CELLSTAR CORP
Form DEFM14A
February 20, 2007
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

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

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

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

CELLSTAR CORPORATION

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

Payment of Filing Fee (Check the appropriate box):

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

February 21, 2007

To CellStar Corporation Stockholders:

You are cordially invited to attend a Special Meeting of stockholders of CellStar Corporation (***CellStar***) at the Hilton Dallas Lincoln Centre, 5410 LBJ Freeway, Dallas, Texas, 75240 on Wednesday, March 28, 2007, at 9:30 a.m. Dallas time. CellStar is also sometimes referred to herein as ***we,*** ***our***, ***us***, or the ***Company***.

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

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

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

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

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

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

This Proxy Statement is dated February 21, 2007,
and is first being mailed to CellStar stockholders on or about February 21, 2007.

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

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

Your vote is very important, regardless of the number of shares you own. The U.S. Sale Agreement, the Plan of Dissolution, and the amendment of our Certificate of Incorporation must each be approved by an affirmative vote of the holders of a majority of the outstanding shares of the Company s Common Stock. The Mexico Sale Agreement and the proposal to adjourn or postpone the Special Meeting must be approved by the affirmative vote of the holders of a majority of shares of Common Stock present in person or represented by proxy at the Special Meeting and entitled to vote. If you fail to return your proxy card and do not vote in person at the Special Meeting, your shares will effectively be counted as a vote AGAINST approval of the U.S. Sale Agreement, the Plan of Dissolution, and the amendment of our Certificate of Incorporation, and will not be counted for purposes of determining whether a quorum is present at the Special Meeting, for purposes of the vote to approve the Mexico Sale Agreement or for purposes of the vote to adjourn or postpone the Special Meeting, if necessary or appropriate, to solicit additional proxies. Only stockholders who owned shares of CellStar Common Stock at the close of business on February 14, 2007, the record date for the Special Meeting, will be entitled to vote at the Special Meeting. To vote your shares, you may use the enclosed proxy card, vote via the Internet or by telephone per the instructions on the enclosed proxy card or voting form, or attend the Special Meeting and vote in person. **On behalf of the board of directors, I urge you to complete, sign, date and return the enclosed proxy card, or vote via the Internet or by telephone, as soon as possible, even if you currently plan to attend the Special Meeting.**

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

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

Sincerely,

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

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CELLSTAR CORPORATION
601 S. Royal Lane
Coppell, Texas 75019

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

Date and Time:	9:30 a.m Dallas, Texas Time on Wednesday, March 28, 2007.
Place:	The Hilton Dallas Lincoln Centre, 5410 LBJ Freeway, Dallas, Texas 75240
Items of Business:	1. To approve the U.S. Sale Agreement, dated as of December 18, 2006, by and among U.S. Buyer, the Company, NAC, CellStar, Ltd. and CellStar Fulfillment, Ltd., and the transactions contemplated by the U.S. Sale Agreement, including (i) U.S. Buyer s purchase of substantially all of the Company s United States and Miami-based Latin American operations and (ii) U.S. Buyer s assumption of certain liabilities related to those operations; 2. To approve the Mexico Sale Agreement, dated as of December 18, 2006, by and among Audiomex, NAC, Soluciones, Prestadora, Celular Express, Celular Express Management, CellStar México, CII, and the Series A Shareholders, and the transactions contemplated by the Mexico Sale Agreement, including the sale of all of CellStar s Mexico operations; 3. To approve the Plan of Dissolution, including the complete liquidation and dissolution of CellStar after the completion of the U.S. Sale; 4. To approve the proposal to amend our Certificate of Incorporation to change our corporate name; and 5. To approve adjournments or postponements of the Company s Special Meeting, if necessary or appropriate to permit further solicitation of proxies if there are not sufficient votes at the time of the Company s Special Meeting to approve the above proposals.
Who May Vote:	You can vote if you were a stockholder of record as of the close of business on February 14, 2007, the record date for the Special Meeting. Your vote is important. The affirmative vote of the holders of a majority of the outstanding shares of the Company s Common Stock is required to approve each of the U.S. Sale Agreement, the Plan of Dissolution and the amendment to our Certificate of Incorporation to change the Company s name. The Mexico Sale Agreement and the proposal to adjourn or postpone the Special Meeting must each be approved by the affirmative vote of the holders of a majority of shares of the Company s Common Stock present in person or represented by proxy at the Special Meeting and entitled to vote. A complete list of CellStar stockholders entitled to vote at the Special Meeting will be available for inspection at the principal executive offices of CellStar during regular business hours for a period of no less than ten days before the Special Meeting and at the Special Meeting.

Proxy Voting:

All stockholders are cordially invited to attend the Special Meeting in person. Even if you plan to attend the Special Meeting in person, we request that you complete, sign, date and return the enclosed proxy card, or vote via the Internet or by telephone per the instructions on the enclosed proxy card or voting form, and thus ensure that your shares will be represented at the Special Meeting if you are unable to attend. If you sign, date and return your proxy card without indicating how you wish to vote, your proxy will be counted as a vote in favor of approval of the U.S. Sale Agreement, in favor of approval of the Mexico Sale Agreement, in favor of approval of the Plan of Dissolution, in favor of the amendment of our Certificate of Incorporation to change the Company s name, and in favor of adjournment or postponement of the Special Meeting, if necessary or appropriate, to permit solicitations of additional proxies. If you fail to return your proxy card and do not vote in person at the Special Meeting, your shares will effectively be counted as a vote AGAINST approval of the U.S. Sale Agreement, the Plan of Dissolution, and the amendment of our Certificate of Incorporation to change the Company s name, and will not be counted for purposes of determining whether a quorum is present at the Special Meeting, for purposes of the vote to approve the Mexico Sale Agreement or for purposes of the vote to adjourn or postpone the Special Meeting, if necessary or appropriate, to solicit additional proxies. We are soliciting proxies to grant discretionary authority to the persons named as proxies to adjourn the Special Meeting for the purpose of soliciting additional proxies in favor of Proposals 1, 2, 3 and 4. The individuals to whom proxies are granted will have discretion to decide whether or not to use the authority granted to them pursuant to Proposal 5 to adjourn the Special Meeting. If you do attend the Special Meeting and wish to vote in person, you may withdraw your proxy and vote in person.

