EISNERAMPER
ACCOUNTANTS & ADVISORS

BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014, 2013 AND 2012

BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES

Contents

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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, 2014 and 2013, 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, 2014, 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 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, 2014 and 2013, and the consolidated results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, 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, 2014 and 2013
(Amounts in Thousands, Except Share Amounts)

	December 31, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,604	$ 904
Restricted cash	2,268	-
Trade receivables (net of allowance for doubtful accounts of $-0- at December 31, 2014 and $1 at December 31, 2013)	300	304
Other receivables	20	21
Inventories	7	34
Prepaid expenses and other current assets	214	260
Current deferred income taxes	161	111
TOTAL CURRENT ASSETS	4,574	1,634
Equipment, furniture, and leasehold improvements, net	339	377
Goodwill	4,399	4,475
Other intangible assets, net	613	675
Deferred income taxes, net of current portion	3,209	3,836
TOTAL ASSETS	$ 13,134	$ 10,997
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable-related parties	$ 1,568	$ 609
Notes payable-other	999	-
Accounts payable	242	287
Accrued expenses	1,971	1,386
TOTAL CURRENT LIABILITIES	4,780	2,282
Other long-term liabilities	1,804	2,043
TOTAL LIABILITIES	6,584	4,325
COMMITMENTS AND CONTINGENCIES (See Notes M and N)		
STOCKHOLDERS' EQUITY		
Preferred stock - $.001 par value; 800,000 authorized; none issued or outstanding at December 31, 2014 or 2013	-	-
Common stock - $.001 par value; 10,000,000 shares authorized at December 31, 2014 and 2013; 4,109,489 shares issued and 4,079,740 shares outstanding at December 31, 2014 and 2013	4	4
Additional paid-in-capital	2,947	2,947
Retained earnings	2,074	1,858
Accumulated other comprehensive income	1,695	2,033
Treasury stock at cost - 29,749 shares at December 31, 2014 and 2013	(170)	(170)
TOTAL STOCKHOLDERS' EQUITY	6,550	6,672
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 13,134	$ 10,997

See accompanying notes to consolidated financial statements.

BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013, and 2012
(Dollars in Thousands)

	2014	2013	2012
Net sales	$ 8,784	$ 6,119	$ 11,750
Cost of goods sold	1,537	1,745	4,284
Gross profit	7,247	4,374	7,466
Operating expenses:			
Research and development	2,360	2,094	2,200
Selling, general and administrative	3,945	4,258	4,870
Amortization of intangibles	122	68	42
Income (loss) from operations	820	(2,046)	354
Other (income) expenses:			
Interest income	-	(1)	(26)
Interest expense	411	28	100
Other (income) expense	84	(75)	-
Income (loss) from continuing operations before income taxes	325	(1,998)	280
Income tax expense (benefit)	109	(733)	56
Income (loss) from continuing operations	216	(1,265)	224
Net income from discontinued operations, net of income taxes of $1,455 (2012)	-	-	2,678
Net income (loss)	$ 216	$ (1,265)	$ 2,902

See accompanying notes to consolidated financial statements.

BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013, and 2012
(Dollars in Thousands)

	2014	2013	2012
Net income (loss)	$ 216	$ (1,265)	$ 2,902
Other comprehensive income (loss):			
Translation adjustments	(338)	116	76
Comprehensive income (loss)	$ (122)	$ (1,149)	$ 2,978

See accompanying notes to consolidated financial statements.

BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013, and 2012
(Amounts in Thousands, Except Share Amounts)

	Bogen Communications International, Inc.							
	Common Stock		Additional		Accumulated Other	Treasury Stock		Total
	Number of Shares	Amount	Paid-In Capital	Retained Earnings	Comprehensive Income	Number of Shares	Amount	Stock-holders' Equity
Balance at January 1, 2012	4,109,489	$ 4	$ 22,523	$ (6,145)	$ 1,959	29,749	$ (170)	$ 18,171
Distribution to shareholders	-	-	-	(2,244)	-	-	-	(2,244)
Spin-off of subsidiary company	-	-	(19,576)	8,610	(118)	-	-	(11,084)
Net income	-	-	-	2,902	-	-	-	2,902
Translation adjustments	-	-	-		76	-	-	76
Balance at December 31, 2012	4,109,489	4	2,947	3,123	1,917	29,749	(170)	7,821
Net loss	-	-	-	(1,265)	-	-	-	(1,265)
Translation adjustments	-	-	-	-	116	-	-	116
Balance at December 31, 2013	4,109,489	4	2,947	1,858	2,033	29,749	(170)	6,672
Net income	-	-	-	216	-	-	-	216
Translation adjustments	-	-	-	-	(338)	-	-	(338)
Balance at December 31, 2014	4,109,489	$ 4	$ 2,947	$ 2,074	$ 1,695	29,749	$ (170)	$ 6,550

See accompanying notes to consolidated financial statements.

