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BOUNDLESS CORP
Form 10QSB
August 17, 2006

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C.

FORM 10-QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2006

Commission File Number 0-17977

BOUNDLESS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other Jurisdiction of Incorporation or Organization)

13-3469637

(I.R.S. Employer Identification No.)

50 Engineers Lane Unit 2
Farmingdale, NY

(Address of principal executive offices)

11735

(Zip Code)

(631) 962-1500

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2)

Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes No

As of June 30, 2006, the Registrant had approximately 4,000,000 shares of Common Stock, \$.01 par value per share which will be issued upon validation of unsecured claims pursuant to the Amended Plan of Bankruptcy Reorganization.

BOUNDLESS CORPORATION AND SUBSIDIARIES

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Signature

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BOUNDLESS CORPORATION
(REORGANIZED COMPANY)
CONDENSED BALANCE SHEET

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(in thousands)

	June 30, 2006
	----- (unaudited)
ASSETS	
Current assets	\$ --
Other assets	--

Total assets	\$ -- =====
LIABILITIES AND STOCKHOLDERS' DEFICIT	
Current liabilities	\$ --
Other liabilities	--

Total liabilities	-- -----
COMMITMENTS AND CONTINGENCIES (Note 12)	
Stockholders' deficit: (Note 7)	
Common stock to be issued	40
Additional paid-in capital	161
Asset value to be recognized upon distribution of distributable shares	(200)
Accumulated deficit	(1)

Total stockholders' deficit	-- -----
Total liabilities and stockholders' deficit	\$ -- =====

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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BOUNDLESS CORPORATION
(REORGANIZED COMPANY)
CONDENSED STATEMENT OF OPERATIONS
(in thousands)

	Period June 10 to June 30 ----- 2006 -----
Product revenue	\$ --
Cost of revenue	--

Gross margin	--
General and administrative expense (Note 7)	1

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Loss before income taxes	----- (1)
Income tax benefit	--
Net loss	----- \$ (1) =====
Basic and diluted loss per common share	\$ -- =====
Basic and diluted weighted average shares outstanding	-- =====

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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BOUNDLESS CORPORATION
(REORGANIZED COMPANY)
CONDENSED STATEMENT OF CASH FLOWS
(in thousands)

	Period June 10 to June 30 ----- 2006 -----
Cash flows from operating activities:	
Net loss	\$ (1)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:	
Imputed expense	1
Changes in assets and liabilities:	--
Net cash provided by (used in) operating activities	----- --
Net cash used in investing activities	----- --
Net cash provided by (used in) financing activities	----- --
Net decrease in cash and cash equivalents	--
Cash and cash equivalents at beginning of period	--
Cash and cash equivalents at end of period	----- \$ -- =====
Cash paid for:	
Interest	\$ --
Taxes	--

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BOUNDLESS CORPORATION AND SUBSIDIARIES
(DEBTOR AND DEBTORS-IN-POSSESSION)

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CONDENSED CONSOLIDATED BALANCE SHEETS (in thousands)

	June 9, 2006	December 31, 2005*
	-----	-----
ASSETS	(unaudited)	
Current assets:		
Cash and cash equivalents	\$ 85	\$ 14
Trade accounts receivable, net	714	657
Affiliate receivables	--	92
Other receivables	104	95
Inventories (Note 3)	816	870
Cash collateral and escrow accounts	--	103
Prepaid expenses and other current assets	50	43
	-----	-----
Total current assets	1,769	1,874
Property and equipment, net (Note 4)	128	130
Goodwill (Note 5)	535	--
	-----	-----
Total assets	\$ 2,432	\$ 2,004
	=====	=====
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Liabilities not subject to compromise		
Current liabilities:		
Current portion of long-term debt (Note 8)	\$ 519	\$ 96
Accounts payable	32	50
Accrued salaries	--	73
Accrued legal fees	1,405	1,154
Purchase order commitments	--	50
Accrued payroll and sales tax payable	28	28
Accrued warranty	30	30
Other accrued liabilities	27	203
	-----	-----
Total current liabilities	2,041	1,684
	-----	-----
Long-term debt, less current maturities (Note 8)	283	650
Deferred credits	108	90
Items subject to compromise:		
Manditorily redeemable preferred stock	--	1,652
Liabilities subject to compromise (Note 6)	--	12,934
	-----	-----
Total liabilities	2,432	17,010
	-----	-----
COMMITMENTS AND CONTINGENCIES (Note 12)		
Stockholders' deficit: (Note 7)		
Common stock	--	67
Additional paid-in capital	--	35,844
Accumulated deficit	--	(50,917)
	-----	-----
Total stockholders' deficit	--	(15,006)
	-----	-----
Total liabilities and stockholders' deficit	\$ 2,432	\$ 2,004
	=====	=====

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* Condensed from audited financial statements

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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BOUNDLESS CORPORATION AND SUBSIDIARIES
(DEBTOR AND DEBTORS-IN-POSSESSION)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	Period April 1 to June 9	Three Months Ended June 30	Per Janua Jun
	2006	2005	2
Revenue:			
Product sales	\$ 829	\$ 1,350	\$
Services	109	186	
Total revenue	938	1,536	
Cost of revenue			
Product sales	699	1,137	
Services	36	55	
Total cost of revenue	735	1,192	
Gross margin	203	344	
Other costs and expenses (income)			
Selling, general and administrative	191	210	
Research and development	41	47	
Interest expense (excluding contractual interest of \$18 and \$17 not recognized in 2006 and 2005, respectively)	34	54	
Loss on reimbursement of employee services (net of reimbursement of \$0 and \$20)	--	4	
Other income	(17)	(17)	
Income (loss) before reorganization items	(46)	46	
Reorganization items (Note 10)	362	96	
Loss from operations before extraordinary items	(408)	(50)	
Extraordinary gain on extinguishment of debt (Note 8)	14,262	--	
Net income (loss)	\$ 13,854	\$ (50)	\$
Basic and diluted gain (loss) per common share			
Loss from operations before extraordinary items	\$ (0.06)	\$ (0.01)	\$

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Extraordinary gain on extinguishment of debt	2.13	--	
	-----	-----	-----
Basic and diluted gain (loss) per common share	\$ 2.07	\$ (0.01)	\$
	=====	=====	=====
Basic and diluted weighted average shares outstanding	6,706	6,706	
	=====	=====	=====