Recommendations:

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

- **FOR the proposal to approve the U.S. Sale Agreement;**
- **FOR the proposal to approve the Mexico Sale Agreement;**
- **FOR the proposal to approve the Plan of Dissolution;**
- **FOR the proposal to approve amendment of our Certificate of Incorporation to change the Company s name; and**
- **FOR the proposal to adjourn or postpone the Special Meeting.**

Appraisal Rights:

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

By order of the Board of Directors,

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

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

If you have questions, contact:

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

If you need assistance voting your shares, contact:

D.F. King & Co., Inc.
48 Wall Street
New York, New York 10005
(888) 886-4425 (toll free)
Banks and brokers call collect: (212) 269-5550

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

Dallas, Texas, February 21, 2007

CELLSTAR CORPORATION

SPECIAL MEETING OF STOCKHOLDERS

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Annex A	U.S. Sale Agreement.
Annex B	Mexico Sale Agreement.
Annex C	Plan of Dissolution.
Annex D	Amendment of Certificate of Incorporation.
Annex E	Fairness Opinion of Raymond James as to U.S. Sale.
Annex F	Fairness Opinion of Raymond James as to Mexico Sale.
Annex G	Fairness Opinion of Southwest Securities as to U.S. Sale.
Annex H	Fairness Opinion of Southwest Securities as to Mexico Sale.

SUMMARY

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

Overview (page 38)

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

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

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

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

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

- the continued weakness of our balance sheet and our inability to expend or attract significant amounts of capital in order to grow our business, despite our return to profitability for the first three quarters of fiscal 2006, although the Company posted a loss for the fourth quarter of fiscal 2006;

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

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

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

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

- after conducting an extensive review of our financial condition, results of operations and business and revenue prospects, the determination of management and the board of directors that continuing to operate independently was not reasonably likely to create greater value for our

stockholders over the next 12 to 18 months, and the belief that the Company could not continue its operations in Mexico if the U.S. and Miami operations were divested and could not continue its operations in the U.S. and Miami if the Mexico operations were divested, unless additional capital was raised, which management and the board believed would be highly dilutive to stockholders, and profitable related businesses were acquired, which we had no assurance could be accomplished;

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

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

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

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

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

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

The Company does not believe that operating Mexico by itself is a viable alternative for the Company because the Mexico operations alone would not provide the Company with adequate scope and scale to remain a major distributor and logistics provider which would be necessary for the Company to remain competitive in its industry, the Company would have financial difficulty remaining a publicly traded entity, given the costs of compliance with SEC and the requirements of the Sarbanes-Oxley Act of 2002, as amended (***Sarbanes-Oxley***), and the Company would be operating in only one region with significant customer concentration, thereby increasing the adverse impact of the loss of any of those customers. Therefore, the Company would either need to find another acceptable sale transaction for Mexico or liquidate those assets and distribute any remaining proceeds to stockholders, assuming the Plan of Dissolution is approved by stockholders at the Special Meeting.

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

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

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

To close the Mexico Sale without the proceeds from the U.S. Sale, the Company would be required to obtain consents from its lenders acceptable to the Company. We cannot assure you that such consents could be obtained. If consents on acceptable terms were obtained, management believes that it may have

to use the proceeds from the Mexico Sale to pay down some of its existing debt, which would reduce interest expense going forward; however, the Company would lose the on-going income stream from the Mexico operations. This would also result in a greater concentration of the Company s revenues from a smaller group of customers in only two regions, thereby increasing the adverse impact of the loss of any of those customers.

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

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

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

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

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

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

Proposal One*: *The U.S. Sale

The U.S. Sale Agreement

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

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

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

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

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

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

Purchase Price under U.S. Sale Agreement (page 70)

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

Description of Assets to be Sold under U.S. Sale Agreement (page 70)

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

Description of Liabilities to be Assumed by U.S. Buyer under U.S. Sale Agreement (page 71)

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

Description of Assets to be Retained by CellStar under U.S. Sale Agreement (page 71)

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

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

Description of Liabilities to be Retained by CellStar under U.S. Sale Agreement (page 71)

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

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

Representations and Warranties under the U.S. Sale Agreement (page 73)

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

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

- sufficiency of the Purchased Assets;
- our material contracts;
- our solvency;
- litigation matters;

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- our material licenses and permits used in the operation of our business;
- quality and condition of our inventory;
- certain employment matters;
- our intellectual property; and
- environmental matters.

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

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

Conduct of Business Pending the U.S. Sale (page 75)

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

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

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

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

Conditions to Closing of the U.S. Sale(page 77)

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

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

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

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

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

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

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

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

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

- all required consents of third parties have been obtained;

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

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

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

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

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

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

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

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

Limitation on Considering Other Acquisition Proposals under U.S. Sale Agreement (page 79)

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

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

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

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

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

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

Indemnification under U.S. Sale Agreement (page 80)

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

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

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

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

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

Termination of the U.S. Sale Agreement; Termination Fees (page 81)

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

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

- by either U.S. Buyer or us, if the U.S. Sale has not been completed before May 31, 2007;

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

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

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

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

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

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

Deregistration of CellStar Common Stock (page 83)

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

Proposal Two: The Mexico Sale

The Mexico Sale Agreement

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

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

Principal Parties under the Mexico Sale Agreement (page 38)

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

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

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

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

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

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

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

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

Purchase Price under Mexico Sale Agreement (page 85)

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

Description of Mexican Operations to be Sold under Mexico Sale Agreement (page 85)

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

Representations and Warranties under the Mexico Sale Agreement (page 85)

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

- title to all of the issued and outstanding shares of stock of the Acquired Companies;

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

- no event that has had or would reasonably be expected to have a material adverse effect on CellStar Mexico and/or the Acquired Companies, taken as a whole, or to materially delay the consummation of the transactions contemplated by the Mexico Sale Agreement has occurred; and

- ownership and title to the assets of the Acquired Companies and the absence of any liens or encumbrances on any such assets.

