacity as such, or (iii) legal proceedings commenced against the Administrative Agent or any such Lender by any other Lender or by any Transferee (as defined in

subsection 13.6). The agreements in this subsection shall survive repayment of the Notes and all other amounts payable hereunder.

13.6 Successors and Assigns; Participations; Purchasing Lenders.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), except that (i) the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section.

(b) Any Lender may, without the consent of the Borrower or the Administrative Agent, in the ordinary course of its commercial banking business and in accordance with applicable law, at any time sell to one or more banks or other entities ("Participants") participating interests in any Loan owing to such Lender, any Note held by such Lender, any Commitment of such Lender or any other interest of such Lender hereunder and under the other Loan Documents. In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Note for all purposes under this Agreement and the other Loan Documents, and the Borrower, the Administrative Agent, the Issuing Bank and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the other Loan Documents. Any agreement pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement, provided that such agreement may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver that (1) requires the consent of each Lender directly affected thereby pursuant to the proviso to the second sentence of Section 13.1 and (2) directly affects such Participant. The Borrower agrees that if amounts outstanding under this Agreement and the Notes are due or unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of set-off in respect of its participating interest in amounts owing under this Agreement and any Note to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement or any Note, provided that such Participant shall only be entitled to such right of set-off if it shall have agreed in the agreement pursuant to which it shall have acquired its participating interest to share with the Lenders the proceeds thereof as provided in subsection 13.7. The Borrower also agrees that each Participant shall be entitled to the benefits of subsections 6.12, 6.13, 6.14, 6.15 and 13.5 with respect to its participation in the Commitments and the Loans outstanding from time to time; provided, that no Participant shall be entitled to receive any greater amount pursuant to such subsections than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred by such transferor Lender to such Participant had no such transfer occurred, unless

the sale of the participation to such Participant is made with the Borrower's prior written consent.

(c) Any Lender may, in the ordinary course of its commercial banking business and in accordance with applicable law, with the prior written consent of (i) the Borrower (such consent not to be unreasonably withheld), provided that no consent of the Borrower shall be required for an assignment to a Lender, an Affiliate of a Lender, an Approved Fund (as defined below) or, if an Event of Default has occurred and is continuing, any other Person, (ii) the Administrative Agent or (iii) the Issuing Bank, assign to one or more additional banks or financial institutions ("Purchasing Lenders") all or any part of its rights and obligations under this Agreement and the Notes pursuant to an Assignment and Acceptance substantially in the form of Exhibit D, executed by such Purchasing Lender, such transferor Lender (and, in the case of a Purchasing Lender that is not then a Lender, an Affiliate of a Lender or an Approved Fund, by the Borrower and the Administrative Agent) and delivered to the Administrative Agent for its acceptance and recording in the Register (as defined in subsection 13.6(d)); provided that (i) in the case of a Purchasing Lender that is not then a Lender, an Affiliate of a Lender or an Approved Fund, no such sale to a Purchasing Lender shall be in an aggregate principal amount of less than \$5,000,000 (other than in the case of a sale of all of a transferor Lender's interests under this Agreement), unless otherwise agreed by the Borrower and the Administrative Agent and (ii) except in the case of a sale of all of a transferor Lender's interests under this Agreement, the Commitment of the transferor Lender (determined after giving effect to such sale) shall not be less than \$5,000,000, unless otherwise agreed by the Borrower and the Administrative Agent; provided further that (1) if an Event of Default has occurred and is continuing, the consent or approval of the Borrower shall not be required in connection with any sale or the amount of any sale by a Lender under this paragraph and (2) such amounts shall be aggregated in respect of Lender and its Affiliates or Approved Funds, if any. Upon such execution, delivery, acceptance and recording, from and after the Effective Date determined pursuant to such Assignment and Acceptance, (x) the Purchasing Lender thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Lender hereunder with a Commitment as set forth therein, and (y) the transferor Lender thereunder shall, to the extent provided in such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of a transferor Lender's rights and obligations under this Agreement, such transferor Lender shall cease to be a party hereto). Such Assignment and Acceptance shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Purchasing Lender and the resulting adjustment of Commitment Percentages arising from the purchase by such Purchasing Lender of all or a portion of the rights and obligations of such transferor Lender under this Agreement and the Notes. On or prior to the Transfer Effective Date determined pursuant to such Assignment and Acceptance, the Borrower, at its own expense, shall execute and deliver to the Administrative Agent in exchange for the surrendered Note a new Note to the order of such Purchasing Lender in an amount equal to the Commitment assumed by it pursuant to such Assignment and Acceptance and, if the transferor Lender has retained a Commitment hereunder, a new Note to the order of the transferor Lender in an amount equal to the Commitment

retained by it hereunder. Such new Notes shall be dated the Closing Date and shall otherwise be in the form of the Notes replaced thereby. The Notes surrendered by the transferor Lender shall be returned by the Administrative Agent to the Borrower marked "cancelled".

For the purposes of this Section 13.6, "Approved Fund" means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

(d) The Administrative Agent shall maintain at its address referred to in subsection 13.2 a copy of each Assignment and Acceptance delivered to it and a register (the "Register") for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Loans owing to, each Lender from time to time. The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent, the Issuing Bank and the Lenders may treat each Person whose name is recorded in the Register as the owner of the Loan recorded therein for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, the Issuing Bank and any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of an Assignment and Acceptance executed by a transferor Lender and Purchasing Lender (and, in the case of a Purchasing Lender that is not then a Lender or an affiliate thereof, by the Borrower and the Administrative Agent) together with payment to the Administrative Agent of a registration and processing fee of \$5,000, the Administrative Agent shall (i) promptly accept such Assignment and Acceptance and (ii) on the Effective Date determined pursuant thereto record the information contained therein in the Register and give notice of such acceptance and recordation to the Lenders and the Borrower.

(f) The Borrower authorizes each Lender to disclose to any Participant or Purchasing Lender (each, a "Transferee") and any prospective Transferee any and all financial information in such Lender's possession concerning the Borrower and its affiliates which has been delivered to such Lender by or on behalf of the Borrower pursuant to this Agreement or which has been delivered to such Lender by or on behalf of the Borrower in connection with such Lender's credit evaluation of the Borrower and its affiliates prior to becoming a party to this Agreement, provided that any prospective Transferee shall have agreed to be bound by subsection 13.8 or shall have executed a confidentiality agreement to substantially the same effect.

(g) If, pursuant to this subsection, any interest in this Agreement or any Note is transferred to any Transferee which is organized under the laws of any jurisdiction other than the United States of America or any state thereof, the transferor Lender shall cause such Transferee, concurrently with the effectiveness of such transfer, (i) to represent to the transferor Lender (for the benefit of the transferor Lender, the Administrative Agent and the Borrower) that under applicable law and treaties no taxes will be required to be withheld by the Administrative Agent, the Borrower or the

transferor Lender with respect to any payments to be made to such Transferee in respect of the Loans, (ii) to furnish to the transferor Lender (and, in the case of any Purchasing Lender registered in the Register, the Administrative Agent and the Borrower) either U.S. Internal Revenue Service Form 4224 or U.S. Internal Revenue Service Form 1001 (wherein such Transferee claims entitlement to complete exemption from U.S. federal withholding tax on all interest payments hereunder) and (iii) to agree (for the benefit of the transferor Lender, the Administrative Agent and the Borrower) to provide the transferor Lender (and, in the case of any Purchasing Lender registered in the Register, the Administrative Agent and the Borrower) a new Form 4224 or Form 1001 upon the expiration or obsolescence of any previously delivered form and comparable statements in accordance with applicable laws of the United States of America and regulations and amendments duly executed and completed by such Transferee, and to comply from time to time with all applicable U.S. laws and regulations with regard to such withholding tax exemption.

(h) Nothing herein shall prohibit any Lender from pledging or assigning any Note to any Federal Reserve Lender in accordance with applicable law.

13.7 Adjustments; Set-off.

(a) If any Lender (a "benefitted Lender") shall at any time receive any payment of all or part of its Loans or the Reimbursement Obligations owing to it, or interest thereon, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in Section 11(g), or otherwise), in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of such other Lender's Loans, or interest thereon, such benefitted Lender shall purchase for cash from the other Lenders such portion of each such other Lender's Loan, or shall provide such other Lenders with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such benefitted Lender to share the excess payment or benefits of such collateral or proceeds ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such benefitted Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest. The Borrower agrees that each Lender so purchasing a portion of another Lender's Loan may exercise all rights of payment (including, without limitation, rights of set-off) with respect to such portion as fully as if such Lender were the direct holder of such portion.

(b) In addition to any rights and remedies of the Lenders provided by law, each Lender shall have the right, without prior notice to the Borrower, any such notice being expressly waived by the Borrower to the extent permitted by applicable law, upon any amount becoming due and payable by the Borrower hereunder or under the Notes (whether at the stated maturity, by acceleration or otherwise) to set-off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or any branch or agency thereof to or for the credit

or the account of the Borrower. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such set-off and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such set-off and application.

13.8 Confidentiality. Each of the Administrative Agent and each Lender agrees to keep confidential all non-public information provided to it by the Borrower, any Subsidiary, the Administrative Agent or any Lender pursuant to or in connection with this Agreement that is designated by the provider thereof as confidential; provided that nothing herein shall prevent the Administrative Agent or any Lender from disclosing any such information (a) to the Administrative Agent, any other Lender or any affiliate thereof, (b) subject to an agreement to comply with the provisions of this Section, to any actual or prospective Participant or Purchasing Lender, (c) to its employees, directors, agents, attorneys, accountants and other professional advisors or those of any of its affiliates, (d) upon the request or demand of any Governmental Authority, (e) in response to any order of any court or other Governmental Authority or as may otherwise be required pursuant to any Requirement of Law, (f) if requested or required to do so in connection with any litigation or similar proceeding, (g) that has been publicly disclosed, (h) to the National Association of Insurance Commissioners or any similar organization or any nationally recognized rating agency that requires access to information about a Lender's investment portfolio in connection with ratings issued with respect to such Lender, or (i) in connection with the exercise of any remedy hereunder or under any other Loan Document.

13.9 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

13.10 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.

13.11 Integration. This Agreement represents the agreement of the Borrower, the Administrative Agent and the Lenders with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent or any Lender relative to subject matter hereof not expressly set forth or referred to herein or in the other Loan Documents.

13.12 GOVERNING LAW. THIS AGREEMENT AND THE NOTES AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

13.13 Submission To Jurisdiction; Waivers. The Borrower hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgement in respect thereof, to the non-exclusive general jurisdiction of the Courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the Borrower at its address set forth in subsection 13.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this subsection any special, exemplary, punitive or consequential damages.