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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BOUNDLESS CORPORATION AND SUBSIDIARIES
(DEBTOR AND DEBTORS-IN-POSSESSION)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	January 1 through June 9	Six Months Ended June 30,
	2006	2005
	-----	-----
Cash flows from operating activities:		
Income (loss) before reorganization items	\$ (178)	\$ 122
Adjustments to reconcile income before reorganization items to net cash provided by (used in) operating activities:		
Depreciation and amortization	6	1
Change in deferred credits	10	19
Provision for doubtful accounts	38	10
Credit for excess and obsolete inventory	(33)	--
Changes in assets and liabilities:		
Cash on deposit with lender	--	271
Trade accounts receivable	(95)	122
Affiliate receivables	92	8
Other receivables	(9)	(28)
Inventories	87	249
Cash collateral and escrow accounts	103	(151)
Prepaid expense and other current assets	(7)	6
Accounts payable and accrued expenses	(73)	(324)
	-----	-----
Net cash provided by (used in) operating activities excluding reorganization items	(59)	305
	-----	-----
Cash flows from reorganization activities:		
Reorganization items, net	(445)	(192)
Increase in liabilities, net	249	150
	-----	-----
Net cash used in reorganization activities	(196)	(42)
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(3)	(18)
	-----	-----
Net cash used in investing activities	(3)	(18)
	-----	-----
Cash flows from financing activities:		

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Net borrowings under new DIP/AR financing	329	284
Repayments of prior DIP debt	--	(653)
	-----	-----
Net cash provided by (used in) financing activities	329	(369)
	-----	-----
Net increase (decrease) in cash and cash equivalents	71	(124)
Cash and cash equivalents at beginning of period	14	124
	-----	-----
Cash and cash equivalents at end of period	\$ 85	\$ --
	=====	=====
 Cash paid for:		
Interest	\$ 58	\$ 65
Taxes	--	--
 Non-cash transactions:		
Notes issued in satisfaction of unsecured claims	376	--
Stock of Technologies issued in satisfaction of Vision debt and accrued interest	830	--

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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BOUNDLESS CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
OF THE SHELL COMPANY (THE "REORGANIZED COMPANY") AND
DEBTOR AND DEBTORS-IN-POSSESSION (THE "PREDECESSOR COMPANY")
(in thousands)
(unaudited)

1. Voluntary Reorganization Under Chapter 11 of the Bankruptcy Code

On June 9, 2006 (the "Effective Date"), the Company and its subsidiaries emerged from proceedings under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") pursuant to the terms of its Amended Plan (as defined). On June 1, 2006, the United States Bankruptcy Court for the Eastern District of New York (the "Bankruptcy Court") approved the Company's fourth amended plan of reorganization filed with the Bankruptcy Court, as modified at the confirmation hearing (the "Amended Plan") and established June 9, 2006 as the Effective Date.

As used in this Form 10-QSB, the term "Predecessor Company" refers to the Company and its operations for periods prior to June 10, 2006, while the term "Reorganized Company" is used to describe the Company and its operations for periods thereafter.

Material Features of the Amended Plan

As soon as practicable after the Effective Date, the Reorganized Company shall take all steps necessary to arrange for the cancellation of each class of their existing common stock and preferred stock. Holders of existing common and preferred stock on the record date shall have his, her or its stock cancelled, and shall receive nothing on account thereof from the Company. As of August 4, 2006, the Reorganized Company had cancelled each class of the existing common stock and preferred stock.

On the Effective Date, the Reorganized Company shall be authorized to issue one hundred (100,000,000) million shares of common stock ("Boundless Common Stock") of which four million shares shall be issued to the claimants as set forth in

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the Amended Plan.

All assets of the Reorganized Company, if any, not owned by Boundless Technologies, Inc. ("Technologies"), a wholly-owned subsidiary of the Predecessor Company, shall be transferred to Technologies and any and all liabilities of the Reorganized Company, including guarantees, shall be assumed by Technologies or canceled. On the Effective Date, Boundless Manufacturing Services, Inc. and Boundless Acquisition Corp. shall be dissolved.

On the Effective Date, Technologies shall issue, or cause to be issued for Vision's benefit, and in its name, shares of Technologies common stock sufficient to provide Vision with 100% of the Technologies common stock issued and outstanding, or to be issued and outstanding, under the Amended Plan; and the Reorganized Company shall issue, or cause to be issued for Vision's benefit, and in its name, 2,040,000 shares of Boundless Common Stock which will provide Vision with 51% of such shares to be issued and outstanding under the Amended Plan. The Boundless Common Stock shall be issued in accordance with ss. 1145 of the Bankruptcy Code. Such issuance of the Technologies common stock and Boundless Common Stock shall be deemed to be in full satisfaction of the Vision claim of \$650 and current accrued interest thereon of \$180.

The Amended Plan contemplates an annual payment of cash to holders of allowed unsecured claims (the "Claims"). These Claims aggregate approximately \$12,986 at June 9, 2006. Subject to adjustment, described below, holders of Claims shall receive their Pro Rata share of cash payments in an amount equal to 2% of annual revenues up to and including \$7,000 on each of the first, second and third anniversary dates of the Effective Date; and cash payments in an amount equal to 4% of annual revenues exceeding \$7,000 on each of the first, second and third anniversary dates of the Effective Date.

Payments of Claims shall be escrowed on a monthly basis, and Technologies must forward monthly sales reports and confirmation of the escrow to Committee Counsel. Each of the

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annual payments to be distributed to holders of the Claims shall be: (i) not less than \$150 on each of the first and second anniversary dates; and (ii) not less than \$200 on the third anniversary date. The total amount to be distributed to holders of the Claims shall be not less than \$500 (the "Minimum Distribution").

If Technologies merges with another entity or is acquired by another entity prior to the payments of all amounts due and owing pursuant to the payment plan, the remaining entity must assume the Technologies' obligations contained herein. Annual revenues shall include only those revenues generated from sales of Technologies' product line existing prior to any merger or acquisition.

On the Effective Date, each holder of Claims shall also receive its pro rata share of 1,960,000 shares of Boundless Common Stock, which shares shall be issued in accordance with ss. 1145 of the Bankruptcy Code. As of August 4, 2006, the Reorganized Company was in the process of validating the Claims for the purpose of determining the appropriate share distribution amongst the holders of approved Claims.

At June 9, 2006, the Predecessor Company had accrued approximately \$1,481 for legal assistance (the "Professional Fees") throughout the bankruptcy period. The Predecessor Company and the Professionals have agreed to a monthly payment plan beginning on the 10th of the month following the Effective Date and continuing for sixty-six months thereafter. Interest shall accrue on any unpaid

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Professional Fees from the Effective Date at a rate of eight (8%) percent per annum. The Professionals shall be granted a security interest upon all of the Predecessor Company's assets, junior to the security interest thereon of EGC, but pari passu with the Vision security interest, if any. When the Professionals shall have been paid in full, the security interest in their favor shall be cancelled and be of no further force and effect. As of August 4, 2006, the Professionals had filed a security interest under the Uniform Commercial Code.

As of January 31, 2005, the Predecessor Company entered into an agreement with its secured lender Valtec Capital, LLC, as assignee of Valtec Capital Corporation, a Nevada corporation (the "Prior Lender") to terminate its debtor-in-possession ("DIP") financing and to release their liens on the Predecessor Company's personal property. In return for termination of the prior DIP financing the Predecessor Company also agreed to pay the Prior Lenders a total of \$100 for legal fees they incurred during the bankruptcy period. On the Effective Date the Predecessor Company paid the obligation in full.