BOGEN COMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013, and 2012
(Dollars in Thousands)

	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 216	$ (1,265)	$ 2,902
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
(Income) from discontinued operations	-	-	(2,678)
Depreciation and amortization	120	279	382
Amortization of intangible assets	122	68	42
Provision for doubtful accounts	-	-	12
Deferred income taxes	125	(726)	182
Gain on disposal of equipment	(9)	-	(1)
Change in operating assets and liabilities:			
Receivables	(33)	2,881	(226)
Inventories	25	295	27
Prepaid expenses and other current assets	23	82	3
Restricted cash	(2,474)	-	-
Accounts payable and accrued expenses	789	(1,526)	(737)
Net cash provided by (used in) operating activities - continuing operations	(1,096)	88	(92)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of equipment, furniture, and leasehold improvements	(130)	(35)	(182)
Purchase of intangible assets	(141)	(303)	(388)
Proceeds from sale of equipment	12	-	-
Net cash used in investing activities - continuing operations	(259)	(338)	(570)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Distribution to shareholders	-	-	(2,244)
Advances from affiliates	-	-	2,869
Proceeds from notes payable-related parties	1,124	588	-
Proceeds from notes payable-other	1,090	-	-
Net cash provided by financing activities - continuing operations	2,214	588	625
Effects of foreign exchange rate on cash	(159)	27	3
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	700	365	(34)
Cash flows from discontinued operations - operating activites	-	-	2,100
Cash flows from discontinued operations - investing activites	-	-	(279)
Cash flows from discontinued operations - financing activites	-	-	(3,305)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	904	539	2,057
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 1,604	$ 904	$ 539
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid for interest	$ 255	$ 27	$ 102
Cash paid for income taxes	$ 4	$ 4	$ 4

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.

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	
Revenues	$ 38,714
Operating income	$ 4,375

(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
Receivables	$ 3,724
Inventories	4,843
Other current assets	1,340
Total current assets	9,907
Equipment, furniture, and improvements	1,102
Goodwill	9,945
Other assets	100
Total non-current assets	11,147
Total assets	$ 21,054
Amounts outstanding under revolving credit agreements	$ 883
Current maturities of long-term debt	1,263
Accounts payable	1,390
Accrued expenses	1,818
Other current liabilities	276
Total current liabilities	5,630
Long-term debt, net of current maturities	4,008
Other liabilities	332
Total non-current liabilities	4,340
Total liabilities	$ 9,970

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"), and SDI's wholly-owned subsidiary, Speech Design GmbH ("Speech Design"), and BCII's wholly-owned subsidiary until December 21, 2012, Bogen; and 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)

[1] Principles of consolidation: (cont'd)

Inter-company balances, profits and losses, and transactions have been eliminated in consolidation.

[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] Restricted cash:

At December 31, 2014, restricted cash consisted of a customer deposit for €1,866 ($2,268 at then-current exchange rates) at one of Speech Design's banks for the completion of the initial phase of a project under a contract which called for milestone payments. This deposit was in lieu of the Company obtaining a performance guarantee for the completion of the project. The deposit was released in June 2015 upon completion of the project.

[4] 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, 2014 and 2013, 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 demand, term 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, 2014 and 2013.

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

[5] 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)

[6] 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.

[7] Inventories:

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

[8] 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)

[9] 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, 2014, 2013, and 2012, the Company determined that no impairment of goodwill existed.

[10] 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 2014, 2013, and 2012, the Company did not record any impairment charges.

[11] 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)

[11] Revenue recognition: (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.

[12] 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.

[13] 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 $2,731 at December 31, 2014, and $2,985 at December 31, 2013.

[14] 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, 2014 and 2013, the warranty reserve related to continuing operations was $2 and $11, respectively.

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

[15] 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 2012, 2013, or 2014.

[16] 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.

[17] 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.

[18] 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.

