

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

INDEX

	<u>PAGE</u>
• Consolidated Balance Sheets as of March 31, 2008 and December 31, 2007	1
• Consolidated Statements of Operations for the three months ended March 31, 2008 and 2007	2
• Consolidated Statement of Changes in Stockholders' Equity for the three months ended March 31, 2008	3
• Consolidated Statements of Cash Flows for the three months ended March 31, 2008 and 2007	4
• Notes to Consolidated Financial Statements	5-13

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

	March 31, 2008 (Unaudited)	December 31, 2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,805	\$ 7,470
Trade receivables (net of allowance for doubtful accounts of \$255 and \$250 at March 31, 2008, and December 31, 2007, respectively)	6,539	7,173
Other receivables	42	37
Inventories	7,331	6,371
Prepaid expenses and other current assets	751	607
Current deferred income taxes	2,475	2,180
TOTAL CURRENT ASSETS	20,943	23,838
Equipment, furniture, and leasehold improvements, net	1,775	1,651
Goodwill	15,150	15,080
Other intangible assets, net	233	246
Receivables from related parties	704	700
Other assets	144	143
TOTAL ASSETS	\$ 38,949	\$ 41,658
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Amounts outstanding under revolving credit agreements	\$ 209	\$ -
Accounts payable	1,912	2,713
Accrued expenses	3,620	3,809
Dividends payable	-	2,042
Income taxes payable	208	197
TOTAL CURRENT LIABILITIES	5,949	8,761
Deferred income taxes	75	94
Minority interest	287	285
Other long-term liabilities	379	386
TOTAL LIABILITIES	6,690	9,526
STOCKHOLDERS' EQUITY		
Preferred stock - \$.001 par value; 800,000 authorized at March 31, 2008, and December 31, 2007; none issued and outstanding at March 31, 2008, or December 31, 2007	-	-
Common stock - \$.001 par value; 10,000,000 shares authorized at March 31, 2008, and December 31, 2007; 4,109,489 shares issued and 4,082,474 shares outstanding at March 31, 2008, and 4,109,489 shares issued and 4,084,828 shares outstanding at December 31, 2007	4	4
Additional paid-in-capital	22,299	22,280
Retained earnings	6,526	7,152
Accumulated other comprehensive income	3,589	2,842
Treasury stock at cost - 27,015 shares at March 31, 2008, and 24,661 shares at December 31, 2007	(159)	(146)
TOTAL STOCKHOLDERS' EQUITY	32,259	32,132
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 38,949	\$ 41,658

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,	
	2008	2007
Net sales	\$ 12,619	\$ 11,808
Cost of goods sold	6,523	5,717
Gross profit	6,096	6,091
Operating expenses:		
Research and development	1,544	1,329
Selling, general and administrative	5,421	4,454
(Loss) income from operations	(869)	308
Other (income) expenses:		
Interest income	(33)	(14)
Interest expense	5	5
Minority interest of consolidated subsidiaries	2	-
Other income	(4)	(4)
(Loss) income before income taxes	(839)	321
Income tax (benefit) expense	(213)	144
Net (loss) income	\$ (626)	\$ 177

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, 2008
(Dollars in Thousands, Except Share Amounts)
(Unaudited)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated	Accumulated	Treasury Stock		Total
	Number of Shares	Amount			Other Comprehensive Income	Total Comprehensive Income	Number of Shares	Amount	
Balance at January 1, 2008	4,109,489	\$ 4	\$ 22,280	\$ 7,152	\$ 2,842		24,661	\$(146)	\$ 32,132
Stock-based compensation	-	-	15	-	-		-	-	15
Tax benefit from vesting of restricted stock grants	-	-	4	-	-		-	-	4
Treasury stock	-	-	-	-	-		2,354	(13)	(13)
Comprehensive income:									
Net loss	-	-	-	(626)	-		-	-	
Translation adjustments	-	-	-	-	747		-	-	
Total comprehensive income								121	121
Balance at March 31, 2008	<u>4,109,489</u>	<u>\$ 4</u>	<u>\$ 22,299</u>	<u>\$ 6,526</u>	<u>\$ 3,589</u>		<u>27,015</u>	<u>\$(159)</u>	<u>\$ 32,259</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,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$ (626)	\$ 177
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization	193	173
Amortization of intangible assets	13	13
Stock-based compensation	15	33
Utilization of pre-acquisition NOL charged to goodwill	19	19
Deferred income taxes	(228)	21
Minority interest	2	-
Change in operating assets and liabilities:		
Receivables	885	926
Inventories	(850)	(156)
Prepaid expenses and other current assets	(116)	(85)
Accounts payable and accrued expenses	(1,120)	(432)
Other	(8)	(7)
Net cash (used in) provided by operating activities	<u>(1,821)</u>	<u>682</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment, furniture, and leasehold improvements	(251)	(242)
Proceeds from sale of equipment	-	9
Net cash used in investing activities	<u>(251)</u>	<u>(233)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Purchases of treasury stock	(13)	(16)
Dividends paid	(2,042)	(4,090)
Net increase in borrowings under revolving credit agreements	209	54
Net cash used in financing activities	<u>(1,846)</u>	<u>(4,052)</u>
Effects of foreign exchange rate on cash	<u>253</u>	<u>26</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(3,665)	(3,577)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	7,470	6,192
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 3,805</u>	<u>\$ 2,615</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$ 19	\$ 5
Cash paid for income taxes	\$ 11	\$ 54

