

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

RECOTON CORP

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 0-5860

RECOTON CORPORATION

(Exact name of Registrant as Specified in its Charter)

NEW YORK
(State or Other Jurisdiction of
Incorporation or Organization)

11-1771737
(IRS Employer
Identification No.)

2950 LAKE EMMA ROAD, LAKE MARY, FLORIDA 32746

(Address of principal executive offices, including zip code)

(407) 333-8900

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such reporting requirements for the past 90 days. Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 12,549,490 common shares, par value \$.20 per share, as of November 8, 2002.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

RECOTON CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (DOLLARS IN THOUSANDS) (Unaudited)

September 30,

2002

December 31,

2001

ASSETS		

CURRENT ASSETS:		
Cash	2,292	\$ 4,132
Accounts receivable (less allowance for doubtful accounts of \$1,253 in 2002 and \$2,065 in 2001)	60,923	85,354
Inventories, net	60,530	70,903
Prepaid expenses and other current asset	28,049	16,469
Assets from discontinued operations	105,116	197,873
	-----	-----
TOTAL CURRENT ASSETS	256,910	374,731
PROPERTY AND EQUIPMENT, NET	36,969	37,900
TRADEMARKS AND PATENTS, NET	3,872	3,892
GOODWILL	12,851	12,815
DEFERRED INCOME TAXES AND OTHER ASSETS	18,564	28,496
	-----	-----
TOTAL ASSETS	\$329,166	\$457,834
	=====	=====

LIABILITIES		

CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 22,061	\$ 13,536
Accounts payable	66,365	65,432
Accrued expenses	13,554	17,459
Liabilities from discontinued operations	14,147	13,284
	-----	-----
TOTAL CURRENT LIABILITIES	116,127	109,711
LONG-TERM DEBT (less current portion above)	188,999	239,341
OTHER LIABILITIES	2,371	2,288
	-----	-----
TOTAL LIABILITIES	307,497	351,340

SHAREHOLDERS' EQUITY		

PREFERRED SHARES - \$1.00 par value each - authorized 10,000,000 shares; none issued	--	--
COMMON SHARES - \$.20 par value each - authorized 40,000,000 shares; issued 13,566,235 shares in 2002 and 13,556,758 shares in 2001	2,713	2,711
ADDITIONAL PAID-IN CAPITAL	94,240	92,824
RETAINED EARNINGS (DEFICIT)	(57,647)	34,666
UNEARNED DEFERRED COMPENSATION	(2,104)	(2,866)
ACCUMULATED OTHER COMPREHENSIVE LOSS	(9,994)	(13,844)
	-----	-----
TOTAL	27,208	113,491
TREASURY SHARES - 1,007,532 shares, at cost in 2002 and 1,272,532 shares, at cost in 2001.	(5,539)	(6,997)
	-----	-----
TOTAL SHAREHOLDERS' EQUITY	21,669	106,494

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$329,166	\$457,834
	=====	=====

The attached notes are made a part hereof.

RECOTON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
NET SALES*	\$ 74,844	\$ 73,721	\$ 241,594	\$ 228,600
COST OF SALES	51,941	48,053	166,199	153,780
GROSS PROFIT	22,903	25,668	75,395	74,820
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	22,050	18,554	65,430	56,069
OPERATING INCOME	853	7,114	9,965	18,751
OTHER (INCOME) EXPENSES:				
Interest expense	5,866	5,927	16,975	19,137
Amortization of financing costs	1,082	854	2,758	2,403
Investment income (loss)	8	(38)	5	(56)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND CUMULATIVE ACCOUNTING CHANGE	(6,103)	371	(9,773)	(2,733)
INCOME TAX BENEFIT	13,215	1,300	806	3,397
INCOME (LOSS) FROM CONTINUING OPERATIONS	7,112	1,671	(8,967)	664
LOSS FROM DISCONTINUED OPERATIONS, NET OF TAXES*	(32,741)	(1,312)	(75,752)	(5,858)
CUMULATIVE EFFECT OF CHANGE IN** ACCOUNTING PRINCIPLE, NET OF TAXES	0	0	(7,594)	0
NET INCOME (LOSS)	\$ (25,629)	359	(92,313)	(5,194)
	=====	=====	=====	=====

BASIC AND DILUTED EARNINGS

PER SHARE

Income (Loss) from continuing operations	\$.58	.14	(.74)	.06
Loss from discontinued operations	(2.67)	(.11)	(6.23)	(.50)
Cumulative effect of change in accounting principle	(.00)	.00	(.62)	.00
	-----	-----	-----	-----
Net Income (loss)	\$ (2.09)	.03	(7.59)	(.44)
	=====	=====	=====	=====

Number of shares used in computing per share amounts:

Basic	12,234	12,081	12,170	11,908
Diluted***	12,234	12,972	12,170	11,908

DIVIDENDS	NONE	NONE	NONE	NONE
	=====	=====	=====	=====

* In the third quarter of 2002 the Company's video and computer game operations, foreign audio operations in Germany, Italy and Japan, UK accessories operation and AAMP of America, Inc., a domestic car audio accessories operation, qualified for discontinued operations presentation in accordance with the adoption of SFAS No. 144. The discontinued operations were separately presented for all reported periods.

** Reflects the transitional provisions of SFAS No. 142 "Goodwill and Other Intangible Assets" (adopted January 1, 2002), which resulted in a \$7,600 write down (net of \$600 tax benefit) of impaired goodwill to fair value. In addition, effective January 1, 2002, goodwill and indefinite-lived intangible assets are no longer amortized but are subjected to impairment testing on a periodic basis.

*** The effect of the assumed exercise of outstanding stock options and warrants for the three months ended September 30, 2002 and the nine months ended September 30, 2002 and 2001, respectively, is antidilutive and therefore is not reflected in the diluted loss per share. The amounts not reflected are 253 and 164 for the three months ended September 30, 2002 and nine months ended September 30, 2002, respectively and 741 for the nine months ended September 30, 2001.

The attached notes are made a part hereof.

RECOTON CORPORATION AND SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(DOLLARS IN THOUSANDS)**

	Nine Months Ended September 30,	
	2002	2001
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (92,313)	\$ (5,194)
Cumulative effect of change in accounting principle, net of tax	7,594	-

Loss from discontinued operations, net of tax	75,752	5,858
Adjustments to reconcile result of operations to net cash provided by operating activities:		
Depreciation	4,555	3,385
Amortization of intangibles	3,256	3,674
Amortization of debt discount costs	742	745
Provision for losses on accounts receivable	(127)	293
Deferred income taxes	3,907	(1,388)
Change in asset and liability accounts:		
Accounts receivable	24,626	11,651
Inventory	10,368	(5,129)
Prepaid and refundable income taxes	(9,755)	2,150
Prepaid expenses and other current assets	(3,848)	1,213
Other assets	119	431
Accounts payable and accrued expenses	(3,212)	(3,847)
Other non current liabilities	7,124	(1,784)
	-----	-----
TOTAL ADJUSTMENTS	37,755	11,394
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	28,788	12,058
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for trademarks, patents and intellectual property	(40)	(13)
Expenditures for property and equipment	(2,570)	(11,878)
	-----	-----
NET CASH USED FOR INVESTING ACTIVITIES	(2,610)	(11,891)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net repayments under revolving credit agreements	(33,268)	(22,986)
Repayment of long-term debt	-	(7,125)
Proceeds from lease financing	-	7,026
Payment of lease financing	(2,843)	(988)
Repayment of long-term bank borrowings	(5,265)	-
Payment of debt financing costs	(1,694)	(659)
Proceeds from exercise of stock options	166	2,426
	-----	-----
NET CASH USED FOR FINANCING ACTIVITIES	(42,904)	(22,306)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	330	(162)
CASH FLOW FROM DISCONTINUED OPERATIONS	14,556	18,209
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,840)	(4,092)
CASH AND CASH EQUIVALENTS - JANUARY 1	4,132	6,951
	-----	-----
CASH AND CASH EQUIVALENTS - SEPTEMBER 30	\$2,292	\$2,859
	=====	=====
SUPPLEMENTAL DISCLOSURES:		
Interest paid	\$15,442	\$21,416
	=====	=====

Noncash activities:

In 2002, the Company recorded additional capital lease obligations of \$1,100 related to the acquisition of computer hardware and software.

In 2001, the Company recorded capital lease obligations of \$1,500 related to the acquisition of computer hardware and software.

In connection with the exercise of incentive stock options in 2001, 140,468 shares of common stock were issued in exchange for 32,346 shares of previously issued common stock with a market value of \$482.

The attached notes are made a part hereto

RECOTON CORPORATION AND SUBSIDIARIES**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****SEPTEMBER 30, 2002****(all dollars in thousands, except per share data)****NOTE A - Basis of Presentation**

The attached summarized financial information does not include all disclosures required to be included in a complete set of financial statements prepared in conformity with accounting principles generally accepted in the United States of America. Such disclosures were included with the consolidated financial statements of the Company at December 31, 2001, included in its annual report on Form 10-K. Such statements should be read in conjunction with the data herein.

Certain reclassifications of prior period amounts have been made to conform to current period classifications. In accordance with the adoption of Statement of Financial Accounting Standards SFAS No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets," the operations from discontinued operations were separately presented for all reporting periods. (See Note D - Discontinued Operations.)

Along with significant adjustments recorded in connection with the presentation of discontinued operations, the financial information reflects all normal recurring adjustments, which, in the opinion of management, are deemed necessary for a fair presentation of the results for the interim periods. The results for the interim periods are not necessarily indicative of the results to be expected for the year.

Note B - Management Plans and Liquidity Concerns

Management projects that the Company will require additional cash and working capital to fund planned continuing operations. Management is of the opinion that sufficient cash will be generated from profits of continuing operations, sale of discontinued operations and sources of external financing. However, there can be no assurance that such funds will be available when required to meet the Company's liabilities and commitments as they become due. The ability of the Company to continue and realize the carrying value of its assets is dependent on the successful sale of the discontinued operations (see Note D), reduction of the operating costs of its continuing operations and the ability to pay down the Company's level of debt. The consolidated financial statements relating to the continuing operations do not include any adjustments relating to recoverability or classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

Adjustments have been made in these financial statements relating to the recoverability of recorded assets and liabilities relating to discontinued operations for which a loss on the sale is anticipated and probable. Such losses, based on estimated fair value less cost of sale, have been recorded based in part on negotiations with third party potential buyers.

At June 30, 2002, the Company was in violation of financial covenants under the senior loan agreement, the subordinated loan agreement and the securities purchase agreement for the 1999 notes. The Company failed to (i) make payments required due to overadvances resulting from the imposition of greater reserve requirements by the lenders, (ii) pay interest on the Senior Subordinated Notes, and (iii) provide in a timely manner certain quarterly financial information.

On August 28, 2002, the Company entered into certain amendments and waiver agreements with its existing senior lenders, subordinated lenders and subordinated note holders which waived the default of financial covenants arising June 30, 2002 and anticipated defaults arising September 30, 2002 and waived the default of failure to pay the interest on the senior subordinated notes. In addition, the senior loan agreement was amended to allow the Company to borrow up to its existing overadvance position, to change various definitions and terms surrounding the borrowing base, to increase interest rates and to require the Company to sell certain assets by scheduled dates and to apply portions of the sales proceeds to existing debt. Amendments were also made to the Company's financial covenants and timing of required financial reports. A financial committee of the Board of Directors was established to oversee financial affairs, and the Company was required to continue to engage the services of an independent financial advisor. In consideration for the waivers and amendments, the Company paid fees, repriced warrants and issued stock to its lenders. (See Note C - Lender Agreements.)

To assist in the Company's liquidity and operating performance, the Company substantially restructured its video game segment, which has produced significant losses over the past 2-3 years, and retained the services of Jefferies & Company, Inc., an investment-banking firm, to assist in the sale of the gaming segment and certain other assets that the Company considers non-strategic to its business plan going forward. Management believes that the sale of these assets will allow the Company to reduce debt and improve liquidity. The assets held for sale have been reported as discontinued operations under SFAS 144 (see Note D - Discontinued Operations).

NOTE C - Lender Agreements

On August 28, 2002, the Company entered into certain amendments and waiver agreements with its existing senior lenders, subordinated lenders and subordinated noteholders. Such agreements were effective as of August 19, 2002. The details of such amendments and waivers are as follows:

The following transactions occurred regarding the October 31, 2000 senior loan agreement with lenders led by General Electric Capital Corporation:

The following defaults were waived:

Covenant defaults arising with respect to its financial results for the quarter ended June 30, 2002;

Financial covenant defaults anticipated to arise with respect to its financial results for the quarter ended September 30, 2002; and

Cross defaults arising from its failure to pay the interest installment due to the holders of its subordinated notes on August 4, 2002.

The senior loan agreement was amended to:

Allow the Company to borrow up to \$13,500 in excess of amounts otherwise available under the borrowing limits under the agreement, subject to a reduction in such amounts on a scheduled basis so that such overadvance is fully repaid by January 31, 2003;

Change the definition of Borrowing Base which will effectively reduce the borrowing base in increments;

Reduce the aggregate commitment under the revolving loan facility in steps from \$185,000 to \$150,000 by September 16, 2002;

Increase the interest rate due under the revolving credit facility from 1% over base rate to 3.25% over base rate since June 30, 2002, under Term Loan A from 1.25% to 3.5% over base rate and under Term Loan B from 3.25% to 5.5% over base rate (interest under Term Loan C remains at 3% over base rate) and increase the letter of credit fees from 2% to 4% per annum;

Require the Company to undertake certain asset sales (and steps preliminary to such asset sales) by scheduled dates and to apply specified portions of the sales proceeds to loan repayments;

Amend the consolidated tangible net worth, minimum EBITDA, fixed charge coverage and minimum InterAct EBITDA covenants to facilitate our future compliance;

Require the Company to pledge all of the stock of our first-tier foreign subsidiaries if so requested by the Administrative Agent;

Require the Company to establish a committee of the Board composed of independent directors with exclusive authority to oversee its financial affairs;

Increase the percentage of requisite lenders required to consent to most amendments of the loan agreement from the holders of 51% to the holders of 66.66% of the outstanding loans (the remaining amendments require 100% approval);

Require the Company to provide certain budgets, financial reports and business plans at stated times; and

Require the Company to engage the services of an independent financial advisor.

The senior lenders required the Company to obtain agreements from the holders of the subordinated notes and the lenders under the subordinated credit agreement to agree to not require any financial payments under such agreements, including the interest installments due under the subordinated notes on August 4, 2002 and November 4, 2002 and the interest installments due under the subordinated loan agreement on the first of September, October, November and December 2002 and January and February 2003, and to not otherwise assert any rights until February 4, 2003.

The Company paid the senior lenders a fee of 1% of the outstanding term loans A and B and the revolving loan commitments.

The following transactions occurred regarding the Company's October 31, 2000 \$15,000 subordinated loan agreement with lenders led by JPMorgan Chase:

Cross defaults were waived.

The subordinated loan agreement was amended to defer interest installments due on the first of the month for the period through February 2003 until February 4, 2003 and such lenders agreed to the senior lender's standstill requirements.

The interest rate due on the notes was increased from prime plus 5.75% to 14% (and the rate applicable in the case of nonpayment was increased from prime plus 7.75% to 16%).

The Company agreed to pay a fee of \$500 on February 4, 2003 (which amount would be reduced to \$300 if there is no default on February 4, 2003 and it has paid interest at 14% on the deferred interest payments).

The covenants under the subordinated loan agreement were amended to conform to the covenants under the senior loan agreement.

The Company agreed to provide the subordinated lenders with certain financial information.

The Company repriced the existing warrants issued to the subordinated lenders to purchase an aggregate of 254,406 shares to \$0.01 per share (such shares to be issued from our treasury) and extended the term of such warrants by two years.

The following transactions occurred regarding the Company's \$35,000 subordinated notes pursuant to the February 4, 1999 securities purchase agreement with The Prudential Insurance Company of America and ING Capital LLC (formerly known as ING (U.S.) Capital LLC):

Prudential and ING agreed to waive the default arising out of the nonpayment of the interest installment due on August 4, 2002 and to amend the securities purchase agreement to defer such interest installment and the interest installment otherwise due on November 4, 2002 to February 4, 2003 and they agreed to the senior lenders' standstill requirements.

The interest rate due on the notes was increased from 16.5% to 18.5%, which amount shall increase on the first business day of each fiscal quarter by an additional 0.5% per annum, with the deferred interest payments bearing interest at an additional 2.0% per annum (with the additional interest being payable by issuing additional notes).

The Company agreed to pay a cash fee of 1% of the unpaid principal balance of the notes on February 4, 2003.

The covenants under the securities purchase agreement were amended to conform to the covenants under the senior loan agreement.

The Company issued to Prudential and ING from its treasury an aggregate of 265,000 shares of its common stock and agreed to amend the existing registration rights agreement to give the purchasers an additional limited demand registration for the purpose of registering these newly issued shares for resale.

The Company repriced existing warrants issued to Prudential and ING to purchase an aggregate of 430,000 shares to \$2.04 per share and extended the term of such warrants by two years.

The Company issued new warrants to Prudential and ING to purchase an aggregate of 1,085,883 shares at \$2.04 per share for five years, which warrants are cancelable if the Company repays the full amount of the notes due to Prudential and ING by September 30, 2003.

Since August 28, 2002 the Company has entered into eight separate amendments of the senior loan agreement. The net effect of such amendments is as follows:

One principal installment of \$1,875 due under the Term Loan B, originally due on October 31, 2002, was extended to November 29, 2002.

General Electric Capital Corporation extended an additional loan to the Company in the principal amount of \$15,000, the net proceeds of which were used on October 29, 2002 to pay down the revolving line of credit. This loan, referred to as the Term Loan D, bears interest at 3.0% over the prime rate and is secured by the assets of AAMP of America, Inc. and is repayable in full on the earlier of January 25, 2003 or the date that the Company sells the assets of AAMP, at which time the net proceeds of the AAMP sale would be used toward the payment of fees related to and the principal amount of the Term D Loan; any excess proceeds would be applied to the revolving loan with the amount of revolving loan commitment similarly being reduced (although only reduced by 85% of such payment if the amount of proceeds left after the repayment of the Term D Loan exceeded \$7,000 and no event of default is occurring). During the term of such loan, AAMP assets are removed from the borrowing base for the line of credit and transactions related to AAMP are otherwise restricted. In connection with such loan the Company paid a fee of \$1,000 to the Term Loan D lenders.

The permitted overadvance was set at \$15,250 (plus certain withholding tax payments) until October 31, 2002, when it was reduced to zero.

In connection with Amendment No. 14, the Company agreed to pay all the lenders (other than Term Loan C and D lenders) an amendment fee aggregating \$500 on the condition that such fee will be reduced to \$250 if the senior loan facility is repaid in full by March 31, 2003.

The aggregate amount of all revolving loan commitments cannot currently exceed \$117,500 subject to reduction in certain circumstances.

The borrowing base availability related to inventory is set at the lesser of 70% of the eligible inventory or 100% of the appraised value of such inventory (which is reduced to 85% of the appraised value of such inventory after November 30, 2002).

The \$16,000 letter of credit provided by Recoton German Holdings GmbH was drawn on by the senior lenders in October 2002 and the net proceeds were used to reduce the revolving credit facility.

The Company agreed to provide the administrative lender with certain additional financial information on a periodic basis.

The Company agreed to sell certain ineligible inventory so as to generate at least \$2 million in net proceeds by November 30, 2002 (of which at least \$500 needs to have been sold by November 15th).

The Company pledged the previously unpledged 35% of the stock of the first tier foreign subsidiaries although only the pledge of the shares of the German company is being formally implemented.

The required minimum excess availability was set at zero from the time that the Term Loan D was made until the earlier of the sale of AAMP or November 30, 2002 and \$6,000 thereafter.

The obligation to provide a definitive agreement for the sale of the stock or assets of InterAct International, previously set for October 31, 2002, was delayed until November 27, 2000, with a closing on such sale scheduled for completion by November 30, 2002.

The Company agreed to market for sale its German business units and certain minor assets.

The proposed asset sales related to discontinued business, if consummated, will allow the Company to reduce debt and improve liquidity. Given this initiative, as well as certain recent restructurings, management expects to be in compliance with the covenants of the loan agreements and securities purchase agreements, as amended, through June of 2003. There can be no assurance, however, that the Company will be in compliance with the modified covenants in the future or that the lenders will waive or amend any of the covenants should it be in violation of any such covenants in the future. Because compliance is based on management estimates, compliance through June 2003 cannot be assured. The Company believes the assumptions used are appropriate.

NOTE D - Discontinued Operations

As a result of the Company's need to reduce its debt level and improve operating performance, the Company retained the services of Jefferies & Company, Inc., an investment-banking firm, to assist in the sale of certain assets of the Company. The operations actively being marketed by Jefferies on the Company's behalf are:

the video and computer game operations (which consists of Interact Accessories, Inc., Interact (Canada), Ltd. and STD Holding Limited and its Hong Kong and Chinese subsidiaries),

the foreign audio operations (which consists of Recoton German Holdings GmbH and its German subsidiaries, Recoton Italia s.r.l. and Recoton Japan, Inc.) and

AAMP of America, Inc., a U.S. car audio accessories company.

The expected time frame for the sale of AAMP and the video and computer game operations is the fourth quarter of 2002. Furthermore, the projected sale of the foreign audio operations is expected to be completed during the first quarter of 2003.

Management of the Company has also approved a plan to market the assets of the UK accessories operation, Recoton (U.K.) Limited. The expected time frame for the sale or ultimate disposal is the first quarter of 2003.

The expected disposition of the above operations represents a disposal of either a segment (video and computer game accessories) or a "component of an entity" as defined in Statement No. 144. Accordingly, the Company's financial statements have been presented to reflect each disposition as a discontinued operation for all periods presented. The assets and liabilities have been segregated from continuing operations in the accompanying condensed consolidated balance sheets, and their operating results are segregated and reported as discontinued operations in the accompanying condensed consolidated statement of operations, cash flows and related notes. All assets and liabilities have been classified as current as it is the expectation that the dispositions will all occur within twelve months of September 30, 2002.

The "loss from discontinued operations, net of taxes" as presented in the financial statements is comprised of the following: income (loss) from operations, impairment and restructuring charges, and tax provision (benefit) as outlined below:

	Three Months		Nine Months ended	
	Ended September 30		September 30	
	2002	2001	2002	2001
Income (Loss) from Discontinued Operations:				
Video & Computer Game	\$ (3,292)	\$ (1,564)	\$ (15,488)	\$ (9,726)
Foreign Audio Operations	764	1,120	3,326	2,744
AAMP of America	1,387	1,314	4,481	4,363
Recoton (UK) LTD	(971)	(728)	(1,922)	(2,068)
	(2,112)	142	(9,603)	(4,687)
Impairment:				
Video & Computer Game	(36,684)	0	(57,332)	0
Recoton (UK) LTD	(6,841)	0	(6,841)	0
	(43,525)	0	(64,173)	0
Tax provision (benefit)	(12,896)	1,454	1,976	1,171
Loss from discontinued operations, net of taxes	\$ (32,741)	\$ (1,312)	\$ (75,752)	\$ (5,858)

In connection with the anticipated sale price of the video and computer game operations and the U.K. operations, the Company recorded a loss of \$43,525 in the three months ended September 30, 2002.

The loss was calculated as follows :

	Video & Computer Game Operations	Recoton (U.K.) Ltd.	Total
Three Months Ended September 30, 2002:			
Inventory impairment	\$25,578	\$ 5,315	\$30,893
Allowance for doubtful collection of A/R	6,471	582	7,053
Tangible and intangible asset impairment	4,635	944	5,579
Total impairment loss	\$36,684	\$ 6,841	\$43,525

The operating results of the discontinued operations for the nine and three months ended September 30, 2002 are as follows:

Three Months Ended September 30,	Nine Months Ended September 30,
-------------------------------------	------------------------------------

	2002	2001	2002	2001
	-----	-----	-----	-----
Net Sales:				
Video and Computer Game Operations	\$22,028	\$36,246	\$74,311	\$99,672
Foreign Audio Operations	16,158	13,381	41,843	37,733
AAMP of America, Inc.	6,701	6,447	20,749	19,828
Recoton (U.K.) Limited	2,005	2,058	4,946	5,245
	-----	-----	-----	-----
Total Net Sales	\$46,892	\$58,132	\$141,849	\$162,478
	=====	=====	=====	=====
Income (loss) from discontinued operations, pre-tax:				
Video and Computer Game Operations	\$ (3,292)	\$ (1,564)	\$ (15,488)	\$ (9,726)
Foreign Audio Operations	764	1,120	3,326	2,744
AAMP of America, Inc.	1,387	1,314	4,481	4,363
Recoton (U.K.) Limited	(971)	(728)	(1,922)	(2,068)
	-----	-----	-----	-----
Total income (loss) from discontinued operations, pre-tax	\$ (2,112)	\$142	\$ (9,603)	\$ (4,687)
	=====	=====	=====	=====

The following is a summary of the net assets and net liabilities of each discontinued operation as of September 30, 2002 and December 31, 2001:

	Video & Computer Game Operations	Foreign Audio Operations	AAMP of America, Inc.	Recoton (U.K.) Ltd.
	-----	-----	-----	-----
September 30, 2002:				
Cash	\$ 0	\$ 4,531	\$ 36	\$ 0
Accounts receivable	16,797	25,187	2,407	1,548
Inventory	10,837	18,170	4,073	2,717
Goodwill	0	6,491	3,004	0
Prepaid, refundable and deferred tax assets	0	926	453	0
Other current assets	2,810	4,268	582	279
	-----	-----	-----	-----
Total Assets	\$30,444	\$59,573	\$10,555	\$ 4,544
	=====	=====	=====	=====
Total Liabilities	\$ 3,000	\$ 8,914	\$ 2,233	\$ 0
	=====	=====	=====	=====
December 31, 2001:				
Cash	\$ 0	\$ 1,957	\$ 97	\$ 0
Accounts receivable	56,842	27,996	2,022	3,446
Inventory	52,145	13,297	2,927	5,477
Goodwill	7,565	6,491	3,004	617
Prepaid, refundable and deferred tax assets	0	1,194	453	0
Other current assets	7,848	3,078	600	814
	-----	-----	-----	-----

Total Assets	\$124,400	\$54,013	\$9,103	\$10,354
	=====	=====	=====	=====
Total Liabilities	\$ 3,699	\$ 7,526	\$2,059	\$ 0
	=====	=====	=====	=====

NOTE E - Inventories of the continuing operations, net of reserves recorded of \$2,103 and \$2,417 at September 30, 2002 and 2001, respectively, are summarized as follows:

	September 30, 2002	December 31, 2001
	-----	-----
Raw materials and work in process	\$ 5,000	\$ 6,113
Finished goods	44,718	53,582
Merchandise in-transit	10,812	11,208
	-----	-----
Total	\$60,530	\$70,903
	=====	=====

NOTE F - Total comprehensive loss is summarized as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
	-----	-----	-----	-----
Net loss	\$ (25,629)	\$ 359	\$ (92,313)	\$ (5,194)
Other comprehensive loss - foreign currency transaction adjustments (net of income tax effect)	474	1,544	(3,844)	(2,074)
	-----	-----	-----	-----
Total comprehensive loss	\$ (25,155)	\$1,903	\$ (96,157)	\$ (7,268)
	=====	=====	=====	=====

Operating Segments

Due to the future sale or discontinuance of the video and computer game operations, the foreign audio operations, the UK accessories operation and AAMP of America, a car audio accessories operation, these business components are reported as discontinued operations (see Note D-Discontinued Operations) and are not included in the following operating segment information.

NOTE G

The financial results of the continuing segment operations have been prepared using a management approach, which is consistent with the basis and manner in which our management internally aggregates financial information for the purposes of assisting in making internal operating decisions. In this regard, certain corporate expenses were allocated among segments for decision-making purposes. For purposes of segment reporting, certain corporate expenses were allocated to the video and computer game segment, even though this segment is discontinued, to be consistent with historical presentation.

	Consumer Electronics	Accessories	Audio Business	Unallocated Corporate	Total
	-----	-----	-----	-----	-----
Nine Months Ended September 30, 2002:					

Net sales:					

External customers	\$116,499	\$125,095	\$ --	\$241,594
Income (loss) before income taxes	9,056	4,445	(19,533)	(6,032)
Nine Months Ended September 30, 2001:				

Net sales:				
External customers	\$116,498	\$112,053	\$ --	\$228,551
Income (loss) before income taxes	15,276	7,398	(21,333)	1,341
Three Months Ended September 30, 2002:				

Net sales:				
External customer	\$ 39,353	\$ 35,491	\$ --	\$74,844
Income (loss) before income taxes	2,911	(613)	(6,881)	(4,583)
Three Months Ended September 30, 2001:				

Net sales:				
External customers	\$ 36,554	\$ 37,118	\$ --	\$73,672
Income (loss) before income taxes	4,404	3,592	(6,704)	1,292

Note H - Goodwill

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets". The guidance in SFAS No. 141 supercedes APB Opinion No. 16, "Business Combinations". Upon adoption of SFAS No. 142, goodwill amortization ceased. Goodwill is now subject to fair-value based impairment tests performed, at a minimum, on an annual basis. In addition, a transitional goodwill impairment test is required as of the adoption date. These impairment tests are conducted on each business of the Company where goodwill is recorded, and may require two steps. The initial step is designed to identify potential goodwill impairment by comparing an estimate of fair value for each applicable business to its respective carrying value. For those businesses where the carrying value exceeds fair value, a second step is performed to measure the amount of goodwill impairment in existence, if any.

During the second quarter of 2002, the Company completed the first step of the two-step transitional goodwill impairment test required by SFAS No. 142. Step one is designed to identify potential impairment by comparing the fair value of each of the Company's reporting units, as that term is defined by SFAS No. 142, with the reporting unit's carrying amount. As required by SFAS No. 142, the comparison was done as of January 1, 2002.

The Company completed the required impairment tests of goodwill in the third quarter of 2002 with regard to the goodwill on the discontinued operations and determined that \$7,600, net of tax of goodwill was impaired under the fair value test. In accordance with SFAS No. 142 and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements, when a transitional impairment loss for goodwill (cumulative effect type accounting change) is measured in other than the first interim reporting period, it shall be recognized in the first interim period irrespective of the period in which it is measured. The Company expects to complete step two of the impairment test during the fourth quarter of 2002 with regard to the goodwill on the continuing operations.

The impact on net loss and earnings per share for the three months ended March 31, 2002 and the six months ended June 30, 2002 is as follows:

Three Months Ended	Net income (loss)	Basic EPS	Diluted EPS
March 31, 2002			

Reportable net income	\$ (4,541)	\$ (.37)	\$ (.37)
Less: Impairment charge	(7,594)	(.63)	(.63)
	-----	-----	-----
Adjusted net	\$ (12,135)	\$ (1.00)	\$ (1.00)
	=====	=====	=====

Six Months Ended	Net income (loss)	Basic EPS	Diluted EPS
June 30, 2002			
Reportable net income	\$ (59,090)	\$ (4.86)	\$ (4.86)
Less: Impairment charge	(7,594)	(.63)	(.63)
	-----	-----	-----
Adjusted net	\$ (66,684)	\$ (5.49)	\$ (5.49)
	=====	=====	=====

The following income statement information is presented as if the Company stopped amortizing goodwill as of January 1, 1999:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Reported net income (loss).....	\$ (25,629)	\$ 359	\$ (92,313)	\$ (5,194)
Goodwill and trademark amortization, net of tax.....	-	542	-	1,682
	-----	-----	-----	-----
Pro forma net loss.....	\$ (25,629)	\$ 901	\$ (92,313)	\$ (3,512)
	=====	=====	=====	=====
Pro forma basic and diluted net loss per share.....	\$ (2.09)	\$.07	\$ (7.59)	\$ (.29)
	=====	=====	=====	=====

The following table shows the net carrying value of goodwill and trademarks as of September 30, 2002 for the Company's continuing operating segments:

	Consumer Electronics Accessories Business	Audio Business
Goodwill balance at 12/31/01	\$ 3,079	\$ 9,736
Foreign currency adjustment	(6)	42
	-----	-----
Goodwill balance at 09/30/02	\$ 3,073	\$ 9,778
	=====	=====
Trademarks	\$ 0	\$ 3,721
	=====	=====

As of September 30, 2002, the Company had the following intangible assets:

Amount	Amortization
-----	-----

Amortizable intangible assets:

Patents	\$ 1,841	\$ (1,690)
	=====	=====

Aggregate Amortization Expense:

For the nine months ended September 30, 2002	\$59
	=====

Estimated Amortization Expense:

For the year ended December 31, 2002	\$100
	=====
For the year ended December 31, 2003	\$100
	=====
For the year ended December 31, 2004	\$100
	=====

NOTE I - Income Taxes

In the second quarter of 2002, the Company established a valuation allowance for all of the then impaired deferred tax assets due to uncertainties associated with generating future taxable income in the absence of necessary waivers and amendments from the Company's lenders. In the third quarter of 2002 the Company entered into certain waiver and amendment agreements with the senior lenders, subordinated lenders and subordinated note holders. The Company has evaluated the evidence regarding its ability to generate taxable income in the future and has concluded that it appears more likely than not that it can utilize a portion of the deferred tax assets recorded. Accordingly, although the composition of the deferred tax assets recorded is modified from that which existed at June 30, 2002, the Company reversed approximately the same amount of the valuation reserve recorded at June 30, 2002 of approximately \$29.3 million.

