

**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)

	September 30, 2010 (Unaudited)	December 31, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,782	\$ 2,273
Marketable securities	118	124
Trade receivables (net of allowance for doubtful accounts of \$251 and \$246 at September 30, 2010, and December 31, 2009, respectively)	4,773	5,021
Federal and state income tax receivables	10	2,709
Other receivables	-	1
Inventories	5,678	4,984
Prepaid expenses and other current assets	473	870
Current deferred income taxes	1,283	4,209
TOTAL CURRENT ASSETS	14,117	20,191
Equipment, furniture, and leasehold improvements, net	1,639	1,850
Goodwill	14,412	14,447
Other intangible assets, net	112	145
Deferred income taxes, net of current portion	3,847	489
Receivables from related parties	683	672
Other assets	100	100
TOTAL ASSETS	\$ 34,910	\$ 37,894
LIABILITIES, COMMITMENTS, AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Amounts outstanding under revolving credit agreements	\$ -	\$ 750
Short-term debt	-	3,000
Current maturities of long-term debt	1,500	1,200
Accounts payable	2,326	1,913
Accrued expenses	6,135	5,953
Income taxes payable	904	320
TOTAL CURRENT LIABILITIES	10,865	13,136
Long-term debt, net of current maturities	3,600	4,800
Other long-term liabilities	290	302
TOTAL LIABILITIES	14,755	18,238
COMMITMENTS AND CONTINGENCIES	0	0
STOCKHOLDERS' EQUITY		
Preferred stock - \$.001 par value; 800,000 authorized; none issued or outstanding at September 30, 2010, or December 31, 2009	-	-
Common stock - \$.001 par value; 10,000,000 shares authorized at September 30, 2010, and December 31, 2009; 4,109,489 shares issued and 4,079,740 shares outstanding at September 30, 2010, and 4,109,489 shares issued and 4,080,110 shares outstanding at December 31, 2009	4	4
Additional paid-in-capital	22,376	22,364
Retained deficit	(4,318)	(5,192)
Accumulated other comprehensive income	2,117	2,418
Treasury stock at cost - 29,749 shares at September 30, 2010, and 29,379 shares at December 31, 2009	(170)	(169)
TOTAL STOCKHOLDERS' EQUITY	20,009	19,425
Non-controlling interest	146	231
TOTAL EQUITY	20,155	19,656
TOTAL LIABILITIES, COMMITMENTS, AND EQUITY	\$ 34,910	\$ 37,894

See accompanying notes to consolidated financial statements.

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

	Three Months Ended		Nine Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Net sales	\$ 13,298	\$ 12,048	\$ 34,246	\$ 34,230
Cost of goods sold	7,484	6,739	19,313	18,776
Gross profit	<u>5,814</u>	<u>5,309</u>	<u>14,933</u>	<u>15,454</u>
Operating expenses:				
Research and development	1,038	1,335	3,392	4,061
Selling, general and administrative	3,448	5,295	9,712	14,968
Amortization of intangibles	10	11	32	37
Income (loss) from operations	<u>1,318</u>	<u>(1,332)</u>	<u>1,797</u>	<u>(3,612)</u>
Other (income) expenses:				
Interest income	(8)	(6)	(23)	(41)
Interest expense	81	15	441	33
Other income	(5)	(6)	(13)	(11)
Income (loss) before income taxes	<u>1,250</u>	<u>(1,335)</u>	<u>1,392</u>	<u>(3,593)</u>
Income tax expense (benefit)	<u>380</u>	<u>(436)</u>	<u>603</u>	<u>(1,067)</u>
Net income (loss) before non-controlling interest	870	(899)	789	(2,526)
Net (income) loss attributable to non-controlling interest	<u>6</u>	<u>(10)</u>	<u>(85)</u>	<u>(45)</u>
Net income (loss) attributable to Bogen Communications International, Inc.	<u>\$ 864</u>	<u>\$ (889)</u>	<u>\$ 874</u>	<u>\$ (2,481)</u>

See accompanying notes to consolidated financial statements.

BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010
(Dollars in Thousands, Except Share Amounts)
(Unaudited)

	Common Stock		Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Accumulated Total Comprehensive Income (Loss)	Treasury Stock		Total Stock- holders' Equity	Non- controlling Interest	Total Equity
	Number of Shares	Amount					Number of Shares	Amount			
Balance at January 1, 2010	4,109,489	\$ 4	\$ 22,364	\$ (5,192)	\$ 2,418		29,379	\$(169)	\$ 19,425	\$ 231	\$ 19,656
Stock-based compensation	-	-	12	-	-		-	-	12		12
Treasury stock	-	-	-	-	-		370	(1)	(1)		(1)
Comprehensive income:											
Net income	-	-	-	874	-	874	-	-		(81)	(81)
Translation adjustments	-	-	-	-	(301)	(301)	-	-		(4)	(4)
Total comprehensive income						\$ 573			573		573
Balance at September 30, 2010	<u>4,109,489</u>	<u>\$ 4</u>	<u>\$ 22,376</u>	<u>\$ (4,318)</u>	<u>\$ 2,117</u>		<u>29,749</u>	<u>\$(170)</u>	<u>\$ 20,009</u>	<u>\$ 146</u>	<u>\$ 20,155</u>

