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BOUNDLESS CORP
Form 10-K
March 02, 2006

FORM 10-K
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934 [No Fee Required]

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934 [No Fee Required]

For the fiscal year ended December 31, 2004

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 Farmingdale, NY
(Address of principal executive offices)

11735
(Zip Code)

Registrant's telephone number, including area code: (631) 962-1500

Securities registered pursuant to Section 12(b) of the Act
None

Securities registered pursuant to Section 12(g) of the Act
Common Stock, \$.01 par value
(Title of Class)

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

The aggregate market value of the voting stock held by non-affiliates of the

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registrant, computed by reference to the last sale price of the registrant's Common Stock on December 31, 2005, is \$0.

As of February 28, 2006 the registrant had 6,705,613 shares of Common Stock, \$.01 par value per share, outstanding.

Boundless Corporation and Subsidiary Companies Report on Form 10-K
For the Year Ended December 31, 2004

Included in Item 7 of this Annual Report on Form 10-K is management's discussion and analysis of financial condition and results of operations applicable to the three fiscal quarters ended March 31, June 30 and September 30, 2004, not previously filed with the Securities and Exchange Commission. This Annual Report on Form 10-K for the fiscal year ended December 31, 2004 is being filed contemporaneously with the above mentioned quarterly reports on Form 10-Q.

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Section 906 Certification (Filed as Exhibit 32)

PART I

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ITEM 1. BUSINESS

Boundless Corporation (the "Company") was incorporated in 1988 under the laws of the State of Delaware. The Company through its subsidiaries, Boundless Technologies, Inc. ("Boundless Technologies") and Boundless Manufacturing Services, Inc. ("Boundless Manufacturing"), is a manufacturer of text terminals and provider of manufacturing services. The Company's headquarters is located at 50 Engineers Lane, Farmingdale, New York 11735 (telephone number (631) 962-1500).

This Form 10-K 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-K, 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 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, 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.

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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

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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.

Bankruptcy Considerations

The following discussion provides general background information regarding our Chapter 11 cases, and is not intended to be an exhaustive summary.

A. Pre-Petition History

Boundless, a publicly-held Delaware corporation, was incorporated in 1988. Through its subsidiaries, Boundless Technologies, Boundless Manufacturing and Boundless Acquisition ("Acquisition"), Boundless provides text terminals and manufacturing services.

Boundless Technologies principally designs, sells and supports desktop computer display terminals without graphics' capabilities. It offers custom and standard models of display terminals primarily to retail, financial, telecommunications and wholesale distribution businesses which utilize them for data entry and point-of-sale activities.

Boundless Manufacturing operates in the electronic manufacturing services ("EMS") marketplace. It provides services in supply chain optimization, global supply base management, systems assembly and testing, distribution and logistics, repair centers and end-of-life management. It offers in-house engineering expertise, product design, test development and product development for original equipment manufacturers ("OEM").

A fourth subsidiary, Merinta, Inc. ("Merinta"), commenced operations in 2000. Merinta created software and infrastructure for Internet use. Operating losses generated by Merinta for 2001 were \$2.15 million and for 2000, \$14 million. Therefore, on or about May 11, 2001, the Company discontinued Merinta's operations.

The operating losses generated by Boundless Manufacturing and Merinta, in combination with the economic downturn following September 11, 2001, caused the Company and its subsidiaries, on March 12, 2003, (the "Petition Date"), to seek protection under Chapter 11 of the Bankruptcy Code.

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B. Pre-Petition Credit Facility with CIT Group/Business Credit, Inc.

Pursuant to a Financing Agreement dated June 27, 2002, the Company entered into a credit facility with the CIT Group/Business Credit, Inc. ("CIT"). Under this credit facility, CIT agreed to make loans and advances to the Company in amounts of up to 85% of their aggregate outstanding "eligible" accounts, plus the lesser of 10% of the aggregate value of the Company's eligible inventory, 85% of the appraised inventory liquidation value or \$200,000, whichever is less. The credit facility also provided for revolving loans with a maximum availability under the credit facility of \$8.5 million. As security for the aforementioned credit facility, the Company granted CIT a security interest in and to substantially all of its personal property.

Prior to the Petition Date, CIT advised the Company that it would not make any further advances (the "Notification"). At that time, the Company owed CIT approximately \$600,000. During the ten day period subsequent to the Notification, payments of the Company's receivables to CIT satisfied all or substantially all of the amounts due and owing to CIT. By

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assignment dated February 21, 2003, CIT assigned all of its right, title and interest in and to the CIT Credit Facility to Valtec Capital Corporation ("Valtec"). Prior to this assignment, Valtec was a subordinated secured creditor of the Company.

C. Pre-Petition Credit Facility with Valtec

By a loan and security agreement dated December 3, 2002 (the "Valtec Loan Agreement"), the Company consolidated prior borrowings and received additional borrowings from Valtec in the aggregate amount of approximately \$1.2 million (plus accrued and unpaid interest and other charges). Valtec agreed to provide debtor-in-possession financing to the Company so that the Company could continue to operate its respective businesses as going concerns, provided that the Company filed a petition under Chapter 11 and scheduled a sale of all of its assets pursuant to ss.363 of the Bankruptcy Code shortly after the filing of the Company's Chapter 11 petitions.

D. Procedural History

The Company and its subsidiaries filed their respective petitions for relief pursuant to the Bankruptcy Code on March 12, 2003 (the "Petition Date"). On March 14, 2003, the Bankruptcy Court signed an Order directing that the bankruptcy cases be consolidated for procedural purposes and jointly administered. On March 25, 2003, an Official Committee of Unsecured Creditors (the "Committee") was appointed. The law firm of Platzer Swergold Karlin Levine Goldberg & Jaslow, LLP was retained to represent the Committee.

E. The Company's Administrative Period

During the period from the Petition Date through and including January 28, 2005, Valtec provided debtor-in-possession financing ("Valtec DIP Financing") to the Company. Pursuant to the Bankruptcy Court's Interim Order entered on April 17, 2003 (the "Interim Order"), the Bankruptcy Court approved: (i) the Company's use of Valtec's cash collateral ("Valtec's Cash Collateral"); (ii) direct borrowings from Valtec of an amount up to \$1,500,000; and (iii) the Debtor-in-Possession Financing and Security Agreement by and among Valtec and the Company (the "DIP Financing Agreement").

As a condition to the Valtec DIP Financing, Valtec required the Company to

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enter into the Ansen Corporation Manufacturing Services Agreement ("Ansen Agreement"), pursuant to which, Ansen Corporation ("Ansen") would provide post-petition manufacturing, production and delivery services to the Company. By Order dated April 16, 2003, the Bankruptcy Court approved the Company's execution of the Ansen Agreement.

Pursuant to the terms and conditions of the DIP Financing Agreement, on or before April 30, 2003, the Company was obligated to seek an order pursuant to ss. 363 of the Bankruptcy Code authorizing the sale of substantially all of their personal property free and clear of liens, claims and encumbrances (the "ss. 363 Motion"). On March 27, 2003, the Company filed the ss. 363 Motion. However, prior to the scheduled auction sale date, Vision Technologies, Inc. ("Vision") submitted a written offer to the Company to provide replacement debtor-in-possession financing in exchange for receiving seventy (70%) percent of the Company's equity when the Company confirmed the Plan.

In an effort to reorganize the Company and provide a return to their creditors, which the Company believed would not be effected through the proposed ss.363 sale, on April 30, 2003, on the Company's motion (the "April 30th Motion"), the Bankruptcy Court signed an Order to Show Cause that scheduled a hearing on May 8, 2003, to consider, inter alia, the Company's request to: (i) withdraw the ss. 363 Motion; (ii) obtain replacement debtor-in-possession financing from Vision; (iii) utilize Valtec's Cash Collateral; and (iv) approve an agreement among the Company, the Committee and Vision (the "Vision Agreement").

Pursuant to Order of the Bankruptcy Court entered on May 1, 2003 (the "May Order"), and upon the May 8, 2003 hearing (the "May 8 Hearing"), the Bankruptcy Court authorized the Company to borrow a total of \$375,000 from Vision on an emergency basis pending the Bankruptcy Court's final determination of the April 30th Motion, pursuant to and conditioned upon the terms and conditions contained in the May Order, and as supplemented by the record of the May 8 Hearing (respectively, the "Vision Advances" and the "Vision Priming Orders").

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At a hearing held on May 14, 2003, the Court authorized the Company to utilize up to \$581,000 of Valtec's Cash Collateral (proceeds of collection of receivables and sale of inventory) pursuant to and conditioned upon the terms and conditions recited into the record of the May 8 Hearing (the "May 14th Cash Collateral Order"). Pursuant to the May 14th Cash Collateral Order, the Company paid Valtec \$300,000 to reduce the Company's obligations to Valtec under the Valtec DIP Financing Agreement (the "DIP Debt"), and additional amounts were paid to Valtec as adequate protection for the Company's use of inventory which was acquired by the Company post-petition and which collateralized in part the DIP Debt.

After significant negotiations at a hearing held on May 28, 2003, the parties (the Company, the Committee, Vision and Valtec) informed the Bankruptcy Court that they had reached an agreement in principle for a settlement on the terms and conditions read into the record on May 28, subject to a formal stipulation subsequently prepared and executed by and between such parties. Based upon the settlement and the terms and conditions recited into the record, Valtec consented to, and the Bankruptcy Court authorized, the Company's use of additional amounts of Valtec's Cash Collateral on the terms and conditions contained in the May 14th Cash Collateral Order (together with the May 14th Cash Collateral Order, the "Valtec Cash Collateral Orders").

F. Valtec Settlement and Agreement with Vision

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The settlement stipulation dated June 11, 2003 (the "Settlement Stipulation") by and among the Company, the Committee, Vision and Valtec resolved all then outstanding issues with Valtec and incorporated by reference an amended version of the Vision Agreement dated May 11, 2003 (the "Amended Vision Agreement"). The Settlement Stipulation and the Amended Vision Agreement were "So Ordered" by the Bankruptcy Court on June 18, 2003. Pursuant to the Settlement Stipulation the parties agreed as follows:

1. As of the close of business May 27, 2003, the Company's total obligation to Valtec was \$1,592,000 comprised of: (i) \$1,434,000 of pre-petition debt ("Pre-Petition Obligations"); and (ii) the DIP Debt of \$158,000 (collectively, the "Valtec Obligations").
2. The pre-petition obligations to Valtec were valid, enforceable and not subject to any claim, counterclaim, set-off or defense of any kind or nature.
3. The Pre-Petition Obligations to Valtec were fully secured.
4. The DIP Debt was fully secured.
5. Payment of the DIP Debt, through a combination of amounts paid to Valtec to reimburse it for inventory acquired by the Company, in part utilizing financing provided by Vision, was to be made in weekly payments of \$13,000, plus payment for inventory at Company's cost. As of December 31, 2005, the Company has made all of such required payments.
6. Upon payment of the DIP Debt, the Pre-Petition Obligations will be paid by a combination of equal weekly payments in the amount of \$7,500 through the Confirmation Date and subsequent to confirmation, in equal monthly payments thereafter for a period of 30 months (or 34 months in the event that Valtec advanced the Professional Fees Payment of \$200,000 as defined herein) with interest at a rate of 8%, collateralized by a first lien on all of the Company's assets.
7. If on the Confirmation Date the Company does not have sufficient cash to pay in full the allowed fees of the professionals retained by the Company and the Committee, Valtec will advance up to \$200,000 to the Company to be applied toward the payment of such fees (the "Professional Fees Payment"), which amount shall be added to, and become part of the Pre-Petition Debt.
8. Vision would provide supplemental financing to the Company in an amount up to \$650,000 plus interest (inclusive of the Vision advances theretofore provided) as contemplated by the Amended Vision Agreement. Payment of the Vision Debt will commence subsequent to payment in full of the Valtec Obligations, and shall be secured by a lien subordinate to the lien securing payment of the Valtec Obligations. As of December 31, 2004, the amounts due under the Valtec and Vision Claims were approximately \$638,000 and \$738,000 (with interest), respectively and the amount of the collateral (as defined in the Settlement Stipulation) collateralizing these claims amounted to approximately \$2,225,000.
9. Valtec authorized the continued use of Valtec's Cash Collateral during the pendency of the Plan.

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10. As required in the Settlement Stipulation, the Company is and shall be required to maintain collateral margins of \$100,000 in excess of the Valtec Obligations, and provide Valtec with financial information on a weekly basis. As of December 31, 2004, the Company has met both the excess collateral margin and reporting requirements.

Pursuant to the Amended Vision Agreement by and among the Company, the Committee and Vision, the parties agreed as follows:

1. Vision would advance to the Company an amount up to \$650,000 to be secured by a security interest upon substantially all of the Company's assets, subordinate to the security interest securing payment of the Valtec Obligations.
2. The establishment of an executive committee acceptable to Vision. There is no overlap in functions or duties between the executive committee and the Board of Directors. The executive committee of the Board of Directors is responsible for the creation and execution of the Company's strategic business plan. As of February 10, 2006 the executive committee was comprised of Mr. Frank Stephens, a current member of the Company's Board of Directors; Mr. John Ryan, the Company's Chief Operating Officer; and, Mr. Joseph Gardner, the Company's Chief Financial Officer. No compensation is paid to any member of the executive committee as a result of being a member of the executive committee.
3. Cancellation of all existing capital stock of the Company, and issuance of a new class of capital stock pursuant to the terms and conditions of the Amended Vision Agreement or as otherwise agreed by the parties.
4. Payment of Valtec's Pre-Petition obligations over a term of up to 34 months subsequent to Confirmation, and continued use of Valtec's Cash Collateral.
5. Vision shall have the right to appoint all members of the board of directors of the reorganized Company post-confirmation.
6. The Company would propose a joint plan of reorganization with Vision (and the Committee if the Committee believes it to be in the best interest of creditors).
7. In the event that any entity other than Vision shall acquire or be entitled to acquire a majority of the Company's Capital Stock as a going concern or acquire all or substantially all of the Company's assets Vision shall receive a break-up fee in the amount of \$100,000 pursuant to paragraph A(8) of the Amended Vision Agreement.
8. Upon the Bankruptcy Court's approval of the Settlement Stipulation, Amended Vision Agreement and related documents on June 18, 2003, Vision funded the remainder of the \$650,000 (\$100,000 of which was held in escrow and utilized for payment of the fees and expenses of the professionals for the Company and the Committee, which escrow amount with the Vision Advances was the "Vision Funding").
9. If the Company files a plan other than as described hereinabove, which does not provide Vision with the benefits of the Amended Vision Agreement, then as a condition precedent to the confirmation of any other Plan, Vision must be paid in full (together with a break-up fee of \$100,000) on the Effective Date, as set forth in paragraph 8 of the Amended Vision Agreement.