In the Mexico Sale Agreement, Mexico Buyers make certain representations and warranties to Mexico Sellers and, subject to certain limitations, Mexico Buyers have agreed to indemnify Mexico Sellers for any

breach of the representations and warranties. These representations and warranties include, but are not limited to the following:

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

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

Conduct of Business Pending the Mexico Sale (page 87)

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

Conditions to Closing to the Mexico Sale (page 87)

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

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

- the written approval of secured lenders to Mexico Sellers permitting the transfer of stock to Mexico Buyers and releasing any rights they may have to such stock;

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

- the delivery by Mexico Buyers to Mexico Sellers of a $13 million letter of credit (delivered to the Company on December 18, 2006), which is payable to Celular Express in the event Mexico Buyers default in their obligation to pay the Mexico Sale consideration or the Alternate Transaction consideration;

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

- payment of the consideration for the Stock Sale.

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

- Mexico Buyers have performed satisfactory financial, accounting and legal due diligence on CellStar Mexico and the Acquired Companies;

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

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

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

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

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

- Celular Express has delivered to Mexico Buyers a written assignment to CII of its contract with Telcel granting to CII good and marketable title to the rights and obligations derived from such agreement;

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

- Celular Express has received the Alternate Transaction consideration.

Indemnification under Mexico Sale Agreement (page 89)

Mexico Sellers have agreed, subject to certain limitations, to indemnify and hold harmless Mexico Buyers, the Acquired Companies, CellStar Mexico (the ***Buyer Indemnified Parties***) and their respective representatives, stockholders, controlling persons, and affiliates, from and against any loss, liability, claim damage, expense (including costs of investigation and defense and reasonable attorneys fees) arising, directly or indirectly, from or in connection with any breach of any representation or warranty (other than those which do not survive the closing of the Mexico Sale) made by either Mexico Seller in the Mexico Sale Agreement or any other document delivered by either Mexico Seller pursuant to the Mexico Sale Agreement; or any breach by either Mexico Seller of any of its covenants or obligations under the Mexico Sale Agreement.

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

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

Termination of the Mexico Sale Agreement; Termination Fees (page 90)

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

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

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

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

Sale Agreement on the part of Mexico Sellers and Mexico Sellers are not using their reasonable best efforts to cure such breach within ten business days after receipt of notice of such breach, if such breach may be cured;

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

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

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

Proposal Three: The Plan of Dissolution

Events Preceding Consummation of the Plan of Dissolution

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

General

Upon stockholder approval of the U.S. Sale and the Mexico Sale, consummation of the U.S. Sale and the Mexico Sale in accordance with their terms, stockholder approval of the Plan of Dissolution, and consummation of the Plan of Dissolution in accordance with its terms, we anticipate that the stockholders of the Company will receive distributions (which may include dividends as well as liquidating distributions) in an aggregate amount between $2.91 and $3.25 per share of Common Stock, to be made as follows: a dividend of $1.00 per share of Common Stock paid approximately 60 days after closing the U. S. and Mexico Sales and liquidating distributions of substantially all of the remaining available cash in one or more payments beginning approximately nine months after closing. Although we intend to make distributions to our stockholders as promptly as possible, the amount and timing of the distributions are subject to uncertainties and depend on the resolution of contingencies, including the SEC investigation described on page 110 of this proxy statement. No distribution will be made until the SEC investigation is resolved, and there can be no assurance of when resolution of the SEC investigation will occur or what the outcome will be. Furthermore, we cannot assure you that available cash and amounts received from the sale of our assets will be adequate to provide for the Company s obligations, liabilities, expenses and claims. Consequently, no assurance can be given that any amounts will be paid to stockholders, or will be paid when anticipated. See Proposal Three The Plan of Dissolution Factors to be Considered by Stockholders in Deciding Whether to Approve the Plan of Dissolution beginning on page 110. Under the terms of the U.S. Sale Agreement, no liquidating distributions will be made until seven months after the closing of the U.S. Sale, but dividends may be paid prior to that time under certain circumstances.

Summary of the Plan of Dissolution

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

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

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

As part of our Plan of Dissolution, we are obligated to pay, or make provision for the payment of, our expenses and our fixed and contingent liabilities. While CellStar intends to pay or reserve funds for payment to all creditors and to otherwise endeavor to assure that all claims are paid or provided for, there is a possibility, despite CellStar s best estimates, that the amounts reserved for payments to creditors will

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

Relationship to Sale Proposals

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

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

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

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

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

Interests of CellStar s Management and Directors in the U.S. Sale (page 69)

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

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

Market Prices and Dividend Data (page 32)

Our Common Stock is currently traded on the over-the-counter (OTC) market under the symbol CLST and is quoted on the Pink Sheets.® On December 18, 2006, the last full trading day before the public announcement of the transactions, the closing sale price for our Common Stock was $3.45 per share, and on February 14, 2007, the latest practicable trading day before the printing of this proxy statement, the closing sale price for our Common Stock was $2.74 per share.

Material United States Federal Income Tax Consequences of the U.S. Sale and the Mexico Sale (page 128)

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

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

Material United States Federal Income Tax Consequences of the Dissolution (page 128)

The following discussion is a general summary of the material United States federal income tax consequences of the Plan of Dissolution to the Company and its stockholders. The discussion addresses neither the tax consequences that may be relevant to particular categories of investors subject to special treatment under certain federal income tax laws (such as dealers in securities, banks, insurance companies, tax-exempt organizations, and foreign individuals and entities) nor any tax consequences arising under the laws of any state, local or foreign jurisdiction.