13.14 Acknowledgments. The Borrower hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement, the Notes and the other Loan Documents;

(b) neither the Administrative Agent nor any Lender has any fiduciary relationship to the Borrower, and the relationship between Agent and Lenders, on one hand, and the Borrower, on the other hand, is solely that of debtor and creditor; and

(c) no joint venture exists among the Lenders or among the Borrower and the Lenders.

13.15 WAIVERS OF JURY TRIAL. THE BORROWER THE ADMINISTRATIVE AGENT AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR THE NOTES OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

13.16 [Intentionally omitted]

13.17 [Intentionally omitted]

13.18 USA PATRIOT Act. Each Lender hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender to identify the Borrower in accordance with the Act. The Borrower shall promptly provide such information upon request by any Lender. In connection therewith, each Lender hereby agrees that the confidentiality provisions set forth in Section 13.8 shall apply to any non-public information provided to it by the Borrower and its Subsidiaries pursuant to this Section 13.18.

13.19 Special Provisions. (a) From and after the Closing Date, (i) each Exiting Lender shall cease to be a party to this Agreement, (ii) no Exiting Lender shall have any obligations or liabilities under this Agreement with respect to the period from and after the Closing Date and, without limiting the foregoing, no Exiting Lender shall have a Commitment under this Agreement and (iii) no Exiting Lender shall have any rights under the Existing Credit Agreement, this Agreement or any other Loan Document (other than rights under the Existing Credit Agreement expressly stated to survive the termination of the Existing Credit Agreement and the repayment of amounts outstanding thereunder).

(b) On the Closing Date, each Lender that is not party to the Existing Credit Agreement and each Lender whose Commitment exceeds its commitment under the Existing Credit Agreement shall be deemed to have purchased the Commitment of each Exiting Lender and each Lender whose Commitment is less than its commitment under the Existing Credit Agreement such that the Commitment of each relevant Lender will be as set forth on Schedule 1.1(a) hereto. Each such Lender agrees that the provisions of Section 2 of the form of Assignment and Acceptance, attached hereto as Exhibit D, shall apply to it mutatis mutandis.

(c) The Lenders (which are Lenders under the Existing Credit Agreement) hereby waive any requirements for notice of prepayment, commitment terminations, minimum amounts of prepayments of Loans (as defined in the Existing Credit Agreement), ratable reductions of Commitments (as defined in the Existing Credit Agreement) and ratable payments on account of the principal or interest of any Loan (as defined in the Existing Credit Agreement) under the Existing Credit Agreement to the extent such prepayment, reductions or payments are required pursuant to subsection 8.1(n) or (l).

(d) The Borrower hereby releases, effective as of the making of the initial Loans, in full the Exiting Lenders from their obligations in respect of the Commitments (as defined in the Existing Credit Agreement) and, effective as of the Closing Date, the Lenders hereby assume such obligations, it being understood that such assumption is reflected in the Commitments of the Lenders hereunder.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered in New York, New York by their proper and duly authorized officers as of the day and year first above written.

AUDIOVOX CORPORATION

By: /s/ Charles M. Stoehr

Name: Charles M. Stoehr
Title: Senior Vice President/ CFO

Address: c/o Audiovox Corporation
150 Marcus Boulevard
Hauppauge NY 11788

Taxpayer ID: 13-1964841

JPMORGAN CHASE BANK,
as Administrative Agent and as a Lender

By: /s/ John K. Budzynski

Name: John K. Budzynski
Title: Vice President

FLEET NATIONAL BANK, a Bank of America
Company, as a Lender

By: /s/ Enrico Panno

Name: Enrico Panno
Title: Vice President

THE CIT GROUP/BUSINESS CREDIT, INC.,
as a Lender

By: /s/ Renee Singer

Name: Renee Singer
Title: Vice President, Team Leader

CITIBANK, N.A., as a Lender

By: /s/ Stephen Kelly

Name: Stephen Kelly
Title: Vice President

GE COMMERCIAL DISTRIBUTION FINANCE
CORPORATION, as a Lender

By: /s/ David J. Lynch

Name: David J. Lynch
Title: Vice President - Operations

ISRAEL DISCOUNT BANK OF NEW YORK,
as a Lender

By: /s/ Scott Fishbein

Name: Scott Fishbein
Title: First Vice President

By: /s/ Andrew Ackerman

Name: Andrew Ackerman
Title: First Vice President

PNC BUSINESS CREDIT INC., as a Lender

By: /s/ Kysha A. White

Name: Kysha A. White
Title: Vice President

WASHINGTON MUTUAL BANK, FA, as a Lender

By: /s/ Sean M. Umhafer

Name: Sean M. Umhafer
Title: Vice President

BANK LEUMI USA, as a Lender

By: /s/ Paul Tine

Name: Paul Tine
Title: Vice President

By: /s/ Glenn D. Kreutzer

Name: Glenn D. Kreutzer
Title: Vice President

Schedule 1.1(a)

COMMITMENTS

Lender	Commitment	Commitment Percentage
JPMorgan Chase Bank	\$ 25,000,000	16.67%
The CIT Group/Business Credit, Inc.	\$ 22,500,000	15.00%
GE Commercial Distribution Finance Corporation	\$ 22,500,000	15.00%
Citibank, N.A	\$ 20,000,000	13.33%
Fleet National Bank	\$ 20,000,000	13.33%
PNC Business Credit Inc.	\$ 12,500,000	8.33%
Israel Discount Bank of New York	\$ 10,000,000	6.67%
Washington Mutual Bank, FA	\$ 10,000,000	6.67%
Bank Leumi USA	\$7,5000,000	5.00%
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TOTAL	\$150,000,000	

SCHEDULE 7.1
TO THE CREDIT AGREEMENT

CHANGES OF EVENTS

NONE

SCHEDULE 7.2
TO THE CREDIT AGREEMENT

STOCK REPURCHASES

NONE

SCHEDULE 7.6
TO THE CREDIT AGREEMENT

LITIGATION

- o Audiovox has, from time to time, received letters on behalf of alleged holders of United States patents asserting that products sold by Audiovox may or are infringing those patents. In each case, either Audiovox notifies the manufacturer of its receipt of such letter or the letter has been forwarded to the manufacturer of the product involved with the request that they determine if there is an infringement and, if so, arrange for a license agreement.
- o In re Wireless Telephone Radio Frequency Emissions Products Liability Litigation: J. Douglas Pinney, M.D., et al. v. Nokia, Inc., et al., United States District Court for the District of Maryland, Civil Action No. CCB-01-1456; (summons and complaint served on registered agent) Francis J. Farina v. Nokia, Inc., et al., United States District Court for the Eastern District of Pennsylvania, Civil Action No. 01-CV-2477; (summons and complaint served on registered agent) Garrett Naquin v. Nokia Mobile Phones, Inc., et al., United States District Court for the Eastern District of Louisiana, Civil Action No. 00-2023; (summons and complaint served on registered agent) Crystall Gilliam and Dimitri Mack v. Nokia, Inc., et al., United States District Court for the Southern District of New York, Civil Action No. 01 CV 4275 (LTS); (summons and complaint served on registered agent) Riedy Gimpelson v. Nokia, Inc., et al., Superior Court of Fulton County, State of Georgia, Civil Action No. 2001CV38932; (summons and complaint served on registered agent) Sarah Dahlgren v. Audiovox Communications Corp., et al., Superior Court of the District of Columbia, Civil Division, Civil Action No. 02ca007884, (summons and complaint served on registered agent) Pamela A. Cochran et al. v. Audiovox Corporation, et al, United States District Court for the District of Columbia, Civil Action No. 02-0607 (TPJ); (summons and complaint served on registered agent)
- o In re Wireless 911 Emergency Litigation: MDL Docket No. 1521 Armando Lage and Wireless Consumers Alliance v. LG Electronics, Inc., Audiovox Corporation, Audiovox Communications Corp. et al., Superior Court of the State of California, County of Alameda, Case No. 2002072578; (summons and complaint served on registered agent) Jed Becker, on behalf of himself and all others similarly situated v. Toshiba Corporation, Audiovox Corporation and Audiovox Communications Corp., United States District Court, Western District of Texas, El Paso Division, Case No. EP03CA0006; (summons and complaint served on registered agent).

o During the second quarter of fiscal 2004, the Company, its subsidiary, Audiovox Electronics Corporation ("AEC") and one of its distributors of car security products, were named as defendants in a lawsuit brought by Magnadyne Corporation in the United States District Court, Central District of California alleging patent infringement and seeking damages and injunctive relief. The Company has answered the amended complaint, asserted various affirmative defenses and interposed counterclaims alleging non-infringement, invalidity and non-enforceability. AEC is due to respond to the amended complaint by July 20, 2004 and intends to answer, assert affirmative defenses and interpose counterclaims as well. To date, there has been no discovery. The Company and AEC intend to vigorously defend this matter. However, no assurances regarding the outcome of this matter can be given at this point in the litigation.

SCHEDULE 7.8
TO THE CREDIT AGREEMENT

LEASES, WAREHOUSE CONTRACTS AND LEASES WITH AFFILIATES

ADDRESS OF PROPERTY	LANDLORD	SQ. FOOTAGE	MONTHLY RENT	EXPIRATION
555 Wireless Blvd. Hauppauge, NY	Audiovox Corp.	70,000	\$45,984.89	9/30/2006
150 Marcus Blvd. Hauppauge, NY	150 Marcus Blvd. Realty LLC		\$45,491.67	11/30/2008
65 Engineers Drive Hauppauge, NY	Rechler Equity Partners	23,000	\$8,804.78	6/30/2009
16820 Marquardt Ave. Cerritos, CA	Marquardt Assoc.	28,336	\$26,006.64	3/31/2009
5155 Spectrum Way Mississauga, Ontario	MIH Communications	5,185	\$5,185.00	6/30/2005
Coliseum Crossing 2102 Coliseum Drive, Hampton, VA	Coliseum Crossing Associates LLP	900	\$1632.75	10/31/2006
1213 N. Military Hwy. Norfolk, VA	Broad Creed PH. I, LLC	1,492	\$2175.83	1/31/2007
8004 Staples Mill Road Richmond, VA	Northgate Associates LLC	2,500	\$2203.64	Month-to-Month
23319 Cooper Drive Elkhart, IN	Irions Investment Co., LLC	126,000	\$43,219.00	9/30/2009
4430. Miraloma Ave. Anahiem, CA	Etchandy Commerce Center LLC	3,050	\$3,007.00	4/30/2006
32 Triangle Park Drive Cincinnati, OH	Duke Realty Limited Partnership	1,325	\$1,396.37	12/31/2006
20801 Biscayne Blvd. Aventura, FL	LaSalle U.S. Realty Income & Growth Fund		\$2,250.00	9/30/2004
Cherry Hill Office Park 66 Cherry Hill Drive Beverly, MA	Thomas J. Flatley d/b/a The Flatley Co.	2,320	\$3,190	8/31/2005