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G. Valtec Settlement and Agreement with Entrepreneur Growth Capital, LLC

On November 30, 2004, the Company filed a motion with the Bankruptcy Court for an order authorizing the Company to (i) incur post-petition secured indebtedness, and (ii) grant a security interest and priority claims pursuant to Sections 364(c) and 364(d) of the Bankruptcy Code. On January 27, 2005, the Bankruptcy Court approved the order.

As of January 31, 2005, the Company entered into an agreement with its secured lender Valtec Capital, LLC, as assignee of Valtec Capital Corporation, (the "Prior Lender") to terminate our debtor-in-possession ("DIP") financing and to release their liens on our personal property. At the same time, the Company entered into another secured DIP financing agreement (the "EGC Agreement") with Entrepreneur Growth Capital, LLC ("EGC") pursuant to which EGC was granted a lien on all of our personal property.

In general, the EGC Agreement permits us to borrow up to 80% of our eligible accounts receivable. Under the EGC Agreement, the annual interest rate is 6% above the prime rate announced by Citibank, N.A. and we are required to pay a monthly service fee equal to three quarters of one percent (0.75%) of the face value of invoices assigned to EGC for

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the preceding month. The EGC Agreement requires us to pay minimum monthly interest of \$7,500 even though our actual borrowings may result in a lesser interest charge. The Company is responsible for certain fees and fees for early termination of the facility. The maximum availability under the EGC Agreement is \$1,000,000 and the term is one year.

In return for termination of the prior DIP financing we also agreed to pay Valtec Capital a total of \$100,000 for legal fees they incurred during our bankruptcy period. This amount is payable to Valtec Capital on the date that our Plan of Reorganization becomes effective.

On February 2, 2005, the Company filed, as exhibits, the EGC Agreement on Form 8-K with the Securities and Exchange Commission.

H. Sale of 100 Marcus Avenue, Hauppauge, New York

On or about September 17, 2003, pursuant to that certain Purchase and Sale Agreement ("Purchase Agreement") by and among the Company, Independence Community Bank ("ICB"), JPMorgan Chase and 100 Marcus LLC, the Company agreed to transfer all of its right, title and interest in and to 100 Marcus Boulevard, Hauppauge, New York, which had served as the Company's main operating facility (the "Premises"). ICB and JPMorgan Chase held mortgages on the Premises and participated in the sale transaction. The Company successfully negotiated a sale of the Premises which provided for: (i) satisfaction of all liens and encumbrances of ICB and JPMorgan Chase; (ii) payment of all outstanding real estate tax obligations from the proceeds of the sale; (iii) the Company's use of 15,000 square feet, rent free, for a period of one (1) year post-closing; (iv) the payment of \$250,000 to the Company and (v) ICB and JP Morgan Chase retaining unsecured claims against the Company for the difference between the Company's Obligations to such banks and the amount of the proceeds of the sale of the Premises remitted to such bank. As a result, such banks have pre-petition unsecured claims against the Company aggregating approximately \$2,271,000.

On or about September 17, 2003, the Company, ICB and JPMorgan Chase entered into that certain Proceeds Distribution Agreement (the "Proceeds

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Agreement), which provided for the distribution of the net proceeds of the sale of the Premises between those parties. Notwithstanding that the outstanding amounts of the mortgages far exceeded the sale proceeds of the Premises, pursuant to the Proceeds Distribution Agreement, the Company received \$250,000 from such proceeds of the sale of the Premises.

On or about December 9, 2003, the Court signed: (i) the Order approving the Purchase Agreement with 100 Marcus LLC; and (ii) the Order approving the Proceeds Agreement. The closing of the Premises took place on or about December 23, 2003, and on or about December 30, 2003, the Company received \$190,000 pursuant to the Proceeds Agreement. On or about May, 2004 the remaining balance in the escrow was released to the Company.

Pursuant to the Purchase Agreement and the Proceeds Agreement, the remaining claims of ICB and JPMorgan Chase shall be treated as general unsecured claims.

I. Miscellaneous

Immediately prior to the Petition Date, the Company reduced its staff from 125 to 70. Subsequent to the Petition Date, the Company further reduced the number of its employees to 35. The Company's business plan focuses primarily on the manufacturing, sale and support of its text terminal products, while releasing a series of more modern replacement products. The Company plans to exploit its history of success and well-established customer base in the Point-of-Sale (POS) market. The Company further plans to capitalize on its post-manufacturing services capability by expanding into the repair of third-party products produced by its existing OEM customers (such as NCR, IBM and Hewlett Packard). The Company presently has retained some, though greatly reduced, research and development capability, and has reduced marketing functions.

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We continue to operate our businesses as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure and applicable court orders. All vendors are being paid for all goods furnished and services provided after the Petition Date in the ordinary course of business. However, under Section 362 of the Bankruptcy Code, actions to collect most of our pre-petition liabilities are automatically stayed. Most of these pre-petition liabilities will be settled under a plan of reorganization which must be approved by the Bankruptcy Court.

To successfully exit Chapter 11, we must obtain confirmation by the Bankruptcy Court of a plan of reorganization. A plan of reorganization would, among other things, resolve our pre-petition obligations, set forth our revised capital structure and establish our corporate governance subsequent to exit from bankruptcy. The decision as to when we will file a plan of reorganization depends on the timing and outcome of numerous ongoing matters in the Chapter 11 process. We expect to file a plan of reorganization that provides for the Company's emergence from bankruptcy, but there can be no assurance that the creditors eligible to vote on our plan will support our positions or our plan of reorganization (disagreements between us and those eligible to vote on our plan could adversely affect our reorganization process, including our emergence from Chapter 11). Nor can there be any assurance that the Bankruptcy Court will confirm a plan of reorganization or that any such plan will be implemented successfully. In addition, the Company is required to file with the Securities and Exchange Commission delinquent financial reports prior to their removing objections to the Company's plan of reorganization.

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We are working towards emerging from Chapter 11 no later than April 30, 2006, but that timing is dependent on, among other things, the timely and successful confirmation and implementation of a plan of reorganization. The rights and claims of various creditors and security holders will be determined by the plan as well. At this time, it is not possible to predict accurately the effect of the Chapter 11 reorganization process on our business, nor can we make any predictions concerning how each of these claims will be valued in the bankruptcy proceedings. We believe that Boundless' presently outstanding equity securities will have no value and it is expected that those securities will be canceled under any plan of reorganization that we propose. For this reason, we urge that caution be exercised with respect to existing and future investments in any Boundless security.

For more information on our bankruptcy proceedings, see Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 1, "Voluntary Reorganization under Chapter 11" in the Notes to Consolidated Financial Statements.

General

Boundless Technologies, a wholly-owned subsidiary, is engaged in supplying computer terminals for commercial use. The Company's general strategy is to provide fast, easy-to-use, and cost-effective products that enable access to applications and data in commercial environments, as well as older "legacy" applications, running on mainframes, mid-range, and Unix systems.

Boundless Technologies principally designs, sells and supports (i) desktop computer display terminals, which generally do not have graphics capabilities, ("General Display Terminals"), and (ii) other products that are used in multi-user computing environments. Boundless Technologies offers standard and custom models of its General Display Terminals primarily to retail, financial, telecommunications and wholesale distribution businesses requiring them for data entry and point of sale activities.

Boundless Manufacturing is pursuing opportunities in the electronic manufacturing services ("EMS") marketplace. As of December 31, 2003 and 2004, the Company owned 75% of the outstanding shares of common stock of this subsidiary. Services include supply chain optimization, global supply base management, systems assembly and test, distribution and logistics, repair centers and end-of-life management. Boundless Manufacturing also offers in-house engineering expertise- product design, test development and product development- to significantly reduce time-to-market for original equipment manufacturers ("OEM") customers. Boundless Manufacturing provides a complete supply chain that is designed and built to each customer's specifications. Boundless Manufacturing also has post-manufacturing support capability in New York and Atlanta.

Products and Services

General Display Terminals. The Company's General Display Terminals are ANSI/ASCII desktop text terminals, which generally do not have graphics capabilities. The Company offers standard and custom models, primarily for data entry and point of sale activities. General Display Terminals are sold by the Company under the Company's ADDS(R), Dorio(R) and VT(R) trademarks, as well as under OEM customers' trademarks. The ADDS, Dorio and VT brands are complementary products, providing slightly different features to various user segments.

Electronic Manufacturing Services. Boundless Manufacturing Services

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participates in the EMS market space and provides services that include printed circuit board assembly, build-to-order mass-customized manufacturing, supply chain optimization, global supply base management, systems assembly and test, distribution and logistics, repair centers and end-of-life management. Boundless Manufacturing also offers in-house engineering expertise- product design, test development, product development- to significantly reduce time-to-market for OEM customers. Boundless Manufacturing provides a complete supply chain that is designed and built to each customer's specifications.

Boundless Manufacturing is focused on delivering a level of service and commitment, to both middle-market OEMs and start-up companies, that is currently only available to top tier customers from the larger EMS companies. In addition, it pursues smaller programs with larger OEM customers typically serviced by larger competitors. Boundless Manufacturing will develop relationships with those OEMs and ODMs whose supply chains can be completed or complemented by the company's unique capabilities, and diversify revenue risk by winning customers in several vertical markets including data storage, public and private telecommunications systems, office technology products, industrial controls and custom or embedded "PC" applications.

Percentage of Total Revenues. The table below sets forth, for each of the three calendar years ended December 31 the percentage of total revenue contributed by those classes of similar products or services which accounted for a material portion of consolidated revenue in any of such years. Material inter-company revenue has been eliminated.

Period -----	General Display Terminals -----	Electronic Manufacturing Services -----
2004	87.6%	12.4%
2003	88.0%	12.0%
2002	64.2%	35.8%

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Foreign Sales. Net foreign sales were approximately \$1,929,000, \$3,473,000 and \$7,430,000 for 2004, 2003 and 2002, respectively. The tables below set forth, for each of the three calendar years ended December 31, the approximate percentage of total revenue attributable to foreign sales and the percentage attributable to the European region.

Period -----	% of Total Revenue -----	
-----	Total -----	Europe -----
2004	26.4%	20.9%
2003	29.6%	25.3%
2002	27.7%	16.9%

Manufacturing

Assembly Operations. The Company's manufacturing operations are located in Farmingdale, New York, and include procurement of components and the

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assembly and testing of its products. Investment in production equipment has not been material to the Company's manufacturing operations. Semi-skilled and skilled workers assemble products using a cell-based manufacturing process that allows the Company to assemble various products at mass production costs. The Company generally cross-trains its workers so that they are able to work at all work stations. Once assembled, all systems undergo a test cycle, using sophisticated diagnostic procedures and test equipment.

The Farmingdale facility has a flexible manufacturing control system that is run by software developed by the Company. This system provides a flexible, customer-focused manufacturing approach that enables the Company to quickly customize products for orders of one to one thousand. Just-in-time systems allow the Company to achieve efficient asset utilization and fast response time to customers. The Company is generally able to fill orders within three to five days after receipt of an order. Accordingly, backlog has not traditionally been material to the Company.

The Company is using approximately 23,000 of its 32,000 square feet of space in the Farmingdale, NY, facility for manufacturing and has the capacity to meet its current and anticipated production needs.

Suppliers. The Company purchases subassemblies and components for its products from more than 40 domestic and Far East suppliers. Purchases from Radiance Electronics, Ansen Corporation and Video Display Corporation accounted for approximately 33.5%, 20.2% and 8.9%, respectively, of the dollar amount of the Company's total purchases of subassemblies and components in 2004. Purchases from Radiance Electronics (formerly Goldtron Electric), Ansen Corporation and Hewlett Packard, accounted for approximately 24%, 20% and 18%, respectively, of the dollar amount of the Company's total purchases of subassemblies and components in 2003. In 2002 Goldtron Electric, Arrow Electronics and Clinton Electric Corp. accounted for approximately 22%, 9% and 6%, respectively, of the dollar amount of the Company's total purchases of subassemblies and components.

As a condition to the Valtec DIP Financing, Valtec required the Company to enter into the Ansen Corporation Manufacturing Services Agreement ("Ansen Agreement"), pursuant to which, Ansen Corporation ("Ansen") would provide post-petition manufacturing, production and delivery services to the Company. The Company was subject to supply disruption due to the production transition; however, as of July 1, 2003, Ansen had successfully transitioned production to its manufacturing facility and had achieved mass-production capability.

The Company placed on Ansen initial purchase orders for certain components with committed delivery dates beginning March 2003. The failure of Ansen to timely deliver the components resulted in the cancellation or rescheduling of customer orders placed on the Company; and generally resulted in a reduction of the number of components required by

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the Company with respect to the original delivery dates. On November 7, 2003, Ansen notified the Company of its intention to terminate the Ansen Agreement due to the alleged failure of the Company to accept and pay for the components as originally scheduled. By subsequent agreement, the Company will continue to purchase any remaining components from Ansen as needed; and, should any components remain as of the Effective Date, the Company will purchase the then remaining balance. As of December 31, 2005, Ansen continues to deliver the components to the Company and the balance due Ansen is approximately \$50,000.

