

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

INDEX

	<u>PAGE</u>
• Consolidated Balance Sheets as of March 31, 2009 and December 31, 2008	1
• Consolidated Statements of Operations for the three months ended March 31, 2009 and 2008	2
• Consolidated Statement of Changes in Stockholders' Equity for the three months ended March 31, 2009	3
• Consolidated Statements of Cash Flows for the three months ended March 31, 2009 and 2008	4
• Notes to Consolidated Financial Statements	5-14

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

	<u>March 31,</u> 2009 (Unaudited)	<u>December 31,</u> 2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,757	\$ 6,630
Marketable securities	115	-
Trade receivables (net of allowance for doubtful accounts of \$257 and \$259 at March 31, 2009, and December 31, 2008, respectively)	5,157	7,728
Other receivables	48	47
Inventories	5,537	6,138
Prepaid expenses and other current assets	907	587
Current deferred income taxes	2,180	1,812
TOTAL CURRENT ASSETS	<u>17,701</u>	<u>22,942</u>
Equipment, furniture, and leasehold improvements, net	1,790	1,793
Goodwill	14,876	14,951
Other intangible assets, net	180	193
Receivables from related parties	676	672
Other assets	145	145
TOTAL ASSETS	<u>\$ 35,368</u>	<u>\$ 40,696</u>
LIABILITIES, COMMITMENTS, AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Amounts outstanding under revolving credit agreements	\$ 1,035	\$ -
Accounts payable	1,436	1,947
Accrued expenses	3,160	3,744
Dividends payable	-	3,062
Income taxes payable	11	181
TOTAL CURRENT LIABILITIES	<u>5,642</u>	<u>8,934</u>
Deferred income taxes	71	90
Other long-term liabilities	351	358
TOTAL LIABILITIES	<u>6,064</u>	<u>9,382</u>
COMMITMENTS AND CONTINGENCIES	<u>-</u>	<u>-</u>
STOCKHOLDERS' EQUITY		
Preferred stock - \$.001 par value; 800,000 authorized; none issued and outstanding at March 31, 2009, or December 31, 2008	-	-
Common stock - \$.001 par value; 10,000,000 shares authorized at March 31, 2009 and December 31, 2008; 4,109,489 shares issued and 4,080,109 shares outstanding at March 31, 2009, and 4,109,489 shares issued and 4,082,474 shares outstanding at December 31, 2008	4	4
Additional paid-in-capital	22,349	22,342
Retained earnings	5,168	6,439
Accumulated other comprehensive income	1,691	2,392
Treasury stock at cost - 29,380 shares at March 31, 2009, and 27,015 shares at December 31, 2008	(169)	(159)
TOTAL STOCKHOLDERS' EQUITY	<u>29,043</u>	<u>31,018</u>
Non-controlling interest	261	296
TOTAL EQUITY	<u>29,304</u>	<u>31,314</u>
TOTAL LIABILITIES, COMMITMENTS, AND EQUITY	<u>\$ 35,368</u>	<u>\$ 40,696</u>

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,	
	2009	2008
Net sales	\$ 10,087	\$ 12,619
Cost of goods sold	5,593	6,523
Gross profit	4,494	6,096
Operating expenses:		
Research and development	1,406	1,544
Selling, general and administrative	4,995	5,408
Amortization of intangibles	13	13
Loss from operations	(1,920)	(869)
Other (income) expenses:		
Interest income	(27)	(33)
Interest expense	7	5
Other income	(2)	(4)
Loss before income taxes	(1,898)	(837)
Income tax benefit	(592)	(213)
Net loss before non-controlling interest	(1,306)	(624)
Net (income) loss attributable to non-controlling interest	(35)	2
Net loss attributable to Bogen Communications International, Inc.	\$ (1,271)	\$ (626)

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, 2009
(Dollars in Thousands, Except Share Amounts)
(Unaudited)