ADDRESS OF PROPERTY	LANDLORD	SQ. FOOTAGE	MONTHLY RENT	EXPIRATION
525 Minnesota St. Troy, MI	JD Properties Inc.		\$8,156.50	11/30/2005
37 Skyline Drive Lake Mary, FL 32746	Suntech I Orlando LP	8,100	\$6,319.69	6/31/2006
3080 Northfield Place Roswell, GA 30076	Mimms Investments	22,086	\$13,166.08	5/31/2008
10955 Alpharetta Hwy. Roswell, GA 30076	North Roswell	2,700	\$4,375.00	12/31/2005
8105 Kingston Pike Knoxville, TN 37919	Charles Harrison	6,000	\$4,600.00	8/31/2005
10924 Kingston Pike Knoxville, TN 37922	M.D. Kelly	1,200	\$1,600.00	9/10/2004
8802 Corporate Square Court Jacksonville, FL 32246	Simpson Properties		\$1,407.61	11/30/2005

SCHEDULE 7.13
TO THE CREDIT AGREEMENT

ERISA MATTERS

NONE

SCHEDULE 7.15
TO THE CREDIT AGREEMENT

SUBSIDIARIES AND JOINT VENTURES

Domestic Subsidiaries	Jurisdiction of Incorporation	% of Ownership*
Quintex Mobile Communications Corp.**	Delaware	100%
American Radio Corp.	Georgia	100%
Audiovox International Corp.	Delaware	100%
Audiovox Holding Corp.	New York	100%
Audiovox Asia Inc.	Delaware	100%
Audiovox Latin America Ltd.	Delaware	100%
Audiovox Communications Corp.	Delaware	80%
Audiovox Electronics Corporation	Delaware	100%
Code Systems, Inc.	Delaware	100%
 Joint Ventures		
Audiovox Specialized Applications LLC	Delaware	50%
Protector Corporation	Delaware	50%
Bliss-Tel	Thailand	20%
 Canadian Subsidiaries		
Audiovox Canada Limited ***	Ontario	100%
Audiovox Communications Canada Co.	Nova Scotia	100%
 Foreign Subsidiaries		
Audiovox Communications (Malaysia) Sdn.Bhd.***	Malaysia	80%
Audiovox Singapore PTE. LTD.***	Singapore	100%

*Audiovox Corporation is parent unless otherwise indicated.

**Audiovox Communications Corp. is the parent.

***None of these subsidiaries is a Material Foreign Subsidiary.

SCHEDULE 7.17
TO THE CREDIT AGREEMENT

ENVIRONMENTAL MATTERS

NONE

SCHEDULE 7.21
TO THE CREDIT AGREEMENT

GOVERNMENT CONTRACTS

NONE

SCHEDULE 10.9(e)
TO THE CREDIT AGREEMENT

INVESTMENTS IN JOINT VENTURES AND FOREIGN SUBSIDIARIES

Audiovox Corporation Schedule (in thousands)

Equity Investments	% of Ownership	Book Bal at 05/31/04
Bliss-Tel	20%	1,839
Protector	50%	0
ASA	50%	10,609
GLM	50%	0

Majority Owned Subs @ 06/30/04	% of Ownership
Audiovox Communications Corp.	80%
Audiovox Electronics Corp.	100%
Quintex Mobile Communications Corp.	95%
American Radio Corp.	100%
Audiovox Holding Corp.	100%
Audiovox Communications Canada Co.	100%
Audiovox Communications (Malaysia) Sdn. Bhd.	72%
Audiovox Holdings (m) Sdn. Bhd.	80%
Audiovox Venezuela C.A.	80%
Audiovox Europe Holdings GmbH	100%
Code Systems Inc.	100%

Investment Securities	Value @ 07/09/04
CellStar Common Stock	\$2,188

Investment in Subs. (eliminated in Consolidation)	Book Bal at 05/31/04
Audiovox Holding Corp.	18,080.0
Audiovox Malaysia	320.0
Audiovox Venezuela	2,461.0
Audiovox Holding (Malaysia) Sdn. Bhd.	16.7
Audiovox Mobile Electronics	1.0
Audiovox Manufacturing	0.1
Audiovox Management Corp.	10.0

SCHEDULE 10.12
TO THE CREDIT AGREEMENT

TRANSACTIONS WITH AFFILIATES

We lease some of our equipment, office, warehouse and distribution facilities from entities in which our executive officers own controlling interests. The following table identifies leases that result in payments in excess of \$60,000 to any of the related entities.

Real Property Location	Expiration Date	Owner of Property	Rent Paid During Fiscal Year 2003
150 Marcus Blvd. Hauppauge, NY	November 30, 2008	150 Marcus Blvd. Realty LLC (1)	\$538,144
16808 Marquardt Ave. Cerritos, CA	March 31, 2009	Marquardt Associates (2)	\$306,206
555 Wireless Blvd. Hauppauge, NY	September 3, 2006	Wireless Blvd. Realty LLC (3)	\$570,684
110 Marcus Blvd. Hauppauge, NY	Terminated November 30, 2003	110 Marcus Blvd. Realty LLC (4)	\$211,874
Equipment Lease			
555 Wireless Blvd. Hauppauge, NY	March 31, 2005	Wireless Blvd. Realty LLC (3)	\$410,640

- (1) Property owned by 150 Marcus Blvd. Realty, LLC, a New York limited liability company, of which John J. Shalam owns 99% and Mr. Shalam's three sons own the remaining 1%.
- (2) Property owned by Marquardt Associates, a California partnership, owned 60% by John J. Shalam and 40% by Ardama Capital LLC, a New York limited liability company owned by Mr. Shalam's three sons.
- (3) Property owned or leased by Wireless Blvd. Realty, LLC, a New York limited liability company, owned 98% by the Shalam Long Term Trust, 1% by John J. Shalam and 1% by Mr. Shalam's three sons. The Shalam Long Term Trust is a grantor trust of which Mr. Shalam is the Grantor and his three sons are the beneficiaries.
- (4) Property owned by 110 Marcus Blvd. Realty, LLC, a New York limited liability company, of which John J. Shalam owns 1% and Mr. Shalam's three sons own the remaining 99%.

We believe that the terms of each of the leases are no less favorable to us than those that could have been obtained from unaffiliated third parties. To the extent that conflicts of interest arise between us and such persons in the future, such conflicts will be resolved by a committee of disinterested directors.

SCHEDULE 10.17
TO THE CREDIT AGREEMENT

CHANGES IN ACCOUNTING POLICIES AND PROCEDURES

NONE

SCHEDULE 13.2
TO THE CREDIT AGREEMENT

BANK WILL PROVIDE THIS SCHEDULE

GUARANTEE AND COLLATERAL AGREEMENT

made by

AUDIOVOX CORPORATION

and certain of its Subsidiaries

in favor of

JPMORGAN CHASE BANK,
as Administrative Agent

Dated as of July 15, 2004

Exhibit 99.2

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ANNEXES

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GUARANTEE AND COLLATERAL AGREEMENT

GUARANTEE AND COLLATERAL AGREEMENT, dated as of July 15, 2004, made by each of the signatories hereto (together with any other entity that may become a party hereto as provided herein, the "Grantors"), in favor of JPMorgan Chase Bank, as Administrative Agent (in such capacity, the "Administrative Agent") for the banks and other financial institutions or entities (the "Lenders") from time to time parties to the Fifth Amended and Restated Credit Agreement, dated as of July 15, 2004 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Audiovox Corporation (the "Borrower"), the Lenders and the Administrative Agent.

W I T N E S S E T H:

- - - - -

WHEREAS, pursuant to the Credit Agreement, the Lenders have severally agreed to make extensions of credit to the Borrower upon the terms and subject to the conditions set forth therein;

WHEREAS, the Borrower is a member of an affiliated group of companies that includes each other Grantor;

WHEREAS, the proceeds of the extensions of credit under the Credit Agreement will be used in part to enable the Borrower to make valuable transfers to one or more of the other Grantors in connection with the operation of their respective businesses;

WHEREAS, the Borrower and the other Grantors are engaged in related businesses, and each Grantor will derive substantial direct and indirect benefit from the making of the extensions of credit under the Credit Agreement; and

WHEREAS, it is a condition precedent to the amendment and restatement of the Existing Credit Agreement (as defined in the Credit Agreement) and the obligation of the Lenders to make their respective extensions of credit to the Borrower under the Credit Agreement that the Grantors shall have executed and delivered this Agreement to the Administrative Agent for the ratable benefit of the Lenders pursuant to which the Security Documents (as defined in the Existing Credit Agreement) which secure the Existing Credit Agreement will be amended and restated and the Liens created thereby will continue to secure the Credit Agreement;

NOW, THEREFORE, in consideration of the premises and to induce the Administrative Agent and the Lenders to enter into the Credit Agreement and to induce the Lenders to make their respective extensions of credit to the Borrower thereunder, each Grantor hereby agrees with the Administrative Agent, for the ratable benefit of the Lenders, as follows:

Section 1..... DEFINED TERMS

1.1 Definitions. (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, and the following terms are used herein as defined in the New

York UCC: Accounts, Certificated Security, Chattel Paper, Documents, Farm Products, Instruments, Inventory and Supporting Obligations.

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

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

"Borrower Obligations": the collective reference to the unpaid principal of and interest on the Loans and Reimbursement Obligations and all other obligations and liabilities of the Borrower (including, without limitation, interest accruing at the then applicable rate provided in the Credit Agreement after the maturity of the Loans and Reimbursement Obligations and interest accruing at the then applicable rate provided in the Credit Agreement after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) to the Administrative Agent or any Lender (or, in the case of any Specified Swap Agreement, any Affiliate of any Lender), whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, the Credit Agreement, this Agreement, the other Loan Documents, any Acceptance, any Letter of Credit, any Specified Swap Agreement or any other document made, delivered or given in connection with any of the foregoing, in each case whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the Administrative Agent or to the Lenders that are required to be paid by the Borrower pursuant to the terms of any of the foregoing agreements).

"Collateral": as defined in Section 3.

"Collateral Account": any collateral account established by the Administrative Agent as provided in Section 6.1 or 6.4.