Subsequent to the Effective Date, the Reorganized Company contemplates acquiring (the "Acquisition") an interest in an operating company which desires to become a public company. In effecting this subsequent transaction under the Amended Plan, the Reorganized Company will issue Boundless Common Stock to acquire its interests in the operating company. As a result these stock issuances, the Boundless Common Stock issued to Vision and holders of Claims will represent approximately 10% of the outstanding common stock of the Reorganized Company after the Acquisition is consummated and the owners of the operating company will own approximately 90% of the outstanding common stock of the Reorganized Company after the transaction. The consummation of this transaction will be undertaken in compliance with the Securities Laws of the United States and all other jurisdictions, if any, which require such compliance. In this regard, the Predecessor Company filed a Form 8-K with the Securities and Exchange Commission with respect to this transaction on June 13, 2006.

The amount of cash payable to holders of Claims, described above, shall be subject to reduction pro rata, in an amount equal to 75% of the average aggregate closing prices of the Boundless Common Stock traded on the electronic bulletin board during the twenty trading day period beginning 60 calendar days after the shares are listed on any of the following: (i) the Nasdaq Electronic Bulletin Board, (ii) Nasdaq's Small Cap or National Market or (iii) any exchange (collectively, a "Trading Market"). For this purpose, if such shares do not trade on a particular trading day, the closing price for that day that shall be used in determining the average closing price of such shares shall be the closing price for the shares on the last day it did trade. No holder of a Claim shall be required to return any cash distributions to Technologies as a result of the adjustments provided herein notwithstanding the value of the Boundless Common Stock. Holders of Claims will be

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notified promptly after any such shares are listed on a Trading Market and of any adjustments hereunder.

Financial Statement Presentation.

The unaudited condensed consolidated interim financial statements, and accompanying notes included herein, have been prepared by the Reorganized Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and reflect all adjustments which are of a normal recurring nature and which, in the opinion of management, are necessary for the fair statement of the results of the three and six months ended June 30, 2006 and 2005. Certain information and footnote disclosures have been condensed or

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omitted pursuant to such regulations. The results for the current interim periods are not necessarily indicative of the results for the full year. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto in the Predecessor Company's latest annual report filed with the SEC on Form 10-K for the year ended December 31, 2005. The accompanying financial statements include the accounts of the Predecessor Company and its subsidiaries through June 9, 2006, on a consolidated basis. All significant inter-company accounts and transactions have been eliminated.

Comparability of Financial Information/ Going Concern

The reorganization value of the assets of the Reorganized Company immediately before the date of confirmation was not less than the total of all post-petition liabilities and allowed claims. As a result, the Reorganized Company does not meet the criteria of SOP 90-7 for fresh-start reporting and is following P. 41 of SOP 90-7 as the operative guidance for accounting and reporting upon emergence from Chapter 11. In general P. 41 of SOP 90-7 requires liabilities compromised by confirmed plans be stated at present values of amounts to be paid, determined at appropriate current interest rates; and forgiveness of debt should be reported as an extinguishment of debt and classified in accordance with APB Opinion 30, as amended. The implementation of P. 41 of SOP 90-7 as of June 9, 2006, materially changed the amounts previously recorded in the consolidated financial statements of the Predecessor Company. With respect to reported operating results, management believes that business segment operating income of the Predecessor Company is generally comparable to that of the Reorganized Company. However, capital costs (rent, interest, depreciation and amortization) of the Predecessor Company that were based on pre-petition contractual agreements and historical costs are not comparable to those of the Reorganized Company. In addition, the reported financial position and cash flows of the Predecessor Company for periods prior to June 9, 2006 generally are not comparable to those of the Reorganized Company.

In connection with the emergence from Chapter 11, the Predecessor Company recorded an extraordinary gain of \$14,262 from the restructuring of its debt in accordance with the provisions of the Amended Plan. Other significant adjustments also were recorded to reflect the provisions of the Amended Plan and the fair values of the assets and liabilities of the Reorganized Company as of June 9, 2006. For accounting purposes, these transactions have been reflected in the operating results of the Predecessor Company for the period beginning April 1, 2006 and ended June 9, 2006.

In addition, the FASB issued in June 2001 SFAS No. 142 ("SFAS 142"), "Goodwill and Other Intangible Assets," which establishes the accounting for goodwill and other intangible assets following their recognition. SFAS 142 applies to all goodwill and other intangible assets whether acquired singly, as part of a group, or in a business combination. SFAS 142 also applies to excess reorganization value recognized in accordance with SOP 90-7. The new pronouncement provides that goodwill should not be amortized but should be tested for impairment annually using a fair-value based approach. In addition, SFAS 142 provides that intangible assets other than goodwill should be amortized over their useful lives and reviewed for impairment in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Technologies will be required to perform a transitional impairment test for the excess reorganization value recorded as of January 1, 2007. Any impairment loss recorded as a result of the transitional impairment test will be treated as a change in accounting principle.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern and, accordingly, do not include any adjustments that might result from the outcome of the uncertainties described herein. The audit opinion

included in the December 31, 2005 Form 10-K annual report of the Predecessor Company contained an explanatory paragraph regarding the Predecessor Company's ability to continue as a going concern.

The Predecessor Company had incurred significant losses from operations, and had a working capital deficit totaling approximately \$272 as of June 9, 2006. These factors raise substantial doubt about the Company's ability to continue as a going concern, unless management's plans are affected in a timely manner. Management believes that the actions, discussed below, in addition to profitable growth of the Company's operating subsidiaries, will afford the Company the ability to fund its daily operations and service its remaining debt obligations. No adjustments have been made to the carrying value of assets or liabilities as a result of the uncertainty about obtaining the cash required.

Since the Effective Date, the Reorganized Company has no operating business, no assets, and its imputed operating overhead is funded by Technologies. As described herein, the Reorganized Company is actively negotiating to acquire an operating business. There can be no assurances that the operating entity will be acquired or that a merger transaction will be consummated. As a result, there is substantial doubt about the Reorganized Company's ability to continue as a going concern. No adjustments have been made with respect to the consolidated financial statements to record the results of the ultimate outcome of this uncertainty on the Reorganized Company.

The primary issues management will focus on immediately following the Effective Date include:

- o Working with its secured lender on a restructuring of the terms of the DIP debt which it holds, thereby reducing the Company's cost of borrowing.
- o Initiating negotiations with suppliers to secure trade financing of working capital of approximately \$1-2 million under terms and conditions to be agreed upon. There can be no assurance that such financing will materialize.
- o The continual negotiation of material contracts for the sale of its manufacturing services to customers which management believes will provide additional liquidity for operations. There can be no assurances that these contracts will materialize.
- o The ability of the Company to generate cash from operations and to maintain adequate cash on hand; and
- o The ability of the Company to achieve profitability.