	Common Stock		Additional Paid-In Capital	Deferred Compensation	Retained Earnings	Accumulated Other Comprehensive Income	Accumulated Total Comprehensive Loss	Treasury Stock		Total Stock- holders' Equity	Non- controlling Interest	Total Equity
	Number of Shares	Amount						Number of Shares	Amount			
Balance at January 1, 2009	4,109,489	\$ 4	\$ 22,342	\$ -	\$ 6,439	\$ 2,392		27,015	\$ (159)	\$ 31,018	\$ 296	\$ 31,314
Stock-based compensation	-	-	8	-	-	-		-	-	8		8
Tax benefit from vesting of restricted stock grants	-	-	(1)	-	-	-		-	-	(1)		(1)
Treasury stock	-	-	-	-	-	-		2,365	(10)	(10)		(10)
Comprehensive loss:												
Net loss	-	-	-	-	(1,271)	-	(1,271)	-	-		(35)	(35)
Translation adjustments	-	-	-	-	-	(701)	(701)	-	-			-
Total comprehensive loss							\$ (1,972)			(1,972)		(1,972)
Balance at March 31, 2009	<u>4,109,489</u>	<u>\$ 4</u>	<u>\$ 22,349</u>	<u>\$ -</u>	<u>\$ 5,168</u>	<u>\$ 1,691</u>		<u>29,380</u>	<u>\$ (169)</u>	<u>\$ 29,043</u>	<u>\$ 261</u>	<u>\$ 29,304</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,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss attributable to Bogen Communications International, Inc.	\$ (1,271)	\$ (626)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	180	193
Amortization of intangible assets	13	13
Stock-based compensation	8	15
Utilization of pre-acquisition NOL charged to goodwill	-	19
Deferred income taxes	(429)	(228)
(Income) loss attributable to non-controlling interest	(35)	2
Change in operating assets and liabilities:		
Receivables	2,245	885
Inventories	539	(850)
Prepaid expenses and other current assets	(339)	(116)
Accounts payable and accrued expenses	(1,151)	(1,120)
Other	(7)	(8)
Net cash used in operating activities	(247)	(1,821)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment, furniture, and leasehold improvements	(240)	(251)
Purchase of marketable securities	(115)	-
Net cash used in investing activities	(355)	(251)
CASH FLOW FROM FINANCING ACTIVITIES:		
Purchases of treasury stock	(10)	(13)
Dividends paid	(3,062)	(2,042)
Net increase in borrowings under revolving credit agreements	1,035	209
Net cash used in financing activities	(2,037)	(1,846)
Effects of foreign exchange rate on cash	(234)	253
DECREASE IN CASH AND CASH EQUIVALENTS	(2,873)	(3,665)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6,630	7,470
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 3,757	\$ 3,805
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$ 19	\$ 19
Cash paid for income taxes	\$ 7	\$ 11

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 accompanying financial statements of Bogen Communications International, Inc. and its subsidiaries (the "Company") include an unaudited balance sheet as of March 31, 2009, and a balance sheet as of December 31, 2008, derived from audited consolidated financial statements by auditors whose opinion is dated March 18, 2009. The consolidated statements of operations, statements of stockholders' equity, and cash flows include unaudited information for the three months ended March 31, 2009 and 2008. This information collectively comprises the consolidated financial statements ("consolidated financial statements") which are presented herein.

The accompanying 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 may 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 audited consolidated financial statements and notes thereto for the year ended December 31, 2008.

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.

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

The Company also accounts for certain development projects in accordance with Accounting Research Bulletin No. 45 (As Amended), “*Long-term Construction-Type Contracts*”, using the Percentage-of-Completion Method, which recognizes income as work on a contract progresses. The Company measures the cost incurred to-date as a percentage of estimated total costs and accrues cumulative revenue as that percentage of the contract price, as adjusted for revenues recognized in prior periods. In such cases, the Company receives confirmation of performance or progress from its customers.

Additionally, management must make estimates of potential future product returns related to current period product revenue. Management analyzes historical returns, current economic trends, and changes in customer demand and acceptance of the Company’s products when evaluating the adequacy of the sales returns and other allowances. Significant management judgments and estimates must be made and used in connection with establishing the sales returns and other allowances in any accounting period. Differences may result in the amount and timing of the Company’s revenue for any period if management made different judgments or utilized different estimates.

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 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, 2008. 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:

<u>Three Months Ended</u>	<u>March 31, 2009</u>		<u>March 31, 2008</u>	
	<u>Bogen</u>	<u>Speech Design</u>	<u>Bogen</u>	<u>Speech Design</u>
Revenue from external customers				
United States	\$7,858	\$ 0	\$ 8,972	\$ 0
International	<u>300</u>	<u>1,929</u>	<u>352</u>	<u>3,295</u>
Total Revenues	\$8,158	\$1,929	\$ 9,324	\$3,295
Gross profit	3,157	1,337	3,837	2,259
Income (loss) before income taxes	(469)	(1,444)	40	(884)

BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in Thousands, Except Per Share Amounts)
(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>2009</u>	<u>2008</u>
Total loss before income		
taxes for reportable segments	\$(1,913)	\$ (844)
Other corporate income	<u>15</u>	<u>7</u>
Loss before income taxes	<u>\$(1,898)</u>	<u>\$(837)</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. Inventory balances are as follows:

	<u>March 31,</u>	<u>December 31,</u>
	<u>2009</u>	<u>2008</u>
Raw materials and supplies	\$ 854	\$ 732
Work in progress	13	8
Finished goods	<u>4,670</u>	<u>5,398</u>
	<u>\$5,537</u>	<u>\$6,138</u>

6. **Goodwill and Intangible Assets**

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

Annually, 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, 2008, upon completion and approval of the Company's financial operating plan for 2009. The impairment test indicated that no goodwill impairment existed as of that date.

