

---

---

**UNITED STATES  
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 June 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: 0-22046

**Bogen Communications International, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**38-3114641**

(IRS Employer Identification Number)

**50 Spring Street, Ramsey, New Jersey**

(Address of principal executive offices)

**07446**

(Zip Code)

**(201) 934-8500**

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

As of July 22, 2002, 7,848,821 shares of the registrant's common stock, par value \$.001 per share, were outstanding.

---

---

---

**BOGEN COMMUNICATIONS INTERNATIONAL, INC.  
AND SUBSIDIARIES**

**INDEX**

**PART I. FINANCIAL INFORMATION**

Item 1. Financial Statements

- [Consolidated Balance Sheets as of June 30, 2002, and December 31, 2001](#)
- [Consolidated Statements of Operations for the three and six months ended June 30, 2002 and 2001](#)
- [Consolidated Statement of Changes in Stockholders' Equity for the six months ended June 30, 2002](#)
- [Consolidated Statements of Cash Flows for the six months ended June 30, 2002 and 2001](#)
- [Notes to Consolidated Financial Statements](#)

Item 2. [Management's Discussion and Analysis of Financial Condition And Results of Operations](#)

Item 3. [Market Risk Discussion](#)

**PART II. OTHER INFORMATION**

- [Item 1. Legal Proceedings](#)
- [Item 2. Changes in Securities](#)
- [Item 3. Defaults Upon Senior Securities](#)
- [Item 4. Submission of Matters to a Vote of Security Holders](#)
- [Item 5. Other Information](#)
- [Item 6. Exhibits and Reports on Form 8K](#)

**BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(In Thousands of Dollars, Except Share and Per Share Amounts)

|   | June 30,<br>2002<br>(Unaudited) | December 31,<br>2001 |
|---|---------------------------------|----------------------|
| <b>ASSETS</b>   |                                 |                      |
| <b>CURRENT ASSETS:</b>  |                                 |                      |
| Cash and cash equivalents   | \$ 12,007                       | \$ 11,001            |
| Marketable securities   | 3,505                           | 3,970                |
| Trade receivables (net of allowance for doubtful accounts of \$578 and \$471 at June 30, 2002, and December 31, 2001, respectively)   | 7,948                           | 5,819                |
| Other receivables   | 248                             | 172                  |
| Inventories, net  | 11,311                          | 12,306               |
| Prepaid expenses and other current assets   | 442                             | 519                  |
| Current deferred income taxes   | 1,461                           | 1,454                |
| <b>TOTAL CURRENT ASSETS</b>   | <b>36,922</b>                   | <b>35,241</b>        |
| Equipment and leasehold improvements, net   | 3,321                           | 3,746                |
| Goodwill, net   | 15,386                          | 15,189               |
| Other intangible assets, net  | 981                             | 896                  |
| Deferred income taxes   | 908                             | 590                  |
| Other assets  | 180                             | 145                  |
| <b>TOTAL ASSETS</b>   | <b>\$ 57,698</b>                | <b>\$ 55,807</b>     |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                                 |                      |
| <b>CURRENT LIABILITIES:</b>   |                                 |                      |
| Amounts outstanding under revolving credit agreements   | \$ 42                           | \$ 973               |
| Current maturities of capital lease obligations   | 136                             | 267                  |
| Accounts payable  | 1,907                           | 1,910                |
| Accrued expenses  | 4,886                           | 4,376                |
| Income taxes payable  | 435                             | 104                  |
| <b>TOTAL CURRENT LIABILITIES</b>  | <b>7,406</b>                    | <b>7,630</b>         |
| Advances and notes payable to related parties   | —                               | 120                  |
| Capital lease obligations, less current maturities  | 11                              | 11                   |
| Minority interest   | 240                             | 219                  |
| Other long-term liabilities   | 70                              | 81                   |
| <b>TOTAL LIABILITIES</b>  | <b>7,727</b>                    | <b>8,061</b>         |
| <b>STOCKHOLDERS' EQUITY</b>   |                                 |                      |
| Preferred stock - \$.001 par value; 1,000,000 shares authorized; none issued and outstanding at June 30, 2002, and December 31, 2001  | —                               | —                    |
| Common stock - \$.001 par value; 50,000,000 shares authorized; 9,455,995 shares issued and outstanding at June 30, 2002, and 9,100,745 shares issued and outstanding at December 31, 2001 | 9                               | 9                    |
| Additional paid-in-capital  | 46,635                          | 45,565               |
| Deferred compensation   | (1,017)                         | —                    |
| Retained earnings   | 4,933                           | 3,590                |
| Accumulated other comprehensive loss  | (557)                           | (1,386)              |
| Treasury stock at cost - 3,572 shares at June 30, 2002, and December 31, 2001   | (32)                            | (32)                 |
| <b>TOTAL STOCKHOLDERS' EQUITY</b>   | <b>49,971</b>                   | <b>47,746</b>        |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>   | <b>\$ 57,698</b>                | <b>\$ 55,807</b>     |

See accompanying notes to consolidated financial statements.

**BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In Thousands of Dollars, Except Share and Per Share Amounts)  
(Unaudited)

|   | Three Months Ended |                  | Six Months Ended |                  |
|---|--------------------|------------------|------------------|------------------|
|   | June 30,<br>2002   | June 30,<br>2001 | June 30,<br>2002 | June 30,<br>2001 |
| Net sales   | \$ 16,712          | \$ 15,792        | \$ 29,088        | \$ 29,638        |
| Cost of goods sold                                    | 8,409              | 8,393            | 15,352           | 15,434           |
| Gross profit  | 8,303              | 7,399            | 13,736           | 14,204           |
| Operating expenses:                                   |                    |                  |                  |                  |
| Research and development                              | 1,010              | 832              | 1,885            | 2,135            |
| Selling, general and administrative                   | 4,972              | 5,309            | 9,767            | 11,144           |
| Amortization of goodwill                              | —                  | 212              | —                | 446              |
| Amortization of intangibles                           | 62                 | 63               | 102              | 104              |
| Restructuring and other charges                       | —                  | —                | —                | 35               |
| Income from operations                                | 2,259              | 983              | 1,982            | 340              |
| Other (income) expenses:                              |                    |                  |                  |                  |
| Interest income                                       | (93)               | (119)            | (192)            | (267)            |
| Interest expense                                      | 39                 | 28               | 113              | 59               |
| Minority interest of consolidated subsidiaries        | 21                 | —                | 21               | —                |
| Other (income) expense, net                           | (144)              | (18)             | (140)            | (37)             |
| Income before income taxes                            | 2,436              | 1,092            | 2,180            | 585              |
| Income tax expense (benefit)                          | 810                | 416              | 837              | 125              |
| Net income  | \$ 1,626           | \$ 676           | \$ 1,343         | \$ 460           |
| Basic net income per common share                     | \$ 0.17            | \$ 0.07          | \$ 0.15          | \$ 0.05          |
| Diluted net income per common share                   | \$ 0.17            | \$ 0.07          | \$ 0.15          | \$ 0.05          |
| Weighted average number of common shares outstanding- |                    |                  |                  |                  |
| Basic   | 9,397,803          | 10,112,956       | 9,250,094        | 10,112,956       |
| Weighted average number of common shares outstanding- |                    |                  |                  |                  |
| Diluted   | 9,416,232          | 10,112,956       | 9,257,970        | 10,112,956       |

See accompanying notes to consolidated financial statements.

**BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
(In Thousands of Dollars, Except Share and Per Share Amounts)  
(Unaudited)

|  | <u>Common Stock</u>         |               | <u>Additional<br/>Paid-In<br/>Capital</u> | <u>Deferred<br/>Compensation</u> | <u>Retained<br/>Earnings</u> | <u>Accumulated<br/>Other<br/>Comprehensive<br/>Loss</u> | <u>Treasury Stock</u>       |                | <u>Total</u>     |
|--|-----------------------------|---------------|---|----------------------------------|------------------------------|---|-----------------------------|----------------|------------------|
|  | <u>Number of<br/>Shares</u> | <u>Amount</u> |   |                                  |                              |   | <u>Number of<br/>Shares</u> | <u>Amount</u>  |                  |
| Balance at January 1,<br>2002            | 9,100,745                   | \$ 9          | \$ 45,565                                 | \$ —                             | \$ 3,590                     | \$ (1,386)  | 3,572                       | \$ (32)        | \$ 47,746        |
| Employee restricted<br>stock grants      | 355,250                     | —             | 1,070                                     | (1,070)                          | —                            | —   | —                           | —              | —                |
| Deferred<br>compensation<br>amortization | —                           | —             | —   | 53                               | —                            | —   | —                           | —              | 53               |
| Comprehensive<br>income:                 |                             |               |   |                                  |                              |   |                             |                |                  |
| Net income                               | —                           | —             | —   | —                                | 1,343                        | —   | —                           | —              | —                |
| Translation<br>adjustments               | —                           | —             | —   | —                                | —                            | 829   | —                           | —              | —                |
| Comprehensive<br>income                  | —                           | —             | —   | —                                | —                            | —   | —                           | —              | 2,172            |
| Balance at June 30,<br>2002              | <u>9,455,995</u>            | <u>\$ 9</u>   | <u>\$ 46,635</u>                          | <u>\$ (1,017)</u>                | <u>\$ 4,933</u>              | <u>\$ (557)</u>   | <u>3,572</u>                | <u>\$ (32)</u> | <u>\$ 49,971</u> |

See accompanying notes to consolidated financial statements.

**BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In Thousands of Dollars, Except Share and Per Share Amounts)  
(Unaudited)

|   | Six Months Ended June 30, |                         |
|---|---------------------------|-------------------------|
|   | 2002                      | 2001                    |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                           |                         |
| Net income  | \$ 1,343                  | \$ 460                  |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: |                           |                         |
| Depreciation and amortization   | 846                       | 859                     |
| Amortization of goodwill  | —                         | 446                     |
| Amortization of intangible assets   | 102                       | 104                     |
| Deferred compensation   | 53                        | —                       |
| Provisions for doubtful accounts  | 137                       | 109                     |
| Utilization of pre-acquisition NOL charged to goodwill                                      | 54                        | 54                      |
| Deferred income taxes   | (184)                     | (198)                   |
| Forgiveness of notes payable to related parties   | (122)                     | —                       |
| Minority interest   | 21                        | —                       |
| Change in operating assets and liabilities:   |                           |                         |
| Receivables   | (1,795)                   | (716)                   |
| Inventories   | 1,265                     | (164)                   |
| Prepaid expenses and other current assets   | 88                        | (11)                    |
| Accounts payable and accrued expenses   | (24)                      | 413                     |
| Other   | (45)                      | (146)                   |
| Net cash provided by operating activities   | <u>1,739</u>              | <u>1,210</u>            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                           |                         |
| Purchase of equipment and leasehold improvements  | (280)                     | (749)                   |
| Acquisition of intangibles  | (3)                       | —                       |
| Proceeds from sale of marketable securities   | 465                       | —                       |
| Net cash provided by (used in) investing activities   | <u>182</u>                | <u>(749)</u>            |
| <b>CASH FLOW FROM FINANCING ACTIVITIES:</b>   |                           |                         |
| Principal payments under capital lease obligations  | (131)                     | (125)                   |
| Forgiveness of notes payable to related parties   | 122                       | —                       |
| Decrease in borrowings under revolving credit agreements, net                               | (953)                     | (881)                   |
| Net cash used in financing activities   | <u>(962)</u>              | <u>(1,006)</u>          |
| Effects of foreign exchange rate on cash  | <u>47</u>                 | <u>(47)</u>             |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                     | <b>1,006</b>              | <b>(592)</b>            |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>                                     | <b><u>11,001</u></b>      | <b><u>12,158</u></b>    |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>   | <b><u>\$ 12,007</u></b>   | <b><u>\$ 11,566</u></b> |
| <b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>  |                           |                         |
| Cash paid for interest  | \$ 62                     | \$ 54                   |
| Cash paid for income taxes  | 801                       | 326                     |

See accompanying notes to consolidated financial statements.

**BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(In Thousands of Dollars, Except Share and Per Share Amounts)**  
**(Unaudited)**

1. **Basis of Presentation**

The consolidated balance sheet of Bogen Communications International, Inc. and its subsidiaries (the "Company") as of December 31, 2001, has been derived from the audited consolidated balance sheet contained in the Company's Annual Report on Form 10-K and is presented for comparative purposes. The consolidated balance sheet as of June 30, 2002, the consolidated statements of operations for the three and six months ended June 30, 2002 and 2001, the consolidated statements of cash flows for the six months ended June 30, 2002 and 2001, and the consolidated statement of changes in stockholders' equity for the six months ended June 30, 2002, are unaudited. In the opinion of management, all significant adjustments, including normal recurring adjustments necessary to present fairly the financial position, results of operations and cash flows for all periods presented have been made. Certain prior year balances have been reclassified to conform to the current year's presentation. The results of operations for interim periods are not necessarily indicative of the operating results for the full year.

Footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been substantially omitted in accordance with the published rules and regulations of the Securities and Exchange Commission ("SEC"). These consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

2. **Principles of Consolidation**

The consolidated financial statements of the Company include the accounts of the Company's 99% owned subsidiary, Bogen Corporation ("Bogen"); Bogen's wholly-owned subsidiary, Bogen Communications, Inc. ("BCI"); BCI's wholly-owned subsidiary, Apogee Sound International, LLC ("Apogee"); the Company's 98% owned subsidiary, Speech Design International, Inc. ("SDI"); SDI's wholly-owned subsidiary, Speech Design GmbH ("Speech Design"); and Speech Design's wholly-owned subsidiaries: Satelco AG ("Satelco")(effective June 30, 2002), Speech Design (Israel), Ltd., and Speech Design Carrier Systems GmbH ("Carrier Systems") (formerly Digitronic Computersysteme GmbH). All significant inter-company balances and transactions have been eliminated in consolidation.

The ownership interests of minority owners in the equity and earnings of the Company's less than 100 percent-owned consolidated subsidiaries are recorded as minority interest.

3. **Revenue Recognition**

The Company derives its revenue from primarily two sources: (i) sale of sound processing and telecommunications peripheral equipment and (ii) services and support revenue for telecommunications equipment and Unified Messaging products. The Company recognizes revenue from the sale of equipment. Services and support revenue are recognized upon customer acceptance where a product deliverable or repair is called for, or ratably over the contract term in case of support or maintenance contracts. In the case of services subject to customer acceptance, recognition occurs upon the earlier of receipt of a written customer acceptance or expiration of the acceptance period.

In June 2001, the Company adopted the provisions of the Financial Accounting Standards Board's ("FASB") Emerging Issues Task Force ("EITF") Issue No. 00-22, "Accounting for "Point" and Other Loyalty Programs", which classified customer rebates as a reduction of sales, and Issue No. 00-25, "Accounting for Consideration from a Vendor to a Retailer in Connection with the Purchase or Promotion of the Vendor's Products", which classifies such consideration as a reduction of sales. Consequently, the Company has reclassified such expenses that were previously a component of selling, general, and administrative expenses against sales. As a result of these reclassifications, sales were decreased by \$259 and \$503 for the three and six months ended June 30, 2001. There is no effect on operating income.

4. **Comprehensive Income**

The Company has determined total comprehensive income (loss) to be \$2,625 and \$2,172, respectively, for the three and six months ended June 30, 2002, and \$496 and \$(252), respectively, for the three and six months ended June 30, 2001. The Company's total comprehensive income or loss represents net income or loss plus the change in the cumulative translation adjustment equity account for the periods presented.

5. **Segments**

The Company operates in two reportable business segments, Bogen (domestic) and Speech Design (foreign). The domestic segment is primarily engaged in commercial and engineered sound equipment and telecommunications peripherals. The foreign segment focuses on digital voice processing systems for the mid-sized PABX market and in Unified Messaging products and services, targeting the European voice processing and Unified Messaging markets.