NOTE J - Effect of New Accounting Standards Not Yet Adopted

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This statement changes the timing of recognition for certain exit costs associated with restructuring activities, so that certain exit costs would be recognized over the period in which the restructuring activities occur. Currently exit costs are recognized when the Company commits to a restructuring plan. SFAS No. 146 is effective for exit or disposal activities initiated after December 31, 2002.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections," which is effective for fiscal years beginning after May 15, 2002. SFAS 145 rescinds SFAS No. 4 and SFAS No. 64 which addressed the accounting for gains and losses from extinguishment of debt. SFAS No. 145 amends SFAS No. 13 to require certain lease modifications that have economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. SFAS No. 145 also makes technical corrections to certain existing pronouncements that are not substantive in nature. The adoption of SFAS No. 145 generally requires the reclassification of debt extinguishment costs presented as an extraordinary item in periods prior to the adoption of the standard.

NOTE K - New Accounting Pronouncements Adopted

In November 2001, the Emerging Issues Task Force ("EITF") reached a consensus on EITF Issue 01-09, "Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Products" ("EITF 01-09"), which is a codification of EITF 00-14, 00-22 and 01-09. This issue presumes that consideration from a vendor to a customer or reseller of the vendor's products to be a reduction of the selling prices of the vendor's products, unless the consideration relates to a separate identifiable benefit and the benefit's fair value can be established. During the three months ended March 31, 2002 the Company adopted the provisions of EITF 01-09. The adoption of this pronouncement did not have a material impact to its financial position or results of operations.

The majority of vendor consideration granted by the Company relates to sales incentives such as promotions, trade ads,

volume-based incentives and co-op advertising agreements with the Company's retail customers. Based on the requirements of EITF 01-09, the Company has properly included all sales incentives as a reduction of sales and co-op advertising costs as a component of selling, general and administrative expenses for all periods presented. Total vendor sales incentives now characterized as reductions of revenue that previously would have been classified, as selling, general and administrative costs were approximately \$20,000 in the nine months ended September 30, 2002 and \$18,300 in the nine months ended September 30, 2001.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read in conjunction with the Company's Condensed Consolidated Financial Statements for the Quarter and Nine Months Ended September 30, 2001 and 2002 appearing at Item 1 above.

Overview

Recoton Corporation is a global leader in the development, manufacturing and marketing of consumer electronic accessories, home and mobile audio products and computer and video gaming products. Our diverse lines include accessories for audio, video, car audio, camcorder, multi-media/computer, home office, cellular and standard telephone products, satellite as well as 900MHz wireless technology products including headphones and speakers; home, mobile and marine audio products including high fidelity loudspeakers, home theater speakers and car audio speakers and components; and accessories for video and computer games. Our products are offered under various brand names including *Advent, Ambico, AR/Acoustic Research, Discwasher, GameShark, Heco, InterAct, Jensen, Linear Research, MacAudio, Magnat, NHT (Now Hear This), Phase Linear, Recoton, RoadGear and Stinger*. As noted in the notes to the financial statements, we are planning to sell or discontinue our video and computer game operations, our foreign audio operations, the business conducted by AAMP of America, Inc. and certain other operations and the marks *GameShark, Heco, MacAudio, Magnat, NHT and Stinger* are marks associated with such businesses.

General

Net sales. Net sales consist of sales from our U.S. and foreign subsidiaries less returns and allowances, discounts on sales and market expansion expenses. We generate sales through retailers and original equipment manufacturers (OEM).

Cost of sales. Cost of sales includes the cost of manufacturing; freight and duty; factory supplies and expenses; and direct and indirect labor.

Selling, general and administrative expenses. Selling, general and administrative expenses include variable expenses such as certain selling and shipping expenses and fixed expenses such as research and development and office expenses, including payroll and employee benefits (other than for manufacturing), employment taxes, management information systems, marketing, insurance, legal, and other corporate level expenses. Corporate level expenses are primarily attributable to our corporate offices in Lake Mary, Florida and New York, New York.

Interest expense, net. Interest expense, net of interest income, includes interest relating to our credit facility, amortization of financing intangibles and bank charges.

Discontinued Operations. During the third quarter the company elected to hold for sale, with continued operations pending such sale, certain operating units. The operating loss from these business units has been reclassified as discontinued operations in the third quarter.

Segments. We classify our current operations into three principal segments, of which two are continuing operations and the third is discontinued and held for sale. Each segment's earnings before corporate interest and income taxes are reported to our operating decision-makers. General corporate expenses other than certain interest costs and certain amortization of financing costs have been allocated to each segment on the basis used for internal management decision-making purposes. The three segments are as follows:

Consumer Electronics Accessories. Accessory products sold include TV antennas; music, camcorder, and photo storage cases; stereo headphones; universal remote controls; other accessories for home and mobile audio, camcorder, cellular and standard telephone, music, video, satellite, digital, computer and home office products; and products utilizing 900 MHz and other wireless technology. These products are marketed under numerous brand names including *Jensen, Advent, AR/Acoustic Research, Recoton, Discwasher, Ambico, and RoadGear* and, under license, *Sprint* for telephone accessories. The percentage of our net sales from continuing operations by this segment was approximately

48% for the nine months ended September 30, 2002 and 51% for the nine months ended September 30, 2001. The net sales of the *AAMP* and *Stinger* brands were reclassified to discontinued operations.

Audio. This segment primarily sells home and mobile audio and video products. Products for the home are sold under the *Jensen*, *Advent*, *AR/Acoustic Research* and *NHT (Now Hear This)* brand names. They include state-of-the-art high-fidelity stereo and home theater loudspeaker systems. Products for the automobile and marine aftermarket, sold primarily under the *Jensen*, *Advent*, *Linear Research*, *RoadGear* and *Phase Linear* brand names include CD players and changers, cassette receivers, speakers, subwoofers, amplifiers, equalizers, electronic crossovers, signal processors, video monitors, Sirius satellite radio players and installation accessories. The percentage of our net sales from continuing operations by this segment was approximately 52% for the nine months ended September 30, 2002 and 49% for the nine months ended September 30, 2001. The net sales of the foreign audio operations, including the Magnat, MacAudio and Heco brands, have been reclassified to discontinued operations.

Video and Computer Game. Products sold primarily under the *InterAct* and *Performance* brands include joysticks, controllers, game steering wheels, RF modulators, memory cards and other accessories, and our popular *GameShark*, a device that assists game players to improve their play. The net sales of this segment have been reclassified to discontinued operations. These business units are being held for sale, but we are continuing to operate them pending any such sale.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the appropriate application of certain accounting policies, many of which require us to make estimates and assumptions about future events and their impact on amounts reported in the financial statements and related notes. Since future events and their impact cannot be determined with certainty, the actual results will inevitably differ from our estimates. Such differences could be material to the financial statements.

We believe application of accounting policies, and the estimates inherently required by the policies, are reasonable. These accounting policies and estimates are constantly reevaluated, and adjustments are made when facts and circumstances dictate a change. Historically, we have found the application of accounting policies to be appropriate, and actual results have not differed materially from those determined using necessary estimates.

We have identified certain critical accounting policies, which are described below.

Revenue recognition and sales returns and allowances - Revenue is recognized when products are shipped. Based on historical experience and any notification we receive of pending returns we record a provision for the estimated future amount of such future returns. While such returns have historically been within our expectations and provisions established, we cannot guarantee that we will continue to experience the same return rates that we have in the past. Any significant decrease in product demand experienced by our distributor customers and the resulting credit returns could have a material adverse impact on our operating results for the period or periods in which such returns materialize.

Merchandise inventory - Our merchandise inventory is carried at the lower of cost or market on a first-in, first-out basis. We write down inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

Allowance for doubtful accounts - We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Market development accruals - We estimate expenses for customer programs and incentive offerings including special pricing agreements, promotions and other volume-based incentives. If market conditions were to decline, we may take actions to increase customer incentive offerings possibly resulting in incremental expenses at the time the incentive is offered.

Long-lived assets, except indefinite life intangibles - In evaluating the fair value and future benefits of long-lived assets, we perform an analysis of the anticipated undiscounted future net cash flows of the related long-lived assets and reduce their carrying value by the excess, if any, of the result of such calculation. We believe at this time that the long-lived assets' carrying values and useful lives continue to be appropriate. Future adverse changes in market conditions or poor operating results of underlying

investments could result in an inability to recover the carrying value of the investments that may not be reflected in an investment's current carrying value, thereby possibly requiring an impairment charge in the future.

Goodwill and Trademarks - Goodwill is continually reviewed for impairment. Trademarks are reviewed for impairment whenever events or changes in circumstances indicate that the book value of the asset may not be recoverable. The carrying value of goodwill and trademarks would be impaired if the best estimate of future undiscounted cash flows over their remaining amortization period is less than their carrying value. If an asset is impaired, the loss is measured using estimated fair value. Factors that may impact the valuation of goodwill and trademarks include, among other things, the level of brand support and consumer demand.

In the second quarter of 2002, we completed the first step of the two-step transitional goodwill impairment test required by SFAS No. 142. Step one is designed to identify potential impairment by comparing the fair value of each of our reporting units, as that term is defined by SFAS No. 142, with the reporting unit's carrying amount. As required by SFAS No. 142, the comparison was done as of January 1, 2002. As a result of completing step one, we identified that all goodwill recorded was impaired under the fair value impairment test approach required by SFAS No. 142.

In the third quarter, we completed step two of the impairment test with regard to the goodwill on the discontinued operations and recorded the "cumulative effect of a change in accounting principle, net of tax" related to those operations. The impairment of goodwill related entirely to discontinued operations and reflects an adjustment to fair market value. As a result, we recorded an impairment charge of \$7.6 million, which is reflected as a cumulative effect of a change in accounting principle at January 1, 2002. Accordingly cumulative year-to-date results have been modified to include this charge as required under the transitional rules of Statement No. 142. We expect to complete step two of the impairment test during the fourth quarter of 2002 for the continuing operations. In accordance with SFAS No. 142, any goodwill impairment loss measured during the completion of step two of the transitional goodwill impairment test will be recognized as the effect of a change in accounting principle as of January 1, 2002. Therefore, as needed, previously reported quarters and cumulative year-to-date results will be restated once step two is completed.

Other intangible assets consist of our trade names acquired through business combinations, which have indefinite useful lives.

Deferred tax valuation allowance - We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. While we have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, if we were to determine that we would be able to realize our deferred tax assets in the future in excess of its net recorded amount, an adjustment to the deferred tax asset would increase income in the period such determination was made. Likewise, should we determine that we would not be able to realize all or part of our net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

Discontinued Operations - During the third quarter the company elected to hold for sale, with continued use by us pending such sales, certain nonstrategic operating units. In accordance with FASB Statement No. 144, the operating loss from these business units has been reclassified as discontinued operations in the third quarter. Within the consumer electronic accessories segment two business units are being held for sale: AAMP of America, Inc. and Recoton (UK) Limited. Within the audio segment, the foreign audio operating units are being held for sale, including Recoton German Holdings GmbH and its subsidiaries, Recoton Italia s.r.l., and Recoton Japan, Inc.. The entire video and computer game segment, including Interact Accessories, Inc., Interact (Canada), Ltd. and STD Holding, Ltd. along with its Hong Kong and Chinese subsidiaries, is being held for sale.

Results Of Operations

The operating results of our non-strategic business units that we decided to hold for sale, with continued use pending sale, have been reclassified as discontinued operations in both the quarterly and year-to-date results. In addition, we have recorded the impairment of goodwill relative to the fair market value of these business units as a cumulative change in accounting principle. The continuing operations consist primarily of our U.S. and Canadian subsidiaries. Management projects that we will require additional cash and working capital to fund planned continued operations. Although management is of the opinion that sufficient cash will be obtained from profits of continuing operations, from the sale or disposal of discontinued operations and from external financing, to meet our liabilities and commitments as they become due, there can be no assurance that such funds will be available to us on an economical basis, when required. Our ability to realize the carrying value of our assets is dependent on our ability to successfully sell or dispose of discontinued operations, to reduce our level of debt, and to reduce the operating costs of our continuing operations so that we can achieve profitability. In order to reduce the operating costs of the continuing operations and improve future profitability, we reduced our North American workforce by 10% in October 2002 and reduced other operating expenses; these actions are projected to result in annualized profit improvement of \$15.5 million.

The following table presents certain operating segment information for the indicated quarters ended September 30 (further discussed in Note G of the Notes to Condensed Consolidated Financial Statements), absent the discontinued operations discussed above:

(IN MILLIONS)

2002 ----	Consumer Electronics Accessories Segment -----	Audio Segment -----
Net sales (2).....	\$ 39.4	\$ 35.5
Gross profit.....	14.8	8.1
Income (loss) from continuing operations before income taxes, interest and unallocated expenses (3)	2.9	(0.6)
2001 (1) -----		
Net sales (2).....	\$ 36.6	\$ 37.1
Gross profit.....	14.1	11.5
Income (loss) from continuing operations before income taxes, interest and unallocated expenses (3)	4.4	3.6

The following table presents certain operating segment information for the nine months ended September 30 (further discussed in Note G of the Notes to Condensed Consolidated Financial Statements), absent the discontinued operations discussed above:

(IN MILLIONS)

2002 ----	Consumer Electronics Accessories Segment -----	Audio Segment -----
Net sales (2).....	\$116.5	\$125.1
Gross profit.....	43.1	31.9
Income (loss) from continuing operations before income taxes, interest and unallocated expenses (3)	9.1	4.5
2001 (1) -----		
Net sales (2).....	\$116.5	\$112.1
Gross profit.....	44.7	31.2
Income (loss) from continuing		

- (1) Certain prior period amounts have been reclassified to conform to current period classifications.
- (2) On January 1, 2002 we adopted EITF No. 01-09, which requires the characterization of certain vendor sales incentives such as promotions, trade ads, volume-based incentives and coupons as reductions of revenue. Certain of these expenses, previously classified as selling, general and administrative costs, are now characterized as offsets to revenue.

On January 1, 2002 we adopted new accounting pronouncements: Statement of Financial Accounting Standard ("SFAS") No. 141, *Business Combinations*, and SFAS No. 142, *Goodwill and Other Intangible Assets*, and accordingly, upon
- (3) adoption of these pronouncements we eliminated goodwill amortization over its estimated useful life. The initial review for impairment was completed by the June 30, 2002 deadline. We are in the process of completing this analysis for our continuing operations.

The financial results of the continuing segment operations have been prepared using a management approach, which is consistent with the basis and manner in which our management internally aggregates financial information for the purposes of assisting in making internal operating decisions. In this regard, certain corporate expenses were allocated among segments for decision-making purposes. For purposes of segment reporting, certain corporate expenses were allocated to the video and computer game segment, even though this segment is discontinued, to be consistent with historical presentation.

Net sales from continuing operations for the quarter ended September 30, 2002 totaled \$74.9 million, an increase of \$1.2 million or 1.6% from sales for the quarter ended September 30, 2001 of \$73.7 million. The increase in sales is primarily attributable to increased sales in the consumer electronics accessory segment of \$2.8 million, offset by a \$1.6 million decrease in the audio segment.

Net sales from continuing operations for the nine months ended September 30, 2002 totaled \$241.6 million, an increase of \$13.0 million or 5.7% from sales for the nine months ended September 30, 2001 of \$228.6 million. The increase in sales is attributable to increased sales in the audio segment.

In accordance with new accounting requirements starting in 2002, we have reported vendor sales incentives as a reduction to sales instead of as an increase in selling expense. Sales by segment were as follows:

Net sales for the consumer electronics accessory segment for the quarter ended September 30, 2002 were \$39.4 million, an increase of 7.7% compared to \$36.6 million for the quarter ended September 30, 2001. Net sales for the nine months ended September 30, 2002 totaled \$116.5 million, which was equal to sales for the nine months ended September 30, 2001. The increase for the quarter was primarily attributable to increased sales to certain major retailers.

Net sales for the audio segment for the quarter ended September 30, 2002 were \$35.5 million, a decrease of 4.3% compared to \$37.1 million for the quarter ended September 30, 2001. Net sales for the nine months ended September 30, 2002 totaled \$125.1 million, an increase of \$13.0 million or 11.6% from sales for the nine months ended September 30, 2001 of \$112.1 million. The decrease for the quarter is primarily the result of retail promotional schedules that were accelerated this year and product shortages. The increase for the nine months is predominantly attributable to increased sales of CD players and accessories.

Gross margin from continuing operations decreased to 30.6% for the quarter ended September 30, 2002, from 34.7% for the quarter ended September 30, 2001. Gross margins for the nine months ended September 30, 2002 decreased to 31.0% from 33.2% for the nine months ended September 30, 2001. Gross margins by segment were as follows:

Gross margin for the consumer electronics accessories segment decreased to 37.6% for the quarter ended September 30, 2002 from 38.5% for the quarter ended September 30, 2001. Gross margins for the nine months ended September 30, 2002 decreased to 37.0% from 38.4% for the nine months ended September 30, 2001. These decreases were mainly due to product mix, increased freight charges and accelerated sales of slow moving and discontinued inventory.

Gross margin for the audio segment decreased to 22.8% for the quarter ended September 30, 2002 from 31.0% for the quarter ended September 30, 2001. Gross margins for the nine months ended September 30, 2002 decreased to 25.5% from 27.8% for the nine months ended September 30, 2001. These decreases were mainly due to accelerated sales of slow moving and discontinued inventory, and sales of promotional items, which traditionally carry lower margins.

Selling, general and administrative expenses from continuing segment operations for the quarter ended September 30, 2002 increased by approximately \$2.9 million to \$20.5 million or 27.4% of sales from \$17.6 million or 23.9% of sales for the quarter ended September 30, 2001. For the nine months ended September 30, 2002, selling, general and administrative expenses increased by approximately \$8.3 million to \$61.3 million or 25.4% of sales from \$53.0 million or 23.2% of sales for the nine months ended September 30, 2001. The increase in expenses can be attributed to significantly increased costs of depreciation and maintenance of the new computer system, increased professional fees, increased insurance premiums, increased freight costs and increased sales expenses resulting from higher sales to our retailer customer versus OEM customers.

Operating income from continuing operations for the quarter ended September 30, 2002 was approximately \$2.3 million compared to operating income of \$8.0 million for the quarter ended September 30, 2001. Operating income for the nine months ended September 30, 2002 was \$13.6 million compared to operating income of \$22.9 million for the nine months ended September 30, 2001. The decrease in operating income was the result of the reduced margins and increased expenses described above. We have engaged the services of a financial consultant to advise with respect to current operations and how to most efficiently generate positive cash flows.

The following is a discussion, on a segment basis, of income or loss before income taxes, interest and unallocated expenses:

Income before income taxes, interest and unallocated expenses for the consumer electronics accessories segment for the quarter ended September 30, 2002 was \$2.9 million compared to \$4.4 million for the quarter ended September 30, 2001 and for the nine months ended September 30, 2002 was \$9.1 million compared to \$15.4 million for the nine months ended September 30, 2001. The decrease was primarily attributable to the lower margins and increased SG&A expenses.

The loss before income taxes, interest and unallocated expenses for the audio segment was \$0.6 million for the quarter ended September 30, 2002 compared to an income of \$3.6 million for the quarter ended September 30, 2001. For the nine months ended September 30, 2002 the income was \$4.5 million compared to \$7.5 million for the nine months ended September 30, 2001. The decrease is the result of the significantly reduced margin in the third quarter and increased SG&A expenses for the year-to-date.

On a consolidated basis, interest expense of \$5.9 million for the quarter ended September 30, 2002 was approximately equal to the same expense for the quarter ended September 30, 2001. Interest expense decreased by approximately \$2.1 million to \$17.0 million for the nine months ended September 30, 2002 compared to \$19.1 million for the nine months ended September 30, 2001. The decreases were attributable to lower interest rates. No interest has been allocated to discontinued operations.

On a consolidated basis, amortization of financing costs was approximately \$1.1 million for the quarter ended September 30, 2002 and \$0.9 million for the quarter ended September 30, 2001. Amortization of financing costs was approximately \$2.8 million for the nine months ended September 30, 2002 compared to \$2.4 million for the nine months ended September 30, 2001.

On a consolidated basis, the loss before income taxes for the continuing operations for the quarter ended September 30, 2002, including the absorption of all corporate expenses which were allocated to the video and computer game segment for segment reporting purposes, was \$6.1 million compared to a profit before income taxes of \$0.4 million reported for the quarter ended September 30, 2001. The loss before income taxes for the nine months ended September 30, 2002 was \$9.8 million compared to a loss before income taxes of \$2.7 million for the nine month ended September 30, 2001.

In the second quarter of 2002, we established a valuation allowance for all of the then impaired deferred tax assets due to uncertainties associated with generating future taxable income in the absence of necessary waivers and amendments from our lenders. As a result of entering into certain waiver and amendment agreements with the senior lenders, subordinated lenders and subordinated note holders, we have evaluated the evidence regarding our ability to generate taxable income in the future and have concluded that it appears more likely than not that we can utilize a portion of the deferred tax assets recorded. Accordingly, although the composition of the deferred tax assets recorded is modified from that which existed at June 30, 2002, we reversed approximately the same amount of the valuation reserve recorded at June 30, 2002 of approximately \$29.3 million.

Discontinued Operations

We have retained the services of Jefferies & Company, Inc. to assist in the sale of certain assets that we consider non-strategic to our business plan going forward. As noted above, these include certain business units in the Accessories segment, and the audio segment and the entire video and computer game segment. We expect to complete the sale or disposal of all of these operating units in

the fourth quarter of 2002 or the first quarter of 2003, but there can be no assurance that such sales will be completed within such time periods.

The operating results from these business units have been reclassified as discontinued operations in the third quarter. The loss, net of tax, on discontinued operations for the quarter ending September 30, 2002 was \$32.7 million, and the loss for the nine months ended September 30, 2002 was \$75.8 million. The loss has been broken out by business unit below. The operating income below reflects the results of operations before the impact of any restructuring charges, impairment, or taxes. The net income after tax reflects the full charge of the discontinued operation.

	Video & Computer Game Operations -----	Foreign Audio Operations -----	AAMP of America -----	Recoton (UK) -----
Operating income (loss), for the three months ended September 30, 2002	\$ (3.3)	\$ 0.8	\$1.4	\$ (1.0)
Operating income (loss), for the three months ended September 30, 2001	\$ (1.6)	\$ 1.1	\$1.3	\$ (0.7)
Operating income (loss), for the nine months ended September 30, 2002	\$ (15.5)	\$ 3.3	\$4.5	\$ (1.9)
Operating income (loss), for the nine months ended September 30, 2001	\$ (9.7)	\$ 2.7	\$4.4	\$ (2.1)

	Video & Computer Game Operations -----	Foreign Audio Operations -----	AAMP of America -----	Recoton (UK) -----
Net income (loss), net of tax, for the three months ended September 30, 2002 (1)	\$ (25.8)	\$ 0.7	\$0.2	\$ (7.8)
Net income (loss), net of tax, for the three months ended September 30, 2001	\$ (2.2)	\$ 0.8	\$0.8	\$ (0.7)
Net income (loss), net of tax, for the nine months ended September 30, 2002 (1)	\$ (66.1)	\$ (3.8) (2)	\$2.9	\$ (8.8)
Net income (loss), net of tax, for the nine months ended September 30, 2001	\$ (8.7)	\$ 2.1	\$2.8	\$ (2.1)

- 1) Net income for 2002 includes the impairment loss recorded on the Video and Computer Game segment of \$36.7 million for the quarter and \$57.3 million for the nine months, and on Recoton UK for \$6.8 million for both the quarter and nine months.
- 2) Net income for the foreign audio operations includes the write off of foreign tax credits of \$6.3 million.

The loss on discontinued operations is further discussed in Note D of the Notes to Condensed Consolidated Financial Statements.

Cumulative Change in Accounting Principle

In the third quarter, we completed step two of the impairment test with regard to the goodwill on the discontinued operations and recorded the "cumulative effect of a change in accounting principle, net of tax" related to those operations. The impairment of goodwill related entirely to discontinued operations and reflects an adjustment to fair market value. As a result, we recorded an impairment charge of \$7.6 million, which is reflected as a cumulative effect of a change in accounting principle at January 1, 2002. Accordingly cumulative year-to-date results have been modified to include this charge as required under the transitional rules of Statement No. 142.

The total impairment of goodwill of \$7.6 million consists of \$7.0 million of impairment of goodwill on the Interact Accessories, Inc. business unit. The remainder of the goodwill impairment related to the goodwill of Recoton (UK) Limited.

Earnings Per Share

In the third quarter of 2002, basic and diluted earnings per share on continuing operations was \$0.58 based on average outstanding shares of 12,233,646. In the third quarter of 2001, basic and diluted earnings per share on continuing operations was \$0.14 based on average basic outstanding shares of 12,081,536 (12,972,417 diluted).

For the nine months ended September 30, 2002, basic and diluted loss per share on continuing operations was \$0.74 based on average shares outstanding of 12,169,673. For the nine months ended September 30, 2001, basic and diluted earnings per share on continuing operations was \$0.06 on average outstanding shares of 11,908,043.

In the third quarter of 2002, basic and diluted loss per share on net income after discontinued operations was \$2.09. In the third quarter of 2001, basic and diluted earnings per share on net income after discontinued operations and the cumulative effect of a change in accounting principle was \$0.03.

For the nine months ended September 30, 2002, basic and diluted loss per share on net income after discontinued operations and the cumulative effect of a change in accounting principle was \$7.59. For the nine months ended September 30, 2001, basic and diluted loss per share on net income after discontinued operations was \$0.44.

Impact of Inflation and Changing Prices

The impact of inflation and changing prices on our net sales and revenues and on income from continuing operations for the quarter and nine months ended September 30, 2002 and 2001 was negligible.

Liquidity and Capital Resources

Sources and Components of Working Capital from Continuing Operations. At September 30, 2002, we had cash and cash equivalents from continuing operations of \$2.3 million compared to \$4.1 million at December 31, 2001. At September 30, 2002, we had working capital of \$49.8 million as compared to \$80.4 million at December 31, 2001. The ratio of current assets to current liabilities was 1.49 to 1 at September 30, 2002 and 1.83 to 1 at December 31, 2001. Trade receivables decreased approximately \$24.5 million to \$60.9 million at September 30, 2002 as compared to approximately \$85.4 million at December 31, 2001. The decrease is the result of normal business cycles, where sales have traditionally been higher in the third and fourth quarters of each year, resulting in higher receivable levels by year end. Inventory levels decreased by approximately \$10.4 million to \$60.5 million (\$62.6 million before inventory reserves) at September 30, 2002 from \$70.9 million at December 31, 2001. Accounts payable and accrued expenses were \$80.0 million at September 30, 2002 compared to \$82.9 million at December 31, 2001.

Sources of Credit - as of September 30, 2002. Our senior loan agreement, syndicated by General Electric Capital Corporation in October 2000, consists of:

a three year revolving loan and letter of credit facility (\$136.1 million outstanding as of September 30, 2002) bearing interest at 3.25% over the prime rate with the amount of borrowing availability dependant upon our eligible receivables and inventory;

a three year term loan (Term Loan A) in the principal amount of \$20 million (\$16.5 million outstanding as of September 30, 2002) with interest at 3.5% over the prime rate amortized over three years with eleven quarterly installments of \$500,000 each and a balloon payment of \$14.5 million due on the third anniversary;

a two year term loan (Term Loan B) in the principal amount of \$15 million (\$1.9 million outstanding as of September 30, 2002) with interest at 5.5% over the prime rate, amortized over two years with seven equal quarterly principal repayments of \$1.875 million each and the final payment of \$1.875 million due on November 29, 2002; and

a term loan (Term Loan C) of \$15 million (\$15.0 million outstanding as of September 30, 2002) with interest at 3.0% over the prime rate to be paid on the second anniversary to the extent that the advance value of the collateral exceeds the revolving loan by more than \$45 million, with any balance generally due in 12 equal monthly installments (subject to later payment under certain conditions) ending on the third anniversary.

Subsequent to September 30, 2002 General Electric Capital Corporation extended an additional loan to us in the principal amount of \$15 million, the net proceeds of which were used on October 30, 2002 to pay down the revolving line of credit. This loan, referred to as the Term Loan D, bears interest at 3.0% over the prime rate and is secured by the assets of AAMP of America, Inc. and is repayable in full on the earlier of January 25, 2003 or the date that we sell the assets of AAMP, at which time the net proceeds of the AAMP sale would be used for the payment of fees related to and the principal amount of the Term D Loan; any excess proceeds would be applied to the revolving loan with the amount of revolving loan commitment similarly being reduced (although only reduced by 85% of such payment if the amount of proceeds left after the repayment of the Term D Loan exceeded \$7 million and no event of default is occurring). During the term of such loan, AAMP assets are removed from the borrowing base for the line of credit and transactions related to AAMP are otherwise restricted. In connection with such loan we paid a fee of \$1,000,000 to the Term Loan D lenders.

We also have a subordinated loan agreement with JP Morgan Chase and other lenders for a \$15 million three-year term loan subordinated to the senior loan, with interest at a fixed rate of 14%.

Our German subsidiaries have a 50 million Deutsche Mark factoring facility (up to approximately \$25.5 million) with interest at 2.5% over European LIBOR [current rate as of September 30, 2002 was 5.88%], which in part supports a \$16 million letter of credit issued in favor of GE Capital as security for the loans under the Senior Loan Agreement. In late October 2002, GE Capital drew down on the letter of credit, utilizing the net proceeds to permanently reduce the outstanding revolving credit facility.

The borrowings under the senior loan agreement and the subordinated loan agreement are secured by substantially all of our assets and the assets of our United States and Canadian subsidiaries, and by the capital stock of the United States and first tier foreign subsidiaries pursuant to certain guarantees, security agreements and pledge agreements. The credit facility contains a number of significant covenants that, among other things, restrict our ability to dispose of assets, incur additional indebtedness, repay other indebtedness, create liens on assets, make investments or acquisitions and engage in mergers or consolidations. In addition, we are required to comply with specified ratios and tests, including quarterly and trailing twelve months EBITDA (as defined) and minimum consolidated tangible net worth (as defined) and fixed charges coverage.

In February 1999, we issued \$35 million in aggregate principal amount of senior subordinated notes due February 4, 2004 (the 1999 Notes) with interest currently of 18.5% under a securities purchase agreement. Under the terms of the agreement, we issued warrants to the noteholders to purchase 310,000 common shares at a price of \$18.26 per share, which expire on February 4, 2004. In connection with debt restructuring in September 1999, the exercise price of the warrants was reduced to \$7.77 a share and additional warrants to purchase 100,000 common shares at a price of \$7.77 a share were issued in place of warrants to purchase up to an additional 310,000 shares which would have been issuable in May 2001 if the subordinated debt had not been repaid by that date. These warrants expire on September 8, 2004. (See discussion below regarding August 2002 changes in such warrants.)

In October 2000 modifications were made to the 1999 securities purchase agreement to reflect the subordination of the rights of the holders of notes and the continuation of certain provisions of the September 8, 1999 master restructuring agreement entered into with our then-existing creditors including an increased rate of interest (see discussion below) and a cash payment of \$875,000.

In connection with the 2000 refinancing, warrants to purchase 20,000 Recoton Corporation common shares were issued to the holders of the notes issued pursuant to the 1999 securities purchase agreement. Warrants to purchase an aggregate of 5,000 Recoton Corporation common shares were issued to certain lenders under one of the new term loans pursuant to the senior loan agreement. Such warrants expire on October 31, 2005 and have an exercise price of \$13.28. (See discussion below regarding August 2002 changes in such warrants.)

