

**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, 2007 (Unaudited)	December 31, 2006
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 2,615	\$ 6,192
Trade receivables (net of allowance for doubtful accounts of \$246 and \$242 at March 31, 2007, and December 31, 2006, respectively)	6,872	7,875
Other receivables	707	702
Inventories	6,707	6,539
Prepaid expenses and other current assets	743	655
Current deferred income taxes	2,481	2,508
<b>TOTAL CURRENT ASSETS</b>	<b>20,125</b>	<b>24,471</b>
Equipment, furniture, and leasehold improvements, net	1,600	1,532
Goodwill	15,020	15,028
Other intangible assets, net	286	299
Deferred income taxes	65	46
Other assets	143	143
<b>TOTAL ASSETS</b>	<b>\$ 37,239</b>	<b>\$ 41,519</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Amounts outstanding under revolving credit agreements	\$ 54	\$ -
Accounts payable	1,718	1,836
Accrued expenses	2,928	3,384
Dividends payable	-	4,090
Income taxes payable	131	79
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,831</b>	<b>9,389</b>
Minority interest	268	268
Other long-term liabilities	407	414
<b>TOTAL LIABILITIES</b>	<b>5,506</b>	<b>10,071</b>
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock - \$.001 par value; 800,000 authorized at March 31, 2007 and December 31, 2006; none issued and outstanding at March 31, 2007, or December 31, 2006	-	-
Common stock - \$.001 par value; 10,000,000 shares authorized at March 31, 2007, and December 31, 2006; 4,109,489 shares issued and 4,087,433 shares outstanding at March 31, 2007, and 4,109,489 shares issued and 4,089,785 shares outstanding at December 31, 2006	4	4
Additional paid-in-capital	22,215	22,182
Retained earnings	7,779	7,602
Accumulated other comprehensive income	1,863	1,772
Treasury stock at cost - 22,056 shares at March 31, 2007, and 19,704 shares at December 31, 2006	(128)	(112)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>31,733</b>	<b>31,448</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 37,239</b>	<b>\$ 41,519</b>

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,	
	2007	2006
Net sales	\$ 11,808	\$ 11,312
Cost of goods sold	5,717	5,816
Gross profit	6,091	5,496
Operating expenses:		
Research and development	1,329	1,263
Selling, general and administrative	4,441	4,054
Amortization of intangibles	13	13
Income from operations	308	166
Other (income) expenses:		
Interest income	(14)	(37)
Interest expense	5	60
Minority interest of consolidated subsidiaries	-	(3)
Other income	(4)	(6)
Income before income taxes	321	152
Income tax expense	144	77
Net income	\$ 177	\$ 75

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, 2007**  
(Dollars in Thousands, Except Share Amounts)  
(Unaudited)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other	Treasury Stock		Total
	Number of Shares	Amount			Comprehensive Income	Number of Shares	Amount	
Balance at January 1, 2007	4,109,489	\$ 4	\$ 22,182	\$ 7,602	\$ 1,772	19,704	\$(112)	\$ 31,448
Stock-based compensation	-	-	4	-	-	-	-	4
Deferred compensation amortization	-	-	29	-	-	-	-	29
Treasury stock	-	-	-	-	-	2,352	(16)	(16)
Comprehensive income:								
Net income	-	-	-	177	-	-	-	177
Translation adjustments	-	-	-	-	91	-	-	91
Other comprehensive income								268
Balance at March 31, 2007	<u>4,109,489</u>	<u>\$ 4</u>	<u>\$ 22,215</u>	<u>\$ 7,779</u>	<u>\$ 1,863</u>	<u>22,056</u>	<u>\$(128)</u>	<u>\$ 31,733</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,	
	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 177	\$ 75
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	173	161
Amortization of intangible assets	13	13
Deferred compensation amortization	29	28
Stock-based compensation	4	-
Utilization of pre-acquisition NOL charged to goodwill	19	19
Deferred income taxes	21	(184)
Minority interest	-	(3)
Change in operating assets and liabilities:		
Receivables	926	3,225
Inventories	(156)	505
Prepaid expenses and other current assets	(85)	(112)
Accounts payable and accrued expenses	(432)	(1,309)
Other	(7)	(2)
Net cash provided by operating activities	682	2,416
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of equipment and leasehold improvements	(242)	(112)
Proceeds from sale of equipment and leasehold improvements	9	7
Net cash used in investing activities	(233)	(105)
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Purchases of treasury stock	(16)	(14)
Dividends paid	(4,090)	(2,047)
Principal payments of long-term debt	-	(375)
Net increase (decrease) in borrowings under revolving credit agreements	54	(796)
Net cash used in financing activities	(4,052)	(3,232)
Effects of foreign exchange rate on cash	26	(43)
DECREASE IN CASH AND CASH EQUIVALENTS	(3,577)	(964)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6,192	6,376
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 2,615	\$ 5,412
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for interest	\$ 5	\$ 60
Cash paid for income taxes	54	372

