

**BOGEN COMMUNICATIONS INTERNATIONAL, INC.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS**

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BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands, Except Share Amounts)

	March 31, 2005 (Unaudited)	December 31, 2004
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 7,235	\$ 5,897
Trade receivables (net of allowance for doubtful accounts of \$395 and \$421 at March 31, 2005, and December 31, 2004, respectively)	4,237	9,672
Other receivables	791	810
Inventories	7,588	7,315
Prepaid expenses and other current assets	698	552
Current deferred income taxes	3,844	3,699
TOTAL CURRENT ASSETS	24,393	27,945
Equipment and leasehold improvements, net	1,898	1,969
Goodwill	15,138	15,218
Other intangible assets, net	424	456
Deferred income taxes	594	575
Other assets	169	169
TOTAL ASSETS	\$ 42,616	\$ 46,332
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Amounts outstanding under revolving credit agreements	\$ 42	\$ 35
Current maturities of long-term debt	1,500	1,500
Accounts payable	1,962	2,730
Accrued expenses	3,233	5,089
Income taxes payable	1,795	1,863
TOTAL CURRENT LIABILITIES	8,532	11,217
Long-term debt, less current maturities	3,375	3,750
Minority interest	281	300
Other long-term liabilities	488	491
TOTAL LIABILITIES	12,676	15,758
STOCKHOLDERS' EQUITY		
Preferred stock - \$.001 par value; 800,000 authorized at March 31, 2005, and December 31, 2004; none issued and outstanding at March 31, 2005, or December 31, 2004	-	-
Common stock - \$.001 par value; 10,000,000 shares authorized at March 31, 2005, and December 31, 2004; 4,106,989 shares issued and 4,094,692 shares outstanding at March 31, 2005, and 4,104,489 shares issued and 4,094,132 shares outstanding at December 31, 2004	4	4
Additional paid-in-capital	22,257	22,247
Deferred compensation	(308)	(326)
Retained earnings	6,258	6,350
Accumulated other comprehensive income	1,797	2,359
Treasury stock at cost - 12,297 shares at March 31, 2005, and 10,357 shares at December 31, 2004	(68)	(60)
TOTAL STOCKHOLDERS' EQUITY	29,940	30,574
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 42,616	\$ 46,332

See accompanying notes to consolidated financial statements.

BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in Thousands)
(Unaudited)

	Three Months Ended	
	March 31, 2005	March 31, 2004
Net sales	\$ 11,956	\$ 12,526
Cost of goods sold	<u>6,354</u>	<u>6,817</u>
Gross profit	5,602	5,709
Operating expenses:		
Research and development	1,166	1,088
Selling, general and administrative	4,462	4,442
Amortization of intangibles	<u>30</u>	<u>32</u>
(Loss) income from operations	(56)	147
Other (income) expenses:		
Interest income	(19)	(2)
Interest expense	67	97
Minority interest of consolidated subsidiaries	(19)	(12)
Other income	<u>(6)</u>	<u>(6)</u>
(Loss) income before income taxes	(79)	70
Income tax expense	<u>13</u>	<u>21</u>
Net (loss) income	<u>\$ (92)</u>	<u>\$ 49</u>

See accompanying notes to consolidated financial statements.

BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2005
(Dollars in Thousands, Except Share Amounts)
(Unaudited)

	Common Stock		Additional Paid-In Capital	Deferred Compensation	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total
	Number of Shares	Amount					Number of Shares	Amount	
Balance at January 1, 2005	4,104,489	\$ 4	\$ 22,247	\$ (326)	\$ 6,350	\$ 2,359	10,357	\$ (60)	\$ 30,574
Employee restricted stock grants	2,500	-	10	(10)	-	-	-	-	-
Deferred compensation amortization	-	-	-	28	-	-	-	-	28
Treasury stock	-	-	-	-	-	-	1,940	(8)	(8)
Comprehensive income:									
Net income	-	-	-	-	(92)	-	-	-	(92)
Translation adjustments	-	-	-	-	-	(562)	-	-	(562)
Other comprehensive income									(654)
Balance at March 31, 2005	<u>4,106,989</u>	<u>\$ 4</u>	<u>\$ 22,257</u>	<u>\$ (308)</u>	<u>\$ 6,258</u>	<u>\$ 1,797</u>	<u>12,297</u>	<u>\$ (68)</u>	<u>\$ 29,940</u>

See accompanying notes to consolidated financial statements.

BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Three Months Ended	
	March 31, 2005	March 31, 2004
	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ (92)	\$ 49
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	252	329
Amortization of intangible assets	30	32
Deferred compensation amortization	29	25
Provision for doubtful accounts	30	43
Utilization of pre-acquisition NOL charged to goodwill	19	46
Deferred income taxes	(281)	(228)
Loss on disposal of equipment and leasehold improvements	26	-
Minority interest	(19)	(12)
Change in operating assets and liabilities:		
Receivables	5,203	2,203
Inventories	(366)	335
Prepaid expenses and other current assets	(155)	23
Accounts payable and accrued expenses	(2,467)	(2,076)
Other	(4)	(2)
Net cash provided by operating activities	<u>2,205</u>	<u>767</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment and leasehold improvements	(256)	(95)
Proceeds from sale of equipment and leasehold improvements	8	-
Net cash used in investing activities	<u>(248)</u>	<u>(95)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Purchases of treasury stock	(9)	-
Principal payments of long-term debt	(375)	-
Principal payments under capital lease obligations	-	(1)
Net (decrease) increase in borrowings under revolving credit agreements	8	(2,089)
Net cash used in financing activities	<u>(376)</u>	<u>(2,090)</u>
Effects of foreign exchange rate on cash	<u>(243)</u>	<u>(147)</u>
INCREASE IDECREASE) IN CASH AND CASH EQUIVALENTS	1,338	(1,565)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>5,897</u>	<u>6,183</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 7,235</u>	<u>\$ 4,618</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$ 65	\$ 6
Cash paid for income taxes	269	194

See accompanying notes to consolidated financial statements.

BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in Thousands, Except 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, 2004, has been derived from the audited consolidated balance sheet and is presented for comparative purposes. The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete consolidated financial statements. 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. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2004.

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), Speech Design (Israel), Ltd., and Speech Design Carrier Systems GmbH ("Carrier Systems"). Inter-company balances, profits and losses, and transactions have been eliminated in consolidation.

The ownership interest of minority owners in the equity and earnings of the Company's less than 100 percent-owned consolidated subsidiaries are recorded as minority interest. The Company records all losses in its consolidated financial statements after the minority interest liability is reduced to zero, as the minority interest holders have no obligation to fund losses.

3. **Revenue Recognition**

The Company derives its revenue primarily from 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 product revenue, net of discounts and rebates, where persuasive evidence of sales arrangements exist, title of risk of loss has transferred, the buyer's price is fixed or determinable, contractual obligations have been satisfied, and collectibility is reasonably assured. These requirements are met for a majority of the Company's products upon shipment. 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 the case of support or maintenance contracts.

BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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The Company adopted EITF Issue No. 00-21, “*Multiple Element Arrangements*”, effective July 1, 2003. The adoption has no financial impact, as the Company’s revenue recognition policy has been historically consistent with this EITF Issue. For multiple element arrangements, we allocate revenue to be earned under the arrangement among the various elements based on their relative fair value, which is generally the price charged for that element based on pricing for substantially similar arrangements sold separately to similar customer groups. We also recognize revenue at the date installation is complete and where all of the other revenue recognition criteria are met and customer acceptance is reasonably assured. In situations where customer acceptance is not reasonably assured, we recognize revenue upon the earlier of a written receipt of customer acceptance or expiration of the acceptance period.

The Company reports all amounts billed to a customer related to shipping and handling costs as revenue and reports all costs incurred for shipping and handling as cost of goods sold.

4. **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 Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology, marketing and distribution strategies.

The accounting policies of the segment are the same as those described in the notes herein and in the notes to our consolidated financial statements for the year ended December 31, 2004. The Company evaluates segment performance based on income or loss before income taxes.