The Company believes that positive operating cash flows and profitability will not come from the general purpose text terminal marketplace. The Company has been and will continue to focus on the current business from the current customers in order to provide a reliable cash flow with which to execute growth plans. The paths to growth that the Company has developed include:

1. Repositioning the Company's business from a text terminal company to a Point-of-Service/Point-of-Sale ("POS") technology company, and build upon the Company's historical success in POS to establish a strong link between the Company's and POS' applications. A key activity in support of the POS initiative includes leveraging the Company's existing technology platforms

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2. Gaining access to a more modern and growing market through new product offerings including Web terminals and terminals utilizing the Linux operating system which provide high security, high levels of productivity and high reliability.

3. Enter the Radio Frequency Identification ("RFID") market place with a high value-to-cost offering. Position the company as a RFID provider to POS integrators and OEMs. RFID Controllers - read/write RFID modules for both 13.56 mhz and 900 mhz- will be embedded into the Company's technology platforms.

4. Applying its robust Build-to-Order ("BTO") processes to growth products and markets.

2. Summary of Certain Accounting Policies

These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2005

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included in the Predecessor Company's Annual Report on Form 10-K. The accounting policies used in preparing these consolidated financial statements are the same as those described in the December 31, 2005 consolidated financial statements. Certain prior year amounts, specifically the presentation of prepaid expense and other current assets, have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the Predecessor Company's income or loss before reorganization items, net loss, or related per share amounts for any period presented. In addition, \$200 of debt due Vision Technologies, Inc., previously classified as current portion of long-term debt at December 31, 2005, has been reclassified as long-term debt due to the application of Statement of Financial Accounting Standard-6 "Classification of Short-term Obligations Expected to be Refinanced."

Cash and Cash Equivalents

All highly liquid investments with maturities at purchase of three months or less are considered cash equivalents. Cash and cash equivalents excludes amounts held by the Predecessor Company's DIP lender as collateral against debt outstanding under the Predecessor Company's DIP financing agreement as well as cash held in escrow for the benefit of the professionals assisting the Predecessor Company in its bankruptcy case. These cash amounts, which totaled \$103 at December 31, 2005, are included in cash collateral and escrow accounts on the Predecessor Company's consolidated balance sheets.

Minority Interest

In the absence of a commitment by minority shareholders to fund losses in excess of their equity, such losses have been attributed to the Predecessor Company.

Revenue Recognition

The Company recognizes revenue from product sales upon shipment to the customer or passage of title and assumption of risk. The Company monitors product returns generally, which are for stock rotation with the coinciding replacement order, and records provisions for estimated future returns and potential warranty liability at the time revenue is recorded. Service revenue is recognized when service is performed and billable. Revenue from maintenance and extended warranty agreements is deferred and recognized ratably over the term of the

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agreement.

Supplier Concentration

The Company purchases subassemblies and components for its products from more than 40 domestic and Far East suppliers. For the quarter ended June 30, 2006, purchases from Radiance Electronics and Video Display Corporation accounted for approximately 44% and 13%, respectively, of total purchases of material. During the second quarter of 2005 purchases from Radiance Electronics and Ansen Corporation accounted for approximately 29% and 24%, respectively, of the Company's total purchases of material.

Net Income (Loss) Per Common Share

SFAS No. 128, "Earnings Per Share," requires a reconciliation of the numerator and denominator of the basic net income (loss) per share computation to the numerator and denominator of the diluted net income (loss) per share computation.

Pervasiveness of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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New Accounting Pronouncements

In March 2005, the Financial Accounting Standards Board (the "FASB") issued FASB Interpretation (FIN) No. 47, "Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143". FIN No. 47 clarifies that conditional asset retirement obligations meet the definition of liabilities and should be recognized when incurred if their fair values can be reasonably estimated. The Interpretation is effective no later than December 31, 2005. The cumulative effect of initially applying the Interpretation will be recognized as a change in accounting principle. The Reorganized Company does not believe that FIN No. 47 will have a material effect on its consolidated financial statements.

In June 2005, the FASB issued FASB Staff Position (FSP) No. FAS 143-1, "Accounting for Electronic Equipment Waste Obligations," that provides guidance on how commercial users and producers of electronic equipment should recognize and measure asset retirement obligations associated with the European Directive 2002/96/EC on Waste Electrical and Electronic Equipment (the "Directive"). In the second quarter of 2005, the Predecessor Company adopted FSP FAS 143-1 in those European Union (EU) member countries that transposed the Directive into country-specific laws. In the third quarter of 2005, the Predecessor Company adopted FSP FAS 143-1 in several additional EU-member countries that enacted country-specific laws in the current reporting period. The adoption of the FSP in the second and third quarter of 2005 did not have a material effect on the Predecessor Company's consolidated financial statements. As of the end of the current quarter, the majority of the EU-member countries have transposed the Directive into country-specific laws. The effect of applying FSP FAS 143-1 in the remaining countries in future periods is not expected to have a material effect on the Reorganized Company's consolidated financial statements.

In June 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error

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Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3." SFAS No. 154 will become effective for accounting changes and corrections of errors made in fiscal year 2006. The adoption of this statement is not expected to effect the Reorganized Company's consolidated financial statements.

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets--an amendment of FASB Statement No. 140," that provides guidance on accounting for separately recognized servicing assets and servicing liabilities. In accordance with the provisions of SFAS No. 156, separately recognized servicing assets and servicing liabilities must be initially measured at fair value, if practicable. Subsequent to initial recognition, the Reorganized Company may use either the amortization method or the fair value measurement method to account for servicing assets and servicing liabilities within the scope of this Statement. The Reorganized Company will adopt SFAS No. 156 in fiscal year 2007. The adoption of this Statement is not expected to have a material effect on the Reorganized Company's Consolidated Financial Statements.

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments--an amendment of FASB Statements No. 133 and 140," to permit fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation in accordance with the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The Reorganized Company will adopt SFAS No. 155 in fiscal year 2007. The adoption of this Statement is not expected to have a material effect on the Reorganized Company's Consolidated Financial Statements.

In April 2006, the FASB issued FASB Staff Position (FSP) FIN 46(R)-6, "Determining the Variability to Be Considered in Applying FASB Interpretation No. 46(R)", that will become effective beginning third quarter of 2006. FSP FIN No. 46(R)-6 clarifies that the variability to be considered in applying Interpretation 46(R) shall be based on an analysis of the design of the variable interest entity. The adoption of this FSP is not expected to have a material effect on the Reorganized Company's Consolidated Financial Statements.

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3. Inventories- Predecessor Company

Inventories are stated at the lower of cost or market with costs determined on a first-in first-out basis. On a quarterly basis the Company reviews quantities on hand and on order and records a provision for excess and obsolete inventory based on forecasted demand. Should this analysis indicate that the demand for product has increased from previous estimates, a decrease in the reserves would be effected through a credit to the statement of operations.