The following tables present information about the Company by segment area. Inter-segment revenues and transfers are considered immaterial:

**Six Months Ended**

|                                 | June 30, 2002 |               | June 30, 2001 |               |
|---------------------------------|---------------|---------------|---------------|---------------|
|                                 | Bogen         | Speech Design | Bogen         | Speech Design |
| Revenue from external customers | \$ 21,188     | \$ 7,900      | \$ 19,754     | \$ 9,844      |
| Operating income                | 1,986         | 148           | 682           | 105           |

**Three Months Ended**

|                                 | June 30, 2002 |               | June 30, 2001 |               |
|---------------------------------|---------------|---------------|---------------|---------------|
|                                 | Bogen         | Speech Design | Bogen         | Speech Design |
| Revenue from external customers | \$ 11,481     | \$ 5,231      | \$ 11,041     | \$ 4,751      |
| Operating income                | 1,423         | 919           | 1,111         | 82            |

A reconciliation of reportable segment operating income to the Company's consolidated totals is as follows:

|  | Three Months Ended<br>June 30, |          | Six Months Ended<br>June 30, |        |
|--|--------------------------------|----------|------------------------------|--------|
|  | 2002                           | 2001     | 2002                         | 2001   |
| Operating income:                              |                                |          |                              |        |
| Total operating income for reportable segments | \$ 2,342                       | \$ 1,193 | \$ 2,134                     | \$ 787 |
| Other corporate expenses                       | (83)                           | (210)    | (152)                        | (447)  |
| Operating income                               | \$ 2,259                       | \$ 983   | \$ 1,982                     | \$ 340 |

6. **Inventories**

Inventories are stated at the lower of cost or market and are valued using the first-in, first-out method. Inventories are as follows:

|                            | <u>June 30,</u><br><u>2002</u> | <u>December 31,</u><br><u>2001</u> |
|----------------------------|--------------------------------|------------------------------------|
| Raw materials and supplies | \$ 3,242                       | \$ 3,367                           |
| Work in progress           | 643                            | 627                                |
| Finished goods             | 7,426                          | 8,312                              |
| Total                      | <u>\$ 11,311</u>               | <u>\$ 12,306</u>                   |

7. **Net Income Per Share**

Basic income (loss) per common share is computed by dividing net income (loss) per common share by the weighted-average number of common shares outstanding for the periods presented. Diluted income (loss) per common share is computed by dividing net income (loss) per common share by the weighted-average number of common shares outstanding and all potentially dilutive common shares, consisting of outstanding warrants and stock options, for the periods presented. At June 30, 2002, there were 1,547,235 options and 825,885 warrants outstanding.

8. **Income Tax**

Domestic and foreign income (loss) before income taxes includes income or loss derived from operations in the respective U.S. and foreign geographic areas, whereas provisions for taxes on income or loss include all income taxes payable to U.S., foreign and other governments as applicable, regardless of the sites in which the taxable income or loss is generated. Income tax expense (benefit) for the three and six months ended June 30, 2002 and 2001, differs from the amount computed by applying the U.S. Federal statutory rates primarily due to the creation of foreign loss carryforwards, foreign tax exemptions, and the utilization of U.S. pre-acquisition loss carryforwards for which the benefit reduces goodwill.

The Company has established valuation allowances covering certain of its deferred tax assets. These allowances were \$791 and \$948 as of June 30, 2002, and December 31, 2001, respectively. The valuation allowance was established due to the uncertainty of the realization of these deferred tax assets. A portion of the deferred tax assets, which are currently subject to a valuation allowance, may be allocated to reduce goodwill or other non-current intangible assets when subsequently recognized.

9. **Goodwill**

Pursuant to the terms of the Carrier Systems acquisition agreement, approximately \$200 was recorded as additional goodwill. The terms of the acquisition agreement provided for additional cash consideration to be paid if Carrier Systems sales exceeded certain targeted levels for the two years ended December 31, 2001. As of June 30, 2002, no additional contingent consideration will be earned by the sellers.

In July 2001, the FASB Issued Statement No. 141, "Business Combinations", ("SFAS 141") and Statement No. 142, "Goodwill and Other Intangible Assets", ("SFAS 142"). SFAS 141 requires that the purchase method of accounting be used for all business combinations completed after June 30, 2001. SFAS 141 also specifies that intangible assets acquired in a purchase method business combination must meet certain criteria to be recognized and reported apart from goodwill. SFAS 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized. Instead, they will be tested for impairment at least annually in accordance with the provisions of SFAS 142. SFAS 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values and reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". The Company adopted the provisions of SFAS 141 for acquisitions initiated after June 30, 2001, and SFAS 142 effective January 1, 2002. In connection with the transitional goodwill impairment evaluation, SFAS 142 requires the Company to perform an assessment of whether there is an indication that goodwill is impaired as of the date of adoption. To the extent an indication exists that the goodwill may be impaired, the Company must measure the impairment loss, if any. Any transitional impairment loss will be recognized as the cumulative effect of a change in accounting principle in the Company's consolidated statements of operations. The Company had approximately \$15,214 of unamortized goodwill as of January 1, 2002, which was subject to the transition provisions of SFAS 142. The Company completed its transitional goodwill impairment assessment in the second quarter of fiscal year 2002. The assessment indicated that there was no goodwill impairment. The Company will perform its annual impairment test in the fourth quarter of each fiscal year, upon completion and approval of the Company's financial operating plan.

The following disclosure presents certain information on the Company's acquired intangible assets as of June 30, 2002, and December 31, 2001. All intangible assets are being amortized over their estimated useful lives, as indicated below, with no estimated residual values.

| <u>Acquired Intangible Assets</u>     | <u>Weighted-Average Amortization Period</u> | <u>Gross Carrying Amount</u> | <u>Accumulated Amortization</u> | <u>Net Balance</u> |
|---------------------------------------|---|------------------------------|---------------------------------|--------------------|
| <b>At June 30, 2002</b>               |   |                              |                                 |                    |
| Amortized acquired intangible assets: |   |                              |                                 |                    |
| Patents                               | 10 years                                    | \$ 58                        | \$ (37)                         | \$ 21              |
| Trademarks                            | 15 years                                    | 667                          | (188)                           | 479                |
| Organization Costs                    | 5 years                                     | 53                           | (53)                            | —                  |
| Workforce                             | 15 years                                    | —                            | —                               | —                  |
| Brandnames                            | 7 years                                     | 130                          | (65)                            | 65                 |
| Technology                            | 4 years                                     | 461                          | (230)                           | 231                |
| Non-compete Agreements                | 1.5 years                                   | 171                          | —                               | 171                |
| Customer Lists                        | 7 years                                     | 148                          | (134)                           | 14                 |
|                                       |   | <u>\$ 1,688</u>              | <u>\$ (707)</u>                 | <u>\$ 981</u>      |
| <b>At December 31, 2001</b>           |   |                              |                                 |                    |
| Amortized acquired intangible assets: |   |                              |                                 |                    |
| Patents                               | 10 years                                    | \$ 55                        | \$ (36)                         | \$ 19              |
| Trademarks                            | 15 years                                    | 667                          | (158)                           | 509                |
| Organization Costs                    | 5 years                                     | 53                           | (53)                            | —                  |
| Workforce                             | 15 years                                    | 224                          | (54)                            | 170                |
| Brandnames                            | 7 years                                     | —                            | —                               | —                  |
| Technology                            | 4 years                                     | 271                          | (91)                            | 180                |
| Customer Lists                        | 7 years                                     | 134                          | (116)                           | 18                 |
|                                       |   | <u>\$ 1,404</u>              | <u>\$ (508)</u>                 | <u>\$ 896</u>      |

The aggregate acquired intangible amortization expense for the three and six month periods ended June 30, 2002, was approximately \$62 and \$102, respectively. The estimated acquired intangible asset amortization expense for the fiscal year ended December 31, 2002, and for the four subsequent years ended December 31, 2002, is as follows:

| <u>Fiscal Year Ended December 31,</u> | <u>Estimated Amortization Expense</u> |
|---------------------------------------|---------------------------------------|
| 2002                                  | \$ 261                                |
| 2003                                  | \$ 304                                |
| 2004                                  | \$ 89                                 |
| 2005                                  | \$ 89                                 |
| 2006                                  | \$ 48                                 |

The table below reconciles the change in the carrying amount of goodwill, by operating segment, for the period from December 2001, to June 30, 2002:

|  | <u>Domestic</u>  | <u>Foreign</u>  | <u>Total</u>     |
|--|------------------|-----------------|------------------|
| Balance at December 31, 2001                             | \$ 10,290        | \$ 4,899        | \$ 15,189        |
| Effect of adoption of SFAS 141 and 142:                  |                  |                 |                  |
| Brandname reclassification to Intangible Assets          | —                | (66)            | (66)             |
| Technology reclassification to Intangible Assets         | —                | (80)            | (80)             |
| Workforce reclassification from Intangible Assets        | —                | 171             | 171              |
| Balance at January 1, 2002                               | 10,290           | 4,924           | 15,214           |
| Increase to Carrier Systems earnout agreement            | —                | 199             | 199              |
| Utilization of pre-acquisition NOL's charged to goodwill | (54)             | (38)            | (92)             |
| Foreign currency translation adjustments                 | —                | 65              | 65               |
| Balance at June 30, 2002                                 | <u>\$ 10,236</u> | <u>\$ 5,150</u> | <u>\$ 15,386</u> |

Amortization expense related to goodwill was approximately \$212 and \$446 for the three and six months ended June 30, 2001. Other than the non-amortization of goodwill, the Company's adoption of SFAS 142 is not expected to have a material effect on its revenue, operating results or liquidity.

A reconciliation of net income and income per common share under the Company's adoption of SFAS 142 is as follows:

|                                      | Three Months Ended<br>June 30, |                | Six Months Ended<br>June 30, |                |
|--------------------------------------|--------------------------------|----------------|------------------------------|----------------|
|                                      | 2002                           | 2001           | 2002                         | 2001           |
| Reported net income                  | \$ 1,626                       | \$ 676         | \$ 1,343                     | \$ 460         |
| Add back: Goodwill amortization      | —                              | 212            | —                            | 446            |
| Adjusted net income                  | <u>\$ 1,626</u>                | <u>\$ 888</u>  | <u>\$ 1,343</u>              | <u>\$ 906</u>  |
| Basic net income per common share:   |                                |                |                              |                |
| Reported net income                  | \$ 0.17                        | \$ 0.07        | \$ 0.15                      | \$ 0.05        |
| Add back: Goodwill amortization      | 0.00                           | 0.02           | 0.00                         | 0.04           |
| Adjusted net income                  | <u>\$ 0.17</u>                 | <u>\$ 0.09</u> | <u>\$ 0.15</u>               | <u>\$ 0.09</u> |
| Diluted net income per common share: |                                |                |                              |                |
| Reported net income                  | \$ 0.17                        | \$ 0.07        | \$ 0.15                      | \$ 0.05        |
| Add back: Goodwill amortization      | 0.00                           | 0.02           | 0.00                         | 0.04           |
| Adjusted net income                  | <u>\$ 0.17</u>                 | <u>\$ 0.09</u> | <u>\$ 0.15</u>               | <u>\$ 0.09</u> |

10. **Revolving Credit Agreements**

On April 21, 1998, the Company and BCI entered into a \$27,000 credit facility (the "Facility") with KeyBank National Association ("Key"), which matured on April 30, 2001. The Facility provided, subject to certain criteria, for a \$20,000 revolving line of credit for acquisition financing and a \$7,000 working capital line. Effective June 30, 2001, the Company and Key entered into a Modification Agreement (The "Agreement"), under which the working capital line was reduced to \$5,000 and the parties agreed to an unsecured \$20,000 line of credit for acquisition financing. The Agreement extended the provisions, warranties, certifications, and other criteria of the expired Facility to June 30, 2002, and reduced the number of financial covenants required to be met, with which the Company was in compliance for the period ended June 30, 2002. Effective June 30, 2002, the parties agreed to extend the Agreement to June 30, 2003, and increase the working capital line to \$7,000. The Agreement bears interest at either Key's prime rate or, at the borrower's option, LIBOR plus 125 to 200 basis points. As of June 30, 2002, and December 31, 2001, Bogen had no short-term domestic borrowings outstanding under the Agreement.

Speech Design has credit lines and overdraft facilities of approximately 1,360 Euros (approximately \$1,350) from five banks. Speech Design's short-term lines of credit are collateralized by all of Speech Design's accounts receivable and inventory. Speech Design has a 7,669 Euro (\$7,600) credit facility for acquisition financing from D.G. Bank of Frankfurt. The interest rate under the credit facility is up to 200 basis points above the Euribor rate.

At June 30, 2002, and December 31, 2001, Speech Design had short-term borrowings of \$42 and \$973, respectively. At June 30, 2002, amounts available under Speech Design's credit lines were approximately \$1,310. There were no borrowings under either the Bogen or Speech Design acquisition credit facilities.

Total outstanding revolving lines of credit are summarized as follows:

|                                   | <u>June 30,<br/>2002</u> | <u>December 31,<br/>2001</u> |
|-----------------------------------|--------------------------|------------------------------|
| Domestic Lines of Credit Utilized | \$ —                     | \$ —                         |
| Foreign Lines of Credit Utilized: |                          |                              |
| • Speech Design GmbH              | —                        | 785                          |
| • Speech Design Israel            | —                        | 3                            |
| • Carrier Systems                 | —                        | 125                          |
| • Satelco                         | 42                       | 60                           |
|                                   | <u>\$ 42</u>             | <u>\$ 973</u>                |

11. ***Derivative Instruments and Hedging Activities***

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Certain Hedging Activities." In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activity, an Amendment of SFAS 133." These statements establish accounting and reporting standards for derivative instruments, including those embedded on other contracts, and for hedging activities. They require that all derivative instruments be recorded on the balance sheet at their respective fair values. The Company adopted SFAS No. 133 and SFAS No. 138 on January 1, 2001. The Company does not purchase or hold derivative instruments for trading, speculative, or hedging purposes. There were no contracts outstanding as of June 30, 2002, or December 31, 2001, or for the three and six months ending June 30, 2002.

12. ***Minority Interest***

On September 27, 2001, an agreement was signed with 2.T-Telematik Venture Beteiligungsgesellschaft mgH ("T-Venture"), a venture capital subsidiary of Deutsche Telekom AG, a world leader in telecommunications, to sell 2% of SDI, a newly-formed Company subsidiary which now holds all equity in Speech Design, the company's European operation, to T-Venture. Sale of the SDI common stock minority holding was for approximately 842 Euros, about \$765 as of the date of the agreement, less expenses of \$104. T-Venture also received a warrant to purchase another 2% of SDI shares at prices that, if SDI becomes separately traded, would be established at a discount to initial public market prices. As part of the agreement, within thirty days after both the second and third anniversaries of the agreement date, T-Venture has an option to request that the SDI repurchase all of the common shares held by T-Venture for a price, set by mutual determination or by an appraiser, not to exceed 125% of the total amount paid by T-Venture.

13. **Block Purchase and Tender Offer**

From July 1st to the 3rd, 2002, the Company repurchased approximately 1.6 million shares of its common stock in privately negotiated transactions with two shareholder groups at a price of \$4.00 per share.

On Monday, June 24th, 2002, the Company announced that its Board of Directors has authorized the Company to repurchase up to 2.5 million shares of its common stock in a self-tender offer at a price of \$4.00 per share. The \$4.00 offer price represents a premium of 32% percent when compared to Friday June 21st, 2002 closing price of \$3.03 per share. The offer commenced on July 16th, 2002, and expires at 5:00pm, New York City time, August 13<sup>th</sup>, 2002.

Under the tender offer, shareholders will have the opportunity to tender some or all of their shares at \$4.00 per share. If holders of more than 2,500,000 shares properly tender their shares, the Company will purchase shares tendered by the holders on a pro rata basis. Shareholders whose shares are purchased in the offer will be paid the purchase price in cash, without interest, after the expiration of the offer period. Shares not purchased will be returned to the tendering stockholder. The offer is subject to required regulatory filings, and a number of other terms and conditions specified in the offer to purchase that was distributed to shareholders, but will not, however, be contingent on obtaining financing. The Company has credit facilities in place should the tender offer be fully subscribed.