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

Three Months Ended

	<u>March 31, 2005</u>		<u>March 31, 2004</u>	
	<u>Bogen</u>	<u>Speech Design</u>	<u>Bogen</u>	<u>Speech Design</u>
Revenue from external customers	\$8,745	\$3,211	\$8,806	\$3,720
Gross profit	3,782	1,820	3,819	1,890
Income (loss) before income taxes	628	(647)	594	(422)

BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(Unaudited)

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

	<u>Three Months Ended</u>	
	<u>March 31,</u>	
	<u>2005</u>	<u>2004</u>
Total income (loss) before income taxes for reportable segments	\$ (19)	\$172
Other corporate expenses	<u>(60)</u>	<u>(102)</u>
Income (loss) before income taxes	<u>\$(79)</u>	<u>\$ 70</u>

5. **Inventories**

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

	<u>March 31,</u>	<u>December 31,</u>
	<u>2005</u>	<u>2004</u>
Raw materials and supplies	\$1,430	\$1,421
Work in progress	427	291
Finished goods	<u>5,731</u>	<u>5,603</u>
Total	<u>\$7,588</u>	<u>\$7,315</u>

6. **Goodwill and Intangible Assets**

In accordance with SFAS 142, "Goodwill and Other Intangible Assets", goodwill is no longer amortized but rather tested for impairment annually. In accordance with the provisions of SFAS 142, all goodwill is assigned to the Company's two reporting units, which are the same as the Company's reporting segments - Domestic and Foreign. Annually, we consider whether or not goodwill is impaired by comparing the carrying value of the reporting unit, including goodwill, to the fair value of the reporting unit. The fair values of the reporting units are based on management estimates using discounted cash flow assumptions. Such estimates include a considerable amount of management judgment and there is potential for material impact to our financial position and results of operations in the event that such estimates significantly change.

The Company performed its annual impairment test at December 31, 2004, upon completion and approval of the Company's financial operating plan for 2005. The impairment test indicated that no goodwill impairment existed as of that date.

The table below reconciles the change in the carrying amount of goodwill by operating segment for the period from December 31, 2004 to March 31, 2005:

	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Balance at December 31, 2004	\$ 9,945	\$ 5,273	\$ 15,218
Utilization of pre-acquisition NOL's charged to goodwill	0	(19)	(19)
Foreign currency translation adjustments	<u>0</u>	<u>(61)</u>	<u>(61)</u>
Balance at March 31, 2005	<u>\$ 9,945</u>	<u>\$ 5,193</u>	<u>\$ 15,138</u>

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The following disclosure presents certain information on the Company's acquired intangible assets as of March 31, 2005, and December 31, 2004. 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>
At March 31, 2005:				
Patents	10 years	\$ 26	\$ (14)	\$ 12
Trademarks	15 years	662	(313)	349
Deferred Financing	5.5 years	55	(21)	34
Brandnames	7 years	170	(157)	13
Technology	7 years	203	(187)	16
Customer Lists	3 years	<u>184</u>	<u>(184)</u>	<u>0</u>
		<u>\$1,300</u>	<u>\$ 876</u>	<u>\$ 424</u>

<u>Acquired Intangible Assets</u>	<u>Weighted-Average Amortization Period</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Balance</u>
At December 31, 2004:				
Patents	10 years	\$ 26	\$ (13)	\$ 13
Trademarks	15 years	662	(302)	360
Deferred Financing	5.5 years	55	(17)	38
Brandnames	7 years	179	(158)	21
Technology	7 years	215	(189)	26
Customer lists	3 years	<u>194</u>	<u>(194)</u>	<u>0</u>
		<u>\$1,331</u>	<u>\$(875)</u>	<u>\$ 456</u>

The aggregate acquired intangible amortization expense was \$30 and \$32, respectively, for the three months ended March 31, 2005 and 2004. The estimated acquired intangible asset amortization expense for the fiscal year ending December 31, 2005, and for the four subsequent years is as follows:

<u>Fiscal Year Ended December 31,</u>	<u>Estimated Amortization Expense</u>
2005	\$104
2006	\$ 53
2007	\$ 53
2008	\$ 53
2009	\$ 49

BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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7. **Revolving Credit Agreements**