"Guarantor Obligations": with respect to any Guarantor, all obligations and liabilities of such Guarantor which may arise under or in connection with this Agreement (including, without limitation, Section 2) or any other Loan Document to which such Guarantor is a party, in each case whether on account of guarantee obligations, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the Administrative Agent or to the Lenders that are required to be paid by such Guarantor pursuant to the terms of this Agreement or any other Loan Document).

"Guarantors": the collective reference to each Grantor other than the Borrower.

"Inventory Documents": as to any Person at any time, all Documents relating to or evidencing the right to any Inventory of such Person at such time.

"Issuers": the collective reference to each issuer of any Pledged Stock.

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

"Obligations": (i) in the case of the Borrower, the Borrower Obligations, and (ii) in the case of each Guarantor, its Guarantor Obligations.

"Pledged Stock": the shares of Capital Stock listed on Schedule 2, together with any other shares of Capital Stock of any Wholly Owned Foreign Subsidiary that is not a Grantor.

"Proceeds": all "proceeds" as such term is defined in Section 9-102(a)(64) of the New York UCC and, in any event, shall include, without limitation, all dividends or other income from the Pledged Stock, collections thereon or distributions or payments with respect thereto.

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

"Specified Swap Agreement": any Swap Agreement entered into by the Borrower and any Lender or affiliate thereof in respect of interest rates or currency exchange rates.

"Swap Agreement": any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates or currencies.

1.2 Other Definitional Provisions. (a) The words "hereof," "herein", "hereto" 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 Schedule references are to this Agreement unless otherwise specified.

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

(c) Where the context requires, (i) terms relating to the Collateral or any part thereof, when used in relation to a Grantor, shall refer to such Grantor's Collateral or the relevant part thereof and (ii) the term "Lender" shall include (A) any Affiliate of any Lender that is the holder of Borrower Obligations and (B) the Administrative Agent.

Section 2..... Guarantee

2.1 Guarantee. (a) Each of the Guarantors hereby, jointly and severally, unconditionally and irrevocably, guarantees to the Administrative Agent, for the ratable benefit of the Lenders and their respective successors, indorsees, transferees and assigns, the prompt and complete payment and performance by the Borrower when due (whether at the stated maturity, by acceleration or otherwise) of the Borrower Obligations.

(b) Anything herein or in any other Loan Document to the contrary notwithstanding, the maximum liability of each Guarantor hereunder and under the other Loan Documents shall in no event exceed the amount which can be guaranteed by such Guarantor under applicable federal and state laws relating to the insolvency of debtors (after giving effect to the right of contribution established in Section 2.2).

(c) Each Guarantor agrees that the Borrower Obligations may at any time and from time to time exceed the amount of the liability of such Guarantor hereunder without impairing the guarantee contained in this Section 2 or affecting the rights and remedies of the Administrative Agent or any Lender hereunder.

(d) The guarantee contained in this Section 2 shall remain in full force and effect until all the Borrower Obligations and the obligations of each Guarantor under the guarantee contained in this Section 2 shall have been satisfied by payment in full, no Letter of Credit or Acceptance shall be outstanding and the Commitments shall be terminated, notwithstanding that from time to time during the term of the Credit Agreement the Borrower may be free from any Borrower Obligations.

(e) No payment made by the Borrower, any of the Guarantors, any other guarantor or any other Person or received or collected by the Administrative Agent or any Lender from the Borrower, any of the Guarantors, any other guarantor or any other Person by virtue of any action or proceeding or any set-off or appropriation or application at any time or from time to time in reduction of or in payment of the Borrower Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of any Guarantor hereunder which shall, notwithstanding any such payment (other than any payment made by such Guarantor in respect of the Borrower Obligations or any payment received or collected from such Guarantor in respect of the Borrower Obligations), remain liable for the Borrower Obligations up to the maximum liability of such Guarantor hereunder until the Borrower Obligations are paid in full, no Letter of Credit or Acceptance shall be outstanding and the Commitments are terminated.

2.2 Right of Contribution. Each Guarantor hereby agrees that to the extent that a Guarantor shall have paid more than its proportionate share of any payment made hereunder, such Guarantor shall be entitled to seek and receive contribution from and against any other Guarantor hereunder which has not paid its proportionate share of such payment. Each Guarantor's right of contribution shall be subject to the terms and conditions of Section 2.3. The provisions of this Section 2.2 shall in no respect limit the obligations and liabilities of any Guarantor to the Administrative Agent and the Lenders, and each Guarantor shall remain liable to the Administrative Agent and the Lenders for the full amount guaranteed by such Guarantor hereunder.

2.3 No Subrogation. Notwithstanding any payment made by any Guarantor hereunder or any set-off or application of funds of any Guarantor by the Administrative Agent or any Lender, no Guarantor shall be entitled to be subrogated to any of the rights of the Administrative Agent or any Lender against the Borrower or any other Guarantor or any collateral security or guarantee or right of offset held by the Administrative Agent or any Lender for the payment of the Borrower Obligations, nor shall any Guarantor seek or be entitled to seek any contribution or reimbursement from the Borrower or any other Guarantor in respect of payments made by such Guarantor hereunder, until all amounts owing to the Administrative Agent and the Lenders by the Borrower on account of the Borrower Obligations are paid in full, no Letter of Credit or Acceptance shall be outstanding and the Commitments are terminated. If any amount shall be paid to any Guarantor on account of such subrogation rights at any time when all of the Borrower Obligations shall not have been paid in full, such amount shall be held by such Guarantor in trust for the Administrative

Agent and the Lenders, segregated from other funds of such Guarantor, and shall, forthwith upon receipt by such Guarantor, be turned over to the Administrative Agent in the exact form received by such Guarantor (duly indorsed by such Guarantor to the Administrative Agent, if required), to be applied against the Borrower Obligations, whether matured or unmatured, in such order as the Administrative Agent may determine.

2.4 Amendments, etc. with respect to the Borrower Obligations . Each Guarantor shall remain obligated hereunder notwithstanding that, without any reservation of rights against any Guarantor and without notice to or further assent by any Guarantor, any demand for payment of any of the Borrower Obligations made by the Administrative Agent or any Lender may be rescinded by the Administrative Agent or such Lender and any of the Borrower Obligations continued, and the Borrower Obligations, or the liability of any other Person upon or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by the Administrative Agent or any Lender, and the Credit Agreement and the other Loan Documents and any other documents executed and delivered in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, as the Administrative Agent (or the Required Lenders or all Lenders, as the case may be) may deem advisable from time to time, and any collateral security, guarantee or right of offset at any time held by the Administrative Agent or any Lender for the payment of the Borrower Obligations may be sold, exchanged, waived, surrendered or released. Neither the Administrative Agent nor any Lender shall have any obligation to protect, secure, perfect or insure any Lien at any time held by it as security for the Borrower Obligations or for the guarantee contained in this Section 2 or any property subject thereto.

2.5 Guarantee Absolute and Unconditional. Each Guarantor waives any and all notice of the creation, renewal, extension or accrual of any of the Borrower Obligations and notice of or proof of reliance by the Administrative Agent or any Lender upon the guarantee contained in this Section 2 or acceptance of the guarantee contained in this Section 2; the Borrower Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon the guarantee contained in this Section 2; and all dealings between the Borrower and any of the Guarantors, on the one hand, and the Administrative Agent and the Lenders, on the other hand, likewise shall be conclusively presumed to have been had or consummated in reliance upon the guarantee contained in this Section 2. Each Guarantor waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon the Borrower or any of the Guarantors with respect to the Borrower Obligations. Each Guarantor understands and agrees that the guarantee contained in this Section 2 shall be construed as a continuing, absolute and unconditional guarantee of payment without regard to (a) the validity or enforceability of the Credit Agreement or any other Loan Document, any of the Borrower Obligations or any other collateral security therefor or guarantee or right of offset with respect thereto at any time or from time to time held by the Administrative Agent or any Lender, (b) any defense, set-off or counterclaim (other than a defense of payment or performance) which may at any time be available to or be asserted by the Borrower or any other Person against the Administrative Agent or any Lender, or (c) any other circumstance whatsoever (with or without notice to or knowledge of the Borrower or such Guarantor) which constitutes, or might be construed to constitute, an equitable or legal discharge of the Borrower for the Borrower Obligations, or of such Guarantor under the guarantee contained in this Section 2, in bankruptcy or in any other instance. When making any demand hereunder or otherwise pursuing its rights and

remedies hereunder against any Guarantor, the Administrative Agent or any Lender may, but shall be under no obligation to, make a similar demand on or otherwise pursue such rights and remedies as it may have against the Borrower, any other Guarantor or any other Person or against any collateral security or guarantee for the Borrower Obligations or any right of offset with respect thereto, and any failure by the Administrative Agent or any Lender to make any such demand, to pursue such other rights or remedies or to collect any payments from the Borrower, any other Guarantor or any other Person or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of the Borrower, any other Guarantor or any other Person or any such collateral security, guarantee or right of offset, shall not relieve any Guarantor of any obligation or liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of the Administrative Agent or any Lender against any Guarantor. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

2.6 Reinstatement. The guarantee contained in this Section 2 shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Borrower Obligations is rescinded or must otherwise be restored or returned by the Administrative Agent or any Lender upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or any Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Borrower or any Guarantor or any substantial part of its property, or otherwise, all as though such payments had not been made.

2.7 Payments. Each Guarantor hereby guarantees that payments hereunder will be paid to the Administrative Agent without set-off or counterclaim in Dollars at the Funding Office.

Section 3..... GRANT OF SECURITY INTEREST

Each Grantor hereby assigns and transfers to the Administrative Agent, and hereby grants to the Administrative Agent, for the ratable benefit of the Lenders, a security interest in, all of the following property now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest (collectively, 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 such Grantor's Obligations,:

- (a) all Accounts;
- (b) all Inventory;
- (c) all Inventory Documents;
- (d) all Pledged Stock;
- (e) all books and records pertaining to the Collateral; and

(f) to the extent not otherwise included, all Proceeds, Supporting Obligations and products of any and all of the foregoing and all collateral security and guarantees given by any Person with respect to any of the foregoing;

provided, however, that notwithstanding any of the other provisions set forth in this Section 3, this Agreement shall not constitute a grant of a security interest in any property to the extent that such grant of a security interest is prohibited by any Requirements of Law of a Governmental Authority, requires a consent not obtained of any Governmental Authority pursuant to such Requirement of Law, except to the extent that such Requirement of Law is ineffective under applicable law.