14. **Satelco Minority Interest Acquisition**

Effective June 30th, 2002, Speech Design acquired the remaining 33% of Satelco it did not already own. Previously, Satelco had been included in the Company's consolidated financial statements and, when applicable, minority interest expense was recorded and the related liability reported. Purchase price for the minority share was 250 Swiss Francs, approximately \$170 as of the date of acquisition, which represents payment for a non-compete agreement with the former minority shareholders. This intangible asset will be amortized over its assessed useful life, which management estimates to be 18 months.

In addition, a note payable to the former minority shareholders was forgiven, resulting in other income of approximately \$122.

15. **Restricted Stock Grants**

In April 2002 the Company granted Restricted Stock to certain employees. Each of Messrs. Guss and Fleischer received 105,000 restricted shares pursuant to their employment contracts. Other key employees were issued Restricted Stock in exchange for the cancellation of options they held under the Stock Incentive Plan. The total number of restricted shares issued to the other key employees was approximately 145,000.

*All statements contained herein that are not historical facts, including, but not limited to, statements regarding Bogen Communications International, Inc. and its subsidiaries, (collectively the "Company"), and its current business strategy, projected sources and uses of cash, and plans for future development and operations, are based upon current expectations. These statements are forward-looking in nature and involve a number of risks and uncertainties. Actual results may differ materially. Among the factors that could cause actual results to differ materially are the following: competitive factors, including the fact that the Company's competitors are highly focused and may have greater resources and/or name recognition than the Company; changes in technology and the Company's ability to develop or acquire new or improved products and/or modify and upgrade its existing products, including, but not limited to, the introduction and development of the Company's products; changes in labor, equipment and capital costs; changes in access to suppliers and sub-contractors; currency fluctuations; changes in United States and foreign regulations affecting the Company's business; future acquisitions or strategic partnerships; implementation or termination of strategic initiatives or transactions; the availability of sufficient capital to finance potential acquisitions on terms satisfactory to the Company; the effect of the tender offer and possible modifications thereto; general business and economic conditions; political instability in certain regions; employee turnover; issues relating to the Company's internal systems; and other factors described from time to time in the Company's reports filed with the Securities and Exchange Commission. The Company wishes to caution readers not to place undue reliance on any such forward-looking statements, which are made pursuant to the Private Litigation Reform Act of 1995 and, as such, speak only as of the date made*

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

The following discussion addresses the financial condition of the Company as of June 30, 2002, and the results of its operations for the three and six-month periods ended June 30, 2002, compared to the same periods last year. The discussion should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2001, included in the Company's 2001 Annual Report on Form 10-K for the year ended December 31, 2001.

**Results of Operations**

Three Months Ended June 30, 2002, Compared to the Three Months Ended June 30, 2001

**Net Sales**

Net sales of \$16,712,000 for the three months ended June 30, 2002, increased 5.8% from the \$15,792,000 recorded in the same period in 2001. Bogen's domestic revenues increased 4.0%. 30.8% growth by Engineered Systems products offset static or declining revenues in the other product lines. Speech Design revenues in U.S. dollars improved 10.1% from 2001. In Euros, Speech Design revenues increased 4.4%; currency exchange fluctuations accounted for the remaining percentage increase.

**Bogen (domestic)**

Bogen sales results of \$11,481 for the second quarter of 2002 were mixed when compared to the same period in 2001. Telco net sales in the three months ended June 30, 2002, were \$3,641,000 versus \$3,581,000 in the same period in 2001, an increase of 1.7%. Growth in non-OEM product sales was offset by a decrease in OEM product revenues. Net sales of Commercial Audio products totaled \$2,314,000 in the second three months of 2002, down \$242,000 (9.4%) from net sales of \$2,556,000 in the same period in 2001.

Net sales of the Engineered System line increased \$983,000, to \$4,176,000 in the second quarter of 2002 from \$3,193,000 in the same period last year. Net sales of Pro Audio products amounted to \$1,350,000 in 2002, down 21.1% from the \$1,711,000 recorded in 2001.

**Speech Design (foreign)**

Speech Design's net sales in the second quarter of 2002 were \$5,231,000 compared to \$4,751,000 in the same period in 2001, an increase of \$480,000. In Euros, net sales in 2002 increased to 5,689,000 Euros, 242,000 Euros more than the 5,447,000 Euros in 2001. Speech Design's Telco product line continued to be negatively affected by the continuing softness in the European telecommunications markets, which has caused significant spending reductions by end users, while the Unified Messaging benefited from several large contracts with telecom carriers. Unified Messaging services increased to \$2,207,000 in the second quarter of 2002 from \$1,500,000 in the same period in 2001, but Telco sales decreased to \$3,024,000 for the three months ended June 30, 2002, from the \$3,251,000 reported in the same period in 2001.

**Gross Profit**

The Company's gross profit as a percentage of sales increased to 49.7% for the three months ended June 30, 2002, from 46.9% for the same period last year. Gross profit was \$8,303,000 in 2002, an increase of \$904,000, or 12.2%, from \$7,399,000 in 2001.

Bogen's gross profit as a percentage of sales increased to 44.4% in second quarter of 2002 from 43.6% in the second quarter of 2001. This percentage increase is reflective of fluctuations in Bogen's product line sales mix and by certain cost efficiencies that were implemented in early 2001. Gross profit increased to \$5,095,000 in 2002 from \$4,809,000 in 2001.

Speech Design's gross profit increased to \$3,208,000 in the second quarter of 2002 from \$2,590,000 in the same period last year. Gross profit as a percentage of sales grew to 61.3% in 2002 from 54.5% in 2001. The improvement can be attributed to higher revenues in Unified Messaging products and services, offset partly by the absorption of fixed costs relative to lower Telco sales volume. Unified Messaging products and services generally have a higher gross margin than Telco products.

**Research and Development**

The Company's Research and Development ("R&D") programs are designed to efficiently introduce innovative products in a timely manner. R&D expense was \$1,010,000, or 6.0% of sales in the second quarter of 2002, compared to \$832,000, or 5.3% of sales in the same period of 2001. The \$178,000 increase reflects the effect of the expiration in the second quarter of 2002 of an OEM project at Speech Design, wherein certain costs were recognized as cost of sales and reduced R&D expenses, offset by cost reductions achieved by the restructuring of Speech Design's operations in the third and fourth quarters of 2001.

### **Selling, General and Administrative Expenses**

Selling, general and administrative expenses ("SG&A") in the three months ended June 30, 2002, decreased \$337,000 from the same period in 2001. SG&A expense was \$4,972,000, or 29.8% of sales, in 2002 compared to \$5,309,000, or 33.6% of sales, in 2001. Domestic SG&A costs were down primarily due to lower administrative costs, a result of overhead cost control initiatives implemented throughout 2001. Foreign SG&A expenses decreased due to the restructuring of Speech Design's operations in the second half of 2001 and decreased selling related costs.

### **Interest Income and Expense**

Interest income was \$93,000 in the second quarter of 2002, a decrease of \$26,000 from \$119,000 in the same period in 2001. The decrease is primarily a result of lower interest rates on invested cash in the United States. Interest expense was \$39,000 in 2002, an increase of \$11,000 from \$28,000 in 2001.

### **Other Income**

In second quarter 2002, other income included \$122,000 resulting from former minority shareholders of Satecco forgiving a related party note payable.

### **Income Taxes**

The Company's tax provision was \$810,000 in the second quarter of 2002, an increase of \$394,000 from a \$416,000 tax provision recorded in the same period in 2001.

Domestic tax expense was \$611,000 in the second quarter of 2002, an increase of \$121,000 from the \$490,000 tax expense in 2001, primarily due to higher pre-tax income. Foreign operations recorded a tax provision of \$199,000 for the second three months of 2002, an increase of \$273,000 from the \$74,000 tax benefit recorded in the three months ended June 30, 2001, primarily due to higher pre-tax income, offset by the tax-exempt status of the Israeli subsidiary.

### **Results of Operations**

Six Months Ended June 30, 2002, Compared to the Six Months Ended June 30, 2001

#### **Net Sales**

Net sales of \$29,088,000 for the six months ended June 30, 2002, were 1.9% below the \$29,638,000 recorded in the same period in 2001. Bogen's domestic revenues increased 7.3%, with 27.8% growth in Engineered Systems sales offsetting flat sales in other product lines. Speech Design revenues in U.S. dollars declined 20.1% from 2001. In Euros, Speech Design revenues decreased 20.8%; currency exchange fluctuations accounted for the remaining percentage change.

#### **Bogen (domestic)**

Bogen product line sales results were mixed when compared to 2001. Telco net sales in the first six months of 2002 were \$7,130,000 versus \$6,945,000 in the same period in 2001, an increase of \$185,000 or 2.7%. Growth in non-OEM product sales was offset a decrease in OEM product revenues. Net sales of Commercial Audio products totaled \$4,539,000 in the first six months of 2002, down \$79,000 (1.7%) from net sales of \$4,618,000 in the first half of 2001.

Net sales of the Engineered System line increased to \$6,933,000 in the first half of 2002, up \$1,509,000 from \$5,424,000 in the same period last year. Net sales of Pro Audio products amounted to \$2,586,000 in 2002, down 6.6% from the \$2,767,000 recorded in 2001.

### **Speech Design (foreign)**

Speech Design's net sales in the first six months of 2002 were \$7,900,000 compared to \$9,884,000 in the same period in 2001, a decrease of \$1,984,000. In Euros, net sales in 2002 decreased to 8,753,000 Euros, 2,297,000 Euros below the 11,050,000 Euros in 2001. Both of Speech Design's product lines were negatively affected by the continuing softness in both the European telecommunications and Unified Messaging markets, which has caused significant spending reductions by end users and telecom carriers. Unified Messaging services declined to \$2,325,000 in the six months ended June 30, 2002, from \$2,590,000 in 2001 and Telco sales decreased to \$5,575,000 for the six months ended June 30, 2002, from the \$7,294,000 reported in the same period in 2001.

### **Gross Profit**

The Company's gross profit as a percentage of sales decreased to 47.2% for the six months ended June 30, 2002, from 47.9% for the same period last year. Gross profit was \$13,736,000 in 2002, a decrease of \$468,000, or 3.3%, from \$14,204,000 in 2001. The decline is primarily due to the greater weighting of domestic sales and gross profit as a percentage of total results.

Bogen's gross profit as a percentage of sales was 43.2% in the first six months of 2002, the same as in 2001. This similarity is due to a combination of fluctuations in Bogen's product line sales mix, as indicated by increases in Engineered Systems, which historically has lower gross margins as compared to the other Bogen product lines, offset by certain cost efficiencies implemented in early 2001. Gross profit increased to \$9,151,000 in 2002 from \$8,542,000 in 2001.

Speech Design's gross profit decreased to \$4,585,000 in the first six months of 2002 from \$5,662,000 in the period of 2001. Gross profit as a percentage of sales increased to 58.0% in 2002 from 57.3% in 2001. The increase can be attributed to the higher revenues in Unified Messaging products and services partly offset by the absorption of fixed costs relative to lower Telco sales volume. Unified Messaging products and services generally have a higher gross margin than Telco products.

### **Research and Development**

The Company's Research and Development ("R&D") programs are designed to efficiently introduce innovative products in a timely manner. R&D expense was \$1,885,000, or 6.5% of sales, in the first half of 2002, compared to \$2,135,000, or 7.2% of sales, in the same period of 2001. The \$250,000 decrease primarily reflects cost reductions achieved by the restructuring of Speech Design's operations in the third and fourth quarters of 2001.

### **Selling, General and Administrative Expenses**

Selling, general and administrative expenses ("SG&A") in the six months ended June 30, 2002, decreased \$1,377,000 from the same period in 2001. SG&A expense was \$9,767,000, or 33.6% of sales, in 2002 compared to \$11,144,000, or 37.6% of sales, in 2001. Domestic SG&A costs were down primarily due to lower administrative costs, a result of overhead cost control initiatives implemented throughout 2001. Foreign SG&A expenses decreased due to the restructuring of Speech Design's operations in the second half of 2001 and decreased selling related expenses.

### **Restructuring and Other Charges**

In the first quarter of 2001, the Company recorded approximately \$35,000 for expenses incurred in connection with its exploration of alternatives for enhancing shareholder value, which included a possible separation of the domestic and foreign businesses.

### **Interest Income and Expense**

Interest income was \$192,000 in the first six months of 2002, a decrease of \$75,000 from \$267,000 in the same period in 2001. The decrease is primarily a result of lower interest rates on invested cash in the United States.

Interest expense was \$113,000 in 2002, an increase of \$54,000 from \$59,000 in 2001. The increase is primarily from interest on payments made related to prior period tax filings.

### **Other Income**

Other income for the six months ended June 30<sup>th</sup>, 2002, included \$122,000 resulting from former minority shareholders of Satelco forgiving a related party note payable.

### **Income Taxes**

The Company's tax provision was \$837,000 in the first half of 2002, an increase of \$712,000 from a \$125,000 tax provision recorded in the first half of 2001.

Domestic tax expense was \$862,000 in the six months ended June 30, 2002, an increase of \$591,000 from the \$271,000 tax provision for the same period in 2001, primarily due to higher income. Foreign operations recorded a tax benefit of \$25,000 for the first six months of 2002, a decrease of \$121,000 from the \$146,000 tax benefit recorded in the first six months of 2001, primarily due to higher profits being offset by the tax-exempt status of the Israeli subsidiary.

### **Liquidity and Capital Resources**

During the six months ended June 30, 2002, the company's cash position improved due to net profits, which were offset by debt reduction and tax payments.

Net cash provided by the Company's operating activities was \$1,739,000, primarily due to net income of \$1,343,000. The increase in net receivables, due to the increase in sales when compared to the fourth quarter of 2001, was offset mostly by the reduction in inventory.

Net cash provided by investing activities was \$182,000, which was comprised of proceeds from the sale of certain marketable securities \$465,000, offset by purchases of \$280,000 for fixed assets, primarily computer hardware and software and other office equipment.

Net cash used in financing activities was \$962,000. The Company paid down \$953,000 of its existing lines of credit and \$131,000 of capitalized lease obligations.

As of June 30, 2002, the Company's total liabilities were \$7,727,000, of which \$7,406,000 is due and payable within within one year.

On April 21, 1998, the Company and BCI entered into a \$27,000,000 credit facility (the Facility”) with KeyBank National Association (“Key”), which matured on April 30, 2001. The Facility provided, subject to certain criteria, for a \$20,000,000 revolving line of credit for acquisition financing and a \$7,000,000 working capital line. Effective June 30, 2001, the Company and Key entered into a Modification Agreement (The Agreement”), under which the working capital line was reduced to \$5,000,000 and the parties agreed to an unsecured \$20,000,000 line of credit for acquisition financing. The Agreement extended the provisions, warranties, certifications, and other criteria of the expired Facility to June 30, 2002, and reduced the number of financial covenants required to be met, with which the Company was in compliance for the period ended June 30, 2002. Effective June 30, 2002, the parties agreed to extend the Agreement to June 30, 2003, and increase the working capital line to \$7,000,000. The Agreement bears interest at either Key’s prime rate or, at the borrower’s option, LIBOR plus 125 to 200 basis points. As of June 30, 2002 and December 31, 2001, the Company had no short-term domestic borrowings under the Agreement.

Speech Design has credit lines and overdraft facilities of approximately 1,360,000 Euros (approximately \$1,350,000) from five banks. Speech Design’s short-term lines of credit are collateralized by all of Speech Design’s accounts receivable and inventory. Speech Design has a 7,669,000 Euro (approximately \$7,600,000) credit facility for acquisition financing from D.G. Bank of Frankfurt. The interest rate under the credit facility is up to 200 basis points above the Euribor rate.