Tax Consequences of the Dissolution to the Company

After the approval of the Plan of Dissolution and until the liquidation is complete, the Company will continue to be subject to tax on its taxable income. The Company will generally recognize income, gain or loss on sales of its property or collection of claims pursuant to the Plan of Dissolution. Upon any distribution of property to stockholders, the Company will generally recognize gain or loss as if such

property was being sold to the stockholders at its fair market value. If it were determined that distributions made pursuant to the Plan of Dissolution were not liquidating distributions, the Company may not be able to recognize loss with respect to distributions of depreciated property to the stockholders.

Tax Consequences of the Dissolution to Stockholders

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

Tax Consequences of the Dividend to Stockholders

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

Recommendation of our Board of Directors (page 35)

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

- FOR the proposal to approve the U.S. Sale Agreement;
- FOR the proposal to approve the Mexico Sale Agreement;
- FOR the proposal to approve the Plan of Dissolution;
- FOR the proposal to approve amendment of our Certificate of Incorporation to change the Company s name; and

- FOR the proposal to adjourn or postpone the Special Meeting, if necessary or appropriate, to solicit additional proxies if sufficient votes in favor of approval of the above proposals have not been received at the time of the Special Meeting.

Opinions of our Financial Advisors Regarding the Fairness of the U.S. and Mexico Sales (page 92)

Raymond James & Associates, Inc.(page 92)

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

Southwest Securities, Inc. (page 103)

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

Security Ownership of Management (page 131)

As of the close of business on the record date for the Special Meeting, directors and executive officers of CellStar and their affiliates beneficially owned and were entitled to vote approximately 492,281 shares of CellStar Common Stock, collectively representing 2.33% of the shares of CellStar Common Stock outstanding on that date.

The Special Meeting of CellStar s Stockholders (page 33)

Date, Time and Place. A Special Meeting of our stockholders will be held on March 28,2007, at 9:30 a.m, Dallas, Texas Time, at the Hilton Dallas Lincoln Centre, 5410 LBJ Freeway, Dallas, Texas,75240 to:

- consider and vote upon the proposal to approve the U.S. Sale Agreement;

- consider and vote upon the proposal to approve the Mexico Sale Agreement;

- consider and vote upon the proposal to approve the Plan of Dissolution;

- consider and vote upon the proposal to approve the amendment of our Certificate of Incorporation to change the Company s name; and

- consider and vote upon the proposal to adjourn or postpone the Special Meeting, if necessary or appropriate, to solicit additional proxies if sufficient votes in favor of approval of the above proposals have not been received at the time of the Special Meeting.

Record Date; Outstanding Shares; Shares Entitled to Vote. The record date for the Special Meeting of CellStar stockholders is February 14, 2007. This means that you must have been a stockholder of record of CellStar s Common Stock at the close of business on February 14, 2007, in order to be entitled to vote at the Special Meeting. You are entitled to one vote for each share of Common Stock you own.

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

Regulatory Matters

The U.S. Sale is subject to review by the United States Federal Trade Commission and the Antitrust Division of the United Stated Department of Justice under the HSR Act which requires CellStar and Brightpoint to make notification filings prior to the transaction and to await the expiration or early termination of the statutory waiting period prior to completing the transaction.

Absence of Appraisal Rights For CellStar Stockholders (page 91)

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

QUESTIONS AND ANSWERS ABOUT THE PROPOSALS

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

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

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

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

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

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

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

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

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

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

A: If the Plan of Dissolution is approved, we intend to file a certificate of dissolution with the Delaware Secretary of State to dissolve CellStar as a legal entity as soon as we may do so pursuant to the U.S. Sale Agreement, which is seven months after the closing of the U.S. Sale. As soon as the U.S. and Mexico Sales close, we would take all steps necessary to reduce our operating expenses so that the focus of our operations would be to wind up the remaining operations of the Company. We would hold the cash proceeds of the U.S. and Mexico Sales and all of our other cash to fund the satisfaction of our obligations, our ongoing operating expenses and make distributions to our stockholders of any available proceeds following the resolution of the SEC investigation as promptly as possible. See Proposal Three The Plan of Dissolution Factors to be Considered by Stockholders in Deciding Whether to Approve the Plan of Dissolution beginning on page 110 and Principal Provisions of the Plan of Dissolution beginning on page 116.

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

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

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

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

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

A: Upon stockholder approval of the U.S. Sale and the Mexico Sale, consummation of the U.S. Sale and the Mexico Sale in accordance with their terms, stockholder approval of the Plan of Dissolution, and consummation of the Plan of Dissolution in accordance with its terms, we anticipate that the stockholders of the Company will receive cash distributions (which may include dividends as well as liquidating distributions) in an aggregate amount between $2.91 and $3.25 per share of Common Stock, to be made as follows: a dividend of $1.00 per Common Share paid approximately 60 days after closing the U. S. and Mexico Sales and liquidating distributions of substantially all of the remaining available cash beginning approximately nine months after closing. However, due to the factors described in this Proxy Statement, no assurance can be given that any amounts will be paid to stockholders, or will be paid when anticipated.

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

A: Although we intend to make distributions to our stockholders as promptly as possible, the amount and timing of the distributions are subject to uncertainties and depend on the resolution of contingencies, including the SEC investigation described on page 110 of this proxy statement. No distribution will be made until the SEC investigation is resolved, and there can be no assurance of when resolution of the SEC investigation will occur or what the outcome will be. Furthermore, we cannot assure you that available cash and amounts received from the sale of our assets will be adequate to provide for the Company s obligations, liabilities, expenses and claims. Consequently, no assurance can be given that any amounts will be paid to stockholders, or will be paid when anticipated. See Proposal Three The Plan of Dissolution Factors to be Considered by Stockholders in Deciding Whether to Approve the Plan of Dissolution beginning on page 110. Under the terms of the U.S. Sale Agreement, no liquidating distributions will be made until seven months after the closing of the U.S. Sale, but dividends may be paid prior to that time under certain circumstances.