Effective December 11, 2003, the Company and BCI entered into a new credit facility (the "New Facility") with Key. The New Facility includes a five-year term loan for \$7,500 and a \$2,500 working capital line of credit. The Company has pledged as collateral all the issued and outstanding capital stock of the Company as well as all of its tangible and intangible assets. The New Facility bears interest at either Key's rate or, at the borrower's option, LIBOR plus 150 to 275 basis points. The Company is repaying the loan in equal quarterly installments of \$375, beginning July 1, 2004. The Company, at its option, may also make additional, voluntary repayments in multiples of at least \$100. On June 1 and August 1, 2004, the Company exercised this option and made payments totaling \$1,500. The annual scheduled repayment amounts are \$750 in 2004, \$1,500 per year in 2005, 2006, 2007, and 2008, and \$750 in 2009.

As of March 31, 2005, and December 31, 2004, Bogen had no short-term borrowings outstanding under the New Facility's working capital line of credit. Bogen has a conditional letter of credit with Key, which is included in the working capital line and is renewable every six months. Approximately \$846 was utilized at March 31, 2005. At March 31, 2005, and December 31, 2004, the Company had \$4,875 and \$5,250, respectively, of long-term debt, including current maturities, outstanding under the New Facility. The Company was in compliance with the financial covenants as set forth under the New Facility for the period ended March 31, 2005.

Speech Design and its subsidiaries have continuously renewing credit lines and overdraft facilities of approximately 1,237 Euros (approximately \$1,600 at March 31, 2005) from four banks. Short-term lines of credit are collateralized by all the accounts receivable and inventory of Speech Design and its subsidiaries. At March 31, 2005, and December 31, 2004, Speech Design had short-term borrowings amounting to \$42 and \$35, respectively.

Total outstanding revolving lines of credit are summarized as follows:

	March 31, 2005	December 31, 2004
Domestic Lines of Credit Utilized	\$ 0	\$ 0
Foreign Lines of Credit Utilized:		
• Speech Design GmbH	0	21
• Speech Design Israel	<u>42</u>	<u>14</u>
	<u>\$ 42</u>	<u>\$ 35</u>

8. **Income Taxes**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date. Income tax expense for the three months ended March 31, 2005 and 2004, differs from the amount computed by applying the U.S. Federal statutory rates primarily because of 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.

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9. Minority Interest

In September 2001, 2.T-Telematik Venture Beteiligungsgesellschaft mgH (“T-Venture”), a venture capital subsidiary of Deutsche Telekom AG (“DT”), to purchase 2% of SDI. 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. In September 2004, Cipio Partners, an investment management firm, purchased T-Venture from DT and renamed it Cipio Partners Holding 1 GmbH (CPH1).

10. Stock-Based Compensation

In April 2002, certain key employees received approximately 145,000 restricted shares of common stock, which vest ratably over five year. In March 2003, a key employee received 2,500 restricted shares of common stock, which vest ratably over five years. In February 2004, the Company granted certain key employees 40,500 restricted shares of common stock, which vest ratably over five years. In March 2005, a key employee was granted 2,500 restricted shares of common stock, which vest ratably over five years.

The Company applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board (“APB”) Opinion No. 25, “Accounting for Stock Issued to Employees,” and related interpretations including FASB Interpretation No. 44, “Accounting for Certain Transactions involving Stock Compensation; an interpretation of APB Opinion No. 25” to account for its fixed plan stock options granted to employees and directors and for restricted stock grants. Under this method, compensation expense is recorded on the date of the grant only if the current market price of the underlying stock exceeds the exercise price. Restricted stock grants do not result in any consideration made by the employee to the Company and the fair value of the common stock is charged to operations over the vesting period.

SFAS No. 123, “Accounting for Stock-Based Compensation”, established accounting and disclosure requirements using a fair value-basis method of accounting for stock-based employee compensation plans. As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure requirements of SFAS No. 123 and SFAS No. 148, “Accounting for Stock-Based Compensation – Transition and Disclosure, an Amendment of FASB Statement No. 123”. Had the Company elected to recognize compensation cost based on the fair value of the stock options at the date of grant under SFAS 123, such costs would have been recognized ratably over the vesting period of the underlying instruments and the Company’s net income (loss) would have decreased to the pro forma amounts indicated in the table below.