At June 30, 2002, Speech Design had short-term borrowings amounting to \$42,000. The amounts available under Speech Design’s credit lines were approximately \$1,310,000 at June 30, 2002, with rates tied to short-term bank notes and Euromarket loans. There were no borrowings under either the Bogen or Speech Design acquisition credit facilities.

The Company has undertaken an initiative to repurchase approximately 4.1 million shares of its common stock. In early July 2002, the Company completed two privately negotiated transactions, repurchasing approximately 1.6 million shares at \$4.00 per share, utilizing about \$6.4 million of the Company’s available cash.

On July 16, 2002, the Company commenced a self-tender offer to repurchase up to 2.5 million shares of its common stock at \$4.00 per share. Should this tender offer be fully subscribed, the Company would first draw on its remaining cash resources and then utilize approximately \$3.0 million of its existing working capital line with Key.

Accordingly, the Company’s operations would need to generate sufficient cash flows to provide operating cash to satisfy ongoing working capital needs. The Company believes, although there are no guarantees, that the Company will generate sufficient operating cash flows to provide adequate liquidity to finance its ongoing activities, the self-tender offer, and capital expenditures for the near term.

The Company’s operating lease commitments have not changed materially since December 31, 2001.

### **ITEM 3. MARKET RISK DISCUSSION**

Since the Company operates on a global basis, it is exposed to various foreign currency risks, primarily from the operations of the Company’s German subsidiary, Speech Design. The Company’s consolidated financial statements are denominated in U.S. dollars, whereas Speech Design and its subsidiaries are denominated in different foreign currencies, as follows: Speech Design’s and Carrier Systems’ currency is the Euro, Satelco’s currency is the Swiss Franc, and Speech Design Israel’s currency is the Israeli Shekel. All Speech Design subsidiaries’ financial statements are first translated into Euros; then, Speech Design’s consolidated financial statements are then translated into the U.S. dollar.

Accordingly, changes in exchange rates between the applicable foreign currency and the Euro, and changes in the exchange rates between the Euro and the U.S. dollar will affect the translation of each foreign subsidiary's financial results into U.S. dollars for the purposes of reporting the Company's consolidated financial results.

In general, the Company does not use derivative instruments or hedging to manage its exposure and does not currently hold any material risk sensitive instruments for trading purposes at June 30, 2002. During the three and six months ended June 30, 2002, the Company had no material changes of its market risk assessment.

The above discussion should be read in conjunction with Management's discussion of market risk as reported on Form 10-K for the year ended December 31, 2001, filed with the Securities and Exchange Commission on March 28, 2002.

## **PART II - OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

The Company is party, in the ordinary course of business, to various legal actions and claims that relate to its products, intellectual property, employee matters, or other aspects of its operations. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity.

### **ITEM 2. CHANGES IN SECURITIES**

Not applicable

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable

### **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

On May 29, 2002, the Company held its annual shareholders meeting. At the meeting, the following matters were approved by the shareholders by the following votes:

1. Election of Directors:

|                      | <u>For</u> | <u>Withheld</u> |
|----------------------|------------|-----------------|
| Jonathan Guss        | 7,928,464  | 283,100         |
| Michael P. Fleischer | 7,928,464  | 283,100         |
| Daniel A. Schwartz   | 7,929,014  | 282,550         |
| Yoav Stern           | 7,928,264  | 283,300         |
| Zivi R. Nedivi       | 7,928,414  | 283,150         |

2. Approval of Amendment to Amended and Restated Stock Incentive Plan:

| <u>For</u> | <u>Against</u> | <u>Abstain</u> | <u>Not Voted</u> |
|------------|----------------|----------------|------------------|
| 4,470,891  | 593,971        | 4,100          | 3,142,602        |

3. Ratification of appointment of KPMG LLP as auditors for the fiscal year ending December 31, 2002:

| <u>For</u> | <u>Against</u> | <u>Abstain</u> |
|------------|----------------|----------------|
| 8,191,964  | 18,250         | 1,350          |

**ITEM 5. OTHER INFORMATION**

Not applicable

**ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K**

(a) The following exhibits are included herein:

- 10.44 Second Modification Agreement dated July 15, 2002, between and among Bogen Communications International, Inc., Bogen Communications, Inc. and KeyBank National Association.
- 10.45 Restricted Stock Agreement dated April 22, 2002, between the Company and Kasimir Arciszewski
- 10.46 Restricted Stock Agreement dated April 10, 2002, between the Company and Michael P. Fleischer.
- 10.47 Restricted Stock Agreement dated April 22, 2002, between the Company and Maureen A. Flotard.
- 10.48 Restricted Stock Agreement dated April 10, 2002, between the Company and Jonathan Guss.
- 10.49 Restricted Stock Agreement dated April 22, 2002, between the Company and Hans Meiler.
- 10.50 Restricted Stock Agreement dated April 22, 2002, between the Company and Jeffrey Schwarz.

(b) Reports on Form 8-K

The Company filed a Form 8-K, dated June 24, 2002, announcing that it had repurchased an aggregate of approximately 1.6 million shares of its common stock in privately negotiated transactions with two shareholder groups at a price of \$4.00 per share.

**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.

BOGEN COMMUNICATIONS INTERNATIONAL, INC.  
(Registrant)

Date: July 29, 2002

By: /s/ Michael P. Fleischer  
Name: Michael P. Fleischer  
Title: President

Date: July 29, 2002

By: /s/ Maureen A. Flotard  
Name: Maureen A. Flotard  
Title: Chief Financial Officer  
(Principal Financial and Accounting Officer)

DOC 2 : Header

**SECOND MODIFICATION AGREEMENT**

**THIS SECOND MODIFICATION AGREEMENT** dated as of June 30, 2002 (the "Second Modification") is entered into among **BOGEN COMMUNICATIONS INTERNATIONAL, INC.** and **BOGEN COMMUNICATIONS, INC.**, each a Delaware Corporation (singly, a "Borrower" or collectively, the "Borrowers") and **KEYBANK NATIONAL ASSOCIATION** ("Key") both in its individual capacity and, as Agent for the "Banks" [as that term is defined in a "Credit Agreement" dated as of April 21, 1998 between the Borrowers, the Banks and Key (the "Credit Agreement")].

**RECITALS**

A. The Borrowers and Key previously modified the Credit Agreement by Modification Agreement dated as of June 30, 2001 (the "First Modification Agreement").

B. The Borrowers and Key have negotiated and agreed to further modify certain of the terms of the Credit Agreement and the Loan Documents (as each of those terms are defined in the Credit Agreement).

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

1. **DEFINITIONS.**

- (a) Except as otherwise defined herein, capitalized terms used in this Second Modification shall have those meanings set forth in the Credit Agreement as modified in the First Modification.
- (b) The following definition set forth in the Credit Agreement are modified as follows:

Loan Documents means the Credit Agreement, the Notes, the Guaranty, the L/C Applications, the Collateral Documents, the First Modification and this Second Modification.

Termination Date means the earlier to occur of (a) June 30, 2003, or such later date to which the Termination Date may be extended at the request of the Borrowers and with the consent of each Bank, or (b) such other date on which the Commitment shall terminate pursuant to Sections 6 or 12.

Working Capital Sublimit means Seven Million and NO/100ths (\$7,000,000.00) Dollars.

---

2. MODIFICATIONS TO CREDIT AGREEMENT. In addition to the modifications to the DEFINITIONS set forth in SECTION 1 of the Credit Agreement, the Credit Agreement is further modified as followed:

- (a) Borrowers and the Agent have agreed pursuant to the provisions of Section 6.1 of the Credit Agreement that the Borrowers have requested that the Agent and the Banks agree that the Working Capital Sublimit is increased from Five Million and NO/100ths (\$5,000,000.00) Dollars to Seven Million and NO/100ths (\$7,000,000.00) Dollars.
- (b) The Facility Fee set forth in Section 5.1 is increased from Twelve Thousand Five Hundred and NO/100ths (\$12,500.00) Dollars to Seventeen Thousand Five Hundred and NO/100ths (\$17,500.00) Dollars and said increased amount shall be payable on the date of execution of this document.

3. AFFIRMATION OF LOAN DOCUMENTS. The Borrowers and the Guarantors hereby covenant and agree that all of the promises made in this Second Modification, the First Modification and in the other Loan Documents, except to the extent the same have been modified by this Second Modification, are in all respects valid and binding promises of the parties making the same, enforceable in accordance with their terms.

4. CONFLICT RESOLUTION. The Borrowers and the Guarantors hereby agree that should there be a conflict between the terms of this Second Modification and any of the other Loan Documents, the provisions of this Second Modification shall prevail.

5. AFFIRMATION OF LIENS AND SECURITY INTERESTS. The Borrowers and the Guarantors hereby covenant and agree that the liens and security interests granted to the Agent and the Banks pursuant to the Collateral Documents shall continue to remain in full force and effect and shall also continue as collateral for all of the obligations of the Borrowers under the Loan Documents.

6. AFFIRMATION OF GUARANTYS. The Guarantors affirm their obligations as guarantors of payment.

7. AMENDMENT. This Agreement may not be changed or modified orally but only by an agreement in writing signed by the party or parties against whom enforcement of any waiver, change, modification or discharge is sought.

8. ENTIRE AGREEMENT. This Agreement constitutes the complete agreement of the parties with respect to the subject matter referred to herein and supercedes all prior or contemporaneous negotiations, promises, covenants, agreements or representations of every nature whatsoever with respect thereto all of which have been merged and finely integrated into this Agreement. Each of the parties hereto understands that in the event of any subsequent litigation, controversy or dispute concerning any of the terms, conditions or provisions of this Agreement, no party shall be permitted to offer or to introduce any oral evidence concerning any

oral promises or oral agreements between the parties relating to the subject matter of this Second Modification not included or referred to herein and not reflected by a writing.

9. GOVERNING LAW. This Second Modification shall be construed in accordance with the Laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals as of the day, month and year first above written.

**BOGEN COMMUNICATIONS  
INTERNATIONAL, INC.**

By: /s/ Maureen A. Flotard  
Name: Maureen A. Flotard  
Title: Chief Financial Officer

**BOGEN COMMUNICATIONS, INC.**

By: /s/ Maureen A. Flotard  
Name: Maureen A. Flotard  
Title: Chief Financial Officer

**BOGEN CORPORATION**

By: /s/ Maureen A. Flotard  
Name: Maureen A. Flotard  
Title: Chief Financial Officer

**APOGEE SOUND INTERNATIONAL, LLC**

By: /s/ Maureen A. Flotard  
Name: Maureen A. Flotard  
Title: Chief Financial Officer

**KEYBANK NATIONAL ASSOCIATION**

By: /s/ William B. Palmer  
Name: William B. Palmer  
Title: Vice President

STATE OF NEW JERSEY

COUNTY OF BERGEN ss:

On the 15<sup>th</sup> day of July in the year 2002 before me, the undersigned, a notary public in and for said state, personally appeared Maureen A. Flotard, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual or the person upon behalf of which the individual acted, executed this instrument.

Roberta B. May  
NOTARY PUBLIC

STATE OF NEW YORK

COUNTY OF ALBANY ss:

On the 15<sup>th</sup> day of July in the year 2002 before me, the undersigned, a notary public in and for said state, personally appeared William B. Palmer, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual or the person upon behalf of which the individual acted, executed this instrument.

Richard C. Van Auken  
NOTARY PUBLIC

DOC 3 : Header

**BOGEN COMMUNICATIONS INTERNATIONAL, INC.****RESTRICTED STOCK AWARD AGREEMENT**

This RESTRICTED STOCK AWARD AGREEMENT (the "Agreement") is entered into as of April 22, 2002 (the "Date of Grant") by and between Bogen Communications International, Inc., a Delaware corporation (the "Company") and Kasimir Arciszewski (the "Grantee").

**RECITALS**

The Company has adopted the Amended and Restated 1996 Stock Incentive Plan (which plan, as amended from time to time, is referred to as the "1996 Plan") which provides for the grant under certain circumstances of shares of common stock of the Company (the "Shares"), which Shares have a par value of \$0.001 per share. Capitalized terms used but not defined herein shall have the meanings assigned to them in the 1996 Plan.

Grantee is a key employee of the Company. The Company has granted to Grantee Shares under the Plan (the "Restricted Stock Award"), subject to the terms and conditions set forth below, in connection with the Company's employment of the Grantee.

In consideration of the grant of the Restricted Stock Award and other benefits, the Grantee is willing to accept the Restricted Stock Award provided for in this Agreement and is willing to abide by the obligations imposed on Grantee under this Agreement.

NOW THEREFORE, in consideration of the mutual benefits hereinafter provided, and each intending to be legally bound, the Company and the Grantee hereby agree as follows:

**SECTION 1. EFFECT OF THE PLAN.**

The Grantee will abide by, and the Restricted Stock Award granted to the Grantee will be subject to, all of the provisions of the 1996 Plan and of this Agreement, together with all rules and determinations from time to time issued by the Company's Compensation Committee (the "Committee") and by the Board of Directors of the Company (the "Board") pursuant to the 1996 Plan. The Company hereby reserves the right to amend, modify, restate, supplement or terminate the 1996 Plan without the consent of Grantee, so long as such amendment, modification, restatement or supplement shall not materially reduce the rights and benefits available to Grantee hereunder, and this Agreement shall be subject, without further action by the Company or the Grantee, to such amendment, modification, restatement or supplement.

**SECTION 2. GRANT.**

Subject to the terms and conditions of this Agreement, the Company hereby grants and issues to Grantee Kasimir Arciszewski (20,000) Shares ("Awarded Shares").

**SECTION 3. AWARDED SHARES.**

**SECTION 3.1 VESTING SCHEDULE; SERVICE REQUIREMENT.** Grantee's ownership of Awarded Shares shall become vested (i.e. nonforfeitable) if the Grantee has been employed as an Employee continuously from the Date of Grant to the applicable Vesting Date set forth in the following vesting schedule:

---

| <u>Percentage of Shares Vested</u> | <u>Vesting Date</u> |
|------------------------------------|---------------------|
| 20%                                | April 22, 2003      |
| 20%                                | April 22, 2004      |
| 20%                                | April 22, 2005      |
| 20%                                | April 22, 2006      |
| 20%                                | April 22, 2007      |

**Termination of Employment.** Except as provided in Section 3.3, no additional vesting shall occur upon or after termination of the Grantee's employment, whether by the Company or by the employee, for any reason, and all unvested Awarded Shares shall be forfeited. For purposes of this Agreement, termination from employment shall be deemed to occur on the last day of the Grantee's full or part time employment by the Company (so long as in the later case, the Grantee is not employed on a full-time basis by any other employer).

**Change of Control.** Upon a Change of Control, all Restricted Stock shall become fully vested. For purposes of this Agreement, a "Change of Control" shall mean a change of control of the Company of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Company is in fact required to comply therewith; provided, that, without limitation, such a change of control shall be deemed to have occurred if:

- (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, any corporation controlled by or under common control with any entity which as of the date hereof holds in excess of five percent (5%) of the Company's common stock, or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50.01% or more of the combined voting power of the Company's then outstanding securities;
- (ii) the Company shall have consummated a merger or consolidation or sale of assets or significant subsidiaries with any other corporation, other than a merger or consolidation which results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 50% (but less than 80%) of the combined voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or
- (iii) the Company shall have liquidated or sold all or substantially all of the Company's assets.