While there are at least two qualified suppliers for the subassemblies and components that are made to the Company's specifications, the Company generally

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sources such items from a single supplier so that it can take advantage of volume discounts and more easily ensure quality control. The Company estimates that the lead-time required before an alternate supplier can begin providing the necessary subassembly or component would generally be between six to ten weeks. The disruption of the Company's business during such period of lead-time could have a material adverse effect on its sales and results of operations. In the event of a prolonged interruption in the supply chain, the Company's cash flow and working capital position would be adversely affected.

Warranties. The Company provides a one-year warranty covering defective materials and workmanship. The Company's products are serviced at depots that are geographically dispersed throughout the world. Users can purchase extended warranties of up to three years or can pay for repairs on a time and materials basis. For the years 2004, 2003 and 2002, the Company's cost of warranty repairs was less than 1%, respectively, of the Company's total revenues. The Company does not warrant software, but users are permitted to return software for a refund within 30 days after purchase. Accordingly, customers are afforded the opportunity to use software on a trial basis through the Company's evaluation program. A provision for potential warranty liability is recorded at the time revenue is recognized.

Research and Development. During 2004, 2003 and 2002, the Company expended approximately \$150,000, \$170,000 and \$959,000, respectively, on research and development activities. Boundless' research and development activities have historically related primarily to General Display Terminals and Windows-based terminals. As part of the Company's restructuring activities, significant reductions in the staffing were implemented in March 2003, resulting in lower research and development expenditures as compared to prior years. Additionally, because General Display Terminals are mature products, development activities in the recent past year have only included enhancements to the existing product family.

Sales and Marketing

Boundless Technologies markets its terminal products through OEMs and other multi-tier distribution channels. OEMs that do not want to maintain engineering or manufacturing resources can obtain products with their brand name from Boundless Technologies. Customers can buy Boundless Technologies' products from an international network of value-added resellers (VARs) and regional distributors. In order to reduce its dependence on existing OEM customers, Boundless Technologies has been increasing its distribution channel marketing and sales efforts and seeking additional OEM customers. Through its sales force, Boundless Technologies sells directly to large VARs and regional distributors and also sells to major national and international distributors. Boundless Technologies' sales force operates out of two geographically dispersed locations in the United States and a European office in the United Kingdom.

In selling its General Display Terminals, Boundless Technologies emphasizes customization, reliability and compatibility with a broad range of UNIX, Pick and other operating systems.

Boundless Technologies uses direct mail, telemarketing and cooperative marketing to promote its products. The company believes the most effective way to reach this market is via cooperative marketing with its channel partners.

Boundless Technologies' business is not seasonal. The third quarter of the calendar year contributes slightly less revenue, as a percent of the total year's revenue, due to extended vacation periods in Europe, where sales of the company's VT/Dorio products are strong. Other fluctuations in quarterly sales result from large orders that are unrelated to the time of year.

Boundless Manufacturing services include systems assembly, test, distribution and logistics, repair centers and end-of-life management. Boundless Manufacturing also offers in-house engineering expertise- product design, test development, product development- to significantly reduce time-to-market for OEM customers. Boundless Manufacturing provides a complete supply chain that is designed and built to each customer's specifications.

The Company has effectively implemented an outsourcing strategy and cut manufacturing costs for many prominent OEMs. Boundless Manufacturing is also focused on delivering a level of service and commitment to middle-market OEMs and start-up companies that is currently only available to top tier customers from the larger EMS companies. Boundless Manufacturing's strategy, the implementation of which is dependent on its ability to raise working capital, includes aggressively expanding our geographic footprint, service offering, technology base, and information technology infrastructure.

For 35 years, Boundless Technologies has manufactured high quality products and offered a full suite of supporting services. In the last decade, Boundless Technologies has specialized in build-to-order mass-customized manufacturing, a capability that has evolved into a key core competency that we believe offers a significant competitive advantage in its key markets.

The Company's Plan of Reorganization contemplates the consolidation of the Boundless subsidiaries into one legal entity. The new entity will combine and leverage the expertise and capabilities resident within the Boundless family to deliver information access and control solutions through its distribution networks.

During the year ended December 31, 2004, Hewlett Packard, Ingram Micro, and Jetstar contributed 15.6%, 13.8% and 10.9%, respectively, of the Company's total revenue. Hewlett Packard and NCR were the Company's most significant customers in 2003, accounting for approximately 32% and 13%, respectively, of the Company's total revenue. In 2002, Hewlett Packard contributed approximately 14% of the Company's total revenues. The Company believes a decline in the level of sales to these customers, without growth in other areas of its business, could adversely affect the Company's results of operations and liquidity.

During 2003 Hewlett Packard advised the Company of its intention to discontinue the sale of certain of the Company's products to Hewlett Packard customers. Hewlett Packard is transitioning its customers to newer technologies, including thin client terminals. The Company continues to sell product to Hewlett Packard, though in smaller volume, and has released the product for sale to distributors who will sell to customers unwilling to transition to the newer technologies.

Competition

The Company believes that alternative technologies, particularly graphics-capable computers, together with the abandoning of text terminals by both IBM and HP, have eroded the total available market. For 2004, the last year for which the Company has data, annual units shipped into the text market was estimated to be between 100,000 to 130,000 units. The Company believes the market for general purpose text terminals will continue to erode at 20-30% annually. The decline in text sales has resulted in a consolidation of former competitors, as well as the outsourcing of production from original equipment manufacturers to the remaining industry participants. Although industry data is not available, the Company believes its market share to be approximately 25%, with Wyse Technologies ("Wyse"), a Taiwanese company, holding an approximate 45% market share. In the period just prior to the bankruptcy filing, the Company

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believed the relative market shares of Boundless and Wyse were approximately equal at 35% each. The Company believes that the market will continue to decline and therefore lead to additional consolidation. Any market share increases for the Company will come at the expense of current industry competitors. General Display Terminal customer purchase criteria are based on quality, availability, customization, compatibility with other terminals, and price. The Company holds the leadership position in this market.

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Patents, Trademarks and Licensing

The Company owns approximately 20 patents relating to General Display Terminals issued in the United States and various foreign countries, none of which is believed to be material to its business. The patents expire during the next eight years, with expiration dates ranging from January 2006 through August 2013. The Company believes that the knowledge and experience of its management and personnel and their ability to develop, manufacture and market the Company's products in response to specific customer needs is more significant than its patent rights.

The trademarks ADDS, Viewpoint, VT, and Dorio, are registered in the United States Patent and Trademark Office and in a number of foreign countries.

Backlog

We believe that backlog is not a meaningful indicator of future business prospects due to the build-to-order manufacturing processes employed by the Company. This process allows the Company to manufacture product to customer specification within three days of the receipt of the customer order. Therefore, we believe that backlog information is not material to an understanding of our overall business.

Environmental Regulation

Amounts incurred by Boundless in complying with federal, state and local legislation pertaining to protection of the environment during the past three years did not have a material effect upon capital expenditures or the financial condition of the Company. It is our policy to apply strict standards for environmental protection to sites inside and outside the U.S., even when not subject to local government regulations. State and local agencies, as well as federal lawmakers, may impose new laws and regulations that could have a significant impact on our business.

Employees

At December 31, 2005 and December 31, 2004, the Company had approximately 31 full-time employees engaged as follows: 3 in product design and engineering, 21 in manufacturing and repair services, 2 in sales, systems services and marketing and 5 in administration. At December 31, 2003, the Company had approximately 57 full-time employees engaged as follows: 3 in product design and engineering, 40 in manufacturing and repair services, 5 in sales, systems services and marketing and 9 in administration. None of the Company's employees is covered by a collective bargaining agreement. The Company considers relations with its employees to be satisfactory.

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ITEM 2. PROPERTIES

As of December 31, 2003, the Company's administrative offices were located in a 15,000 square foot leased facility at 100 Marcus Boulevard, Hauppauge, New York. Under the terms of sale of the Company's principal offices previously located at this site, the Company was entitled to utilize the 15,000 square feet free of charge for a term of one year following the sale. Boundless' manufacturing and service activities are currently conducted in a leased facility of approximately 32,000 square feet of space in Farmingdale, New York. The lease expires February 28, 2009, and calls for an annual base rent of \$216,000 in the first year of the agreement, escalating to \$243,200 in the fifth year. The Company leases one other small facility in Atlanta, Georgia for depot repair and support services. The annual lease commitment for this facility is not material.

In December 2004 the Company consolidated its administrative offices into the Farmingdale facility.

ITEM 3. LEGAL PROCEEDINGS

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 are being jointly administered under the caption "In re Boundless Corporation, et al., Case No. 03-81558-478." As debtors-in-possession, we are authorized under Chapter 11 to continue to operate as an ongoing business, but may 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 (including some of the actions described below) is stayed, and absent further order of the Bankruptcy Court, no party, subject to certain exceptions, may take any action, again subject to certain exceptions, to recover on pre-petition claims against us. In addition, we may reject pre-petition executory contracts and unexpired lease obligations, and parties affected by these rejections may file claims with the Bankruptcy Court. At this time, it is not possible to predict the outcome of the Chapter 11 process or its effect on our business.

An action was commenced by Kareem Mangaroo, employed by Boundless Technologies between February 1994 and April 1999 as a material handler ("Plaintiff"), on February 5, 2001, against Boundless Technologies, Boundless Corporation, and four employees of the Company (Joseph Gardner, its CFO, Michelle Flaherty, formerly manager of Human Resources, Thomas Iavarone, director of Logistics, and Anthony San Martin, manager of Shipping), seeking damages for the unlawful termination of Plaintiff's employment in violation of Plaintiff's rights under Title VII of the Civil Rights Act of 1964, as amended; the Equal Protection Clause and Due Process Clause, pursuant to the Civil Rights Act of 1886, as amended, 42 U.S.C. ss. 1981; and for damages as a result of the conspiratory actions of defendants to deprive Plaintiff of his equal protection and due process rights pursuant to 42 U.S.C. ss. 1985 and for violation of Plaintiff's rights under the Employee Retirement Income Security Act 29 U.S. C. ss.1001. Plaintiff further alleges claims under State law for breach of contract. The verified complaint was filed in the United States District Court, Eastern District of New York. Plaintiff seeks (i) compensatory damages of \$1 million from each of Boundless Technologies and four employees of the company (jointly and severally), (ii) punitive damages of \$2 million from each of Boundless Technologies, the Company, and four employees of the Company (jointly and severally), (iii) \$1 million against Boundless Technologies for breach of contract, and (iv) the value of forfeited options, attorney's fees, costs of the action and other relief as the court deems necessary.

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On February 17, 2003, the defendants' motion for summary judgment was granted. On March 21, 2003, Plaintiff served Notice of Appeal to the United States Court of Appeals for the Second Circuit in opposition to the granting of defendants' motion for summary judgment. On October 15, 2003, the United States Court of Appeal for the Second Circuit granted the defendants' motion to Stay the appeal in accordance with 11 U.S.C. ss. 362, which Stay is still in effect. The Company intends to vigorously defend this suit since it believes that it has meritorious defenses to the action.

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An action was commenced by Donald W. Lytle ("Plaintiff") on February 8, 2001, against Boundless Technologies, Inc., GN Netcom, Inc., Portal Connect, Inc., and Wholesale Audio Video, Inc. in the Iowa District Court, Johnson County; Law No. LACV061503 alleging negligence and products defects resulting in injuries to Plaintiff's hearing as a result of the use of one model of the Company's General Display Terminals. Plaintiff was suing for unspecified damages. On January 17, 2003, Plaintiff filed a Dismissal with Prejudice dismissing Plaintiff's claims against Boundless Technologies, Inc.

In November 2002, Comdial Corporation filed a demand for arbitration with the American Arbitration Association against Boundless Manufacturing Services, Inc. ("Boundless"). Among other things, Comdial contends that Boundless breached its contractual obligations to Comdial by failing to meet Comdial's orders for the delivery of products manufactured by Boundless. The Comdial demand seeks damages in excess of \$6.0 million. On February 6, 2003, Boundless responded to the demand by denying substantially all of Comdial's claims and asserting counterclaims totaling approximately \$8.2 million, including approximately \$0.8 million in past due invoiced amounts. On March 13, 2003, Boundless announced that it has filed for protection pursuant to Ch. 11 of the U.S. Bankruptcy Code, causing a stay in the arbitration matter. It is not known at this time whether this filing will have any long-term impact on the arbitration, or whether the arbitration will eventually proceed. No amounts have been accrued in the Company's financial statements for any losses. In May 2005 Comdial Corporation filed for protection under Ch. 11 of the U.S. Bankruptcy Code. Since the Company's claims against Comdial accrued prior to Comdial's filing for bankruptcy, any damages awarded to the Company will constitute pre-petition claims against Comdial.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of stockholders of the Company through the solicitation of proxies or otherwise for the year ended December 31, 2004.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock, \$.01 par value, ("Common Stock") had previously traded on The American Stock Exchange ("AMEX") under the symbol BND. However, as a result of the delisting of our securities, the last day of trading on the AMEX was April 9, 2003. The Company's securities have traded on the pink sheets since then under the symbol BDLSQ.PK.

As of December 31, 2005, and December 31, 2004 and 2003, there were approximately 625 holders of record of the Company's Common Stock. The following table sets forth the high and low last sale prices for the Company's Common Stock, as reported by AMEX, for the first quarter of 2003. Price per share information for the second, third and fourth quarters of 2003 and for all of 2004 were as reported by CBS Marketwatch.