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, 2006, 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, 2006.

2. **Principles of Consolidation**

The consolidated financial statements of the Company include the accounts of the Company's wholly-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 or 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.

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.

**BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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The Company records provisions against its gross revenue for estimated product returns and allowances in the period when the related revenue is recorded.

4. **Segments**

The Company operates in two reportable business segments, domestic (Bogen) and foreign (Speech Design). 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 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 segments 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, 2006. The Company evaluates segment performance based on several measures, including income or loss before income taxes.

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

**Three Months Ended**

	<u><b>March 31, 2007</b></u>		<u><b>March 31, 2006</b></u>	
	<u><b>Bogen</b></u>	<u><b>Speech Design</b></u>	<u><b>Bogen</b></u>	<u><b>Speech Design</b></u>
Revenue from external customers:				
United States	\$ 8,384	\$ 0	\$ 8,105	\$ 0
International	\$ 271	\$ 3,153	\$ 368	\$ 2,839
Total Revenues	\$ 8,655	\$ 3,153	\$ 8,473	\$ 2,839
Gross profit	3,663	2,428	3,737	1,759
Income (loss) before income taxes	454	(128)	556	(418)

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

	<u><b>Three Months Ended</b></u>	
	<u><b>March 31,</b></u>	
	<u><b>2007</b></u>	<u><b>2006</b></u>
Total income before income		
taxes for reportable segments	\$326	\$138
Other corporate income (expenses)	<u>(5)</u>	<u>14</u>
Income before income taxes	<u>\$321</u>	<u>\$152</u>

**BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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5. **Inventories**

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

	<b>March 31, <u>2007</u></b>	<b>December 31, <u>2006</u></b>
Raw materials and supplies	\$1,032	\$1,037
Work in progress	290	310
Finished goods	<u>5,385</u>	<u>5,192</u>
	<u>\$6,707</u>	<u>\$6,539</u>

6. **Goodwill and Intangible Assets**

The Company accounts for goodwill in accordance with Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets*. In accordance with SFAS No. 142, all goodwill is assigned to either of the Company's two reporting units, which are the same as its reporting segments - domestic and foreign.

Under SFAS No. 142, goodwill and intangible assets deemed to have indefinite lives are not amortized, but are subject to an annual impairment test, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable

The Company considers 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 and based upon a discounted cash flow methodology. Such estimates include a considerable amount of management judgment and there is potential for material impact to the Company's financial position and results of operations in the event that such estimates significantly change.