Section 4..... REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent and the Lenders to enter into the Credit Agreement and to induce the Lenders to make their respective extensions of credit to the Borrower thereunder, each Grantor hereby represents and warrants to the Administrative Agent and each Lender that:

4.1 Title; No Other Liens. Except for the security interest granted to the Administrative Agent for the ratable benefit of the Lenders pursuant to this Agreement and the other Liens permitted to exist on the Collateral by the Credit Agreement, such Grantor owns each item of the Collateral free and clear of any and all Liens or claims of others. No financing statement or other public notice with respect to all or any part of the Collateral is on file or of record in any public office, except such as have been filed in favor of the Administrative Agent, for the ratable benefit of the Lenders, pursuant to this Agreement or as are permitted by the Credit Agreement.

4.2 Perfected First Priority Liens . The security interests granted pursuant to this Agreement (a) constitute valid perfected security interests in all of the Collateral in favor of the Administrative Agent, for the ratable benefit of the Lenders, as collateral security for such Grantor's Obligations, enforceable in accordance with the terms hereof against all creditors of such Grantor and any Persons purporting to purchase any Collateral from such Grantor and (b) are prior to all other Liens on the Collateral in existence on the date hereof except for unrecorded Liens permitted by the Credit Agreement which have priority over the Liens on the Collateral by operation of law.

4.3 Jurisdiction of Organization; Chief Executive Office. On the date hereof, such Grantor's jurisdiction of organization, identification number from the jurisdiction of organization (if any), and the location of such Grantor's chief executive office or sole place of business, as the case may be, are specified on Schedule 3. Such Grantor has furnished to the Administrative Agent a certified charter, certificate of incorporation or other organization document and short-form good standing certificate as of a date which is recent to the date hereof.

4.4 Inventory. On the date hereof, such Grantor's Inventory is kept at the locations listed on Schedule 4.

4.5 Farm Products. None of such Grantor's Collateral constitutes, or is the Proceeds of, Farm Products.

4.6 Pledged Stock. (a) The shares of Pledged Stock pledged by such Grantor hereunder constitute all the issued and outstanding shares of all classes of the Capital Stock of each Issuer owned by such Grantor.

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

(c) Such Grantor is the record and beneficial owner of, and has good and marketable title to, the Pledged Stock pledged by it hereunder, 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.

4.7 Accounts. (a) No amount payable to such Grantor under or in connection with any Account is evidenced by any Instrument or Chattel Paper which has not been delivered to the Administrative Agent.

(b) None of the obligors on any Accounts is a Governmental Authority.

(c) The amounts represented by such Grantor to the Lenders from time to time as owing to such Grantor in respect of the Accounts will at such times be accurate.

Section 5..... COVENANTS

Each Grantor covenants and agrees with the Administrative Agent and the Lenders that, from and after the date of this Agreement until the Obligations shall have been paid in full, no Letter of Credit or Acceptance shall be outstanding and the Commitments shall have terminated:

5.1 Delivery of Instruments, Certificated Securities and Chattel Paper. If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any Instrument, Certificated Security or Chattel Paper, such Instrument, Certificated Security or Chattel Paper shall be immediately delivered to the Administrative Agent, duly indorsed in a manner satisfactory to the Administrative Agent, to be held as Collateral pursuant to this Agreement.

5.2.....Maintenance of Insurance. (a) Such Grantor will maintain, with financially sound and reputable companies, insurance policies (i) insuring the Inventory against loss by fire, explosion, theft and such other casualties as may be reasonably satisfactory to the Administrative Agent and (ii) to the extent requested by the Administrative Agent, insuring such Grantor, the Administrative Agent and the Lenders against liability for personal injury and property damage relating to such Inventory, such policies to be in such form and amounts and having such coverage as may be reasonably satisfactory to the Administrative Agent and the Lenders.

(b) All such insurance shall (i) provide that no cancellation, material reduction in amount or material change in coverage thereof shall be effective until at least 30 days after receipt by the Administrative Agent of written notice thereof, (ii) name the Administrative Agent as insured party or loss payee, (iii) if reasonably requested by the Administrative Agent, include a breach of warranty clause and (iv) be reasonably satisfactory in all other respects to the Administrative Agent.

(c) The Borrower shall deliver to the Administrative Agent and the Lenders a report of a reputable insurance broker with respect to such insurance substantially concurrently with each delivery of the Borrower's audited annual financial statements and such supplemental reports with respect thereto as the Administrative Agent may from time to time reasonably request.

5.3.....Payment of Obligations. Such Grantor will pay and discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all taxes, assessments and governmental charges or levies imposed upon the Collateral or in respect of income or profits therefrom, as well as all claims of any kind (including, without limitation, claims for labor, materials and supplies) against or with respect to the Collateral, except that no such charge need be paid if the amount or validity thereof is currently being contested in good faith by appropriate proceedings, reserves in conformity with GAAP with respect thereto have been provided on the books of such Grantor and such proceedings could not reasonably be expected to result in the sale, forfeiture or loss of any material portion of the Collateral or any interest therein.

5.4 Maintenance of Perfected Security Interest; Further Documentation. (a) Such Grantor shall maintain the security interest created by this Agreement as a perfected security interest having at least the priority described in Section 4.2 and shall defend such security interest against the claims and demands of all Persons whomsoever, subject to the rights of such Grantor under the Loan Documents to dispose of the Collateral.

(b) Such Grantor will furnish to the Administrative Agent and the Lenders from time to time statements and schedules further identifying and describing the assets and property of such Grantor and such other reports in connection therewith as the Administrative Agent may reasonably request, all in reasonable detail.

(c) At any time and from time to time, upon the written request of the Administrative Agent, and at the sole expense of such Grantor, such Grantor will promptly and duly execute and deliver, and have recorded, such further instruments and documents and take such further actions as the Administrative Agent may reasonably request for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted, including, without limitation, (i) filing any financing or continuation statements under the Uniform Commercial Code (or other similar laws) in effect in any jurisdiction with respect to the security interests created hereby and (ii) in the case of Pledged Stock and any other relevant Collateral, taking any actions necessary to enable the Administrative Agent to obtain "control" (within the meaning of the applicable Uniform Commercial Code) with respect thereto.

5.5 Changes in Name, etc. Such Grantor will not, except upon 15 days' prior written notice to the Administrative Agent and delivery to the Administrative Agent of all additional executed financing statements and other documents reasonably requested by the Administrative Agent to maintain the validity, perfection and priority of the security interests provided for herein, (i) change its jurisdiction of organization or the location of its chief executive office or sole place of business or principal residence from that referred to in Section 4.3 or (ii) change its name.

5.6Notices. Such Grantor will advise the Administrative Agent and the Lenders promptly, in reasonable detail, of:

(a) any Lien (other than security interests created hereby or Liens permitted under the Credit Agreement) on any of the Collateral which would adversely affect the ability of the Administrative Agent to exercise any of its remedies hereunder; and

(b) of the occurrence of any other event which could reasonably be expected to have a material adverse effect on the aggregate value of the Collateral or on the security interests created hereby.

5.7 Pledged Stock. (a) If such Grantor shall become entitled to receive or shall receive any certificate (including, without limitation, any certificate representing a 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 in respect of the Capital Stock of any Issuer, 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, such Grantor shall accept the same as the agent of the Administrative Agent and the Lenders, hold the same in trust for the Administrative Agent and the Lenders and deliver the same forthwith to the Administrative Agent in the exact form received, duly indorsed by such Grantor to the Administrative Agent, if required, together with an undated stock power covering such certificate duly executed in blank by such Grantor and with, if the Administrative Agent so requests, signature guaranteed, to be held by the Administrative Agent, subject to the terms hereof, as additional collateral security for the Obligations. Any sums paid upon or in respect of the Pledged Stock upon the liquidation or dissolution of any Issuer shall be paid over to the Administrative Agent to be held by it hereunder as additional collateral security for the 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 any Issuer or pursuant to the reorganization thereof, the property so distributed shall, unless otherwise subject to a perfected security interest in favor of the Administrative Agent, be delivered to the Administrative Agent to be held by it hereunder as additional collateral security for the Obligations. If any sums of money or property so paid or distributed in respect of the Pledged Stock shall be received by such Grantor, such Grantor shall, until such money or property is paid or delivered to the Administrative Agent, hold such money or property in trust for the Administrative Agent and the Lenders, segregated from other funds of such Grantor, as additional collateral security for the Obligations.

(b) Without the prior written consent of the Administrative Agent, such Grantor will not (i) vote to enable, or take any other action to permit, any Issuer to issue any Capital Stock of any nature or to issue any other securities convertible into or granting the right to purchase or exchange for any Capital Stock of any nature of any Issuer, (ii) sell, assign, transfer, exchange, or otherwise dispose of, or grant any option with respect to, the Pledged Stock or Proceeds thereof (except pursuant to a transaction expressly permitted by the Credit Agreement), (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 Pledged Stock or Proceeds thereof, 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 such Grantor or the Administrative Agent to sell, assign or transfer any of the Pledged Stock or Proceeds thereof.

(c) In the case of each Grantor which is an Issuer, such Issuer agrees that (i) it will be bound by the terms of this Agreement relating to the Pledged Stock issued by it and will comply with such terms insofar as such terms are applicable to it, (ii) it will notify the Administrative Agent promptly in writing of the occurrence of any of the events described in Section 5.7(a) with respect to the Pledged Stock issued by it and (iii) the terms of Sections 6.3(c) and 6.7 shall apply to it, *mutatis mutandis*, with respect to all actions that may be required of it pursuant to Section 6.3(c) or 6.7 with respect to the Pledged Stock issued by it.

Section 6..... REMEDIAL PROVISIONS

6.1 Certain Matters Relating to Accounts. (a) The Administrative Agent shall have the right to make test verifications of the Accounts in any manner and through any medium that it reasonably considers advisable, and each Grantor shall furnish all such assistance and information as the Administrative Agent may require in connection with such test verifications. At any time and from time to time, upon the Administrative Agent's request and at the expense of the relevant Grantor, such Grantor shall cause independent public accountants or others satisfactory to the Administrative Agent to furnish to the Administrative Agent reports showing reconciliations, aging and test verifications of, and trial balances for, the Accounts.

(b) The Administrative Agent hereby authorizes each Grantor to collect such Grantor's Accounts, subject to the Administrative Agent's direction and control, and the Administrative Agent may curtail or terminate said authority at any time after the occurrence and during the continuance of an Event of Default. If required by the Administrative Agent at any time after the occurrence and during the continuance of an Event of Default, any payments of Accounts, when collected by any Grantor, (i) shall be forthwith (and, in any event, within two Business Days) deposited by such Grantor in the exact form received, duly indorsed by such Grantor to the Administrative Agent if required, in a Collateral Account maintained under the sole dominion and control of the Administrative Agent, subject to withdrawal by the Administrative Agent for the account of the Lenders only as provided in Section 6.5, and (ii) until so turned over, shall be held by such Grantor in trust for the Administrative Agent and the Lenders, segregated from other funds of such Grantor. Each such deposit of Proceeds of Accounts shall be accompanied by a report identifying in reasonable detail the nature and source of the payments included in the deposit.