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended September 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss) attributable to Bogen Communications International, Inc.	\$ 874	\$ (2,481)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	413	537
Amortization of intangible assets	32	37
Stock-based compensation	12	18
Deferred income taxes	(568)	(986)
Loss attributable to non-controlling interest	(85)	(45)
Change in operating assets and liabilities:		
Receivables	2,791	1,450
Inventories	(731)	1,049
Prepaid expenses and other current assets	375	(446)
Accounts payable and accrued expenses	1,374	4
Other	(12)	(21)
Net cash provided by (used in) operating activities	4,475	(884)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment, furniture, and leasehold improvements	(275)	(713)
Purchase of marketable securities	-	(119)
Net cash used in investing activities	(275)	(832)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchases of treasury stock	(1)	(10)
Dividends paid	-	(3,062)
Principal payments of short-term debt	(3,000)	-
Principal payments of long-term debt	(900)	-
Net (decrease) increase in borrowings under revolving credit agreements	(750)	750
Net cash used in financing activities	(4,651)	(2,322)
Effects of foreign exchange rate on cash	(40)	(26)
DECREASE IN CASH AND CASH EQUIVALENTS	(491)	(4,064)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,273	6,630
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 1,782	\$ 2,566
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$ 441	\$ 41
Cash paid for income taxes	\$ 810	\$ 30

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 September 30, 2010, and a balance sheet of December 31, 2009, derived from audited consolidated financial statements by auditors whose opinion is dated May 24, 2010. The consolidated statements of operations, statements of stockholders’ equity, and cash flows include unaudited information for the three and nine months ended September 30, 2010 and 2009. This information collectively comprises the 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 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, 2009.

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”). Carrier Systems was merged into Speech Design in the third quarter of 2010. 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 non-controlling interest.

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 collectability 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.

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The Company also accounts for certain development projects 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 good sold.

4. **Segments**

The Company operates in two reportable business segments, Bogen (domestic) and Speech Design (foreign). Bogen is primarily engaged in the sale of sound processing and audio amplification equipment and telecommunications peripherals. Speech Design, which has three reporting units, focuses on digital voice processing systems for the mid-sized PABX - private automated branch exchange - market and on unified messaging products and services for 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, 2009. The Company evaluates segment performance based on several measures, including income or loss before income taxes.

The following table presents information about the Company by business segment. Any inter-segment revenues and transfers are immaterial:

Three Months Ended

	September 30, 2010		September 30, 2009	
	<u>Bogen</u>	<u>Speech Design</u>	<u>Bogen</u>	<u>Speech Design</u>
Revenue from external customers				
United States	\$10,079	\$ 0	\$ 9,487	\$ 0
International	<u>601</u>	<u>2,618</u>	<u>464</u>	<u>2,097</u>
Total Revenues	<u>\$10,680</u>	<u>\$2,618</u>	<u>\$ 9,951</u>	<u>\$2,097</u>
Gross Profit	4,132	1,682	3,803	1,506
Income (loss) before income taxes	1,399	(71)	(164)	(1,174)

BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES
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<u>Nine Months Ended</u>	<u>September 30, 2010</u>		<u>September 30, 2009</u>	
	<u>Bogen</u>	<u>Speech Design</u>	<u>Bogen</u>	<u>Speech Design</u>
Revenue from external customers				
United States	\$26,866	\$ 0	\$26,463	\$ 0
International	<u>1,478</u>	<u>5,902</u>	<u>1,142</u>	<u>6,625</u>
Total Revenues	<u>\$28,344</u>	<u>\$5,902</u>	<u>\$27,605</u>	<u>\$6,625</u>
Gross Profit	10,916	4,017	10,669	4,785
Income (loss) before income taxes	3,516	(1,927)	(195)	(3,401)

A reconciliation of segment operating profits and assets to the Company's consolidated totals is as follows:

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Total income (loss) before income taxes for reportable segments	\$1,328	\$(1,338)	\$1,589	\$(3,596)
Other corporate income (expense)	<u>(78)</u>	<u>3</u>	<u>(197)</u>	<u>3</u>
Income (loss) before income taxes	<u>\$1,250</u>	<u>\$(1,335)</u>	<u>\$1,392</u>	<u>\$(3,593)</u>

