EISNERAMPER
ACCOUNTANTS & ADVISORS

BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013, 2012 AND 2011

BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES

Contents

Consolidated Financial Statements

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Bogen Communications International, Inc. and Subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Bogen Communications International, Inc. and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2013, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bogen Communications International, Inc. and Subsidiaries as of December 31, 2013 and 2012, and the consolidated results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, in accordance with accounting principles generally accepted in the United States of America.

EisnerAmper LLP

Iselin, New Jersey
June 25, 2015

BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2013 and 2012
(Amounts in Thousands, Except Share Amounts)

	December 31, 2013	December 31, 2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 904	$ 539
Trade receivables (net of allowance for doubtful accounts of $1 at December 31, 2013, and $13 at December 31, 2012)	304	3,176
Other receivables	21	-
Inventories	34	327
Prepaid expenses and other current assets	260	331
Current deferred income taxes	111	271
TOTAL CURRENT ASSETS	1,634	4,644
Equipment, furniture, and leasehold improvements, net	377	605
Goodwill	4,475	4,450
Other intangible assets, net	675	414
Deferred income taxes, net of current portion	3,836	2,828
TOTAL ASSETS	$ 10,997	$ 12,941
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Loans from related parties	$ 609	$ -
Accounts payable	287	896
Accrued expenses	1,386	2,231
TOTAL CURRENT LIABILITIES	2,282	3,127
Deferred income taxes	-	32
Other long-term liabilities	2,043	1,961
TOTAL LIABILITIES	4,325	5,120
COMMITMENTS AND CONTINGENCIES (See Notes N and O)		
STOCKHOLDERS' EQUITY		
Preferred stock - $.001 par value; 800,000 authorized; none issued or outstanding at December 31, 2013 or 2012	-	-
Common stock - $.001 par value; 10,000,000 shares authorized at December 31, 2013 and 2012; 4,109,489 shares issued and 4,079,740 shares outstanding at December 31, 2013 and 2012	4	4
Additional paid-in-capital	2,947	2,947
Retained earnings	1,858	3,123
Accumulated other comprehensive income	2,033	1,917
Treasury stock at cost - 29,749 shares at December 31, 2013 and 2012	(170)	(170)
TOTAL STOCKHOLDERS' EQUITY	6,672	7,821
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 10,997	$ 12,941

See accompanying notes to consolidated financial statements.

BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012, and 2011
(Dollars in Thousands)

	2013	2012	2011
Net sales	$ 6,119	$ 11,750	$ 9,978
Cost of goods sold	1,745	4,284	3,353
Gross profit	4,374	7,466	6,625
Operating expenses:			
Research and development	2,094	2,200	2,432
Selling, general and administrative	4,258	4,870	4,919
Amortization of intangibles	68	42	42
Income (loss) from operations	(2,046)	354	(768)
Other (income) expenses:			
Interest income	(1)	(26)	(28)
Interest expense	28	100	48
Other income	(75)	-	(235)
Income (loss) from continuing operations before income taxes	(1,998)	280	(553)
Income tax expense (benefit)	(733)	56	(383)
Income (loss) from continuing operations	(1,265)	224	(170)
Net income from discontinued operations, net of income taxes of $1,455 (2012) and $1,257 (2011)	-	2,678	2,341
Net income (loss)	(1,265)	2,902	2,171
Net loss attributable to non-controlling interest	-	-	(11)
Net income (loss) attributable to Bogen Communications International, Inc.	$ (1,265)	$ 2,902	$ 2,182

See accompanying notes to consolidated financial statements.

BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012, and 2011
(Dollars in Thousands)

	2013	2012	2011
Net income (loss) attributable to Bogen Communications International, Inc. & Subsidiaries	$ (1,265)	$ 2,902	$ 2,182
Other comprehensive income (loss):			
Translation adjustments	116	76	(143)
Comprehensive income (loss)	$ (1,149)	$ 2,978	$ 2,039

See accompanying notes to consolidated financial statements.

BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012, and 2011
(Amounts in Thousands, Except Share Amounts)

	Bogen Communications International, Inc.									
	Common Stock				Accumulated	Treasury Stock		Total		Total
	Number of Shares	Amount	Additional Paid-In Capital	Retained Earnings	Other Comprehensive Income	Number of Shares	Amount	Stock-holders' Equity	Non-controlling Interest	Stock-holders' Equity
Balance at January 1, 2011	4,109,489	$ 4	$ 22,380	$ (8,327)	$ 2,102	29,749	$ (170)	$ 15,989	$ 146	$ 16,135
Stock-based compensation	-	-	15	-	-	-	-	15	-	15
Redemption of subsidiary stock	-	-	128	-	-	-	-	128	(135)	(7)
Net income	-	-	-	2,182	-	-	-	2,182	(11)	2,171
Translation adjustments	-	-	-	-	(143)	-	-	(143)	-	(143)
Balance at December 31, 2011	4,109,489	$ 4	$ 22,523	$ (6,145)	$ 1,959	29,749	$ (170)	$ 18,171	$ -	$ 18,171
Distribution to shareholders	-	-	-	(2,244)	-	-	-	(2,244)	-	(2,244)
Spin-off of subsidiary company	-	-	(19,576)	8,610	(118)	-	-	(11,084)	-	(11,084)
Net income	-	-	-	2,902	-	-	-	2,902	-	2,902
Translation adjustments	-	-	-		76	-	-	76	-	76
Balance at December 31, 2012	4,109,489	$ 4	$ 2,947	$ 3,123	$ 1,917	29,749	$ (170)	$ 7,821	$ -	$ 7,821
Net loss	-	-	-	(1,265)	-	-	-	(1,265)	-	(1,265)
Translation adjustments	-	-	-	-	116	-	-	116	-	116
Balance at December 31, 2013	4,109,489	$ 4	$ 2,947	$ 1,858	$ 2,033	29,749	$ (170)	$ 6,672	$ -	$ 6,672

See accompanying notes to consolidated financial statements.

BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012, and 2011
(Dollars in Thousands)

	2013	2012	2011	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	$ (1,265)	$ 2,902	$ 2,171	
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
(Income) from discontinued operations	-	(2,678)	(2,341)	
Depreciation and amortization	279	382	387	
Amortization of intangible assets	68	42	42	
Stock-based compensation	-	-	15	
Provision for doubtful accounts	-	12	-	
Deferred income taxes	(726)	182	(273)	
Gain on disposal of equipment	-	(1)	9	
Change in operating assets and liabilities:				
Receivables	2,881	(226)	(1,342)	
Inventories	295	27	312	
Prepaid expenses and other current assets	82	3	(446)	
Restricted cash	-	-	340	
Accounts payable and accrued expenses	(1,526)	(737)	1,081	
Net cash provided by (used in) operating activities - continuing operations	88	(92)	(45)	
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of equipment, furniture, and leasehold improvements	(35)	(182)	(410)	
Purchase of intangible assets	(303)	(388)	-	
Proceeds from sale of equipment	-	-	7	
Net cash used in investing activities - continuing operations	(338)	(570)	(403)	
CASH FLOWS FROM FINANCING ACTIVITIES:				
Repurchase of subsidiary common stock	-	-	(7)	
Distribution to shareholders	-	(2,244)	-	
Advances from affiliates	-	2,869	380	
Proceeds from related parties	588	-	-	
Net cash provided by financing activities - continuing operations	588	625	373	
Effects of foreign exchange rate on cash	27	3	(102)	
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	365	(34)	(177)	
Cash flows from discontinued operations - operating activities	-	2,100	3,311	
Cash flows from discontinued operations - investing activities	-	(279)	(441)	
Cash flows from discontinued operations - financing activities	-	(3,305)	(1,580)	
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	539	2,057	944	
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 904	$ 539	$ 2,057	(a)
SUPPLEMENTAL CASH FLOW INFORMATION:				
Cash paid for interest	$ 27	$ 102	$ 50	
Cash paid for income taxes	$ 4	$ 4	$ 3	

(a) Includes $1,484 applicable to discontinued operations

See accompanying notes to consolidated financial statements.

(Dollars in Thousands, Except Share Amounts)

NOTE A – ORGANIZATION

Bogen Communications International, Inc. (the “Parent” or “BCII”), together with its subsidiaries, (the “Company”) develops, markets, and sells telecommunications software and related hardware as well as services and support for that software and hardware to customers primarily in Europe and the Middle East. The Company's offices are located in the United States and Germany. Bogen Corporation and Subsidiaries (“Bogen”), a company with operations in the United States, was a subsidiary of BCII until December 21, 2012, at which time its outstanding shares of common stock were distributed to shareholders of BCII in a spin-off (see Note B).

NOTE B – SPIN-OFF OF BOGEN CORPORATION FROM PARENT

On November 29, 2012, a special meeting of the shareholders of BCII was held to consider and vote on spinning off Bogen to BCII’s shareholders of record as of November 19, 2012. At that meeting, the shareholders approved the spin-off, which became effective as of December 21, 2012. Immediately after the spin-off, Bogen began operating as a separate company, wholly independent of BCII. For financial reporting purposes, the operations of Bogen prior to the spin-off are shown as discontinued operations and its assets and liabilities at December 31, 2011, have been reclassified as amounts related to discontinued operations.

Each shareholder of BCII received one share of Bogen for each share held of BCII. BCII shareholders were not required to pay any consideration for the shares of Bogen common stock that they received in the spin-off and they were not required to surrender or exchange BCII shares. Shareholder-level income taxes, if any, resulting from the spin-off are the responsibility of the individual shareholders. All of the outstanding shares of Bogen had been owned by BCII; therefore there is no current trading market for those shares. Bogen’s shares have not been registered with the Securities and Exchange Commission or with any state securities commission and are currently restricted.

A summary of the operating results for the discontinued operations is as follows:

Year Ended December 31	2012	2011
Revenues	$ 38,714	$ 37,096
Operating income	$ 4,375	$ 3,891

(Dollars in Thousands, Except Share Amounts)

NOTE B – SPIN-OFF OF BOGEN CORPORATION FROM PARENT-(CONT'D)

Assets and liabilities consisted of the following:

	December 20, 2012 Assets and Liabilities Spun Off	December 31, 2011 Discontinued Operations
Cash	$ -	$ 1,484
Receivables	3,724	2,441
Inventories	4,843	4,562
Other current assets	1,340	1,463
Total current assets	9,907	9,950
Equipment, furniture, and improvements	1,102	1,089
Goodwill	9,945	9,945
Other assets	100	193
Total non-current assets	11,147	11,227
Total assets	$ 21,054	$ 21,177
Amounts outstanding under revolving credit agreements	$ 883	$ -
Current maturities of long-term debt	1,263	1,663
Accounts payable	1,390	1,674
Accrued expenses	1,818	1,980
Other current liabilities	276	203
Total current liabilities	5,630	5,520
Long-term debt, net of current maturities	4,008	4,965
Other liabilities	332	309
Total non-current liabilities	4,340	5,274
Total liabilities	$ 9,970	$ 10,794