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Year Ended December 31, 2004:	High ----	Low ---
First quarter.....	\$ 0.01	\$ 0.01
Second quarter.....	\$ 0.05	\$ 0.01
Third quarter.....	\$ 0.01	\$ 0.01
Fourth quarter.....	\$ 0.01	\$ 0.01

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Year Ended December 31, 2003:	High ----	Low ---
First quarter.....	\$ 0.32	\$ 0.06
Second quarter.....	\$ 0.25	\$ 0.01
Third quarter.....	\$ 0.01	\$ 0.01
Fourth quarter.....	\$ 0.01	\$ 0.01

The last sale price of the Company's Common Stock on December 31, 2005 was \$ 0.00.

The Company believes its presently outstanding equity securities will have no value and it is expected that those securities will be canceled under any plan of reorganization that we propose. For this reason, we urge that caution be exercised with respect to existing and future investments in any Company security.

Recent Sales of Unregistered Securities

None

Dividend Policy

The Company presently anticipates that all of its future earnings will be retained for development of its business and does not anticipate paying cash dividends on its Common Stock in the foreseeable future. The payment of any future dividends will be at the discretion of the Company's Board of Directors and will depend upon, among other things, restrictions on the payment of dividends imposed by its lenders, future earnings, capital requirements, the general financial condition of the Company, and general business conditions.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth selected consolidated financial data for the Company for the periods and the dates indicated. The consolidated balance sheet data and the consolidated statement of operations data as of and for the years ended December 31, 2001 and December 31, 2000 are derived from the consolidated financial statements which were audited by BDO Seidman, LLP, an independent registered public accounting firm. The consolidated balance sheet data and the consolidated statement of operations data as of and for the years ended December 31, 2004, 2003, and 2002 are derived from the consolidated financial statements which were audited by BP Audit Group, PLLC, an independent registered public accounting firm. The selected financial data as of December 31, 2004 and 2003, and for each of the years in the three-year period ended December 31, 2004 should be read in conjunction with, and are qualified in their entirety by, the Consolidated Financial Statements of the Company and related Notes and other financial information included elsewhere herein.

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Consolidated Statement of Operations Data
For the years ended December 31:
(in thousands, except per share data)

	2004 -----	2003 -----	2002 -----	2001 -----
Total revenues	\$ 7,309	\$ 11,750	\$ 26,843	\$ 59,581
Gross margin (loss)	1,852	788	(537)	6,283
Interest expense	129	804	1,402	1,599
Reorganization items	484	655	--	--
Gain on restructuring of payables	--	--	(3,924)	--
Income tax expense (credit)	--	--	--	1,383
Loss from continuing operations	(28)	(3,579)	(7,623)	(8,792)
Loss from discontinued operations	--	--	--	(2,150)
Net loss	(28)	(3,579)	(7,623)	(10,942)
Accretion on preferred stock	--	99	148	--
Loss applicable to common shareholders	\$ (28) =====	\$ (3,678) =====	\$ (7,771) =====	\$ (10,942) =====
Loss per common share from continuing operations:				
Basic and diluted	\$ -- =====	\$ (0.55) =====	\$ (1.21) =====	\$ (1.74) =====
Loss per common share:				
Basic and diluted	\$ -- =====	\$ (0.55) =====	\$ (1.21) =====	\$ (2.17) =====
Consolidated Balance Sheet Data At December 31: (in thousands)				
Working capital (deficit)	\$ 632	\$ (39)	\$ (9,775)	\$ (16,473)
Total assets	3,010	4,138	13,236	33,215
Revolving credit loan (short-term)	--	--	--	8,507
Current maturities of long-term debt	350	837	3,142	6,855
Liabilities and other items subject to compromise	14,622	13,207	--	--
Long-term obligations	953	1,581	8,294	833
Mandatorily redeemable preferred stock	--	--	1,554	--
Stockholder's equity (deficit)	(14,905)	(14,877)	(11,199)	(4,143)

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS

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OF OPERATIONS

General

The numbers and percentages contained in this Item 7 are approximate. Dollar amounts are stated in thousands.

Critical Accounting Policies

We have identified the policies below as critical to our business operations and the understanding of our results of operations. The impact and any associated risks related to these policies on our business operations is discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations where such policies affect our reported and expected financial results. For a detailed discussion on the application of these and other accounting policies, see the Notes to the Consolidated Financial Statements in Item 15 of this Annual Report on Form 10-K. Note that our preparation of this Annual Report on Form 10-K requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements, and the reported amounts of revenue and expenses during the reporting period. There can be no assurance that actual results will not differ from those estimates.

Bankruptcy Considerations- Financial Statement Presentation

The consolidated financial statements have been prepared in accordance with American Institute of Certified Public Accountants' Statement of Position 90-7 ("SOP 90-7"), "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code," and on a going-concern basis, which contemplates continuity of operations, realization of assets and satisfaction of liabilities in the ordinary course of business.

SOP 90-7 requires that the financial statements for periods subsequent to the Chapter 11 filing petition distinguish transactions and events that are directly associated with the reorganization from the operations of the business. Accordingly, revenues, expenses (including professional fees), realized gains and losses, and provisions for losses directly associated with the reorganization and restructuring of the business are reported separately in the financial statements. The Consolidated Balance Sheet distinguishes pre-petition liabilities and other items subject to compromise from both those pre-petition liabilities that are not subject to compromise and from post-petition liabilities. Liabilities and other items subject to compromise are reported at the amounts expected to be allowed, even if they may be settled for lesser amounts.

In addition, as a result of the Chapter 11 filing, the realization of assets and satisfaction of liabilities, without substantial adjustments or changes in ownership, are subject to uncertainty. Given this uncertainty, there is substantial doubt about the Company's ability to continue as a going concern. While operating as debtors-in-possession under the protection of Chapter 11 of the Bankruptcy Code and subject to approval of the Bankruptcy Court or otherwise as permitted in the ordinary course of business, the Debtors, or some of them, may sell or otherwise dispose of assets and liquidate or settle liabilities for some amounts other than those reflected in the consolidated financial statements. Further, a plan of reorganization could materially change the amounts and classifications in the historical consolidated financial statements.

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). The Company adopted SFAS 142 on January 1, 2002, eliminating the amortization of goodwill and other intangible assets that

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have indefinite useful lives. SFAS 142 also requires at least an annual impairment review of goodwill and other intangible assets and any asset deemed to be impaired is to be written down to its fair value. Due to its March 2003 Chapter 11 proceedings, in December 2002, the Company recorded an expense of \$3,262 to remove the remaining book value of all goodwill and associated intellectual property.

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Basis of Presentation

Boundless Corporation is a holding company whose principal subsidiaries are Boundless Technologies, Inc., Boundless Manufacturing Services, Inc., and Merinta Inc. The consolidated financial statements include the accounts of all of the Company's majority-owned subsidiaries. We sometimes collectively refer to Boundless Corporation, together with our consolidated subsidiaries, as "we," "Boundless" or the "Company." All significant intercompany transactions are eliminated. Certain prior year amounts have been reclassified to conform to the current year's presentation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents and Short-Term Investments

Cash in excess of operating requirements is invested in short-term, highly liquid, income-producing investments. Investments with a maturity of three months or less on their acquisition date are classified as cash and cash equivalents. Other investments are classified as short-term investments.

We had \$271,000 and \$328,000 classified as "cash on deposit with lender" at December 31, 2004 and 2003, respectively, representing cash on-hand in a lockbox account under the control of the Company's DIP lender. On approval of the DIP lender the Company accesses these funds; further, the lender withdraws payments on terms of its DIP financing agreement as discussed above in "Bankruptcy Considerations".

Machinery and Equipment

Owned machinery and equipment are stated at cost. Property under capital leases, and the related obligation for future lease payments, is recorded at an amount equal to the initial present value of those lease payments.

Depreciation and amortization of owned depreciable assets is based on the straight-line method over the assets' estimated service lives. Leasehold improvements are amortized over the remaining period of the lease or the estimated service life of the related asset, whichever is less.

Properties under capital leases are amortized on the straight-line method over the life of the lease or over their estimated service lives. Amortization of capital leases is included in depreciation and amortization expense.

Maintenance and repairs, including the cost of minor replacements, are charged to maintenance expense as incurred. Costs of additions to and renewals of units of property are capitalized as property and equipment additions.

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Sales returns and other allowances, allowance for doubtful accounts.

The preparation of financial statements requires our management to make estimates and assumptions that affect the reported amount of assets at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Specifically, our 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 our 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. Material differences may result in the amount and timing of our revenue for any period if management made different judgments or utilized different estimates. Historically the Company has not experienced material levels of product returns.

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Similarly, our management must make estimates of the uncollectibility of our accounts receivable. Management specifically analyzes accounts receivable and analyzes historical bad debts, customer concentrations, customer credit-worthiness, current economic trends and changes in our customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. Management's review of this allowance could result in a reduction and corresponding credit to the statement of operations.

Warranty and product guaranties.

We provide for the estimated cost of product warranties at the time revenue is recognized. While the Company engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of its component suppliers, our warranty obligation is affected by product failure rates, material usage and service delivery costs incurred in correcting a product failure. Should actual product failure rates, material usage or service delivery costs differ from our estimates, revisions to the estimated warranty liability may be required.

Inventory obsolescence.

We record inventory valuation allowances for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual future demand or market conditions are less favorable than those projected by management, additional inventory valuation allowances may be required. Management's review of this allowance could result in a reduction and corresponding credit to the statement of operations.

Deferred Taxes

The carrying value of the Company's net deferred tax assets is based on assumptions as to whether the Company will be able to generate sufficient future taxable income in certain tax jurisdictions, based on applicable estimates and assumptions to utilize its existing loss carry-forwards. If these estimates and related assumptions change in the future, the Company may be required to record applicable adjustments to the valuation allowances against its deferred tax assets resulting in additional income tax expense or credits in the Company's consolidated statement of operations. Management evaluates the realizability of the deferred tax assets quarterly and assesses the need for changes in the valuation allowances quarterly. For the years ended December 31, 2004, 2003 and 2002 the Company has recorded valuation allowances at 100% of its deferred tax

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assets.

Results of Operations

First quarter of 2004 compared with first quarter of 2003

On March 12, 2003, the Company filed for protection under Chapter 11 of the U.S. Bankruptcy Code. Prior to the filing, the Company's inability to obtain material for production adversely impacted customer demand and the Company's ability to satisfy existing customer orders.

Revenue - Revenue for the quarter ended March 31, 2004 was \$2,183 as compared to \$2,470 for the quarter ended March 31, 2003.

Sales of the Company's General Display Terminals were \$1,985 for the quarter ended March 31, 2004 compared to \$1,963 for the quarter ended March 31, 2003. The first quarter of 2003 was adversely impacted by the Company's bankruptcy filing. Stabilization of the Company's operations in the periods subsequent to the filing allowed the Company to record revenues of General Display Terminals during the first quarter of 2004 similar to recorded revenue in the first quarter of

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2003 despite the industry decline in demand for this product.

Net revenue from EMS activities, primarily logistics services sold to Unique Co-operative Solutions, Inc. ("UCSI"), were \$18. UCSI is wholly owned by Mr. Oscar Smith, who also is the majority shareholder of Vision. Mr. Smith also owns approximately 15% of the outstanding common stock of the Company. EMS revenue for the quarter ended March 31, 2003 was \$300. The revenue decline is wholly attributable to the working capital constraints faced by the Company beginning in the second quarter of 2002.

Net revenue from the Company's repairs and spare parts business for the quarter ended March 31, 2004 was \$179 as compared to \$207 for the quarter ended March 31, 2003.

Hewlett-Packard contributed 34% of the Company's revenue in the quarter ended March 31, 2004, and 26% of recorded revenues for the first quarter of 2003. During 2003 Hewlett Packard informed the Company of its decision to discontinue the sale of the Company's products. Sales to Hewlett Packard during the first quarter of 2004 represented purchases for its immediate needs as well as product purchases it anticipated needing for the transition of its customers to alternative products.

Gross Margin - The Company recorded gross margin for the three months ended March 31, 2004 of \$644 (29.5% of revenue) compared to a gross margin loss of \$112 for the first quarter of 2003. The increase in gross margin is attributable to the reduction in fixed overhead associated with the Company's manufacturing facility in Hauppauge, New York, which the Company sold in December 2003. In addition, General Display Terminals, which contribute higher gross margin as compared to the Company's other sources of revenue, provided approximately 91% of revenue in the first quarter of 2004 compared to 79% of revenue in the first quarter of 2003.

Total Operating Expenses - For the quarter ended March 31, 2004, operating expenses, excluding interest expense and reorganization expenses associated with the Company's bankruptcy filing, decreased 5% to \$513 (23% of revenue), compared to expenses for the first quarter of 2003 of \$537 (22% of revenue). This

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decrease is attributable primarily to layoffs and other expense control activities which the Company had begun implementing to align sales, marketing and administrative expenses with the revenue decline.

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 will own 100% of the Company upon confirmation of the Company's plan of reorganization. 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. For the first quarter of 2004 the Company charged UCSI \$75 and incurred estimated expenses of \$90, resulting in a loss on reimbursement of employee services of \$15.

Loss on extinguishment of debt- In connection with the bankruptcy filing, during the quarter ended March 31, 2003, the Company obtained debtor-in-possession financing with Valtec Capital, LLC and wrote off \$289 of capitalized debt financing costs associated with the asset-based lending agreement with the Company's prior lender.

During the first quarter of 2004 the Company recorded net reorganization expenses of \$113; which amount included approximately \$123 related to expenses associated with the Company's relocating its manufacturing operations to Farmingdale, New York. In addition, the Company recognized \$23 from the sale of excess assets. Reorganization expenses, primarily for legal fees, were \$336 during the quarter ended March 31, 2003.

Other credits - Other credits for the quarter ended March 31, 2004 was \$49 compared to credits of \$129 for the period ended March 31, 2003. Credits recorded in 2004 include \$12 relating to return of premiums against the Company's workers' compensation insurance due to a reduction in the Company's experience rating.