**SECTION 3.2 LIMITATION PERIOD.** The period commencing on the Date of Grant during which the Awarded Shares are subject to forfeiture is referred to herein as the "Limitation Period". Awarded Shares that have not vested during the Limitation Period are referred to herein as "Restricted Stock." Except as otherwise determined by the Committee, during the Limitation Period the Grantee may not sell, transfer, assign, pledge or otherwise encumber or dispose of Restricted Stock. Any such action by Grantee in violation of this Section 3.2 shall be void and no force or effect, and shall result in the

immediate forfeiture of all Restricted Stock. If a certificate representing Restricted Stock has been issued, the certificate shall be affixed with a legend setting forth the restrictions applicable to the transfer of such Shares and otherwise conforming to the requirements of the 1996 Plan. When the restrictions applicable to Restricted Stock shall lapse, a new certificate for such Shares shall be delivered to the Grantee free of such restrictions. Restricted Stock that is forfeited shall be immediately transferred to the Company without any payment by the Company; the Company shall have the full right to cancel certificates evidencing such forfeited shares automatically upon such forfeiture, whether or not such certificates shall have been surrendered to the Company. Following such forfeiture, the Grantee shall have no further rights with respect to such forfeited Shares.

**SECTION 3.3 DEATH OR DISABILITY.** If, before the end of the Limitation Period, the Grantee sustains a Permanent Disability or dies, all Restricted Stock shall become vested Awarded Shares, and the Company shall grant and issue to the Grantee, the Grantee's legal guardian, or the executor or administrator of the estate of the Grantee or the person or persons to whom rights under this Agreement shall have passed by bequest or inheritance, as the case may be, a stock certificate for such Awarded Shares free of the restrictions set forth in this Agreement. For purposes of this Agreement, "Permanent Disability" shall be deemed to occur upon the termination of the employment of the Grantee after the Grantee becomes physically or mentally disabled, whether totally or partially, so that the Grantee is unable substantially to perform his services to the Company for (i) a period of three consecutive months, or (ii) for shorter periods aggregating three months during any six month period.

**SECTION 3.4 NON-TRANSFERABILITY.** This Restricted Stock Award may not be transferred, assigned, pledged or disposed of in any manner whatsoever, except that it may be transferred by will or the laws of descent and distribution. Any attempt at any transfer, assignment, pledge, or other disposition shall be null and void and without effect and shall cause the immediate termination of the entire Restricted Stock Award.

**SECTION 3.5 NET EXERCISE.** Upon vesting of all or a portion of the Restricted Stock Award, the Grantee may elect to receive a number of Awarded Shares equal to (i) the number of such Shares that have vested less (ii) a number of Shares equal to the estimated tax liability to the Grantee upon such vesting divided by the Average Closing Price. Upon such an election by the Grantee, the Company shall pay the estimated tax liability of the Grantee when and to the extent actually due and payable. For purposes of this Agreement, the "estimated tax liability of the Grantee" means the amount determined in good faith by the mutual agreement of the Company and the Grantee to be the tax liability of the Grantee relating to the vesting of the applicable Awarded Shares. For purposes of this Agreement, the "Average Closing Price" shall mean the average of the last reported sales price of the Company's Common Stock for the ten consecutive days of trading immediately prior to the date of such vesting.

#### **SECTION 4. DIVIDEND AND VOTING RIGHTS.**

Subject to the restrictions contained in this Agreement, Grantee shall have the rights of a shareholder with respect to the Awarded Shares, including the right to vote all such Shares, including Restricted Stock, and to receive all dividends, cash or stock, paid or delivered thereon, from and after the earlier of the date hereof. The forfeiture of Restricted Stock pursuant to Section 3.2 hereof shall not create any obligation to repay dividends received as to such Restricted Stock during the Limitation Period, nor shall such forfeiture invalidate any votes given by Grantee with respect to such Shares prior to forfeiture.

**SECTION 5. WITHHOLDING OF TAXES.**

The parties hereto recognize that the Company, a subsidiary or an affiliate may be obligated to withhold federal, state and local income taxes and social security taxes to the extent that the Grantee realizes ordinary income in connection with the vesting of the Restricted Stock or the payment of dividends on the Restricted Stock. The Grantee agrees that the Company or a subsidiary or an affiliate of the Company may withhold amounts needed to cover such taxes from payments otherwise due and owing to the Grantee, and also agrees that upon demand the Grantee will promptly pay to the Company or a subsidiary or an affiliate of the Company having such obligation any additional amounts as may be necessary to satisfy such withholding tax obligation. Such payment shall be made in cash or cash equivalent.

**SECTION 6. NOTICES.**

Any notice to be given to the Company shall be addressed to the Chief Financial Officer of the Company at the Company's principal executive office, and any notice to be given to Grantee shall be addressed to Grantee at the address then appearing on the personnel records of the Company or the subsidiary of the Company by which he or she is employed, or at such other address as either party hereafter may designate in writing to the other. Any such notice shall be deemed to have been duly given when deposited in the United States mail, addressed as aforesaid, registered or certified mail, and with proper postage and registration or certification fees prepaid.

**SECTION 7. GOVERNING LAW.**

The law of the State of Delaware, except its law with respect to choice of law, shall be controlling in all matters relating to this Agreement.

**SECTION 8. NO EMPLOYMENT RIGHTS.**

Grantee acknowledges and agrees that nothing herein or in the 1996 Plan, nor any of the rights granted hereunder or thereunder to Grantee, shall be construed to (a) give Grantee the right to remain employed by the Company or to any of their affiliates or to any benefits specifically provided hereunder or under the 1996 Plan, or (b) in any manner modify the right of the Company or any of their affiliates to modify, amend or terminate any of its employee benefit plans.

**SECTION 9. NATURE OF PAYMENTS.**

Any and all grants or deliveries of Shares hereunder shall constitute special incentive payments to the Grantee and shall not be taken into account in computing the amount of salary or compensation of the Grantee for the purpose of determining any pension, retirement, death or other benefits under (a) any pension, retirement, profit-sharing, bonus, life insurance, 401(k) or other employee benefit plan of the Company, or any of their affiliates, or (b) any agreement between the Company or any of their affiliates on the one hand, and the Grantee on the other hand, except as such plan or agreement shall otherwise expressly provide.

**SECTION 10. ENTIRE AGREEMENT; AMENDMENT; WAIVER.**

This Agreement embodies the entire agreement of the parties hereto with respect to the Restricted Stock Award, the Awarded Shares, and all other matters contained herein. This Agreement supersedes and replaces any and all prior oral or written agreements with respect to the subject matter hereof. This Agreement may be amended, and any provision hereof waived, but only in writing signed by the party against whom such amendment or waiver is sought to be enforced. A waiver on one occasion shall not be deemed to be a waiver of the same or any other breach on a future occasion. If there is any inconsistency between the provisions of this Agreement and of the 1996 Plan, the provisions of the 1996 Plan shall govern.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Company and the Grantee have caused this Agreement to be duly executed as of the date first above written.

**Company:**

**BOGEN COMMUNICATIONS INTERNATIONAL, INC.,**  
a Delaware corporation

By: /s/ Maureen A. Flotard  
Maureen A. Flotard  
CFO, VP Finance

**Grantee:**

/s/ Kasimir Arciszewski  
Kasimir Arciszewski

DOC 4 : Header

**BOGEN COMMUNICATIONS INTERNATIONAL, INC.****RESTRICTED STOCK AWARD AGREEMENT**

This RESTRICTED STOCK AWARD AGREEMENT (the "Agreement") is entered into as of April 10, 2002 (the "Date of Grant") by and between Bogen Communications International, Inc., a Delaware corporation (the "Company") and Michael P. Fleischer (the "Grantee").

**RECITALS**

The Company has adopted the Amended and Restated 1996 Stock Incentive Plan (which plan, as amended from time to time, is referred to as the "1996 Plan") which provides for the grant under certain circumstances of shares of common stock of the Company (the "Shares"), which Shares have a par value of \$0.001 per share. Capitalized terms used but not defined herein shall have the meanings assigned to them in the 1996 Plan.

Grantee is a key employee of the Company. The Company has granted to Grantee Shares under the Plan (the "Restricted Stock Award"), subject to the terms and conditions set forth below, in connection with the Company's employment of the Grantee.

In consideration of the grant of the Restricted Stock Award and other benefits, the Grantee is willing to accept the Restricted Stock Award provided for in this Agreement and is willing to abide by the obligations imposed on Grantee under this Agreement.

NOW THEREFORE, in consideration of the mutual benefits hereinafter provided, and each intending to be legally bound, the Company and the Grantee hereby agree as follows:

**SECTION 1. EFFECT OF THE PLAN.**

The Grantee will abide by, and the Restricted Stock Award granted to the Grantee will be subject to, all of the provisions of the 1996 Plan and of this Agreement, together with all rules and determinations from time to time issued by the Company's Compensation Committee (the "Committee") and by the Board of Directors of the Company (the "Board") pursuant to the 1996 Plan. The Company hereby reserves the right to amend, modify, restate, supplement or terminate the 1996 Plan without the consent of Grantee, so long as such amendment, modification, restatement or supplement shall not materially reduce the rights and benefits available to Grantee hereunder, and this Agreement shall be subject, without further action by the Company or the Grantee, to such amendment, modification, restatement or supplement.

**SECTION 2. GRANT.**

Subject to the terms and conditions of this Agreement, the Company hereby grants and issues to Grantee One Hundred Five Thousand (105,000) Shares ("Awarded Shares").

**SECTION 3. AWARDED SHARES.**

**SECTION 3.1 VESTING SCHEDULE; SERVICE REQUIREMENT.** Grantee's ownership of Awarded Shares shall become vested (i.e. nonforfeitable) if the Grantee has been employed as an Employee continuously from the Date of Grant to the applicable Vesting Date set forth in the following vesting schedule:

---

| Percentage of Shares Vested              | Vesting Date  |
|--|---|
| 100%                                     | April 1, 2007   |
| <i>Or, if sooner than April 1, 2007:</i> |   |
| 62.5%                                    | Upon the achievement of the Initial Value Target (defined below)    |
| 37.5%                                    | Upon the achievement of the Additional Value Target (defined below) |

For purposes of this Agreement, the “Initial Value Target” shall be \$4 per share of Common Stock, and the “Additional Value Target” shall be \$5 per share, in each case subject to adjustment for splits, reverse splits, stock dividends and similar matters, or as otherwise determined by the Board to reflect any spin-off, split-up or similar extraordinary or unanticipated transaction or condition. The targets amounts shall be deemed achieved if either (a) the closing market price of the Company’s Common Stock closes at or higher than the target value for ten (10) or more consecutive days of trading, or (b) there is any Change of Control transaction, or other sale, merger or combination of the Company, or a sale of its assets, that is consummated at a price above such target price.

For purposes of this Agreement, a “Change of Control” shall mean a change of control of the Company of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), whether or not the Company is in fact required to comply therewith; provided, that, without limitation, such a change of control shall be deemed to have occurred if:

- (i) any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, any corporation controlled by or under common control with any entity which as of the date hereof holds in excess of five percent (5%) of the Company’s common stock, or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50.01% or more of the combined voting power of the Company’s then outstanding securities;
- (ii) the Company shall have consummated a merger or consolidation or sale of assets or significant subsidiaries with any other corporation, other than a merger or consolidation which results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 50% (but less than 80%) of the combined voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or
- (iii) the Company shall have liquidated or sold all or substantially all of the Company’s assets.

Except as otherwise provided in the preceding paragraph, no additional vesting shall occur either upon or after Grantee incurs a termination from employment with the Company for any reason. For purposes of this Agreement, termination from employment shall be deemed to occur on the last day of the Grantee's full or part time employment by the Company (so long as in the later case, the Grantee is not employed on a full-time basis by any other employer), except that the Committee may determine, in its sole discretion, to deem consulting to be continued employment and shall determine, as necessary, whether a leave of absence shall constitute a termination of employment.

**SECTION 3.2 LIMITATION PERIOD.** The period commencing on the Date of Grant during which the Awarded Shares are subject to forfeiture is referred to herein as the "Limitation Period". Awarded Shares that have not vested during the Limitation Period are referred to herein as "Restricted Stock." Except as otherwise determined by the Committee, during the Limitation Period the Grantee may not sell, transfer, assign, pledge or otherwise encumber or dispose of Restricted Stock. Any such action by Grantee in violation of this Section 3.2 shall be void and no force or effect, and shall result in the immediate forfeiture of all Restricted Stock. If a certificate representing Restricted Stock has been issued, the certificate shall be affixed with a legend setting forth the restrictions applicable to the transfer of such Shares and otherwise conforming to the requirements of the 1996 Plan. When the restrictions applicable to Restricted Stock shall lapse, a new certificate for such Shares shall be delivered to the Grantee free of such restrictions. Restricted Stock that is forfeited shall be immediately transferred to the Company without any payment by the Company; the Company shall have the full right to cancel certificates evidencing such forfeited shares automatically upon such forfeiture, whether or not such certificates shall have been surrendered to the Company. Following such forfeiture, the Grantee shall have no further rights with respect to such forfeited Shares.

**SECTION 3.3 DEATH OR DISABILITY.** If before the end of the Limitation Period, the Grantee sustains a Permanent Disability or dies, then on the date which is 180 days after the date of such death or termination of employment for disability, all Restricted Stock shall be forfeited unless prior to such date such Restricted Shares shall become vested under the provisions of Section 3.1 above. For purposes of this Agreement, "Permanent Disability" shall be deemed to occur upon the termination of the employment of the Grantee after the Grantee becomes physically or mentally disabled, whether totally or partially, so that the Grantee is unable substantially to perform his services to the Company for (i) a period of three consecutive months, or (ii) for shorter periods aggregating three months during any six month period.

**SECTION 3.4 NON-TRANSFERABILITY.** Except as otherwise determined by the Board or the Committee, this Restricted Stock Award may not be transferred, assigned, pledged or disposed of in any manner whatsoever, except that it may be transferred by will or the laws of descent and distribution. Any attempt at any transfer, assignment, pledge, or other disposition shall be null and void and without effect and shall cause the immediate termination of the entire Restricted Stock Award.

**SECTION 3.5 NET EXERCISE.** Upon vesting of all or a portion of the Restricted Stock Award, the Grantee may elect to receive a number of Awarded Shares equal to (i) the number of such Shares that have vested less (ii) a number of Shares equal to the estimated tax liability to the Grantee upon such vesting divided by the Average Closing Price. Upon such an election by the Grantee, the Company shall pay the estimated tax liability of the Grantee when and to the extent actually due and payable. For purposes of this Agreement, the "estimated tax liability of the Grantee" means the amount determined in good faith by the mutual agreement of the Company and the Grantee to be the tax liability of the Grantee relating to the vesting of the applicable Awarded Shares. For purposes of this Agreement, the "Average Closing Price" shall mean the average of the last reported sales price of the Company's Common Stock for the ten consecutive days of trading immediately prior to the date of such vesting.

**SECTION 4. DIVIDEND AND VOTING RIGHTS.**

Subject to the restrictions contained in this Agreement, Grantee shall have the rights of a shareholder with respect to the Awarded Shares, including the right to vote all such Shares, including Restricted Stock, and to receive all dividends, cash or stock, paid or delivered thereon, from and after the earlier of the date hereof. The forfeiture of Restricted Stock pursuant to Section 3.2 hereof shall not create any obligation to repay dividends received as to such Restricted Stock during the Limitation Period, nor shall such forfeiture invalidate any votes given by Grantee with respect to such Shares prior to forfeiture.

**SECTION 5. WITHHOLDING OF TAXES.**

The parties hereto recognize that the Company, a subsidiary or an affiliate may be obligated to withhold federal, state and local income taxes and social security taxes to the extent that the Grantee realizes ordinary income in connection with the vesting of the Restricted Stock or the payment of dividends on the Restricted Stock. The Grantee agrees that the Company or a subsidiary or an affiliate of the Company may withhold amounts needed to cover such taxes from payments otherwise due and owing to the Grantee, and also agrees that upon demand the Grantee will promptly pay to the Company or a subsidiary or an affiliate of the Company having such obligation any additional amounts as may be necessary to satisfy such withholding tax obligation. Such payment shall be made in cash or cash equivalent.

**SECTION 6. NOTICES.**

Any notice to be given to the Company shall be addressed to the Chief Financial Officer of the Company at the Company's principal executive office, and any notice to be given to Grantee shall be addressed to Grantee at the address then appearing on the personnel records of the Company or the subsidiary of the Company by which he or she is employed, or at such other address as either party hereafter may designate in writing to the other. Any such notice shall be deemed to have been duly given when deposited in the United States mail, addressed as aforesaid, registered or certified mail, and with proper postage and registration or certification fees prepaid.