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Principles of consolidation:

The consolidated financial statements of the Company include the accounts of BCII, BCII's wholly-owned subsidiary, Speech Design International Inc. ("SDI"), SDI's wholly-owned subsidiary, Speech Design GmbH ("Speech Design"); and Speech Design's wholly-owned subsidiary, Satelco AG ("Satelco"); and BCII's wholly-owned subsidiary until December 21, 2012, Bogen; Bogen's wholly-owned subsidiary, Bogen Communications, Inc. ("BCI"); and BCI's wholly-owned subsidiary, Apogee Sound International, LLC ("Apogee").

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The non-controlling interest in SDI was repurchased on September 30, 2011, and Satelco was sold effective December 31, 2011. Satelco's operations were deemed immaterial to the consolidated financial statements; therefore the results were not reported as discontinued operations. Inter-company balances, profits and losses, and transactions have been eliminated in consolidation.

Prior to September 30, 2011, the ownership interest of minority owners in the equity and earnings of the Company's less than 100 percent-owned consolidated subsidiaries were recorded as non-controlling interest.

[2] Cash and cash equivalents:

Cash includes cash on-hand and all highly liquid investment instruments purchased with original or remaining maturities of three months or less.

[3] Concentrations of credit risk:

The Company's domestic operations maintain banking relationships at one financial institution with locations throughout the northeast United States. The balances at the institution are each insured by Federal Deposit Insurance Corporation; any overnight investments are not insured. At December 31, 2013 and 2012 there were no overnight investments.

The Company's foreign operations maintain banking relationships with several financial institutions in Germany. The institutions in Germany are members of the Deposit Protection Fund of the Association of German Banks (Einlagensicherungsfond des Bundesverbandes deutscher Banken e.V.), whose by-laws include the protection of all liabilities which are required to be shown in the balance sheet item "Liabilities to customers", up to a certain protection ceiling established and regularly calculated for each institution. Among these are demands, terms and savings deposits, including registered savings certificates. The respective protection ceiling applies for each creditor. Not protected are claims in respect of the institutions that have issued bearer instruments, e.g., bearer bonds and bearer certificates of deposit, as well as liabilities to banks. Speech Design's balances total less than the protection ceiling and therefore are 100% insured at December 31, 2013 and 2012.

The Company performs on-going credit evaluations of its customers. (See Note P.)

[4] Marketable securities:

From time to time, the Company invests some of its cash balances in short-term, highly liquid, available-for-sale marketable securities, which are carried on its consolidated balances sheets at fair value as a Level 1 input under ASC 820. Unrealized gains and losses are reported in stockholders' equity as a component of accumulated other comprehensive income (loss), unless the Company concludes that unrealized losses represent other-than-temporary impairment. In that circumstance, such losses would be reflected in the consolidated statements of operations. Realized gains and losses are included in other income (expense). Fair value is based upon quoted market prices for these or similar instruments.

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

[5] Trade accounts receivable:

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on historical write-off experience by business channel and takes into account national economic data. Speech Design reviews its allowance for doubtful accounts quarterly. Past-due balances over a certain amount are reviewed individually for collectability. The Company does not have any off-balance sheet credit exposure related to its customers.

[6] Inventories:

Inventories are stated at the lower cost or market and are valued using the first-in, first-out method.

[7] Equipment, furniture and leasehold improvements:

Equipment, furniture, and leasehold improvements are recorded at cost, less accumulated depreciation and amortization. Depreciation of equipment and furniture is provided using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized on a straight-line basis over the shorter of the remaining term of the lease or the estimated useful life of the improvement. The current estimated useful lives used in computing depreciation and amortization of equipment, furniture, and leasehold improvements are:

Machinery, equipment and tooling	3-10 Years
Furniture and office equipment	3-10 Years
Computer software and hardware	2-7 Years
Vehicles	5 Years
Leasehold improvements	Lesser of 10 years or remainder of lease

Expenditures for maintenance, repairs, and renewals of minor items are charged to operations as incurred. Major renewals and improvements are capitalized. Upon disposition, the cost and related accumulated depreciation is removed from the accounts and the resulting gain or loss is reflected in operations for the period.

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

[8] Goodwill:

The Company reviews goodwill for impairment annually. Management has determined that after the spin-off of Bogen, it operates as one reporting unit and therefore assesses goodwill for impairment on an enterprise-wide basis. Prior to the spin-off, the Company determined that it operated four operating units. Goodwill is tested for impairment at the reporting unit level. In 2012, the Company adopted Accounting Standards Update ("ASU") 2011-08, Testing Goodwill for Impairment. Under the amendments in this ASU, an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. If, after assessing the qualitative factors, the Company determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then the Company performs a two-part impairment test. In the first step, the Company would use the income approach to assess the fair value of the reporting unit. If fair value is less than the carrying amount of the reporting unit, the second step would compare the implied fair value of goodwill with its carrying amount. If impairment is determined, the Company would then recognize additional charges to operating expenses in the period in which they are identified, which would result in a reduction of operating results and a reduction in the amount of goodwill. During the years ended December 31, 2013, 2012, and 2011, the Company determined that no impairment of goodwill existed.