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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 first quarter of 2004 the Company recorded a reduction in the reserve against its receivables in an amount of approximately \$24.

Interest Expense - Interest expense for the quarter ended March 31, 2004 was \$41 compared to \$274 for the comparable period in 2003. The decline in interest expense is attributable to the elimination of mortgage interest on the Company's former manufacturing facility, sold in December of 2003, and the rejection of certain capital leases as a result of the bankruptcy filing. Pursuant to a Financing Agreement dated June 27, 2002, the Company entered into a credit facility with the CIT Group/Business Credit, Inc. ("CIT"). By assignment dated February 21, 2003, CIT assigned all of its right, title and interest in and to the CIT Credit Facility to Valtec Capital Corporation ("Valtec"). Prior to this assignment, the Company had been amortizing the capitalized debt financing costs associated with the CIT agreement to interest expense. For the first quarter ended March 31, 2003, the amortized capitalized debt financing costs were \$42.

Income Tax Expense - For the first quarter of 2004 and 2003 the Company did not record income tax expense or credit against the recorded results. The Company recorded no income tax benefit for the quarter ended March 31, 2003, based on the Company's estimate of its annual effective income tax rate to be zero. For

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annual reporting purposes, the Company has provided a 100% valuation allowance for its net deferred tax assets.

Net Income (Loss) - For the quarter ended March 31, 2004, the Company recorded net income of \$11, compared to net loss of \$1,419 for the quarter ended March 31, 2003.

Second quarter of 2004 compared with second quarter of 2003

Revenue - Revenue for the quarter ended June 30, 2004, was \$1,811 as compared to \$4,008 for the quarter ended June 30, 2003. Revenue for the six months ended June 30, 2004 was \$3,994 versus \$6,478 for 2003.

Sales of the General Display Terminals declined 55% to \$1,575 for the quarter ended June 30, 2004 from \$3,640 for the quarter ended June 30, 2003. Results for the second quarter of 2003 include substantial conversion of backlog arising from the interruption of manufacturing activities immediately following the Company's filing for bankruptcy on March 12, 2003. On a year-to-date basis, revenue for General Display Terminals declined 36% to \$3,560 from \$5,603 in 2003.

Electronic manufacturing services revenues for the quarter ended June 30, 2004, were \$64, excluding intercompany revenue, as compared to \$68 for the quarter ended June 30, 2003. As a result of the bankruptcy filing and the Company's decision to close the Boca Raton manufacturing facility in June of 2002, the Company's EMS customers had sought alternative suppliers. The Company completed contractual production for its one remaining EMS customer from its Hauppauge, New York facility during the second quarter of 2003.

Net revenue from the Company's repairs and spare parts business for the quarter ended June 30, 2004 was \$173 as compared to \$300 for the quarter ended June 30, 2003.

Agilysis and 1st Solutions contributed 12.3% and 9.8%, respectively, of total revenues during the second quarter of 2004. Hewlett Packard contributed 39% of the Company's total revenue in the quarter ended June 30, 2003.

Gross Margin - Gross margin for the three months ended June 30, 2004 were \$441, as compared to gross margin of \$803 for the comparable period in 2003. The decline in gross margin is directly attributable to the decline in revenue. Gross margin for the six months ended June 30, 2004 were \$1,085 as compared to \$691 for the comparable period in 2003.

Total Operating Expenses - For the quarter ended June 30, 2004, operating expenses, excluding interest expense and

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reorganization expenses, were \$350 (19% of revenue), compared to expenses for the second quarter of 2003 of \$1,253 (31% of revenue). For the six months ended June 30, 2004, operating expenses were \$863 compared to expenses in the comparable period in 2003 of \$1,790.

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 will own 100% of the Company upon confirmation of the Company's plan of reorganization. A monthly charge to UCSI was agreed to based upon the Company's estimate of the

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percentage of time its employees would be devoted to UCSI projects. For the quarter ended June 30, 2004, the Company charged UCSI \$75 and incurred estimated expenses of \$90, resulting in a loss on reimbursement of employee services of \$15. For the six months ended June 30, 2004, the loss on reimbursement of employee services was \$30.

During the second quarter ended June 30, 2004, the Company recorded net reorganization expenses of \$76, primarily for legal fees, associated with its bankruptcy filing. For the second quarter of 2003 reorganization expenses were approximately \$330. On a year-to-date basis reorganization expenses were \$189 for the six months ended June 2004 compared to \$666 for the comparable period in 2003.

Other Charges/Credits - The Company recorded charges of \$74 during the quarter ended June 30, 2004 compared to credits of \$21 for the quarter ended June 30, 2003. Charges in the second quarter of 2004 include accruals of approximately \$58 associated with the lease obligations of the Company's depot repair center in Illinois which the Company had decided to close. At that time, the Company's lease on the facility had 18 months remaining until expiration. On a year-to-date basis, other charges were \$25 in 2004 compared to other credits of \$150 in 2003.

Interest Expense - Interest expense for the quarter ended June 30, 2004 was \$37 compared to \$196 for the comparable period in 2003. Mortgage interest on the Company's former manufacturing facility, sold in December of 2003, was approximately \$112 for the quarter ended June 30, 2003. On a year-to-date basis, interest expense was \$78 in 2004 compared to \$470 in 2003.

Income Tax Expense - For the second quarter of 2004 and 2003, the Company did not record an income tax credit against the recorded losses before income taxes. The Company recorded no income tax benefit for the quarter ended June 30, 2004 and 2003, based on the Company's estimate of its annual effective income tax rate to be zero. For annual reporting purposes, the Company has provided a 100% valuation allowance for its net deferred tax assets.

Net Loss- For the quarter ended June 30, 2004, the Company recorded a net loss of \$111, compared to a net loss of \$955 for the quarter ended June 30, 2003. The year-to-date loss in 2004 was \$100 compared to \$2,374 in 2003.

Third quarter of 2004 compared to third quarter of 2003

Revenue - Revenue for the quarter ended September 30, 2004, was \$1,412 as compared to \$3,461 for the quarter ended September 30, 2003. Revenue for the nine months ended September 30, 2004 was \$5,406 versus \$9,939 for 2003.

Sales of the Company's General Display Terminals were \$1,203 for the quarter ended September 30, 2004 compared to \$3,207 for the quarter ended September 30, 2003. On a year-to-year basis, revenue for General Display Terminals declined 46% to \$4,763 from \$8,810 in year 2003.

The Company recorded EMS revenue of \$32 for the third quarter of 2004. Due to the Company's weak financial position no EMS activity or revenue was recorded in the quarter ended September 30, 2003.

Net revenue from the Company's repairs and spare parts business for the quarter ended September 30, 2004 was \$177 as

compared to \$253 for the quarter ended September 30, 2003.

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Ingram Micro and Jetstar contributed 19.9% and 11.4%, respectively, of total revenues for the quarter ending September 30, 2004. Hewlett Packard and NCR were the most significant customers of the Company for the quarter ended September 30, 2003, contributing 33% and 27%, respectively, of total revenue.

Gross Margin - Gross margin for the three and nine months ended September 30, 2004 were \$335 (23.7% of revenue) and \$1,420 (26.3% of revenue) respectively, as compared to gross margin of \$691 (20% of revenue) for the third quarter of 2003 and \$1,382 (14% of revenue) for the nine months ended September 30, 2003.

Total Operating Expenses - For the quarter ended September 30, 2004, operating expenses, excluding interest expense and reorganization expenses, decreased 20% to \$266 (19% of revenue), compared to expenses for the third quarter of 2003 of \$334 (10% of revenue). For the nine months ended September 30, 2004, operating expenses were \$1,129 compared to expenses in the comparable period in 2003 of \$2,124.

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 will own 100% of the Company upon confirmation of the Company's plan of reorganization. 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. For the quarter ended September 30, 2004, the Company charged UCSI \$75 and incurred estimated expenses of \$90, resulting in a loss on reimbursement of employee services of \$15. For the nine months ended September 30, 2004, the loss on reimbursement of employee services was \$45.

Net reorganization expenses were \$86 and \$275 for the three and nine months ended September 30, 2004, respectively, as compared to expenses of \$287 and \$953 for the three and nine months ended September 30, 2003. Of the \$85 recognized during the third quarter of 2004, \$75 represented legal expenses. During the third quarter of 2003, the Company recognized gains of \$48 from the sale of excess assets and for the nine-month period the Company incurred \$974 representing legal fees and fees due the U.S. Trustee administering the bankruptcy case.

Other Charges/Credits - The Company recorded credits of \$40 during the quarter ended September 30, 2004 compared to credits of \$30 for the quarter ended September 30, 2003. Other credits in the third quarter of 2004 is composed of the partial reversal of previously accrued expenses, originally in the amount of approximately \$58, and recorded during the second quarter of 2004 in connection with the Company's decision to shut down its leased depot repair center in Illinois. During the third quarter of 2004 the Company reached agreement with the landlord of the Illinois facility releasing the Company from the then remaining obligations under the lease. Other credits in 2003 include \$26 related to premium returns on the Company's workers' compensation insurance. On a year-to-date basis, other credits were \$15 in 2004 compared to other credits of \$180 in 2003.

Interest Expense - Interest expense for the quarter ended September 30, 2004 was \$21 compared to \$192 for the comparable period in 2003. For the third quarter of 2003, the Company recorded interest expense of approximately \$112 related to the mortgage on its Hauppauge, NY, facility. Interest expense for the nine months was \$99 in 2004 versus \$662 in 2003.

Income Tax Expense - For the third quarter of 2004 and 2003, the Company did not record an income tax credit against the recorded losses before income taxes. The Company recorded no income tax benefit for the quarter ended September 30, 2004

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and 2003, based on the Company's estimate of its annual effective income tax rate to be zero. For annual reporting purposes, the Company has provided a 100% valuation allowance for its net deferred tax assets.

Net loss- For the quarter ended September 30, 2004, the Company recorded a net loss of \$13, compared to a net loss of \$92 for the quarter ended September 30, 2003. For the nine months ended September 30, 2004 the net loss was \$113 compared

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to \$2,466 for the nine months ended September 30, 2003.

Years Ended December 31, 2004 and 2003

Revenues: Revenues for the year ended December 31, 2004 were \$7,309, as compared to \$11,750 for the year ended December 31, 2003. The decline in revenue is attributable to a reduction in sales of the Company's text terminals products, as customers moved to alternative technologies, including graphic displays.

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. There exists limited opportunities for sales of the general display terminal into new installations. Text terminal customer purchasing criteria are based on quality, customization, compatibility with other terminals, price and, as a result of the markets replacement characterization, lead-times. Prior to its filing for bankruptcy, the Company has been a leader in these categories.

Sales of the Company's General Display Terminals declined by 38% to \$6,400 for the year ended December 31, 2004 from \$10,347 for the year ended December 31, 2003. The decline is attributable to a reduction in sales of the Company's OEM products to Hewlett Packard and IBM, which, in combination, accounted for a decline of approximately \$2,477, or 62%, from sales in 2003.

The decline in text sales has resulted in a consolidation of former competitors, as well as the outsourcing of production from original equipment manufacturers to the remaining industry participants. Although industry data is not available, the Company believes its market share to be approximately 25%, with Wyse Technologies ("Wyse"), a Taiwanese company, holding an approximate 45% market share. In the period just prior to the bankruptcy filing, the Company believes the relative market shares of Boundless and Wyse were approximately equal at 35% each. The Company believes that the market will continue to decline and therefore lead to additional consolidation. Any market share increases for the Company will come at the expense of current industry competitors.

Customer Services revenue for 2004 was \$669 compared to \$1,032 in 2003. Customer services 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

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terminals when they switch to alternative technologies, thereby reducing the Company's opportunity to sell new equipment.

During 2004 the Company recorded EMS revenue of \$240, entirely for logistics services provided to UCSI. During 2003 the Company recorded EMS revenue of \$371.

Hewlett Packard, Ingram Micro and Jetstar contributed 15.6%, 13.8% and 10.9%, respectively of Company revenues in 2004. Hewlett Packard and NCR were the Company's most significant customers in 2003, accounting for approximately 32% and 13%, respectively, of the Company's total revenue.

During 2003 Hewlett Packard advised the Company of its intention to discontinue the sale of certain of the Company's products to Hewlett Packard customers. Hewlett Packard is transitioning its customers to newer technologies, including thin client terminals. The Company continues to sell product to Hewlett Packard, though in smaller volume, and has released the product for sale to distributors who will sell to customers unwilling to transition to the newer technologies.

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Gross Margin. Gross margin for the year ended December 31, 2004 was \$1,852 (25% of revenue), as compared to gross margin for the year ended December 31, 2003 of \$788 (7% of revenue).

To reduce overhead expenses, in December 2003 the Company sold its manufacturing facility in Hauppauge, New York, thereby eliminating \$8,578 in principal amount of secured debt and \$634 of accrued property tax and interest. Under the terms of the sales transaction, the Company leased 15,000 sq. feet of administrative and engineering space at no out of pocket cost to it during the first year of the lease. In accordance with generally accepted accounting principles, a factor for reasonable rent expense was imputed to the sale transaction. In February 2004 the Company executed a lease to rent 32,000 sq. ft. of manufacturing space in a facility located in Farmingdale, New York. The lease term is 5 years and calls for first year annual rent of \$216, escalating to \$243 in the final year.

During the bankruptcy period, the supply chain disruption and the Company's lack of adequate working capital caused the Company to incur substantial airfreight expenses in order to accelerate receipt of raw materials to meet customers' demands and the Company's commitments. For the year ended 2003, airfreight expense totaled \$414. Had the Company been able to avoid this expense, gross margin would have been improved by 3.5 points. As of December 31, 2003, the Company has restructured the supply chain for raw materials and eliminated unfavorable airfreight expense.