Q: How will I be taxed on any distributions?

A: In a liquidating distribution, you will recognize a gain or loss equal to the difference between the amount of cash distributed to you by the Company and the tax basis you have in your shares of Common Stock. The gain or loss will generally be treated as capital gain or loss provided you held the shares as a capital asset. Such gain or loss will be subject to tax at the short-term or long-term capital gain rate depending on the time period for which such shares were held by you. Taxation at the long-term capital gain rate requires that you held the shares more than one year. Dividends received by non-corporate stockholders of the Company generally will be taxed at a maximum rate of 15%, subject to certain holding-period requirements. Dividends received by corporate stockholders of the Company generally will be taxed at ordinary corporate income tax rates and will qualify for the dividends-received deduction, subject to certain holding-period requirements. See Material United States Federal Income Tax Consequences beginning on page 127.

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

A: In evaluating the U.S. and Mexico Sales and the Plan of Dissolution, the board of directors consulted with the Company s management, financial advisors and legal counsel. In concluding that the U.S. and

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Mexico Sales were advisable and in the best interests of the Company and our stockholders, the board of directors considered a variety of factors including, among others:

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

- the continued weakness of our balance sheet and our inability to expend or attract significant amounts of capital in order to grow our business, despite our return to profitability for the first three quarters of fiscal 2006, although the Company posted a loss for the fourth quarter of fiscal 2006;

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company does not believe that operating Mexico by itself is a viable alternative for the Company because the Mexico operations alone would not provide the Company with adequate scope and scale to remain a major distributor and logistics provider which would be necessary for the Company to remain competitive in its industry, the Company would have financial difficulty remaining a publicly traded entity, given the costs of compliance with SEC and Sarbanes-Oxley requirements, and the Company would be operating in only one region with significant customer concentration, thereby increasing the adverse impact of the loss of any of those customers. Therefore, the Company would either need to find another acceptable sale transaction for Mexico or liquidate those assets and distribute any remaining proceeds to stockholders, assuming the Plan of Dissolution is approved by stockholders at the Special Meeting.

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

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

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

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

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

Management and the board of directors believe that it may also be necessary to immediately reduce the costs associated with being a public company by deregistering its Common Stock under the Exchange Act, and reducing the Company s corporate overhead.

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

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

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

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

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

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

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

A: If the U.S. Sale is consummated, our Chairman of the Board, Chief Executive Officer and President and other executive officers will receive payments under employment agreements and, in some cases, continued employee benefits. In addition, all of our directors and executive officers have been issued shares of restricted stock, which vest pursuant to their terms upon a change of control. See Interests of CellStar s Management and Directors in the U.S. Sale beginning on page 69. No payments will be owed and no accelerated vesting will occur if the Mexico Sale is consummated but the U.S. Sale is not.

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

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

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

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

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

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

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

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

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

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

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

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

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

A: Upon stockholder approval of the U.S. Sale and the Mexico Sale, consummation of the U.S. Sale and the Mexico Sale in accordance with their terms, stockholder approval of the Plan of Dissolution, and consummation of the Plan of Dissolution in accordance with its terms, we anticipate that the stockholders of the Company will receive distributions (which may include dividends as well as liquidating distributions) in an aggregate amount between $2.91 and $3.25 per share of Common Stock, to be made as follows: a dividend of $1.00 per Common Share paid approximately 60 days after closing the U. S. and Mexico Sales, and a liquidating distribution of substantially all of the remaining available cash approximately nine months after closing. Although we intend to make distributions to our stockholders as promptly as possible, the amount and timing of the distributions are subject to uncertainties and depend on the resolution of contingencies, including the SEC investigation described on page 110 of this proxy statement. No distribution will be made until the SEC investigation is resolved, and there can be no assurance of when resolution will occur or what the outcome will be. Furthermore, we cannot assure you that available cash and amounts received from the sale of our assets will be adequate to provide for the Company s obligations, liabilities, expenses and

claims. Consequently, no assurance can be given that any amounts will be paid to stockholders, or will be paid when anticipated. See Proposal Three The Plan of Dissolution Factors to be

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Considered by Stockholders in Deciding Whether to Approve the Plan of Dissolution beginning on page 110. Under the terms of the U.S. Sale Agreement, no liquidating distributions will be made until seven months after the closing of the U.S. Sale, but dividends may be paid prior to that time under certain circumstances.

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

A: As part of our Plan of Dissolution, we are obligated to pay, or make provision for the payment of, our expenses and our fixed and contingent liabilities. While CellStar intends to pay or reserve funds for payment to all creditors and to otherwise endeavor to assure that all claims are paid or provided for, there is a possibility, despite CellStar s best estimates, that the amounts reserved for payments to creditors will turn out to be inadequate. Under Delaware law, a stockholder could be held personally liable to our creditors for any deficiency, to the extent of such stockholder s previous distributions from us in dissolution, if we fail to make adequate provision for the payment of our expenses and liabilities. Moreover, if a stockholder has paid taxes on distributions previously received by the stockholder, a repayment of all or a portion of the prior distribution could result in a stockholder incurring a net tax cost if the stockholder s repayment of an amount previously distributed does not cause a commensurate reduction in taxes payable by that stockholder. See Proposal Three The Plan of Dissolution Factors to be Considered by Stockholders in Deciding Whether to Approve the Plan of Dissolution beginning on page 110. If we fail to create an adequate contingency reserve for payment of our expenses and liabilities, our stockholders could be held liable for payment to our creditors for amounts owed to creditors in excess of the contingency reserve, up to the amount actually distributed to such stockholder upon dissolution. While the possibility of the occurrences set forth above cannot totally be excluded, after a review of its assets and liabilities the Company believes that the contingency reserve will be adequate and that a return of amounts previously distributed will not be required. See Proposal Three The Plan of Dissolution Contingent Liabilities; Contingency Reserve beginning on page 111.