	June 9, 2006	December 31, 2005
Raw materials and purchased components	\$ 910	\$ 1,004
Finished goods	133	169
Manufacturing inventory reserves	(543)	(618)
Service parts	316	315
	\$ 816	\$ 870

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4. Property and Equipment- Predecessor Company

Property and equipment consists of the following:

	June 9, ----- 2006 -----	December 31, ----- 2005 -----
Buildings and improvements	\$ 17	\$ 17
Machinery and equipment	122	6,531
	-----	-----
	139	6,548
Less accumulated depreciation and amortization	11	6,418
	-----	-----
	\$ 128	\$ 130
	=====	=====

Appropriate assets are not depreciated below their respective salvage value. Depreciation expense for the quarters ending June 9, 2006 and June 30, 2005 was \$3 and \$1.

5. Reorganization Value/Goodwill of Predecessor Company

Post-confirmation accounting resulted in \$535 being recorded as goodwill as of June 9, 2006 determined as follows:

Identifiable assets:	
Total current assets	\$ 1,769
Property and equipment	128

Total identifiable assets	1,897
Post-confirmation liabilities:	
Current portion of long-term debt	519
Accounts payable	32
Accrued legal fees	1,405
Other accrued expenses	85

Current liabilities	2,041
Long-term debt	283
Deferred credits	108

Long-term liabilities	391

Total liabilities	2,432

Reorganization value/goodwill	\$ 535
	=====

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6. Liabilities and Other Items Subject to Compromise

Liabilities and other items subject to compromise refers to liabilities incurred and the issuance of preferred stock prior to the commencement of the Chapter 11 Cases. These amounts represent the Predecessor Company's estimate of known or potential pre-petition claims to be resolved in connection with the Chapter 11 Cases. Payment terms for these amounts have been established in connection with the confirmation of the Amended Plan.

At June 9, 2006, (immediately prior to the adjustments necessary to reflect the Amended Plan), and December 31, 2005, the Predecessor Company had liabilities and other items subject to compromise of approximately \$14,638 and \$14,586, respectively, which consisted of the following:

	June 9, 2006	December 31, 2005
Liabilities:		
Accounts payable	\$ 10,904	\$ 10,912
Convertible notes payable, principally related to prior separation agreements	965	965
Accrued salaries	457	397
Accrued warranty	222	222
Capital lease obligations	438	438
	12,986	12,934
Other:		
Mandatorily redeemable preferred stock	1,652	1,652
	\$ 14,638	\$ 14,586

Pursuant to the Amended Plan, the mandatorily redeemable preferred stock is cancelled.

7. Stockholders' Deficit

At June 9, 2006 and December 31, 2005 stockholders' deficit of the Predecessor Company consisted of the following:

	Predecessor Company June 9, 2006	Predecessor Company December 31, 2005
Preferred stock, \$0.01 par value, 1,000,000 shares authorized, none issued	\$ --	\$ --
Common stock, \$0.01 par value, 25,000,000 shares authorized, 6,705,613 shares issued and outstanding	--	67
Additional paid-in capital	--	35,844

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Accumulated deficit	--	(50,917)
Accumulated other comprehensive loss	--	--
	-----	-----
Total stockholders' deficit	\$ --	\$ (15,006)
	=====	=====

Pursuant to the Amended Plan, all existing shares of capital of the Predecessor Company are cancelled.

At June 30, 2006 the stockholders' deficit of the Reorganized Company consisted of the following:

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	Reorganized Company

	June 30,

	2006

Common stock, \$0.01 par value, 100,000,000 shares authorized, 4,000,000 shares distributable	\$ 40
Additional paid-in capital	161
Asset value to be recognized upon distribution of distributable shares	(200)
Accumulated deficit	(1)

Total stockholders' deficit	\$ --
	=====

As of the Effective Date, the Reorganized Company is authorized to issue one hundred (100,000,000) million shares of common stock ("Boundless Common Stock") of which four million shares are distributable to the claimants as set forth in the Amended Plan. (See Note 1) As of August 15, 2006, the shares have not been distributed.

For the period June 10, 2006 through June 30, 2006, the Reorganized Company recognized imputed expenses of \$1, representing the estimate of expenses (principally salaries) incurred by Technologies for the benefit of the Reorganized Company following emergence from Chapter 11.

8. Extinguishment of Debt

In connection with the restructuring of its debt in accordance with the provisions of the Amended Plan, the Predecessor Company realized an extraordinary gain of \$14,262. For accounting purposes, this gain has been reflected in the operating results of the Predecessor Company for the period ended June 9, 2006.

A summary of the extraordinary gain follows (in thousands):

Liabilities restructured:

Debt obligations:

Accounts payable	\$ 10,904
Convertible notes payable, principally related to prior separation agreements	965
Accrued salaries	457
Accrued warranty	222

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Capital lease obligations	438

	12,986
Other:	
Mandatorily redeemable preferred stock	1,652

	14,638
Less consideration exchanged:	
Unsecured notes payable to unsecured creditors	(376)

	\$ 14,262
	=====

As discussed in Note 1- "Material Features of the Amended Plan", the Amended Plan calls for cash payments, in amounts subject to adjustment, to holders of approved unsecured claims (the "Claims"). Subject adjustment, holders of Claims shall receive their Pro Rata share of cash payments in an amount equal to 2% of annual revenues up to and including \$7,000, on each of the first, second and third anniversary dates of the Effective Date; and cash payments in an amount equal to 4% of annual revenues exceeding \$7,000, on each of the first, second and third anniversary dates of the Effective Date.

Each of the annual payments to be distributed to holders of the Claims shall be:
(i) not

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less than \$150 on each of the first and second anniversary dates; and (ii) not less than \$200 on the third anniversary date. The total amount to be distributed to holders of the Claims shall be not less than \$500 (the Minimum Payment).

The Minimum Payment, described above, does not bear interest; and, as a result, the consideration exchanged has been recorded at a discount utilizing a rate of 14%, the Company's current effective borrowing rate under the lending agreement with Entrepreneur Growth Capital. No value has been attributed to the Boundless Common Stock distributable to holders of Claims as the amount of cash payable to holders of Claims, described above, shall be subject to reduction pro rata, in an amount equal to 75% of the average aggregate closing prices of the Boundless Common Stock traded on the electronic bulletin board during the twenty trading day period beginning 60 calendar days after the shares are listed on any of the following: (i) the Nasdaq Electronic Bulletin Board, (ii) Nasdaq's Small Cap or National Market or (iii) any exchange (collectively, a "Trading Market").

The obligation to the holders of approved unsecured claims was assumed by Technologies on the Effective Date.

9. Income Taxes

The Predecessor Company has reduced its net deferred tax assets by a valuation allowance to the extent management does not believe it is "more likely than not" that the asset ultimately will be realizable. If all or a portion of the pre-reorganization deferred tax asset is realized in the future, or considered to "more likely than not" be realizable by management, the reorganization intangible recorded in connection with post-confirmation accounting will be reduced accordingly. If the reorganization intangible is eliminated in full, other intangibles will then be reduced, with any excess treated as an increase to capital in excess of par value.