In December 2003 the Company recorded a charge of \$778, or 6.6 points of gross margin, to reserve against excess and obsolete inventory. Of this amount, \$175 represents a reserve against exposure positions existing prior to the Filing Date. In addition, the Company accrued \$528 to reserve against a portion of the inventory located at Ansen.

Gross margin in future periods may be affected by several factors such as sales volume, shifts in product mix, pricing strategies and absorption of manufacturing costs.

Changes in retail pricing did not have a material adverse effect on the Company's gross margin in 2004 or 2003. In a continuing effort to maintain and improve margins in an industry otherwise characterized by commodity pricing,

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management has focused on quality, flexibility, and product cost reductions.

From time-to-time margins are adversely affected by industry shortages of key components. The Company emphasizes product and cost reductions in its research and development activities and frequently reviews its supplier relationships with the view to obtaining the best component prices available. See "Asset Management."

Total Operating Expenses. For the year ended December 31, 2004, operating expenses, excluding interest and reorganization expenses, were \$1,434 (20% of revenue), compared to expenses for 2003 of \$2,812 (24% of revenue).

Sales and Marketing Expenses. Sales and marketing expenses decreased 52% from \$610 (5% of revenue) for the year ended 2003 to \$295 (4% of revenue) for the year ended December 31, 2004. The decrease is attributable to the reorganization of the Company which resulted in a major reduction in personnel and marketing programs.

Boundless Technologies promotes its products by means of a balanced mix of direct mail, telemarketing and cooperative channel marketing programs. Boundless Manufacturing promotes its services through its direct sales force.

General and Administrative Expenses. General and administrative expenses decreased 51%, or \$1,043, to \$989 (14% of revenue), from \$2,032 (17% of revenue) for the periods ending December 31, 2004 and 2003, respectively. The decrease stems from reductions in personnel costs, travel and professional services.

Research and Development Expenses. Research and development expenses decreased to \$150 in 2004 from \$170 in 2003. Because General Display Terminals are mature products, development activities over the past year have only

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included enhancements to the existing product family.

Interest Expense. Interest expense amounted to \$129 for the year ended December 31, 2004 compared to \$804 for 2003. The decrease is attributable to lower levels of debt carried by the Company during 2004 and the elimination of the mortgage interest due to the sale of the Company's Hauppauge facility in December 2003. In addition, during the first quarter of 2003 the Company assigned all of its right, title and interest in and to the CIT Credit Facility to Valtec Capital Corporation ("Valtec"). Prior to this assignment, the Company had been amortizing the capitalized debt financing costs associated with the CIT agreement to interest expense. For the first quarter ended March 31, 2003, the amortized capitalized debt financing costs were \$63.

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 will own 100% of the Company upon confirmation of the Company's plan of reorganization. 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. For 2004 the Company charged UCSI \$255 and incurred estimated expenses of \$306, resulting in a loss on reimbursement of employee services of \$51.

Loss on extinguishment of debt. In connection with the bankruptcy filing, during the quarter ended March 31, 2003, the Company obtained debtor-in-possession financing with Valtec Capital, LLC and wrote off \$289 of

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capitalized debt financing costs associated with the asset-based lending agreement with the Company's prior lender.

Other Charges (Credits). Credits for the year ended 2004 were \$218 and included the reduction in reserves for trade receivables of \$117 and inventory of \$109. Credits for the year ended December 31, 2003 were \$193

Reorganization Items. For the year ended December 31, 2004 the Company recorded net reorganization expenses of \$485. The expenses for 2004 include \$278 for legal fees associated with the Company's bankruptcy filing and \$157 of expenses relating to the relocation of the Company's manufacturing operations. For the year ended December 31, 2003 the Company recorded net reorganization expenses of \$655. The expenses for 2003 include \$1,298 for legal fees associated with the Company's bankruptcy filing and \$685 of gains from the sale of assets.

Income Tax Expense/Credit. Due to the net losses, the Company did not record an income tax expense or credit for either of the years ended December 31, 2004 and 2003. The Company has provided a valuation allowance against the total amount of the net deferred tax assets due to the uncertainty of future realization.

Net Loss. For the year ended December 31, 2004, the net loss was \$28, compared to a net loss of \$3,579 for the year ended December 31, 2003.

Accretion on Preferred Stock. Convertible preferred stock issued in connection with the 2002 debt restructuring in the face amount of \$4,365 was recorded at its estimated fair value of \$1,406. Assuming none of the holders of the Preferred Stock convert to Common Stock of Boundless Corporation, the Company would be required to record a charge to earnings available to stockholders over the ten-year redemption period such that the carrying value of the Preferred Stock equals its face value at the time of redemption. Pre-petition, the difference between the carrying value of the preferred stock and its face value was being treated as a dividend and charged to earnings available to stockholders over the ten-year redemption period unless conversion occurs, in which case accretion terminates at that point. As a result of the bankruptcy, during 2003 the Company discontinued accreting to earnings the difference between the carrying value and face amount of the preferred stock. The aggregate accretion at the time of discontinuance was \$247.

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Net Loss Applicable to Common Shareholders. For the year ended December 31, 2004, the net loss applicable to common shareholders was \$28, compared to a net loss applicable to common shareholders of \$3,678 for the year ended December 31, 2003.

Years Ended December 31, 2003 and 2002

Revenues: Revenues for the year ended December 31, 2003 were \$11,750, as compared to \$26,843 for the year ended December 31, 2002. The decline in revenue is attributable to a reduction in sales of the Company's text terminals products, as customers moved to alternative technologies, including graphic displays. In addition, revenue for 2002 included \$7,781 from the Company's EMS offerings, which services the Company did not perform during the bankruptcy period due to their working capital deficit position.

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

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terminal customer purchasing criteria are based on quality, customization, compatibility with other terminals, price and, as a result of the markets replacement characterization, lead-times. Historically, the Company has been a leader in these categories.

Sales of the Company's General Display Terminals declined by 40% to \$10,347 for the year ended December 31, 2003 from \$17,248 for the year ended December 31, 2002. The decline is attributable to a reduction in sales of the Company's OEM products to Digital, Hewlett Packard and IBM, which, in combination, accounted for a decline of approximately \$1,897, or 34.8%, from sales in 2002.

Actual Text revenue in 2003 is below that recorded by the Company in 2002, even after considering the industry decline in demand for this product. The abnormally high rate of decline in 2003 is attributable to: (i) the decline related to the Company filing for bankruptcy; (ii) a one month disruption in the Company's receipt of ANSI material; and, (iii) the failure of a key component vendor to timely place orders for key ASCII components to its sub-suppliers. This resulted in the delivery of product to the Company four months later than the quoted delivery date. This delay further exacerbated lead-times, causing the Company to attempt to reschedule its commitments to customers, as well as raising customer concerns as to the Company's ability to continue to function as a reliable source of text terminals. Therefore, customers cancelled orders and did not place orders with the Company for additional product.

During 2003 the Company's ATFS/EMS services were adversely impacted by its working capital constraints and bankruptcy filing. For the year ended December 31, 2003, the Company recorded EMS revenue of \$371. In 2002 the Company recorded ATFS/EMS revenue of \$7,781. Participation in the EMS market requires a substantial investment in working capital as well as a high level of trust between the EMS provider and the customer; since, in effect, the customer's success is directly linked to the EMS provider's ability to perform the outsourced services. The inability of the Company to fund the start-up of Merinta, combined with the decline in text terminal sales, adversely impacted working capital. Lacking adequate working capital, the Company was not able to maintain the EMS growth they had achieved during 2001; and in June 2002 closed its manufacturing facility in Boca Raton, Florida, consolidating its operations into the Hauppauge, New York, facility.

Customer Services revenue for 2003 was \$1,032 compared to \$1,814 in 2002. Customer services 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.

Spare parts sales in 2003 were also impacted by the Company's negative working capital position and their inability to acquire material to satisfy customer demand. Sales of spare parts in 2003 were \$355 as compared to \$598 in

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2002.

Hewlett Packard and NCR were the Company's most significant customers in 2003, accounting for approximately 32% and 13%, respectively, of the Company's total revenue. During 2002, Hewlett Packard contributed 14% of the Company's revenue.

Gross Margin. Gross margin for the year ended December 31, 2003 was \$788 (6.7% of revenue), as compared to a gross margin loss for the year ended December 31, 2002 of \$537.

To reduce overhead expenses, in December 2003 the Company sold its manufacturing facility in Hauppauge, New York, thereby eliminating \$8,578 in principal amount of secured debt and \$634 of accrued property tax and interest. Under the terms of the sales transaction, the Company leased 15,000 sq. feet of administrative and engineering space at no out of pocket cost to it during the first year of the lease. In accordance with generally accepted accounting principles, a factor for reasonable rent expense of \$150 was imputed to the sale transaction. In February 2004 the Company executed a lease to rent 32,000 sq. ft. of manufacturing space in a facility located in Farmingdale, New York. The lease term is 5 years and calls for first year annual rent of \$216, escalating to \$243 in the final year.

During the bankruptcy period, the supply chain disruption and the Company's lack of adequate working capital caused the Company to incur substantial airfreight expenses in order to accelerate receipt of raw materials to meet customers' demands and the Company's commitments. For the year ended 2003, airfreight expense totaled \$414. Had the Company been able to avoid this expense, gross margin would have been improved by 3.5 points. As of December 31, 2003, the Company has restructured the supply chain for raw materials and eliminated unfavorable airfreight expense.

In December 2003 the Company recorded a charge of \$778, or 6.6 points of gross margin, to reserve against excess and obsolete inventory. Of this amount, \$175 represents a reserve against exposure positions existing prior to the Filing Date. In addition, the Company accrued \$528 to reserve against a portion of the inventory located at Ansen.

Gross margin in future periods may be affected by several factors such as sales volume, shifts in product mix, pricing strategies and absorption of manufacturing costs.

Changes in retail pricing did not have a material adverse effect on the Company's gross margin in 2003 or 2002. In a continuing effort to maintain and improve margins in an industry otherwise characterized by commodity pricing, management has focused on quality, flexibility, and product cost reductions.

From time-to-time margins are adversely affected by industry shortages of key components. The Company emphasizes product and cost reductions in its research and development activities and frequently reviews its supplier relationships with the view to obtaining the best component prices available. See "Asset Management."

Total Operating Expenses. For the year ended December 31, 2003, operating expenses, excluding interest expense, were \$2,812 (24% of revenue), compared to expenses for 2002 of \$6,121 (23 % of revenue).

Sales and Marketing Expenses. Sales and marketing expenses decreased 72% from \$2,193 (8.2% of revenue) for the year ended 2002 to \$610 (5.2% of revenue) for the year ended December 31, 2003. The decrease is attributable to the reorganization of the Company which resulted in a major reduction in personnel and marketing programs.

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Boundless Technologies promotes its products by means of a balanced mix of direct mail, telemarketing and

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cooperative channel marketing programs. Boundless Manufacturing promotes its services through its direct sales force.

General and Administrative Expenses. General and administrative expenses decreased 31.6%, or \$937, to \$2,032 (17.3% of revenue), from \$2,969 (11.1% of revenue) for the periods ending December 31, 2003 and 2002, respectively. The decrease stems from reductions in personnel costs, travel and professional services.

Research and Development Expenses. Research and development expenses decreased to \$170 in 2003 from \$959 in 2002. Because General Display Terminals are mature products, development activities over the past year have only included enhancements to the existing product family.

Interest Expense. Interest expense amounted to \$804 for the year ended December 31, 2003 compared to \$1,402 for 2002. The decrease is attributable to lower levels of debt carried by the Company during 2003. Pursuant to a Financing Agreement dated June 27, 2002, the Company entered into a credit facility with the CIT Group/Business Credit, Inc. ("CIT"). Prior to the assignment of the credit facility to Valtec Capital Corporation during the first quarter of 2003, the Company had been amortizing the capitalized debt financing costs associated with the CIT agreement to interest expense. For the first quarter ended March 31, 2003, the amortized capitalized debt financing costs were \$63. For the year ended December 31, 2002, amortized debt financing costs associated with the CIT credit facility were \$121.

Loss on extinguishment of debt. In connection with the bankruptcy filing, during the quarter ended March 31, 2003, the Company obtained debtor-in-possession financing with Valtec Capital, LLC and wrote off \$289 of capitalized debt financing costs associated with the asset-based lending agreement with the Company's prior lender.

Write-off of Goodwill and Other Intangible Assets. In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). The Company adopted SFAS 142 on January 1, 2002, eliminating the amortization of goodwill and other intangible assets that have indefinite useful lives. SFAS 142 also requires at least an annual impairment review of goodwill and other intangible assets and any asset deemed to be impaired is to be written down to its fair value. Due to its March 2003 Chapter 11 proceedings, in December 2002, the Company recorded an expense of \$3,262 to remove the remaining book value of all goodwill and associated intellectual property. Amortization will continue to be recorded for intangible assets with definite useful lives

Gain on Restructuring of Payables. The net gain on debt restructuring recognized in 2002 did not recur in 2003.

Other Charges (Credits). In October 2001 the Financial Accounting Standards Board issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", effective for fiscal years beginning after December 15, 2001. In March 2003, the Company recorded an expense of \$67 for the impairment of unique manufacturing machinery which became obsolete when that mode of operations ceased. In June 2002, the Company recorded an expense of \$778 for the impairment of the carrying value of machinery and equipment, which was

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sold in July 2002, upon closing of the Florida manufacturing facility. The actual loss incurred upon disposal in July was \$708, resulting in a third quarter recovery of \$70.

Reorganization Items. For the year ended December 31, 2003 the Company recorded expenses \$655 associated with the Company's bankruptcy case. Of this amount, \$1,298 of expense was recorded for legal fees and fees of the United States Trustee, offset by \$685 of gains associated with the sale of assets.

Income Tax Expense/Credit. Due to the net losses, the Company did not record an income tax expense or credit for either of the years ended December 31, 2003 and 2002. The Company has provided a valuation allowance against the total amount of the net deferred tax assets due to the uncertainty of future realization.

