

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 unanimously approved the U.S. Sale Agreement, the Mexico Sale Agreement, the Plan of Dissolution, and the amendment of our Certificate of Incorporation and unanimously recommends 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

CELLSTAR CORPORATION
601 S. Royal Lane
Coppell, Texas 75019

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

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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.

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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

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CELLSTAR CORPORATION

SPECIAL MEETING OF STOCKHOLDERS

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