In connection with the reorganization, the Predecessor Company realized a gain

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from the extinguishment of certain indebtedness. This gain will not be taxable since the gain resulted from the reorganization under the Bankruptcy Code. However, the Reorganized Company will be required to reduce certain tax attributes relating to (a) net operating loss carryforwards ("NOLs"), (b) certain tax credits and (c) tax bases in assets in an amount equal to such gain on extinguishment.

The reorganization of the Predecessor Company on the Effective Date constituted an ownership change under Section 382(1)(5) of the Internal Revenue Code and the use of any of Technologies' and the Predecessor Company's NOLs and tax credits generated prior to the ownership change will not be subject to the overall annual limitations prescribed by Section 382(a) of the Internal Revenue Code. However, Technologies must reduce its NOLs by an amount equal to the interest paid or accrued on the claims of the Predecessor Company's creditors who became shareholders of the Reorganized Company.

The Predecessor Company has NOLs of approximately \$26,220 as of June 9, 2006. Losses limited by Section 382 may be carried forward indefinitely.

10. Reorganization Expenses

Reorganization expenses of the Predecessor Company were as follows:

	For the period January 1 through June 9	Six months Ended June 30,
	2006	2005
Professional fees	\$ 432	\$ 150
United States District Court fees	13	14
Facility relocation expenses	--	20
Other expenses	--	8
	\$ 445	\$ 192
	=====	=====

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11. Major Customers

The Company markets its terminal products through OEMs and reseller distribution channels. Customers can buy the Company's products from an international network of value-added resellers (VARs) and regional distributors. Through its sales force, the Company sells directly to large VARs and regional distributors and also sells to major national and international distributors. 1st Solutions and Ingram Micro contributed 18% and 11%, respectively, of total revenue for the period January 1, 2006 through June 9, 2006. Ingram Micro contributed 21% of total revenues for the six months ended June 30, 2005.

12. Litigation and Contingencies

The Company is subject to lawsuits and claims that arise in the normal course of business. As of the Effective Date, outstanding claims against the Predecessor Company were extinguished in bankruptcy. See Part II- Other Information, Item 1. Legal Matters.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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Comparability of Financial Information

The emergence from Chapter 11 as of June 9, 2006 materially changed the amounts previously recorded in the consolidated financial statements of the Predecessor Company.

In connection with the implementation of P. 41 of SOP 90-7, the Predecessor Company recorded an extraordinary gain of \$14,262 from the restructuring of its debt in accordance with the provisions of the Amended Plan. In addition, the portion of reorganization value which could not be attributed to specific tangible or identified intangible assets of the emerging entity has been reported as goodwill in accordance with FASB Statement No. 142, Goodwill and Other Intangible Assets. Other significant adjustments also were recorded to reflect the provisions of the Amended Plan and the fair values of the assets and liabilities of the Reorganized Company as of June 9, 2006. For accounting purposes, these transactions have been reflected in the operating results of the Predecessor Company for the period beginning April 1, 2006 and ended June 9, 2006.

RESULTS OF OPERATIONS- PREDECESSOR COMPANY

The numbers and percentages contained in this Item 2 are approximate. Dollar amounts are stated in thousands. References to "the quarter ended June 9, 2006", the "second quarter of 2006" or "the six months ended June 9, 2006" means the results of operations of the Predecessor Company for the periods April 1, 2006 to June 9, 2006, and January 1, 2006 to June 9, 2006, respectively.

Revenue - Revenue for the quarter ended June 9, 2006 was \$938 as compared to \$1,536 for the quarter ended June 30, 2005. Revenue for the six months ended June 9, 2006 was \$2,224 versus \$3,151 for the six months ended June 30, 2005.

Sales of the Company's General Display Terminals were \$827 for the quarter ended June 9, 2006 compared to \$1,344 for the quarter ended June 30, 2005. Sales of the Company's General Display Terminals were \$1,963 for the six months ended June 9, 2006 compared to \$2,788 for the six months ended June 30, 2005.

Text revenue includes sales of the Company's general-purpose display terminals. The Company's product family falls into two general classes: ANSI or ASCII display terminals. The general purpose segment of the Text market, whether ANSI or ASCII, is primarily characterized as a "replacement sale" market. Text terminal customer purchasing criteria are based on quality, customization, compatibility with other terminals, price and, as a

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result of the markets replacement characterization, lead-times. Historically, the Company has been a leader in these categories.

The Company anticipates sales of its General Display Terminals will continue to decline as customers transition to newer technologies with graphical capabilities.

Net revenue from EMS activities, primarily logistics services sold to Unique Co-operative Solutions, Inc. ("UCSI"), were \$67 for the six months ended June 9, 2006, as compared to \$11 for the six months ended June 30, 2005. UCSI is wholly owned by Mr. Oscar Smith, who also is the majority shareholder of Vision Technologies, Inc. ("Vision"). The Company's Amended Plan provides that Vision will own 100% of Technologies, and will receive this ownership in settlement of the \$650 note payable due to him plus accrued interest of \$180. Pre-confirmation, Mr. Smith currently owns approximately 15% of the outstanding

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common stock of the Predecessor Company.

Net revenue from the Company's repairs and spare parts business for the quarter ended June 9, 2006 was \$90 as compared to \$180 for the quarter ended June 30, 2005. On a year-to-date basis, repairs and spare parts revenue was \$187 in 2006 compared to \$347 in 2005. This revenue includes the sale of spare parts, repair of product outside of the warranty period, and the sale of multi-year warranty contracts. Historically, customer service revenue has been driven from the sales of the Company's text terminal products.

The Company's engineering efforts have focused on cost reduction and reliability improvements. These efforts have decreased the average failure rate of the Company's text terminals and extended the average useful life of the text terminal. These improvements have reduced the Company's ability to generate revenue from spare parts sales and repair activities. In addition, a substantial market has evolved around the sale of used equipment, as customers trade in text terminals when they switch to alternative technologies, thereby reducing the Company's opportunity to sell new equipment.

During the second quarter of 2006, 1st Solutions and Ingram Micro contributed 20% and 16%, respectively, of total revenue. During the first quarter of 2005, Ingram Micro contributed 24% of total revenues. During the second quarter of 2005, Ingram Micro contributed 17%, and CDG Management, LLC contributed 13%, of total revenues.

Gross Margin - The Company recorded gross margin for the three months ended June 9, 2006 of \$203 (21.6% of revenue) compared to gross margin of \$344 (22.4% of revenue) for the second quarter of 2005. Gross margin for the six months ended June 9, 2006 was \$379 (17% of revenue) compared to \$760 (24% of revenue) for the six months ended June 30, 2005. The decrease in total gross margin as a percentage of revenue is attributable to the reduction in the Predecessor Company's revenue without a corresponding reduction in the Predecessor Company's manufacturing overhead expenses, which expenses include fixed costs such as rent for the manufacturing facility. Manufacturing overhead expenses in the six months ended June 9, 2006 were \$427, or 19% of revenue, as compared to \$516, or 16% of revenue, for the first and second quarters of 2005.