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

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

Q. What do I need to do now?

A. We urge you to carefully read this proxy statement, including its annexes and the other documents we refer to in this proxy statement, and consider how the proposals affect you. Then mail your completed, dated and signed proxy card in the enclosed return envelope as soon as possible so that your shares can be voted at the Special Meeting of our stockholders.

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

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

Q: What vote is required to approve the proposals?

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

shares of Common Stock represented in person or

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

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

A. The Special Meeting of stockholders of CellStar will be held at the Hilton Dallas Lincoln Centre, 5410 LBJ Freeway, Dallas, Texas 75240, on Wednesday, March 28, 2007, at 9:30 a.m., Dallas time.

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

A: Only holders of record of our Common Stock as of the close of business on February 14, 2007, are entitled to notice of and to vote at the Special Meeting.

Q: How do I vote?

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

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

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

Q: What happens if I abstain?

A: Proxies marked ABSTAIN will be counted as shares present for the purpose of determining the presence of a quorum, but for purposes of determining the outcome of all proposals, shares represented by such proxies will be treated as votes AGAINST those proposals.

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

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

- filing a written notice of revocation with the Secretary of CellStar at our principal executive office (601 S. Royal Lane, Coppell, Texas 75019), Attention: Secretary, or hand delivering the notice to our Secretary at or before the taking of the vote at the Special Meeting;
- filing a properly executed proxy showing a later date with our Secretary at our principal executive office; or
- attending the Special Meeting and voting in person (although attendance at the meeting will not, by itself, revoke a proxy).

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

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

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

A. Your broker or bank will not be able to vote your shares without instructions from you. You should instruct your broker or bank to vote your shares following the procedure provided by your bank or broker. Without instructions, your shares will not be voted, which will have the same effect as if you voted AGAINST approval of the U.S. Sale Agreement, the Plan of Dissolution, and the amendment to our Certificate of Incorporation.

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

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

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

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

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

A: At the close of business on February 14, 2007, there were 21,158,740 shares of Common Stock outstanding and entitled to vote.

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

A: In order to conduct business at the Special Meeting, a quorum must be present. A quorum is a majority of the outstanding shares entitled to be voted. The shares may be present in person or represented by proxy at the Special Meeting. Abstentions are counted as present for the purpose of determining the presence of a quorum. Broker non-votes are not counted for purposes of determining whether a quorum is present because those shares held by brokers are considered not entitled to vote.

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

A: The purchase price for the assets of our United States and Miami-based Latin American operations proposed to be sold to U.S. Buyer was negotiated between representatives of CellStar and

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representatives of U.S. Buyer. We have received fairness opinions from our financial advisors concluding that the consideration to be received by us for the assets is fair, from a financial point of view, to CellStar. A copy of each fairness opinion from our financial advisors is included as *Annex E* and *Annex G* to this proxy statement.

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

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

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

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

Q. Who can help answer my questions?

A. If you would like additional copies, without charge, of this proxy statement or if you have questions about the transactions, contact:

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

If you need assistance voting your shares, contact:

D.F. King & Co., Inc.
48 Wall Street
New York, New York 10005
(888) 886-4425 (toll free)
Banks and brokers call collect at (212) 269-5550

FORWARD-LOOKING INFORMATION

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

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

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

MARKET PRICES AND DIVIDEND DATA

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

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

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

As of February 14, 2007, there were 223 stockholders of record, although we believe that the number of beneficial owners is significantly greater because a large number of shares are held of record by CEDE & Co.

The closing sale prices per share of our Common Stock, as reported on the OTC on December 18, 2006, the last full trading day before the public announcement of the U.S. Sale, and on February 14, 2007, the latest practicable trading day before the printing of this proxy statement were $3.45 and $2.74, respectively.

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

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

THE SPECIAL MEETING OF CELLSTAR S STOCKHOLDERS

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

Date, Time and Place

We will hold the Special Meeting on Wednesday, March 28, 2007, at 9:30 a.m., Dallas, Texas time, at the Hilton Dallas Lincoln Centre, 5410 LBJ Freeway, Dallas, Texas 75240.

Purpose of the Special Meeting

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

Record Date; Shares Entitled to Vote; Quorum

Only holders of record of our Common Stock at the close of business on February 14, 2007, the record date for the Special Meeting, are entitled to notice of, and to vote at, the Special Meeting. On the record date, 21,158,740 shares of our Common Stock were issued and outstanding and held by approximately 223 holders of record. Holders of record of our Common Stock on the record date are entitled to one vote per share at the Special Meeting on the proposal to approve the U.S. Sale Agreement, the proposal to approve the Mexico Sale Agreement, the proposal to approve the Plan of Dissolution, the proposal to amend our Certificate of Incorporation, and the proposal to adjourn or postpone the Special Meeting, if necessary or appropriate, to solicit additional proxies in favor of approval of the U.S. Sale Agreement, approval of the Mexico Sale Agreement, approval of the Plan of Dissolution and approval of the proposal to amend our Certificate of Incorporation to change the Company s name.

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

Vote Required

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

Abstentions will count as a vote AGAINST all of the proposals. Each broker non-vote will count as a vote AGAINST the proposals to approve the U.S. Sale Agreement, the Plan of Dissolution, and the amendment to our Certificate of Incorporation and will not be counted as an affirmative vote or negative vote for purposes of the proposals to approve the Mexico Sale Agreement or to adjourn or postpone the

Special Meeting because those shares are considered not entitled to vote. Brokers holding stock for the accounts of their clients who have not given them specific voting instructions are not allowed to vote client proxies on the proposals.

Voting of Proxies

If your shares are registered in your name, you may vote by returning a signed proxy card, voting via the Internet or by telephone per the instructions on the enclosed proxy card or voting form, or voting in person at the Special Meeting.