[9] Impairment and long-lived assets:

The Company reviews long-lived assets, on an individual basis, for impairment when circumstances indicate that the carrying amount of an asset may not be recoverable. Such review analyzes the undiscounted estimated future cash flows from such assets to determine if the carrying values of those assets are recoverable from their respective cash flows. If impairment is indicated, it is measured by comparing the discounted cash flows for the long-lived asset to its carrying value. During fiscal years 2013, 2012, and 2011, the Company did not record any impairment charges.

[10] Revenue recognition:

The Company accounts for 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.

The Company, through Speech Design, derives its revenue from continuing operations from the sale of telecommunications software and related hardware as well as from services and support revenue associated with prior sales of that software and hardware. Revenue related to discontinued operations consisted of sales of sound processing equipment and related services and support revenue. The Company recognizes product revenue, net of discounts and rebates, where persuasive evidence of sales arrangements exist, title or risk of loss has transferred, the buyer's price is fixed or determinable, contractual obligations have been satisfied, and collectability is reasonably assured. 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.

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

[11] Research and development:

Internal research and development costs are expensed as incurred for most projects. Certain development projects that meet the requirements needed to achieve technical feasibility are capitalized and amortized over their expected useful lives.

[12] 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.

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 $2,985 at December 31, 2013, and $1,729 at December 31, 2012.

[13] Product warranty:

The Company's warranty policy generally covers its products for a period from one to five years. The Company believes that its warranty policy is competitive with other companies within the industry. The Company accrues for product warranty costs at the time of sale. The Company considers its reserve for projected future warranty liability to be adequate, based on historical trends of warranted products serviced annually. At December 31, 2013 and 2012, the warranty reserve related to continuing operations was $11 and $28, respectively.

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

[14] Stock based compensation:

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.

No options were granted in 2011, 2012, or 2013.

[15] Comprehensive income:

The Company's comprehensive income (loss) consists of net income (loss) and foreign currency translation adjustments and is presented in the consolidated statements of comprehensive income.

[16] Use of estimates:

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Some of the more significant estimates made by management involve the percentage of completion on development projects, the allowance for doubtful accounts, the allowance for sales returns, product warranty reserves, provision for slow-moving inventory, equity compensation, and the evaluation of the recoverability of goodwill, intangible assets, equipment, furniture, leasehold improvements, and deferred tax assets. Actual results could differ from those estimates.

[17] Translations of foreign currencies:

Foreign currency-denominated assets and liabilities of the Company are translated from local currency into U.S. Dollars at the exchange rate in effect at the end of the period. Revenues and expenses are translated at average exchange rate prevailing during the period. Adjustments that arise from the translation of subsidiary financial statements denominated in foreign currency into U.S. Dollars are accumulated as a separate component of accumulated other comprehensive income (loss). Transaction gains and losses that arise from exchange rate changes on transactions denominated in a currency other than the local currency are included in operations when incurred.

[18] Fair value measurements:

The recorded amounts of cash and cash equivalents, trade and other receivables, accounts payable, accrued expenses, and revolving credit agreements approximate fair value due to the short-term maturities of these assets and liabilities.

(Dollars in Thousands, Except Share Amounts)

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

[19] Commitments and contingencies:

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

[20] Reclassifications:

Prior year balances and transactions of Bogen and its subsidiaries have been reclassified as discontinued operations. Whenever required, prior year balances and transactions are reclassified to conform to the current year presentation.

NOTE D – INVENTORIES

Inventories are comprised of the following items:

At December 31,	2013	2012
Raw materials and supplies	$ 9	$ 270
Finished goods	25	57
Total Inventory	$ 34	$ 327

NOTE E – EQUIPMENT, FURNITURE, AND LEASEHOLD IMPROVEMENTS

Equipment, furniture, and leasehold improvements are comprised of the following items:

At December 31,	2013	2012
Machinery, equipment, vehicles, and tooling	$ 1,508	$ 2,193
Furniture, office equipment, and computers	3,930	4,138
Leasehold improvements, at cost	0	263
	5,438	6,594
Less: accumulated depreciation and amortization	(5,061)	(5,989)
Net equipment, furniture, and improvements	$ 377	$ 605

Depreciation and amortization expense charged to continuing operations was $279, $382, and $387 for the years ended December 31, 2013, 2012, and 2011, respectively.

NOTE F – GOODWILL AND INTANGIBLE ASSETS

Annually, and 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 its net assets, including goodwill, to its fair value. The fair value is based on management estimates and calculated 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.

(Dollars in Thousands, Except Share Amounts)

NOTE F – GOODWILL AND INTANGIBLE ASSETS (CONT'D)

The Company performed its annual impairment test as of December 31, 2013, upon completion and approval of the Company's financial operating plan for 2015 and concluded that no goodwill impairment existed as of that date.

The Company cannot predict the occurrence of the 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.

Goodwill totaled $4,475 at December 31, 2013. The table below reconciles the change in the carrying amount of goodwill, by reporting unit, for the period from January 1, 2012, to December 31, 2013:

	Total
Balance at January 1, 2012	$ 4,437
Foreign currency translation adjustments	13
Balance at December 31, 2012	4,450
Foreign currency translation adjustments	25
Balance at December 31, 2013	$ 4,475

The following tables present certain information on the Company's intangible assets as of December 31, 2013 and 2012. All intangible assets are being amortized on a straight-line basis over their estimated useful lives, as indicated below, with no estimated residual values.