	Three Months Ended	
	March 31,	
	<u>2005</u>	<u>2004</u>
Net income (loss), as reported	\$ (92)	\$ 49
Add: Stock-based employee compensation expense included in reported net income, net of tax	17	16
Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards, net of tax	<u>(46)</u>	<u>(157)</u>
Pro forma net income (loss)	<u>\$ (121)</u>	<u>\$ 92</u>

BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES
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The fair value of stock options is estimated on the date of grant using the Black-Scholes option-pricing calculation model. The following table outlines the assumptions used in the Black-Scholes model.

	<u>2005</u>	<u>2004</u>
Dividend yield	0.00%	0.00%
Risk-free interest rate	3.92%	3.36%
Expected option life in years	7.50%	6.09
Expected volatility	57.40%	63.26%
Weighted-average fair value of options granted during the period	\$2.64	\$2.35

11. **Comprehensive Income**

The Company's comprehensive income consists of net income and translation adjustments and is presented in the consolidated statement of changes in stockholders' equity for the three months ended March 31, 2005.

12. **Litigation**

The Company develops and utilizes technology for substantially all of the products it offers and intends to offer and has, from time to time, been the subject of infringement claims related thereto. It is difficult to predict the outcome of such litigation and the amount of damages that may be awarded in these types of cases. The Company does not believe that the results of any pending or threatened litigation related to the Company's technology or use thereof would have a material adverse effect on its financial position, results of operations, or liquidity.

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.

13. **Withdrawals from Union Pension Funds**

Electronics Local 431 Pension Fund

Certain employees of Bogen are participants in the Electronics Local 431 Pension Fund (the "Plan"), a multiemployer plan within the meaning of Section 3(37) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Bogen's annual contributions to the Plan have been less than \$15 during each of the past five years. As a result of the withdrawal of other employers from the Plan, Bogen was one of only two remaining contributing employers.

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ERISA imposes, among other things, minimum funding requirements. Failure to meet these requirements could subject the Plan to disqualification and/or subject the contributing employers to penalties. The Plan's trustees have advised Bogen that the Plan's funding standard account will be depleted during the fiscal year ending June 30, 2007.

Effective June 1, 2004, Bogen elected, in accordance with the collective bargaining agreement with the International Union of Electronic, Electrical, Technical, Salaried & Machine Workers-CWA Local 485, AFL-CIO (the "Union"), to cease permanently to make contributions or to have any obligation to contribute to the Plan. As a result of this election, Bogen believes that it is subject to a withdrawal liability imposed by ERISA. The withdrawal liability assessed against Bogen will be scheduled for payment in annual installments, each such installment being the product of (i) the average annual number of hours worked by Bogen's Plan participants during the 3-year period in which these hours were the highest during the ten Plan years ending prior to the withdrawal, and (ii) Bogen's highest contribution rate during that same 10-year period. Bogen has requested the Plan's actuary to calculate the amount of these annual installments and is currently awaiting these figures.

At this time, based on the hours worked by Bogen's Plan participants during the preceding decade and the highest rate at which Bogen was obliged to contribute to the Plan during that period, Bogen currently estimates the total withdrawal liability to be approximately \$300, which is the net present value of the anticipated stream of payments, based on the information currently available. Annual withdrawal liability payments would be less than \$20 per year; however, such annual payments would likely continue for a period of not less than 20 years and possibly much longer. The accrual is recorded on the balance sheet in Other Long-term Liabilities.

Teamsters Local 854 Pension Fund

Certain employees of Bogen are participants in the Teamsters Local 854 Pension Fund (the "Fund"). In August 2003, Bogen affected a complete withdrawal from the Fund, in accordance with the Multiemployer Pension Plan Amendments Act of 1980. The Fund has informed Bogen that its total estimated withdrawal liability has been computed to be \$15, payable in ten quarterly installments beginning June 30, 2004. The accrual is recorded on the balance sheet in Accrued Expenses.