Net Loss. For the year ended December 31, 2003, net loss was \$3,579 (30.5% of revenue), compared to a net loss

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of \$7,623 (28% of revenue) for the year ended December 31, 2002.

Accretion on Preferred Stock. Convertible preferred stock issued in connection with the 2002 debt restructuring in the face amount of \$4,365 was recorded at its estimated fair value \$1,406. Assuming none of the holders of the Preferred Stock convert to Common Stock of Boundless Corporation, the Company would be required to record a charge to earnings available to stockholders over the ten-year redemption period such that the carrying value of the Preferred Stock equals its face value at the time of redemption. Pre-petition, the difference between the carrying value of the preferred stock and its face value was being treated as a dividend and charged to earnings available to stockholders over the ten-year redemption period unless conversion occurs, in which case accretion terminates at that point. As of December 31, 2003, \$247 was accreted and added to losses attributable to common stockholders.

The Plan of Reorganization contemplates that all equity instruments of the Company will be cancelled on the Effective Date. As a result, the conversion of the preferred stock to shares of common equity is doubtful. Therefore, the preferred stock is included on the consolidated balance sheet with "Items subject to compromise" and the Company discontinued the accretion of the difference between the carrying value of the preferred stock and its face value to earnings available to stockholders.

Net Loss Applicable to Common Shareholders. For the year ended December 31, 2003, the net loss applicable to common shareholders was \$3,678, compared to a net loss applicable to common shareholders of \$7,771 for the year ended December 31, 2002.

Impact of Inflation

The Company has not been adversely affected by inflation because technological advances and competition within the microcomputer industry have generally caused prices of products sold by the Company to decline. The Company has flexibility in its pricing and could, if necessary, pass along price changes to most of its customers.

Liquidity and Capital Resources

The discussion below regarding liquidity and capital resources should be read together with the information included in Item 1. Business- "Bankruptcy

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Considerations", and Notes 1, 6, 7, 8 and 12 of Notes to Consolidated Financial Statements.

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 Chapter 11 process. Those proceedings involve, or may result in, various restrictions on the Company's activities, limitations on financing, the need to obtain Bankruptcy Court and Creditors' Committee approval for various matters and uncertainty as to relationships with vendors, suppliers, customers and others with whom we may conduct or seek to conduct business.

Generally, under the Bankruptcy Code, most of a debtor's liabilities must be satisfied in full before the debtor's stockholders can receive any distribution on account of such shares. The rights and claims of our various creditors and security holders will be determined by the confirmed plan of reorganization. Further, it is also likely that pre-petition unsecured claims against the Company will be substantially impaired in connection with our reorganization. At this time we can make no prediction concerning how each of these claims will be valued in the bankruptcy proceedings. We believe that the Company's presently outstanding equity securities will have no value and it is expected that those securities will be canceled under any plan of reorganization that we propose. For this reason, we urge that caution be exercised with respect to existing and future claims or investments in any Boundless security.

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The Company is highly leveraged. As of December 31, 2004, the Company had a tangible net worth deficit of \$14,905 and total liabilities of \$17,915. The Company had a working capital deficit, inclusive of liabilities and other items subject to compromise, of approximately \$13,990 as of December 31, 2004, compared to working capital deficit of \$13,246 as of December 31, 2003. Historically, the Company has relied on cash flow from operations, bank borrowings and sales of its common stock to finance its working capital, capital expenditures and acquisitions.

As a condition to the Valtec DIP Financing, Valtec required the Company to enter into the Ansen Corporation Manufacturing Services Agreement ("Ansen Agreement"), pursuant to which, Ansen Corporation ("Ansen") would provide post-petition manufacturing, production and delivery services to the Company. By Order dated April 16, 2003, the Bankruptcy Court approved the Company's execution of the Ansen Agreement.

By letter dated October 5, 2003, Ansen purported to cancel the Ansen Agreement. On November 13, 2003, Ansen filed a Request for Payment of Administrative Claim pursuant to 11 U.S.C. ss. 503 in the amount of \$1.3 million ("Ansen Administrative Claim"). At December 31, 2004 the balance due Ansen was approximately \$561. As of December 31, 2005 the Company estimates that its total potential liability to Ansen is approximately \$50.

On the Effective Date, the allowed amount of the Ansen Administrative Claim, as determined by the Bankruptcy Court, will be paid in cash, in full. Payment of the Ansen Administrative Claim shall be funded in cash by the Company. If there should be a shortfall, Oscar Smith, a principal of Vision, has agreed to provide the Company with sufficient funds, in cash, to satisfy the remaining balance, if any, pursuant to a written agreement to provide funding in an amount not to exceed \$375 (the "Smith Agreement"). By letter dated September 23, 2004, Security Bank of Kansas City committed to advance to Oscar Smith up to \$375 to satisfy Smith's obligations under the Smith Agreement.

Any advances made by Smith and/or Vision to the Company to fund payment of

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administrative claims ("Additional Vision Advances") shall be obligations of the Company and shall be repaid to Vision, with interest at the rate of 8% per annum, in equal monthly amortizing payments over a period of 36 months period commencing on the first month subsequent to payment in full of the Valtec Obligations, to which the Additional Vision Advances shall be subordinate in right of repayment. The Additional Vision Advances shall be evidenced by a promissory note to be issued to Vision by the Company on the Effective Date and shall provide for the Company's right to prepay the note in full without premium or penalty.

On the Effective Date, the Company shall issue, or cause to be issued for Vision's benefit, and in its name, shares of Boundless Common Stock sufficient to provide Vision with 100% of the Boundless Common Stock issued and outstanding, or to be issued and outstanding, under the Plan (the "Vision Shares"). Such issuance of the Vision Shares shall be deemed to be in full satisfaction of the Vision Claim.

Pursuant to that certain Purchase and Sale Agreement ("Purchase Agreement") by and among the Company, Independence Community Bank ("ICB"), JPMorgan Chase and 100 Marcus LLC, the Company agreed to transfer all of its right, title and interest in and to 100 Marcus Boulevard, Hauppauge, New York, which had served as the Company's main operating facility (the "Premises"). As a result of the Purchase Agreement, ICB and JPMorgan Chase will have pre-petition unsecured claims against the Company aggregating approximately \$2,271.

The Company's Plan of Reorganization contemplates an annual payment of cash to holders of allowed unsecured claims (the "Claims"). The Company believes that these Claims aggregate approximately \$14,622. 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 million, 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 million, 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 the Company must forward monthly sales reports and confirmation of the escrow to Committee Counsel. Each of the annual payments to be distributed to holders of the

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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 dates. The total amount to be distributed to holders of the Claims shall be not less than \$500 (the "Minimum Distribution").

If the Company 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 Company's obligations contained herein. Annual revenues shall include only those revenues generated from sales of the Company's product line existing prior to any merger or acquisition.

At December 31, 2004, the Company had accrued approximately \$1,029 primarily for legal assistance throughout the bankruptcy period. As of December 31, 2004, outstanding professional fees, inclusive of legal fees, are estimated to approximate \$1,950 as of the Effective Date. Upon application for payment pursuant to ss.ss. 330, 331 and 503(a) of the Bankruptcy Code and approval by the Bankruptcy Court, any and all professional fees not paid on or before the Effective Date shall be paid by the Company on such terms as the parties shall agree. Interest shall accrue on any unpaid professional fees from the Effective Date at a rate of eight (8%) percent per annum.

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Since it is anticipated that professional fees shall not be paid in full on the Effective Date, the Professionals (other than auditors) shall be granted a security interest upon all of the Company's assets, junior to the security interest thereon of Valtec 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.

Our liquidity is affected by many factors, some of which are based on the normal ongoing operations of our businesses and some of which arise from uncertainties related to global economies. In the event there is a decline in the Company's sales and earnings and/or a decrease in availability under the credit line, the Company's cash flow would be further adversely affected. Accordingly, the Company may not have the necessary cash to fund all of its obligations.

Net cash provided by operating activities during the year ended December 31, 2004 was \$651, principally related to net income before reorganization expenses of \$456, reductions in inventory of \$1,087, reductions in cash on deposit with the Company's DIP lender of \$57, reductions in prepaid expenses of \$120 and non-cash depreciation of \$43. This amount was offset by non-cash credits consisting of inventory provisions and accounts receivable doubtful accounts allowances totaling \$226. Net cash provided by operating activities was further reduced by increases in accounts receivable and affiliate receivables of \$213 and decreases in accounts payable and other accrued expenses of \$583.

Net cash used in reorganization activities during 2004 was \$211 arising from expenses associated with the relocation of the Company's manufacturing facility in the amount of \$184 and payments of fees to the United States Trustee of \$25.

Net cash used in investing activities during 2004 consisted of equipment purchases of \$15. Net cash used in financing activities was \$674 consisting of payments to Valtec.

Net cash used in operating activities during the year ended December 31, 2003 was \$617, principally related to a net loss before reorganization expenses of \$2,924. This amount was offset by non-cash expenses consisting of depreciation and amortization, inventory provisions, write-off of debt financing costs, and accounts receivable doubtful accounts allowances totaling \$2,362, decreases in accounts receivable of \$1,357 and decreases in accounts payable and other accrued expenses of \$763. Net cash used in operating activities for the year ended December 31, 2003, also includes an increase in cash on deposit with the Company's DIP lender of \$328, increases in inventories of \$198, decreases in deferred revenues of \$94, increases in other receivables of \$60 and non-cash gains on the disposition of assets of \$44.

Net cash provided by reorganization activities during 2003 amounted to \$25 principally from proceeds of \$189 from the sale of the Company's Hauppauge facility and payment of legal fees of professionals and fees of the United States

Trustee. Net cash provided by investing activities during 2003 was comprised of \$117 stemming from the sale of miscellaneous equipment. Net cash provided by financing activities during 2003 was \$844 which includes proceeds of \$1,572 from DIP loans offset by payments on loans and capital leases of \$728.

Net cash provided by operating activities during the year ended December

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31, 2002 was \$3,950, principally related to a reduction in accounts receivables and inventory of \$6,999 and \$5,594, respectively; and offset by a gain on the restructuring of accounts payable of \$3,924. This amount was further reduced by a reduction in accounts payable of \$4,522, and \$3,262 relating to the write-off of goodwill. Other non-cash expenses included depreciation and amortization of \$1,709, inventory provisions of \$565 and accounts receivable doubtful accounts allowances of \$599. Net cash provided by investing activities was comprised of \$443 from the sale of the assets at the Company's Boca Raton manufacturing facility; offset by \$127 in capital expenditures. Net cash used in financing activities was \$4,287 and included proceeds of \$1,478, principally unsecured loans from Valtec Capital, proceeds from the sale of the Company's common stock in a private placement amounting to \$162, and payments on loans of \$5,927

Capital Commitments.

Following is a summary of our material contractual cash obligations, including operating lease commitments and accrued interest (which are sometimes referred to as "off-balance sheet debt") as of December 31, 2004. The amounts in the table include \$372 of accrued and contractual interest over the next five years.

	Less than one year -----	Years 2 and 3 -----	Years 4 and 5 -----	Total -----
Long-term debt	\$390	\$ 799	\$486	\$1,675
Operating leases	221	463	283	967
	----	-----	----	-----
Total contractual cash obligations	\$611	\$1,262	\$769	\$2,642
	=====	=====	=====	=====

The Company is not generally permitted to make any payments on pre-petition debt as a result of the bankruptcy filing. The Company has reached repayment agreements with its secured lenders, as well as other administrative creditors. The amounts included in the above table represent only those obligations for which we have finalized an agreement; however, these numbers are still subject to change until such time as the plan of reorganization is approved and we emerge from bankruptcy. In addition, we may still assume, assume and assign or reject certain executory contracts and unexpired leases pursuant to the Bankruptcy Code. As a result, we anticipate that other lease obligations as currently identified in the above table will continue to change as well.

Going Concern Comment and Management's Plan of Action

Our auditor's report on our financial statements includes a comment regarding our ability to continue as a going concern.

The primary issues management will focus on immediately following confirmation of the Company's Plan of Reorganization 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.

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- 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

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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 cashflows 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 our 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

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.

Asset Management

Inventory. Management has instituted policies and procedures to maximize product availability and delivery while minimizing inventory levels so as to lessen the risk of product obsolescence and price fluctuations. Most components and sub-assemblies are stocked to provide for an order-to-ship cycle of seven days.

Key metrics:

	December 31, ----- 2004 -----	December 31, ----- 2003 -----	Dece -----
Days of sales outstanding in accounts receivable	59	28	
Days of supply in inventory	72	68	
Days of purchases outstanding in accounts payable	(3)	(30)	
	-----	-----	-----

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Cash conversion cycle

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Days of sales outstanding in accounts receivable ("DSO") measures the average number of days the Company's trade receivables are outstanding. DSO is calculated by dividing trade accounts receivable, net of allowance for doubtful accounts, by a 90-day average net revenue. Affiliate trade receivables and revenue, primarily transactions with UCSI, are excluded from the calculation.

Days of supply in inventory ("DOS") measures the average number of days from procurement to sale of the Company's product. DOS is calculated by dividing inventory by a 90-day average cost of goods sold.

Days of purchases outstanding in accounts payable ("DPO") measures the average number of days our accounts payable balances are outstanding. DPO is calculated by dividing accounts payable by a 90-day average cost of goods sold.

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The Company's working capital requirements depend upon our effective management of the cash conversion cycle, which represents effectively the number of days that elapse from the day the Company pays for the purchase of raw materials to the collection of cash from our customers. The cash conversion cycle is the sum of DSO and DOS less DPO.