	Weighted Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Balance
Intangible Assets				
At December 31, 2013				
Hosting Software	7 Years	$ 727	$ (52)	$ 675
Trademarks	15 Years	650	(650)	-
		$ 1,377	$ (702)	$ 675
At December 31, 2012				
Hosting Software	7 Years	$ 396	$ -	$ 396
Trademarks	15 Years	650	(632)	18
		$ 1,046	$ (632)	$ 414

(Dollars in Thousands, Except Share Amounts)

NOTE F – GOODWILL AND INTANGIBLE ASSETS (CONT'D)

The aggregate intangible amortization expense for the years ended December 31, 2013, 2012, and 2011, was approximately $68, $42, and $42, respectively. The estimated intangible asset amortization expense for the fiscal year ended December 31, 2014, and the four subsequent years is as follows:

Fiscal Year Ended December 31	Estimated Amortization Expense
2014	$ 104
2015	$ 104
2016	$ 104
2017	$ 104
2018	$ 104

NOTE G – REVOLVING CREDIT AGREEMENTS

BCII and BCI jointly had a credit facility with KeyBank National Association ("Key"). All of the issued and outstanding capital stock of BCII and its domestic subsidiaries and tangible and intangible assets were pledged as collateral. In December 2012, the facility was amended: certain definitions were modified or added, financial covenants were modified, and BCII was released from any and all obligations as a borrower or pledger under the related loan agreement. The modification was effective December 13, 2012. BCII still maintains its primary banking relationship with Key. As of December 31, 2013 and 2012, BCII had no borrowings.

Speech Design and its subsidiaries continuously renews its credit lines and overdraft facilities of approximately €20 (approximately $28 at December 31, 2013) from one bank with rates tied to short-term bank notes and Euro market loans. At December 31, 2013, those rates ranged from 11.15% to 15.20%. At December 31, 2013 and 2012, Speech Design had no borrowings against these credit lines or facilities and no long-term debt.

NOTE H – LEASES

The Company occupies its warehouse and office facilities and operates certain equipment and vehicles under operating leases expiring at various dates through 2018. The facility leases contain escalation clauses and provide for payments of taxes and expenses over base rent. The facility leases also contain renewal options of varying lengths.

Future minimum annual lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2013, are as follows:

Year Ending December 31,	Operating Leases
2014	$ 445
2015	273
2016	238
2017	238
2018	217
Thereafter	-
Total minimum lease payments	$ 1,411

(Dollars in Thousands, Except Share Amounts)

NOTE H – LEASES (CONT'D)

Rent expense charged to continuing operations totaled approximately $408, $496, and $741 for the years ended December 31, 2013, 2012, and 2011, respectively.

NOTE I – ACCRUED EXPENSES

Accrued expenses are comprised of the following items:

At December 31,	2013	2012
Accrued salaries and benefits	$ 394	$ 541
Legal and other professional fees	99	120
Rebates and commissions	361	534
Sales and other taxes	201	430
Customer advance payments	107	184
All other	224	422
Total accrued expenses	$ 1,386	$ 2,231

NOTE J – INCOME TAXES

The Company's pre-tax book income (loss) attributable to continuing operations are as follows:

Year Ended December 31,	2013	2012	2011
Domestic operations	$ (17)	$ (474)	$ (229)
Foreign operations	(1,981)	754	(324)
	$(1,998)	$ 280	$ (553)

The components of income tax expense (benefit) are as follows:

Year Ended December 31,	2013	2012	2011
Current income tax expense (benefit)	$ (7)	$ (126)	$ (110)
Deferred income tax expense (benefit)	(726)	182	(273)
Total income tax expense (benefit)	$ (733)	$ 56	$ (383)

The difference between the provision for (benefit from) income taxes computed at the U.S. Federal income tax rate of 34% and the provision (benefit) as reported are as follows:

Year Ended December 31,	2013	2012	2011
Computed "expected" tax expense (benefit)	$ (679)	$ 120	$ (189)
State tax expense, net of Federal benefit	3	4	4
Non-deductible expenses	6	14	(12)
Foreign taxes greater (less) than U.S. taxes	3	(16)	12
Adjustments for prior-year taxes	(66)	(92)	(213)
Other	-	26	15
Income tax expense (benefit) as reported	$ (733)	$ 56	$ (383)

(Dollars in Thousands, Except Share Amounts)

NOTE J – INCOME TAXES (CONT'D)

The tax-effected components of deferred tax assets and liabilities are as follows:

At December 31,	2013	2012
Deferred tax assets:		
Foreign loss carryforwards	$ 3,947	$ 3,099
Total gross deferred tax assets	**3,947**	**3,099**
Deferred tax liabilities:		
Goodwill	-	(32)
Total net deferred tax assets	**$ 3,947**	**$ 3,067**

The Company has foreign loss carryforwards of approximately €9,650 (approximately $13,285 at the then-current exchange rate) as of December 31, 2013. These foreign loss carryforwards do not have an expiration date.

The Company does not have valuation allowances at December 31, 2013 or 2012. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences and loss carryforwards become deductible. Based upon the level of historical taxable income and projections for future taxable income, by jurisdiction, over the periods that the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences and loss carryforwards. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

Uncertain tax positions are required to be recognized in the financial statements for positions that are considered more likely than not of being sustained based on the technical merits of the position on audit by the tax authorities. Pursuant to the accounting guideline concerning provisions for uncertain income tax positions contained in ASC 740-10, there are no unrecognized tax benefits reflected in the accompanying financial statements.