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

The Company cannot predict the occurrence of certain events that might adversely affect the reported value of goodwill. Such events may include, but are not limited to, strategic decisions made in response to economic and competitive conditions, the impact of the economic environment on the Company's customer base, or a material negative change in its relationship with significant customers.

The table below reconciles the change in the carrying amount of goodwill by operating segment for the period from December 31, 2008, to March 31, 2009:

	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Balance at December 31, 2008	\$9,945	\$5,006	\$14,951
Foreign currency translation adjustments	<u>0</u>	<u>(75)</u>	<u>(75)</u>
Balance at March 31, 2009	<u>\$9,945</u>	<u>\$4,931</u>	<u>\$14,876</u>

The following tables present certain information on the Company's acquired intangible assets as of March 31, 2009, and December 31, 2008. 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, 2009:				
Patents	10 years	\$ 26	\$ (24)	\$ 2
Trademarks	15 years	662	(486)	176
Deferred Financing	5.5 years	<u>54</u>	<u>(52)</u>	<u>2</u>
		<u>\$742</u>	<u>\$(562)</u>	<u>\$180</u>
At December 31, 2008:				
Patents	10 years	\$ 26	\$ (24)	\$ 2
Trademarks	15 years	662	(474)	188
Deferred Financing	5.5 years	<u>54</u>	<u>(51)</u>	<u>3</u>
		<u>\$742</u>	<u>\$(549)</u>	<u>\$193</u>

The aggregate acquired intangible amortization expense was \$13 and \$13, respectively, for the three months ended March 31, 2009 and 2008. The estimated acquired intangible asset amortization expense for the fiscal year ending December 31, 2009, and for the four subsequent years is as follows:

<u>Fiscal Year Ended December 31,</u>	<u>Estimated Amortization Expense</u>
2009	\$ 49
2010	\$ 43
2011	\$ 42
2012	\$ 42
2013	\$ 17

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 have a credit facility (the "Facility") with KeyBank National Association (Key"). The Facility includes a term loan for \$7,500 and a working capital line of credit for \$10,000. 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 interest rate on the facility is either Prime or Libor plus 150 basis points. Effective June 23, 2008, the expiration date was extended to June 30, 2009. The Company has begun discussions with Key on a new credit facility.

As of March 31, 2009, and December 31, 2008, there was no long-term debt, including current maturities, outstanding under the Facility. As of March 31, 2009, and December 31, 2008, the Company had \$1,035 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 annually. Approximately \$366 was utilized at March 31, 2009.

Speech Design and its subsidiaries have continuously renewing credit lines and overdraft facilities of approximately 1,150 Euros (approximately \$1,520 at March 31, 2009) from four banks, with rates tied to short-term bank notes and Euromarket loans. At March 31, 2009, and December 31, 2008, Speech Design had no short-term borrowings.

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, 2009 and 2008, 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. **Non-controlling 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
(Dollars in Thousands, Except Per Share Amounts)
(Unaudited)

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)). 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 fair value.

In April 2002, certain key employees and directors received approximately 145,000 restricted shares of common stock, which vested ratably over five years. In March 2003, a key employee received 2,500 restricted shares of common stock, which vested ratably over five years. In February 2004, the Company granted certain key employees 40,500 restricted shares of common stock, which vested 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 November 2004, the Company issued a total of 683,905 shares of common stock to five members of the Board of Directors. The per-share price was established at \$2.75, which was set by an independent valuation and approved by a special committee of the Board. The shares vested immediately, and the Company recorded compensation expense of approximately \$1,881. Related to the stock issuance, at March 31, 2009, December 31, 2008, the Company has secured loans totaling \$672 with three directors for payroll and other taxes associated with the stock grants. The loans incur interest annually, which are due on each anniversary, and are payable in full on November 16, 2013. Interest income related to these loans was \$7 for each of the quarters ended March 31, 2009 and 2008.

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 was paid in July 2008.

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 7.63 years, and 8,000 were exercisable at March 31, 2009. At March 31, 2009, these were the only options outstanding. At March 31, 2009, there were 1,212,020 options available for future grants under the terms of the Plan.

11. **Comprehensive Income**

The Company's comprehensive loss consists of net loss and translation adjustments and is presented in the consolidated statement of changes in stockholders' equity for the three months ended March 31, 2009.