(Dollars in Thousands, Except Share Amounts)

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

[19] 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.

[20] 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.

[21] Reclassifications:

Prior year 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,	2014	2013
Raw materials and supplies	**$ -**	$ 9
Finished goods	**7**	25
Total Inventory	**$ 7**	$ 34

NOTE E – EQUIPMENT, FURNITURE, AND LEASEHOLD IMPROVEMENTS

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

At December 31,	2014	2013
Machinery, equipment, vehicles, and tooling	**$ 1,221**	$ 1,508
Furniture and office equipment	**2,237**	2,887
Computer hardware and software	**921**	1,043
Equipment, furniture, and computers, at cost	**4,379**	5,438
Less: accumulated depreciation and amortization	**(4,040)**	(5,061)
Net equipment, furniture, and improvements	**$ 339**	$ 377

Depreciation and amortization expense charged to continuing operations was $120, $279, and $382 for the years ended December 31, 2014, 2013, and 2012, respectively.

(Dollars in Thousands, Except Share Amounts)

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.

The Company performed its annual impairment test as of December 31, 2014 and 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 $4,399 at December 31, 2014. The table below reconciles the change in the carrying amount of goodwill, by reporting unit, for the period from January 1, 2013, to December 31, 2014:

	Total
Balance at January 1, 2013	$ 4,450
Foreign currency translation adjustments	25
Balance at December 31, 2013	4,475
Foreign currency translation adjustments	(76)
Balance at December 31, 2014	$ 4,399

(Dollars in Thousands, Except Share Amounts)

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

The following tables present certain information on the Company's intangible assets as of December 31, 2014 and 2013. 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, 2014				
Hosting Software	7 Years	$ 771	$ (158)	$ 613
Trademarks	15 Years	650	(650)	-
		$ 1,421	$ (808)	$ 613
At December 31, 2013				
Hosting Software	7 Years	$ 727	$ (52)	$ 675
Trademarks	15 Years	650	(650)	-
		$ 1,377	$ (702)	$ 675

The aggregate intangible amortization expense for the years ended December 31, 2014, 2013, and 2012, was approximately $122, $68, and $42, respectively. The estimated intangible asset amortization expense for the fiscal year ending December 31, 2015, and the four subsequent years is as follows:

Fiscal Year Ended December 31	Estimated Amortization Expense
2015	$ 110
2016	$ 110
2017	$ 110
2018	$ 110
2019	$ 110

NOTE G – REVOLVING CREDIT AGREEMENTS

BCII and BCI jointly had a credit facility with KeyBank National Association ("Key"). 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 maintains its primary banking relationship with Key. As of December 31, 2014 and 2013, BCII had no borrowings.

Speech Design and its subsidiaries continuously renews its credit lines and overdraft facilities of approximately €20 (approximately $24 at December 31, 2014) from one bank with rates tied to short-term bank notes and Euro market loans. At December 31, 2014, those rates ranged from 11.15% to 15.20%. At December 31, 2014 and 2013, Speech Design had no borrowings against these credit lines or facilities and no long-term debt.

(Dollars in Thousands, Except Share Amounts)

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, 2014, are as follows:

Year Ending December 31,	Operating Leases
2015	$ 363
2016	295
2017	246
2018	196
Thereafter	-
Total minimum lease payments	$ 1,100

Rent expense charged to continuing operations totaled approximately $461, $408, and $496 for the years ended December 31, 2014, 2013, and 2012, respectively.

NOTE I – ACCRUED EXPENSES

Accrued expenses are comprised of the following items:

At December 31,	2014	2013
Accrued salaries and benefits	$ 571	$ 394
Legal and other professional fees	107	99
Rebates and commissions	190	361
Sales and other taxes	101	201
Customer advance payments	434	107
All other	568	224
Total accrued expenses	$ 1,971	$ 1,386

(Dollars in Thousands, Except Share Amounts)

NOTE J – INCOME TAXES

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

Year Ended December 31,	2014	2013	2012
Domestic operations	$ (41)	$ (17)	$ (474)
Foreign operations	366	(1,981)	754
	$ 325	$ (1,998)	$ 280

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

Year Ended December 31,	2014	2013	2012
Current income tax expense	$ (16)	$ (7)	$ 4
Deferred income tax expense (benefit)	125	(726)	52
Total income tax expense (benefit)	$ 109	$ (733)	$ 56

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 is as follows:

Year Ended December 31,	2014	2013	2012
Computed "expected" tax expense (benefit)	$ 111	$ (679)	$ 120
State tax expense, net of Federal benefit	3	3	4
Non-deductible expenses	-	6	14
Foreign taxes greater (less) than U.S. taxes	(5)	3	(16)
Adjustments for prior-year taxes	-	(66)	(92)
Other	-	-	26
Income tax expense (benefit) as reported	$ 109	$ (733)	$ 56

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

At December 31,	2014	2013
Deferred tax assets:		
Foreign loss carryforwards	$ 3,370	$ 3,947
Total deferred tax assets	**$ 3,370**	**$ 3,947**

The Company has foreign loss carryforwards of approximately €9,365 (approximately $11,380 at the then-current exchange rate) as of December 31, 2014. These foreign loss carryforwards do not have an expiration date.

NOTE J – INCOME TAXES (CONT'D)

The Company does not have valuation allowances at December 31, 2014 or 2013. 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 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. All tax returns for the year ended December 31, 2014, are expected to be filed by October 15, 2015. The Company classifies potential interest and penalties related to income taxes in interest expense and within operating expenses, respectively.

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 – 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 L – COMMON STOCK

In November 2004, the Company issued a total of 683,905 shares of common stock, with a per-share price of $2.75, to five members of the Board of Directors. Related to the stock issuance, the Company had secured loans with certain of those 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 for the year 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.

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 1.88 years, and all were exercisable at December 31, 2014. The unrecognized compensation cost at December 31, 2014 was $0. At December 31, 2014, these were the only options outstanding. At December 31, 2014, there were 1,212,020 options available for future grants under the terms of the Plan.

NOTE M – 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 N – EMPLOYMENT CONTRACTS

The Company has entered into employment contracts with several officers of the BCII 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 $547 for 2015.

NOTE O – ECONOMIC CONCENTRATION

In 2014, the Company's foreign subsidiary, Speech Design, had sales of $7,918 to three customers, each of which accounted for more than 10% of consolidated net sales. The Company's receivables from these customers comprised approximately 82% of consolidated trade receivables.

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 2014, the Company's foreign subsidiary, Speech Design, made purchases totaling $1,116 from three vendors, each of which accounted for more than 10% of consolidated net purchases.

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.

NOTE P – 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 Q – NOTES PAYABLE

Related Parties:

Beginning in October 2010, a managing director of Speech Design began advancing Speech Design funds through a factoring agreement at a 5% discount against trade receivables from customers. Through June 30, 2014, about €5,213 ($7,115) of gross receivables had been sold to him without recourse and Speech Design had received about €4,961 ($6,770). Effective January 1, 2014, the agreement was replaced by a short-term loan agreement with an annual effective interest rate of 19.6%. At December 31, 2014, the outstanding loan balance was €698 ($848 at the then-current exchange rate). The loan agreement matures on July 31, 2015. For the year ended December 31, 2014, interest expense for this loan was €102 ($135). As of December 31, 2013 the Company was advanced €442 ($609 at the then-current exchange rate) in excess of amounts factored.

During 2014, Speech Design signed two short-term loan agreements with a lender, financed through poolings by related parties. Both loans carry an annual effective interest rate of 26.8%. At December 31, 2014, the outstanding balances on the two loans totaled €592 ($720 at the then-current exchange rate). The two loan agreements mature on July 31, 2015. For the year ended December 31, 2014, total interest expense for these loans was €80 ($106).

NOTE Q – NOTES PAYABLE (CONT'D)

Other:

During 2014, Speech Design signed four short-term loan agreements with three lenders. All of the loans carry an annual effective interest rate of 26.8%. At December 31, 2014, the outstanding balances on the four loans totaled €822 ($999 at the then-current exchange rate). All of the loan agreements mature on July 31, 2015. For the year ended December 31, 2014, total interest expense for these loans was €105 ($139).

NOTE R – SUBSEQUENT EVENTS

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

NOTE S – RECENT ACCOUNTING PRONOUNCEMENTS

FASB Accounting Standards Update 2014-15, Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern

In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern. This ASU provides guidance on determining when and how reporting entities must disclose going-concern uncertainties in their financial statements. The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date of issuance of the entity's financial statements (or within one year after the date on which the financial statements are available to be issued, when applicable). Further, an entity must provide certain disclosures if there is "substantial doubt" about the entity's ability to continue as a going concern. The FASB believes that requiring management to perform the assessment will enhance the timeliness, clarity, and consistency of related disclosures.