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

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

If your shares are held in street name through a broker or bank, you may vote by completing and returning the voting form provided by your broker or bank or via the Internet or by telephone if your broker or bank provides that service. To vote via the Internet or by telephone, you should follow the instructions on the voting form provided by your broker or bank. If you plan to attend the Special Meeting, you will need a proxy from your broker or bank in order to vote the shares. If you do not return your bank s or broker s voting form, vote via the Internet or via telephone, or attend the Special Meeting and vote in person with a proxy from your broker or bank, it will have the same effect as if you voted AGAINST approval of the U.S. Sale Agreement, approval of the Plan of Dissolution and approval of the proposal to amend our Certificate of Incorporation to change the Company s name and your shares will not be counted as an affirmative vote or negative vote for purposes of the proposals to approve the Mexico Sale Agreement or to adjourn or postpone the Special Meeting because those shares are considered not entitled to vote.

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

Revocability of Proxies

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

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

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

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

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

Board of Directors Recommendations

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

At a meeting held on December 17, 2006, after careful consideration, our board of directors unanimously approved and declared advisable the Mexico Sale Agreement and the terms and conditions of the Mexico Sale anddetermined that the Mexico Sale Agreement and the terms and conditions of the Mexico Sale are fair to, advisable and in the best interests of CellStar and its stockholders. **Our board of directors unanimously recommends that CellStar stockholders vote FOR the proposal to approve the Mexico Sale Agreement and also unanimously recommends that stockholders vote FOR the proposal to adjourn or postpone the Special Meeting, if necessary or appropriate, to permit the solicitation of additional proxies in favor of approval of the Mexico Sale Agreement.**

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

At a meeting held on February 8, 2007, after careful consideration, our board of directors unanimously approved and declared advisable the amendment of the Company s Certificate of Incorporation to change the Company s name to CLST Holdings, Inc. after the completion of the U.S. Sale anddetermined that the amendment to the Company s Certificate of Incorporation to change the Company s name is in the best interests of CellStar and its stockholders. **Our board of directors unanimously recommends that CellStar stockholders vote FOR the proposal to approve the amendment to our Certificate of Incorporation to change the Company s name to CLST Holdings, Inc. and also unanimously recommends that stockholders vote FOR the proposal to adjourn or postpone the Special Meeting, if necessary or appropriate, to permit the solicitation of additional proxies in favor of approval of amendment of the Company s Certificate of Incorporation to change the Company s name.**

Voting by CellStar Directors and Executive Officers

As of the close of business on the record date for the Special Meeting, the directors and executive officers of CellStar as a group beneficially owned and were entitled to vote approximately 492,281 shares of CellStar Common Stock, or approximately 2.33% of the aggregate voting power for all outstanding shares of CellStar s Common Stock. Each director and executive officer has indicated his or her present intention to vote, or cause to be voted, the shares of CellStar Common Stock owned by him or her FOR the approval of the U.S. Sale Agreement, FOR the approval of the Mexico Sale Agreement, FOR the approval of the Plan of Dissolution, FOR the approval of the proposal to amend our Certificate of Incorporation to change the Company s name, and FOR the proposal to adjourn or postpone the Special Meeting, if necessary or appropriate, to permit the solicitation of additional proxies in favor of approval of the U.S. Sale Agreement, approval of the Mexico Sale Agreement, approval of the Plan of Dissolution, and approval of the proposal to amend our Certificate of Incorporation to Change the Company s name.

Abstentions and Broker Non-Votes

Stockholders who abstain from voting on a particular matter and shares held in street name by brokers or nominees who indicate on their proxies that they do not have discretionary authority to vote such shares as to a particular matter will not be counted as votes in favor of such matter. Abstentions will be counted to determine whether a quorum is present at the Special Meeting but broker non-votes will not. Abstentions will have the effect of a vote AGAINST all proposals. Broker non-votes will count as votes AGAINST the proposals to approve the U.S. Sale Agreement, the Plan of Dissolution, and the amendment to our Certificate of Incorporation and will not be counted as an affirmative vote or negative vote for purposes of the proposals to approve the Mexico Sale Agreement or to adjourn or postpone the Special Meeting because those shares are considered not entitled to vote.

Solicitation of Proxies

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

Multiple Stockholders Sharing One Address

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

Postponement or Adjournment of Meeting

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

Stockholder List

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

PRINCIPAL PARTIES

CellStar Corporation

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

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

Our principal executive offices are located 601 S. Royal Lane, Coppell, Texas 75019. Our telephone number is (972) 462-3530. Our website is located at *www.cellstar.com*. Additional information regarding CellStar is contained in our filings with the SEC. See Where You Can Find More Information beginning on page 132.

Brightpoint, Inc.

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

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

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

2601 Metropolis Corp.

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

National Auto Center, Inc.

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

Audiomex Export Corp.

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

Soluciones Inalámbricas, S.A. de C.V.

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

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

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

OVERVIEW

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

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

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

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

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

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

business previously performed by the Company. The Company s efforts to launch new products and to add other manufacturers to its handset product list have not generated significant revenue.

The Company s customer base is also concentrated. For the fiscal year ended November 30, 2006, one customer accounted for approximately 23% of the Company s total U.S. revenues excluding lock/line, one customer accounted for approximately 59% of the Company s total Miami revenues and one customer relationship accounted for approximately 76% of the Company s Mexico revenues. As a result, the Company remains vulnerable to a significant and dramatic loss of revenues in the event it should lose any additional major customer.

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

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

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

BACKGROUND OF THE U.S. AND MEXICO SALES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On June 19, 2006, the exclusivity agreement with Brightpoint expired, and we contacted the Second Potential Strategic Buyer to determine if it still had an interest in the Company. The Second Potential Strategic Buyer indicated that it was interested in purchasing the Latin American operations only. Subsequent to this discussion, in late June, the Second Potential Strategic Buyer provided us with a due

diligence request list and began further business, financial and legal due diligence on the Company. We provided documents responsive to the due diligence request.