The Company performed its annual impairment test at December 31, 2006, upon completion and approval of the Company's financial operating plan for 2007. 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 reporting segment for the period from December 31, 2006, to March 31, 2007:

	<b><u>Domestic</u></b>	<b><u>Foreign</u></b>	<b><u>Total</u></b>
Balance at December 31, 2006	\$9,945	\$5,083	\$15,028
Utilization of pre-acquisition NOL's charged to goodwill	0	(19)	(19)
Foreign currency translation adjustments	<u>0</u>	<u>11</u>	<u>11</u>
Balance at March 31, 2007	<u>\$9,945</u>	<u>\$5,075</u>	<u>\$15,020</u>

**BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES**  
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The following tables present certain information on the Company's acquired intangible assets as of March 31, 2007, and December 31, 2006. All intangible assets are being amortized over their estimated useful lives, 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 March 31, 2007:</b>				
Patents	10 years	\$ 26	\$ (19)	\$ 7
Trademarks	15 years	662	(400)	262
Deferred Financing	5.5 years	<u>54</u>	<u>(37)</u>	<u>17</u>
		<u>\$742</u>	<u>\$(456)</u>	<u>\$286</u>
<b>At December 31, 2006:</b>				
Patents	10 years	\$ 26	\$ (18)	\$ 8
Trademarks	15 years	662	(389)	273
Deferred Financing	5.5 years	<u>54</u>	<u>(36)</u>	<u>18</u>
		<u>\$742</u>	<u>\$(443)</u>	<u>\$299</u>

The aggregate acquired intangible amortization expense was \$13 and \$13, respectively, for the three months ended March 31, 2007 and 2006. The estimated acquired intangible asset amortization expense for the fiscal year ending December 31, 2007, and for the four subsequent years is as follows:

<u>Fiscal Year Ended December 31,</u>	<u>Estimated Amortization Expense</u>
2007	\$53
2008	\$53
2009	\$49
2010	\$43
2011	\$42

**7. Revolving Credit Agreements**

The Company and BCI entered into a credit facility (the "Facility") with KeyBank National Association (Key") in December 2003. The Facility originally included a term loan for \$7,500 and a working capital line of credit for \$2,500. 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.

As of March 31, 2007, and December 31, 2006, the Company had no long-term debt, including current maturities, outstanding under the Facility. The term loan had called for equal, quarterly payments from July 2004 to April 2009 and allowed additional payments. In July 2006, the Company paid off the outstanding balance using available cash.

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As of March 31, 2007, and December 31, 2006, the Company had \$54 and \$0, respectively, of short-term borrowings under the Facility's working capital line of credit. BCI has a conditional letter of credit with Key, which is included in the working capital line and is renewable every six months. Approximately \$683 was utilized at March 31, 2007. Effective September 29, 2006, the Facility's working capital line of credit was increased to \$10,000, the expiration date was extended to June 30, 2007, the financial covenant requirements were eliminated, and the interest rate terms were reduced to either Prime or Libor plus 150 basis points.

Speech Design and its subsidiaries have continuously renewing credit lines and overdraft facilities of approximately 1,232 Euros (approximately \$1,643 at March 31, 2007) 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, 2007, and December 31, 2006, Speech Design had no short-term borrowings. The amount available under Speech Design's credit lines were approximately \$1,643 at March 31, 2007, with rates tied to short-term bank notes and Euromarket loans.

Total outstanding revolving lines of credit are:

	<u>March 31,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
Domestic Lines of Credit Utilized	\$54	\$ 0
Foreign Lines of Credit Utilized	<u>0</u>	<u>0</u>
	<u>\$54</u>	<u>\$ 0</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, 2007 and 2006, 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.

9. **Minority Interest**

In September 2001, the Company sold 2% of SDI to a venture capital subsidiary of Deutsche Telekom AG ("DT"). The subsidiary 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 the subsidiary from DT and renamed it Cipio Partners Holding 1 GmbH (CPH1).

**BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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10. **Stock-Based Compensation**

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment*, (SFAS No. 123(R)). SFAS No. 123(R) replaces SFAS No. 123; *Accounting for Stock-Based Compensation*, and supersedes Accounting Principles Board (“APB”) Opinion No. 25, *Accounting for Stock Issued to Employees*. SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values.