(c) At the Administrative Agent's request, each Grantor shall deliver to the Administrative Agent all original and other documents evidencing, and relating to, the agreements and transactions which gave rise to the Accounts, including, without limitation, all original orders, invoices and shipping receipts.

6.2 Communications with Obligors; Grantors Remain Liable. (a) The Administrative Agent in its own name or in the name of others may at any time communicate with obligors under the Accounts to verify with them to the Administrative Agent's satisfaction the existence, amount and terms of any Accounts.

(b) Upon the request of the Administrative Agent at any time after the occurrence and during the continuance of an Event of Default, each Grantor shall notify obligors on the Accounts that the Accounts have been assigned to the

Administrative Agent for the ratable benefit of the Lenders and that payments in respect thereof shall be made directly to the Administrative Agent.

(c) Anything herein to the contrary notwithstanding, each Grantor shall remain liable under each of the Accounts to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise thereto. Neither the Administrative Agent nor any Lender shall have any obligation or liability under any Account (or any agreement giving rise thereto) by reason of or arising out of this Agreement or the receipt by the Administrative Agent or any Lender of any payment relating thereto, nor shall the Administrative Agent or any Lender be obligated in any manner to perform any of the obligations of any Grantor under or pursuant to any Account (or any agreement giving rise thereto), to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party thereunder, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

6.3 Pledged Stock. (a) Unless an Event of Default shall have occurred and be continuing and the Administrative Agent shall have given notice to the relevant Grantor of the Administrative Agent's intent to exercise its corresponding rights pursuant to Section 6.3(b), each Grantor shall be permitted to receive all cash dividends paid in respect of the Pledged Stock, paid in the normal course of business of the relevant Issuer and consistent with past practice, to the extent permitted in the Credit Agreement, and to exercise all voting and corporate or other organizational rights with respect to the Pledged Stock; provided, however, that no vote shall be cast or corporate or other organizational right exercised or other action taken which, in the Administrative 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, this Agreement or any other Loan Document.

(b) If an Event of Default shall occur and be continuing and the Administrative Agent shall give notice of its intent to exercise such rights to the relevant Grantor or Grantors, (i) the Administrative Agent shall have the right to receive any and all cash dividends, payments or other Proceeds paid in respect of the Pledged Stock and make application thereof to the Obligations in such order as the Administrative Agent may determine, and (ii) any or all of the Pledged Stock shall be registered in the name of the Administrative Agent or its nominee, and the Administrative Agent or its nominee may thereafter exercise (x) all voting, corporate and other rights pertaining to such Pledged Stock at any meeting of shareholders of the relevant Issuer or Issuers or otherwise and (y) any and all rights of conversion, exchange and subscription and any other rights, privileges or options pertaining to such 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 or other organizational structure of any Issuer, or upon the exercise by any Grantor or the Administrative Agent of any right, privilege or option pertaining to such 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 Administrative Agent may determine), all without liability except to account for property actually received by it, but the Administrative Agent shall have no duty to any Grantor to exercise any such right, privilege or

option and shall not be responsible for any failure to do so or delay in so doing.

(c) Each Grantor hereby authorizes and instructs each Issuer of any Pledged Stock pledged by such Grantor hereunder to (i) comply with any instruction received by it from the Administrative Agent in writing that (x) states that an Event of Default has occurred and is continuing and (y) is otherwise in accordance with the terms of this Agreement, without any other or further instructions from such Grantor, and each Grantor agrees that each Issuer shall be fully protected in so complying, and (ii) unless otherwise expressly permitted hereby, pay any dividends or other payments with respect to the Pledged Stock directly to the Administrative Agent.

6.4 Proceeds to be Turned Over To Administrative Agent. In addition to the rights of the Administrative Agent and the Lenders specified in Section 6.1 with respect to payments of Accounts, if an Event of Default shall occur and be continuing, all Proceeds received by any Grantor consisting of cash, checks and other near-cash items shall be held by such Grantor in trust for the Administrative Agent and the Lenders, segregated from other funds of such Grantor, and shall, forthwith upon receipt by such Grantor, be turned over to the Administrative Agent in the exact form received by such Grantor (duly indorsed by such Grantor to the Administrative Agent, if required). All Proceeds received by the Administrative Agent hereunder shall be held by the Administrative Agent in a Collateral Account maintained under its sole dominion and control. All Proceeds while held by the Administrative Agent in a Collateral Account (or by such Grantor in trust for the Administrative Agent and the Lenders) shall continue to be held as collateral security for all the Obligations and shall not constitute payment thereof until applied as provided in Section 6.5.

6.5 Application of Proceeds. At such intervals as may be agreed upon by the Borrower and the Administrative Agent, or, if an Event of Default shall have occurred and be continuing, at any time at the Administrative Agent's election, the Administrative Agent may apply all or any part of Proceeds constituting Collateral, whether or not held in any Collateral Account, and any proceeds of the guarantee set forth in Section 2, in payment of the Obligations in the following order:

First, to pay incurred and unpaid fees and expenses of the Administrative Agent under the Loan Documents;

Second, to the Administrative Agent, for application by it towards payment of amounts then due and owing and remaining unpaid in respect of the Obligations, pro rata among the Lenders according to the amounts of the Obligations then due and owing and remaining unpaid to the Lenders;

Third, to the Administrative Agent, for application by it towards prepayment of the Obligations, pro rata among the Lenders according to the amounts of the Obligations then held by the Lenders; and

Fourth, any balance remaining after the Obligations shall have been paid in full, no Letters of Credit or Acceptances shall be outstanding and

the Commitments shall have terminated shall be paid over to the Borrower or to whomsoever may be lawfully entitled to receive the same.

6.6 Code and Other Remedies. If an Event of Default shall occur and be continuing, the Administrative Agent, on behalf of the Lenders, may exercise, in addition to all other rights and remedies granted to them in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the New York UCC or any other applicable law. Without limiting the generality of the foregoing, the Administrative 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 any Grantor 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, lease, 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, at any exchange, broker's board or office of the Administrative 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 Administrative 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 any Grantor, which right or equity is hereby waived and released. Each Grantor further agrees, at the Administrative Agent's request, to assemble the Collateral and make it available to the Administrative Agent at places which the Administrative Agent shall reasonably select, whether at such Grantor's premises or elsewhere. The Administrative Agent shall apply the net proceeds of any action taken by it pursuant to this Section 6.6, after deducting all reasonable costs and expenses of every kind incurred in connection therewith 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 Administrative Agent and the Lenders hereunder, including, without limitation, reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Obligations, in such order as the Administrative Agent may elect, and only after such application and after the payment by the Administrative Agent of any other amount required by any provision of law, including, without limitation, Section 9-615(a)(3) of the New York UCC, need the Administrative Agent account for the surplus, if any, to any Grantor. To the extent permitted by applicable law, each Grantor waives all claims, damages and demands it may acquire against the Administrative 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.

6.7 Registration Rights. (a) If the Administrative Agent shall determine to exercise its right to sell any or all of the Pledged Stock pursuant to Section 6.6, and if in the opinion of the Administrative 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 relevant Grantor will cause the Issuer thereof to (i) execute and deliver, and cause the directors and officers of such 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 Administrative Agent, necessary or advisable to register the Pledged Stock, or that portion thereof to be sold, under the provisions of the

Securities Act, (ii) 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) make all amendments thereto and/or to the related prospectus which, in the opinion of the Administrative 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. Each Grantor agrees to cause such Issuer to comply with the provisions of the securities or "Blue Sky" laws of any and all jurisdictions which the Administrative 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) Each Grantor recognizes that the Administrative 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. Each Grantor 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 Administrative 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 such Issuer would agree to do so.

(c) Each Grantor 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 6.7 valid and binding and in compliance with any and all other applicable Requirements of Law. Each Grantor further agrees that a breach of any of the covenants contained in this Section 6.7 will cause irreparable injury to the Administrative Agent and the Lenders, that the Administrative 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 6.7 shall be specifically enforceable against such Grantor, and such Grantor 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.

6.8 Deficiency. Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay its Obligations and the fees and disbursements of any attorneys employed by the Administrative Agent or any Lender to collect such deficiency.

Section 7..... THE ADMINISTRATIVE AGENT

7.1 Administrative Agent's Appointment as Attorney-in-Fact, etc. (a) Each Grantor hereby irrevocably constitutes and appoints the Administrative Agent and any officer or agent thereof, 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 such Grantor and in the name of such Grantor or in its own name,

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, and, without limiting the generality of the foregoing, each Grantor hereby gives the Administrative Agent the power and right, on behalf of such Grantor, without notice to or assent by such Grantor, to do any or all of the following:

(i) in the name of such Grantor or its own name, or otherwise, take possession of and indorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Account or with respect to any other Collateral and file any claim or take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Administrative Agent for the purpose of collecting any and all such moneys due under any Account or with respect to any other Collateral whenever payable;

(ii) pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, effect any repairs or any insurance called for by the terms of this Agreement and pay all or any part of the premiums therefor and the costs thereof;

(iii) execute, in connection with any sale provided for in Section 6.6 or 6.7, any indorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and

(iv) (1) direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Administrative Agent or as the Administrative Agent shall direct; (2) ask or demand for, collect, and receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (3) sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (4) commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral; (5) defend any suit, action or proceeding brought against such Grantor with respect to any Collateral; (6) settle, compromise or adjust any such suit, action or proceeding and, in connection therewith, give such discharges or releases as the Administrative Agent may deem appropriate; and (7) generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Administrative Agent were the absolute owner thereof for all purposes, and do, at the Administrative Agent's option and such Grantor's expense, at any time, or from time to time, all acts and things which the Administrative Agent deems necessary to protect, preserve or realize upon the Collateral and the Administrative Agent's and the Lenders' security interests therein and to effect the intent of this Agreement, all as fully and effectively as such Grantor might do.

Anything in this Section 7.1(a) to the contrary notwithstanding, the Administrative Agent agrees that it will not exercise any rights under the power of attorney provided for in this Section 7.1(a) unless an Event of Default shall have occurred and be continuing.

(b) If any Grantor fails to perform or comply with any of its agreements contained herein, the Administrative Agent, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such agreement.