Increasing energy prices have adversely affected the Company's reported gross margin for the first quarter of 2006 compared to the first quarter of 2005. Certain petroleum-based components utilized in the manufacturing of the Company's products have increased in cost to the Company. Additionally, rising fuel prices have resulted in increases to the cost of in-bound freight expense. The Company estimates that these cost increases have resulted in a 4 point reduction in reported gross margin as a percent of revenue in 2006 versus 2005.

Total Operating Expenses - For the quarter ended June 9, 2006, operating expenses, excluding interest expense and reorganization expenses associated with the Company's bankruptcy filing, were \$232 (25% of revenue), compared to expenses for the second quarter of 2005 of \$257 (17% of revenue). Operating expenses for year-to-date 2006 were \$527 (24% of revenue) compared to \$559 (18% of revenue) for the first and second quarters of 2005.

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The Company reviews its account receivable balances monthly to assess its estimate of the collectability of such accounts. The Company utilizes ratios based on its historical experience, as well as management's judgment, in its assessment. For the second quarter of 2006 the Predecessor Company recorded bad debt reserves against its receivables in an amount of approximately \$38 as compared to \$10 during the second quarter of 2005.

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Loss on reimbursement of employee services - Beginning in the first quarter of 2004 the Company agreed to provide UCSI resources, primarily Company employees, to allow UCSI to pursue programs critical to their continued development of the thin client market. UCSI is wholly-owned by Mr. Oscar Smith. Mr. Smith is also the majority owner of Vision Technologies, Inc., the entity which owns 100% of Technologies as of the Effective Date. A monthly charge to UCSI was agreed to based upon the Company's estimate of the percentage of time its employees would be devoted to UCSI projects. During the second quarter of 2005 the Company charged UCSI \$20 and incurred expenses of \$24, resulting in a loss on reimbursement of \$4. For the six months ended June 30, 2005 the loss on reimbursement of employee services was \$9. The agreement to provide services to UCSI terminated in the second quarter of 2005.

Other income - Other income for the quarter ended June 9, 2006 was \$17 compared to income of \$17 for the quarter ended June 30, 2005. Other income recorded in 2006 includes \$8 relating to a reduction in reserves for product warranties. Other income in 2005 includes \$20 relating to refunds of prior years' personal property tax assessments. The Company follows policies to establish reserves against its trade receivables and inventory, and periodically reviews the adequacy of these reserves. The Company utilizes ratios based on its historical experience, as well as management's judgment, in its assessment.

Interest Expense - Interest expense for the quarter ended June 9, 2006 was \$34 compared to \$54 for the quarter ended June 30, 2005. In January 2005, the Company replaced its then existing DIP financing with DIP financing provided by Entrepreneur Growth Capital, LLC ("EGC"). At June 9, 2006 and June 30, 2005, the balance due EGC was \$426 and \$285, respectively, and carried an interest rate of the prime rate plus 6%. In addition, in June 2003 the Bankruptcy Court authorized the Predecessor Company to secure \$650 of junior secured DIP financing from Vision. The Vision DIP financing carries interest at 8% per annum. Interest expense incurred on the Vision debt was \$13 and \$15, respectively, for the quarters ended June 9, 2006 and June 30, 2005.

Reorganization Expenses - During the second quarter of 2006 the Company recorded reorganization expenses of \$362, primarily for legal fees incurred in the bankruptcy. For the quarter ended June 30, 2005, reorganization expenses were \$96, which amount included approximately \$75 for legal fees and \$10 related to expenses associated with the Predecessor Company's relocating its manufacturing operations to Farmingdale, New York.

Extraordinary Gain on Extinguishment of Debt- On June 9, 2006, the Predecessor Company recorded a gain on the settlement of pre-petition obligations in the amount of \$14,262. See Note 8.

Income Tax Expense/Credit - For the quarters ended June 9, 2006 and June 30, 2005 the Company did not record income tax expense or credit against the recorded results. The Predecessor Company recorded no income tax benefit for the quarter ended June 9, 2006, despite recording a gain on extinguishment of debt, as this gain will not be taxable since it resulted from the reorganization under the Bankruptcy Code. For annual reporting purposes, the Company has provided a 100% valuation allowance for its net deferred tax assets. See Note 9.

Net Income (Loss) - For the quarter June 9, 2006, the Predecessor Company recorded net income of \$13,854, compared to a net loss of \$50 for the quarter ended June 30, 2005.

RESULTS OF OPERATIONS- REORGANIZED COMPANY

Upon emergence from bankruptcy, the assets and liabilities of the Predecessor Company were assumed by Technologies. The Reorganized Company is a shell company as defined by Rule 12b-2 of the Exchange Act.

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For the period June 10, 2006 through June 30, 2006, the Reorganized Company recognized imputed expenses of \$1, representing the estimate of expenses (principally salaries)

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incurred by Technologies for the benefit of the Reorganized Company following emergence from Chapter 11.

LIQUIDITY AND CAPITAL RESOURCES

The matters described in "Liquidity and Capital Resources," to the extent that they relate to future events or expectations, may be significantly affected by the terms of the Amended Plan.

As discussed in Note 1, on the Effective Date, the assets and liabilities of the Predecessor Company were assumed by Technologies.

Subsequent to the Effective Date, the Reorganized Company contemplates acquiring (the "Acquisition") an interest in an operating company which desires to become a public company. In effecting this subsequent transaction under the Amended Plan, the Reorganized Company will issue Boundless Common Stock to acquire its interests in the operating company. As a result these stock issuances, the Boundless Common Stock issued to Vision and holders of Claims will represent approximately 10% of the outstanding common stock of the Reorganized Company after the Acquisition is consummated and the owners of the operating company will own approximately 90% of the outstanding common stock of the Reorganized Company after the transaction. The consummation of this transaction will be undertaken in compliance with the Securities Laws of the United States and all other jurisdictions, if any, which require such compliance. In this regard, the Reorganized Company will file a Form 8-K with the Securities and Exchange Commission with respect to this transaction.

Since the Effective Date, the Reorganized Company has no operating business, no assets, and its imputed operating overhead is funded by Technologies. As described herein, the Reorganized Company is actively negotiating to acquire an operating business. There can be no assurances that the operating entity will be acquired or that a merger transaction will be consummated. As a result, there is substantial doubt about the Reorganized Company's ability to continue as a going concern. No adjustments have been made with respect to the consolidated financial statements to record the results of the ultimate outcome of this uncertainty on the Reorganized Company.

The audit opinion included in the December 31, 2005 Form 10-K annual report of the Predecessor Company contained an explanatory paragraph regarding the Predecessor Company's ability to continue as a going concern. The Predecessor Company had incurred significant losses from operations, and had a working capital deficit totaling approximately \$272 as of June 9, 2006. These factors raise substantial doubt about the Company's ability to continue as a going concern, unless management's plans are affected in a timely manner. No adjustments have been made to the carrying value of assets or liabilities as a result of the uncertainty about obtaining the cash required.