The ASU is effective for all entities for annual reporting periods beginning after December 15, 2016, and interim periods thereafter. Early adoption is permitted for reporting periods for which the financial statements have not previously been issued. The Company does not believe that adoption of this ASU will have a material effect on its financial position or its results of operations.

FASB Accounting Standards Update 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved After the Requisite Service Period

In June 2014, the FASB issued ASU 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved After the Requisite Service Period. This ASU clarifies that entities should treat performance targets that can be met after the requisite service period of a share-based award as performance conditions that affect vesting. Therefore, an entity would not record compensation expense related to an award for which transfer to the employee is contingent on the entity's satisfaction of a performance target until it becomes probable that the performance target will be met. The ASU does not contain any new disclosure requirements.

NOTE S – RECENT ACCOUNTING PRONOUNCEMENTS-(CONT'D)

FASB Accounting Standards Update 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved After the Requisite Service Period (cont'd)

The ASU is effective for all entities for annual reporting periods (including interim periods) beginning after December 15, 2015. Early adoption is permitted. In addition, all entities will have the option of applying the guidance either prospectively or retrospectively. Retrospective application would only apply to awards with performance targets outstanding at or after the beginning of the first annual period presented. The Company does not believe that adoption of this ASU will have a material effect on its financial position or its results of operations.

FASB Accounting Standards Update 2014-09, Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance.

The core principle of the revenue model is that "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." In applying the revenue model to contracts within its scope, an entity:

- Identifies the contract(s) with a customer (step1).
- Identifies the performance obligations in the contract (step 2).
- Determines the transaction price (step 3).
- Allocates the transaction price to the performance obligations in the contract (step 4).
- Recognizes revenue when (or as) the entity satisfies a performance obligation (step 5).

The ASU applies to all contracts with customers except those that are within the scope of other topics on the FASB Accounting Standards Codification. Certain of the ASU's provisions also apply to transfers of nonfinancial assets, including in-substance nonfinancial assets that are not an output of an entity's ordinary activities. Existing accounting guidance applicable to these transfers has been amended or superseded.

Compared with current U.S. GAAP, the ASU also requires significantly expanded disclosures about revenue recognition.

For public business entities, the effective date is reporting periods beginning after December 15, 2016. For all other entities, the effective date is annual periods beginning after December 15, 2017, and interim periods within annual reporting periods beginning after December 15, 2018. The Company does not believe that adoption of this ASU will have a material effect on its financial position or its results of operations.

FASB Accounting Standards Update 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity

In April 2014, the FASB issued ASU 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, which amends the definition of a discontinued operations in ASC 205-20, changes the criteria for reporting discontinued operations, and requires entities to provide additional disclosures about discontinued operations as well as disposal transactions that do not meet the discontinued operations criteria.

NOTE S – RECENT ACCOUNTING PRONOUNCEMENTS (CONT'D)

FASB Accounting Standards Update 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity (Cont'd)

Under the new guidelines, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. In addition, the new guidance requires expanded disclosures about discontinued operations that will provide financial statement users with information about the assets, liabilities, income, and expenses of discontinued operations.

The new guidance also requires disclosure of the pre-tax income attributable to a disposal of a significant part of an organization that does not qualify for discontinued operations reporting. This disclosure will provide users with information on ongoing trends in a reporting organization's results from continuing operations.

The ASU is effective prospectively for public business entities for reporting periods beginning on or after December 15, 2014, and for all other entities, annual periods beginning after December 15, 2014, and interim periods within annual reporting periods beginning after December 15, 2015. Early adoption is permitted. The Company does not believe that adoption of this ASU will have a material effect on its financial position or its results of operations.

FASB Accounting Standards Update 2014-06, Technical Corrections and Improvements Related to Glossary Terms

In March 2014, the FASB issued ASU 2014-06, which makes certain technical corrections (i.e. minor improvements and clarifications) to the Master Glossary of the FASB Accounting Standards Codification. The amendments include the following:

- Deletion of terms that were carried over from superseded literature but are not used in the Codification.
- Addition to the Master Glossary of links that were not carried forward to the Codification.
- Elimination of duplicate terms.

The amendments became effective upon issuance. The Company does not believe that adoption of this ASU will have a material effect on its financial position or its results of operations.

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 T – 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.