(c) The expenses of the Administrative Agent incurred in connection with actions undertaken as provided in this Section 7.1, together with interest thereon at a rate per annum equal to the highest rate per annum at which interest would then be payable on any category of past due Base Rate Loans under the Credit Agreement, from the date of payment by the Administrative Agent to the date reimbursed by the relevant Grantor, shall be payable by such Grantor to the Administrative Agent on demand.

(d) Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. 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.

7.2 Duty of Administrative Agent. The Administrative 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 New York UCC or otherwise, shall be to deal with it in the same manner as the Administrative Agent deals with similar property for its own account. Neither the Administrative Agent, any Lender nor any of their respective officers, directors, 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 any Grantor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The powers conferred on the Administrative Agent and the Lenders hereunder are solely to protect the Administrative Agent's and the Lenders' interests in the Collateral and shall not impose any duty upon the Administrative Agent or any Lender to exercise any such powers. The Administrative Agent and the Lenders shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

7.3 Execution of Financing Statements. Pursuant to any applicable law, each Grantor authorizes the Administrative Agent to file or record financing statements and other filing or recording documents or instruments with respect to the Collateral without the signature of such Grantor in such form and in such offices as the Administrative Agent determines appropriate to perfect the security interests of the Administrative Agent under this Agreement. Each Grantor authorizes the Administrative Agent to use the collateral description "all personal property" in any such financing statements. Each Grantor hereby ratifies and authorizes the filing by the Administrative Agent of any financing statement with respect to the Collateral made prior to the date hereof.

7.4 Authority of Administrative Agent. Each Grantor acknowledges that the rights and responsibilities of the Administrative Agent under this Agreement with respect to any action taken by the Administrative Agent or the exercise or non-exercise by the Administrative 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 Administrative 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 Administrative Agent and the Grantors, the Administrative 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 no Grantor shall be under any obligation, or entitlement, to make any inquiry respecting such authority.

Section 8. MISCELLANEOUS

8.1 Amendments in Writing. None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except in accordance with Section 13.1 of the Credit Agreement.

8.2 Notices. All notices, requests and demands to or upon the Administrative Agent or any Grantor hereunder shall be effected in the manner provided for in Section 13.2 of the Credit Agreement; provided that any such notice, request or demand to or upon any Guarantor shall be addressed to such Guarantor at its notice address set forth on Schedule 1.

8.3 No Waiver by Course of Conduct; Cumulative Remedies. Neither the Administrative Agent nor any Lender shall by any act (except by a written instrument pursuant to Section 8.1), 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. No failure to exercise, nor any delay in exercising, on the part of the Administrative 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 Administrative 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 Administrative Agent or such Lender would otherwise have on any future occasion. 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.

8.4 Enforcement Expenses; Indemnification. (a) Each Guarantor agrees to pay or reimburse each Lender and the Administrative Agent for all its costs and expenses incurred in collecting against such Guarantor under the guarantee contained in Section 2 or otherwise enforcing or preserving any rights under this Agreement and the other Loan Documents to which such Guarantor is a party, including, without limitation, the fees and disbursements of counsel (including the allocated fees and expenses of in-house counsel) to each Lender and of counsel to the Administrative Agent.

(b) Each Guarantor agrees to pay, and to save the Administrative 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.

(c) Each Guarantor agrees to pay, and to save the Administrative Agent and the Lenders harmless from, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery,

enforcement, performance and administration of this Agreement to the extent the Borrower would be required to do so pursuant to Section 13.5 of the Credit Agreement.

(d) The agreements in this Section 8.4 shall survive repayment of the Obligations and all other amounts payable under the Credit Agreement and the other Loan Documents.

8.5 Successors and Assigns. This Agreement shall be binding upon the successors and assigns of each Grantor and shall inure to the benefit of the Administrative Agent and the Lenders and their successors and assigns; provided that no Grantor may assign, transfer or delegate any of its rights or obligations under this Agreement without the prior written consent of the Administrative Agent.

8.6 Set-Off. Each Grantor hereby irrevocably authorizes the Administrative Agent and each Lender at any time and from time to time while an Event of Default shall have occurred and be continuing, without notice to such Grantor or any other Grantor, any such notice being expressly waived by each Grantor, to set-off and appropriate and apply any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by the Administrative Agent or such Lender to or for the credit or the account of such Grantor, or any part thereof in such amounts as the Administrative Agent or such Lender may elect, against and on account of the obligations and liabilities of such Grantor to the Administrative Agent or such Lender hereunder and claims of every nature and description of the Administrative Agent or such Lender against such Grantor, in any currency, whether arising hereunder, under the Credit Agreement, any other Loan Document or otherwise, as the Administrative Agent or such Lender may elect, whether or not the Administrative Agent or any Lender has made any demand for payment and although such obligations, liabilities and claims may be contingent or unmatured. The Administrative Agent and each Lender shall notify such Grantor promptly of any such set-off and the application made by the Administrative Agent or such Lender of the proceeds thereof, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Administrative Agent and each Lender under this Section 8.6 are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Administrative Agent or such Lender may have.

8.7 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

8.8 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.

8.9 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.

8.10 Integration. This Agreement and the other Loan Documents represent the agreement of the Grantors, the Administrative Agent and the Lenders with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent or any Lender relative to subject matter hereof and thereof not expressly set forth or referred to herein or in the other Loan Documents.

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

8.12 Submission To Jurisdiction; Waivers. Each Grantor hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Grantor at its address referred to in Section 8.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

8.13 Acknowledgements. Each Grantor hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents to which it is a party;

(b) neither the Administrative Agent nor any Lender has any fiduciary relationship with or duty to any Grantor arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Grantors, on the one hand, and the Administrative Agent and Lenders, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among the Grantors and the Lenders.

8.14 Additional Grantors. Each Subsidiary of the Borrower that is required to become a party to this Agreement pursuant to Section 9.7 of the Credit Agreement shall become a Grantor for all purposes of this Agreement upon execution and delivery by such Subsidiary of an Assumption Agreement in the form of Annex 1 hereto.

8.15 Releases. (a) At such time as the Loans, the Reimbursement Obligations and the other Obligations (other than Obligations in respect of Specified Swap Agreements) shall have been paid in full, the Commitments have been terminated and no Letters of Credit or Acceptances shall be outstanding, the Collateral shall be released from the Liens created hereby, and this Agreement and all obligations (other than those expressly stated to survive such termination) of the Administrative Agent and each Grantor hereunder shall terminate, all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to the Grantors. At the request and sole expense of any Grantor following any such termination, the Administrative Agent shall deliver to such Grantor any Collateral held by the Administrative Agent hereunder, and execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence such termination.

(b) If any of the Collateral shall be sold, transferred or otherwise disposed of by any Grantor in a transaction permitted by the Credit Agreement, then the Administrative Agent, at the request and sole expense of such Grantor, shall execute and deliver to such Grantor all releases or other documents reasonably necessary or desirable for the release of the Liens created hereby on such Collateral. At the request and sole expense of the Borrower, a Subsidiary Guarantor shall be released from its obligations hereunder in the event that all the Capital Stock of such Subsidiary Guarantor shall be sold, transferred or otherwise disposed of in a transaction permitted by the Credit Agreement.

8.16 WAIVER OF JURY TRIAL. EACH GRANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

8.17 Continuing Effect. This Agreement constitutes an amendment and restatement of all the existing Security Documents (as defined in the Existing Credit Agreement) which guarantee and secure the Existing Credit Agreement and such Security Documents (and the Liens created thereunder) shall continue in full force and effect (after giving effect to the amendment and restatement thereof pursuant to this Agreement) and shall not be or be deemed to be released or terminated as a result of the execution and delivery of this Agreement.

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

AUDIOVOX CORPORATION

By: /s/ Charles M. Stoehr

Name: Charles M. Stoehr
Title: Senior Vice President/CFO

QUINTEX MOBILE COMMUNICATIONS CORP.

By: /s/ Charles M. Stoehr

Name: Charles M. Stoehr
Title: Vice President

AMERICAN RADIO CORP.

By: /s/ Charles M. Stoehr

Name: Charles M. Stoehr
Title: Vice President

AUDIOVOX INTERNATIONAL CORP.

By: /s/ Charles M. Stoehr

Name: Charles M. Stoehr
Title: Vice President

AUDIOVOX CANADA LIMITED

By: /s/ Charles M. Stoehr

Name: Charles M. Stoehr
Title: Vice President

AUDIOVOX HOLDING CORP.

By: /s/ Peter Tsikos

Name: Peter Tsikos
Title: Secretary

AUDIOVOX ASIA INC.

By: /s/ Patrick M. Lavelle

Name: Patrick M. Lavelle
Title: Vice President

AUDIOVOX LATIN AMERICA LTD.

By: /s/ Charles M. Stoehr

Name: Charles M. Stoehr
Title: Vice President

AUDIOVOX COMMUNICATIONS CORP.

By: /s/ Charles M. Stoehr

Name: Charles M. Stoehr
Title: Secretary

AUDIOVOX ELECTRONICS CORP.

By: /s/ Patrick M. Lavelle

Name: Patrick M. Lavelle
Title: President

CODE SYSTEMS, INC.

By: /s/ Patrick M. Lavelle

Name: Patrick M. Lavelle
Title: President

AUDIOVOX COMMUNICATIONS CANADA CO.

By: /s/ Charles M. Stoehr

Name: Charles M. Stoehr
Title: Vice President

Schedule 1

NOTICE ADDRESSES OF GUARANTORS

DESCRIPTION OF PLEDGED STOCK

Pledged Stock:

Issuer	Class of Stock	Stock Certificate No.	No. of Shares
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Schedule 3

LOCATION OF JURISDICTION OF ORGANIZATION AND CHIEF EXECUTIVE OFFICE

Grantor	Jurisdiction of Organization	Location of Chief Executive Office
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LOCATIONS OF INVENTORY

Grantor

Locations

Annex 1 to
Guarantee and Collateral Agreement

ASSUMPTION AGREEMENT, dated as of _____, 200_, made by _____ (the "Additional Grantor"), in favor of JPMorgan Chase Bank, as administrative agent (in such capacity, the "Administrative Agent") for the banks and other financial institutions or entities (the "Lenders") parties to the Fifth Amended and Restated Credit Agreement referred to below. All capitalized terms not defined herein shall have the meaning ascribed to them in such Credit Agreement.