The Company uses a two-step approach to recognize and measure uncertain tax positions to be accounted for. The first step evaluates the tax position for recognition by determining if the weight of the available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of the related appeals or litigation processes, if any. The second step measures the tax benefit as the largest amount that is more than fifty percent likely to be realized upon ultimate settlement. The Company has identified its U.S. Federal consolidated tax return, its state tax return in New Jersey, and Speech Design's German Federal tax return as major tax jurisdictions as defined. The jurisdictions' periods subject to examination cover the tax years 2007 through 2012.

The Company's 2010 U.S. Federal consolidated tax return is currently under examination by the Internal Revenue Service. There have been no findings and the Company does not expect any findings to materially affect the financial statements or financial positions of the Company. All tax returns for the year ended December 31, 2013, were filed by October 15, 2014. The Company classifies potential interest and penalties related to income taxes in interest expense and within operating expenses, respectively.

NOTE J – INCOME TAXES (CONT'D)

Through December 20, 2012, a tax sharing agreement existed among BCII and BCII's other domestic subsidiaries. The agreement permitted consolidated income tax expenses and benefits to be allocated among the affiliated entities so that each may record an appropriate share of the consolidated tax expense or benefit on its own books. Income tax expenses and benefits were allocated based on the taxable income or loss of each affiliate compared to the consolidated taxable income or loss.

NOTE K – 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 became 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"). On September 30, 2011, SDI purchased all common shares held by CPH1 for $7. The financial statement effect of the repurchase was to increase additional paid-in capital by $128 and eliminate the Non-controlling Interest of $135.

NOTE L – PREFERRED STOCK

The Company is authorized to issue 800,000 shares of preferred stock with such designations, voting, and other rights and preferences as may be determined from time to time by the Board of Directors.

NOTE M – COMMON STOCK

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 December 31, 2011, the Company had secured loans totaling $670 with three directors for payroll and other taxes associated with the stock grants. The loans incurred interest annually, which were due on each anniversary, and were payable in full on November 16, 2013. Interest income related to these loans was $26 and $28, respectively, for the two fiscal years ended December 31, 2012. In December 2012, prior to the spin-off of Bogen, the Company transferred the loan to Bogen as an additional investment.

The Company has a Stock Option Incentive Plan (the "Plan") under which shares of the Company's common stock are reserved for issuance pursuant to the Plan. As of May 29, 2002, the stockholders of the Company approved an amendment to increase the shares under the Plan to 2,000,000. Under the Plan, the Board of Directors or Compensation Committee can award stock options to eligible employees of the Company and its subsidiaries (including employee directors), non-employee directors, and independent contractors and consultants who perform services for the Company. The options generally vest over a period of five years and are exercisable at prices determined on a case-by-case basis but not less than the fair market value of the stock at the date of grant. None may be exercised more than 10 years from the date of grant. From time to time, the Company has also granted additional stock options to individuals outside of the Plan.

NOTE M – COMMON STOCK (CONT'D)

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 vested ratably over five years. These options have an exercise price of $6.60, a remaining contractual life of 2.88 years, and all were exercisable at December 31, 2013. The unrecognized compensation cost at December 31, 2013 was $0. At December 31, 2013, these were the only options outstanding. At December 31, 2013, there were 1,212,020 options available for future grants under the terms of the Plan.

NOTE N – LITIGATION

The Company is party, from time to time in the ordinary course of business, to various legal actions and claims that relate to its products, intellectual property, employee matters, or other aspects of its operations. In 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.

NOTE O – EMPLOYMENT CONTRACTS

The Company has entered into employment contracts with several officers of the Company's subsidiaries. The management agreement with the Managing Directors of Speech Design will expire in December 2015.

Compensation accrues to the officers over the term of the contract as their respective services are provided. Total contractual compensation is approximately $534 and $547 for fiscal years 2014 and 2015, respectively.

NOTE P – ECONOMIC CONCENTRATION

In 2013, the Company's foreign subsidiary, Speech Design, had sales of $5,620 to four customers, each of which accounted for more than 10% of consolidated net sales. The Company's receivables from these customers comprised approximately 75% of consolidated trade receivables.

In 2012, the Company's foreign subsidiary, Speech Design, had sales of $10,753 to four customers, each of which accounted for more than 10% of consolidated net sales. The Company's receivables from these customers comprised approximately 97% of consolidated trade receivables.

In 2011, the Company's foreign subsidiary, Speech Design, had sales of $8,401 to four customers, each of which accounted for more than 10% of consolidated net sales. The Company's receivables from these customers comprised approximately 95% of consolidated trade receivables.

In 2013, the Company's foreign subsidiary, Speech Design, made purchases totaling $1,005 from three vendors, each of which accounted for more than 10% of consolidated net purchases.

In 2012, the Company's foreign subsidiary, Speech Design, made purchases totaling $5,555 from five vendors, each of which accounted for more than 10% of consolidated net purchases.

In 2011, the Company's foreign subsidiary, Speech Design, made purchases totaling $1,852 from two vendors, each of which accounted for more than 10% of consolidated net purchases.

NOTE Q – EMPLOYEE CONTRIBUTION PLAN

Employees of the Company's former subsidiary, BCI, are eligible to participate in a BCII-sponsored defined contribution 401(k) plan. BCI provides an elective contribution to a portion of funds contributed by some employees.