The Predecessor Company's total cash and cash equivalents increased approximately \$71 to \$85 at June 9, 2006 from \$14 at the end of fiscal 2005. The loss before reorganization items and extraordinary gain on the extinguishment of debt of \$178, net of non-cash effects of \$21, contributed \$157 of the \$59 in cash used in operating activities during the period January 1, 2006 through June 9, 2006. Changes in current assets and liabilities increased cash from operating

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activities by \$98 as follows: net decreases in affiliate and other receivables of \$83, decreases in cash collateral and escrow accounts of \$103, and decreases in inventory of \$87. These increases in cash used in operations were offset by a decrease in accounts payable and accrued expenses of \$73 and increases in trade receivables of \$95.

Net cash used in reorganization activities for the period January 1, 2006 through June 9, 2006, was \$196, composed of \$432 related to legal expenses and \$13 in expenses associated with the U.S. Trustee administering the bankruptcy case. These expenses were offset by increases in accrued liabilities, principally for legal expenses of \$249.

Net cash used in investing activities for the period January 1, 2006 through June 9, 2006, consisted of \$3 for the purchase of machinery and equipment.

Net cash provided by financing activities amounted to \$329 during the period January 1, 2006 through June 9, which amount included repayments of the Company's DIP debt in the amount of \$2,879, offset by borrowings under the Company's DIP financing agreement in the amount of \$2,550.

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Net cash provided by operating activities during the six months ended June 30, 2005 was \$305, principally related to income before reorganization expenses of \$122, reductions in cash on deposit with lenders of \$271, and reductions in inventories and trade accounts receivable of \$249 and \$122, respectively. Net cash provided by operating activities during the first six months of 2005 was reduced by increases in other assets, principally cash collateral of \$151. In addition, accounts payable and accrued expenses decreased by \$324.

For the first and second quarters of 2005, net cash used in reorganization activities was \$42. Net cash used in 2005 includes \$150 for legal fees incurred during the bankruptcy period, \$20 incurred for facility relocation expenses and \$14 of expenses associated with fees paid to the U.S. Trustee administering the bankruptcy case. These expenses were offset by increases in liabilities of \$150.

For the six months ended June 30, 2005, net cash used in financing activities was \$369, consisting of payments to Valtec of \$653 and net borrowings under the EGC DIP financing agreement of \$284.

FORWARD-LOOKING INFORMATION MAY PROVE INACCURATE

This Form 10-QSB contains various "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements represent the Company's expectations and beliefs concerning future events, based on information available to us on the date of the filing of this Form 10-QSB, and are subject to various risks and uncertainties. We disclaim any intent or obligation to update or revise any of the forward-looking statements, whether in response to new information, unforeseen events or changed circumstances except as required to comply with the disclosure requirements of the federal securities laws.

Forward looking statements necessarily involve known and unknown risks, uncertainties and other factors that may cause the actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievement expressed or implied by such forward-looking statements. Readers are cautioned to review carefully the discussion concerning these and other risks which can materially affect the Company's business, operations, financial condition and future

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prospects.

In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "intend," "expect," "anticipate," "assume," "hope," "plan," "believe," "seek," "estimate," "predict," "approximate," "potential," "continue," or the negative of such terms. Statements including these words and variations of such words, and other similar expressions, are forward-looking statements. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable based upon its knowledge of its business, the Company cannot absolutely predict or guarantee its future results, levels of activity, performance, or achievements. Moreover, neither the Company nor any other person assumes responsibility for the accuracy and completeness of such statements.

The Company notes that a variety of factors could cause its actual results and experience to differ materially from the anticipated results or other expectations expressed in its forward-looking statements. The risks and uncertainties that may affect the operations, performance, development and results of its business include, but are not limited to, the following: changes in spending patterns; changes in overall economic conditions; the impact of competition and pricing; the financial condition of the suppliers and manufacturers from whom the Company sources its merchandise; changes in tax laws; the Company's ability to hire, train and retain a consistent supply of reliable and effective participants in its marketing operations; general economic, business and social conditions in the United States; the costs of complying with changes in applicable labor laws or requirements, including without limitation with respect to health care; changes in the costs of interest rates, insurance, shipping and postage, energy, fuel and other business utilities; the risk of non-payment by, and/or insolvency or bankruptcy of,

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customers and others owing indebtedness to the Company; actions that may be taken by creditors with respect to the Company's obligations that are subject to default proceedings; threats or acts of terrorism or war; and strikes, work stoppages or slow downs by unions affecting businesses which have an impact on the Company's ability to conduct its own business operations.

Forward-looking statements that the Company makes, or that are made by others on its behalf with its knowledge and express permission, are based on knowledge of the Company's business and the environment in which it operates, but because of the factors listed above, actual results may differ from those in the forward-looking statements. Consequently, these cautionary statements qualify all of the forward looking statements made herein. The Company cannot assure the reader that the results or developments anticipated by it will be realized or, even if substantially realized, that those results or developments will result in the expected consequences for it or affect it, its business or operations in the way the Company expects. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates, or on any subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf, which are expressly qualified in their entirety by these cautionary statements. The Company does not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances after the date hereof or thereof or to reflect the occurrence of unanticipated events, other than as required to comply with the disclosure requirements of the federal securities laws.

Item 4. Controls and Procedures

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An evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the Company's disclosure controls and procedures as of June 30, 2006. Based on that evaluation, the Company's management, including the CEO and CFO, has concluded that the Company's disclosure controls and procedures are effective. During the period covered by this report, there was no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II - OTHER INFORMATION

Item 1. Legal Matters

In re: Boundless Corporation, et. al.

As discussed above, on the Petition Date, the Company, and its wholly and majority owned subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court. The Chapter 11 Cases were being jointly administered under the caption "In re Boundless Corporation, et al., Case No. 03-81558-478." As debtors-in-possession, we were authorized under Chapter 11 to continue to operate as an ongoing business, but could not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court. As of the Petition Date, virtually all pending litigation was stayed, and absent further order of the Bankruptcy Court, no party, subject to certain exceptions, could take any action, again subject to certain exceptions, to recover on pre-petition claims against us. In addition, we could reject pre-petition executory contracts and unexpired lease obligations, and parties affected by these rejections could file claims with the Bankruptcy Court.

As of the Effective Date, outstanding claims against the Predecessor Company were extinguished in bankruptcy.

Additional information regarding legal matters may be found in the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

Item 2. Changes in Securities

The information required by this item is incorporated by reference to the information regarding material features of the Amended Plan contained in Note 1 of the Notes to Condensed Consolidated Financial Statements.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 31.1: Certification of Acting Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.

Exhibit 31.2: Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.

Exhibit 32: Certification of Acting Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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(b) Reports on Form 8-K

A Current Report on Form 8-K was filed with the Securities and Exchange Commission on June 13, 2006, announcing the emergence from bankruptcy and describing the terms of the Amended Plan.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: August 16, 2006

Boundless Corporation

By: /s/Joseph Gardner

Joseph Gardner
Vice President and Chief Financial Officer
(Principal Accounting and Financial Officer)

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