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, 2007, 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, 2007.

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") 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, 2007. 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. Inter-segment revenues and transfers are immaterial:

Three Months Ended

	<u>March 31, 2008</u>		<u>March 31, 2007</u>	
	<u>Bogen</u>	<u>Speech Design</u>	<u>Bogen</u>	<u>Speech Design</u>
Revenue from external customers				
United States	\$ 8,972	\$ 0	\$ 8,384	\$ 0
International	<u>352</u>	<u>3,295</u>	<u>271</u>	<u>3,153</u>
Total Revenues	\$ 9,324	\$3,295	\$ 8,655	\$3,153
Gross profit	3,837	2,259	3,663	2,428
Income (loss) before income taxes	38	(884)	454	(128)

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>2008</u>	<u>2007</u>
Total income (loss) before income taxes for reportable segments	\$ (846)	\$326
Other corporate income (expenses)	<u>7</u>	<u>(5)</u>
Income (loss) before income taxes	\$ <u>(839)</u>	\$ <u>321</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:

	March 31, <u>2008</u>	December 31, <u>2007</u>
Raw materials and supplies	\$ 828	\$ 771
Work in progress	488	351
Finished goods	<u>6,015</u>	<u>5,249</u>
	<u>\$7,331</u>	<u>\$6,371</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 as of December 31, 2007, upon completion and approval of the Company's financial operating plan for 2008. 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, 2007, to March 31, 2008:

	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Balance at December 31, 2007	\$9,945	\$5,135	\$15,080
Utilization of pre-acquisition NOL's charged to goodwill	0	(19)	(19)
Foreign currency translation adjustments	<u>0</u>	<u>89</u>	<u>89</u>
Balance at March 31, 2008	<u>\$9,945</u>	<u>\$5,205</u>	<u>\$15,150</u>

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

The following tables present certain information on the Company's acquired intangible assets as of March 31, 2008, and December 31, 2007. 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, 2008:				
Patents	10 years	\$ 26	\$ (22)	\$ 4
Trademarks	15 years	662	(442)	220
Deferred Financing	5.5 years	<u>54</u>	<u>(45)</u>	<u>9</u>
		<u>\$742</u>	<u>\$(509)</u>	<u>\$233</u>
At December 31, 2007:				
Patents	10 years	\$ 26	\$ (21)	\$ 5
Trademarks	15 years	662	(432)	230
Deferred Financing	5.5 years	<u>54</u>	<u>(43)</u>	<u>11</u>
		<u>\$742</u>	<u>\$(496)</u>	<u>\$246</u>

The aggregate acquired intangible amortization expense was \$13 and \$13, respectively, for the three months ended March 31, 2008 and 2007. The estimated acquired intangible asset amortization expense for the fiscal year ending December 31, 2008, and for the four subsequent years is as follows:

<u>Fiscal Year Ended December 31,</u>	<u>Estimated Amortization Expense</u>
2008	\$ 53
2009	\$ 49
2010	\$ 43
2011	\$ 42
2012	\$ 42

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

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, 2008, and December 31, 2007, there was no long-term debt, including current maturities, outstanding under the Facility. As of March 31, 2008, and December 31, 2007, the Company had \$209 and \$0, respectively, in 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 \$567 was utilized at March 31, 2008. Effective September 29, 2006, the Facility's working capital line of credit was increased to \$10,000, the financial covenant requirements were eliminated, and the interest rate terms were reduced to either Prime or Libor plus 150 basis points. Effective June 20, 2007, the expiration date was extended to June 30, 2008.

Speech Design and its subsidiaries have continuously renewing credit lines and overdraft facilities of approximately 1,332 Euros (approximately \$2,105 at March 31, 2008) from five banks. At March 31, 2008, and December 31, 2007, Speech Design had no short-term borrowings. The amount available under Speech Design's credit lines were approximately \$2,105 at March 31, 2008, with rates tied to short-term bank notes and Euromarket loans.