NOTE R – RELATED PARTIES

Beginning in October 2010, a managing director of Speech Design began advancing Speech Design funds at a 5% discount against trade receivables from customers. As of December 31, 2013, about €3,432 ($4,725) of gross receivables had been sold to him without recourse and Speech Design had received about €3,261 ($4,489). At December 31, 2013 the Company was advanced €442 ($609 at the then-current exchange rate) in excess of amounts factored.

NOTE S – SUBSEQUENT EVENTS

The Company has evaluated subsequent events through June 25, 2015, which is the date the consolidated financial statements were available to be issued.

NOTE T – RECENT ACCOUNTING PRONOUNCEMENTS

FASB Accounting Standards Update 2013-12, Definition of a Public Business Entity: An Addition to the Master Glossary

Summary - The FASB has issued Accounting Standards Update (ASU) 2013-12, Definition of a Public Business Entity: An Addition to the Master Glossary. The ASU amends the "Glossary of the FASB Accounting Standards Codification" to include one definition of a public business entity for U.S. GAAP. The amendment does not affect existing guidance. The definition will be used when specifying the scope of future accounting and reporting guidance. There is no actual effective date for this ASU but the definition will be used when considering the scope applicability of new financial guidance. The Company does not believe that this ASU will have a material effect on its financial position or its results of operations.

FASB Accounting Standards Update 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists – a consensus of the FASB Emerging Issues Task Force

Summary - The FASB has issued Accounting Standards Update (ASU) 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the FASB Emerging Issues Task Force). The ASU provides guidance on financial statement presentation of an Unrecognized Tax Benefit (UTB) when a Net Operating Loss (NOL) carryforward, a similar tax loss, or a tax credit carryforward exists.

Under the ASU, a UTB, or a portion thereof, should be presented in the financial statements as a reduction to a deferred tax asset for a NOL carryforward, a similar tax loss, or a tax credit carryforward, except to the extent that an NOL carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date to settle any additional income taxes that would result from disallowance of a tax position, or the tax law does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, then the unrecognized tax benefit should be presented as a liability.

NOTE T – RECENT ACCOUNTING PRONOUNCEMENTS -(CONT'D)

FASB Accounting Standards Update 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists – a consensus of the FASB Emerging Issues Task Force (cont'd)

The ASU's amendments are effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2013. For nonpublic entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. Early adoption and retrospective application is permitted. The Company does not believe that this ASU will have a material effect on its financial position or its results of operations.

FASB Accounting Standards Update 2013-10, Derivatives and Hedging (Topic 815)—Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes

Summary - The FASB has issued Accounting Standards Update (ASU) 2013-10, Derivatives and Hedging (Topic 815)—Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes. The ASU's amendments permit the Fed Funds Effective Swap Rate to be used as a U.S. benchmark interest rate for hedge accounting purposes, in addition to UST and LIBOR. The amendments also remove the restriction on using different benchmark rates for similar hedges. The amendments apply to all entities that elect to apply hedge accounting of the benchmark interest rate.

The ASU is effective for qualifying new or re-designated hedging relationships entered into on or after July 17, 2013. The Company does not believe that this ASU will have a material effect on its financial position or its results of operations.

FASB Accounting Standards Update 2013-07, Presentation of Financial Statements (Topic 205): Liquidation Basis of Accounting

Summary - The FASB has issued ASU No. 2013-07, Presentation of Financial Statements (Topic 205): Liquidation Basis of Accounting. The amendments in this ASU clarify when an entity should apply the liquidation basis of accounting. In addition, the guidance provides principles for the recognition and measurement of assets and liabilities and requirements for financial statements prepared using the liquidation basis of accounting. Liquidation is the process by which a company converts its assets to cash or other assets and settles its obligations with creditors in anticipation of ceasing all of its activities. An organization in liquidation must prepare its financial statements using a basis of accounting that communicates information to users of those financial statements to enable those users to develop expectations about how much the organization will have available for distribution to investors after disposing of its assets and settling its obligations.

The ASU requires organization to prepare its financial statements using the liquidation basis of accounting when liquidation is "imminent." Liquidation is considered imminent when the likelihood is remote that the organization will return from liquidation and either: (a) a plan for liquidation is approved by the person or persons with the authority to make such a plan effective and the likelihood is remote that the execution of the plan will be blocked by other parties; or (b) a plan for liquidation is being imposed by other forces (e.g., involuntary bankruptcy). In cases where a plan for liquidation was specified in the organization's governing documents at inception (e.g., limited-life entities), the organization should apply the liquidation basis of accounting only if the approved plan for liquidation differs from the plan for liquidation that was specified in the organization's governing documents.

NOTE T – RECENT ACCOUNTING PRONOUNCEMENTS (CONT'D)

FASB Accounting Standards Update 2013-07, Presentation of Financial Statements (Topic 205): Liquidation Basis of Accounting (Cont'd)

The ASU requires financial statements prepared using the liquidation basis to present relevant information about a company's resources and obligations in liquidation, including the following:

- The organization's assets measured at the amount of the expected cash proceeds from liquidation, including any items it had not previously recognized under U.S. GAAP that it expects to either sell in liquidation or use in settling liabilities (e.g., trademarks).
- The organization's liabilities as recognized and measured in accordance with existing guidance that applies to those liabilities.
- Accrual of the costs it expects to incur and the income it expects to earn during liquidation, including any anticipated disposal costs.