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

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

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

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

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

The Company, through Raymond James, approached the Second Potential Strategic Buyer about its interest in pursuing a transaction involving only the Mexico operations. From July 17 through July 19,

2006, Elaine Flud Rodriguez, our Senior Vice President and General Counsel, along with representatives from Raymond James, went to Mexico to meet with representatives from the Second Potential Strategic Buyer and assist them with their due diligence of the Mexico operations. On August 3, 2006, we entered into an exclusivity agreement with the Second Potential Strategic Buyer relating to our Mexico operations for a period of one month.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The board of directors met again on December 17, 2006 to discuss final changes to the Mexico Sale Agreement, as outlined by Haynes and Boone. Mr. Kaiser presented management s view that the Mexico Sale was appropriate for the Company whether or not the U.S. Sale was completed because it would provide cash to the Company and improve the balance sheet. Mr. Farrell informed the board of directors that we anticipated receiving updated fairness opinions related to the Mexico Sale from both Raymond James and Southwest Securities. The board of directors unanimously (i) determined that the Mexico Sale Agreement and the Mexico Sale are advisable and in the best interests of our stockholders, (ii) approved the Mexico Sale Agreement and the Mexico Sale and (iii) recommended that our stockholders vote in favor of the adoption of the Mexico Sale Agreement. The Mexico Sale Agreement was executed on December 18, 2006, and a press release announcing the proposed transaction with the Mexico Buyers was issued after the close of the stock market on that day.

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

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

In considering the U.S. Sale Agreement and the U.S. Sale, and the Mexico Sale Agreement and the Mexico Sale, our board of directors consulted with Raymond James regarding the financial aspects of the sales and sought and received Raymond James written opinions as to the fairness, as of the dates of such opinions, from a financial point of view, of the consideration to be received by the Company pursuant to the U.S. and Mexico Sale Agreements, which opinions are described below under Opinions of Raymond James beginning on page 92. In addition, our board of directors sought the opinions of Southwest Securities, which had no financial interest in the completion of the transactions, regarding the financial aspects of the U.S. Sale Agreement and the U.S. Sale and the Mexico Sale Agreement and the Mexico Sale and sought and received Southwest Securities written opinions as to the fairness, as of the dates of such opinions, from a financial point of view, of the consideration to be received by the Company pursuant to the U.S. and Mexico Sale Agreements, which opinions are described below under Opinions of Southwest Securities beginning on page 103. Our board of directors also consulted with representatives of Haynes and Boone, our outside legal counsel, regarding the fiduciary duties of the members of our board of directors and the terms of the U.S. Sale Agreement and the Mexico Sale Agreement and related agreements. Based on the fairness opinions, these consultations and the factors discussed below, our board of directors unanimously (i) determined that the U.S. Sale Agreement and the U.S. Sale and the Mexico Sale Agreement and the Mexico Sale are advisable and in the best interests of our stockholders, (ii) approved the U.S. and Mexico Sale Agreements and (iii) recommended that our stockholders vote in favor of the adoption of the U.S. Sale Agreement and the Mexico Sale Agreement.

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

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

- the continued weakness of our balance sheet and our inability to expend or attract significant amounts of capital in order to grow our business, despite our return to profitability for the first three quarters of fiscal 2006, although the Company posted a loss for the fourth quarter of fiscal 2006;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- conditions to closing that must be satisfied or waived;

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

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

- the interests of certain of our executive officers and directors in the U.S. Sale (See Interests of CellStar s Management and Directors in the U.S. Sale beginning on page 69);

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

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

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

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

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

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

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

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

Recommendation of Our Board of Directors

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

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

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

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

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

The Company does not believe that operating Mexico by itself is a viable alternative for the Company because the Mexico operations alone would not provide the Company with adequate scope and scale to remain a major distributor and logistics provider and necessary for the Company to remain competitive in its industry, the Company would have financial difficulty remaining a publicly traded entity given the costs of compliance with SEC and Sarbanes-Oxley requirements, and the Company would be operating in only one region with significant customer concentration, thereby increasing the adverse impact of the loss of any of those customers. Therefore, the Company would either need to find another acceptable sale transaction for Mexico, or liquidate those assets and distribute any remaining proceeds to stockholders, assuming the Plan of Dissolution is approved by stockholders at the Special Meeting.

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

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

Set forth below are pro forma statements of operations for the year ended November 30, 2006 and the quarters ended February 28, May 31, August 31 and November 30, 2006, and a balance sheet as of November 30, 2006 of the Company if the U.S. Sale Agreement is approved but the Mexico Sale Agreement is not approved by the Company s stockholders.

CellStar Corporation
Unaudited Pro Forma Consolidated Balance Sheet
November 30, 2006
(in thousands)

	CellStar Historical	U.S. & Miami Operations Historical(a)	Pro Forma Adjustments(e)	Total Adjustments	Pro Forma Results
Assets					
Cash and cash equivalents	$ 28,632		64,689 (b)	64,689	93,321
Accounts receivable, net	114,335	(67,342)		(67,342)	46,993
Accounts receivable, intercompany		(143,706)	143,706 (c)		
Inventories	68,830	(43,454)		(43,454)	25,376
Deferred income taxes	917				917
Prepaid expenses and other current assets	5,847	(306)		(306)	5,541
Total current assets	218,561	(254,808)	208,395	(46,413)	172,148
Property, plant & equipment	2,510	(1,450)		(1,450)	1,060
Goodwill, net					
Deferred income tax assets	6,655				6,655
Other assets	8,254	(192)		(192)	8,062
Total assets	$ 235,980	(256,450)	208,395	(48,055)	187,925
Liabilities and stockholders equity					
Notes payable	$ 33,469				33,469
Current portion Term Loan	1,000				1,000
Accounts payable	158,365	(94,055)		(94,055)	64,310
Accounts payable intercompany		(67,764)	67,764 (c)		