Total outstanding revolving lines of credit are summarized as follows:

	<u>March 31,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
Domestic Lines of Credit Utilized	\$209	\$ 0
Foreign Lines of Credit Utilized	<u>0</u>	<u>0</u>
	<u>\$209</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, 2008 and 2007, 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
(Dollars in Thousands, Except Per Share Amounts)
(Unaudited)

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. Another \$48 was paid in July 2007. The remainder will be paid in July 2008, contingent on the individual employee’s continued employment.

BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in Thousands, Except Per Share Amounts)
(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 8.63 years, and 4,000 were exercisable at March 31, 2008. At March 31, 2008, these were the only options outstanding. At March 31, 2008, 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 (loss) and translation adjustments and is presented in the consolidated statement of changes in stockholders' equity for the three months ended March 31, 2008.

12. **Litigation**

The Company's wholly-owned subsidiary, BCI, has been sued by a former contractor, Tri-Signal Integration, Inc., filed on July 18, 2006, in Los Angeles County Superior Court, case number BC355591, relating to BCI'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. BCI 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. BCI 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 any certainty the outcome of the case.

The Company is party, from time to time in the ordinary course of business, to various legal actions and claims (in addition to that described above) that relate to its products, intellectual property, employee matters, or other aspects of its operations. In addition, 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. The Company is unable to predict when these cases may arise, the outcome of any litigation related to them and/or the amount of damages that may be awarded in these types of cases.

13. **Recent Accounting Pronouncements**

In December 2007, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141 (Revised 2007), *Business Combinations (SFAS No. 141R)*. Under SFAS No. 141R, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with only limited exceptions. SFAS No. 141R also includes a substantial number of new disclosure requirements. SFAS No. 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Earlier adoption is prohibited. We do not anticipate that the implementation of SFAS No. 141R will have a material effect on our financial statements.

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

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. 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 adopted the provisions of SFAS No. 157 effective January 1, 2007. There was no impact on its financial statements upon adoption.

In February 2008, the FASB issued FASB Staff Position (“FSP”) No. 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Its Related Interpretive Accounting Pronouncements That Address Leasing Transactions*. This FSP excludes FASB Statement No. 13, *Accounting for Leases*, and its related interpretive accounting pronouncements from the provisions of SFAS No. 157. Implementation of this standard did not have a material effect on our financial statements.

In February 2008, the FASB issued FSP No. 157-2, *Effective Date of FASB Statement No. 157*, which delays the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), until January 1, 2009. Implementation of this standard is not expected to have a material effect on our financial statements.

In February 2007, The FASB issued SFAS No. 159, *“The Fair Value Option for Financial Assets and Financial Liabilities”* which permits an entity to measure certain financial assets and financial liabilities at fair value. The Statement’s objective is to improve financial reporting by allowing entities to reduce volatility in reported earnings, caused by the measurement of related assets and liabilities using different attributes, without having to apply complex hedge accounting rules. Under SFAS No. 159, entities that elect the Fair Value Option (“FVO”) will report unrealized gains and losses in earnings as of each subsequent reporting date. Such accounting is optional and the FVO may be elected on an instrument-by-instrument basis with a few exceptions, as long as it is applied to the instrument in its entirety. The FVO election is irrevocable, unless a new election date occurs. Statement 159 establishes presentation and disclosure requirements to help financial statement users understand the effect of the entity’s election on its earnings, but it does not eliminate disclosure requirements of other accounting standards. Assets and liabilities that are measured at fair value must be displayed on the face of the balance sheet. SFAS No.159 is effective as of the beginning of the first fiscal year that begins after November 15, 2007. The Company adopted the provisions of SFAS No. 159 effective January 1, 2008. There was no impact on its financial statements upon adoption.

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

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51*, which will become effective for the Company January 1, 2009, with retroactive adoption of the Statement's presentation and disclosure requirements for existing minority interests. This standard will require ownership interests in subsidiaries held by parties other than the parent to be presented within the equity section of the consolidated balance sheet but separate from the parent's equity. It will also require the amount of consolidated net income attributable to the parent and the noncontrolling interest to be clearly identified and presented on the face of the consolidated income statement. Certain changes in a parent's ownership interest are to be accounted for as equity transactions and when a subsidiary is deconsolidated, any noncontrolling equity investment in the former subsidiary is to be initially measured at fair value. We do not anticipate that the implementation of SFAS No. 160 will significantly change the presentation of our consolidated income statement or consolidated balance sheet.

In December 2007, the SEC released Staff Accounting Bulletin ("SAB") No. 110 which indicates that the staff will continue to accept, under certain circumstances, the use of the simplified method in developing an estimate of the expected term for "plain vanilla" options in accordance with SFAS No. 123(R), *Share-Based Payment*. The Company has no historical data on which to base its estimate, and, accordingly, it will continue to use the simplified method until such historical data becomes available.

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.