**SECTION 7. GOVERNING LAW.**

The law of the State of Delaware, except its law with respect to choice of law, shall be controlling in all matters relating to this Agreement.

**SECTION 8. NO EMPLOYMENT RIGHTS.**

Grantee acknowledges and agrees that nothing herein or in the 1996 Plan, nor any of the rights granted hereunder or thereunder to Grantee, shall be construed to (a) give Grantee the right to remain employed by the Company or to any of their affiliates or to any benefits specifically provided hereunder or under the 1996 Plan, or (b) in any manner modify the right of the Company or any of their affiliates to modify, amend or terminate any of its employee benefit plans.

**SECTION 9. NATURE OF PAYMENTS.**

Any and all grants or deliveries of Shares hereunder shall constitute special incentive payments to the Grantee and shall not be taken into account in computing the amount of salary or compensation of the Grantee for the purpose of determining any pension, retirement, death or other benefits under (a) any pension, retirement, profit-sharing, bonus, life insurance, 401(k) or other employee benefit plan of the Company, or any of their affiliates, or (b) any agreement between the Company or any of their affiliates on the one hand, and the Grantee on the other hand, except as such plan or agreement shall otherwise expressly provide.

**SECTION 10. ENTIRE AGREEMENT; AMENDMENT; WAIVER.**

This Agreement embodies the entire agreement of the parties hereto with respect to the Restricted Stock Award, the Awarded Shares, and all other matters contained herein. This Agreement supersedes and replaces any and all prior oral or written agreements with respect to the subject matter hereof. This Agreement may be amended, and any provision hereof waived, but only in writing signed by the party against whom such amendment or waiver is sought to be enforced. A waiver on one occasion shall not be deemed to be a waiver of the same or any other breach on a future occasion. If there is any inconsistency between the provisions of this Agreement and of the 1996 Plan, the provisions of the 1996 Plan shall govern.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Company and the Grantee have caused this Agreement to be duly executed as of the date first above written.

**Company:**

**BOGEN COMMUNICATIONS INTERNATIONAL, INC.,**  
a Delaware corporation

By: /s/ Yoav Stern  
Yoav Stern

**Grantee:**

/s/ Michael P. Fleischer  
Michael P. Fleischer

DOC 5 : Header

**BOGEN COMMUNICATIONS INTERNATIONAL, INC.****RESTRICTED STOCK AWARD AGREEMENT**

This RESTRICTED STOCK AWARD AGREEMENT (the "Agreement") is entered into as of April 22, 2002 (the "Date of Grant") by and between Bogen Communications International, Inc., a Delaware corporation (the "Company") and Maureen A. Flotard (the "Grantee").

**RECITALS**

The Company has adopted the Amended and Restated 1996 Stock Incentive Plan (which plan, as amended from time to time, is referred to as the "1996 Plan") which provides for the grant under certain circumstances of shares of common stock of the Company (the "Shares"), which Shares have a par value of \$0.001 per share. Capitalized terms used but not defined herein shall have the meanings assigned to them in the 1996 Plan.

Grantee is a key employee of the Company. The Company has granted to Grantee Shares under the Plan (the "Restricted Stock Award"), subject to the terms and conditions set forth below, in connection with the Company's employment of the Grantee.

In consideration of the grant of the Restricted Stock Award and other benefits, the Grantee is willing to accept the Restricted Stock Award provided for in this Agreement and is willing to abide by the obligations imposed on Grantee under this Agreement.

NOW THEREFORE, in consideration of the mutual benefits hereinafter provided, and each intending to be legally bound, the Company and the Grantee hereby agree as follows:

**SECTION 1. EFFECT OF THE PLAN.**

The Grantee will abide by, and the Restricted Stock Award granted to the Grantee will be subject to, all of the provisions of the 1996 Plan and of this Agreement, together with all rules and determinations from time to time issued by the Company's Compensation Committee (the "Committee") and by the Board of Directors of the Company (the "Board") pursuant to the 1996 Plan. The Company hereby reserves the right to amend, modify, restate, supplement or terminate the 1996 Plan without the consent of Grantee, so long as such amendment, modification, restatement or supplement shall not materially reduce the rights and benefits available to Grantee hereunder, and this Agreement shall be subject, without further action by the Company or the Grantee, to such amendment, modification, restatement or supplement.

**SECTION 2. GRANT.**

Subject to the terms and conditions of this Agreement, the Company hereby grants and issues to Grantee, Maureen A. Flotard (17,500) Shares ("Awarded Shares").

**SECTION 3. AWARDED SHARES.**

**SECTION 3.1 VESTING SCHEDULE; SERVICE REQUIREMENT.** Grantee's ownership of Awarded Shares shall become vested (i.e. nonforfeitable) if the Grantee has been employed as an Employee continuously from the Date of Grant to the applicable Vesting Date set forth in the following vesting schedule:

---

| <u>Percentage of Shares Vested</u> | <u>Vesting Date</u> |
|------------------------------------|---------------------|
| 20%                                | April 22, 2003      |
| 20%                                | April 22, 2004      |
| 20%                                | April 22, 2005      |
| 20%                                | April 22, 2006      |
| 20%                                | April 22, 2007      |

**Termination of Employment.** Except as provided in Section 3.3, no additional vesting shall occur upon or after termination of the Grantee's employment, whether by the Company or by the employee, for any reason, and all unvested Awarded Shares shall be forfeited. For purposes of this Agreement, termination from employment shall be deemed to occur on the last day of the Grantee's full or part time employment by the Company (so long as in the later case, the Grantee is not employed on a full-time basis by any other employer).

**Change of Control.** Upon a Change of Control, all Restricted Stock shall become fully vested. For purposes of this Agreement, a "Change of Control" shall mean a change of control of the Company of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Company is in fact required to comply therewith; provided, that, without limitation, such a change of control shall be deemed to have occurred if:

- (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, any corporation controlled by or under common control with any entity which as of the date hereof holds in excess of five percent (5%) of the Company's common stock, or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50.01% or more of the combined voting power of the Company's then outstanding securities;
- (ii) the Company shall have consummated a merger or consolidation or sale of assets or significant subsidiaries with any other corporation, other than a merger or consolidation which results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 50% (but less than 80%) of the combined voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or
- (iii) the Company shall have liquidated or sold all or substantially all of the Company's assets.

**SECTION 3.2 LIMITATION PERIOD.** The period commencing on the Date of Grant during which the Awarded Shares are subject to forfeiture is referred to herein as the "Limitation Period". Awarded Shares that have not vested during the Limitation Period are referred to herein as "Restricted Stock." Except as otherwise determined by the Committee, during the Limitation Period the Grantee may not sell, transfer, assign, pledge or otherwise encumber or dispose of Restricted Stock. Any such action by Grantee in violation of this Section 3.2 shall be void and no force or effect, and shall result in the

immediate forfeiture of all Restricted Stock. If a certificate representing Restricted Stock has been issued, the certificate shall be affixed with a legend setting forth the restrictions applicable to the transfer of such Shares and otherwise conforming to the requirements of the 1996 Plan. When the restrictions applicable to Restricted Stock shall lapse, a new certificate for such Shares shall be delivered to the Grantee free of such restrictions. Restricted Stock that is forfeited shall be immediately transferred to the Company without any payment by the Company; the Company shall have the full right to cancel certificates evidencing such forfeited shares automatically upon such forfeiture, whether or not such certificates shall have been surrendered to the Company. Following such forfeiture, the Grantee shall have no further rights with respect to such forfeited Shares.

**SECTION 3.3 DEATH OR DISABILITY.** If, before the end of the Limitation Period, the Grantee sustains a Permanent Disability or dies, all Restricted Stock shall become vested Awarded Shares, and the Company shall grant and issue to the Grantee, the Grantee's legal guardian, or the executor or administrator of the estate of the Grantee or the person or persons to whom rights under this Agreement shall have passed by bequest or inheritance, as the case may be, a stock certificate for such Awarded Shares free of the restrictions set forth in this Agreement. For purposes of this Agreement, "Permanent Disability" shall be deemed to occur upon the termination of the employment of the Grantee after the Grantee becomes physically or mentally disabled, whether totally or partially, so that the Grantee is unable substantially to perform his services to the Company for (i) a period of three consecutive months, or (ii) for shorter periods aggregating three months during any six month period.

**SECTION 3.4 NON-TRANSFERABILITY.** This Restricted Stock Award may not be transferred, assigned, pledged or disposed of in any manner whatsoever, except that it may be transferred by will or the laws of descent and distribution. Any attempt at any transfer, assignment, pledge, or other disposition shall be null and void and without effect and shall cause the immediate termination of the entire Restricted Stock Award.

**SECTION 3.5 NET EXERCISE.** Upon vesting of all or a portion of the Restricted Stock Award, the Grantee may elect to receive a number of Awarded Shares equal to (i) the number of such Shares that have vested less (ii) a number of Shares equal to the estimated tax liability to the Grantee upon such vesting divided by the Average Closing Price. Upon such an election by the Grantee, the Company shall pay the estimated tax liability of the Grantee when and to the extent actually due and payable. For purposes of this Agreement, the "estimated tax liability of the Grantee" means the amount determined in good faith by the mutual agreement of the Company and the Grantee to be the tax liability of the Grantee relating to the vesting of the applicable Awarded Shares. For purposes of this Agreement, the "Average Closing Price" shall mean the average of the last reported sales price of the Company's Common Stock for the ten consecutive days of trading immediately prior to the date of such vesting.

#### **SECTION 4. DIVIDEND AND VOTING RIGHTS.**

Subject to the restrictions contained in this Agreement, Grantee shall have the rights of a shareholder with respect to the Awarded Shares, including the right to vote all such Shares, including Restricted Stock, and to receive all dividends, cash or stock, paid or delivered thereon, from and after the earlier of the date hereof. The forfeiture of Restricted Stock pursuant to Section 3.2 hereof shall not create any obligation to repay dividends received as to such Restricted Stock during the Limitation Period, nor shall such forfeiture invalidate any votes given by Grantee with respect to such Shares prior to forfeiture.

**SECTION 5. WITHHOLDING OF TAXES.**

The parties hereto recognize that the Company, a subsidiary or an affiliate may be obligated to withhold federal, state and local income taxes and social security taxes to the extent that the Grantee realizes ordinary income in connection with the vesting of the Restricted Stock or the payment of dividends on the Restricted Stock. The Grantee agrees that the Company or a subsidiary or an affiliate of the Company may withhold amounts needed to cover such taxes from payments otherwise due and owing to the Grantee, and also agrees that upon demand the Grantee will promptly pay to the Company or a subsidiary or an affiliate of the Company having such obligation any additional amounts as may be necessary to satisfy such withholding tax obligation. Such payment shall be made in cash or cash equivalent.

**SECTION 6. NOTICES.**

Any notice to be given to the Company shall be addressed to the Chief Financial Officer of the Company at the Company's principal executive office, and any notice to be given to Grantee shall be addressed to Grantee at the address then appearing on the personnel records of the Company or the subsidiary of the Company by which he or she is employed, or at such other address as either party hereafter may designate in writing to the other. Any such notice shall be deemed to have been duly given when deposited in the United States mail, addressed as aforesaid, registered or certified mail, and with proper postage and registration or certification fees prepaid.

**SECTION 7. GOVERNING LAW.**

The law of the State of Delaware, except its law with respect to choice of law, shall be controlling in all matters relating to this Agreement.

**SECTION 8. NO EMPLOYMENT RIGHTS.**

Grantee acknowledges and agrees that nothing herein or in the 1996 Plan, nor any of the rights granted hereunder or thereunder to Grantee, shall be construed to (a) give Grantee the right to remain employed by the Company or to any of their affiliates or to any benefits specifically provided hereunder or under the 1996 Plan, or (b) in any manner modify the right of the Company or any of their affiliates to modify, amend or terminate any of its employee benefit plans.

**SECTION 9. NATURE OF PAYMENTS.**

Any and all grants or deliveries of Shares hereunder shall constitute special incentive payments to the Grantee and shall not be taken into account in computing the amount of salary or compensation of the Grantee for the purpose of determining any pension, retirement, death or other benefits under (a) any pension, retirement, profit-sharing, bonus, life insurance, 401(k) or other employee benefit plan of the Company, or any of their affiliates, or (b) any agreement between the Company or any of their affiliates on the one hand, and the Grantee on the other hand, except as such plan or agreement shall otherwise expressly provide.

**SECTION 10. ENTIRE AGREEMENT; AMENDMENT; WAIVER.**

This Agreement embodies the entire agreement of the parties hereto with respect to the Restricted Stock Award, the Awarded Shares, and all other matters contained herein. This Agreement supersedes and replaces any and all prior oral or written agreements with respect to the subject matter hereof. This Agreement may be amended, and any provision hereof waived, but only in writing signed by the party against whom such amendment or waiver is sought to be enforced. A waiver on one occasion shall not be deemed to be a waiver of the same or any other breach on a future occasion. If there is any inconsistency between the provisions of this Agreement and of the 1996 Plan, the provisions of the 1996 Plan shall govern.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Company and the Grantee have caused this Agreement to be duly executed as of the date first above written.

**Company:**

**BOGEN COMMUNICATIONS INTERNATIONAL, INC.,**  
a Delaware corporation

By: /s/ Jonathan Guss  
Jonathan Guss  
CEO

**Grantee:**

/s/ Maureen A. Flotard  
Maureen A. Flotard

DOC 6 : Header

**BOGEN COMMUNICATIONS INTERNATIONAL, INC.****RESTRICTED STOCK AWARD AGREEMENT**

This RESTRICTED STOCK AWARD AGREEMENT (the "Agreement") is entered into as of April 10, 2002 (the "Date of Grant") by and between Bogen Communications International, Inc., a Delaware corporation (the "Company") and Jonathan Guss (the "Grantee").

**RECITALS**

The Company has adopted the Amended and Restated 1996 Stock Incentive Plan (which plan, as amended from time to time, is referred to as the "1996 Plan") which provides for the grant under certain circumstances of shares of common stock of the Company (the "Shares"), which Shares have a par value of \$0.001 per share. Capitalized terms used but not defined herein shall have the meanings assigned to them in the 1996 Plan.

Grantee is a key employee of the Company. The Company has granted to Grantee Shares under the Plan (the "Restricted Stock Award"), subject to the terms and conditions set forth below, in connection with the Company's employment of the Grantee.

In consideration of the grant of the Restricted Stock Award and other benefits, the Grantee is willing to accept the Restricted Stock Award provided for in this Agreement and is willing to abide by the obligations imposed on Grantee under this Agreement.

NOW THEREFORE, in consideration of the mutual benefits hereinafter provided, and each intending to be legally bound, the Company and the Grantee hereby agree as follows:

**SECTION 1. EFFECT OF THE PLAN.**

The Grantee will abide by, and the Restricted Stock Award granted to the Grantee will be subject to, all of the provisions of the 1996 Plan and of this Agreement, together with all rules and determinations from time to time issued by the Company's Compensation Committee (the "Committee") and by the Board of Directors of the Company (the "Board") pursuant to the 1996 Plan. The Company hereby reserves the right to amend, modify, restate, supplement or terminate the 1996 Plan without the consent of Grantee, so long as such amendment, modification, restatement or supplement shall not materially reduce the rights and benefits available to Grantee hereunder, and this Agreement shall be subject, without further action by the Company or the Grantee, to such amendment, modification, restatement or supplement.

**SECTION 2. GRANT.**

Subject to the terms and conditions of this Agreement, the Company hereby grants and issues to Grantee One Hundred Five Thousand (105,000) Shares ("Awarded Shares").