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

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 also seeks an award of compensatory and punitive damages. The plaintiff is seeking damages in excess of \$30 million; the actual claimed amount will be determined at trial. BCI believes the case against it is without merit and is vigorously defending the case. The discovery phase of the case had been completed and the pre-trial phase of the case is nearly completed, but this situation may change depending on pending motions. The trial was scheduled to start in late January 2009 but has been continued. A new trial date has not yet been scheduled. 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**

On January 1, 2009, the Company adopted the provisions of SFAS No. 141 (Revised 2007), "Business Combinations" (SFAS No. 141R). SFAS No. 141R significantly changes the accounting for business combinations. Under SFAS No. 141R, an acquiring entity is 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. In April 2009, the FASB issued FSP FAS 141(R)-1 which amends SFAS No. 141(R) by establishing a model to account for certain preacquisition contingencies. Under the FSP, an acquirer is required to recognize at fair value an asset acquired or a liability assumed in a business combination that arises from a contingency if the acquisition-date fair value of that asset or liability can be determined during the measurement period. If the acquisition-date fair value cannot be determined, then the acquirer should follow the recognition criteria in SFAS No. 5, Accounting for Contingencies, and FASB Interpretation No. 14, Reasonable Estimation of the Amount of a Loss – an interpretation of FASB Statement No. 5. SFAS No. 141(R) and FSP FAS 141(R)-1 became effective for us beginning January 1, 2009, and will apply prospectively to business combinations completed on or after that date.

On January 1, 2007, the Company adopted the provisions of SFAS No. 157, "Fair Value Measurements," for financial assets and financial liabilities. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. Effective January 1, 2009, the Company adopted the provisions of SFAS No. 157 related to other nonfinancial assets and liabilities, in accordance with Financial Accounting Standards Board Staff Position (FSP) No. SFAS 157-2, "Effective Date of FASB Statement No. 157."

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

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 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.

In December 2007, the FASB issued SFAS No. 160, *“Non-controlling Interests in Consolidated Financial Statements – an Amendment of ARB No. 51.”* SFAS No. 160 establishes accounting and reporting standards for the non-controlling interest (formerly known as minority interest) in a subsidiary (which may include variable interest entities) and for the deconsolidation of a subsidiary. Significant changes include: Balance sheet and income statement presentation and expanded disclosures; Accounting for changes in a parent’s ownership interest in a subsidiary that do not result in deconsolidation; Recognition and measurement of a gain or loss when a subsidiary is deconsolidated. Upon adoption of SFAS No. 160, for balance sheet presentation, minority interests will be recorded within equity and so-called "mezzanine" display will not be permitted. In income statements, the amount of income attributable to the minority interest will not be a deduction that impacts net income. As a result of these requirements, various financial statements ratios will be impacted. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Statement requires prospective application except for the presentation and disclosure requirements, which must be applied retrospectively for all periods presented.

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

In March 2008, the FASB issued SFAS No. 161, “*Disclosures about Derivative Instruments and Hedging Activities*.” SFAS No. 161 requires enhanced disclosures about an entity’s derivative and hedging activities and thereby improves the transparency of financial reporting. Entities must provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity’s financial position, financial performance, and cash flows. The Statement requires that objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation. This disclosure better conveys the purpose of derivative use in terms of the risks that the entity is intending to manage. Disclosing the fair values of derivative instruments and their gains and losses in a tabular format should provide a more complete picture of the location in an entity’s financial statements of both the derivative positions existing at period end and the effect of using derivatives during the reporting period. Disclosing information about credit-risk-related contingent features should provide information on the potential effect on an entity’s liquidity from using derivatives. Finally, this Statement requires cross-referencing within the footnotes, which should help users of financial statements locate important information about derivative instruments. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Statement encourages, but does not require, comparative disclosures for earlier periods at initial adoption.

In May 2008, the FASB issued SFAS No. 162, “The Hierarchy of Generally Accepted Accounting Principles” (Statement 162). Statement 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements that are presented in conformity with GAAP for nongovernmental entities. Statement 162 became effective November 15, 2008. We adopted Statement 162 on the effective date, and it had no impact on our financial position, results of operations or cash flows.

In April 2009, the Financial Accounting Standards Board (“FASB”) issued three Staff Positions (“FSPs”) that are intended to provide additional application guidance and enhance disclosures about fair value measurements and impairments of securities. FSP FAS 157-4 clarifies the objective and method of fair value measurement even when there has been a significant decrease in market activity for the asset being measured. FSP FAS 115-2 and FAS 124-2 establish a new model for measuring other-than-temporary impairments for debt securities, including establishing criteria for when to recognize a write-down through earnings versus other comprehensive income. FSP FAS 107-1 and APB 28-1 expands the fair value disclosures required for all financial instruments within the scope of SFAS No. 107, Disclosures about Fair Value of Financial Instruments, to interim periods. All of these FSPs are effective for us beginning April 1, 2009. We are assessing the potential impact that the adoption of FSP FAS 157-4 and FSP FAS 115-2 and FAS 124-2 may have on our financial statements. FSP FAS 107-1 and APB 28-1 will result in increased disclosures in our interim periods.

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

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.