On March 2, 2001 we entered into a 36 month capital lease agreement with IBM Credit Corporation to finance approximately \$11.1 million in computer hardware, software and additional related expenses for the purpose of implementing an Enterprise Resource Planning (ERP) system (see discussion below regarding capital expenditures for more information) of which \$7.1 million was outstanding as of September 30, 2002 and November 15, 2002. A letter of credit aggregating approximately \$2.9 million was issued pursuant to the existing credit facility in favor of IBM Credit Corporation as security for the loan.

On August 28, 2002, we entered into certain amendments and waiver agreements with our existing senior lenders, subordinated lenders and subordinated noteholders. Such agreements were effective as of August 19, 2002. Since August 28, 2002 we have entered into eight separate amendments of the senior loan agreement. Those amendments waived existing and anticipated defaults, amended the economic terms and covenants of the agreements, required us to sell certain assets and take steps to reduce expenses, and required us to make certain payments to the lenders and issue to the lenders (or modify) certain warrants and shares of stock. See Note C to our Condensed Consolidated Financial Statements for the Quarter Ended and Nine Months Ended September 30, 2001 and 2002 above for details regarding these amendments.

The proposed asset sales related to our discontinued operations, if consummated, will allow us to reduce debt and improve liquidity. Given this initiative, as well as certain recent restructurings, management expects to be in compliance with the covenants of the loan agreements and securities purchase agreements, as amended through June of 2003. There can be no assurance, however, that we will be in compliance with the modified covenants in the future or that the lenders will waive or amend any of the covenants should we be in violation of any such covenants in the future. Because compliance is based on management estimates, compliance through June 2003 cannot be assured. We believe the assumptions used are appropriate.

Capital Expenditures. We have implemented a new global ERP system to fully integrate functions such as finance, manufacturing, distribution and inventory management. Currently, there are no plans to implement the ERP system in Italy, Japan or at AAMP. The cost of the project was approximately \$22.0 million including software licensing, hardware, consulting and related expenses. (See discussion above regarding the March 2001 capital lease agreement.) Historically, we have financed capital expenditures with borrowings under our credit facility and cash flow from operations. Other capital expenditures relating to normal business expenditures will be financed through working capital and our existing credit facility.

Leases. We have long-term lease commitments and obligations at September 30, 2002 expiring at various dates through 2013 aggregating \$18.2 million.

Foreign Operations. To date there has been limited exposure to loss due to foreign currency risks in our Asian subsidiaries, because the Hong Kong dollar has been pegged to the U.S. dollar at an official exchange rate of HK \$7.80 to US \$1.00. Additionally, in recent years there have been no material fluctuations in the Hong Kong/Chinese exchange rates. Also, we maintain the majority of our currency in Asia in U.S. dollar accounts. However, there have been discussions in Hong Kong about eliminating the peg and there can be no assurance that these relationships will continue.

Our operations, which are currently being transacted on a global basis, are exposed to variations in foreign exchange rates. Shareholders' equity was increased by a foreign currency translation adjustment of \$3.8 million for the nine months ended September 30, 2002 and was reduced by \$2.1 million for the nine months ended September 30, 2001. The changes in the exchange rates of the Euro and Canadian dollar, which were the principle causes of the foreign translation adjustments in the first nine months of 2002, and the changes in the Euro and British pound currencies against the American dollar, which were the principle causes of the foreign translation adjustments in the first nine months of 2001, had no material impact on the consolidated results of operations but such adjustments serve to effect our tangible net worth.

If there are any material adverse changes in the relationships between the European and/or Canadian currencies with the United States dollar or if the Hong Kong or Chinese currencies should no longer be tied to the U.S. dollar, such changes could adversely affect the results of our European, Canadian and/or Asian operations included in the consolidated financial statements and could cause further increases in the amount of foreign currency translation adjustments which are charged directly to shareholders' equity.

Implications to the Company from the Adoption of a European Common Currency

The countries of the European Union have adopted a single currency, the "Euro." The Euro came into existence on January 1, 2000, and is used for transactions within and between the countries of the Economic and Monetary Union (Austria, Belgium, Finland, France, Germany, Netherlands, Ireland, Italy, Luxembourg, Portugal and Spain). On January 1, 2002, the Euro became the only currency in Economic and Monetary Union countries.

We have extensive operations in certain European countries, including Germany, Italy and the United Kingdom. We also sell to additional countries in Europe. For the nine months ended September 30, 2002, approximately 11% of our net sales were in Europe.

With the exception of the United Kingdom, all of the European countries in which we have operations adopted the Euro. We have not experienced, and do not anticipate that there will be, any material adverse impact on our accounting systems or our European business resulting from the adoption of the Euro and any resulting changes in European economic and market conditions. We adopted the Euro for internal systems and reporting as of January 1, 2001.

New Accounting Standards

In April 2002, the FASB issued SFAS No. 145, "*Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections*," which is effective for fiscal years beginning after May 15, 2002. SFAS 145 rescinds SFAS No. 4 and SFAS No. 64, which addressed the accounting for gains and losses from extinguishment of debt. SFAS No. 145 amends SFAS No. 13 to require that certain lease modifications that have economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. SFAS No. 145 also makes technical corrections to certain existing pronouncements that are not substantive in nature. The adoption of SFAS No. 145 may require the reclassification of debt extinguishment costs presented as an extraordinary item in periods prior to the adoption of the standard.

In June 2002, the FASB issued SFAS No. 146, "*Accounting for Costs Associated with Exit or Disposal Activities*." This statement changes the timing of recognition for certain exit costs associated with restructuring activities, so that certain exit costs would be recognized over the period in which the restructuring activities occur. Currently exit costs are recognized when the Company commits to a restructuring plan. SFAS No. 146 is effective for exit or disposal activities initiated after December 31, 2002 and could result in the Company recognizing the cost of future restructuring activities over a period of time as opposed to as a single event.

Forward Looking Statements

This report contains forward-looking statements within the meaning of that term in the Private Securities Litigation Reform Act of 1995 found at Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We may make additional written or oral forward-looking statements from time to time in filings with the Securities Exchange Commission, press releases or other statements. Statements contained in this Annual Report that are not historical facts are forward-looking statements made pursuant to the safe harbor provisions of the Act. Forward-looking statements may include, but are not limited to, projections of revenue, income or loss and capital expenditures; statements regarding future operations, financing needs and anticipated compliance with financial covenants in loan agreements; plans for acquisition or sale of assets or businesses and consolidation of operations of newly acquired businesses; plans relating to products or services; assessments of materiality; and predictions of future events and the effects of litigation, as well as assumptions relating to these statements. In addition, when used in this discussion, the words "anticipates," "believes," "estimates," "expects," "intends," "plans" and variations of such terms and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified based on current expectations. Consequently, future events and actual results could differ materially from those set forth in, contemplated by or underlying the forward-looking statements contained in this Quarterly Report, other filings, press releases or other statements by us. Statements in this Quarterly Report, particularly in the "Notes to Condensed Consolidated Financial Statements" and Management's Discussion and Analysis of Financial Condition and Results of Operations," describe certain factors, among others, that could contribute to or cause such differences.

Other factors that could contribute to or cause such differences include, but are not limited to, unanticipated developments in any one or more of the following areas:

- our ability to sell the assets of discontinued operations for an adequate price in an appropriate time frame;
- our ability to reduce expenses commensurate with levels of sales;
- our ability to perform required operations in the light of staff reductions arising from expense reductions;
- global economic and market conditions, including continuation of or changes in the current economic downturn;
- receptivity of consumers to new consumer electronics technologies;
- our ability to introduce new products to meet consumer need, including timely introductions as new consumer technologies are introduced, and customer and consumer acceptance of our new product introductions;

timing of introduction by others of new products for which we sell accessories;

ability of first party manufacturers to manufacture and supply accessories for their products at competitive prices;

pressure for us to reduce prices for older products as newer technologies are introduced;

actions taken by our competition, including introduction of new or other competitive products and changes in pricing;

our ability to purchase adequate inventory (including arranging for appropriate payment terms)

number and nature of our customers and their product orders;

our ability to maintain adequate financing, to bear the interest cost of such financing and to remain in compliance with financing covenants (including both financial covenants and other affirmative obligations, including the obligations to sell assets), or to obtain appropriate waivers or modifications;

our ability to maintain appropriate inventory levels, including adequate levels to satisfy seasonal demands without having to utilize expedited shipping arrangements;

our ability to fully utilize our facilities or to find alternative uses for, or to dispose of, under-utilized facilities;

factors related to our foreign manufacturing, sourcing and sales (including Chinese and other foreign government regulations, trade and importation concerns and effects of fluctuations in exchange rates);

changes in our taxes due to changes in the mix of U.S. and non-U.S. income;

our ability to maintain confidential information and obtain and maintain proprietary rights;

effects of any pending or threatened litigation;

our ability to obtain and maintain key personnel;

the operation of our management information and computer systems and those of our customers and vendors, including the process of implementing our new Enterprise Resource Planning System;

environmental and other legal regulations; and

other risk factors which may be detailed from time to time in our Securities and Exchange Commission filings.

Readers are cautioned not to place undue reliance on any forward-looking statements contained in this Quarterly Report, which speak only as of the date set forth on the signature page. We undertake no obligation to publicly release the result of any revisions to these forward-looking statements that may be made to reflect events or circumstances after such date or to reflect the occurrence of unexpected events.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

Most of our borrowings bear various rates depending on changes in the LIBOR or prime rates. As of November 15, 2002, we had approximately \$160 million of principal outstanding at variable interest rates. Based on the weighted average borrowings outstanding year to date, a 100 basis point change in interest rates would result in an approximate \$2.0 million change to our annual interest expense.

Our German subsidiary entered into a 50 million Deutsche Mark factoring facility (up to approximately \$25 million) with Heller Germany. We have intercompany loans (exclusive of intercompany receivables and payables for current transactions) made by Recoton Corporation and its subsidiaries to other subsidiaries in Germany and Italy which are not denominated in their home country currency. These loans expose us to exchange rate fluctuations. We have not entered into foreign currency or derivative contracts to hedge these potential intercompany exchange adjustments, which are recorded as cumulative foreign currency translation adjustments (a component of shareholders' equity because they have no fixed due dates). The outstanding foreign currency loans at September 30, 2002 (expressed in U.S. dollars at current exchange rates) are approximately \$21 million.

Item 4: Controls and Procedures

We maintain a system of internal controls and procedures designed to provide reasonable assurance that information required to be disclosed in our filings under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Our principal executive and financial officers have evaluated the disclosure controls and procedures within 90 days prior to the filing of this Quarterly Report on Form 10-Q and have determined that such disclosure controls and procedures are effective.

There have been no significant changes in our internal controls or in other factors which could significantly affect internal controls subsequent to the completion of the evaluation.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

JVW Enterprises, Inc. v. InterAct Accessories, Inc. JVW Enterprises, Inc. filed a complaint in the Southern District of Indiana, Indianapolis Division on September 1, 1999 alleging that three lines of steering wheel accessories sold by InterAct Accessories, Inc. infringed U.S. Patent 4,494,754. The case was moved on InterAct's motion to the U.S. District Court for the District of Maryland, Northern District. The InterAct steering wheel accessories are made so they can be used on a surface or held underneath a video game player's legs. The invention patented by the plaintiff is a joy stick holder that is stabilized by the player's lower body weight. The case has been divided into infringement and, if necessary, damage portions. The infringement trial was concluded on July 3, 2002, but the court's ruling has not yet been issued. If the court finds that one or more of the product lines in dispute infringed the patent, then damages would be assessed based on a reasonable royalty, which could be trebled if the court found the violation to be willful.

Item 2. Changes in Securities and Use of Proceeds

In connection with the October 28, 2002 amendments to our October 31, 2000 \$15 million subordinated loan agreement with lenders led by JPMorgan Chase, we repriced the existing warrants issued to the subordinated lenders to purchase an aggregate of 254,406 shares to \$0.01 per share (such shares to be issued from our treasury) and extended the term of such warrants by two years. In connection with the October 28, 2002 amendments to our February 4, 1999 securities purchase agreement with The Prudential Insurance Company of America and ING Capital LLC (formerly known as ING (U.S.) Capital LLC) we issued to Prudential and ING from our treasury an aggregate of 265,000 shares of our common stock and we agreed to amend the existing registration rights agreement to give the purchasers an additional limited demand registration for the purpose of registering these newly-issued shares for resale, we repriced existing warrants issued to Prudential and ING to purchase an aggregate of 430,000 shares to \$2.04 per share and extended the term of such warrants by two years and we issued new warrants to Prudential and ING to purchase an aggregate of 1,085,883 shares at \$2.04 per share for five years, which warrants are cancelable if we repay the full amount of the notes due to Prudential and ING by September 30, 2003. The issuance of such shares and warrants, and any shares upon exercise of such warrants, is exempt from registration as a transaction not involving a public offering under Section 4(2) of the Securities Act.

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Submissions of Matters to a Vote of Security Holders

Not applicable

Item 5. Other Matters

As noted in our Form 10-Q for the quarter ended June 30, 2002, consistent with the restructuring of our video game segment, it was noted that there were several recent personnel changes: Stephen Chu, the former President of STD Holding Limited, had resigned effective as of July 31, 2002, William To had become the Managing Director of STD Holding as of July 1, 2002 and Todd Hays, the President of InterAct Accessories, Inc., was no longer active with InterAct and that we were in the process of negotiating the terms of his departure based on his existing employment agreement. We have since negotiated the terms of a separation agreement with Mr. Hays.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

- 10.1 Amendment No. 7 made as of September 13, 2002 to the Senior Loan Agreement dated as of October 31, 2000 between the Corporation, et. al. and Heller Financial, Inc., for itself as a Lender and as Administrative Agent and Senior agent, General Electric Capital Corporation, for itself as a Lender and as Collateral Agent and Syndication Agent and the several Lenders
- 10.2 Amendment No. 8 to the Senior Loan Agreement made as of September 18, 2002
- 10.3 Amendment No. 9 to the Senior Loan Agreement made as of September 20, 2002
- 10.4 Amendment No. 10 to the Senior Loan Agreement made as of September 25, 2002
- 10.5 Amendment No. 11 to the Senior Loan Agreement, Amendment No. 3 to the Security Agreement and Amendment No. 2 to the Pledge Agreement made as of September 25, 2002
- 10.6 Amendment No. 12 to the Senior Loan Agreement made as of October 4, 2002
- 10.7 Amendment No. 13 to the Senior Loan Agreement made as of October 22, 2002
- 10.8 Amendment No. 14 to the Senior Loan Agreement made as of October 30, 2002
- 10.9 Waiver letter to the Senior Loan Agreement, dated as of November 15, 2002.
- 10.10 Amendment, dated as of November 4, 2002, to Employment Agreement of Robert L. Borchardt, dated January 1, 1995*

* management contract

(b) Reports on Form 8-K: The following reports on Form 8-K were filed in the quarter ended September 30, 2002:

<u>Date</u>	<u>Item No.</u>
August 28, 2002	Items 5 and 7 (amendments of loan agreement)
August 30, 2002	Items 7 and 9 (press release regarding loan agreement amendments)

SIGNATURES

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

RECOTON CORPORATION

/s/ Robert L. Borchardt
Robert L. Borchardt, President and Chief
Executive Officer

/s/ Arnold Kezsbom
Arnold Kezsbom, Executive Vice President-
Finance, Treasurer and Chief Financial
Officer

Dated: November 17, 2002

**CERTIFICATIONS UNDER SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

Principal Executive Officer

I, Robert L. Borchardt, Chief Executive Officer of Recoton Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Recoton Corporation. (the "registrant")

Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
2. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
3. The registrant' s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within these entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant' s disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
4. The registrant' s other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant' s auditors and the audit committee of the registrant' s board of directors:
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant' s ability to record, process, summarize and report financial data and have identified for the registrant' s auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal controls; and
5. The registrant' s other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.
- 6.

Dated: November 17, 2002

/s/ Robert L. Borchardt

Robert L. Borchardt, President and Chief Executive Officer

Principal Financial Officer

I, Arnold Kezsbom, Chief Financial Officer of Recoton Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Recoton Corporation (the "registrant");

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant' s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
- a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within these entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant' s disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant' s other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant' s auditors and the audit committee of the registrant' s board of directors:
- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant' s ability to record, process, summarize and report financial data and have identified for the registrant' s auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal controls; and
6. The registrant' s other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: November 17, 2002

/s/ Arnold Kezsbom

Arnold Kezsbom, Executive Vice President-Finance, Treasurer and Chief Financial Officer

**CERTIFICATIONS UNDER SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

Chief Executive Officer

The undersigned, the Chief Executive Officer of Recoton Corporation, hereby certifies that the Recoton Corporation' s Form 10-Q for the Quarter Ended September 30, 2002 fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78 (o)(d)) and that the information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operation of Recoton Corporation.

Dated: November 17, 2002

/s/ Robert L. Borchardt

Robert L. Borchardt, Chief Executive Officer

Chief Financial Officer

The undersigned, the Chief Financial Officer of Recoton Corporation, hereby certifies that Recoton Corporation's Form 10-Q for the Quarter Ended September 30, 2002 fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78 (o)(d)) and that the information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operation of Recoton Corporation.

Dated: November 17, 2002

/s/ Arnold Kezsbom

Arnold Kezsbom, Chief Financial Officer

EXHIBIT INDEX

- 10.1 Amendment No. 7 made as of September 13, 2002 to the Senior Loan Agreement dated as of October 31, 2000 between the Corporation, et. al. and Heller Financial, Inc., for itself as a Lender and as Administrative Agent and Senior agent, General Electric Capital Corporation, for itself as a Lender and as Collateral Agent and Syndication Agent and the several Lenders
- 10.2 Amendment No. 8 to the Senior Loan Agreement made as of September 18, 2002
- 10.3 Amendment No. 9 to the Senior Loan Agreement made as of September 20, 2002
- 10.4 Amendment No. 10 to the Senior Loan Agreement made as of September 25, 2002
- 10.5 Amendment No. 11 to the Senior Loan Agreement, Amendment No. 3 to the Security Agreement and Amendment No. 2 to the Pledge Agreement made as of September 25, 2002
- 10.6 Amendment No. 12 to the Senior Loan Agreement made as of October 4, 2002
- 10.7 Amendment No. 13 to the Senior Loan Agreement made as of October 22, 2002
- 10.8 Amendment No. 14 to the Senior Loan Agreement made as of October 30, 2002
- 10.9 Waiver letter to the Senior Loan Agreement, dated as of November 15, 2002.
- 10.10 Amendment, dated as of November 4, 2002, to Employment Agreement of Robert L. Borchardt, dated January 1, 1995

EXECUTION COPY

AMENDMENT NO. 7 TO THE LOAN AGREEMENT

THIS AMENDMENT NO. 7 TO THE LOAN AGREEMENT is made as of September 13, 2002 (this "Agreement") by and among RECOTON CORPORATION, a New York corporation ("Recoton"), INTERACT ACCESSORIES, INC., a Delaware corporation ("InterAct"), RECOTON AUDIO CORPORATION, a Delaware corporation ("Audio"), AAMP OF FLORIDA, INC., a Florida corporation ("AAMP"), RECOTON HOME AUDIO, INC., a California corporation ("RHAI"), RECOTON ACCESSORIES, INC., a Delaware corporation ("Recoton Accessories") and RECOTON MOBILE ELECTRONICS, INC., a Delaware corporation ("Mobile Electronics") and together with Recoton, InterAct, Audio, AAMP, RHAI and Recoton Accessories collectively, the "Borrowers", the Guarantors (the Borrowers and the Guarantors are sometimes collectively referred to herein as the "Loan Parties"), the Lenders, HELLER FINANCIAL, INC., a Delaware corporation, for itself as a Lender and as Administrative Agent and Senior agent and GENERAL ELECTRIC CAPITAL CORPORATION, a New York corporation for itself as a Lender and as Collateral Agent and Syndication Agent (the Administrative Agent, Senior Agent, Collateral Agent and Syndication Agent are sometimes referred to herein as the "Agents") and is made with reference to the Loan agreement dated as of October 31, 2000 (as amended by the (i) Consent and Amendment No. 1 to the Credit Agreement and Amendment No. 1 to the Security Agreement, dated as of February 7, 2001, (ii) Amendment No. 2 to the Credit Agreement, dated as of May 10, 2001, (iii) Consent and Amendment No. 3 to the Loan Agreement, Amendment No. 2 to the Security agreement and Amendment Nod. 1 to the Pledge Agreement, dated as of July 3, 2001, (iv) Fourth Amendment to Loan Agreement, dated as of February 26, 2002, (v) Waiver, Consent and Amendment No. 5 to the Loan Agreement, dated as of March 29, 2002 and (vi) Waiver and Amendment No. 6, dated as of August 19, 2002, as the same may be further amended, supplemented, restated or otherwise modified from time to time, the "Loan Agreement"), among the Borrowers, the Guarantors, the Lenders and the Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Loan Agreement.

R E C I T A L S

WHEREAS, the Borrowers, the Guarantors, the Lenders and the Agents have entered into the Loan Agreement;

WHEREAS, the Lenders have made Loans to the Borrowers pursuant to the terms of the Loan Agreement;

WHEREAS, the Borrowers expressly reaffirm all of the Loan Documents and the debt and other obligations thereunder, the Borrowers agree that nothing contained herein shall operate to release the Borrowers or any other person or persons from their liability to keep and perform the provisions, conditions, obligations, and agreements contained in the Loan Documents, except as may be herein modified, and the Borrowers hereby reaffirm that each and every provision, condition, obligation and agreement in such documents shall continue in full force and effect, except as may be herein modified;

WHEREAS, the validity, priority and perfection of all mortgages, security interests and other liens granted or created by the Loan Documents is hereby acknowledged and confirmed by the Borrowers, and the Borrowers agree that such documents shall continue to secure the Loans and the other Obligations, as may be amended by this Agreement, without any change, loss or impairment of the priority of such mortgages, security interests or other liens;

WHEREAS, the Borrowers have requested that the Lenders agree to amend certain provisions of the Loan Agreement; and

WHEREAS, the Lenders have agreed to amend certain provisions of the Loan Agreement as specifically set forth herein;

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Certain Amendments to the Loan Agreement. Except as otherwise provided herein, effective as of the Effective Date (as defined herein), the Loan Agreement is hereby amended as follows:

(a) The first sentence of the first paragraph of Section 2.1(B) of the Loan Agreement is hereby amended and restated in its entirety as follows:

"Each Revolving Loan Lender, severally, agrees to lend to Borrowers from time to time its Pro Rata Share of each Revolving Advance. The aggregate amount of all Revolving Loan Commitments shall not exceed (i) \$170,000,000 for the period beginning on August 19, 2002 and ending on August 30, 2002, (ii) \$165,000,000 for the period beginning on August 31, 2002 and ending on September 18, 2002 and (iii) \$150,000,000 for the period beginning on September 19, 2002 and at all times thereafter as reduced by subsections 2.4(B)(5), 2.4(B)(6) and 2.4(C).";

(b) Section 11 of the Loan Agreement is amended to delete in its entirety the definition of "Permitted Overadvance" and to replace such definition with the following definition:

"'Permitted Overadvance' means an overadvance of an amount equal to \$13,500,000 which shall be permanently reduced, on a weekly basis, by an amount equal to (i) \$250,000 beginning on August 26, 2002 and on each Monday thereafter up to and including September 30, 2002, and (ii) \$500,000 beginning on October 1, 2002 and on each Monday thereafter until such date when such overadvance is permanently reduced to \$0 which shall be no later than January 31, 2003; provided, however, that, notwithstanding the foregoing, the reduction otherwise scheduled to occur on Monday, September 16, 2002 pursuant to this definition shall occur on Thursday, September 19, 2002."

Section 2. Representations and Warranties. The Loan Parties hereby represent and warrant to each Agent and each Lender that after giving effect to this Agreement:

(a) no Default or Event of Default has occurred and is continuing on and as of the date hereof;

(b) the representations and warranties of the Loan Parties and the other Loan Parties contained in the Loan Agreement and the other Loan Documents are true and correct on and as of the date hereof as if made on and as of the date hereof, except to the extent such representations and warranties expressly relate to a different date; and

(c) the execution and delivery by the Loan Parties to this Agreement and the performance by the Loan Parties of all of their respective agreements and obligations under this Agreement and the Loan Agreement as amended hereby, respectively, are within the power and authority of the Loan Parties and have been duly authorized by all necessary action on the part of the Loan Parties, and that the execution and delivery by the Loan Parties, of this Agreement and the performance by each of the transactions contemplated hereby will not contravene any term or condition set forth in any material agreement or instrument to which each is a party or by which each is bound.

Section 3. Effectiveness and Conditions Precedent. This Agreement shall become effective on September 13, 2002 (the "Effective Date"), upon the Administrative Agent's receipt of counterparts of this Agreement executed and delivered by each of the Lenders, the Borrowers and the Guarantors (which executions and deliveries may be effected by delivery and receipt by facsimile transmission).

Section 4. Status of Loan Documents; Additional Representations and Warranties.

(a) This Agreement is limited solely for the purposes and to the extent expressly set forth herein, and, except as expressly provided hereby, (i) the terms, provisions and conditions of the Loan Documents and (ii) the Liens granted under the Loan Documents shall continue in full force and effect and are hereby ratified and confirmed in all respects.

(b) No waiver or amendment of any terms or provisions of the Loan Agreement made hereunder shall relieve the Loan Parties from complying with any other term or provision of the Loan agreement or any other Loan Document.

(c) No action taken by any Lender, the Administrative Agent or the Collateral Agent prior to, on or after the date hereof shall constitute a waiver of or modification of any term or condition of any of the Loan Documents, except as specifically set forth herein, or prejudice any rights which the Administrative Agent, the Collateral Agent or any of the Lenders may now have as of the date hereof or may have in the future under or in connection with the Loan Documents, including without limitation all rights and remedies in connection with Defaults, Events of Default and failures of conditions precedent to the making of Loans and the issuance of Lender Letters of Credit that have occurred and are continuing, all of which rights and remedies each Lender, the Administrative Agent and the Collateral Agent hereby expressly reserve.

(d) The Loan Parties represent and warrant to each of the other parties hereto that except as heretofore disclosed in writing by the Loan Parties to the Lenders, as of the date hereof, there is no pending or, to the knowledge of the Loan Parties, threatened action, suit, proceeding, governmental investigation or arbitration against or affecting any of the Loan Parties or any property of any of the Loan Parties that is likely to have a Material Adverse Effect.

Section 5. Miscellaneous.

(a) No Waiver, Cumulative Remedies. No failure or delay or course of dealing on the part of any Agent or any Lender in exercising any right, power or privilege hereunder shall operate as an express or implied waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder. The rights, powers and remedies herein expressly provided are cumulative and not exclusive of any rights, powers or remedies which the Lenders would otherwise have. No notice to or demand on the Borrowers or Guarantors in any case shall entitle the Borrowers or Guarantors to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Lenders to any other or further action in any circumstances without notice or demand.

(b) Ratification, Etc. Except as expressly provided for herein, the Loan Agreement and all documents, instruments and agreements related thereto, including by not limited to, the Security Document, are hereby ratified and confirmed in all respects and shall continue in full force and effect. The Loan Agreement and this Agreement shall be read and construed as a single agreement. This Agreement shall constitute one of the Loan Documents and the obligations of the Borrowers and Guarantors under this Agreement shall constitute Obligations for all purposes of the Loan Documents. All references in the Loan Agreement, the Loan Document or any related agreement or instrument to the Loan Agreement shall hereafter refer to the Loan Agreement as amended hereby.

(c) Expenses. The Borrowers agree to pay and reimburse the Administrative Agent and Lenders for all of their costs and expenses (including, without limitation, costs and expenses of legal counsel) in connection with this Agreement.

(d) Bankruptcy; Insolvency. The Borrowers represent and warrant that, on and as of the date hereof, no proceeding has been filed or commenced by or against the Borrowers for dissolution or liquidation, or by or against the Borrowers voluntarily or involuntarily terminating or dissolving or being terminated or dissolved; nor does there exist insolvency of the Borrowers, nor do the Borrowers fail to pay their debts as they become due in the ordinary course of business; nor has a creditor's committee been appointed for the business of the Borrowers; nor have the Borrowers made an assignment for the benefit of creditors, or filed a petition in bankruptcy or for reorganization or to effect a plan of arrangement with creditors; nor have the Borrowers applied for or permitted the appointment of a receiver or trustee for any or all of their property, assets or rights; nor are the Borrowers aware of any such receiver or trustee being appointed for any or all of their property, assets or rights; nor has any of the above actions or proceedings whatsoever been commenced by or against any other party liable for the Obligations.

(e) Headings Descriptive. The headings of the several Sections and subsections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision.

(f) Severability. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

(g) Counterparts. This Agreement may be executed and delivered in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A complete set of counterparts shall be lodged with each of Recoton and the Administrative Agent.

Section 6. Release. The Borrowers and each of the Guarantors hereby acknowledges and confirms that (i) it does not have any grounds, and hereby agrees not to challenge (or to allege or to pursue any matter, cause or claim arising under or with respect to), in any case based upon acts or omissions of any of the Agents or Lenders occurring prior to the date hereof or facts otherwise known to it as of the date hereof, the effectiveness, genuineness, validity, collectibility or enforceability of the Loan Agreement or any of the other Loan Documents, the Obligations, the Liens securing such Obligations, or any of the terms or conditions of any Loan Document (it being understood that such acknowledgement and confirmation does not preclude the Borrowers or the Guarantors from challenging the Agents' or any Bank's interpretation of any term or provision of the Loan Agreement or other Loan Document) and (ii) it does not possess (and hereby forever waives, remises, releases, discharges and holds harmless the Agents, the Lenders, and their respective affiliates, stockholders, directors, officers, employees, attorneys, agents and representatives and each of their respective heirs, executors, administrators, successors and assigns (collectively, the "Indemnified Parties") from and against, and agrees not to allege or pursue) any action, cause of action, suit, debt, claim, counterclaim, cross-claim, demand, defense, offset, opposition, demand and other right of action whatsoever, whether in law, equity or otherwise (which it, all those claiming by, through or under it, or its successors or assigns, have or may have) against the Indemnified Parties, or any of them, by reason of, any matter, cause or thing whatsoever, with respect to events or omissions occurring or arising on or prior to the date hereof and relating to the Loan Agreement or any of the other Loan Documents (including, without limitation, with respect to the payment, performance, validity or enforceability of the Obligations, the Liens securing the Obligations or any or all of the terms or conditions of any Loan Document) or any transaction relating thereto; provided, however, that no Borrower nor Guarantor hereby releases or holds harmless any Indemnified Party for actions or omissions by any such Indemnified Party constituting, or losses or expenses directly resulting from, the gross negligence or willful misconduct of such Indemnified Party as determined by a final judgment of a court of competent jurisdiction.

Section 7. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

* * * *

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

RECOTON CORPORATION

By: /s/ Arnold Kezsbom

Name: Arnold Kezsbom

Title: Executive Vice President - Finance

BORROWERS:

INTERACT ACCESSORIES, INC.
RECOTON AUDIO CORPORATION
AAMP OF FLORIDA, INC.
RECOTON HOME AUDIO, INC.
RECOTON ACCESSORIES, INC.
RECOTON MOBILE ELECTRONICS, INC.

By: /s/ Arnold Kezsbom

Name: Arnold Kezsbom

Title: Vice President

GUARANTORS:

CHRISTIE DESIGN CORPORATION
RECOTON INTERNATIONAL HOLDINGS, INC.
RECOTON JAPAN, INC.
RECON, INC.
RECOTON CANADA LTD.
INTERACT CANADA, LTD.
INTERACT INTERNATIONAL, INC.
INTERACT HOLDINGS, INC.
INTERACT TECHNOLOGIES, INC.

By: /s/ Arnold Kezsbom

Name: Arnold Kezsbom

Title: Vice President

LENDERS:

HELLER FINANCIAL, INC.,
individually and as Senior Agent and
Administrative Agent

By: /s/ Hugh E. Wilder

Name: Hugh E. Wilder
Title: Senior Vice President

GENERAL ELECTRIC CAPITAL CORPORATION,
individually and as Collateral Agent and Syndication
Agent

By: /s/ Hugh E. Wilder
Name: Hugh E. Wilder
Title: Authorized Signatory

BANK OF AMERICA, N.A.

By: /s/ Valerie Peppe
Name: Valerie Peppe
Title: Assistant Vice President

THE CIT GROUP / BUSINESS CREDIT, INC.

By: /s/ Vincent Belcastro
Name: Vincent Belcastro
Title: Vice President

GUARANTY BUSINESS CREDIT CORPORATION

By: /s/ Michael Haddad
Name: Michael Haddad
Title: President and CEO

FOOTHILL CAPITAL CORPORATION

By: /s/ Robert J. Cambora
Name: Robert J. Cambora
Title: Senior Vice President

CITIZENS BUSINESS CREDIT

By: /s/ Cyril A. Prince
Name: Cyril A. Prince
Title: Vice President

WASHINGTON MUTUAL BANK

By: /s/ Terri K. Lins

Name: Terri K. Lins

Title: Vice President

SIEMENS FINANCIAL SERVICES, INC.

By: /s/ Frank Amodio

Name: Frank Amodio

Title: Vice President - Credit

GMAC BUSINESS CREDIT LLC

By: /s/ Ken Horwath

Name: Ken Horwath

Title: Assistant Vice President

U.S. BANK BUSINESS CREDIT

By: /s/ Suzanne Geiger

Name: Suzanne Geiger

Title: Senior Vice President

EXECUTION COPY

AMENDMENT NO. 8 TO THE LOAN AGREEMENT

THIS AMENDMENT NO. 8 TO THE LOAN AGREEMENT is made as of September 18, 2002 (this "Agreement") by and among RECOTON CORPORATION, a New York corporation ("Recoton"), INTERACT ACCESSORIES, INC., a Delaware corporation ("InterAct"), RECOTON AUDIO CORPORATION, a Delaware corporation ("Audio"), AAMP OF FLORIDA, INC., a Florida corporation ("AAMP"), RECOTON HOME AUDIO, INC., a California corporation ("RHAI"), RECOTON ACCESSORIES, INC., a Delaware corporation ("Recoton Accessories") and RECOTON MOBILE ELECTRONICS, INC., a Delaware corporation ("Mobile Electronics") and together with Recoton, InterAct, Audio, AAMP, RHAI and Recoton Accessories collectively, the "Borrowers", the Guarantors (the Borrowers and the Guarantors are sometimes collectively referred to herein as the "Loan Parties"), the Lenders, HELLER FINANCIAL, INC., a Delaware corporation, for itself as a Lender and as Administrative Agent and Senior agent and GENERAL ELECTRIC CAPITAL CORPORATION, a New York corporation for itself as a Lender and as Collateral Agent and Syndication Agent (the Administrative Agent, Senior Agent, Collateral Agent and Syndication Agent are sometimes referred to herein as the "Agents") and is made with reference to the Loan agreement dated as of October 31, 2000 (as amended by the (i) Consent and Amendment No. 1 to the Credit Agreement and Amendment No. 1 to the Security Agreement, dated as of February 7, 2001, (ii) Amendment No. 2 to the Credit Agreement, dated as of May 10, 2001, (iii) Consent and Amendment No. 3 to the Loan Agreement, Amendment No. 2 to the Security agreement and Amendment No. 1 to the Pledge Agreement, dated as of July 3, 2001, (iv) Fourth Amendment to Loan Agreement, dated as of February 26, 2002, (v) Waiver, Consent and Amendment No. 5 to the Loan Agreement, dated as of March 29, 2002, (vi) Waiver and Amendment No. 6 to the Loan Agreement, dated as of August 19, 2002 and (vii) Amendment No. 7 to the Loan Agreement, dated as of September 13, 2002, as the same may be further amended, supplemented, restated or otherwise modified from time to time, the "Loan Agreement"), among the Borrowers, the Guarantors, the Lenders and the Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Loan Agreement.

R E C I T A L S

WHEREAS, the Borrowers, the Guarantors, the Lenders and the Agents have entered into the Loan Agreement;

WHEREAS, the Lenders have made Loans to the Borrowers pursuant to the terms of the Loan Agreement;

WHEREAS, the Borrowers expressly reaffirm all of the Loan Documents and the debt and other obligations thereunder, the Borrowers agree that nothing contained herein shall operate to release the Borrowers or any other person or persons from their liability to keep and perform the provisions, conditions, obligations, and agreements contained in the Loan Documents, except as may be herein modified, and the Borrowers hereby reaffirm that each and every provision, condition, obligation and agreement in such documents shall continue in full force and effect, except as may be herein modified;

WHEREAS, the validity, priority and perfection of all mortgages, security interests and other liens granted or created by the Loan Documents is hereby acknowledged and confirmed by the Borrowers, and the Borrowers agree that such documents shall continue to secure the Loans and the other Obligations, as may be amended by this Agreement, without any change, loss or impairment of the priority of such mortgages, security interests or other liens;

WHEREAS, the Borrowers have requested that the Lenders agree to amend certain provisions of the Loan Agreement; and

WHEREAS, the Lenders have agreed to amend certain provisions of the Loan Agreement as specifically set forth herein;

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Certain Amendments to the Loan Agreement. Except as otherwise provided herein, effective as of the Effective Date (as defined herein), the Loan Agreement is hereby amended as follows:

(a) The first two sentences of the first paragraph of Section 2.1(B) of the Loan Agreement are hereby amended and restated in their entirety as follows:

“Each Revolving Loan Lender severally agrees to lend to Borrowers from time to time its Pro Rata Share of each Revolving Advance. The aggregate amount of all Revolving Loan Commitments shall not exceed (i) \$165,000,000 at any time during the period beginning on August 31, 2002 and ending on September 19, 2002 or (ii) \$150,000,000 at any time thereafter, in each case as such amount may be reduced from time to time pursuant to subsections 2.4(B)(5), 2.4(B)(6) or 2.4(C).”

(b) Clause (b) of Section 2.1(B)(2) of the Loan Agreement is hereby amended and restated in its entirety as follows:

“(b) up to, the lesser of (i) (A) 70% on September 19, 2002 and (B) 65% at all times thereafter and (ii) (A) 100% of the Appraised Value of Eligible Inventory for the period beginning August 19, 2002 and ending September 29, 2002, (B) 95% of the Appraised Value of Eligible Inventory for the period beginning September 30, 2002 and ending October 30, 2002, (C) 90% of the Appraised Value of Eligible Inventory for the period beginning October 31, 2002 and ending November 29, 2002, and (D) 85% of the Appraised Value of Eligible Inventory at all time on and after November 30, 2002;”

(c) Section 11 of the Loan Agreement is amended to delete in its entirety the definition of “Permitted Overadvance” and to replace such definition with the following definition:

“ ‘Permitted Overadvance’ means an overadvance of an amount equal to \$13,500,000 which shall be permanently reduced, on a weekly basis, by an amount equal to (i) \$250,000 beginning on August 26, 2002 and on each Monday thereafter up to and including September 30, 2002, and (ii) \$500,000 beginning on October 1, 2002 and on each Monday thereafter until such date when such overadvance is permanently reduced to \$0 which shall be no later than January 31, 2003; provided, however, that, notwithstanding the foregoing, the reduction otherwise scheduled to occur on Monday, September 16, 2002 pursuant to this definition shall occur on Friday, September 20, 2002.”

Section 2. Representations and Warranties. The Loan Parties hereby represent and warrant to each Agent and each Lender that after giving effect to this Agreement:

(a) no Default or Event of Default has occurred and is continuing on and as of the date hereof;

(b) the representations and warranties of the Loan Parties and the other Loan Parties contained in the Loan Agreement and the other Loan Documents are true and correct on and as of the date hereof as if made on and as of the date hereof, except to the extent such representations and warranties expressly relate to a different date; and

(c) the execution and delivery by the Loan Parties to this Agreement and the performance by the Loan Parties of all of their respective agreements and obligations under this Agreement and the Loan Agreement as amended hereby, respectively, are within the power and authority of the Loan Parties and have been duly authorized by all necessary action on the part of the Loan Parties, and that the execution and delivery by the Loan Parties, of this Agreement and the performance by each of the transactions contemplated hereby will not contravene any term or condition set forth in any material agreement or instrument to which each is a party or by which each is bound.

Section 3. Effectiveness and Conditions Precedent. This Agreement shall become effective on September 18, 2002 (the "Effective Date"), upon the Administrative Agent's receipt of counterparts of this Agreement executed and delivered by each of the Lenders, the Borrowers and the Guarantors (which executions and deliveries may be effected by delivery and receipt by facsimile transmission).

Section 4. Status of Loan Documents; Additional Representations and Warranties.

(a) This Agreement is limited solely for the purposes and to the extent expressly set forth herein, and, except as expressly provided hereby, (i) the terms, provisions and conditions of the Loan Documents and (ii) the Liens granted under the Loan Documents shall continue in full force and effect and are hereby ratified and confirmed in all respects.

(b) No waiver or amendment of any terms or provisions of the Loan Agreement made hereunder shall relieve the Loan Parties from complying with any other term or provision of the Loan Agreement or any other Loan Document.

(c) No action taken by any Lender, the Administrative Agent or the Collateral Agent prior to, on or after the date hereof shall constitute a waiver of or modification of any term or condition of any of the Loan Documents, except as specifically set forth herein, or prejudice any rights which the Administrative Agent, the Collateral Agent or any of the Lenders may now have as of the date hereof or may have in the future under or in connection with the Loan Documents, including without limitation all rights and remedies in connection with Defaults, Events of Default and failures of conditions precedent to the making of Loans and the issuance of Lender Letters of Credit that have occurred and are continuing, all of which rights and remedies each Lender, the Administrative Agent and the Collateral Agent hereby expressly reserve.

(d) The Loan Parties represent and warrant to each of the other parties hereto that except as heretofore disclosed in writing by the Loan Parties to the Lenders, as of the date hereof, there is no pending or, to the knowledge of the Loan Parties, threatened action, suit, proceeding, governmental investigation or arbitration against or affecting any of the Loan Parties or any property of any of the Loan Parties that is likely to have a Material Adverse Effect.

Section 5. Miscellaneous.

(a) No Waiver, Cumulative Remedies. No failure or delay or course of dealing on the part of any Agent or any Lender in exercising any right, power or privilege hereunder shall operate as an express or implied waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder. The rights, powers and remedies herein expressly provided are cumulative and not exclusive of any rights, powers or remedies which the Lenders would otherwise have. No notice to or demand on the Borrowers or Guarantors in any case shall entitle the

Borrowers or Guarantors to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Lenders to any other or further action in any circumstances without notice or demand.

(b) Ratification, Etc. Except as expressly provided for herein, the Loan Agreement and all documents, instruments and agreements related thereto, including but not limited to, the Security Documents, are hereby ratified and confirmed in all respects and shall continue in full force and effect. The Loan Agreement and this Agreement shall be read and construed as a single agreement. This Agreement shall constitute one of the Loan Documents and the obligations of the Borrowers and Guarantors under this Agreement shall constitute Obligations for all purposes of the Loan Documents. All references in the Loan Agreement, the Loan Documents or any related agreement or instrument to the Loan Agreement shall hereafter refer to the Loan Agreement as amended hereby.

(c) Expenses. The Borrowers agree to pay and reimburse the Administrative Agent and Lenders for all of their costs and expenses (including, without limitation, costs and expenses of legal counsel) in connection with this Agreement.

(d) Bankruptcy; Insolvency. The Borrowers represent and warrant that, on and as of the date hereof, no proceeding has been filed or commenced by or against the Borrowers for dissolution or liquidation, or by or against the Borrowers voluntarily or involuntarily terminating or dissolving or being terminated or dissolved; nor does there exist insolvency of the Borrowers, nor do the Borrowers fail to pay their debts as they become due in the ordinary course of business; nor has a creditor's committee been appointed for the business of the Borrowers; nor have the Borrowers made an assignment for the benefit of creditors, or filed a petition in bankruptcy or for reorganization or to effect a plan of arrangement with creditors; nor have the Borrowers applied for or permitted the appointment of a receiver or trustee for any or all of their property, assets or rights; nor are the Borrowers aware of any such receiver or trustee being appointed for any or all of their property, assets or rights; nor has any of the above actions or proceedings whatsoever been commenced by or against any other party liable for the Obligations.

(e) Headings Descriptive. The headings of the several Sections and subsections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision.

(f) Severability. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

(g) Counterparts. This Agreement may be executed and delivered in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A complete set of counterparts shall be lodged with each of Recoton and the Administrative Agent.

Section 6. Release. The Borrowers and each of the Guarantors hereby acknowledges and confirms that (i) it does not have any grounds, and hereby agrees not to challenge (or to allege or to pursue any matter, cause or claim arising under or with respect to), in any case based upon acts or omissions of any of the Agents or Lenders occurring prior to the date hereof or facts otherwise known to it as of the date hereof, the effectiveness, genuineness, validity, collectibility or enforceability of the Loan Agreement or any of the other Loan Documents, the Obligations, the Liens securing such Obligations, or any of the terms or conditions of any Loan Document (it being understood that such acknowledgement and confirmation does not preclude the Borrowers or the Guarantors from challenging the Agents' or any Bank's interpretation of any term or provision of the Loan Agreement or other Loan Document) and (ii) it does not possess (and hereby forever waives, remises, releases, discharges and holds harmless the Agents, the Lenders, and their respective affiliates, stockholders, directors, officers, employees, attorneys, agents and representatives and each of their respective heirs, executors, administrators, successors and assigns (collectively, the "Indemnified Parties") from and against, and agrees not to allege or pursue) any action, cause of action, suit, debt,

claim, counterclaim, cross-claim, demand, defense, offset, opposition, demand and other right of action whatsoever, whether in law, equity or otherwise (which it, all those claiming by, through or under it, or its successors or assigns, have or may have) against the Indemnified Parties, or any of them, by reason of, any matter, cause or thing whatsoever, with respect to events or omissions occurring or arising on or prior to the date hereof and relating to the Loan Agreement or any of the other Loan Documents (including, without limitation, with respect to the payment, performance, validity or enforceability of the Obligations, the Liens securing the Obligations or any or all of the terms or conditions of any Loan Document) or any transaction relating thereto; provided, however, that no Borrower nor Guarantor hereby releases or holds harmless any Indemnified Party for actions or omissions by any such Indemnified Party constituting, or losses or expenses directly resulting from, the gross negligence or willful misconduct of such Indemnified Party as determined by a final judgment of a court of competent jurisdiction.

Section 7. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

* * * *

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

RECOTON CORPORATION

By: /s/ Arnold Kezsbom

Name: Arnold Kezsbom

Title: Executive Vice President - Finance

BORROWERS:

INTERACT ACCESSORIES, INC.
RECOTON AUDIO CORPORATION
AAMP OF FLORIDA, INC.
RECOTON HOME AUDIO, INC.
RECOTON ACCESSORIES, INC.
RECOTON MOBILE ELECTRONICS, INC.

By: /s/ Arnold Kezsbom

Name: Arnold Kezsbom

Title: Vice President

GUARANTORS:

CHRISTIE DESIGN CORPORATION
RECOTON INTERNATIONAL HOLDINGS, INC.
RECOTON JAPAN, INC.
RECONE, INC.
RECOTON CANADA LTD.
INTERACT CANADA, LTD.
INTERACT INTERNATIONAL, INC.
INTERACT HOLDINGS, INC.
INTERACT TECHNOLOGIES, INC.

By: /s/ Arnold Kezsbom

Name: Arnold Kezsbom

Title: Vice President

HELLER FINANCIAL, INC.,
individually and as Senior Agent and
Administrative Agent

LENDERS:

By: /s/ Paul Puryear, Jr.

Name: Paul Puryear, Jr.

Title: Senior Vice President

GENERAL ELECTRIC CAPITAL CORPORATION,
Syndication Agent

By: /s/ Paul Puryear, Jr.

Name: Paul Puryear, Jr.

Title: Authorized Signatory

BANK OF AMERICA, N.A.

By: /s/ Valerie Peppe

Name: Valerie Peppe

Title: Assistant Vice President

THE CIT GROUP / BUSINESS CREDIT, INC.

By: /s/ Vincent Belcastro

Name: Vincent Belcastro

Title: Vice President

GUARANTY BUSINESS CREDIT CORPORATION

By: /s/ James E. Casper

Name: James E. Casper

Title: Senior Vice President

FOOTHILL CAPITAL CORPORATION

By: /s/ Robert J. Cambora

Name: Robert J. Cambora
Title: Senior Vice President

CITIZENS BUSINESS CREDIT

By: /s/ Thomas D. Opie

Name: Thomas D. Opie
Title: Vice President

WASHINGTON MUTUAL BANK

By: /s/ Terri K. Lins

Name: Terri K. Lins
Title: Vice President

SIEMENS FINANCIAL SERVICES, INC.

By: /s/ Frank Amodio

Name: Frank Amodio
Title: Vice President - Credit

GMAC BUSINESS CREDIT LLC

By: /s/ Alexander J. Chobot

Name: Alexander J. Chobot
Title: Vice President

U.S. BANK BUSINESS CREDIT

By: /s/ Suzanne Geiger

Name: Suzanne Geiger
Title: Senior Vice President

EXECUTION COPY

AMENDMENT NO. 9 TO THE LOAN AGREEMENT

THIS AMENDMENT NO. 9 TO THE LOAN AGREEMENT is made as of September 20, 2002 (this "Agreement") by and among RECOTON CORPORATION, a New York corporation ("Recoton"), INTERACT ACCESSORIES, INC., a Delaware corporation ("InterAct"), RECOTON AUDIO CORPORATION, a Delaware corporation ("Audio"), AAMP OF FLORIDA, INC., a Florida corporation ("AAMP"), RECOTON HOME AUDIO, INC., a California corporation ("RHAI"), RECOTON ACCESSORIES, INC., a Delaware corporation ("Recoton Accessories") and RECOTON MOBILE ELECTRONICS, INC., a Delaware corporation ("Mobile Electronics") and together with Recoton, InterAct, Audio, AAMP, RHAI and Recoton Accessories collectively, the "Borrowers", the Guarantors (the Borrowers and the Guarantors are sometimes collectively referred to herein as the "Loan Parties"), the Lenders, HELLER FINANCIAL, INC., a Delaware corporation, for itself as a Lender and as Administrative Agent and Senior agent and GENERAL ELECTRIC CAPITAL CORPORATION, a New York corporation for itself as a Lender and as Collateral Agent and Syndication Agent (the Administrative Agent, Senior Agent, Collateral Agent and Syndication Agent are sometimes referred to herein as the "Agents") and is made with reference to the Loan agreement dated as of October 31, 2000 (as amended by the (i) Consent and Amendment No. 1 to the Credit Agreement and Amendment No. 1 to the Security Agreement, dated as of February 7, 2001, (ii) Amendment No. 2 to the Credit Agreement, dated as of May 10, 2001, (iii) Consent and Amendment No. 3 to the Loan Agreement, Amendment No. 2 to the Security agreement and Amendment No. 1 to the Pledge Agreement, dated as of July 3, 2001, (iv) Fourth Amendment to Loan Agreement, dated as of February 26, 2002, (v) Waiver, Consent and Amendment No. 5 to the Loan Agreement, dated as of March 29, 2002, (vi) Waiver and Amendment No. 6 to the Loan Agreement, dated as of August 19, 2002, (vii) Amendment No. 7 to the Loan Agreement, dated as of September 13, 2002 and (viii) Amendment No. 8 to the Loan Agreement, dated as of September 18, 2002, as the same may be further amended, supplemented, restated or otherwise modified from time to time, the "Loan Agreement"), among the Borrowers, the Guarantors, the Lenders and the Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Loan Agreement.

R E C I T A L S

WHEREAS, the Borrowers, the Guarantors, the Lenders and the Agents have entered into the Loan Agreement;

WHEREAS, the Lenders have made Loans to the Borrowers pursuant to the terms of the Loan Agreement;

WHEREAS, the Borrowers expressly reaffirm all of the Loan Documents and the debt and other obligations thereunder, the Borrowers agree that nothing contained herein shall operate to release the Borrowers or any other person or persons from their liability to keep and perform the provisions, conditions, obligations, and agreements contained in the Loan Documents, except as may be herein modified, and the Borrowers hereby reaffirm that each and every provision, condition, obligation and agreement in such documents shall continue in full force and effect, except as may be herein modified;

WHEREAS, the validity, priority and perfection of all mortgages, security interests and other liens granted or created by the Loan Documents is hereby acknowledged and confirmed by the Borrowers, and the Borrowers agree that such documents shall continue to secure the Loans and the other Obligations, as may be amended by this Agreement, without any change, loss or impairment of the priority of such mortgages, security interests or other liens;

WHEREAS, the Borrowers have requested that the Lenders agree to amend certain provisions of the Loan Agreement; and

WHEREAS, the Lenders have agreed to amend certain provisions of the Loan Agreement as specifically set forth herein;

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Certain Amendments to the Loan Agreement. Except as otherwise provided herein, effective as of the Effective Date (as defined herein), the Loan Agreement is hereby amended as follows:

(a) The first two sentences of the first paragraph of Section 2.1(B) of the Loan Agreement are hereby amended and restated in their entirety as follows:

“Each Revolving Loan Lender severally agrees to lend to Borrowers from time to time its Pro Rata Share of each Revolving Advance. The aggregate amount of all Revolving Loan Commitments shall not exceed (i) \$165,000,000 at any time during the period beginning on August 31, 2002 and ending on September 20, 2002 or (ii) \$150,000,000 at any time thereafter, in each case as such amount may be reduced from time to time pursuant to subsections 2.4(B)(5), 2.4(B)(6) or 2.4(C).”

(b) Clause (b) of Section 2.1(B)(2) of the Loan Agreement is hereby amended and restated in its entirety as follows:

“(b) up to the lesser of (i) (A) 70% of Eligible Inventory on September 20, 2002 and (B) 65% of Eligible Inventory at all times thereafter and (ii) (A) 100% of the Appraised Value of Eligible Inventory for the period beginning August 19, 2002 and ending September 29, 2002, (B) 95% of the Appraised Value of Eligible Inventory for the period beginning September 30, 2002 and ending October 30, 2002, (C) 90% of the Appraised Value of Eligible Inventory for the period beginning October 31, 2002 and ending November 29, 2002, and (D) 85% of the Appraised Value of Eligible Inventory at all time on and after November 30, 2002;”

(c) Section 11 of the Loan Agreement is amended to delete in its entirety the definition of “Permitted Overadvance” and to replace such definition with the following definition:

“ ‘Permitted Overadvance’ means an overadvance of an amount equal to \$13,500,000 which shall be permanently reduced, on a weekly basis, by an amount equal to (i) \$250,000 beginning on August 26, 2002 and on each Monday thereafter up to and including September 30, 2002, and (ii) \$500,000 beginning on October 1, 2002 and on each Monday thereafter until such date when such overadvance is permanently reduced to \$0 which shall be no later than January 31, 2003; provided, however, that, notwithstanding the foregoing, the reduction otherwise scheduled to occur on Monday, September 16, 2002 pursuant to this definition shall occur on Monday, September 23, 2002.”

Section 2. Representations and Warranties. The Loan Parties hereby represent and warrant to each Agent and each Lender that after giving effect to this Agreement:

(a) no Default or Event of Default has occurred and is continuing on and as of the date hereof;

(b) the representations and warranties of the Loan Parties and the other Loan Parties contained in the Loan Agreement and the other Loan Documents are true and correct on and as of the date hereof as if made on and as of the date hereof, except to the extent such representations and warranties expressly relate to a different date; and

(c) the execution and delivery by the Loan Parties to this Agreement and the performance by the Loan Parties of all of their respective agreements and obligations under this Agreement and the Loan Agreement as amended hereby, respectively, are within the power and authority of the Loan Parties and have been duly authorized by all necessary action on the part of the Loan Parties, and that the execution and delivery by the Loan Parties, of this Agreement and the performance by each of the transactions contemplated hereby will not contravene any term or condition set forth in any material agreement or instrument to which each is a party or by which each is bound.

Section 3. Effectiveness and Conditions Precedent. This Agreement shall become effective on September 20, 2002 (the "Effective Date"), upon the Administrative Agent's receipt of counterparts of this Agreement executed and delivered by each of the Lenders, the Borrowers and the Guarantors (which executions and deliveries may be effected by delivery and receipt by facsimile transmission).

Section 4. Status of Loan Documents; Additional Representations and Warranties.

(a) This Agreement is limited solely for the purposes and to the extent expressly set forth herein, and, except as expressly provided hereby, (i) the terms, provisions and conditions of the Loan Documents and (ii) the Liens granted under the Loan Documents shall continue in full force and effect and are hereby ratified and confirmed in all respects.

(b) No waiver or amendment of any terms or provisions of the Loan Agreement made hereunder shall relieve the Loan Parties from complying with any other term or provision of the Loan Agreement or any other Loan Document.

(c) No action taken by any Lender, the Administrative Agent or the Collateral Agent prior to, on or after the date hereof shall constitute a waiver of or modification of any term or condition of any of the Loan Documents, except as specifically set forth herein, or prejudice any rights which the Administrative Agent, the Collateral Agent or any of the Lenders may now have as of the date hereof or may have in the future under or in connection with the Loan Documents, including without limitation all rights and remedies in connection with Defaults, Events of Default and failures of conditions precedent to the making of Loans and the issuance of Lender Letters of Credit that have occurred and are continuing, all of which rights and remedies each Lender, the Administrative Agent and the Collateral Agent hereby expressly reserve.

(d) The Loan Parties represent and warrant to each of the other parties hereto that except as heretofore disclosed in writing by the Loan Parties to the Lenders, as of the date hereof, there is no pending or, to the knowledge of the Loan Parties, threatened action, suit, proceeding, governmental investigation or arbitration against or affecting any of the Loan Parties or any property of any of the Loan Parties that is likely to have a Material Adverse Effect.

Section 5. Miscellaneous.

(a) No Waiver, Cumulative Remedies. No failure or delay or course of dealing on the part of any Agent or any Lender in exercising any right, power or privilege hereunder shall operate as an express or implied waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder. The rights, powers and remedies herein expressly provided are cumulative and not exclusive of any rights, powers or remedies which the Lenders would otherwise have. No notice to or demand on the Borrowers or Guarantors in any case shall entitle the

Borrowers or Guarantors to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Lenders to any other or further action in any circumstances without notice or demand.

(b) Ratification, Etc. Except as expressly provided for herein, the Loan Agreement and all documents, instruments and agreements related thereto, including but not limited to, the Security Documents, are hereby ratified and confirmed in all respects and shall continue in full force and effect. The Loan Agreement and this Agreement shall be read and construed as a single agreement. This Agreement shall constitute one of the Loan Documents and the obligations of the Borrowers and Guarantors under this Agreement shall constitute Obligations for all purposes of the Loan Documents. All references in the Loan Agreement, the Loan Documents or any related agreement or instrument to the Loan Agreement shall hereafter refer to the Loan Agreement as amended hereby.

(c) Expenses. The Borrowers agree to pay and reimburse the Administrative Agent and Lenders for all of their costs and expenses (including, without limitation, costs and expenses of legal counsel) in connection with this Agreement.

(d) Bankruptcy; Insolvency. The Borrowers represent and warrant that, on and as of the date hereof, no proceeding has been filed or commenced by or against the Borrowers for dissolution or liquidation, or by or against the Borrowers voluntarily or involuntarily terminating or dissolving or being terminated or dissolved; nor does there exist insolvency of the Borrowers, nor do the Borrowers fail to pay their debts as they become due in the ordinary course of business; nor has a creditor's committee been appointed for the business of the Borrowers; nor have the Borrowers made an assignment for the benefit of creditors, or filed a petition in bankruptcy or for reorganization or to effect a plan of arrangement with creditors; nor have the Borrowers applied for or permitted the appointment of a receiver or trustee for any or all of their property, assets or rights; nor are the Borrowers aware of any such receiver or trustee being appointed for any or all of their property, assets or rights; nor has any of the above actions or proceedings whatsoever been commenced by or against any other party liable for the Obligations.

(e) Headings Descriptive. The headings of the several Sections and subsections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision.

(f) Severability. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

(g) Counterparts. This Agreement may be executed and delivered in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A complete set of counterparts shall be lodged with each of Recoton and the Administrative Agent.

Section 6. Release. The Borrowers and each of the Guarantors hereby acknowledges and confirms that (i) it does not have any grounds, and hereby agrees not to challenge (or to allege or to pursue any matter, cause or claim arising under or with respect to), in any case based upon acts or omissions of any of the Agents or Lenders occurring prior to the date hereof or facts otherwise known to it as of the date hereof, the effectiveness, genuineness, validity, collectibility or enforceability of the Loan Agreement or any of the other Loan Documents, the Obligations, the Liens securing such Obligations, or any of the terms or conditions of any Loan Document (it being understood that such acknowledgement and confirmation does not preclude the Borrowers or the Guarantors from challenging the Agents' or any Bank's interpretation of any term or provision of the Loan Agreement or other Loan Document) and (ii) it does not possess (and hereby forever waives, remises, releases, discharges and holds harmless the Agents, the Lenders, and their respective affiliates, stockholders, directors, officers, employees, attorneys, agents and representatives and each of their respective heirs, executors, administrators, successors and assigns (collectively, the "Indemnified Parties") from and against, and agrees not to allege or pursue) any action, cause of action, suit, debt,

claim, counterclaim, cross-claim, demand, defense, offset, opposition, demand and other right of action whatsoever, whether in law, equity or otherwise (which it, all those claiming by, through or under it, or its successors or assigns, have or may have) against the Indemnified Parties, or any of them, by reason of, any matter, cause or thing whatsoever, with respect to events or omissions occurring or arising on or prior to the date hereof and relating to the Loan Agreement or any of the other Loan Documents (including, without limitation, with respect to the payment, performance, validity or enforceability of the Obligations, the Liens securing the Obligations or any or all of the terms or conditions of any Loan Document) or any transaction relating thereto; provided, however, that no Borrower nor Guarantor hereby releases or holds harmless any Indemnified Party for actions or omissions by any such Indemnified Party constituting, or losses or expenses directly resulting from, the gross negligence or willful misconduct of such Indemnified Party as determined by a final judgment of a court of competent jurisdiction.

Section 7. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

* * * *

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

RECOTON CORPORATION

By: /s/ Arnold Kezsbom

Name: Arnold Kezsbom

Title: Executive Vice President - Finance

BORROWERS:

INTERACT ACCESSORIES, INC.
RECOTON AUDIO CORPORATION
AAMP OF FLORIDA, INC.
RECOTON HOME AUDIO, INC.
RECOTON ACCESSORIES, INC.
RECOTON MOBILE ELECTRONICS, INC.

By: /s/ Arnold Kezsbom

Name: Arnold Kezsbom

Title: Vice President

GUARANTORS:

CHRISTIE DESIGN CORPORATION
RECOTON INTERNATIONAL HOLDINGS, INC.
RECOTON JAPAN, INC.
RECONE, INC.
RECOTON CANADA LTD.
INTERACT CANADA, LTD.
INTERACT INTERNATIONAL, INC.
INTERACT HOLDINGS, INC.
INTERACT TECHNOLOGIES, INC.

LENDERS:

By: /s/ Arnold Kezsbom

Name: Arnold Kezsbom

Title: Vice President

HELLER FINANCIAL, INC.,
individually and as Senior Agent and
Administrative Agent

By: /s/ Paul Puryear, Jr.

Name: Paul Puryear, Jr.

Title: Senior Vice President

GENERAL ELECTRIC CAPITAL CORPORATION,
Syndication Agent

By: /s/ Paul Puryear, Jr.

Name: Paul Puryear, Jr.

Title: Authorized Signatory

BANK OF AMERICA, N.A.

By: /s/ Valerie Peppe

Name: Valerie Peppe

Title: Assistant Vice President

THE CIT GROUP / BUSINESS CREDIT, INC.

By: /s/ Vincent Belcastro

Name: Vincent Belcastro

Title: Vice President

GUARANTY BUSINESS CREDIT CORPORATION

By: /s/ James E. Casper

Name: James E. Casper

Title: Senior Vice President

FOOTHILL CAPITAL CORPORATION

By: /s/ Robert J. Cambora

Name: Robert J. Cambora
Title: Senior Vice President

CITIZENS BUSINESS CREDIT

By: /s/ Thomas D. Opie

Name: Thomas D. Opie
Title: Vice President

WASHINGTON MUTUAL BANK

By: /s/ Terri K. Lins

Name: Terri K. Lins
Title: Vice President

SIEMENS FINANCIAL SERVICES, INC.

By: /s/ Frank Amodio

Name: Frank Amodio
Title: Vice President - Credit

GMAC BUSINESS CREDIT LLC

By: /s/ Alexander J. Chobot

Name: Alexander J. Chobot
Title: Vice President

U.S. BANK BUSINESS CREDIT

By: /s/ Suzanne Geiger

Name: Suzanne Geiger
Title: Senior Vice President

EXECUTION COPY

AMENDMENT NO. 10 TO THE LOAN AGREEMENT

THIS AMENDMENT NO. 10 TO THE LOAN AGREEMENT is made as of September 25, 2002 (this "Agreement") by and among RECOTON CORPORATION, a New York corporation ("Recoton"), INTERACT ACCESSORIES, INC., a Delaware corporation ("InterAct"), RECOTON AUDIO CORPORATION, a Delaware corporation ("Audio"), AAMP OF FLORIDA, INC., a Florida corporation ("AAMP"), RECOTON HOME AUDIO, INC., a California corporation ("RHAI"), RECOTON ACCESSORIES, INC., a Delaware corporation ("Recoton Accessories") and RECOTON MOBILE ELECTRONICS, INC., a Delaware corporation ("Mobile Electronics") and together with Recoton, InterAct, Audio, AAMP, RHAI and Recoton Accessories collectively, the "Borrowers", the Guarantors (the Borrowers and the Guarantors are sometimes collectively referred to herein as the "Loan Parties"), the Lenders, HELLER FINANCIAL, INC., a Delaware corporation, for itself as a Lender and as Administrative Agent and Senior agent and GENERAL ELECTRIC CAPITAL CORPORATION, a New York corporation for itself as a Lender and as Collateral Agent and Syndication Agent (the Administrative Agent, Senior Agent, Collateral Agent and Syndication Agent are sometimes referred to herein as the "Agents") and is made with reference to the Loan agreement dated as of October 31, 2000 (as amended by the (i) Consent and Amendment No. 1 to the Credit Agreement and Amendment No. 1 to the Security Agreement, dated as of February 7, 2001, (ii) Amendment No. 2 to the Credit Agreement, dated as of May 10, 2001, (iii) Consent and Amendment No. 3 to the Loan Agreement, Amendment No. 2 to the Security agreement and Amendment No. 1 to the Pledge Agreement, dated as of July 3, 2001, (iv) Fourth Amendment to Loan Agreement, dated as of February 26, 2002, (v) Waiver, Consent and Amendment No. 5 to the Loan Agreement, dated as of March 29, 2002, (vi) Waiver and Amendment No. 6 to the Loan Agreement, dated as of August 19, 2002, (vii) Amendment No. 7 to the Loan Agreement, dated as of September 13, 2002, (viii) Amendment No. 8 to the Loan Agreement, dated as of September 18, 2002 and (ix) Amendment No. 9 to the Loan Agreement, dated as of September 20, 2002, as the same may be further amended, supplemented, restated or otherwise modified from time to time, the "Loan Agreement"), among the Borrowers, the Guarantors, the Lenders and the Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Loan Agreement.

R E C I T A L S

WHEREAS, the Borrowers, the Guarantors, the Lenders and the Agents have entered into the Loan Agreement;

WHEREAS, the Lenders have made Loans to the Borrowers pursuant to the terms of the Loan Agreement;

WHEREAS, the Borrowers expressly reaffirm all of the Loan Documents and the debt and other obligations thereunder, the Borrowers agree that nothing contained herein shall operate to release the Borrowers or any other person or persons from their liability to keep and perform the provisions, conditions, obligations, and agreements contained in the Loan Documents, except as may be herein modified, and the Borrowers hereby reaffirm that each and every provision, condition, obligation and agreement in such documents shall continue in full force and effect, except as may be herein modified;

WHEREAS, the validity, priority and perfection of all mortgages, security interests and other liens granted or created by the Loan Documents is hereby acknowledged and confirmed by the Borrowers, and the Borrowers agree that such documents shall continue to secure the Loans and the other Obligations, as may be amended

by this Agreement, without any change, loss or impairment of the priority of such mortgages, security interests or other liens;

WHEREAS, the Borrowers have requested that the Lenders agree to amend certain provisions of the Loan Agreement; and

WHEREAS, the Lenders have agreed to amend certain provisions of the Loan Agreement as specifically set forth herein;

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Certain Amendments to the Loan Agreement. Except as otherwise provided herein, effective as of the Effective Date (as defined herein), the Loan Agreement is hereby amended as follows:

(a) The first two sentences of the first paragraph of Section 2.1(B) of the Loan Agreement are hereby amended and restated in their entirety as follows:

“Each Revolving Loan Lender severally agrees to lend to Borrowers from time to time its Pro Rata Share of each Revolving Advance. The aggregate amount of all Revolving Loan Commitments shall not exceed (i) \$165,000,000 at any time during the period beginning on August 31, 2002 and ending on September 25, 2002 or (ii) \$150,000,000 at any time thereafter, in each case as such amount may be reduced from time to time pursuant to subsections 2.4(B)(5), 2.4(B)(6) or 2.4(C).”

(b) Clause (b) of Section 2.1(B)(2) of the Loan Agreement is hereby amended and restated in its entirety as follows:

“(b) up to the lesser of (i) (A) 70% of Eligible Inventory on September 25, 2002 and (B) 65% of Eligible Inventory at all times thereafter and (ii) (A) 100% of the Appraised Value of Eligible Inventory for the period beginning August 19, 2002 and ending September 29, 2002, (B) 95% of the Appraised Value of Eligible Inventory for the period beginning September 30, 2002 and ending October 30, 2002, (C) 90% of the Appraised Value of Eligible Inventory for the period beginning October 31, 2002 and ending November 29, 2002, and (D) 85% of the Appraised Value of Eligible Inventory at all time on and after November 30, 2002;”

(c) Section 11 of the Loan Agreement is amended to delete in its entirety the definition of “Permitted Overadvance” and to replace such definition with the following definition:

“ ‘Permitted Overadvance’ means an overadvance of an amount equal to \$15,250,000 which shall be permanently reduced (i) on a weekly basis, by an amount equal to \$500,000 beginning on September 30, 2002 and on each Monday thereafter up to and including January 27, 2003 and (ii) to zero on January 31, 2003.”

Section 2. Representations and Warranties. The Loan Parties hereby represent and warrant to each Agent and each Lender that after giving effect to this Agreement:

(a) no Default or Event of Default has occurred and is continuing on and as of the date hereof;

(b) the representations and warranties of the Loan Parties and the other Loan Parties contained in the Loan Agreement and the other Loan Documents are true and correct on and as of the date hereof as if made on and as of the date hereof, except to the extent such representations and warranties expressly relate to a different date; and

(c) the execution and delivery by the Loan Parties to this Agreement and the performance by the Loan Parties of all of their respective agreements and obligations under this Agreement and the Loan Agreement as amended hereby, respectively, are within the power and authority of the Loan Parties and have been duly authorized by all necessary action on the part of the Loan Parties, and that the execution and delivery by the Loan Parties, of this Agreement and the performance by each of the transactions contemplated hereby will not contravene any term or condition set forth in any material agreement or instrument to which each is a party or by which each is bound.

Section 3. Effectiveness and Conditions Precedent. This Agreement shall become effective on September 25, 2002 (the “Effective Date”), upon the Administrative Agent’s receipt of counterparts of this Agreement executed and delivered by each of the Lenders, the Borrowers and the Guarantors (which executions and deliveries may be effected by delivery and receipt by facsimile transmission).

Section 4. Status of Loan Documents; Additional Representations and Warranties.

(a) This Agreement is limited solely for the purposes and to the extent expressly set forth herein, and, except as expressly provided hereby, (i) the terms, provisions and conditions of the Loan Documents and (ii) the Liens granted under the Loan Documents shall continue in full force and effect and are hereby ratified and confirmed in all respects.

(b) No waiver or amendment of any terms or provisions of the Loan Agreement made hereunder shall relieve the Loan Parties from complying with any other term or provision of the Loan Agreement or any other Loan Document.

(c) No action taken by any Lender, the Administrative Agent or the Collateral Agent prior to, on or after the date hereof shall constitute a waiver of or modification of any term or condition of any of the Loan Documents, except as specifically set forth herein, or prejudice any rights which the Administrative Agent, the Collateral Agent or any of the Lenders may now have as of the date hereof or may have in the future under or in connection with the Loan Documents, including without limitation all rights and remedies in connection with Defaults, Events of Default and failures of conditions precedent to the making of Loans and the issuance of Lender Letters of Credit that have occurred and are continuing, all of which rights and remedies each Lender, the Administrative Agent and the Collateral Agent hereby expressly reserve.

(d) The Loan Parties represent and warrant to each of the other parties hereto that except as heretofore disclosed in writing by the Loan Parties to the Lenders, as of the date hereof, there is no pending or, to the knowledge of the Loan Parties, threatened action, suit, proceeding, governmental investigation or arbitration against or affecting any of the Loan Parties or any property of any of the Loan Parties that is likely to have a Material Adverse Effect.

Section 5. Additional Covenant. From and after the date hereof, each of the daily Borrowing Base reports required pursuant to Section 4(b)(i) of Waiver and Amendment No. 6 shall include, without limitation, updated accounts receivable and inventory balances as of the Business Day immediately preceding the day of delivery of each such daily report, in a form reasonably acceptable to the Administrative Agent.

Section 6. Miscellaneous.

(a) No Waiver, Cumulative Remedies. No failure or delay or course of dealing on the part of any Agent or any Lender in exercising any right, power or privilege hereunder shall operate as an express or implied waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any other or

further exercise thereof or the exercise of any other right, power or privilege hereunder. The rights, powers and remedies herein expressly provided are cumulative and not exclusive of any rights, powers or remedies which the Lenders would otherwise have. No notice to or demand on the Borrowers or Guarantors in any case shall entitle the Borrowers or Guarantors to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Lenders to any other or further action in any circumstances without notice or demand.

(b) Ratification, Etc. Except as expressly provided for herein, the Loan Agreement and all documents, instruments and agreements related thereto, including but not limited to, the Security Documents, are hereby ratified and confirmed in all respects and shall continue in full force and effect. The Loan Agreement and this Agreement shall be read and construed as a single agreement. This Agreement shall constitute one of the Loan Documents and the obligations of the Borrowers and Guarantors under this Agreement shall constitute Obligations for all purposes of the Loan Documents. All references in the Loan Agreement, the Loan Documents or any related agreement or instrument to the Loan Agreement shall hereafter refer to the Loan Agreement as amended hereby.

(c) Expenses. The Borrowers agree to pay and reimburse the Administrative Agent and Lenders for all of their costs and expenses (including, without limitation, costs and expenses of legal counsel) in connection with this Agreement.

(d) Bankruptcy; Insolvency. The Borrowers represent and warrant that, on and as of the date hereof, no proceeding has been filed or commenced by or against the Borrowers for dissolution or liquidation, or by or against the Borrowers voluntarily or involuntarily terminating or dissolving or being terminated or dissolved; nor does there exist insolvency of the Borrowers, nor do the Borrowers fail to pay their debts as they become due in the ordinary course of business; nor has a creditor's committee been appointed for the business of the Borrowers; nor have the Borrowers made an assignment for the benefit of creditors, or filed a petition in bankruptcy or for reorganization or to effect a plan of arrangement with creditors; nor have the Borrowers applied for or permitted the appointment of a receiver or trustee for any or all of their property, assets or rights; nor are the Borrowers aware of any such receiver or trustee being appointed for any or all of their property, assets or rights; nor has any of the above actions or proceedings whatsoever been commenced by or against any other party liable for the Obligations.

(e) Headings Descriptive. The headings of the several Sections and subsections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision.

(f) Severability. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

(g) Counterparts. This Agreement may be executed and delivered in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A complete set of counterparts shall be lodged with each of Recoton and the Administrative Agent.

Section 7. Release. The Borrowers and each of the Guarantors hereby acknowledges and confirms that (i) it does not have any grounds, and hereby agrees not to challenge (or to allege or to pursue any matter, cause or claim arising under or with respect to), in any case based upon acts or omissions of any of the Agents or Lenders occurring prior to the date hereof or facts otherwise known to it as of the date hereof, the effectiveness, genuineness, validity, collectibility or enforceability of the Loan Agreement or any of the other Loan Documents, the Obligations, the Liens securing such Obligations, or any of the terms or conditions of any Loan Document (it being understood that such acknowledgement and confirmation does not preclude the Borrowers or the Guarantors from challenging the Agents' or any Bank's interpretation of any term or provision of the Loan Agreement or other Loan Document) and (ii) it does not possess (and hereby forever waives, remises, releases, discharges and holds harmless the Agents, the

Lenders, and their respective affiliates, stockholders, directors, officers, employees, attorneys, agents and representatives and each of their respective heirs, executors, administrators, successors and assigns (collectively, the “Indemnified Parties”) from and against, and agrees not to allege or pursue) any action, cause of action, suit, debt, claim, counterclaim, cross-claim, demand, defense, offset, opposition, demand and other right of action whatsoever, whether in law, equity or otherwise (which it, all those claiming by, through or under it, or its successors or assigns, have or may have) against the Indemnified Parties, or any of them, by reason of, any matter, cause or thing whatsoever, with respect to events or omissions occurring or arising on or prior to the date hereof and relating to the Loan Agreement or any of the other Loan Documents (including, without limitation, with respect to the payment, performance, validity or enforceability of the Obligations, the Liens securing the Obligations or any or all of the terms or conditions of any Loan Document) or any transaction relating thereto; provided, however, that no Borrower nor Guarantor hereby releases or holds harmless any Indemnified Party for actions or omissions by any such Indemnified Party constituting, or losses or expenses directly resulting from, the gross negligence or willful misconduct of such Indemnified Party as determined by a final judgment of a court of competent jurisdiction.

Section 8. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

* * * *

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

RECOTON CORPORATION

By: /s/ Arnold Kezsbom

Name: Arnold Kezsbom

Title: Executive Vice President - Finance

BORROWERS:

INTERACT ACCESSORIES, INC.
RECOTON AUDIO CORPORATION
AAMP OF FLORIDA, INC.
RECOTON HOME AUDIO, INC.
RECOTON ACCESSORIES, INC.
RECOTON MOBILE ELECTRONICS, INC.

By: /s/ Arnold Kezsbom

Name: Arnold Kezsbom

Title: Vice President

GUARANTORS:

CHRISTIE DESIGN CORPORATION
RECOTON INTERNATIONAL HOLDINGS, INC.
RECOTON JAPAN, INC.
RECONE, INC.
RECOTON CANADA LTD.
INTERACT CANADA, LTD.
INTERACT INTERNATIONAL, INC.
INTERACT HOLDINGS, INC.

INTERACT TECHNOLOGIES, INC.

By: /s/ Arnold Kezsbom

Name: Arnold Kezsbom

Title: Vice President

HELLER FINANCIAL, INC.,
individually and as Senior Agent and
Administrative Agent

LENDERS:

By: /s/ Paul Puryear, Jr.

Name: Paul Puryear, Jr.

Title: Senior Vice President

GENERAL ELECTRIC CAPITAL CORPORATION,
Syndication Agent

By: /s/ Paul Puryear, Jr.

Name: Paul Puryear, Jr.

Title: Authorized Signatory

BANK OF AMERICA, N.A.

By: /s/ Valerie Peppe

Name: Valerie Peppe

Title: Assistant Vice President

THE CIT GROUP / BUSINESS CREDIT, INC.

By: /s/ Vincent Belcastro

Name: Vincent Belcastro

Title: Vice President

GUARANTY BUSINESS CREDIT CORPORATION

By: /s/ James E. Casper

Name: James E. Casper

Title: Senior Vice President

FOOTHILL CAPITAL CORPORATION

By: /s/ Robert J. Cambora

Name: Robert J. Cambora
Title: Senior Vice President

CITIZENS BUSINESS CREDIT

By: /s/ Thomas D. Opie

Name: Thomas D. Opie
Title: Vice President

WASHINGTON MUTUAL BANK

By: /s/ Terri K. Lins

Name: Terri K. Lins
Title: Vice President

SIEMENS FINANCIAL SERVICES, INC.

By: /s/ Frank Amodio

Name: Frank Amodio
Title: Vice President - Credit

GMAC BUSINESS CREDIT LLC

By: /s/ Alexander J. Chobot

Name: Alexander J. Chobot
Title: Vice President

U.S. BANK BUSINESS CREDIT

By: /s/ Suzanne Geiger

Name: Suzanne Geiger
Title: Senior Vice President

EXECUTION COPY

AMENDMENT NO. 11 TO THE LOAN AGREEMENT, AMENDMENT NO. 3 TO
THE SECURITY AGREEMENT AND AMENDMENT NO. 2 TO THE
PLEDGE AGREEMENT

THIS AMENDMENT NO. 11 TO THE LOAN AGREEMENT, AMENDMENT NO. 3 TO THE SECURITY AGREEMENT AND AMENDMENT NO. 2 TO THE PLEDGE AGREEMENT is made as of September 25, 2002 (this "Agreement") by and among RECOTON CORPORATION, a New York corporation ("Recoton"), INTERACT ACCESSORIES, INC., a Delaware corporation ("InterAct"), RECOTON AUDIO CORPORATION, a Delaware corporation ("Audio"), AAMP OF FLORIDA, INC., a Florida corporation ("AAMP"), RECOTON HOME AUDIO, INC., a California corporation ("RHAI"), RECOTON ACCESSORIES, INC., a Delaware corporation ("Recoton Accessories") and RECOTON MOBILE ELECTRONICS, INC., a Delaware corporation ("Mobile Electronics") and together with Recoton, InterAct, Audio, AAMP, RHAI and Recoton Accessories collectively, the "Borrowers", the Guarantors (the Borrowers and the Guarantors are sometimes collectively referred to herein as the "Loan Parties" or the "Pledgors" with respect to the Pledge Agreement (as defined herein)), the Lenders, HELLER FINANCIAL, INC., a Delaware corporation, for itself as a Lender and as Administrative Agent and Senior agent and GENERAL ELECTRIC CAPITAL CORPORATION, a New York corporation for itself as a Lender and as Collateral Agent and Syndication Agent (the Administrative Agent, Senior Agent, Collateral Agent and Syndication Agent are sometimes referred to herein as the "Agents") and is made with reference to the Loan agreement dated as of October 31, 2000 (as amended by the (i) Consent and Amendment No. 1 to the Credit Agreement and Amendment No. 1 to the Security Agreement, dated as of February 7, 2001, (ii) Amendment No. 2 to the Credit Agreement, dated as of May 10, 2001, (iii) Consent and Amendment No. 3 to the Loan Agreement, Amendment No. 2 to the Security agreement and Amendment No. 1 to the Pledge Agreement, dated as of July 3, 2001, (iv) Fourth Amendment to Loan Agreement, dated as of February 26, 2002, (v) Waiver, Consent and Amendment No. 5 to the Loan Agreement, dated as of March 29, 2002, (vi) Waiver and Amendment No. 6, dated as of August 28, 2002 ("Waiver and Amendment No. 6"), (vii) Amendment No. 7 to the Loan Agreement, dated as of September 13, 2002, (viii) Amendment No. 8 to the Loan Agreement dated as of September 18, 2002, (ix) Amendment No. 9 to the Loan Agreement dated as of September 20, 2002 and (x) Amendment No. 10 to the Loan Agreement dated as of September 23, 2002, as the same may be further amended, supplemented, restated or otherwise modified from time to time, the "Loan Agreement"), among the Borrowers, the Guarantors, the Lenders and the Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Loan Agreement as amended hereby, or if not defined therein, in the Pledge Agreement (as defined herein) as amended hereby.

R E C I T A L S

WHEREAS, the Borrowers, the Guarantors, the Lenders and the Agents have entered into the Loan Agreement;

WHEREAS, the Lenders have made Loans to the Borrowers pursuant to the terms of the Loan Agreement;

WHEREAS, the Borrowers, the Guarantors and the Senior Agent have entered into that certain Security Agreement, dated as of October 31, 2000, as amended by that certain Consent and Amendment No. 1 to the Credit Agreement and Amendment No. 1 to the Security Agreement, dated as of February 7, 2001 and that certain Consent and Amendment No. 3 to the Loan Agreement, Amendment No. 2 to the Security agreement and Amendment No. 1 to the Pledge Agreement, dated as of July 3, 2001, (and as amended, restated, supplemented or otherwise modified from time to time the "Security Agreement");

WHEREAS, the Pledgors and the Senior Agent have entered into the Pledge Agreement, dated as of October 31, 2000, as amended by that certain Consent and Amendment No. 3 to the Loan Agreement, Amendment No. 2 to the Security agreement and Amendment No. 1 to the Pledge Agreement, dated as of July 3, 2001 (and as amended, restated, supplemented or otherwise modified from time to time the “Pledge Agreement”);

WHEREAS, the Borrowers expressly reaffirm all of the Loan Documents and the debt and other obligations thereunder, the Borrowers agree that nothing contained herein shall operate to release the Borrowers or any other person or persons from their liability to keep and perform the provisions, conditions, obligations, and agreements contained in the Loan Documents, except as may be herein modified, and the Borrowers hereby reaffirm that each and every provision, condition, obligation and agreement in such documents shall continue in full force and effect, except as may be herein modified;

WHEREAS, the validity, priority and perfection of all mortgages, security interests and other liens granted or created by the Loan Documents is hereby acknowledged and confirmed by the Borrowers, and the Borrowers agree that such documents shall continue to secure the Loans and the other Obligations, as may be amended by this Agreement, without any change, loss or impairment of the priority of such mortgages, security interests or other liens;

WHEREAS, the Borrowers have requested that the Lenders agree to amend certain provisions of the Loan Agreement; and

WHEREAS, the Lenders have agreed to amend certain provisions of the Loan Agreement as specifically set forth herein;

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Certain Amendments to the Loan Agreement. As of the Effective Date (as defined herein), the Loan Agreement is hereby amended as follows:

(a) The first two sentences of the first paragraph of Section 2.1(B) of the Loan Agreement are hereby amended and restated in their entirety as follows:

“Each Revolving Loan Lender severally agrees to lend to Borrowers from time to time its Pro Rata Share of each Revolving Advance. The aggregate amount of all Revolving Loan Commitments shall not exceed (i) \$165,000,000 at any time during the period beginning on September 25, 2002 and ending on October 4, 2002 or (ii) \$160,000,000 at any time thereafter, in each case as such amount may be reduced from time to time pursuant to subsections 2.4(B)(5), 2.4(B)(6) or 2.4(C).”

(b) Clause (b) of Section 2.1(B)(2) of the Loan Agreement is hereby amended and restated in its entirety as follows:

“(b) up to the lesser of (i) (A) 70% of Eligible Inventory during the period beginning on September 25, 2002 and ending the earlier of the date on which the AAMP Bridge Loan is made and October 4, 2002 and (B) 65% of Eligible Inventory at all times thereafter and (ii) (A) 100% of the Appraised Value of Eligible Inventory for the period beginning August 19, 2002 and ending October 4, 2002, (B) 95% of the Appraised Value of Eligible Inventory for the period beginning October 5, 2002 and ending October 30, 2002, (C) 90% of the Appraised Value of Eligible Inventory for the period beginning October 31, 2002 and ending November

29, 2002, and (D) 85% of the Appraised Value of Eligible Inventory at all time on and after November 30, 2002;"

(c) Section 11.1 of the Loan Agreement is amended to delete in its entirety the definition of "Permitted Overadvance" and to replace such definition with the following definition:

““ ‘Permitted Overadvance’ means an overadvance of an amount equal to \$15,250,000, which shall be permanently reduced (i) to \$12,750,000 on October 4, 2002 and (ii) to zero on October 31, 2002.”

Section 2. Amendment to the Security Agreement. As of the Effective Date (as defined herein), Section 2 of the Security Agreement is hereby amended to delete the second paragraph thereof that begins with "Notwithstanding anything herein to the contrary".

Section 3. Certain Amendments to the Pledge Agreement. As of the Effective Date (as defined herein), the Pledge Agreement is hereby amended as follows:

(a) Clause (a)(ii) of Section 2 of the Pledge Agreement is hereby amended by deleting the phrase "65% of the Capital Stock of the first tier Foreign Subsidiaries" and substituting therefor the phrase "all of the Capital Stock of the first tier Foreign Subsidiaries".

(b) In connection with the amendment to the Pledge Agreement in clause (a) of this Section, each Pledgor hereby pledges, assigns, hypothecates, transfers, delivers and grants to the Senior Agent, on behalf of the Agents, Lenders, Subordinated Agent and Subordinated Creditors, a first lien on and first priority security interest in all of the Capital Stock of the first tier Foreign Subsidiaries held by such Pledgor and not previously pledged to the Senior Agent, together with all of the certificates evidencing such shares of Capital Stock, and all options, warrants and other rights to purchase the shares of Capital Stock of such Foreign Subsidiaries held by such Pledgor together with the Capital Stock of such Foreign Subsidiary underlying such options, warrants and other rights.

Section 4. Representations and Warranties. The Loan Parties hereby represent and warrant to each Agent and each Lender that after giving effect to this Agreement:

(a) no Default or Event of Default has occurred and is continuing on and as of the date hereof;

(b) the representations and warranties of the Loan Parties and the other Loan Parties contained in the Loan Agreement and the other Loan Documents are true and correct on and as of the date hereof as if made on and as of the date hereof, except to the extent such representations and warranties expressly relate to a different date; and

(c) the execution and delivery by the Loan Parties to this Agreement and the performance by the Loan Parties of all of their respective agreements and obligations under this Agreement and the Loan Agreement as amended hereby, respectively, are within the power and authority of the Loan Parties and have been duly authorized by all necessary action on the part of the Loan Parties, and that the execution and delivery by the Loan Parties, of this Agreement and the performance by each of the transactions contemplated hereby will not contravene any term or condition set forth in any material agreement or instrument to which each is a party or by which each is bound.

Section 5. Effectiveness and Conditions Precedent. This Agreement shall become effective on September 25, 2002 (the "Effective Date"), upon the Administrative Agent's receipt of counterparts of this Agreement executed and delivered by each of the Lenders, the Borrowers and the Guarantors (which executions and deliveries may be effected by delivery and receipt by facsimile transmission).

Section 6. Status of Loan Documents; Additional Representations and Warranties.

(a) This Agreement is limited solely for the purposes and to the extent expressly set forth herein, and, except as expressly provided hereby, (i) the terms, provisions and conditions of the Loan Documents and (ii) the Liens granted under the Loan Documents shall continue in full force and effect and are hereby ratified and confirmed in all respects.

(b) No waiver or amendment of any terms or provisions of the Loan Agreement made hereunder shall relieve the Loan Parties from complying with any other term or provision of the Loan Agreement or any other Loan Document.

(c) No action taken by any Lender, the Administrative Agent or the Collateral Agent prior to, on or after the date hereof shall constitute a waiver of or modification of any term or condition of any of the Loan Documents, except as specifically set forth herein, or prejudice any rights which the Administrative Agent, the Collateral Agent or any of the Lenders may now have as of the date hereof or may have in the future under or in connection with the Loan Documents, including without limitation all rights and remedies in connection with Defaults, Events of Default and failures of conditions precedent to the making of Loans and the issuance of Lender Letters of Credit that have occurred and are continuing, all of which rights and remedies each Lender, the Administrative Agent and the Collateral Agent hereby expressly reserve.

(d) The Loan Parties represent and warrant to each of the other parties hereto that except as heretofore disclosed in writing by the Loan Parties to the Lenders, as of the date hereof, there is no pending or, to the knowledge of the Loan Parties, threatened action, suit, proceeding, governmental investigation or arbitration against or affecting any of the Loan Parties or any property of any of the Loan Parties that is likely to have a Material Adverse Effect.

Section 7. Certain Covenants and Agreements of the Borrowers. The parties hereto hereby agree that the failure of the Borrowers to comply with any of the following provisions in this Section 7, or with any of the provisions of Section 4 of Waiver and Amendment No. 6, will result in an immediate Event of Default under the Loan Agreement notwithstanding the provisions of subsection 8.1(E) of the Loan Agreement or any other grace period or right to cure contained in the Loan Agreement or any other Loan Document.

(a) On or before September 30, 2002, the Borrowers shall provide to the Administrative Agent, with a copy to each Lender, an alternative plan of action, in form, scope and substance acceptable to the Requisite Lenders, with respect to the disposition of InterAct International in the event that a sale of InterAct International as a going concern basis does not occur.

(b) On or before October 10, 2002, the Borrowers shall provide to the Administrative Agent, with a copy to each Lender, a strategic action plan, in form, scope and substance acceptable to the Requisite Lenders, with respect to improvements in the Borrowers' financial performance, including, without limitation, detailed plans for reductions in the Borrowers' SG&A expenses, office closings, improvements within the financial staff of the Borrowers, and improvements in the financial reporting of the Borrowers.

(c) On or before October 31, 2002, the Borrowers shall cause AAMP to enter into a credit facility subject to terms and conditions approved in writing by all of the Lenders and pursuant to which, on or before such date, (i) initial loans are made to or for the benefit of AAMP in an aggregate principal amount of not less than \$15,000,000 and (ii) notwithstanding any contrary provisions of the Loan Agreement, the proceeds of such loans (net of fees and expenses directly related to such credit facility) are applied in a manner acceptable to all of the Lenders.

(d) The Borrowers shall, beginning on the Effective Date, provide to the Administrative Agent, with a copy to each Lender, a weekly report of Zolfo Cooper (the "Borrower Consultant"), in form, scope and substance reasonably acceptable to the Administrative Agent, which details the progress made by the Borrower

Consultant with respect to improvements to the Borrowers' cash flows, borrowing availability, financial performance and operations during such week.

(e) The Borrowers shall, beginning on the Effective Date, arrange for representatives of Jeffries & Co. to conduct telephone conferences on a weekly basis with the Administrative Agent and the Lenders to provide updates as to the Borrowers' progress with respect to the disposition of their InterAct, AAMP, German, NHT and certain other business units.

(f) On or before October 15, 2002, the Borrowers shall cause Jeffries & Company to prepare offering memoranda marketing the sale of the Borrowers' German business units and to distribute such offering memoranda to potential purchasers with copies of each such distribution sent to the Administrative Agent and the Lenders.

(g) On or before September 30, 2002, the Borrowers shall cause the \$16,000,000 Irrevocable Standby Letter of Credit No. MAI91373 issued by Commerzbank Aktiengesellschaft, Filiale Mainz to be amended to permit the Administrative Agent to draw the full amount of such letter of credit at any time without condition (whether or not the obligations due the Administrative Agent supported by such letter of credit are in default).

(h) On or before November 30, 2002, Recoton International Holdings, Inc. shall execute and deliver all pledge agreements, stock powers, financing statements, financing change statements, charges of shares, instruments of transfer and resolutions, shall deliver to the Senior Agent all stock certificates and legal opinions, shall cause all applicable notations to be recorded on stock registers, shall engage local counsel and shall execute and deliver such other documents and do such other acts or things as the Senior Agent may reasonably request in order to ensure that the security interest granted to the Senior Agent in Section 3(b) with respect to the Capital Stock of Recoton Germany will be enforceable as a matter of German law.

Section 8. Miscellaneous.

(a) No Waiver, Cumulative Remedies. No failure or delay or course of dealing on the part of any Agent or any Lender in exercising any right, power or privilege hereunder shall operate as an express or implied waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder. The rights, powers and remedies herein expressly provided are cumulative and not exclusive of any rights, powers or remedies which the Lenders would otherwise have. No notice to or demand on the Borrowers or Guarantors in any case shall entitle the Borrowers or Guarantors to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Lenders to any other or further action in any circumstances without notice or demand.

(b) Ratification, Etc. Except as expressly provided for herein, the Loan Agreement and all documents, instruments and agreements related thereto, including but not limited to, the Security Documents, are hereby ratified and confirmed in all respects and shall continue in full force and effect. The Loan Agreement and this Agreement shall be read and construed as a single agreement. This Agreement shall constitute one of the Loan Documents and the obligations of the Borrowers and Guarantors under this Agreement shall constitute Obligations for all purposes of the Loan Documents. All references in the Loan Agreement, the Loan Documents or any related agreement or instrument to the Loan Agreement shall hereafter refer to the Loan Agreement as amended hereby.

(c) Expenses. The Borrowers agree to pay and reimburse the Administrative Agent and Lenders for all of their costs and expenses (including, without limitation, costs and expenses of legal counsel and Richter Consulting, Inc.) in connection with this Agreement.

(d) Bankruptcy; Insolvency. The Borrowers represent and warrant that, on and as of the date hereof, no proceeding has been filed or commenced by or against the Borrowers for dissolution or liquidation, or by or against the Borrowers voluntarily or involuntarily terminating or dissolving or being terminated or dissolved; nor does

there exist insolvency of the Borrowers, nor do the Borrowers fail to pay their debts as they become due in the ordinary course of business; nor has a creditor's committee been appointed for the business of the Borrowers; nor have the Borrowers made an assignment for the benefit of creditors, or filed a petition in bankruptcy or for reorganization or to effect a plan of arrangement with creditors; nor have the Borrowers applied for or permitted the appointment of a receiver or trustee for any or all of their property, assets or rights; nor are the Borrowers aware of any such receiver or trustee being appointed for any or all of their property, assets or rights; nor has any of the above actions or proceedings whatsoever been commenced by or against any other party liable for the Obligations.

(e) Headings Descriptive. The headings of the several Sections and subsections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision.

(f) Severability. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

(g) Counterparts. This Agreement may be executed and delivered in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A complete set of counterparts shall be lodged with each of Recoton and the Administrative Agent.

Section 9. Release. The Borrowers and each of the Guarantors hereby acknowledges and confirms that (i) it does not have any grounds, and hereby agrees not to challenge (or to allege or to pursue any matter, cause or claim arising under or with respect to), in any case based upon acts or omissions of any of the Agents or Lenders occurring prior to the date hereof or facts otherwise known to it as of the date hereof, the effectiveness, genuineness, validity, collectibility or enforceability of the Loan Agreement or any of the other Loan Documents, the Obligations, the Liens securing such Obligations, or any of the terms or conditions of any Loan Document (it being understood that such acknowledgement and confirmation does not preclude the Borrowers or the Guarantors from challenging the Agents' or any Bank's interpretation of any term or provision of the Loan Agreement or other Loan Document) and (ii) it does not possess (and hereby forever waives, remises, releases, discharges and holds harmless the Agents, the Lenders, and their respective affiliates, stockholders, directors, officers, employees, attorneys, agents and representatives and each of their respective heirs, executors, administrators, successors and assigns (collectively, the "Indemnified Parties") from and against, and agrees not to allege or pursue) any action, cause of action, suit, debt, claim, counterclaim, cross-claim, demand, defense, offset, opposition, demand and other right of action whatsoever, whether in law, equity or otherwise (which it, all those claiming by, through or under it, or its successors or assigns, have or may have) against the Indemnified Parties, or any of them, by reason of, any matter, cause or thing whatsoever, with respect to events or omissions occurring or arising on or prior to the date hereof and relating to the Loan Agreement or any of the other Loan Documents (including, without limitation, with respect to the payment, performance, validity or enforceability of the Obligations, the Liens securing the Obligations or any or all of the terms or conditions of any Loan Document) or any transaction relating thereto; provided, however, that no Borrower nor Guarantor hereby releases or holds harmless any Indemnified Party for actions or omissions by any such Indemnified Party constituting, or losses or expenses directly resulting from, the gross negligence or willful misconduct of such Indemnified Party as determined by a final judgment of a court of competent jurisdiction.

Section 10. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

* * * *

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

RECOTON CORPORATION

By: /s/ Arnold Kezsbom

Name: Arnold Kezsbom

Title: Executive Vice President - Finance

BORROWERS/PLEDGORS:

INTERACT ACCESSORIES, INC.
RECOTON AUDIO CORPORATION
AAMP OF FLORIDA, INC.
RECOTON HOME AUDIO, INC.
RECOTON ACCESSORIES, INC.
RECOTON MOBILE ELECTRONICS, INC.

By: /s/ Arnold Kezsbom

Name: Arnold Kezsbom

Title: Vice President

GUARANTORS/PLEDGORS:

CHRISTIE DESIGN CORPORATION
RECOTON INTERNATIONAL HOLDINGS, INC.
RECOTON JAPAN, INC.
RECONE, INC.
RECOTON CANADA LTD.
INTERACT CANADA, LTD.
INTERACT INTERNATIONAL, INC.
INTERACT HOLDINGS, INC.
INTERACT TECHNOLOGIES, INC.

By: /s/ Arnold Kezsbom

Name: Arnold Kezsbom

Title: Vice President

LENDERS:

HELLER FINANCIAL, INC.,
individually and as Senior Agent and
Administrative Agent

By: /s/ Hugh Wilder

Name: Hugh Wilder

Title: Senior Vice President

GENERAL ELECTRIC CAPITAL CORPORATION,
Syndication Agent

By: /s/ Hugh Wilder

Name: Hugh Wilder
Title: Authorized Signatory

BANK OF AMERICA, N.A.

By: /s/ Valerie Peppe
Name: Valerie Peppe
Title: Assistant Vice President

THE CIT GROUP / BUSINESS CREDIT, INC.

By: /s/ Vincent Belcastro
Name: Vincent Belcastro
Title: Vice President

GUARANTY BUSINESS CREDIT CORPORATION

By: /s/ James E. Casper
Name: James E. Casper
Title: Senior Vice President

FOOTHILL CAPITAL CORPORATION

By: /s/ Robert J. Cambora
Name: Robert J. Cambora
Title: Senior Vice President

CITIZENS BUSINESS CREDIT

By: /s/ Thomas D. Opie
Name: Thomas D. Opie
Title: Vice President

WASHINGTON MUTUAL BANK

By: /s/ Terri K. Lins
Name: Terri K. Lins
Title: Vice President

SIEMENS FINANCIAL SERVICES, INC.

By: /s/ Frank Amodio

Name: Frank Amodio

Title: Vice President - Credit

GMAC BUSINESS CREDIT LLC

By: /s/ Alexander J. Chobot

Name: Alexander J. Chobot

Title: Vice President

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Suzanne Geiger

Name: Suzanne Geiger

Title: Senior Vice President

EXECUTION COPY

AMENDMENT NO. 12 TO THE LOAN AGREEMENT

THIS AMENDMENT NO. 12 TO THE LOAN AGREEMENT is made as of October 4, 2002 (this "Agreement") by and among RECOTON CORPORATION, a New York corporation ("Recoton"), INTERACT ACCESSORIES, INC., a Delaware corporation ("InterAct"), RECOTON AUDIO CORPORATION, a Delaware corporation ("Audio"), AAMP OF FLORIDA, INC., a Florida corporation ("AAMP"), RECOTON HOME AUDIO, INC., a California corporation ("RHAI"), RECOTON ACCESSORIES, INC., a Delaware corporation ("Recoton Accessories") and RECOTON MOBILE ELECTRONICS, INC., a Delaware corporation ("Mobile Electronics") and together with Recoton, InterAct, Audio, AAMP, RHAI and Recoton Accessories collectively, the "Borrowers", the Guarantors (the Borrowers and the Guarantors are sometimes collectively referred to herein as the "Loan Parties"), the Lenders, HELLER FINANCIAL, INC., a Delaware corporation, for itself as a Lender and as Administrative Agent and Senior agent and GENERAL ELECTRIC CAPITAL CORPORATION, a New York corporation for itself as a Lender and as Collateral Agent and Syndication Agent (the Administrative Agent, Senior Agent, Collateral Agent and Syndication Agent are sometimes referred to herein as the "Agents") and is made with reference to the Loan agreement dated as of October 31, 2000 (as amended by the (i) Consent and Amendment No. 1 to the Credit Agreement and Amendment No. 1 to the Security Agreement, dated as of February 7, 2001, (ii) Amendment No. 2 to the Credit Agreement, dated as of May 10, 2001, (iii) Consent and Amendment No. 3 to the Loan Agreement, Amendment No. 2 to the Security agreement and Amendment No. 1 to the Pledge Agreement, dated as of July 3, 2001, (iv) Fourth Amendment to Loan Agreement, dated as of February 26, 2002, (v) Waiver, Consent and Amendment No. 5 to the Loan Agreement, dated as of March 29, 2002, (vi) Waiver and Amendment No. 6, dated as of August 28, 2002, (vii) Amendment No. 7 to the Loan Agreement, dated as of September 13, 2002, (viii) Amendment No. 8 to the Loan Agreement dated as of September 18, 2002, (ix) Amendment No. 9 to the Loan Agreement dated as of September 20, 2002, (x) Amendment No. 10 to the Loan Agreement dated as of September 23, 2002 and (xi) Amendment No.11 to the Loan Agreement, Amendment No. 3 to the Security Agreement and Amendment No. 2 to the Pledge Agreement dated as of September 25, 2002 ("Amendment No. 11"), as the same may be further amended, supplemented, restated or otherwise modified from time to time, the "Loan Agreement", among the Borrowers, the Guarantors, the Lenders and the Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Loan Agreement as amended hereby.

R E C I T A L S

WHEREAS, the Borrowers, the Guarantors, the Lenders and the Agents have entered into the Loan Agreement;

WHEREAS, the Lenders have made Loans to the Borrowers pursuant to the terms of the Loan Agreement;

WHEREAS, the Borrowers expressly reaffirm all of the Loan Documents and the debt and other obligations thereunder, the Borrowers agree that nothing contained herein shall operate to release the Borrowers or any other person or persons from their liability to keep and perform the provisions, conditions, obligations, and agreements contained in the Loan Documents, except as may be herein modified, and the Borrowers hereby reaffirm that each and every provision, condition, obligation and agreement in such documents shall continue in full force and effect, except as may be herein modified;

WHEREAS, the validity, priority and perfection of all mortgages, security interests and other liens granted or created by the Loan Documents is hereby acknowledged and confirmed by the Borrowers, and the

Borrowers agree that such documents shall continue to secure the Loans and the other Obligations, as may be amended by this Agreement, without any change, loss or impairment of the priority of such mortgages, security interests or other liens;

WHEREAS, the Borrowers have requested that the Lenders agree to amend certain provisions of the Loan Agreement;

WHEREAS, subject to the terms and conditions of this Agreement, the Lenders have agreed to amend certain provisions of the Loan Agreement as specifically set forth herein;

WHEREAS, the Borrowers have failed to cause that certain Irrevocable Letter of Credit No. MAI91373 issued by Commerzbank AG, Filiale Mainz to be amended as required by Section 7(g) of Amendment No. 11 (the "German LC Covenant") on or before September 30, 2002 ;

WHEREAS, the Borrowers have requested that the Lenders waive the Borrowers' failure to timely comply with the German LC Covenant (the "German LC Covenant Violation");

WHEREAS, subject to the terms and conditions of this Agreement, the Lenders have agreed to waive the German LC Covenant Violation;

WHEREAS, the Borrowers have requested that the Lenders consent to the assignment by Recoton of its "Loudspeaker With Acoustic Band-Pass Filter" patent, U.S. Patent No. 4875546 (the "Patent Sale"); and

WHEREAS, subject to the terms and conditions of this Agreement, the Lenders hereby consent to the consummation of the Patent Sale and hereby waive any non-compliance with Section 7.3 of the Loan Agreement with respect to such transaction;

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Certain Amendments to the Loan Agreement. Subject to the satisfaction of each of the conditions set forth in Section 5 of this Agreement, as of the Effective Date (as defined herein) the Loan Agreement is hereby amended as follows:

(a) The first two sentences of the first paragraph of Section 2.1(B) of the Loan Agreement are hereby amended and restated in their entirety as follows:

“Each Revolving Loan Lender severally agrees to lend to the Borrowers from time to time its Pro Rata Share of each Revolving Advance. The aggregate amount of all Revolving Loan Commitments shall not exceed (i) \$160,000,000 during the period beginning on October 4, 2002 and ending on the earlier to occur of the date on which the German LC is drawn and October 15, 2002, (ii) \$144,000,000 from and after such date until October 31, 2002 and (iii) \$130,000,000 from and after October 31, 2002, in each case as such amount may be reduced from time to time pursuant to subsections 2.4(B)(5), 2.4(B)(6) or 2.4(C).”

(b) Clause (b) of Section 2.1(B)(2) of the Loan Agreement is hereby amended and restated in its entirety as follows:

“(b) up to the lesser of (i) 70% of Eligible Inventory, which percentage shall be permanently reduced by 1% on October 31, 2002 and on each Thursday thereafter until such percentage is

reduced to 65% and (ii) (A) 100% of the Appraised Value of Eligible Inventory for the period beginning October 4, 2002 and ending November 30, 2002, and (B) 85% of the Appraised Value of Eligible Inventory at all times after November 30, 2002;"

(c) Clause (e) of Section 2.1(B)(2) of the Loan Agreement is hereby amended and restated in its entirety as follows:

“(e) 100% of the undrawn portion of the letter of credit, if any, provided by Recoton Germany as set forth in Section 5.12 (the “German LC”),”

(d) Section 11.1 of the Loan Agreement is amended to delete in its entirety the definition of “Permitted Overadvance” and to replace such definition with the following definition:

“‘Permitted Overadvance’ means an overadvance of an amount equal to \$15,250,000 plus the amount of any withholding tax paid by the Administrative Agent with respect to amounts drawn under the German LC, up to a maximum amount of \$750,000, which amount of overadvance shall be permanently reduced to zero on October 31, 2002.”

(e) Section 11.1 of the Loan Agreement is amended to add in the appropriate alphabetical order the following definition:

“ ‘German LC’ has the meaning assigned to it in Section 2.1(B)(2).”

Section 2. Consent and Waiver; Authority to Release Liens.

(a) Subject to the satisfaction of the conditions set forth in Section 5 of this Agreement, and subject to the provisions of Section 3 hereof regarding the application of the proceeds thereof, the Lenders hereby consent to Recoton’s consummation of the Patent Sale pursuant to the terms and conditions of an Assignment Agreement (the “Assignment Agreement”) between Recoton and Logitech, Inc. (the “Assignee”), substantially in the form attached hereto as Exhibit A, and waive any noncompliance by the Borrowers with Section 7.3(A) of the Loan Agreement with respect to such transaction.

(b) Subject to the satisfaction of the conditions set forth in Section 5 of this Agreement, the Lenders hereby irrevocably authorize the Senior Agent and Collateral Agent (i) to release its Liens on all of the “Released Collateral”, as such term is defined in the form of Release of Security Interest (Patent) attached hereto as Exhibit B, to the extent conveyed to the Assignee pursuant to the terms of the Assignment Agreement and to the extent constituting Collateral under the Security Documents and (ii) to execute and deliver such agreements, documents and instruments as may be requested by the Borrowers and prepared at the Borrowers’ sole expense in form and substance acceptable to the Senior Agent and Collateral Agent, to evidence the Lien release described in clause (i) above, including, without limitation, UCC Termination Statements, UCC Partial Release Statements, and UCC Statements of Amendment, and releases and assignments with respect to intellectual property security interests filed with the United States Patent and Trademark Office, it being understood and agreed that to the extent any such documents are to be recorded publicly such recordation shall be the sole and exclusive responsibility of the Borrowers and shall be made at the Borrowers’ sole expense; provided, however, that such releases shall specifically exclude, and the Loan Parties hereby reaffirm, the Senior Agent’s and Collateral Agent’s Liens under the Security Documents on all proceeds of the Released Collateral conveyed under and pursuant to the Assignment Agreement to the extent payable to or for the account of Recoton, all of the Recoton’s claims, rights and interests in, to and under the Assignment Agreement, and

all property of the Loan Parties expressly excluded from the conveyances contemplated by the Assignment Agreement.

(c) Subject to the conditions set forth in Section 5 hereof, the Lenders hereby waive the German LC Covenant Violation; provided, however, that such waiver is only effective if such covenant is complied with by the Borrowers on or before [October 15, 2002].

Section 3. Application of Proceeds. Upon receipt by Recoton of each payment (including each royalty payment) from the Assignee pursuant to or in connection with the Assignment Agreement, the Borrowers shall immediately pay to the Administrative Agent an amount equal to such payment received from the Assignee (each such amount being a "Received Amount"). If the initial Received Amount is in excess of \$170,000, the Administrative Agent shall apply the first \$100,000 of the initial Received Amount to the payment of the Revolving Loan without reducing the Revolving Loan Commitment. The Administrative Agent shall apply the remainder of the initial Received Amount (provided that if the initial Received Amount is less than or equal to \$170,000, the remainder shall be the entire initial Received Amount) and each other Received Amount first, to the payment of Scheduled Installments of Term Loan B, then, to the payment of Scheduled Installments of Term Loan A, and then to the payments of Scheduled Installments of Term Loan C, each in the inverse order of maturity, and then to the payment of the Revolving Loan without reducing the Revolving Loan Commitment.

Section 4. Representations and Warranties. The Loan Parties hereby represent and warrant to each Agent and each Lender that after giving effect to this Agreement:

(a) no Default or Event of Default has occurred and is continuing on and as of the date hereof;

(b) the representations and warranties of the Loan Parties and the other Loan Parties contained in the Loan Agreement and the other Loan Documents are true and correct on and as of the date hereof as if made on and as of the date hereof, except to the extent such representations and warranties expressly relate to a different date; and

(c) the execution and delivery by the Loan Parties to this Agreement and the performance by the Loan Parties of all of their respective agreements and obligations under this Agreement and the Loan Agreement as amended hereby, respectively, are within the power and authority of the Loan Parties and have been duly authorized by all necessary action on the part of the Loan Parties, and that the execution and delivery by the Loan Parties, of this Agreement and the performance by each of the transactions contemplated hereby will not contravene any term or condition set forth in any material agreement or instrument to which each is a party or by which each is bound.

Section 5. Effectiveness and Conditions Precedent. This Agreement shall become effective on October 4, 2002 (the "Effective Date"), upon the Administrative Agent's receipt of counterparts of this Agreement executed and delivered by each of the Lenders (other than the Term Loan C Lenders), the Borrowers and the Guarantors (which executions and deliveries may be effected by delivery and receipt by facsimile transmission).

Section 6. Status of Loan Documents; Additional Representations and Warranties.

(a) This Agreement is limited solely for the purposes and to the extent expressly set forth herein, and, except as expressly provided hereby, (i) the terms, provisions and conditions of the Loan Documents and (ii) the Liens granted under the Loan Documents shall continue in full force and effect and are hereby ratified and confirmed in all respects.

(b) No waiver or amendment of any terms or provisions of the Loan Agreement made hereunder shall relieve the Loan Parties from complying with any other term or provision of the Loan Agreement or any other Loan Document.

(c) No action taken by any Lender, the Administrative Agent or the Collateral Agent prior to, on or after the date hereof shall constitute a waiver of or modification of any term or condition of any of the Loan Documents, except as specifically set forth herein, or prejudice any rights which the Administrative Agent, the Collateral Agent or any of the Lenders may now have as of the date hereof or may have in the future under or in connection with the Loan Documents, including without limitation all rights and remedies in connection with Defaults, Events of Default and failures of conditions precedent to the making of Loans and the issuance of Lender Letters of Credit that have occurred and are continuing, all of which rights and remedies each Lender, the Administrative Agent and the Collateral Agent hereby expressly reserve.

(d) The Loan Parties represent and warrant to each of the other parties hereto that except as heretofore disclosed in writing by the Loan Parties to the Lenders, as of the date hereof, there is no pending or, to the knowledge of the Loan Parties, threatened action, suit, proceeding, governmental investigation or arbitration against or affecting any of the Loan Parties or any property of any of the Loan Parties that is likely to have a Material Adverse Effect.

Section 7. Lenders' Consent to Term Loan D. The Lenders agree to permit the making by one or more Lenders of an additional loan substantially in accordance with the terms set forth in Exhibit C attached hereto, subject to written approval by the Lenders (other than the Term Loan C Lenders) of the definitive terms of the amendment to the Loan Agreement contemplated in such Exhibit.

Section 8. German LC Draw. As soon as practicable following the Borrowers' compliance with the German LC covenant, the Administrative Agent shall prepare a draw certificate for the full amount of the German LC.

Section 9. Miscellaneous.

(a) No Waiver, Cumulative Remedies. No failure or delay or course of dealing on the part of any Agent or any Lender in exercising any right, power or privilege hereunder shall operate as an express or implied waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder. The rights, powers and remedies herein expressly provided are cumulative and not exclusive of any rights, powers or remedies which the Lenders would otherwise have. No notice to or demand on the Borrowers or Guarantors in any case shall entitle the Borrowers or Guarantors to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Lenders to any other or further action in any circumstances without notice or demand.

(b) Ratification, Etc. Except as expressly provided for herein, the Loan Agreement and all documents, instruments and agreements related thereto, including but not limited to, the Security Documents, are hereby ratified and confirmed in all respects and shall continue in full force and effect. Without limiting the generality of the foregoing, each of the Loan Parties and each of the Lenders party hereto ratify and confirm the effectiveness, validity, and enforceability of each of the amendments to the Loan Agreement entered into by the Borrowers and the Lenders or the Requisite Lenders and each of the amendments to the Security Agreement and Pledge Agreement entered into by the Loan Parties and the Senior Agent. The Loan Agreement and this Agreement shall be read and construed as a single agreement. This Agreement shall constitute one of the Loan Documents and the obligations of the Borrowers and Guarantors under this Agreement shall constitute Obligations for all purposes of the Loan Documents. All references in the Loan Agreement, the Loan Documents or any related agreement or instrument to the Loan Agreement shall hereafter refer to the Loan Agreement as amended hereby.

(c) Expenses. The Borrowers agree to pay and reimburse the Administrative Agent and Lenders for all of their costs and expenses (including, without limitation, costs and expenses of legal counsel and Richter Consulting, Inc.) in connection with this Agreement.

(d) Bankruptcy; Insolvency. The Borrowers represent and warrant that, on and as of the date hereof, no proceeding has been filed or commenced by or against the Borrowers for dissolution or liquidation, or by or

against the Borrowers voluntarily or involuntarily terminating or dissolving or being terminated or dissolved; nor does there exist insolvency of the Borrowers, nor do the Borrowers fail to pay their debts as they become due in the ordinary course of business; nor has a creditor's committee been appointed for the business of the Borrowers; nor have the Borrowers made an assignment for the benefit of creditors, or filed a petition in bankruptcy or for reorganization or to effect a plan of arrangement with creditors; nor have the Borrowers applied for or permitted the appointment of a receiver or trustee for any or all of their property, assets or rights; nor are the Borrowers aware of any such receiver or trustee being appointed for any or all of their property, assets or rights; nor has any of the above actions or proceedings whatsoever been commenced by or against any other party liable for the Obligations.

(e) Headings Descriptive. The headings of the several Sections and subsections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision.

(f) Severability. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

(g) Counterparts. This Agreement may be executed and delivered in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A complete set of counterparts shall be lodged with each of Recoton and the Administrative Agent.

Section 10. Release. The Borrowers and each of the Guarantors hereby acknowledges and confirms that (i) it does not have any grounds, and hereby agrees not to challenge (or to allege or to pursue any matter, cause or claim arising under or with respect to), in any case based upon acts or omissions of any of the Agents or Lenders occurring prior to the date hereof or facts otherwise known to it as of the date hereof, the effectiveness, genuineness, validity, collectibility or enforceability of the Loan Agreement or any of the other Loan Documents, the Obligations, the Liens securing such Obligations, or any of the terms or conditions of any Loan Document (it being understood that such acknowledgement and confirmation does not preclude the Borrowers or the Guarantors from challenging the Agents' or any Bank's interpretation of any term or provision of the Loan Agreement or other Loan Document) and (ii) it does not possess (and hereby forever waives, remises, releases, discharges and holds harmless the Agents, the Lenders, and their respective affiliates, stockholders, directors, officers, employees, attorneys, agents and representatives and each of their respective heirs, executors, administrators, successors and assigns (collectively, the "Indemnified Parties") from and against, and agrees not to allege or pursue) any action, cause of action, suit, debt, claim, counterclaim, cross-claim, demand, defense, offset, opposition, demand and other right of action whatsoever, whether in law, equity or otherwise (which it, all those claiming by, through or under it, or its successors or assigns, have or may have) against the Indemnified Parties, or any of them, by reason of, any matter, cause or thing whatsoever, with respect to events or omissions occurring or arising on or prior to the date hereof and relating to the Loan Agreement or any of the other Loan Documents (including, without limitation, with respect to the payment, performance, validity or enforceability of the Obligations, the Liens securing the Obligations or any or all of the terms or conditions of any Loan Document) or any transaction relating thereto; provided, however, that no Borrower nor Guarantor hereby releases or holds harmless any Indemnified Party for actions or omissions by any such Indemnified Party constituting, or losses or expenses directly resulting from, the gross negligence or willful misconduct of such Indemnified Party as determined by a final judgment of a court of competent jurisdiction.

Section 11. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

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

RECOTON CORPORATION

By: /s/ Arnold Kezsbom

Name: Arnold Kezsbom

Title: Executive Vice President - Finance

BORROWERS:

INTERACT ACCESSORIES, INC.
RECOTON AUDIO CORPORATION
AAMP OF FLORIDA, INC.
RECOTON HOME AUDIO, INC.
RECOTON ACCESSORIES, INC.
RECOTON MOBILE ELECTRONICS, INC.

By: /s/ Arnold Kezsbom

Name: Arnold Kezsbom

Title: Vice President

GUARANTORS:

CHRISTIE DESIGN CORPORATION
RECOTON INTERNATIONAL HOLDINGS, INC.
RECOTON JAPAN, INC.
RECONE, INC.
RECOTON CANADA LTD.
INTERACT CANADA, LTD.
INTERACT INTERNATIONAL, INC.
INTERACT HOLDINGS, INC.
INTERACT TECHNOLOGIES, INC.

By: /s/ Arnold Kezsbom

Name: Arnold Kezsbom

Title: Vice President

LENDERS:

HELLER FINANCIAL, INC.,
individually and as Senior Agent and
Administrative Agent

By: /s/ Hugh Wilder

Name: Hugh Wilder

Title: Senior Vice President

GENERAL ELECTRIC CAPITAL CORPORATION,
individually and as Collateral Agent and
Syndication Agent

By: /s/ Hugh Wilder

Name: Hugh Wilder
Title: Authorized Signatory

BANK OF AMERICA, N.A.

By: /s/ Valerie Peppe
Name: Valerie Peppe
Title: Assistant Vice President

THE CIT GROUP / BUSINESS CREDIT, INC.

By: /s/ Vincent Belcastro
Name: Vincent Belcastro
Title: Vice President

GUARANTY BUSINESS CREDIT CORPORATION

By: /s/ James E. Casper
Name: James E. Casper
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By: /s/ Robert J. Cambora
Name: Robert J. Cambora
Title: Senior Vice President

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By: /s/ Thomas D. Opie
Name: Thomas D. Opie
Title: Vice President

WASHINGTON MUTUAL BANK

By: /s/ Terri K. Lins
Name: Terri K. Lins
Title: Vice President

SIEMENS FINANCIAL SERVICES, INC.

By: /s/ Frank Amodio

Name: Frank Amodio

Title: Vice President - Credit

GMAC BUSINESS CREDIT LLC

By: /s/ Alexander J. Chobot

Name: Alexander J. Chobot

Title: Vice President

U.S. BANK BUSINESS CREDIT

By: /s/ Suzanne Geiger

Name: Suzanne Geiger

Title: Senior Vice President

EXHIBIT A

Assignment Agreement

[Attached]

EXHIBIT B

Release of Security Interest (Patent)

[Attached]

EXHIBIT C

Terms of Term Loan D

[Attached]

EXHIBIT C TO AMENDMENT NO. 12
TO THE LOAN AGREEMENT

**Summary of Proposed Terms and Conditions of
\$15,000,000 Tranche D Term Loan
to
AAMP of Florida, Inc.
as an**

**Amendment
to the
Recoton Corporation
Loan Agreement dated as October 31, 2000,
as previously amended**

The Loan Agreement would be modified pursuant to an amendment agreement substantially on the terms and conditions described below; all references herein to the "closing" shall mean and refer to the consummation and effectiveness of such amendment. All other terms and conditions of the Loan Agreement and related Loan Documents will remain unchanged and shall be ratified and confirmed. This term sheet is a summary of terms only and is not a commitment of any lender to provide the proposed financing, which commitments may only be established through later subsequent legal documentation approved in writing and executed by all of the Lenders (other than the Term Loan C Lenders) and by the lenders which ultimately agree to provide the Term Loan D described below.

Bank Group would authorize the making of Term Loan D in the aggregate principal amount of \$15MM to AAMP of Florida, Inc. ("AAMP") by GE Capital/Heller and possibly one or more of the other existing lenders (collectively, the "Term D Lenders").

Term Loan D would mature with a balloon payment on January 25, 2003, and have an interest rate of Prime + 3, payable monthly in arrears.

The proceeds of Term Loan D would be used as follows:

\$1MM fee to Term D Lenders; and
\$14MM as a payment to the Revolving Loan, which will be a permanent reduction.

The payment to the Revolving Loan would be first allocated to the availability generated by the AAMP current assets in the existing Borrowing Base, and secondly to the current outstanding Permitted Overadvance.

Term Loan D would have a first security position on any and all of the AAMP assets and capital stock, and a second behind the Lenders other than the Term D Lenders (hereafter, the "Senior Bank Group"), including Term Loan C, on all of assets and capital stock of Recoton and its other Subsidiaries. The Senior Bank Group would retain a second position on the AAMP assets and capital stock. Term Loan D would constitute "Senior Debt" for purposes of both tranches of Recoton's existing subordinated indebtedness.

At the close of Term Loan D, the Senior Bank Group would agree to reduce the Required Minimum Excess Availability amount to zero (subject to the succeeding paragraphs). Also, the Senior Bank Group would agree that the future changes to the Required Minimum Excess Availability balance after the closing Term Loan D will be governed by Requisite Lenders.

Any Overadvance outstanding after the application of Term Loan D and the reduction of the Required Minimum Excess Availability to zero must be repaid at the close of Term Loan D. However, the Required Minimum Excess Availability would be increased to \$6MM upon the earlier of the sale of AAMP and 11/30/02.

The inventory advance rate would remain 70% until 10/31/02, at which time it would be reduced by 1% per week until it reaches 65%. This reduction would continue until the completion of the AAMP sale, at which time the advance rate would reduce immediately to 65%.

Term Loan D would have no voting rights under the Loan Agreement (other than with respect to payment and bankruptcy defaults and other matters directly affecting Term Loan D), and the Senior Bank Group would not be able

to prevent the Term D Lenders from taking any action in respect to the AAMP assets upon any default with respect to Term Loan D.

Upon the closing of the sale of AAMP the net proceeds would initially be applied to the repayment in full of Term Loan D, and any proceeds above and beyond the repayment in full of Term Loan D would be applied in the following order:

1. If such excess proceeds are equal to or greater than \$7MM:
 - a) 15% of the proceeds would be allowed to remain in the Company for general working capital purposes.
 - b) 85% of the proceeds would be provided to the Senior Bank Group for application:
 - 1) To the Revolving Loan in order to re-establish the \$6MM level of the Required Minimum Excess Availability, and to effectuate a 65% advance rate on the Inventory, then,
 - 2) As a permanent paydown to the Revolving Loan; and
2. If such excess proceeds are less than \$7MM:
 - a) the first proceeds would be provided to the Senior Bank Group for application to the Revolving Loan in order to re-establish the \$6MM level of the Required Minimum Excess Availability and to effectuate a 65% advance rate on the Inventory, then
 - b) any remaining proceeds would be applied:
 - 1) 15% would be allowed to remain in the Company for general working capital purposes.
 - 2) 85% would be applied as a permanent paydown to the Revolving Loan.

The current Permitted Overadvance would remain at \$15,250,000 until the calling of the German L/C. Upon the receipt of the proceeds of the German L/C, the Permitted Overadvance would increase to \$16MM and the net proceeds of the German L/C will be used as a permanent paydown on the Revolving Loan.

* * * *

EXECUTION COPY

AMENDMENT NO. 13 TO THE LOAN AGREEMENT

THIS AMENDMENT NO. 13 TO THE LOAN AGREEMENT is made as of October 22, 2002 (this "Agreement") by and among RECOTON CORPORATION, a New York corporation ("Recoton"), INTERACT ACCESSORIES, INC., a Delaware corporation ("InterAct"), RECOTON AUDIO CORPORATION, a Delaware corporation ("Audio"), AAMP OF FLORIDA, INC., a Florida corporation ("AAMP"), RECOTON HOME AUDIO, INC., a California corporation ("RHAI"), RECOTON ACCESSORIES, INC., a Delaware corporation ("Recoton Accessories") and RECOTON MOBILE ELECTRONICS, INC., a Delaware corporation and, together with Recoton, InterAct, Audio, AAMP, RHAI and Recoton Accessories, collectively, the "Borrowers", the Guarantors (the Borrowers and the Guarantors are sometimes collectively referred to herein as the "Loan Parties"), the Lenders party hereto, HELLER FINANCIAL, INC., a Delaware corporation, for itself as a Lender and as Administrative Agent and Senior agent and GENERAL ELECTRIC CAPITAL CORPORATION, a New York corporation for itself as a Lender and as Collateral Agent and Syndication Agent (the Administrative Agent, Senior Agent, Collateral Agent and Syndication Agent are sometimes referred to herein as the "Agents") and is made with reference to the Loan agreement dated as of October 31, 2000 (as amended by the (i) Consent and Amendment No. 1 to the Credit Agreement and Amendment No. 1 to the Security Agreement, dated as of February 7, 2001, (ii) Amendment No. 2 to the Credit Agreement, dated as of May 10, 2001, (iii) Consent and Amendment No. 3 to the Loan Agreement, Amendment No. 2 to the Security agreement and Amendment No. 1 to the Pledge Agreement, dated as of July 3, 2001, (iv) Fourth Amendment to Loan Agreement, dated as of February 26, 2002, (v) Waiver, Consent and Amendment No. 5 to the Loan Agreement, dated as of March 29, 2002, (vi) Waiver and Amendment No. 6, dated as of August 28, 2002, (vii) Amendment No. 7 to the Loan Agreement, dated as of September 13, 2002, (viii) Amendment No. 8 to the Loan Agreement dated as of September 18, 2002, (ix) Amendment No. 9 to the Loan Agreement dated as of September 20, 2002, (x) Amendment No. 10 to the Loan Agreement dated as of September 23, 2002, (xi) Amendment No.11 to the Loan Agreement, Amendment No. 3 to the Security Agreement and Amendment No. 2 to the Pledge Agreement dated as of September 25, 2002 and (xii) Amendment No. 12 to the Loan Agreement dated as of October 4, 2002, as the same may be further amended, supplemented, restated or otherwise modified from time to time, the "Loan Agreement"), among the Borrowers, the Guarantors, the Lenders and the Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Loan Agreement as amended hereby.

R E C I T A L S

WHEREAS, the Borrowers, the Guarantors, the Lenders and the Agents have entered into the Loan Agreement;

WHEREAS, the Lenders have made Loans to the Borrowers pursuant to the terms of the Loan Agreement;

WHEREAS, the Borrowers expressly reaffirm all of the Loan Documents and the debt and other obligations thereunder, the Borrowers agree that nothing contained herein shall operate to release the Borrowers or any other person or persons from their liability to keep and perform the provisions, conditions, obligations, and agreements contained in the Loan Documents, except as may be herein modified, and the Borrowers hereby reaffirm that each and every provision, condition, obligation and agreement in such documents shall continue in full force and effect, except as may be herein modified;

WHEREAS, the validity, priority and perfection of all mortgages, security interests and other liens granted or created by the Loan Documents is hereby acknowledged and confirmed by the Borrowers, and the Borrowers agree that such documents shall continue to secure the Loans and the other Obligations, as may be amended by this Agreement, without any change, loss or impairment of the priority of such mortgages, security interests or other liens;

WHEREAS, the Borrowers have requested that the Lenders agree to amend certain provisions of the Loan Agreement to, among other thing, provide for the making of an additional term loan ("Term Loan D") to be made thereunder to the Borrowers, the proceeds of which will be used, for among other purposes, to repay certain other Obligations of the Borrowers under the Loan Agreement; and

WHEREAS, subject to the terms and conditions of this Agreement, Term Loan D will be advanced to the Borrowers by certain of the Lenders pursuant the Loan Agreement as amended by this Agreement, and, if so advanced, the repayment of Term Loan D and all interest accrued with respect thereto will constitute Obligations guaranteed by the Guarantors pursuant to the Guaranties and secured by the Security Documents.

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Certain Amendments to the Loan Agreement. Subject to the satisfaction of each of the conditions set forth in Section 3 of this Agreement, as of the Effective Date (as defined herein) the Loan Agreement is hereby amended as follows (section references below refer to sections of the Loan Agreement):

(a) Subsection 2.1(A) is amended to add the following provisions to the end of such subsection

"(A)(4) Term Loan D. Each Term Loan D Lender, severally, agrees to lend to the Borrowers on the Term D Effective Date its Pro Rata Share of Term Loan D having an aggregate principal amount equal to \$15,000,000. Term Loan D shall be funded in one drawing. Amounts borrowed under this subsection 2.1(A)(4) and repaid or prepaid may not be reborrowed. To the extent not sooner repaid, the Borrowers shall repay the entire outstanding principal balance of Term Loan D on January 25, 2003 in a single installment equal to the principal amount of Term Loan D as shall then be outstanding (such payment amount constituting the "Scheduled Installment" of Term Loan D)."

(b) The first two sentences of the first paragraph of Subsection 2.1(B) are hereby amended and restated in their entirety as follows:

"Each Revolving Loan Lender severally agrees to lend to the Borrowers from time to time its Pro Rata Share of each Revolving Advance; provided, however, that, without limiting AAMP' s joint and several liability with respect to all Revolving Advances made to the Borrowers prior to, on or after the Term D Effective Date, no Revolving Advances shall be made directly to AAMP on or after such date unless and until Term Loan D is repaid in full together with all accrued interest thereon. The aggregate amount of all Revolving Loan Commitments shall not exceed \$130,000,000, as such amount may be reduced from time to time pursuant to subsections 2.4(B)(5), 2.4(B)(6) or 2.4(C)."

(c) Clause (b) of Subsection 2.1(B)(2) is hereby amended and restated in its entirety as follows:

“(b) up to the lesser of (i) 70% of Eligible Inventory, which percentage shall be permanently reduced by 1% on October 31, 2002 and on each Thursday thereafter until such percentage is reduced to 65%, provided that upon the consummation of any AAMP Sale such percentage such be thereupon immediately reduced to 65% if not then already reduced to such percentage, and (ii) (A) 100% of the Appraised Value of Eligible Inventory for the period beginning October 4, 2002 and ending November 30, 2002, and (B) 85% of the Appraised Value of Eligible Inventory at all times after November 30, 2002;”

(d) Subsection 2.1(B)(2) is further amended to add the word "and" immediately preceding Clause (d) of such subsection, to delete Clause (e) thereof in its entirety, and to amend and restate in its entirety the language following Clause (e) and preceding the first proviso of such subsection as follows:

"less the Required Minimum Excess Availability;”:

(e) Subsection 2.1(C) is amended to delete the word "and" at the end of Clause (17) of the definition of "Eligible Accounts" set forth therein, to replace the period at the end of Clause (18) of such definition with a semicolon followed by the word "and", and to add the following new clause to the end of such definition::

"(19) From and after the Term D Effective Date unless and until Term Loan D is repaid in full together with interest accrued thereon, Accounts owned by AAMP."

(f) Subsection 2.1(C) is further amended to add the following provision to the end of the definition of "Eligible Inventory" set forth therein:

“Notwithstanding the foregoing, from and after the Term D Effective Date unless and until Term Loan D is repaid in full together with interest accrued thereon, Inventory owned by AAMP shall not constitute Eligible Inventory.”

(g) Subsection 2.1(D) is amended to add the following provision to the end of the second sentence of such subsection:

"provided, however, that, without limiting AAMP' s joint and several liability with respect to all Revolving Advances made to the Borrowers prior to, on or after the Term D Effective Date, AAMP shall not be entitled to request Revolving Advances after such date unless and until Term Loan D is repaid in full together with interest accrued thereon."

(h) Subsection 2.1(D) is further amended to add the following provision to the end of the penultimate sentence of such subsection:

"provided, however, that, without limiting AAMP' s joint and several liability with respect to all Revolving Advances made to the Borrowers prior to, on or after the Term D Effective Date, no Revolving Advances made after such date shall be wired to any account owned by AAMP unless and until Term Loan D is repaid in full together with interest accrued thereon."

(i) Subsection 2.1(E) is amended to add the following provision immediately preceding the last sentence of such subsection:

"The Borrowers shall execute and deliver on the Term D Effective Date to each Term Loan D Lender (or to the Administrative Agent for that Lender) a Term Loan D Note, substantially in the form of Exhibit N-IV, to evidence that Lender' s Pro Rata Share of the principal amount of Term Loan D and with other appropriate insertions, and each Term Loan D Lender' s Term Loan D Note shall evidence such Lender' s Pro Rata Share of such Loan."

(j) Subsection 2.1(F) is amended to add the following provision to the end of Clause (3) of such subsection:

"Without limiting AAMP' s joint and several liability with respect to all Letter of Credit Liabilities arising prior to, on or after the Term D Effective Date, no Letters of Credit shall be issued after such date expressly for the account of AAMP or for any purpose primarily or exclusively for the benefit of AAMP or AAMP' s business unless and until Term Loan D is repaid in full together with interest accrued thereon."

(k) Subsection 2.2(A) is amended to add the following additional row to the bottom of the chart set forth therein:

Term Loan D	3.00%	N/A
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(l) Subsection 2.2(D) is amended to add the following new paragraph to the end of such subsection:

"Notwithstanding anything herein to the contrary, Term Loan C and Term Loan D shall at all times be Base Rate Loans and may not be converted into LIBOR Loans and, as provided in Waiver and Amendment No. 6 to this Agreement dated as of August 19, 2002, from and after the effectiveness of such waiver and amendment no Loans may be converted to LIBOR Loans."

(m) Section 2.3 is amended to add the following new subsection to the end of such section:

"(H) Term D Loan Fees. Borrowers agree to pay to the Administrative Agent, for the ratable account of the Term Loan D Lenders, a non-refundable fee of \$1,000,000 due and payable in full in cash or other immediately available funds on the Term D Effective Date."

(n) Subsection 2.4(B)(6) is amended to add the designation "(a)" to the beginning of the first sentence of such subsection, to add the parenthetical "(other that pursuant to any AAMP Sale)" immediately following the first reference in such sentence to "Non-Strategic Asset", and to add the following provision to the end of such subsection:

"(b) Immediately upon receipt by Borrowers of the Net Proceeds of any AAMP Sale, such Net Proceeds shall be applied in the following order: (1) to pay all fees, expenses and accrued and unpaid interest with respect to Term Loan D, (2) to pay the outstanding principal balance of Term Loan D, (3) to the repayment of the then outstanding principal amount of the Revolving Loan, and (4) in the manner set forth in subsection 2.4(B)(2). In the event that the remaining Net Proceeds applied pursuant to this subparagraph (b) following any application required by clauses (1) and (2) hereof is greater than or equal to \$7,000,000 and at the time of such application and no Event of Default or Default shall have occurred and be continuing, then the Revolving Loan Commitments shall be reduced concurrently with such application by

85% of the amount of such remaining proceeds applied pursuant to clause (3) hereof. In the event that the remaining Net Proceeds applied pursuant to this subparagraph (b) following any application required by clauses (1) and (2) hereof is less than \$7,000,000 and no Event of Default or Default shall have occurred and be continuing, then the Revolving Loan Commitment shall be reduced concurrently with such application by the amount equal to the sum of (x) the amount, if any, by which the outstanding principal balance of the Revolving Loan immediately prior to the application required by clause (3) of this subparagraph exceeds the Maximum Revolving Loan Amount (after giving effect to the increase in the Required Minimum Excess Availability as provided in the definition thereof and decrease in the Inventory advance rate as provided in subsection 2.1(B)(2)(b)(i) upon the consummation of such AAMP Sale), plus (y) 85% of the amount, if any, by which the amount of Net Proceeds applied to the outstanding principal balance of the Revolving Loan pursuant to clause (3) of this subparagraph exceeds the amount determined pursuant to clause (x) of this subparagraph. If any Event of Default or Default shall have occurred and is continuing at the time of any application of Net Proceeds pursuant to this subparagraph, then the Revolving Loan Commitment shall be reduced concurrently with the application of any remaining Net Proceeds applied pursuant to this subparagraph following any application required by clauses (1) and (2) hereof in an amount equal to 100% of such remaining Net Proceeds applied pursuant to clause (3) hereof. The Administrative Agent may establish, within its discretion exercised pursuant to Subsection 2.1(B), an additional reserve against the Borrowing Base in an amount equal to the aggregate amount by which the Revolving Loan Commitment is reduced pursuant to this Subsection 2.4(B)(6)(b).

"(7) Additional Mandatory Prepayments of Term Loan D. Notwithstanding any contrary provisions of this Section 2.4(B), if any excess proceeds remain after the application to the other Obligations of any prepayment required under subsections (2), (3), (5) or (6) of this Section 2.4(B), such excess proceeds shall be applied to the repayment of (i) all accrued and unpaid interest with respect to Term Loan D and, then (ii) to pay the outstanding principal balance of Term Loan D."

(o) Subsection 2.4(C) is amended to delete in its entirety the first sentence of such section and to replace such sentence with the following provision:

"Administrative Borrower may, at any time upon not less than three Business Days prior notice to Administrative Agent, prepay the Term Loans or reduce the Revolving Loan Commitment; provided, however, that (i) the Revolving Loan Commitment may not be terminated by Borrowers until all Loans are paid in full; (ii) with respect to the Term Loan C prepayments, the Term Loan C Repayment Restriction has been satisfied (including the delivery of the Repayment Certification), and (iii) no voluntary prepayments with respect to Term Loan D shall be permitted (x) unless and until all other Loans shall have been repaid and all Letters of Credit shall have been terminated or cash collateralized pursuant to the last sentence of this subsection or (y) except to the extent such prepayments are made directly by AAMP (and not by any other Loan Party)."

(p) Section 4.14 is amended to add the following provision to the end of the fifth sentence of such section:

“; provided, however, that, all proceeds from any policies of insurance relating to the AAMP Collateral shall be applied in accordance with subsection 2.4(B)(6)(b) unless and until Term Loan D is repaid in full together with interest accrued thereon.”

(q) Clause (e) of Section 7.1 is amended to add the following provision to the end of such clause:

"provided, however, that, from and after the Term D Effective Date and unless and until Term Loan D is repaid in full together with interest accrued thereon, (x) AAMP shall not be permitted to incur Indebtedness owing to any other Loan Party or Foreign Subsidiary in excess of the outstanding principal balance of the aggregate amount of Indebtedness, if any, owing by AAMP to all other Loan Parties and Foreign Subsidiaries as of such date and (y) the Loan Parties other than AAMP and the Foreign Subsidiaries shall not be permitted to incur Indebtedness owing to AAMP in excess of the outstanding principal balance of the aggregate amount of Indebtedness, if any, owing by such Loan Parties and Foreign Subsidiaries to AAMP as of such date;"

(r) Clause (g) of Section 7.2 is amended to add the following provision to the end of such clause:

"provided, however, that, from and after the Term D Effective Date and unless and until Term Loan D is repaid in full together with interest accrued thereon, (x) AAMP shall not be permitted to guaranty Indebtedness owing by any other Loan Party or Foreign Subsidiary in excess of the face amount of all guaranty obligations, if any, owing by AAMP with respect to Indebtedness of all other Loan Parties and Foreign Subsidiaries as of such date and (y) the Loan Parties other than AAMP and the Foreign Subsidiaries shall not be permitted to guaranty Indebtedness owing by AAMP in excess of the face amount of all guaranty obligations, if any, owing by such Loan Parties and Foreign Subsidiaries with respect to Indebtedness of AAMP as of such date;"

(s) Subsection 7.3(A) is amended to add the following provision to the end of such section:

“Notwithstanding the provisions of clause (iv) above, from and after the Term D Effective Date and unless and until Term Loan D is repaid in full together with interest accrued thereon, AAMP shall not be permitted to transfer, sell or assign Collateral or other assets to another Loan Party having an aggregate book or fair market value in excess of \$1,000,000, the Loan Parties other than AAMP shall not be permitted to transfer, sell or assign Collateral or other assets to AAMP having an aggregate book or fair market value in excess of \$1,000,000, and AAMP and the Loan Parties shall not be permitted to enter into any transfers, sales or assignments of any value unless such transactions are consummated for fair consideration to all such parties.”

(t) Section 7.4 is amended to add the following new paragraph to the end of such section:

"Notwithstanding the foregoing, from and after the Term D Effective Date and unless and until Term Loan D is repaid in full together with interest accrued thereon, (x) AAMP shall not be permitted to make additional Investments in any other Loan Party or Foreign Subsidiary and (y) none of the Loan Parties (other than AAMP) or Foreign Subsidiaries shall be permitted to make additional Investments in AAMP."

(u) Section 7.5 is amended to add the following new subsection to the end of such section:

"(C) Notwithstanding the foregoing, from and after the Term D Effective Date and unless and until Term Loan D is repaid in full together with interest accrued thereon, AAMP shall not be permitted to make any Restricted Junior Payments."

(v) Section 7.6 is amended to add the following new paragraph to the end of such section:

"Notwithstanding the foregoing, from and after the Term D Effective Date and unless and until Term Loan D is repaid in full together with interest accrued thereon, AAMP shall not enter into any transaction of merger, consolidation or amalgamation with any other Loan Party or Subsidiary, or liquidate into or sell, transfer or otherwise dispose of all or any substantial part of its business or assets to or with any other Loan Party or Subsidiary, except as may be permitted by the last sentence of Section 7.3(A)."

(w) Section 8.3 is amended to add the following provision to the end of such section:

"Without limiting the foregoing, upon the occurrence and during the continuance of any of the following Events of Default (collectively, "Term D Defaults"): (i) under subsection 8.1(A) with respect to any principal of, or interest on, Term Loan D, (ii) under subsection 8.1(B) with respect to paragraphs (A), (B) and (C) of the Reporting Rider, subsections 5.3, 5.5 or 5.6 (if such Event of Default arises as a result of any noncompliance thereof directly pertaining the assets or property of AAMP), or Section 7 (if such Event of Default arises as a result of any noncompliance thereof pertaining to the assets, liabilities, operations, actions or omissions of AAMP), (iii) under subsection 8.1(D) with respect to the representations and warranties set forth in Section 2(b) of the Term D Amendment, (iv) under subsection 8.1(E) with respect to performance obligations of AAMP or directly with respect to the assets, liabilities, operations, actions or omissions of AAMP under the Loan Documents or (v) under subsections 8.1(I), (J), (K), (L), (M), (N), (O), (P), (Q), (R), (S), (T) or (W), with respect to AAMP or any of its assets, liabilities or operations, then the Administrative Agent, upon the written request of the Requisite Term Loan D Lenders, shall, by written notice to the Borrowers, declare all or any portion of the outstanding principal balance of Term Loan D, and all or any portion of the accrued and unpaid interest thereon, to be, and the same shall forthwith become, immediately due and payable."

(x) Section 8.4 is amended to add the following provision to the end of such section:

"Without limiting the foregoing, upon the occurrence and during the continuance of any Term D Default, the Senior Agent shall upon the request of the Requisite Term Loan D Lenders exercise any and all such remedies available to the Senior Agent (including, without limitation, the remedies provided the Senior Agent under the other Loan Documents), in each case with respect to the AAMP Collateral and to the extent so directed by the Requisite Term Loan D Lenders."

(y) Section 8.7 is amended to delete the last sentence of such section in its entirety and to add the following provision to the end of such section:

“; provided, however, that, notwithstanding the foregoing, upon the occurrence and continuance of an Event of Default, (i) the outstanding principal and interest with respect to Term Loan C shall be paid after all other Obligations have been paid in full in cash (other than the outstanding principal and interest with respect to Term Loan D, except to the extent described in clause (ii) immediately below) and (ii) the proceeds of any sale of, or other realization upon, all or any part of the AAMP Collateral shall be applied first, to all fees, costs and expenses incurred by or owing to Agents with respect to this Agreement, the other Loan Documents or the Collateral; second to all fees, costs expenses incurred by or owing to any Term Loan D Lenders with respect to this Agreement, the other Loan Documents or the Collateral; third, to accrued and unpaid interest with respect to Term Loan D; fourth, to the outstanding principal balance of Term Loan D; fifth, to the outstanding principal balance of the Revolving Loan; and sixth, in the order otherwise provided in this subsection.”

(z) Subsection 9.1(H)(1) is amended to add the following provision to the end of the penultimate sentence of such subsection:

“and in no event will Senior Agent, acting under the authority granted to it pursuant to this sentence, release any AAMP Collateral without the prior written consent of the Requisite Term Loan D Lenders.”

(aa) Clause (vi) of Subsection 9.4(A) is amended to add the following parenthetical to the end of such clause:

"(provided, however, that the definition of Required Minimum Excess Availability may be amended by agreement of the Requisite Lenders)"

(bb) Subsection 9.4(A) is further amended to delete the word "last" in clause (iv) of the existing last sentence of such subsection, and to add the following provision to the end of such subsection:

“Notwithstanding anything to the contrary contained herein, the Term Loan D Lenders shall not have any voting rights under this Agreement or any other Loan Document except as follows: (i) no amendment, modification, termination, waiver or consent with respect to any Loan Document shall be effective to do any of the following unless such amendment, modification, termination, waiver or consent is in writing and signed by all Term Loan D Lenders: (a) reduce the principal of or the rate of interest or fees on Term Loan D, (b) extend the scheduled due date of payment of all or any portion of principal, interest or fees on or with respect to Term Loan D, (c) amend or waive this sentence of this subsection 9.4(A), (d) amend or waive subsection 2.1(A)(4) or any of the definitions of the terms used in such subsection in respect of Term Loan D in any way adverse to the Term Loan D Lenders, including, without limitation, the definition of “Scheduled Installment”, or (e) modify the definition of Requisite Term Loan D Lenders or any provision which uses such term; and (ii) no amendment, modification, termination, waiver or consent with respect to any Loan Document shall be effective to do any of the following unless such amendment, modification, termination, waiver or consent is in writing and signed by the Requisite Term Loan D Lenders: (a) amend or waive the last sentence of Section 8.3 or any Event of Default described in such sentence or (b) amend or waive any of the provisions set forth in paragraphs (A), (B) or (C) of the Reporting Rider, subsections 5.3, 5.5 or 5.6 with respect to the assets or property of AAMP, Section 7 with respect to the assets, liabilities, operations, actions or omissions of AAMP, the

representations and warranties set forth in Section 2(b) of the Term D Amendment, or any performance or compliance obligations of AAMP set forth in any of the Loan Documents or any provisions thereof directly pertaining to the assets, liabilities, operations, actions or omissions of AAMP.”

(cc) Section 11.1 is amended to add the following new definitions to such section in their appropriate alphabetical location:

"AAMP Collateral" means all now owned and hereafter acquired Collateral consisting of assets, property or property interests of AAMP or consisting of the capital stock or other equity interests of AAMP, and all products and proceeds of the foregoing.

"AAMP Sale" means any sale or other disposition outside the ordinary course of business of all or any part of the AAMP Collateral (including, without limitation, any casualty or condemnation of any AAMP Collateral).

"Requisite Term Loan D Lenders" means Term Loan D Lenders holding 51% or more of the outstanding principal balance of Term Loan D.

"Term D Amendment" means that certain Amendment No. 13 to this Agreement dated as of October 22, 2002 among the Lenders (other than the Term Loan C Lenders), the Borrowers and the Agents.

"Term D Default" has the meaning assigned to such term in Section 8.3.

"Term D Effective Date" means the date on which the amendments contemplated by the Term D Amendment become effective pursuant to Section 3 thereof.

"Term Loan D" means the term loan made by the Term Loan D Lenders pursuant to subsection 2.1(A)(4).

"Term Loan D Commitment" means, with respect to any Term Loan D Lender, the amount indicated as such Lender's Term Loan D Commitment on its signature page to the Term Loan D Amendment, and with respect to all Term Loan D Lenders, the sum of such Lenders' Term Loan D Commitments which shall be \$15,000,000.

"Term Loan D Lenders" means those Lenders which are designated as Term Loan D Lenders on the signature pages to the Term D Amendment.

"Term Loan D Notes" means the promissory notes of the Borrowers issued to the Term Loan D Lenders pursuant to subsection 2.1(E).

(dd) Section 11.1 is further amended to delete, in their entirety, each of the definitions of "German LC" and "Permitted Overadvance."

(ee) Section 11.1 is further amended to delete the definition of "Required Minimum Excess Availability" in its entirety and to replace such definition with the following definition:

"Required Minimum Excess Availability" means (a) zero during the period commencing on the Term D Effective Date and ending on the earlier to occur of an AAMP Sale and November 30, 2002, and (b) \$6,000,000, from and after the earlier to occur of an AAMP Sale and November 30, 2002.

(ff) Section 11.1 is further amended to delete the word "and" at the end of clause (b) of the definition of "Pro Rata Share" and to add the following provision to the end of such definition:

“and (d) with respect to matters affecting Term Loan D, the percentage obtained by dividing the Term Loan D Commitment of each Term Loan D Lender by the aggregate amount of Term Loan D Commitments.

(gg) The Loan Agreement is further amended to add new Exhibit N-IV thereto in the form attached as Annex 1 to this Agreement.

Section 2. Representations and Warranties.

(a) The Loan Parties hereby represent and warrant to each Agent and each Lender that after giving effect to this Agreement:

(i) no Default or Event of Default has occurred and is continuing on and as of the date hereof;

(ii) the representations and warranties of the Loan Parties and the other Loan Parties contained in the Loan Agreement and the other Loan Documents are true and correct on and as of the date hereof as if made on and as of the date hereof, except to the extent such representations and warranties expressly relate to a different date;

(iii) the execution and delivery by the Loan Parties to this Agreement and the performance by the Loan Parties of all of their respective agreements and obligations under this Agreement and the Loan Agreement as amended hereby, respectively, are within the power and authority of the Loan Parties and have been duly authorized by all necessary action on the part of the Loan Parties, and that the execution and delivery by the Loan Parties, of this Agreement and the performance by each of the transactions contemplated hereby will not contravene any term or condition set forth in any material agreement or instrument to which each is a party or by which each is bound;

(iv) All Obligations, including, without limitation the principal and interest with respect to Term Loan D and all Letter of Credit Liabilities, constitute senior Indebtedness entitled to the benefits of the subordination provisions contained in the Securities Purchase Agreement and the Subordination Agreement. Borrowers acknowledge that each Agent and each Lender is entering into this Agreement upon the subordination provisions of the Securities Purchase Agreement and the Subordination Agreement and this paragraph.

(b) To induce each Term Loan D Lender to enter into this Agreement and to make its Term Loan D Loan, AAMP represents and warrants to each Term Loan D Lender that, as of the date hereof, each of the representations and warranties set forth in Subsections 4.1 through 4.18 and 4.24 of the Loan Agreement are true and correct with respect to the assets, liabilities and operations of AAMP, construing (i) each reference in such provisions to the “Closing Date” as if it was stated as the Term D Effective Date, (ii) each reference therein to the Loan Parties as referring only to AAMP, (iii) each reference therein to “Material Adverse Effect” to mean a material adverse effect on

the business, financial position, results of operations or prospects of AAMP, any material impairment of the legality, validity and enforceability or priority of security interests granted by AAMP or with respect to any AAMP Collateral, or the remedies of the Agents or Lenders with respect thereto, or any material impairment of AAMP's ability to perform its obligations under the Loan Documents and (iv) and each reference to a schedule to the Loan Agreement to the disclosure schedules of AAMP attached as Annex 2 to this Agreement.

Section 3. Effectiveness and Conditions Precedent. This Agreement shall become effective on October 22, 2002 (the "Effective Date"), upon the Administrative Agent's receipt of each of the following:

(a) counterparts of this Agreement executed and delivered by each of the Lenders (other than the Term Loan C Lenders), the Borrowers and the Guarantors (which executions and deliveries may be effected by delivery and receipt by facsimile transmission);

(b) proceeds of the making of Term Loan D, which shall be applied to the Obligations in accordance with the provisions of Section 4 of this Agreement, and evidence satisfactory to the Administrative Agent that, after such application and any additional repayments of the Revolving Loan made by the Borrowers prior thereto or concurrently therewith, the outstanding principal balance of the Revolving Loan is less than the Maximum Revolving Loan Amount (after giving effect to the amendments contemplated by this Agreement) and no other Events of Default or Defaults have occurred and are continuing or would result therefrom;

(c) each of the Term Loan D Notes executed and delivered by the Borrowers and made respectively payable to the Term Loan D Lenders in the amount of each such Lender's Term Loan D Commitment;

(d) certificates of the secretary or assistant secretary of each Borrower certifying (i) the currency and authenticity of the resolutions of the board of directors of such Borrower authorizing its execution and delivery of this Agreement and the performance hereof and of the Loan Agreement as to be amended hereby, (ii) the incumbency of the officers of such Borrower and (iii) the currency and authenticity of the organizational documents of such Borrower;

(e) a good standing certificate for each Borrower from its jurisdiction of organization, as of a date no earlier than 30 days prior to the date each of the other conditions of this section shall have been satisfied;

(f) a legal opinion from Stroock & Stroock & Lavan, special counsel to the Borrowers, addressed to the Administrative Agent and the Lenders, in form and substance acceptable to the Administrative Agent; and

(g) payment in full, in immediately available funds, of the fee payable to the Term Loan D Lenders described in subsection 2.3(H) of the Loan Agreement as to be amended hereby.

Section 4. Application of Proceeds of Term Loan D. Upon the receipt by the Administrative Agent of the proceeds of Term Loan D, such proceeds shall be applied first, to the payment in full of the fees due the Term Loan D Lenders pursuant to Section 2.3(H) of the Loan Agreement as amended hereby and second, to the repayment of the outstanding principal balance of the Revolving Loan.

Section 5. Status of Loan Documents; Additional Representations and Warranties.

(a) This Agreement is limited solely for the purposes and to the extent expressly set forth herein, and, except as expressly provided hereby, (i) the terms, provisions and conditions of the Loan Documents and (ii) the Liens granted under the Loan Documents shall continue in full force and effect and are hereby ratified and confirmed in all respects.

(b) No waiver or amendment of any terms or provisions of the Loan Agreement made hereunder shall relieve the Loan Parties from complying with any other term or provision of the Loan Agreement or any other Loan Document.

(c) No action taken by any Lender, the Administrative Agent or the Collateral Agent prior to, on or after the date hereof shall constitute a waiver of or modification of any term or condition of any of the Loan Documents, except as specifically set forth herein, or prejudice any rights which the Administrative Agent, the Collateral Agent or any of the Lenders may now have as of the date hereof or may have in the future under or in connection with the Loan Documents, including without limitation all rights and remedies in connection with Defaults, Events of Default and failures of conditions precedent to the making of Loans and the issuance of Lender Letters of Credit that have occurred and are continuing, all of which rights and remedies each Lender, the Administrative Agent and the Collateral Agent hereby expressly reserve.

(d) The Loan Parties represent and warrant to each of the other parties hereto that except as heretofore disclosed in writing by the Loan Parties to the Lenders, as of the date hereof, there is no pending or, to the knowledge of the Loan Parties, threatened action, suit, proceeding, governmental investigation or arbitration against or affecting any of the Loan Parties or any property of any of the Loan Parties that is likely to have a Material Adverse Effect.

Section 6. Miscellaneous.

(a) No Waiver, Cumulative Remedies. No failure or delay or course of dealing on the part of any Agent or any Lender in exercising any right, power or privilege hereunder shall operate as an express or implied waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder. The rights, powers and remedies herein expressly provided are cumulative and not exclusive of any rights, powers or remedies which the Lenders would otherwise have. No notice to or demand on the Borrowers or Guarantors in any case shall entitle the Borrowers or Guarantors to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Lenders to any other or further action in any circumstances without notice or demand.

(b) Ratification, Etc. Except as expressly provided for herein, the Loan Agreement and all documents, instruments and agreements related thereto, including but not limited to, the Security Documents, are hereby ratified and confirmed in all respects and shall continue in full force and effect. Without limiting the generality of the foregoing, each of the Loan Parties and each of the Lenders party hereto ratify and confirm the effectiveness, validity, and enforceability of each of the amendments to the Loan Agreement entered into by the Borrowers and the Lenders or the Requisite Lenders and each of the amendments to the Security Agreement and Pledge Agreement entered into by the Loan Parties and the Senior Agent. The Loan Agreement and this Agreement shall be read and construed as a single agreement. This Agreement shall constitute one of the Loan Documents and the obligations of the Borrowers and Guarantors under this Agreement shall constitute Obligations for all purposes of the Loan Documents. All references in the Loan Agreement, the Loan Documents or any related agreement or instrument to the Loan Agreement shall hereafter refer to the Loan Agreement as amended hereby.

(c) Expenses. The Borrowers agree to pay and reimburse the Administrative Agent and Lenders for all of their costs and expenses (including, without limitation, costs and expenses of legal counsel and Richter Consulting, Inc.) in connection with this Agreement.

(d) Bankruptcy; Insolvency. The Borrowers represent and warrant that, on and as of the date hereof, no proceeding has been filed or commenced by or against the Borrowers for dissolution or liquidation, or by or against the Borrowers voluntarily or involuntarily terminating or dissolving or being terminated or dissolved; nor does there exist insolvency of the Borrowers, nor do the Borrowers fail to pay their debts as they become due in the ordinary course of business; nor has a creditor's committee been appointed for the business of the Borrowers; nor have the Borrowers made an assignment for the benefit of creditors, or filed a petition in bankruptcy or for reorganization or to

effect a plan of arrangement with creditors; nor have the Borrowers applied for or permitted the appointment of a receiver or trustee for any or all of their property, assets or rights; nor are the Borrowers aware of any such receiver or trustee being appointed for any or all of their property, assets or rights; nor has any of the above actions or proceedings whatsoever been commenced by or against any other party liable for the Obligations.

(e) Headings Descriptive. The headings of the several Sections and subsections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision.

(f) Severability. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

(g) Counterparts. This Agreement may be executed and delivered in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A complete set of counterparts shall be lodged with each of Recoton and the Administrative Agent.

Section 7. Release. The Borrowers and each of the Guarantors hereby acknowledges and confirms that (i) it does not have any grounds, and hereby agrees not to challenge (or to allege or to pursue any matter, cause or claim arising under or with respect to), in any case based upon acts or omissions of any of the Agents or Lenders occurring prior to the date hereof or facts otherwise known to it as of the date hereof, the effectiveness, genuineness, validity, collectibility or enforceability of the Loan Agreement or any of the other Loan Documents, the Obligations, the Liens securing such Obligations, or any of the terms or conditions of any Loan Document (it being understood that such acknowledgement and confirmation does not preclude the Borrowers or the Guarantors from challenging the Agents' or any Bank's interpretation of any term or provision of the Loan Agreement or other Loan Document) and (ii) it does not possess (and hereby forever waives, remises, releases, discharges and holds harmless the Agents, the Lenders, and their respective affiliates, stockholders, directors, officers, employees, attorneys, agents and representatives and each of their respective heirs, executors, administrators, successors and assigns (collectively, the "Indemnified Parties") from and against, and agrees not to allege or pursue) any action, cause of action, suit, debt, claim, counterclaim, cross-claim, demand, defense, offset, opposition, demand and other right of action whatsoever, whether in law, equity or otherwise (which it, all those claiming by, through or under it, or its successors or assigns, have or may have) against the Indemnified Parties, or any of them, by reason of, any matter, cause or thing whatsoever, with respect to events or omissions occurring or arising on or prior to the date hereof and relating to the Loan Agreement or any of the other Loan Documents (including, without limitation, with respect to the payment, performance, validity or enforceability of the Obligations, the Liens securing the Obligations or any or all of the terms or conditions of any Loan Document) or any transaction relating thereto; provided, however, that no Borrower nor Guarantor hereby releases or holds harmless any Indemnified Party for actions or omissions by any such Indemnified Party constituting, or losses or expenses directly resulting from, the gross negligence or willful misconduct of such Indemnified Party as determined by a final judgment of a court of competent jurisdiction.

Section 8. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

* * *

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

RECOTON CORPORATION

BORROWERS/PLEDGORS:

By: /s/ Arnold Kezsbom

Name: Arnold Kezsbom
Title: Executive Vice President - Finance

INTERACT ACCESSORIES, INC.
RECOTON AUDIO CORPORATION
AAMP OF FLORIDA, INC.
RECOTON HOME AUDIO, INC.
RECOTON ACCESSORIES, INC.
RECOTON MOBILE ELECTRONICS, INC.

By: /s/ Arnold Kezsbom
Name: Arnold Kezsbom
Title: Vice President

GUARANTORS/PLEDGORS:

CHRISTIE DESIGN CORPORATION
RECOTON INTERNATIONAL HOLDINGS, INC.
RECOTON JAPAN, INC.
RECON, INC.
RECOTON CANADA LTD.
INTERACT CANADA, LTD.
INTERACT INTERNATIONAL, INC.
INTERACT HOLDINGS, INC.
INTERACT TECHNOLOGIES, INC.

By: /s/ Arnold Kezsbom
Name: Arnold Kezsbom
Title: Vice President

LENDERS:

HELLER FINANCIAL, INC.,
individually and as Senior Agent and
Administrative Agent

By: /s/ Hugh Wilder
Name: Hugh Wilder
Title: Senior Vice President

GENERAL ELECTRIC CAPITAL CORPORATION,
individually and as Collateral Agent and
Syndication Agent and as a Term Loan D Lender

By: /s/ Hugh Wilder
Name: Hugh Wilder
Title: Authorized Signatory
Term Loan D Commitment: \$8,000,000

BANK OF AMERICA, N.A.

By: /s/ Valerie Peppe

Name: Valerie Peppe

Title: Assistant Vice President

THE CIT GROUP / BUSINESS CREDIT, INC.

By: /s/ Vincent Belcastro

Name: Vincent Belcastro

Title: Vice President

Term Loan D Commitment: \$3,500,000

GUARANTY BUSINESS CREDIT CORPORATION

By: /s/ James E. Casper

Name: James E. Casper

Title: Senior Vice President

FOOTHILL CAPITAL CORPORATION

By: /s/ Robert J. Cambora

Name: Robert J. Cambora

Title: Senior Vice President

CITIZENS BUSINESS CREDIT

By: /s/ Thomas D. Opie

Name: Thomas D. Opie

Title: Vice President

WASHINGTON MUTUAL BANK

By: /s/ Terri K. Lins

Name: Terri K. Lins

Title: Vice President

SIEMENS FINANCIAL SERVICES, INC.

By: /s/ Frank Amodio

Name: Frank Amodio

Title: Vice President - Credit

GMAC BUSINESS CREDIT LLC

By: /s/ Alexander J. Chobot

Name: Alexander J. Chobot

Title: Vice President

Term Loan D Commitment: \$3,500,000

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Suzanne Geiger

Name: Suzanne Geiger

Title: Senior Vice President

ANNEX 1

Form of Term Loan D Note
(Exhibit N-IV to the Loan Agreement)

ANNEX 2

AAMP Disclosure Schedules

EXECUTION COPY

AMENDMENT NO. 14 TO THE LOAN AGREEMENT

THIS AMENDMENT NO. 14 TO THE LOAN AGREEMENT is made as of October 30, 2002 (this "Agreement") by and among RECOTON CORPORATION, a New York corporation ("Recoton"), INTERACT ACCESSORIES, INC., a Delaware corporation ("InterAct"), RECOTON AUDIO CORPORATION, a Delaware corporation ("Audio"), AAMP OF FLORIDA, INC., a Florida corporation ("AAMP"), RECOTON HOME AUDIO, INC., a California corporation ("RHAI"), RECOTON ACCESSORIES, INC., a Delaware corporation ("Recoton Accessories") and RECOTON MOBILE ELECTRONICS, INC., a Delaware corporation ("Mobile Electronics") and together with Recoton, InterAct, Audio, AAMP, RHAI and Recoton Accessories collectively, the "Borrowers", the Guarantors (the Borrowers and the Guarantors are sometimes collectively referred to herein as the "Loan Parties"), the Lenders, HELLER FINANCIAL, INC., a Delaware corporation, for itself as a Lender and as Administrative Agent and Senior agent and GENERAL ELECTRIC CAPITAL CORPORATION, a New York corporation for itself as a Lender and as Collateral Agent and Syndication Agent (the Administrative Agent, Senior Agent, Collateral Agent and Syndication Agent are sometimes referred to herein as the "Agents") and is made with reference to the Loan agreement dated as of October 31, 2000 (as amended by the (i) Consent and Amendment No. 1 to the Credit Agreement and Amendment No. 1 to the Security Agreement, dated as of February 7, 2001, (ii) Amendment No. 2 to the Credit Agreement, dated as of May 10, 2001, (iii) Consent and Amendment No. 3 to the Loan Agreement, Amendment No. 2 to the Security agreement and Amendment No. 1 to the Pledge Agreement, dated as of July 3, 2001, (iv) Fourth Amendment to Loan Agreement, dated as of February 26, 2002, (v) Waiver, Consent and Amendment No. 5 to the Loan Agreement, dated as of March 29, 2002, (vi) Waiver and Amendment No. 6, dated as of August 28, 2002 ("Amendment No. 6"), (vii) Amendment No. 7 to the Loan Agreement, dated as of September 13, 2002, (viii) Amendment No. 8 to the Loan Agreement dated as of September 18, 2002, (ix) Amendment No. 9 to the Loan Agreement dated as of September 20, 2002, (x) Amendment No. 10 to the Loan Agreement dated as of September 23, 2002, (xi) Amendment No.11 to the Loan Agreement, Amendment No. 3 to the Security Agreement and Amendment No. 2 to the Pledge Agreement dated as of September 25, 2002, (xii) Amendment No. 12 to the Loan Agreement dated as of October 4, 2002 and (xiii) if effective, Amendment No. 13 to the Loan Agreement dated as of October 22, 2002 ("Amendment No. 13"), as the same may be further amended, supplemented, restated or otherwise modified from time to time, the "Loan Agreement"), among the Borrowers, the Guarantors, the Lenders and the Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Loan Agreement as amended hereby.

R E C I T A L S

WHEREAS, the Borrowers, the Guarantors, the Lenders and the Agents have entered into the Loan Agreement;

WHEREAS, the Lenders have made Loans to the Borrowers pursuant to the terms of the Loan Agreement;

WHEREAS, the Borrowers expressly reaffirm all of the Loan Documents and the debt and other obligations thereunder, the Borrowers agree that nothing contained herein shall operate to release the Borrowers or any other person or persons from their liability to keep and perform the provisions, conditions, obligations, and agreements contained in the Loan Documents, except as may be herein modified, and the Borrowers hereby reaffirm that each and every provision, condition, obligation and agreement in such documents shall continue in full force and effect, except as may be herein modified;

WHEREAS, the validity, priority and perfection of all mortgages, security interests and other liens granted or created by the Loan Documents is hereby acknowledged and confirmed by the Borrowers, and the Borrowers agree

that such documents shall continue to secure the Loans and the other Obligations, as may be amended by this Agreement, without any change, loss or impairment of the priority of such mortgages, security interests or other liens;

WHEREAS, the Borrowers have requested that the Lenders agree to amend certain provisions of the Loan Agreement;

WHEREAS, subject to the terms and conditions of this Agreement, the Lenders have agreed to amend certain provisions of the Loan Agreement as specifically set forth herein;

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Certain Amendments to the Loan Agreement. Subject to the satisfaction of each of the conditions set forth in Section 3 of this Agreement, as of the Effective Date (as defined herein) the Loan Agreement is hereby amended as follows:

(a) Section 2.1(A)(2) is hereby amended to delete October 31, 2002 as the date of the final Scheduled Installment of Term Loan B, and to replace such date with November 29, 2002.

(b) The second sentence of the first paragraph of Section 2.1(B) is hereby amended and restated in its entirety as follows:

“The aggregate amount of all Revolving Loan Commitments shall not exceed \$117,500,000, as such amount may be reduced from time to time pursuant to subsections 2.4(B)(5), 2.4(B)(6) or 2.4(C).”

(c) Clause (b) of Section 2.1(B)(2) is hereby amended and restated in its entirety as follows:

“(b) up to the lesser of (i) 70% of Eligible Inventory and (ii) (A) 100% of the Appraised Value of Eligible Inventory for the period beginning October 4, 2002 and ending on, and including, November 30, 2002, and (B) 85% of the Appraised Value of Eligible Inventory at all times after November 30, 2002;”

(d) Section 2.3 of the Loan Agreement is hereby amended to add the following new subsection (I):

“(I) Amendment No. 14 Fee. The Borrowers agree to pay to the Administrative Agent, for distribution to the Lenders (excluding the Term Loan C Lenders and Term Loan D Lenders) ratably based upon their relative interests in the Revolving Loan Commitment, the outstanding principal balance of Term Loan A and the outstanding principal balance of Term Loan B, a \$500,000 amendment fee due and payable in full in cash or other immediately available funds on March 31, 2003; provided, however, that such fee shall be reduced to \$250,000 if all of the Obligations hereunder have been paid in full in cash, and the Commitments are terminated, on or before March 31, 2003. Except as may be reduced pursuant to the preceding sentence, such fee shall be fully-earned and non-refundable.”

Section 2. Representations and Warranties. The Loan Parties hereby represent and warrant to each Agent and each Lender that after giving effect to this Agreement:

(a) no Default or Event of Default has occurred and is continuing on and as of the date hereof;

(b) the representations and warranties of the Loan Parties and the other Loan Parties contained in the Loan Agreement and the other Loan Documents are true and correct on and as of the date hereof as if made on and as of the date hereof, except to the extent such representations and warranties expressly relate to a different date; and

(c) the execution and delivery by the Loan Parties to this Agreement and the performance by the Loan Parties of all of their respective agreements and obligations under this Agreement and the Loan Agreement as amended hereby, respectively, are within the power and authority of the Loan Parties and have been duly authorized by all necessary action on the part of the Loan Parties, and that the execution and delivery by the Loan Parties, of this Agreement and the performance by each of the transactions contemplated hereby will not contravene any term or condition set forth in any material agreement or instrument to which each is a party or by which each is bound.

Section 3. Effectiveness and Conditions Precedent. This Agreement shall become effective on October 30, 2002 (the “Effective Date”), upon the Administrative Agent’s receipt of counterparts of this Agreement executed and delivered by each of the Lenders (other than the Term Loan C Lenders and, if Amendment No. 13 shall then be effective, the Term Loan D Lenders), the Borrowers and the Guarantors (which executions and deliveries may be effected by delivery and receipt by facsimile transmission). In the event that the conditions set forth in Section 3 of Amendment No. 13 are satisfied after the satisfaction of this Section, then the amendments effected pursuant to Amendment No. 13 shall be deemed to have become effective prior to (i.e. as of October 22, 2002) the amendments effected pursuant to this Agreement (i.e. as of October 30, 2002) notwithstanding the actual order of such satisfactions.

Section 4. Status of Loan Documents; Additional Representations and Warranties.

(a) This Agreement is limited solely for the purposes and to the extent expressly set forth herein, and, except as expressly provided hereby, (i) the terms, provisions and conditions of the Loan Documents and (ii) the Liens granted under the Loan Documents shall continue in full force and effect and are hereby ratified and confirmed in all respects.

(b) No waiver or amendment of any terms or provisions of the Loan Agreement made hereunder shall relieve the Loan Parties from complying with any other term or provision of the Loan Agreement or any other Loan Document.

(c) No action taken by any Lender, the Administrative Agent or the Collateral Agent prior to, on or after the date hereof shall constitute a waiver of or modification of any term or condition of any of the Loan Documents, except as specifically set forth herein, or prejudice any rights which the Administrative Agent, the Collateral Agent or any of the Lenders may now have as of the date hereof or may have in the future under or in connection with the Loan Documents, including without limitation all rights and remedies in connection with Defaults, Events of Default and failures of conditions precedent to the making of Loans and the issuance of Lender Letters of Credit that have occurred and are continuing, all of which rights and remedies each Lender, the Administrative Agent and the Collateral Agent hereby expressly reserve.

(d) The Loan Parties represent and warrant to each of the other parties hereto that except as heretofore disclosed in writing by the Loan Parties to the Lenders, as of the date hereof, there is no pending or, to the knowledge of the Loan Parties, threatened action, suit, proceeding, governmental investigation or arbitration against or affecting any of the Loan Parties or any property of any of the Loan Parties that is likely to have a Material Adverse Effect.

Section 5. Certain Covenants and Agreements of the Borrowers. The parties hereto hereby agree that the failure of the Borrowers to comply with any of the following provisions in this Section 5, will result in an immediate Event of Default under the Loan Agreement notwithstanding the provisions of subsection 8.1(E) of the Loan Agreement or any other grace period or right to cure contained in the Loan Agreement or any other Loan Document.

(a) The Borrowers shall provide to the Administrative Agent on or before October 31, 2002, with copies to each Lender, a revised consolidated cash flow projection with respect to the operations of the Borrowers and their

Subsidiaries, with such detail as may be satisfactory to the Administrative Agent, for the period from November 1, 2002 through December 31, 2002 which incorporates: (a) expected operating performance, (b) the Borrowers' expected reductions to variable costs, (c) a 70% advance rate on Eligible Inventory, and (d) the deferment of the October 31, 2002 Term Loan B Scheduled Installment to November 29, 2002.

(b) The Borrowers shall sell for fair value an amount of Inventory (other than Eligible Inventory) sufficient to generate not less than \$0.5 million of Net Proceeds in cash by November 15, 2002, and not less than an additional \$1.5 million of Net Proceeds in cash by November 30, 2002. Such dispositions are hereby approved by the Lenders notwithstanding the provisions of Section 7.3(A) of the Loan Agreement, and the aggregate Net Proceeds of such sales shall be applied to reduce the outstanding amounts of Revolving Loan without reducing the Revolving Loan Commitment and notwithstanding any provisions of the Loan Agreement to the contrary; provided that if the aggregate Net Proceeds of such sales are in excess of \$5 million, the amount by which such aggregate Net Proceeds exceed \$5 million shall be applied to reduce the outstanding principal amount of Term Loan A, in inverse order of maturity, notwithstanding any provisions of the Loan Agreement to the contrary. Concurrently with each such sale, the Borrowing Base reserve previously established by the Administrative Agent for obsolete Inventory shall be reduced by the amount of the gross inventory value of such Inventory that is sold.

(c) The Borrowers shall provide to the Agent on or before November 11, 2002, with copies to each Lender, consolidated debtor-in-possession cash flow projections with respect to the Borrowers and their Subsidiaries with such detail as may be satisfactory to the Administrative Agent.

(d) The Borrowers shall provide to the Administrative Agent on or before October 31, 2002, with copies to each Lender, a description of the Borrowers' employee severance program with such detail as may be satisfactory to the Administrative Agent.

(e) The Borrowers shall provide to the Administrative Agent on or before October 31, 2002, with copies to each Lender, a report, with sufficient detail as may be satisfactory to the Administrative Agent, from the independent Compensation Committee of Recoton with respect to the Borrowers' expected executive compensation savings for the calendar year 2003.

(f) The Borrowers shall provide to the Administrative Agent on or before November 20, 2002, with copies to each Lender, a first quarter 2003 consolidated cash flow projection for the Borrowers and their Subsidiaries with such detail as may be satisfactory to the Administrative Agent.

(g) The Borrowers shall provide to the Administrative Agent on or before November 15, 2002, with copies to each Lender, an analysis, with such detail as may be satisfactory to the Administrative Agent, of the anticipated tax consequences from the expected sales of the Borrowers' InterAct, NHT, German and AAMP business units.

(h) On or before November 29, 2002, the Borrowers shall list each of their owned condominiums in Heathrow, Florida for sale with a licensed real estate broker.

Section 6. Deferment of InterAct International Sale Agreement Covenant. Effective upon the satisfaction of the conditions set forth in Section 3 of this Agreement, the requirement that the Administrative Borrower deliver a definitive sale agreement with respect to InterAct International, Inc. on or before October 30, 2002 pursuant to clause (iii) of Section 6(f) of Amendment No. 6, is hereby extended to, and shall be due on or before, November 15, 2002.

Section 7. Extension of Delivery of Definitive Agreement for InterAct. Effective upon the satisfaction of the conditions set forth in Section 3 of this Agreement, the due date for the delivery by the Administrative Borrower to the Administrative Agent of a definitive agreement with respect to the sale of InterAct International, which was October 30, 2002 pursuant to clause (iii) of Section 4(f) of Amendment No. 6, is hereby extended to, and shall be delivered on or before, November 15, 2002.

Section 8. Miscellaneous.

(a) No Waiver, Cumulative Remedies. No failure or delay or course of dealing on the part of any Agent or any Lender in exercising any right, power or privilege hereunder shall operate as an express or implied waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder. The rights, powers and remedies herein expressly provided are cumulative and not exclusive of any rights, powers or remedies which the Lenders would otherwise have. No notice to or demand on the Borrowers or Guarantors in any case shall entitle the Borrowers or Guarantors to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Lenders to any other or further action in any circumstances without notice or demand.

(b) Ratification, Etc. Except as expressly provided for herein, the Loan Agreement and all documents, instruments and agreements related thereto, including but not limited to, the Security Documents, are hereby ratified and confirmed in all respects and shall continue in full force and effect. Without limiting the generality of the foregoing, each of the Loan Parties and each of the Lenders party hereto ratify and confirm the effectiveness, validity, and enforceability of each of the amendments to the Loan Agreement entered into by the Borrowers and the Lenders or the Requisite Lenders and each of the amendments to the Security Agreement and Pledge Agreement entered into by the Loan Parties and the Senior Agent. The Loan Agreement and this Agreement shall be read and construed as a single agreement. This Agreement shall constitute one of the Loan Documents and the obligations of the Borrowers and Guarantors under this Agreement shall constitute Obligations for all purposes of the Loan Documents. All references in the Loan Agreement, the Loan Documents or any related agreement or instrument to the Loan Agreement shall hereafter refer to the Loan Agreement as amended hereby.

(c) Expenses. The Borrowers agree to pay and reimburse the Administrative Agent and Lenders for all of their costs and expenses (including, without limitation, costs and expenses of legal counsel and Richter Consulting, Inc.) in connection with this Agreement.

(d) Bankruptcy; Insolvency. The Borrowers represent and warrant that, on and as of the date hereof, no proceeding has been filed or commenced by or against the Borrowers for dissolution or liquidation, or by or against the Borrowers voluntarily or involuntarily terminating or dissolving or being terminated or dissolved; nor does there exist insolvency of the Borrowers, nor do the Borrowers fail to pay their debts as they become due in the ordinary course of business; nor has a creditor's committee been appointed for the business of the Borrowers; nor have the Borrowers made an assignment for the benefit of creditors, or filed a petition in bankruptcy or for reorganization or to effect a plan of arrangement with creditors; nor have the Borrowers applied for or permitted the appointment of a receiver or trustee for any or all of their property, assets or rights; nor are the Borrowers aware of any such receiver or trustee being appointed for any or all of their property, assets or rights; nor has any of the above actions or proceedings whatsoever been commenced by or against any other party liable for the Obligations.

(e) Headings Descriptive. The headings of the several Sections and subsections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision.

(f) Severability. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

(g) Counterparts. This Agreement may be executed and delivered in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A complete set of counterparts shall be lodged with each of Recoton and the Administrative Agent.

Section 9. Release. The Borrowers and each of the Guarantors hereby acknowledges and confirms that (i) it does not have any grounds, and hereby agrees not to challenge (or to allege or to pursue any matter, cause or claim

arising under or with respect to), in any case based upon acts or omissions of any of the Agents or Lenders occurring prior to the date hereof or facts otherwise known to it as of the date hereof, the effectiveness, genuineness, validity, collectibility or enforceability of the Loan Agreement or any of the other Loan Documents, the Obligations, the Liens securing such Obligations, or any of the terms or conditions of any Loan Document (it being understood that such acknowledgement and confirmation does not preclude the Borrowers or the Guarantors from challenging the Agents' or any Bank' s interpretation of any term or provision of the Loan Agreement or other Loan Document) and (ii) it does not possess (and hereby forever waives, remises, releases, discharges and holds harmless the Agents, the Lenders, and their respective affiliates, stockholders, directors, officers, employees, attorneys, agents and representatives and each of their respective heirs, executors, administrators, successors and assigns (collectively, the "Indemnified Parties") from and against, and agrees not to allege or pursue) any action, cause of action, suit, debt, claim, counterclaim, cross-claim, demand, defense, offset, opposition, demand and other right of action whatsoever, whether in law, equity or otherwise (which it, all those claiming by, through or under it, or its successors or assigns, have or may have) against the Indemnified Parties, or any of them, by reason of, any matter, cause or thing whatsoever, with respect to events or omissions occurring or arising on or prior to the date hereof and relating to the Loan Agreement or any of the other Loan Documents (including, without limitation, with respect to the payment, performance, validity or enforceability of the Obligations, the Liens securing the Obligations or any or all of the terms or conditions of any Loan Document) or any transaction relating thereto; provided, however, that no Borrower nor Guarantor hereby releases or holds harmless any Indemnified Party for actions or omissions by any such Indemnified Party constituting, or losses or expenses directly resulting from, the gross negligence or willful misconduct of such Indemnified Party as determined by a final judgment of a court of competent jurisdiction.

Section 10. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

* * * *

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

RECOTON CORPORATION

By: /s/ Arnold Kezsbom
Name: Arnold Kezsbom
Title: Executive Vice President - Finance

BORROWERS:

INTERACT ACCESSORIES, INC.
RECOTON AUDIO CORPORATION
AAMP OF FLORIDA, INC.
RECOTON HOME AUDIO, INC.
RECOTON ACCESSORIES, INC.
RECOTON MOBILE ELECTRONICS, INC.

By: /s/ Arnold Kezsbom
Name: Arnold Kezsbom
Title: Vice President

GUARANTORS:

CHRISTIE DESIGN CORPORATION
RECOTON INTERNATIONAL HOLDINGS, INC.

RECOTON JAPAN, INC.
RECONE, INC.
RECOTON CANADA LTD.
INTERACT CANADA, LTD.
INTERACT INTERNATIONAL, INC.
INTERACT HOLDINGS, INC.
INTERACT TECHNOLOGIES, INC.

By: /s/ Arnold Kezsbom
Name: Arnold Kezsbom
Title: Vice President

HELLER FINANCIAL, INC.,
individually and as Senior Agent and
Administrative Agent

By: /s/ Hugh Wilder
Name: Hugh Wilder
Title: Senior Vice President

GENERAL ELECTRIC CAPITAL CORPORATION,
individually and as Collateral Agent and
Syndication Agent

By: /s/ Hugh Wilder
Name: Hugh Wilder
Title: Authorized Signatory

LENDERS:

BANK OF AMERICA, N.A.

By: /s/ Valerie Peppe
Name: Valerie Peppe
Title: Assistant Vice President

THE CIT GROUP / BUSINESS CREDIT, INC.

By: /s/ Vincent Belcastro
Name: Vincent Belcastro
Title: Vice President

GUARANTY BUSINESS CREDIT CORPORATION

By: /s/ James E. Casper
Name: James E. Casper
Title: Senior Vice President

FOOTHILL CAPITAL CORPORATION

By: /s/ Robert J. Cambora
Name: Robert J. Cambora
Title: Senior Vice President

CITIZENS BUSINESS CREDIT

By: /s/ Thomas D. Opie
Name: Thomas D. Opie
Title: Vice President

WASHINGTON MUTUAL BANK

By: /s/ Terri K. Lins
Name: Terri K. Lins
Title: Vice President

SIEMENS FINANCIAL SERVICES, INC.

By: /s/ Frank Amodio
Name: Frank Amodio
Title: Vice President - Credit

GMAC BUSINESS CREDIT LLC

By: /s/ Alexander J. Chobot

Name: Alexander J. Chobot
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Suzanne Geiger
Name: Suzanne Geiger
Title: Senior Vice President

**Heller Financial, Inc.
500 West Monroe
Chicago, Illinois 60661**

November 15, 2002

The "Borrowers" party to the "Loan Agreement"
referred to below
c/o Recoton Corporation
2950 Lake Emma Road
Lake Mary, Florida 32746
Attention: Arnold Kezsbom

Re: InterAct Sale Covenant

Dear Mr. Kezsbom:

Reference is hereby made to that certain Loan Agreement dated as of October 31, 2000 by and among Recoton Corporation, a New York corporation ("Recoton"), InterAct Accessories, Inc., a Delaware corporation ("InterAct"), Recoton Audio Corporation, a Delaware corporation ("Audio"), AAMP of Florida, Inc., a Florida corporation ("AAMP"), Recoton Home Audio, Inc., a California corporation ("RHAI"), Recoton Accessories, Inc., a Delaware corporation ("Recoton Accessories") and Recoton Mobile Electronics, Inc., a Delaware corporation ("Mobile Electronics", and together with Recoton, InterAct, Audio, AAMP, RHAI and Recoton Accessories collectively, the "Borrowers"), the Guarantors party thereto, the Lenders party thereto, Heller Financial, Inc., a Delaware corporation, for itself as a Lender and as "Administrative Agent" and "Senior Agent" and General Electric Capital Corporation, a New York corporation for itself as a Lender and as "Collateral Agent" and "Syndication Agent" (the Administrative Agent, Senior Agent, Collateral Agent and Syndication Agent are sometimes referred to herein as the "Agents") (as amended, restated, supplemented or otherwise modified, the "Loan Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the meaning assigned to such terms in the Loan Agreement.

Pursuant to the Borrowers' request, and conditioned upon the Administrative Agent's receipt of counterparts of this Letter Agreement executed and delivered by each of the Requisite Lenders, the Borrowers and the Guarantors, the due date for the delivery by the Administrative Borrower to the Administrative Agent of a definitive agreement with respect to the sale of InterAct International, which was originally October 30, 2002 pursuant to clause (iii) of Section 4(f) of Waiver and Amendment No. 6 to the Loan Agreement and was extended to November 15, 2002 pursuant to Section 7 of Amendment No. 14 to the Loan Agreement, is hereby extended to, and shall be delivered on or before, November 27, 2002.

* * *

Very truly yours,

HELLER FINANCIAL, INC., individually and as Senior
Agent and Administrative Agent

By: /s/ Hugh Wilder
Name: Hugh Wilder
Title: Senior Vice President

Agreed and Accepted this 15th day of November, 2002:

RECOTON CORPORATION

By: /s/ Arnold Kezsbom
Name: Arnold Kezsbom
Title: Executive Vice President - Finance

BORROWERS:

INTERACT ACCESSORIES, INC. RECOTON AUDIO CORPORATION AAMP OF FLORIDA, INC. RECOTON HOME AUDIO, INC. RECOTON ACCESSORIES, INC. RECOTON MOBILE ELECTRONICS, INC.

By: /s/ Arnold Kezsbom
Name: Arnold Kezsbom
Title: Vice President

CHRISTIE DESIGN CORPORATION RECOTON INTERNATIONAL HOLDINGS, INC. RECOTON JAPAN, INC. RECONE, INC. RECOTON CANADA LTD. INTERACT CANADA, LTD. INTERACT INTERNATIONAL, INC. INTERACT HOLDINGS, INC. INTERACT TECHNOLOGIES, INC.

By: /s/ Arnold Kezsbom
Name: Arnold Kezsbom
Title: Vice President

GUARANTORS:

GENERAL ELECTRIC CAPITAL CORPORATION, individually and as Collateral Agent and Syndication Agent

By: /s/ Hugh Wilder
Name: Hugh Wilder
Title: Authorized Signatory

THE CIT GROUP / BUSINESS CREDIT, INC.

By: /s/ Vincent Belcastro
Name: Vincent Belcastro
Title: Vice President

GUARANTY BUSINESS CREDIT CORPORATION

By: /s/ James E. Casper
Name: James E. Casper
Title: Senior Vice President

FOOTHILL CAPITAL CORPORATION

By: /s/ Robert J. Cambora
Name: Robert J. Cambora
Title: Senior Vice President

CITIZENS BUSINESS CREDIT

By: /s/ Thomas D. Opie
Name: Thomas D. Opie
Title: Vice President

WASHINGTON MUTUAL BANK

By: /s/ Terri K. Lins
Name: Terri K. Lins
Title: Vice President

SIEMENS FINANCIAL SERVICES, INC.

By: /s/ Frank Amodio
Name: Frank Amodio
Title: Vice President - Credit

GMAC BUSINESS CREDIT LLC

By: /s/ Alexander J. Chobot
Name: Alexander J. Chobot
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Suzanne Geiger
Name: Suzanne Geiger
Title: Senior Vice President

ROBERT L. BORCHARDT
2950 Lake Emma Road, Lake Mary, Florida 32746

November 4, 2002

Recoton Corporation
2950 Lake Emma Road
Lake Mary, Florida 32746

Ladies and Gentlemen:

I hereby agree to amend my employment agreement dated January 1, 1995 to reduce my salary effective November 4, 2002 through December 31, 2003 to \$800,000 per year. Unless otherwise amended prior to December 31, 2003, the salary will revert on January 1, 2004 to the level established pursuant to the employment agreement prior to this amendment.

Please indicate your agreement by signing the enclosed extra copy of this letter and returning it to me.

Sincerely,

/s/ Robert L. Borchardt
Robert L. Borchardt

AGREED:

RECOTON CORPORATION

By: /s/ Joseph H. Massot
Name: Joseph H. Massot
Title: Sr. V.P. & Secretary