**SECTION 3. AWARDED SHARES.**

**SECTION 3.1 VESTING SCHEDULE; SERVICE REQUIREMENT.** Grantee's ownership of Awarded Shares shall become vested (i.e. nonforfeitable) if the Grantee has been employed as an Employee continuously from the Date of Grant to the applicable Vesting Date set forth in the following vesting schedule:

---

| Percentage of Shares Vested              | Vesting Date  |
|--|---|
| 100%                                     | April 1, 2007   |
| <i>Or, if sooner than April 1, 2007:</i> |   |
| 62.5%                                    | Upon the achievement of the Initial Value Target (defined below)    |
| 37.5%                                    | Upon the achievement of the Additional Value Target (defined below) |

For purposes of this Agreement, the “Initial Value Target” shall be \$4 per share of Common Stock, and the “Additional Value Target” shall be \$5 per share, in each case subject to adjustment for splits, reverse splits, stock dividends and similar matters, or as otherwise determined by the Board to reflect any spin-off, split-up or similar extraordinary or unanticipated transaction or condition. The targets amounts shall be deemed achieved if either (a) the closing market price of the Company’s Common Stock closes at or higher than the target value for ten (10) or more consecutive days of trading, or (b) there is any Change of Control transaction, or other sale, merger or combination of the Company, or a sale of its assets, that is consummated at a price above such target price.

For purposes of this Agreement, a “Change of Control” shall mean a change of control of the Company of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), whether or not the Company is in fact required to comply therewith; provided, that, without limitation, such a change of control shall be deemed to have occurred if:

- (i) any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, any corporation controlled by or under common control with any entity which as of the date hereof holds in excess of five percent (5%) of the Company’s common stock, or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50.01% or more of the combined voting power of the Company’s then outstanding securities;
- (ii) the Company shall have consummated a merger or consolidation or sale of assets or significant subsidiaries with any other corporation, other than a merger or consolidation which results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 50% (but less than 80%) of the combined voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or
- (iii) the Company shall have liquidated or sold all or substantially all of the Company’s assets.

Except as otherwise provided in the preceding paragraph, no additional vesting shall occur either upon or after Grantee incurs a termination from employment with the Company for any reason. For purposes of this Agreement, termination from employment shall be deemed to occur on the last day of the Grantee's full or part time employment by the Company (so long as in the later case, the Grantee is not employed on a full-time basis by any other employer), except that the Committee may determine, in its sole discretion, to deem consulting to be continued employment and shall determine, as necessary, whether a leave of absence shall constitute a termination of employment.

**SECTION 3.2 LIMITATION PERIOD.** The period commencing on the Date of Grant during which the Awarded Shares are subject to forfeiture is referred to herein as the "Limitation Period". Awarded Shares that have not vested during the Limitation Period are referred to herein as "Restricted Stock." Except as otherwise determined by the Committee, during the Limitation Period the Grantee may not sell, transfer, assign, pledge or otherwise encumber or dispose of Restricted Stock. Any such action by Grantee in violation of this Section 3.2 shall be void and no force or effect, and shall result in the immediate forfeiture of all Restricted Stock. If a certificate representing Restricted Stock has been issued, the certificate shall be affixed with a legend setting forth the restrictions applicable to the transfer of such Shares and otherwise conforming to the requirements of the 1996 Plan. When the restrictions applicable to Restricted Stock shall lapse, a new certificate for such Shares shall be delivered to the Grantee free of such restrictions. Restricted Stock that is forfeited shall be immediately transferred to the Company without any payment by the Company; the Company shall have the full right to cancel certificates evidencing such forfeited shares automatically upon such forfeiture, whether or not such certificates shall have been surrendered to the Company. Following such forfeiture, the Grantee shall have no further rights with respect to such forfeited Shares.

**SECTION 3.3 DEATH OR DISABILITY.** If before the end of the Limitation Period, the Grantee sustains a Permanent Disability or dies, then on the date which is 180 days after the date of such death or termination of employment for disability, all Restricted Stock shall be forfeited unless prior to such date such Restricted Shares shall become vested under the provisions of Section 3.1 above. For purposes of this Agreement, "Permanent Disability" shall be deemed to occur upon the termination of the employment of the Grantee after the Grantee becomes physically or mentally disabled, whether totally or partially, so that the Grantee is unable substantially to perform his services to the Company for (i) a period of three consecutive months, or (ii) for shorter periods aggregating three months during any six month period.

**SECTION 3.4 NON-TRANSFERABILITY.** Except as otherwise determined by the Board or the Committee, this Restricted Stock Award may not be transferred, assigned, pledged or disposed of in any manner whatsoever, except that it may be transferred by will or the laws of descent and distribution. Any attempt at any transfer, assignment, pledge, or other disposition shall be null and void and without effect and shall cause the immediate termination of the entire Restricted Stock Award.

**SECTION 3.5 NET EXERCISE.** Upon vesting of all or a portion of the Restricted Stock Award, the Grantee may elect to receive a number of Awarded Shares equal to (i) the number of such Shares that have vested less (ii) a number of Shares equal to the estimated tax liability to the Grantee upon such vesting divided by the Average Closing Price. Upon such an election by the Grantee, the Company shall pay the estimated tax liability of the Grantee when and to the extent actually due and payable. For purposes of this Agreement, the "estimated tax liability of the Grantee" means the amount determined in good faith by the mutual agreement of the Company and the Grantee to be the tax liability of the Grantee relating to the vesting of the applicable Awarded Shares. For purposes of this Agreement, the "Average Closing Price" shall mean the average of the last reported sales price of the Company's Common Stock for the ten consecutive days of trading immediately prior to the date of such vesting.

**SECTION 4. DIVIDEND AND VOTING RIGHTS.**

Subject to the restrictions contained in this Agreement, Grantee shall have the rights of a shareholder with respect to the Awarded Shares, including the right to vote all such Shares, including Restricted Stock, and to receive all dividends, cash or stock, paid or delivered thereon, from and after the earlier of the date hereof. The forfeiture of Restricted Stock pursuant to Section 3.2 hereof shall not create any obligation to repay dividends received as to such Restricted Stock during the Limitation Period, nor shall such forfeiture invalidate any votes given by Grantee with respect to such Shares prior to forfeiture.

**SECTION 5. WITHHOLDING OF TAXES.**

The parties hereto recognize that the Company, a subsidiary or an affiliate may be obligated to withhold federal, state and local income taxes and social security taxes to the extent that the Grantee realizes ordinary income in connection with the vesting of the Restricted Stock or the payment of dividends on the Restricted Stock. The Grantee agrees that the Company or a subsidiary or an affiliate of the Company may withhold amounts needed to cover such taxes from payments otherwise due and owing to the Grantee, and also agrees that upon demand the Grantee will promptly pay to the Company or a subsidiary or an affiliate of the Company having such obligation any additional amounts as may be necessary to satisfy such withholding tax obligation. Such payment shall be made in cash or cash equivalent.

**SECTION 6. NOTICES.**

Any notice to be given to the Company shall be addressed to the Chief Financial Officer of the Company at the Company's principal executive office, and any notice to be given to Grantee shall be addressed to Grantee at the address then appearing on the personnel records of the Company or the subsidiary of the Company by which he or she is employed, or at such other address as either party hereafter may designate in writing to the other. Any such notice shall be deemed to have been duly given when deposited in the United States mail, addressed as aforesaid, registered or certified mail, and with proper postage and registration or certification fees prepaid.

**SECTION 7. GOVERNING LAW.**

The law of the State of Delaware, except its law with respect to choice of law, shall be controlling in all matters relating to this Agreement.

**SECTION 8. NO EMPLOYMENT RIGHTS.**

Grantee acknowledges and agrees that nothing herein or in the 1996 Plan, nor any of the rights granted hereunder or thereunder to Grantee, shall be construed to (a) give Grantee the right to remain employed by the Company or to any of their affiliates or to any benefits specifically provided hereunder or under the 1996 Plan, or (b) in any manner modify the right of the Company or any of their affiliates to modify, amend or terminate any of its employee benefit plans.

**SECTION 9. NATURE OF PAYMENTS.**

Any and all grants or deliveries of Shares hereunder shall constitute special incentive payments to the Grantee and shall not be taken into account in computing the amount of salary or compensation of the Grantee for the purpose of determining any pension, retirement, death or other benefits under (a) any pension, retirement, profit-sharing, bonus, life insurance, 401(k) or other employee benefit plan of the Company, or any of their affiliates, or (b) any agreement between the Company or any of their affiliates on the one hand, and the Grantee on the other hand, except as such plan or agreement shall otherwise expressly provide.

**SECTION 10. ENTIRE AGREEMENT; AMENDMENT; WAIVER.**

This Agreement embodies the entire agreement of the parties hereto with respect to the Restricted Stock Award, the Awarded Shares, and all other matters contained herein. This Agreement supersedes and replaces any and all prior oral or written agreements with respect to the subject matter hereof. This Agreement may be amended, and any provision hereof waived, but only in writing signed by the party against whom such amendment or waiver is sought to be enforced. A waiver on one occasion shall not be deemed to be a waiver of the same or any other breach on a future occasion. If there is any inconsistency between the provisions of this Agreement and of the 1996 Plan, the provisions of the 1996 Plan shall govern.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Company and the Grantee have caused this Agreement to be duly executed as of the date first above written.

**Company:**

**BOGEN COMMUNICATIONS INTERNATIONAL, INC.,**  
a Delaware corporation

By: s/s Yoav Stern  
Yoav Stern

**Grantee:**

/s/ Jonathan Guss  
Jonathan Guss

DOC 7 : Header

**BOGEN COMMUNICATIONS INTERNATIONAL, INC.****RESTRICTED STOCK AWARD AGREEMENT**

This RESTRICTED STOCK AWARD AGREEMENT (the "Agreement") is entered into as of April 22, 2002 (the "Date of Grant") by and between Bogen Communications International, Inc., a Delaware corporation (the "Company") and Hans Meiler (the "Grantee").

**RECITALS**

The Company has adopted the Amended and Restated 1996 Stock Incentive Plan (which plan, as amended from time to time, is referred to as the "1996 Plan") which provides for the grant under certain circumstances of shares of common stock of the Company (the "Shares"), which Shares have a par value of \$0.001 per share. Capitalized terms used but not defined herein shall have the meanings assigned to them in the 1996 Plan.

Grantee is a key employee of the Company. The Company has granted to Grantee Shares under the Plan (the "Restricted Stock Award"), subject to the terms and conditions set forth below, in connection with the Company's employment of the Grantee.

In consideration of the grant of the Restricted Stock Award and other benefits, the Grantee is willing to accept the Restricted Stock Award provided for in this Agreement and is willing to abide by the obligations imposed on Grantee under this Agreement.

NOW THEREFORE, in consideration of the mutual benefits hereinafter provided, and each intending to be legally bound, the Company and the Grantee hereby agree as follows:

**SECTION 1. EFFECT OF THE PLAN.**

The Grantee will abide by, and the Restricted Stock Award granted to the Grantee will be subject to, all of the provisions of the 1996 Plan and of this Agreement, together with all rules and determinations from time to time issued by the Company's Compensation Committee (the "Committee") and by the Board of Directors of the Company (the "Board") pursuant to the 1996 Plan. The Company hereby reserves the right to amend, modify, restate, supplement or terminate the 1996 Plan without the consent of Grantee, so long as such amendment, modification, restatement or supplement shall not materially reduce the rights and benefits available to Grantee hereunder, and this Agreement shall be subject, without further action by the Company or the Grantee, to such amendment, modification, restatement or supplement.

**SECTION 2. GRANT.**

Subject to the terms and conditions of this Agreement, the Company hereby grants and issues to Grantee Hans Meiler (20,000) Shares ("Awarded Shares").

**SECTION 3. AWARDED SHARES.**

**SECTION 3.1 VESTING SCHEDULE; SERVICE REQUIREMENT.** Grantee's ownership of Awarded Shares shall become vested (i.e. nonforfeitable) if the Grantee has been employed as an Employee continuously from the Date of Grant to the applicable Vesting Date set forth in the following vesting schedule:

---

| <u>Percentage of Shares Vested</u> | <u>Vesting Date</u> |
|------------------------------------|---------------------|
| 20%                                | April 22, 2003      |
| 20%                                | April 22, 2004      |
| 20%                                | April 22, 2005      |
| 20%                                | April 22, 2006      |
| 20%                                | April 22, 2007      |

**Termination of Employment.** Except as provided in Section 3.3, no additional vesting shall occur upon or after termination of the Grantee's employment, whether by the Company or by the employee, for any reason, and all unvested Awarded Shares shall be forfeited. For purposes of this Agreement, termination from employment shall be deemed to occur on the last day of the Grantee's full or part time employment by the Company (so long as in the later case, the Grantee is not employed on a full-time basis by any other employer).

**Change of Control.** Upon a Change of Control, all Restricted Stock shall become fully vested. For purposes of this Agreement, a "Change of Control" shall mean a change of control of the Company of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Company is in fact required to comply therewith; provided, that, without limitation, such a change of control shall be deemed to have occurred if:

- (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, any corporation controlled by or under common control with any entity which as of the date hereof holds in excess of five percent (5%) of the Company's common stock, or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50.01% or more of the combined voting power of the Company's then outstanding securities;
- (ii) the Company shall have consummated a merger or consolidation or sale of assets or significant subsidiaries with any other corporation, other than a merger or consolidation which results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 50% (but less than 80%) of the combined voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or
- (iii) the Company shall have liquidated or sold all or substantially all of the Company's assets.

**SECTION 3.2 LIMITATION PERIOD.** The period commencing on the Date of Grant during which the Awarded Shares are subject to forfeiture is referred to herein as the "Limitation Period". Awarded Shares that have not vested during the Limitation Period are referred to herein as "Restricted Stock." Except as otherwise determined by the Committee, during the Limitation Period the Grantee may not sell, transfer, assign, pledge or otherwise encumber or dispose of Restricted Stock. Any such action by Grantee in violation of this Section 3.2 shall be void and no force or effect, and shall result in the

immediate forfeiture of all Restricted Stock. If a certificate representing Restricted Stock has been issued, the certificate shall be affixed with a legend setting forth the restrictions applicable to the transfer of such Shares and otherwise conforming to the requirements of the 1996 Plan. When the restrictions applicable to Restricted Stock shall lapse, a new certificate for such Shares shall be delivered to the Grantee free of such restrictions. Restricted Stock that is forfeited shall be immediately transferred to the Company without any payment by the Company; the Company shall have the full right to cancel certificates evidencing such forfeited shares automatically upon such forfeiture, whether or not such certificates shall have been surrendered to the Company. Following such forfeiture, the Grantee shall have no further rights with respect to such forfeited Shares.

**SECTION 3.3 DEATH OR DISABILITY.** If, before the end of the Limitation Period, the Grantee sustains a Permanent Disability or dies, all Restricted Stock shall become vested Awarded Shares, and the Company shall grant and issue to the Grantee, the Grantee's legal guardian, or the executor or administrator of the estate of the Grantee or the person or persons to whom rights under this Agreement shall have passed by bequest or inheritance, as the case may be, a stock certificate for such Awarded Shares free of the restrictions set forth in this Agreement. For purposes of this Agreement, "Permanent Disability" shall be deemed to occur upon the termination of the employment of the Grantee after the Grantee becomes physically or mentally disabled, whether totally or partially, so that the Grantee is unable substantially to perform his services to the Company for (i) a period of three consecutive months, or (ii) for shorter periods aggregating three months during any six month period.

**SECTION 3.4 NON-TRANSFERABILITY.** This Restricted Stock Award may not be transferred, assigned, pledged or disposed of in any manner whatsoever, except that it may be transferred by will or the laws of descent and distribution. Any attempt at any transfer, assignment, pledge, or other disposition shall be null and void and without effect and shall cause the immediate termination of the entire Restricted Stock Award.