W I T N E S S E T H :

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WHEREAS, Audiovox Corporation (the "Borrower"), the Lenders and the Administrative Agent have entered into a Fifth Amended and Restated Credit Agreement, dated as of July 15, 2004 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement");

WHEREAS, in connection with the Credit Agreement, the Borrower and certain of its Affiliates (other than the Additional Grantor) have entered into the Guarantee and Collateral Agreement, dated as of July 15, 2004 (as amended, supplemented or otherwise modified from time to time, the "Guarantee and Collateral Agreement") in favor of the Administrative Agent for the benefit of the Lenders;

WHEREAS, the Credit Agreement requires the Additional Grantor to become a party to the Guarantee and Collateral Agreement; and

WHEREAS, the Additional Grantor has agreed to execute and deliver this Assumption Agreement in order to become a party to the Guarantee and Collateral Agreement;

NOW, THEREFORE, IT IS AGREED:

1. Guarantee and Collateral Agreement. By executing and delivering this Assumption Agreement, the Additional Grantor, as provided in Section 8.14 of the Guarantee and Collateral Agreement, hereby becomes a party to the Guarantee and Collateral Agreement as a Grantor thereunder with the same force and effect as if originally named therein as a Grantor and, without limiting the generality of the foregoing, hereby expressly assumes all obligations and liabilities of a Grantor thereunder. The information set forth in Annex 1-A hereto is hereby added to the information set forth in the Schedules to the Guarantee and Collateral Agreement. The Additional Grantor hereby represents and warrants that each of the representations and warranties contained in Section 4 of the Guarantee and Collateral Agreement is true and correct on and as the date hereof (after giving effect to this Assumption Agreement) as if made on and as of such date.

2. Governing Law. THIS ASSUMPTION 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 Assumption Agreement to be duly executed and delivered as of the date first above written.

[ADDITIONAL GRANTOR]

By: _____
Name:
Title:

SCHEDULE 1
TO THE GUARANTEE AND COLLATERAL AGREEMENT
NOTICE ADDRESSES OF GUARANTORS

SUBSIDIARY	ADDRESS
Quintex Mobile Communications Corp.	c/o Audiovox Corporation 150 Marcus Blvd. P.O. Box 18000 Hauppauge, NY 11788-1800 Attn: Charles M. Stoehr Sr. Vice President & CFO Tel. (631) 231-7750 Fax (631) 231-1370
Audiovox Communications Corp.	c/o Audiovox Corporation 150 Marcus Blvd. P.O. Box 18000 Hauppauge, NY 11788-1800 Attn: Charles M. Stoehr Sr. Vice President & CFO Tel. (631) 231-7750 Fax (631) 231-1370
American Radio Corp.	c/o Audiovox Corporation 150 Marcus Blvd. P.O. Box 18000 Hauppauge, NY 11788-1800 Attn: Charles M. Stoehr Sr. Vice President & CFO Tel. (631) 231-7750 Fax (631) 231-1370
Audiovox International Corp.	c/o Audiovox Corporation 150 Marcus Blvd. P.O. Box 18000 Hauppauge, NY 11788-1800 Attn: Charles M. Stoehr Sr. Vice President & CFO Tel. (631) 231-7750 Fax (631) 231-1370
Audiovox Holding Corp.	c/o Audiovox Corporation 150 Marcus Blvd. P.O. Box 18000 Hauppauge, NY 11788-1800 Attn: Charles M. Stoehr Sr. Vice President & CFO Tel. (631) 231-7750 Fax (631) 231-1370
Audiovox Asia Inc.	c/o Audiovox Corporation 150 Marcus Blvd. P.O. Box 18000 Hauppauge, NY 11788-1800 Attn: Charles M. Stoehr Sr. Vice President & CFO Tel. (631) 231-7750 Fax (631) 231-1370
Audiovox Latin America Ltd.	c/o Audiovox Corporation 150 Marcus Blvd. P.O. Box 18000 Hauppauge, NY 11788-1800 Attn: Charles M. Stoehr Sr. Vice President & CFO Tel. (631) 231-7750 Fax (631) 231-1370
Audiovox Canada Limited	c/o Audiovox Corporation 150 Marcus Blvd. P.O. Box 18000 Hauppauge, NY 11788-1800 Attn: Charles M. Stoehr Sr. Vice President & CFO Tel. (631) 231-7750 Fax (631) 231-1370

Audiovox Electronics Corp.

c/o Audiovox Corporation
150 Marcus Blvd.
P.O. Box 18000
Hauppauge, NY 11788-1800
Attn: Charles M. Stoehr
Sr. Vice
President & CFO Tel.
(631) 231-7750 Fax
(631) 231-1370

Code Systems, Inc.

c/o Audiovox Corporation
150 Marcus Blvd.
P.O. Box 18000
Hauppauge, NY 11788-1800
Attn: Charles M. Stoehr
Sr. Vice
President & CFO Tel.
(631) 231-7750 Fax
(631) 231-1370

Audiovox Communications Canada Co.

c/o Audiovox Corporation
150 Marcus Blvd.
P.O. Box 18000
Hauppauge, NY 11788-1800
Attn: Charles M. Stoehr
Sr. Vice
President & CFO Tel.
(631) 231-7750 Fax
(631) 231-1370

SCHEDULE 2
TO THE GUARANTEE AND COLLATERAL AGREEMENT

DESCRIPTION OF PLEDGED STOCK

Pledged Stock:

Issuer -----	Class of Stock -----	Stock Certificate No. -----	No. of Shares -----
Audiovox Electronics Corporation	Common	1	100
Audiovox Holding Corp.	Common	1	10

SCHEDULE 3
TO THE GUARANTEE AND COLLATERAL AGREEMENT

LOCATION OF JURISDICTION OF ORGANIZATION
AND CHIEF EXECUTIVE OFFICE

Grantor	Jurisdiction of Organization/Registration No.	Location of Chief Executive Office
Audiovox Corporation	Delaware No. 2123128	150 Marcus Blvd. Hauppauge, NY 11788
Quintex Mobile Communications Corp.	Delaware No. 2075896	525 Wireless Blvd. Hauppauge, NY 11788
Audiovox Communications Corp.	Delaware No. 2510740	555 Wireless Blvd. Hauppauge, NY 11788
American Radio Corp.	Georgia No. None	3080 Northfield Road Roswell, GA 30076
Audiovox International Corp.	Delaware No. 2252510	150 Marcus Blvd. Hauppauge, NY 11788
Audiovox Holding Corp.	New York No. None	150 Marcus Blvd. Hauppauge, NY 11788
Audiovox Asia Inc.	Delaware 2351218	150 Marcus Blvd. Hauppauge, NY 11788
Audiovox Latin America Ltd.	Delaware No. 2311119	150 Marcus Blvd. Hauppauge, NY 11788
Audiovox Canada Limited	Canada No. None	517 Vive Street St. Catharines Ontario
Audiovox Electronics Corp.	Delaware No. 2510738	150 Marcus Blvd. Hauppauge, NY 11788
Code Systems, Inc.	Delaware No. 3482410	525 Minnesota Street Troy, MI 48083
Audiovox Communications Canada Co.	Nova Scotia No. 3033489	5155 Spectrum Way Mississauga, Ontario L4W 5A1

SCHEDULE 4
TO THE GUARANTEE AND COLLATERAL AGREEMENT

LOCATIONS OF INVENTORY

Grantor	Locations
Audiovox Corporation	150 Marcus Blvd., Hauppauge, New York
Audiovox Communications Corp.	555 Wireless Blvd., Hauppauge, New York 105 Price Parkway, Farmingdale, New York 100 West Industry Court, Deer Park, New York 10 Grand Blvd., Deer Park, New York 211-1 Knickerbocker Ave, Bohemia, New York 11800 N.W. 102nd Road, Suite 1, Medley, Florida 2200 Secaucus Road, North Bergen, New Jersey 450 Lillard Drive, Sparks, Nevada 16808 Marquardt Ave, Cerritos, California 18450 South Wilmington, Rancho Dominguez, California 1130 Watson Center Road, Carson, California
Audiovox Electronics Corp.	150 Marcus Blvd., Hauppauge, New York 11-22 45th Road, Long Island City, New York 65 Engineer Road, Hauppauge, New York 1630 Oakland Road A217, San Jose, California 14550 Industry Circle, La Mirada, California 707 East Sepulveda Blvd., Suite 101, Carson, California 1201 East McFadden Ave., Santa Ana, California 3670 131st Avenue North, Clearwater, Florida 11800 N.W. 102nd Road, Suite 1, Medley, Florida 205 Parr Blvd., Reno, Nevada 2200 Secaucus Road, North Bergen, New Jersey 570 Woodlake Circle, Chesapeake, Virginia 8050 Quaiity Drive, Prince George, Virginia
Quintex Mobile Communications Corp.	525 Wireless Blvd., Hauppauge, New York 8004 Staples Mill Road, Richmond, Virginia 10423 Midlothian Turnpike, Richmond, Virginia 1213 N. Military Hwy, Broad Creek Shopping Ctr., Norfolk, Virginia 111 Coliseum Crossing, Hampton, Virginia

American Radio Corp.

3080 Northfield Place, Suite 120, Roswell, Georgia
8105 Kingston Pike, Knoxville, Tennessee
1600 Kingston Pike, Knoxville, Tennessee
3000-A Mall Road North, Knoxville, Tennessee
8802 Corporate Square Ct., #205, Jacksonville,
Florida

Code Systems, Inc.

950 East Whitcomb Ave., Madison Heights,
Michigan
30447 Edison Ave., Roseville, Michigan
62W. Freeman Road, Free Soil, Michigan
570 Woodlake Circle, Chesapeake, Virginia

Audiovox Canada Limited

517 Vive Street, St. Catharines Ontario, Canada

Audiovox Communications
Canada Co.

5155 Spectrum Way, Mississauga, Ontario L4W
Canada

ACKNOWLEDGEMENT AND CONSENT

The undersigned hereby acknowledges receipt of a copy of the Guarantee and Collateral Agreement dated as of _____, 2004 (the "Agreement"), made by the Grantors parties thereto for the benefit of JPMorgan Chase Bank, as Administrative Agent. The undersigned agrees for the benefit of the Administrative Agent and the Lenders as follows:

1. The undersigned will be bound by the terms of the Agreement and will comply with such terms insofar as such terms are applicable to the undersigned.
2. The undersigned will notify the Administrative Agent promptly in writing of the occurrence of any of the events described in Section 5.7(a) of the Agreement.
3. The terms of Sections 6.3(c) and 6.7 of the Agreement shall apply to it, mutatis mutandis, with respect to all actions that may be required of it pursuant to Section 6.3(c) or 6.7 of the Agreement.

[NAME OF ISSUER]

By: _____
Name:
Title:

Address for Notices:

Fax: