

**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)

	June 30, 2007 (Unaudited)	December 31, 2006
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,806	\$ 6,192
Trade receivables (net of allowance for doubtful accounts of \$246 and \$242 at June 30, 2007, and December 31, 2006, respectively)	5,831	7,875
Other receivables	710	702
Inventories	6,213	6,539
Prepaid expenses and other current assets	686	655
Current deferred income taxes	2,557	2,508
TOTAL CURRENT ASSETS	20,803	24,471
Equipment, furniture, and leasehold improvements, net	1,589	1,532
Goodwill	15,013	15,028
Other intangible assets, net	272	299
Deferred income taxes	7	46
Other assets	143	143
TOTAL ASSETS	\$ 37,827	\$ 41,519
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Amounts outstanding under revolving credit agreements	\$ -	\$ -
Accounts payable	1,657	1,836
Accrued expenses	3,059	3,384
Dividends payable	-	4,090
Income taxes payable	220	79
TOTAL CURRENT LIABILITIES	4,936	9,389
Minority interest	268	268
Other long-term liabilities	400	414
TOTAL LIABILITIES	5,604	10,071
STOCKHOLDERS' EQUITY		
Preferred stock - \$.001 par value; 800,000 authorized at June 30, 2007 and December 31, 2006; none issued and outstanding at June 30, 2007, or December 31, 2006	-	-
Common stock - \$.001 par value; 10,000,000 shares authorized at June 30, 2007, and December 31, 2006; 4,109,489 shares issued and 4,084,828 shares outstanding at June 30, 2007, and 4,109,489 shares issued and 4,089,785 shares outstanding at December 31, 2006	4	4
Additional paid-in-capital	22,251	22,182
Retained earnings	8,158	7,602
Accumulated other comprehensive income	1,956	1,772
Treasury stock at cost - 24,661 shares at June 30, 2007, and 19,704 shares at December 31, 2006	(146)	(112)
TOTAL STOCKHOLDERS' EQUITY	32,223	31,448
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 37,827	\$ 41,519

See accompanying notes to consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Net sales	\$ 13,542	\$ 12,740	\$ 25,350	\$ 24,052
Cost of goods sold	6,799	6,358	12,516	12,174
Gross profit	<u>6,743</u>	<u>6,382</u>	<u>12,834</u>	<u>11,878</u>
Operating expenses:				
Research and development	1,345	1,226	2,674	2,489
Selling, general and administrative	4,800	4,061	9,241	8,115
Amortization of intangibles	14	14	27	27
Income from operations	<u>584</u>	<u>1,081</u>	<u>892</u>	<u>1,247</u>
Other (income) expenses:				
Interest income	(23)	(39)	(37)	(76)
Interest expense	6	59	11	119
Minority interest of consolidated subsidiaries	-	(3)	-	(6)
Other income	(7)	7	(11)	1
Income before income taxes	<u>608</u>	<u>1,057</u>	<u>929</u>	<u>1,209</u>
Income tax expense	<u>229</u>	<u>404</u>	<u>373</u>	<u>481</u>
Net income	<u>\$ 379</u>	<u>\$ 653</u>	<u>\$ 556</u>	<u>\$ 728</u>

See accompanying notes to consolidated financial statements.

BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2007
(Dollars in Thousands, Except Share Amounts)
(Unaudited)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated	Treasury Stock		Total
	Number of Shares	Amount			Other 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	-	-	8	-	-	-	-	8
Tax benefit from vesting of restricted stock grants	-	-	21	-	-	-	-	21
Deferred compensation amortization	-	-	40	-	-	-	-	40
Treasury stock	-	-	-	-	-	4,957	(34)	(34)
Comprehensive income:								
Net income	-	-	-	556	-	-	-	556
Translation adjustments	-	-	-	-	184	-	-	184
Other comprehensive income								740
Balance at June 30, 2007	<u>4,109,489</u>	<u>\$ 4</u>	<u>\$ 22,251</u>	<u>\$ 8,158</u>	<u>\$ 1,956</u>	<u>24,661</u>	<u>\$(146)</u>	<u>\$ 32,223</u>

See accompanying notes to consolidated financial statements.

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

	Six Months Ended June 30,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 556	\$ 728
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	341	321
Amortization of intangible assets	26	27
Deferred compensation amortization	48	58
Stock-based compensation		-
Utilization of pre-acquisition NOL charged to goodwill	38	38
Deferred income taxes	(58)	(294)
Loss on disposal of equipment and leasehold improvements	(2)	15
Minority interest	-	(6)
Change in operating assets and liabilities:		
Receivables	2,076	4,062
Inventories	350	1,274
Prepaid expenses and other current assets	(25)	45
Accounts payable and accrued expenses	(260)	(1,336)
Other	(14)	(7)
Net cash provided by operating activities	3,076	4,925
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment and leasehold improvements	(389)	(195)
Proceeds from sale of equipment and leasehold improvements	9	-
Net cash used in investing activities	(380)	(195)
CASH FLOW FROM FINANCING ACTIVITIES:		
Purchases of treasury stock	(34)	(32)
Dividends paid	(4,090)	(2,047)
Principal payments of long-term debt	-	(750)
Net increase (decrease) in borrowings under revolving credit agreements	-	(816)
Net cash used in financing activities	(4,124)	(3,645)
Effects of foreign exchange rate on cash	42	(148)
DECREASE IN CASH AND CASH EQUIVALENTS	(1,386)	937
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6,192	6,376
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 4,806	\$ 7,313
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$ 23	\$ 119
Cash paid for income taxes	151	666

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 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.

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.

The Company records provisions against its gross revenue for estimated product returns and allowances in the period when the related revenue is recorded.

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

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, 2006. 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>June 30, 2007</u>		<u>June 30, 2006</u>	
	<u>Bogen</u>	<u>Speech Design</u>	<u>Bogen</u>	<u>Speech Design</u>
Revenue from external customers				
United States	\$10,090	\$ 0	\$ 9,857	\$ 0
International	<u>447</u>	<u>3,005</u>	<u>485</u>	<u>2,398</u>
Total Revenues	\$10,537	\$ 3,005	\$10,342	\$2,398
Gross profit	4,451	2,292	4,601	1,781
Income (loss) before income taxes	767	(155)	1,501	(429)

Six Months Ended

	<u>June 30, 2007</u>		<u>June 30, 2006</u>	
	<u>Bogen</u>	<u>Speech Design</u>	<u>Bogen</u>	<u>Speech Design</u>
Revenue from external customers				
United States	\$18,474	\$ 0	\$17,962	\$ 0
International	<u>718</u>	<u>6,158</u>	<u>853</u>	<u>5,237</u>
Total revenues	\$19,192	\$ 6,158	\$18,815	\$ 5,237
Gross profit	8,114	4,720	8,338	3,540
Income (loss) before income taxes	1,221	(283)	2,057	(847)

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Total income before income				
Taxes for reportable segments	\$612	\$1,072	\$938	\$1,210
Other corporate expenses	<u>(4)</u>	<u>(15)</u>	<u>(9)</u>	<u>(1)</u>
Income before income taxes	<u>\$608</u>	<u>\$1,057</u>	<u>\$929</u>	<u>\$1,209</u>

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

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:

	June 30, <u>2007</u>	December 31, <u>2006</u>
Raw materials and supplies	\$1,005	\$1,037
Work in progress	319	310
Finished goods	<u>4,889</u>	<u>5,192</u>
	<u>\$6,213</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 operating segment for the period from December 31, 2006, to June 30, 2007:

	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Balance at December 31, 2006	\$9,945	\$5,083	\$15,028
Utilization of pre-acquisition NOL's charged to goodwill	0	(38)	(38)
Foreign currency translation adjustments	<u>0</u>	<u>23</u>	<u>23</u>
Balance at June 30, 2007	<u>\$9,945</u>	<u>\$5,068</u>	<u>\$15,013</u>

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

The following disclosure presents certain information on the Company's acquired intangible assets as of June 30, 2007, and December 31, 2006. 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 June 30, 2007:				
Patents	10 years	\$ 26	\$ (20)	\$ 6
Trademarks	15 years	662	(411)	251
Deferred Financing	5.5 years	<u>54</u>	<u>(39)</u>	<u>15</u>
		<u>\$742</u>	<u>\$(470)</u>	<u>\$272</u>
At December 31, 2006:				
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 \$14 and \$14, respectively, for the three months ended June 30, 2007 and 2006, and \$27 and \$27, respectively, for the six months ended June 30, 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

BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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 June 30, 2007, and December 31, 2006, Bogen 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.

As of June 30, 2007, and December 31, 2006, the Company had no 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 \$666 was utilized at June 30, 2007. Effective September 29, 2006, the Facility's working capital line of credit was increased to \$10,000, and effective June 20, 2007, the expiration date was extended to June 30, 2008, 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 \$1,660 at June 30, 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 June 30, 2007, and December 31, 2006, Speech Design had no short-term borrowings. The amount available under Speech Design's credit lines were approximately \$1,660 at June 30, 2007, with rates tied to short-term bank notes and Euromarket loans.

Total outstanding revolving lines of credit are summarized as follows:

	June 30, 2007	December 31, 2006
Domestic Lines of Credit Utilized	\$ 0	\$ 0
Foreign Lines of Credit Utilized	<u>0</u>	<u>0</u>
	<u>\$ 0</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 and six months ended June 30, 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.

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

10. **Stock-Based Compensation**

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123(R), *Shared-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 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.

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

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 9.42 years, and none were exercisable at June 30, 2007. At June 30, 2007, these were the only options outstanding. At June 30, 2007, there were 1,212,020 options available for future grants under the terms of the Plan.

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 six months ended June 30, 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, 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. The Company has been sued by a former contractor relating to the Company's termination of their contractor agreement. The suit alleges multiple causes of action for breach of contract and various torts, and seeks an award of compensatory and punitive damages. The Company has filed a Cross-Complaint, also alleging multiple causes of action for breach of contract and various torts, and seeks an award of compensatory and punitive damages. The Company believes the case against it is without merit and is vigorously defending the case, which is still in the discovery and law and motion phase. The Company is unable to predict with certainty the outcome of the case; however, based upon the information available to the Company as of the date hereof, management does not believe that the ultimate disposition of the case will have a material adverse effect on the Company's long term consolidated financial position, results of operations or liquidity.

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

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.

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.