5. Inventories

Inventories are stated at the lower of cost or market and are valued using the first-in, first-out method. Inventories are comprised of the following balances:

	<u>September 30,</u>	<u>December 31,</u>
	<u>2010</u>	<u>2009</u>
Raw materials and supplies	\$ 556	\$ 672
Work in progress	1	11
Finished goods	<u>5,121</u>	<u>4,301</u>
	<u>\$5,678</u>	<u>\$4,984</u>

6. Goodwill and Intangible Assets

All goodwill and intangible assets are assigned to the Company's four reporting units. 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 tests as of December 31, 2009, upon completion and approval of the Company's financial operating plan for 2010 and concluded that the goodwill allocated to one of its foreign reporting units was impaired. The write-down was €366 (\$511 at the then-current exchange rates). All other goodwill was determined not to be impaired.

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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 relationships with significant customers.

The table below reconciles the change in the carrying amount of goodwill, by reporting unit, for the period December 31, 2009, to September 30, 2010:

	<u>Bogen</u>	<u>Speech Design</u>	<u>Carrier Systems</u>	<u>Total</u>
Balance at December 31, 2009	\$9,945	\$3,825	\$677	\$14,447
Foreign currency translation				
Adjustments	<u>0</u>	<u>0</u>	<u>(35)</u>	<u>(35)</u>
Balance at September 30, 2010	<u>\$9,945</u>	<u>\$3,825</u>	<u>\$642</u>	<u>\$14,412</u>

The following tables present certain information on the Company's acquired intangible assets as of September 30, 2010, and December 31, 2009. 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 September 30, 2010:				
Patents	10 years	\$ 26	\$ (26)	\$ 0
Trademarks	15 years	<u>662</u>	<u>(550)</u>	<u>112</u>
		<u>\$688</u>	<u>\$(576)</u>	<u>\$112</u>
At December 31, 2009:				
Patents	10 years	\$ 26	\$ (25)	\$ 1
Trademarks	15 years	<u>662</u>	<u>(518)</u>	<u>144</u>
		<u>\$688</u>	<u>\$(543)</u>	<u>\$145</u>

The aggregate acquired intangible amortization expense was \$10 and \$11, respectively, for the three months ended September 30, 2010 and 2009, and \$32 and \$37 for the nine-month periods ended September 30, 2010 and 2009. The estimated acquired intangible asset amortization expense for the fiscal year ending December 31, 2010, and for the four subsequent years is as follows:

<u>Fiscal Year Ended December 31,</u>	<u>Estimated Amortization Expense</u>
2010	\$43
2011	\$42
2012	\$42
2013	\$17
2014	\$ 0

BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES
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7. **Revolving Credit Agreements**

BCI has a credit facility (the "Facility") with KeyBank National Association ("Key"). The Facility includes a \$2,500 unconditional working capital line of credit ("WCLC"), a \$3,000 bridge loan, and a \$6,000 term loan. The bridge loan was due by December 31, 2010, but was repaid in May 2010. The term loan carries quarterly principal repayment terms of \$300 during calendar year 2010, and \$400 during calendar years 2011 through 2013, with final payment due by December 31, 2013. Borrowings against the WCLC bear interest at Libor plus 3.00%, 3.75%, or 4.75%, based on certain financial covenant ratios. Interest rates for the bridge loan were the same as for the WCLC; interest rates for the term loan are 0.25% higher. The Facility has several financial covenant, operational, and reporting requirements, including separate audits of and financial statements for the Company and BCI. The WCLC matured on June 30, 2010, and was extended to June 30, 2011, at BCI's request and Key's consent. In September, a \$300 letter of credit within the WCLC was added, with annual renewal requirement.

As of September 30, 2010, BCI had no borrowings under WCLC and a \$5,100 balance remaining on the term loan. As of December 31, 2009, BCI had \$750 outstanding under the WCLC, a \$3,000 bridge loan, and a \$6,000 term loan. At December 31, 2009, BCI had a conditional letter of credit with Key, which was included in the WCLC and renewable annually in February. It was not utilized at December 31, 2009, and was cancelled in February 2010. The new letter of credit was not utilized at September 30, 2010.

Speech Design and its subsidiaries had continuously renewing credit lines and overdraft facilities of approximately €53 (approximately \$70 at September 30, 2010) from two banks, with rates tied to short-term bank notes and Euromarket loans. At September 30, 2010, those rates ranged from 10.5% to 12.5%. At September 30, 2010, and December 31, 2009, Speech Design had no borrowings against these credit lines or facilities and no long-term debt.

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.