The Company has selected the Black-Scholes method of valuation for share-based compensation and has adopted the modified prospective transition method under SFAS No. 123(R), which requires that compensation cost be recorded, as earned, for all unvested stock options outstanding at the beginning of the year of adoption of SFAS No. 123(R). As permitted by SFAS No. 123(R), prior periods have not been restated. The charge is generally recognized as non-cash compensation on a straight-line basis over the remaining service period after the adoption date based on the options’ original estimated of fair value.

In connection with the adoption and provisions of SFAS No. 123(R), the Company reversed the deferred compensation balance of \$228 related to the unvested portion of restricted stock issued to employees at January 1, 2006, against Paid-in-Capital. This expense is now superseded by the share-based compensation expense, which is recorded over the vesting period of the restricted stock.

In April 2002, certain key employees and directors received approximately 145,000 restricted shares of common stock, which vest ratably over five years. 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 5,000 restricted shares of common stock, which vest ratably over five years.

In June 2006, the Company acquired all outstanding stock options that had previously been granted to employees in an option-for-cash exchange. Option holders were offered the difference between an option’s per-share exercise price and \$8.00, the fair value as determined by the Company’s Board of Directors and Management. In total, 83,900 options were exchanged for an aggregate value of approximately \$183. Approximately \$87 was paid in July 2006. The remainder will be paid equally in July 2007 and 2008, contingent on the individual employee’s continued employment.

In November 2006, the Company granted 20,000 stock options to a key employee. The per-share fair value of the options granted was \$3.97 and vest ratably over five years. These options have an exercise price of \$6.60, a remaining contractual life of 9.67 years, and none were exercisable at March 31, 2007. At March 31, 2007, these were the only options outstanding. At March 31, 2007, there were 1,212,020 options available for future grants under the terms of the Plan.

**BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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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, 2007.

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, supplier and distributor relationships, 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.

The Company has agreements with many distributors and contractors for the sale of its products and has, on occasion, been engaged in litigation. Currently, the Company is in dispute with a former contractor due to termination of their agreement. The Company is vigorously defending the suit and pursuing cross claims. In the opinion of management, the ultimate disposition of this claim will not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

13. **Recent Accounting Pronouncements**

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretations No. 48, "*Accounting for Uncertainty in Income Taxes*," an interpretation of SFAS No. 109, *Accounting for Income Taxes* ("FIN 48"). FIN 48 establishes criteria for recognizing and measuring the financial statement tax effects of positions taken on a company's tax returns. A two-step process is prescribed whereby the threshold for recognition is a more-likely-than-not test that the tax position will be sustained upon examination and the tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. The Company currently recognizes a tax position if it is probable of being sustained. FIN 48 is effective for fiscal years beginning after December 15, 2006, and will be applicable to all tax positions upon initial adoption. The Company adopted FIN 48 effective January 1, 2007. Adoption did not have any effect on the company's financial statements.

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In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement is applicable under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is a relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. However, for some entities, the application of this Statement will change current practices. This Statement is effective for financial statements for fiscal years beginning after November 15, 2007. Earlier application is permitted provided that the reporting entity has not yet issued financial statements for that fiscal year. The Company's adoption of SFAS No. 157 effective January 1, 2007, did not have any impact on its financial statements.

14. **Deregistration and Delisting**

On December 31, 2003, the Company filed a Form 15 with the Securities and Exchange Commission, which deregistered the Company's common stock under Section 12 of the Securities Exchange Act of 1934. Effective March 30, 2004, the Company is no longer subject to the reporting requirements of the Securities Exchange Act. The requirement under the Exchange Act to file Forms 10-K, 10-Q, or 8-K, proxy statements, or other similar filings with the SEC was suspended immediately upon the filing of Form 15. The Company is also not obligated to mail an annual report to its stockholders.

Furthermore, with the filing of the Form 15, the Company's shares are eligible for quotation only on the "pink sheets", an over-the-counter quotation service.