This ASU is effective for interim and annual reporting periods beginning after December 15, 2013, with early adoption permitted. The Company does not believe that this ASU will have a material effect on its financial position or its results of operations.

FASB Accounting Standards Update 2013-05, Parent's Accounting for the Cumulative Translation Adjustment Upon Derecognition of Certain Subsidiaries of Certain Subsidiaries or Groups of Assets Within a Foreign Entity or of an Investment in a Foreign Entity

The FASB issued ASU 2013-05, Parent's Accounting for the Cumulative Translation Adjustment Upon Derecognition of Certain Subsidiaries of Certain Subsidiaries or Groups of Assets Within a Foreign Entity or of an Investment in a Foreign Entity, in March 2013. This ASU indicates that the entire amount of a cumulative translation adjustment (CTA) related to an entity's investment in a foreign entity should be released when there has been a:

- Sale of a subsidiary or group of net assets within a foreign entity and the sale represents the substantially complete liquidation of the investment in the foreign entity.
- Loss of a controlling financial interest in an investment in a foreign entity.
- Step acquisition for a foreign entity.

The ASU does not change the requirement to release a pro rata portion of the CTA of the foreign entity into earnings for a partial sale of an equity method investment in a foreign entity.

For public entities, this ASU is effective for fiscal years and interim periods beginning on or after December 15, 2013. Early adoption is permitted; application of ASU 2013-05 is prospective. The Company does not expect that the adoption of this ASU will have a material effect upon its financial position or results of operations.

NOTE T – RECENT ACCOUNTING PRONOUNCEMENTS (CONT'D)

FASB Accounting Standards Update 2013-04, Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date

Summary - The FASB has issued Accounting Standards Update (ASU) No. 2013-04, Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date (a consensus of the Emerging Issues Task Force). ASU 2013-04 provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this ASU is fixed at the reporting date, except for obligations addressed within existing guidance in U.S. GAAP. The guidance requires an entity to measure those obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The guidance in this ASU also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations.

The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. For nonpublic entities, the amendments are effective for fiscal years ending after December 15, 2014, and interim periods and annual periods thereafter.

The amendments in this ASU should be applied retrospectively to all prior periods presented for those obligations resulting from joint and several liability arrangements within the ASU's scope that exist at the beginning of an entity's fiscal year of adoption. An entity may elect to use hindsight for the comparative periods (if it changed its accounting as a result of adopting the amendments in this ASU) and should disclose that fact. Early adoption is permitted. The Company does not believe that this ASU will have a material effect on its financial position or its results of operations.

FASB Accounting Standards Update 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income

Summary - The FASB has issued Accounting Standards Update (ASU) No. 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, to improve the transparency of reporting these reclassifications. Other comprehensive income includes gains and losses that are initially excluded from net income for an accounting period. Those gains and losses are later reclassified out of accumulated other comprehensive income into net income. The amendments in this ASU do not change the current requirements for reporting net income or other comprehensive income in financial statements. All of the information that this ASU requires already is required to be disclosed elsewhere in the financial statements under U.S. GAAP.
The new amendments will require an organization to:

> Present (either on the face of the statement where net income is presented or in the notes) the effects on the line items of net income of significant amounts reclassified out of accumulated other comprehensive income - but only if the item reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period.

NOTE T – RECENT ACCOUNTING PRONOUNCEMENTS (CONT'D)

FASB Accounting Standards Update 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (Cont'd)

> Cross-reference to other disclosures currently required under U.S. GAAP for other reclassification items (that are not required under U.S. GAAP) to be reclassified directly to net income in their entirety in the same reporting period. This would be the case when a portion of the amount reclassified out of accumulated other comprehensive income is initially transferred to a balance sheet account (e.g., inventory for pension-related amounts) instead of directly to income or expense.

The amendments apply to all public and private companies that report items of other comprehensive income. Public companies are required to comply with these amendments for all reporting periods (interim and annual). A private company is required to meet the reporting requirements of the amended paragraphs about the roll forward of accumulated other comprehensive income for both interim and annual reporting periods. However, private companies are only required to provide the information about the effect of reclassifications on line items of net income for annual reporting periods, not for interim reporting periods.

The amendments are effective for reporting periods beginning after December 15, 2012, for public companies and are effective for reporting periods beginning after December 15, 2013, for private companies. Early adoption is permitted. The Company does not believe that this ASU will have a material effect on its financial position or its results of operations.

FASB Accounting Standards Update 2013-01, Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities

Summary - The FASB has issued ASU No. 2013-01, Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. ASU 2013-01 clarifies that ordinary trade receivables and receivables are not in the scope of ASU No. 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. Specifically, ASU 2011-11 applies only to derivatives, repurchase agreements and reverse purchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with specific criteria contained in the FASB Accounting Standards Codification™ (Codification) or subject to a master netting arrangement or similar agreement.

The FASB undertook this clarification project in response to concerns expressed by U.S. stakeholders about the standard's broad definition of financial instruments. After the standard was finalized, companies realized that many contracts have standard commercial provisions that would equate to a master netting arrangement, significantly increasing the cost of compliance at minimal value to financial statement users.

An entity is required to apply the amendments in ASU 2013-01 for fiscal years beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the required disclosures retrospectively for all comparative periods presented. The effective date is the same as the effective date of ASU 2011-11. The Company does not believe that this ASU will have a material effect on its financial position or its results of operations.

NOTE T – RECENT ACCOUNTING PRONOUNCEMENTS (CONT'D)

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

NOTE U – 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.