**SECTION 3.5 NET EXERCISE.** Upon vesting of all or a portion of the Restricted Stock Award, the Grantee may elect to receive a number of Awarded Shares equal to (i) the number of such Shares that have vested less (ii) a number of Shares equal to the estimated tax liability to the Grantee upon such vesting divided by the Average Closing Price. Upon such an election by the Grantee, the Company shall pay the estimated tax liability of the Grantee when and to the extent actually due and payable. For purposes of this Agreement, the "estimated tax liability of the Grantee" means the amount determined in good faith by the mutual agreement of the Company and the Grantee to be the tax liability of the Grantee relating to the vesting of the applicable Awarded Shares. For purposes of this Agreement, the "Average Closing Price" shall mean the average of the last reported sales price of the Company's Common Stock for the ten consecutive days of trading immediately prior to the date of such vesting.

#### **SECTION 4. DIVIDEND AND VOTING RIGHTS.**

Subject to the restrictions contained in this Agreement, Grantee shall have the rights of a shareholder with respect to the Awarded Shares, including the right to vote all such Shares, including Restricted Stock, and to receive all dividends, cash or stock, paid or delivered thereon, from and after the earlier of the date hereof. The forfeiture of Restricted Stock pursuant to Section 3.2 hereof shall not create any obligation to repay dividends received as to such Restricted Stock during the Limitation Period, nor shall such forfeiture invalidate any votes given by Grantee with respect to such Shares prior to forfeiture.

**SECTION 5. WITHHOLDING OF TAXES.**

The parties hereto recognize that the Company, a subsidiary or an affiliate may be obligated to withhold federal, state and local income taxes and social security taxes to the extent that the Grantee realizes ordinary income in connection with the vesting of the Restricted Stock or the payment of dividends on the Restricted Stock. The Grantee agrees that the Company or a subsidiary or an affiliate of the Company may withhold amounts needed to cover such taxes from payments otherwise due and owing to the Grantee, and also agrees that upon demand the Grantee will promptly pay to the Company or a subsidiary or an affiliate of the Company having such obligation any additional amounts as may be necessary to satisfy such withholding tax obligation. Such payment shall be made in cash or cash equivalent.

**SECTION 6. NOTICES.**

Any notice to be given to the Company shall be addressed to the Chief Financial Officer of the Company at the Company's principal executive office, and any notice to be given to Grantee shall be addressed to Grantee at the address then appearing on the personnel records of the Company or the subsidiary of the Company by which he or she is employed, or at such other address as either party hereafter may designate in writing to the other. Any such notice shall be deemed to have been duly given when deposited in the United States mail, addressed as aforesaid, registered or certified mail, and with proper postage and registration or certification fees prepaid.

**SECTION 7. GOVERNING LAW.**

The law of the State of Delaware, except its law with respect to choice of law, shall be controlling in all matters relating to this Agreement.

**SECTION 8. NO EMPLOYMENT RIGHTS.**

Grantee acknowledges and agrees that nothing herein or in the 1996 Plan, nor any of the rights granted hereunder or thereunder to Grantee, shall be construed to (a) give Grantee the right to remain employed by the Company or to any of their affiliates or to any benefits specifically provided hereunder or under the 1996 Plan, or (b) in any manner modify the right of the Company or any of their affiliates to modify, amend or terminate any of its employee benefit plans.

**SECTION 9. NATURE OF PAYMENTS.**

Any and all grants or deliveries of Shares hereunder shall constitute special incentive payments to the Grantee and shall not be taken into account in computing the amount of salary or compensation of the Grantee for the purpose of determining any pension, retirement, death or other benefits under (a) any pension, retirement, profit-sharing, bonus, life insurance, 401(k) or other employee benefit plan of the Company, or any of their affiliates, or (b) any agreement between the Company or any of their affiliates on the one hand, and the Grantee on the other hand, except as such plan or agreement shall otherwise expressly provide.

**SECTION 10. ENTIRE AGREEMENT; AMENDMENT; WAIVER.**

This Agreement embodies the entire agreement of the parties hereto with respect to the Restricted Stock Award, the Awarded Shares, and all other matters contained herein. This Agreement supersedes and replaces any and all prior oral or written agreements with respect to the subject matter hereof. This Agreement may be amended, and any provision hereof waived, but only in writing signed by the party against whom such amendment or waiver is sought to be enforced. A waiver on one occasion shall not be deemed to be a waiver of the same or any other breach on a future occasion. If there is any inconsistency between the provisions of this Agreement and of the 1996 Plan, the provisions of the 1996 Plan shall govern.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Company and the Grantee have caused this Agreement to be duly executed as of the date first above written.

**Company:**

**BOGEN COMMUNICATIONS INTERNATIONAL, INC.,**  
a Delaware corporation

By: /s/ Maureen A. Flotard  
Maureen A. Flotard  
CFO, VP Finance

**Grantee:**

/s/ Hans Meiler  
Hans Meiler

DOC 8 : Header

**BOGEN COMMUNICATIONS INTERNATIONAL, INC.****RESTRICTED STOCK AWARD AGREEMENT**

This RESTRICTED STOCK AWARD AGREEMENT (the "Agreement") is entered into as of April 22, 2002 (the "Date of Grant") by and between Bogen Communications International, Inc., a Delaware corporation (the "Company") and Jeffrey Schwarz (the "Grantee").

**RECITALS**

The Company has adopted the Amended and Restated 1996 Stock Incentive Plan (which plan, as amended from time to time, is referred to as the "1996 Plan") which provides for the grant under certain circumstances of shares of common stock of the Company (the "Shares"), which Shares have a par value of \$0.001 per share. Capitalized terms used but not defined herein shall have the meanings assigned to them in the 1996 Plan.

Grantee is member of the Board of Directors of the Company. The Company has granted to Grantee Shares under the Plan (the "Restricted Stock Award"), subject to the terms and conditions set forth below, in connection with the Grantee's service as a Director of the Company.

In consideration of the grant of the Restricted Stock Award and other benefits, the Grantee is willing to accept the Restricted Stock Award provided for in this Agreement and is willing to abide by the obligations imposed on Grantee under this Agreement.

NOW THEREFORE, in consideration of the mutual benefits hereinafter provided, and each intending to be legally bound, the Company and the Grantee hereby agree as follows:

**SECTION 1. EFFECT OF THE PLAN.**

The Grantee will abide by, and the Restricted Stock Award granted to the Grantee will be subject to, all of the provisions of the 1996 Plan and of this Agreement, together with all rules and determinations from time to time issued by the Company's Compensation Committee (the "Committee") and by the Board of Directors of the Company (the "Board") pursuant to the 1996 Plan. The Company hereby reserves the right to amend, modify, restate, supplement or terminate the 1996 Plan without the consent of Grantee, so long as such amendment, modification, restatement or supplement shall not materially reduce the rights and benefits available to Grantee hereunder, and this Agreement shall be subject, without further action by the Company or the Grantee, to such amendment, modification, restatement or supplement.

**SECTION 2. GRANT.**

Subject to the terms and conditions of this Agreement, the Company hereby grants and issues to Grantee, Jeffrey Schwarz (30,000) Shares ("Awarded Shares").

**SECTION 3. AWARDED SHARES.**

**SECTION 3.1 VESTING SCHEDULE; SERVICE REQUIREMENT.** Grantee's ownership of Awarded Shares shall become vested (i.e. nonforfeitable) if the Grantee serves as a member of the Board of Directors of the Company continuously from the Date of Grant to the applicable Vesting Date set forth in the following vesting schedule:

---

| <u>Percentage of Shares Vested</u> | <u>Vesting Date</u> |
|------------------------------------|---------------------|
| 20%                                | April 22, 2003      |
| 20%                                | April 22, 2004      |
| 20%                                | April 22, 2005      |
| 20%                                | April 22, 2006      |
| 20%                                | April 22, 2007      |

**Termination of Service as a Director.** If Grantee voluntarily resigns his position as a member of the Board of Directors of the Company, no additional vesting shall occur and all unvested Awarded Shares shall be forfeited. If Grantee is not nominated to serve as a member of the Board of Directors, is not re-elected by the stockholders of the Company or is otherwise removed as a member of the Board of Directors by an action of the Board of Directors or the stockholders of the Company, then all Awarded Shares shall become fully vested.

**Change of Control.** Upon a Change of Control, all Restricted Stock shall become fully vested. For purposes of this Agreement, a "Change of Control" shall mean a change of control of the Company of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Company is in fact required to comply therewith; provided, that, without limitation, such a change of control shall be deemed to have occurred if:

- (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, any corporation controlled by or under common control with any entity which as of the date hereof holds in excess of five percent (5%) of the Company's common stock, or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50.01% or more of the combined voting power of the Company's then outstanding securities;
- (ii) the Company shall have consummated a merger or consolidation or sale of assets or significant subsidiaries with any other corporation, other than a merger or consolidation which results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 50% (but less than 80%) of the combined voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or
- (iii) the Company shall have liquidated or sold all or substantially all of the Company's assets.

**SECTION 3.2 LIMITATION PERIOD.** The period commencing on the Date of Grant during which the Awarded Shares are subject to forfeiture is referred to herein as the "Limitation Period". Awarded Shares that have not vested during the Limitation Period are referred to herein as "Restricted Stock." Except as otherwise determined by the Committee, during the Limitation Period the Grantee may not sell, transfer, assign, pledge or otherwise encumber or dispose of Restricted Stock. Any such action by Grantee in violation of this Section 3.2 shall be void and no force or effect, and shall result in the

immediate forfeiture of all Restricted Stock. If a certificate representing Restricted Stock has been issued, the certificate shall be affixed with a legend setting forth the restrictions applicable to the transfer of such Shares and otherwise conforming to the requirements of the 1996 Plan. When the restrictions applicable to Restricted Stock shall lapse, a new certificate for such Shares shall be delivered to the Grantee free of such restrictions. Restricted Stock that is forfeited shall be immediately transferred to the Company without any payment by the Company; the Company shall have the full right to cancel certificates evidencing such forfeited shares automatically upon such forfeiture, whether or not such certificates shall have been surrendered to the Company. Following such forfeiture, the Grantee shall have no further rights with respect to such forfeited Shares.

**SECTION 3.3 DEATH OR DISABILITY.** If, before the end of the Limitation Period, the Grantee sustains a Permanent Disability or dies, all Restricted Stock shall become vested Awarded Shares, and the Company shall grant and issue to the Grantee, the Grantee's legal guardian, or the executor or administrator of the estate of the Grantee or the person or persons to whom rights under this Agreement shall have passed by bequest or inheritance, as the case may be, a stock certificate for such Awarded Shares free of the restrictions set forth in this Agreement. For purposes of this Agreement, "Permanent Disability" shall be deemed to occur upon the termination of the service of the Grantee as a member of the Board of Directors of the Company after the Grantee becomes physically or mentally disabled, whether totally or partially, so that the Grantee is unable substantially to perform his services to the Company for (i) a period of three consecutive months, or (ii) for shorter periods aggregating three months during any six month period.

**SECTION 3.4 NON-TRANSFERABILITY.** Except as otherwise determined by the Board or the Committee, this Restricted Stock Award may not be transferred, assigned, pledged or disposed of in any manner whatsoever, except that it may be transferred by will or the laws of descent and distribution. Any attempt at any transfer, assignment, pledge, or other disposition shall be null and void and without effect and shall cause the immediate termination of the entire Restricted Stock Award.

**SECTION 3.5 NET EXERCISE.** Upon vesting of all or a portion of the Restricted Stock Award, the Grantee may elect to receive a number of Awarded Shares equal to (i) the number of such Shares that have vested less (ii) a number of Shares equal to the estimated tax liability to the Grantee upon such vesting divided by the Average Closing Price. Upon such an election by the Grantee, the Company shall pay the estimated tax liability of the Grantee when and to the extent actually due and payable. For purposes of this Agreement, the "estimated tax liability of the Grantee" means the amount determined in good faith by the mutual agreement of the Company and the Grantee to be the tax liability of the Grantee relating to the vesting of the applicable Awarded Shares. For purposes of this Agreement, the "Average Closing Price" shall mean the average of the last reported sales price of the Company's Common Stock for the ten consecutive days of trading immediately prior to the date of such vesting.

#### **SECTION 4. DIVIDEND AND VOTING RIGHTS.**

Subject to the restrictions contained in this Agreement, Grantee shall have the rights of a shareholder with respect to the Awarded Shares, including the right to vote all such Shares, including Restricted Stock, and to receive all dividends, cash or stock, paid or delivered thereon, from and after the earlier of the date hereof. The forfeiture of Restricted Stock pursuant to Section 3.2 hereof shall not create any obligation to repay dividends received as to such Restricted Stock during the Limitation Period, nor shall such forfeiture invalidate any votes given by Grantee with respect to such Shares prior to forfeiture.

**SECTION 5. WITHHOLDING OF TAXES.**

The parties hereto recognize that the Company, a subsidiary or an affiliate may be obligated to withhold federal, state and local income taxes and social security taxes to the extent that the Grantee realizes ordinary income in connection with the vesting of the Restricted Stock or the payment of dividends on the Restricted Stock. The Grantee agrees that the Company or a subsidiary or an affiliate of the Company may withhold amounts needed to cover such taxes from payments otherwise due and owing to the Grantee, and also agrees that upon demand the Grantee will promptly pay to the Company or a subsidiary or an affiliate of the Company having such obligation any additional amounts as may be necessary to satisfy such withholding tax obligation. Such payment shall be made in cash or cash equivalent.

**SECTION 6. NOTICES.**

Any notice to be given to the Company shall be addressed to the Chief Financial Officer of the Company at the Company's principal executive office, and any notice to be given to Grantee shall be addressed to Grantee at the address then appearing on the records of the Company, or at such other address as either party hereafter may designate in writing to the other. Any such notice shall be deemed to have been duly given when deposited in the United States mail, addressed as aforesaid, registered or certified mail, and with proper postage and registration or certification fees prepaid.

**SECTION 7. GOVERNING LAW.**

The law of the State of Delaware, except its law with respect to choice of law, shall be controlling in all matters relating to this Agreement.

**SECTION 8. NO ADDITIONAL RIGHTS.**

Grantee acknowledges and agrees that nothing herein or in the 1996 Plan, nor any of the rights granted hereunder or thereunder to Grantee, shall be construed to (a) give Grantee the right to remain a member of the Board of Directors of the Company or to any other benefits specifically provided hereunder or under the 1996 Plan, or (b) in any manner modify the right of the Company or any of their affiliates to modify, amend or terminate any of its employee benefit plans.

**SECTION 9. NATURE OF PAYMENTS.**

Any and all grants or deliveries of Shares hereunder shall constitute special incentive payments to the Grantee and shall not be taken into account in computing the amount of salary or compensation of the Grantee for the purpose of determining any pension, retirement, death or other benefits under (a) any pension, retirement, profit-sharing, bonus, life insurance, 401(k) or other employee benefit plan of the Company, or any of their affiliates, or (b) any agreement between the Company or any of their affiliates on the one hand, and the Grantee on the other hand, except as such plan or agreement shall otherwise expressly provide.

**SECTION 10. ENTIRE AGREEMENT; AMENDMENT; WAIVER.**

This Agreement embodies the entire agreement of the parties hereto with respect to the Restricted Stock Award, the Awarded Shares, and all other matters contained herein. This Agreement supersedes and replaces any and all prior oral or written agreements with respect to the subject matter hereof. This Agreement may be amended, and any provision hereof waived, but only in writing signed by the party against whom such amendment or waiver is sought to be enforced. A waiver on one occasion shall not be deemed to be a waiver of the same or any other breach on a future occasion. If there is any inconsistency between the provisions of this Agreement and of the 1996 Plan, the provisions of the 1996 Plan shall govern.

IN WITNESS WHEREOF, the Company and the Grantee have caused this Agreement to be duly executed as of the date first above written.

**Company:**

**BOGEN COMMUNICATIONS INTERNATIONAL, INC.,**  
a Delaware corporation

By: /s/ Maureen A. Flotard  
Maureen A. Flotard  
CFO, VP Finance

**Grantee:**

/s/ Jeffrey Schwarz  
Jeffrey Schwarz