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The Company uses a two-step approach to recognizing and measuring uncertain tax positions to be accounted for. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than fifty percent likely to be realized upon ultimate settlement. There is no liability related to unrecognized tax benefits at September 30, 2010, or December 31, 2009, and therefore no effect on the effective tax rate. The Company has identified its Federal consolidated tax return and its state tax return in New Jersey as major tax jurisdictions, as defined. For both jurisdictions, the periods subject to examination are the years 2004 through 2008. All tax returns for the year ended December 31, 2009, are expected to be filed by October 15, 2010. The Company classifies potential interest and penalties related to income taxes in interest expense and within operating expenses, respectively.

No provision has been made for U.S. Federal income or withholding taxes which may be payable on the remittance of undistributed retained earnings of foreign subsidiaries. These earnings have been reinvested to meet future operating requirements and the Company intends to continue such policy for the foreseeable future. The cumulative retained deficit of foreign subsidiaries was \$736 at December 31, 2009.

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).

10. **Stock-Based Compensation**

The Company has selected the Black-Scholes method of valuation for share-based compensation and adopted the modified prospective transition method, which required that compensation cost be recorded, as earned, for all unvested stock options outstanding at the beginning of the year of adoption, which was 2006. Prior periods were not restated. The charge was recognized as non-cash compensation on a straight-line basis over the remaining service period after the adoption date based on the option’s original estimated fair value.

The fair value of each stock option is estimated on the date of grant using the Black-Scholes option-pricing calculation model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including expected stock price volatility. Because the Company’s employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management’s opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

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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 vested 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 September 30, 2010 and December 31, 2009, the Company has secured loans totaling \$670 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 September 30, 2010 and 2009, and \$21 for each of the nine months ended September 30, 2010 and 2009.

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 the options vest ratably over five years. These options have an exercise price of \$6.60, a remaining contractual life of 6.13 years, and 12,000 were exercisable at September 30, 2010. The unrecognized compensation cost at September 30, 2010, was \$19, which will be expensed over the next fourteen months. At September 30, 2010, these were the only options outstanding. At September 30, 2010, 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 income and translation adjustments and is presented in the consolidated statement of changes in stockholders' equity for the nine months ended September 30, 2010.

12. **Litigation**

On July 18, 2006, the Company and BCI were sued by a former contractor, Tri-Signal Integration, Inc., in Los Angeles County Superior Court, case number BC355591. The litigation was settled by agreement between the parties dated December 24, 2009. The terms of the settlement are confidential and no further action is expected. These and prior financial statements include the substantial settlement and related legal costs.

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.

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(Unaudited)

13. **Related Parties**

As of September 30, 2010, the Company has loans and related interest receivable outstanding of \$683 from three directors related to stock grants. See Note 10, "Stock-Based Compensation".

Several members of the Company's Board of Directors and executives of Speech Design and its subsidiaries formed a syndicate (the "Pool") for the purposes of advancing up to €600 (approximately \$815 as of September 30, 2010) at any one time to purchase outstanding trade accounts receivables, primarily from Siemens Enterprise Communications and Avaya. Kasimir Arciszewski, a Managing Director of Speech Design, was appointed the Pool's manager, to act as its agent and attorney in connection with the purchase of any receivables.

Funding of the Pool was made in two installments: 60% by December 21, 2009, and 40% by January 15, 2010. Each Pool member committed specific funds based upon an agreed-upon quota. The Pool's investment period is six months, with the acquisition of specific customer receivables at a 15% discount, assuming the risk of non-payment and collection. After the later of the expiration of the investment period or collection of the acquired receivables, funds will be distributed to the Pool members net of any costs incurred.

The pool expired on July 22, 2010, with the final collection of factored receivables and distribution to the pool. As of that date, Speech Design had sold approximately €1,095 (about \$1,450) of gross receivables to the Pool and received approximately €930 (about \$1,235).

14. **Recent Accounting Pronouncements**

FASB Accounting Standards Update 2010-21, Accounting for Technical Amendments to Various SEC Rules and Schedules

In August 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2010-21, *Accounting for Technical Amendments to Various SEC Rules and Schedules*. ASU 2010-21 amends various SEC paragraphs in the FASB *Accounting Standards Codification*TM pursuant to *SEC Final Rule, Technical Amendments to Rules, Forms, Schedules and Codification of Financial Reporting Policies*. The Company does not expect the provisions of ASU 2010-21 to have a material effect on the financial position, results of operations or cash flows of the Company.

FASB Accounting Standards Update 2010-22, Accounting for Various Topics

In August 2010, the FASB issued ASU 2010-22, *Accounting for Various Topics*. ASU 2010-22 amends various SEC paragraphs in the FASB Accounting Standards Codification based on external comments received and the issuance of Staff Accounting Bulletin ("SAB") No. 112, which amends or rescinds portions of certain SAB topics. The Company does not expect the provisions of ASU 2010-22 to have a material effect on the financial position, results of operations or cash flows of the Company.

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

15. *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.