The increase in DSO from 2002 through 2004 is a result in the decline in sales to Hewlett Packard and IBM, both OEM customers of the Company, whose payment terms were net 30 days. Additionally, in the fourth quarter of 2004, Ingram Micro, which pays its obligations on net 60 day terms, contributed approximately 19% of total revenue, resulting in an increase in the DSO for 2004 compared with 2003.

The decrease in DPO from 2002 through 2004 is a result of the bankruptcy filing and the change in the Company's payment terms for material to cash-in-advance.

New Accounting Pronouncements

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs--An Amendment of ARB No. 43, Chapter 4" ("SFAS 151"). SFAS 151 amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Among other provisions, the new rule requires that items such as idle facility expense, excessive spoilage, double freight, and rehandling costs be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal" as stated in ARB No. 43. Additionally, SFAS 151 requires that the allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS 151 is effective for fiscal years beginning after June 15, 2005 and is required to be adopted by Boundless in the first quarter of fiscal 2006, beginning on January 1, 2006. Boundless is currently evaluating the effect that the adoption of SFAS 151 will have on its consolidated results of operations and financial condition but does not expect SFAS 151 to have a material impact.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), which replaces SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS 123R requires all share-based

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payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. As amended by an SEC pronouncement, SFAS 123R is effective with the first annual period after June 15, 2005, with early adoption encouraged. The pro forma disclosures previously permitted under SFAS 123, no longer will be an alternative to financial statement recognition. We are required to adopt SFAS 123R in the first quarter of fiscal 2006, beginning January 1, 2006. Under SFAS 123R, we must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at date of adoption. The transition methods include prospective and retroactive adoption options. Under the retroactive options, prior periods may be restated either as of the beginning of the year of adoption or for all periods presented. The prospective method requires that compensation expense be recorded for all unvested stock options and restricted stock at the beginning of the first quarter of adoption of SFAS 123R, while the retroactive methods would record compensation expense for all unvested stock options and restricted stock beginning with the first period restated. We are evaluating the requirements of SFAS 123R and we expect that the adoption of SFAS 123R will not have a material impact on our consolidated results of operations and earnings per share. We have not yet determined the method of adoption or the effect of adopting SFAS 123R, and we have not determined whether the adoption will result in amounts that are similar to the current pro forma disclosures under SFAS 123.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets--An Amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions" ("SFAS 153"). SFAS 153 eliminates the exception from

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fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion No. 29, "Accounting for Nonmonetary Transactions," and replaces it with an exception for exchanges that do not have commercial substance. SFAS 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 153 is effective for the fiscal periods beginning after June 15, 2005 and is required to be adopted by Boundless in the third quarter of fiscal 2005, beginning on July 1, 2005. Boundless is currently evaluating the effect that the adoption of SFAS 153 will have on its consolidated results of operations and financial condition but does not expect it to have a material impact.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company's exposure to market risk for changes in interest rates related primarily to the Company's revolving credit facility and long-term debt obligations. The Company managed this risk through utilization of interest rate swap agreements in amounts not exceeding the principal amount of its outstanding obligations. Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133) requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of assets, liabilities or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a hedging derivative's change in fair value is immediately recognized in earnings.

The Company places its investments with high credit quality issuers and, by policy, is averse to principal loss and ensures the safety and preservation

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of its invested funds by limiting default risk, market risk and reinvestment risk. As of December 31, 2004 the Company's investments consisted of cash balances maintained in its corporate account with the Chase Manhattan Bank.

The majority of sales arrangements with international customers are denominated in U.S. dollars. International customers are permitted to elect payment of their next month's orders in local currency based on an exchange rate provided one month in advance from the Company. The Company does not use foreign currency forward exchange contracts or purchased currency options to hedge local currency cash flows or for trading purposes. Foreign currency transaction gains or losses have not been material to the Company's results of operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Item 15(a)(1) and (2) of Part IV of this Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. 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 December 31, 2004. Based on that evaluation, the Company's management, including the CEO and CFO, has concluded that the Company's disclosure controls and procedures were 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.

ITEM 9B. OTHER

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Directors and Executive Officers

The directors and executive officers of the Company are as follows:

Name	Age	Positions and Offices
----	---	-----
Frank Stephens	54	Chairman of the Board of Directors
Richard Bowman	45	Director
John D. Ryan	55	Acting Chief Executive Officer
Joseph Gardner	46	Vice President - Finance, Chief Financial Officer

J. Frank Stephens has been a member of the Board since July 2001. Mr.

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Stephens has over 30 years domestic and international experience in the consumer, food service, and industrial ingredients channels. Since April 1997 Mr. Stephens has held the office of President, Capital Sigma Investments ("CSI"), a privately funded equity group focused in the health and soyfoods category. Since April 1998, concurrent with CSI's acquisition of Quong Hop & Co., a regional soy foods company, Mr. Stephens has served as the Chief Executive Officer of Quong Hop & Co. Prior to this, and from August 1996 until March 1997, Mr. Stephens served as the Director of Strategic Planning for Global Consumer Products, Inc., a company specializing in new product development and branding for consumer-oriented companies.

Mr. Bowman has served on the Board of the company since February 2002. He has extensive experience in agribusiness, technology development and the financing of commercial agri-processing projects in lesser developed countries. He is presently the President, Chief Executive Officer, and Corporate Director of AgCheck Canada Ltd., a Canadian based firm specialized in the design, implementation and marketing of carbon offset projects. He has served in this position since January, 2003. Prior to this, from March 2000 until starting his current position, Mr. Bowman served as

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an executive consultant, advising select agribusiness and environmental firms in North America in the areas of production management, environmental compliance, and options for environmentally based financing.

John D. Ryan ("Jack") has served as the Vice President of Operations since 2000, and as the acting Chief Executive Officer since June 2004. Jack is a manufacturing executive with over 30 years experience in Manufacturing Operations, Supply Base Management, Quality Assurance and Product Development within the Computer, Computer Peripheral, Microelectronics, and Communications industries. He is currently the Chief Operating Officer for Boundless Corporation.

Prior to joining Boundless Corporation, Jack held a variety of senior management positions in Manufacturing, Supply Chain Management, Product Outsourcing, and Quality Assurance for companies including Solectron, NCR and AT&T. Jack has worked at the SUNY Stony Brook Harriman School of Management and Policy as a lecturer on topics including High Velocity Flexible Manufacturing, and Strategic Planning for Manufacturing.

Joseph Gardner has served as Vice President of Finance and Chief Financial Officer of the Company since October 31, 1997. Mr. Gardner has been employed by Boundless Technologies, Inc. since April of 1990. Prior to 1997, Mr. Gardner served as the Controller and Vice President of Quality Assurance for Boundless Technologies. Before joining Boundless, Mr. Gardner served in various executive financial positions with NCR Corporation including Business Planning for the Financial Systems Division and Cash Management/Foreign Exchange Exposure Management. Mr. Gardner is also a Certified Public Accountant as well as a Certified Management Accountant and received his MBA from Bowling Green State University.

In June 2004 Mr. Joseph V. Joy, Jr. resigned from his position as president and CEO of the Company and from his position on the Board of Directors. The Company provided payments to Mr. Joy equal to four-months salary, payable over six months, for consulting and transition services. The total payments made to Mr. Joy under the period were approximately \$72,000.

On September 30, 2004, Mr. John McGovern resigned from his position as the Chairman of the Board of Directors. In October 2004 Mr. Anthony Giovaniello

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resigned from his position as Senior Vice President- Business Development.

Audit Committee Financial Expert

The Board of Directors of Boundless Corporation has determined that J. Frank Stephens, Chair of the Audit Committee, is an audit committee financial expert as defined by Item 401(h) of Regulation S-K of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and is independent within the meaning of Item 7(d)(3)(iv) of Schedule 14A and Items 401(h)(1)(ii) of Regulation S-K of the Exchange Act.

Audit Committee

The Audit Committee consists of the Company's Board of Directors. The members of the Audit Committee are J. Frank Stephens and Richard Bowman.

Code of Ethics

Information on Boundless' code of business conduct and ethics for directors, officers and employees, also known as the "Code of Ethics and Business Conduct Guidelines" is set forth under "Corporate Governance Principles" on the Company's website at www.boundless.com.

Section 16(a) Beneficial Ownership Reporting Compliance

A review of the Forms 3, 4 and 5 filed or due with the Commission in 2004 indicates that each of Frank Stephens, Richard Bowman, John Ryan, and Joseph Gardner did not file a Form 5 as required under section 16(b) of the Exchange Act.

ITEM 11. EXECUTIVE COMPENSATION

The table below discloses all cash compensation awarded to, earned by or paid to our Chief Executive Officer and our four most highly compensated executive officers who earned more than \$100,000 for services rendered in all capacities to us during the fiscal year ended December 31, 2004 (collectively, the "named executive officers"). In addition, it provides information with respect to the compensation paid by us to the named executive officers during 2003 and 2002.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation
		Salary	Bonus	Other Annual Compensation	
Joseph V. Joy(3)	12/31/04	\$134,982	--	--	--

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Former President, and	12/31/03	\$143,257	--	--	--
Chief Executive Officer	12/31/02	\$136,327	--	--	170,000
Anthony Giovaniello(4)	12/31/04	\$112,074	--	--	--
Executive VP	12/31/03	\$134,317	--	--	--
	12/31/02	\$130,326	--	--	140,000
Joseph Gardner	12/31/04	\$128,762	--	--	--
Vice President-Finance	12/31/03	\$136,610	--	--	--
Chief Financial Officer	12/31/02	\$134,574	--	--	75,000
John D. Ryan	12/31/04	\$128,762	--	--	--
Acting Chief Executive	12/31/03	\$ 88,990	--	--	--
Officer	12/31/02	\$126,989	--	--	80,000

- (2) Options granted in October 2002 to the named executive officers have a strike price of \$0.45 per share of Common Stock.
- (3) Promoted to Chief Executive Officer and President January 2002. Resigned from the company June 30, 2004
- (4) Resigned from the Company October 2004.

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Employment Agreements and Change-in-Control Arrangements

The Company and Boundless Manufacturing Services, Inc. had entered into employment agreements with Messrs. Joseph Joy and Anthony Giovaniello, respectively then the President of Boundless Manufacturing and Executive Vice President, Business Development. The terms and conditions of the agreements for each of Messrs. Joy and Giovaniello were substantially similar.

In June 2004 Mr. Joseph V. Joy, Jr. resigned from his position as president and CEO of the Company and from his position on the Board of Directors. The Company provided payments to Mr. Joy equal to four-months salary, payable over six months, for consulting and transition services. The total payments made to Mr. Joy under the period were approximately \$72,000. In October 2004 Mr. Anthony Giovaniello resigned from his position as Senior Vice President- Business Development. While each of Messrs. Joy and Giovaniello retain their respective ownership position of Boundless Manufacturing, the Company has no obligations resulting from the employment agreements.

1995/ 1997/ 2000 Incentive Plans

The Company's 1995 Incentive Plan covered the issuance of up to 600,000 shares of Common Stock. As additional shares were no longer available to be issued under the 1995 Incentive Plan, the Board adopted the 1997 Incentive Plan in July 1997 which covers the issuance of up to 1,000,000 shares of Common Stock. In December 2000 the Board created the 2000 Incentive Plan which covers up to 1,000,000 shares of Common Stock. The number of shares granted on a calendar year basis under the 2000 Incentive Plan is limited to 5% of the total number of shares of Common Stock outstanding, or 10% of the outstanding Common Stock in any five-year period.

Option Grants in Last Fiscal Year

The Company did not grant options to the named executive officers during the fiscal years ending December 31, 2004.

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Aggregated Option Exercises in Last Fiscal Year
and Fiscal Year-End Option Values

The following table provides information on the value of the named executive officers' unexercised options to purchase shares of Common Stock at December 31, 2004. No options were exercised during the year.

Name	Shares Acquired on Exercise (#)	Value Realized	Number of Unexercised Options at December 31, 2004 (#)		Value of
			Exercisable	Unexercisable	In-the-Mon December 31
-----	-----	-----	-----	-----	-----
Joseph Gardner	0	0	102,624	14,376	--
John D. Ryan	0	0	72,624	14,376	--

(1) The last sale price of the Company's Common Stock on December 31, 2004, \$ 0.01.

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of the Company's outstanding Common Stock as of December 31, 2005, by (i) each of the Company's directors and "named executive officers," (ii) directors and executive officers of the Company as a group and (iii) each person believed by the Company to own beneficially more than 5% of its outstanding shares of Common Stock. Except as indicated each such person has sole voting and investment powers with respect to his and her shares. The address of Unique Co-Operative Solutions Inc./ Oscar L. Smith is 9185 Bond, Overland Park, KS 66214. The address of Neoware Systems, Inc. is 400 Fehelley Dr., King of Prussia, PA 19406.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Outstanding Sha
-----	-----	-----
Unique Co-Operative Solutions, Inc./ Oscar L. Smith	1,017,389 (1) (3)	15.0%
J. Gerald Combs	905,923 (2) (3) (6)	12.0%
JPMorganChase	750,000 (5)	11.2%
Neoware Systems, Inc.	383,335 (4)	5.7%
Valtec Capital Corp.	400,000 (8)	5.6%
John D. Ryan	173,872	2.6%
Joseph Gardner	87,741 (3)	1.3%
Frank Stephens	87,293 (3) (7)	1.3%

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Richard Bowman	75,000(3)	1.1%
All current directors and executive officers as a group (four individuals)	423,906(3)	6.1%

* Less than 1%.

- (1) Includes 41,667 shares issuable upon the exercise of a warrant. The warrant was granted June 4, 2001, in connection with a sale of our common stock. The warrant vested immediately, has an exercise price per share of common stock of \$1.30, and expires five years following the date of grant.
- (2) Resigned as the Chief Executive Officer of the Company effective January 2002.
- (3) Includes or consists of shares of Common Stock issuable upon exercise of options as follows: Mr. Smith: 40,000; Mr. Combs: 480,000; Mr. Ryan: 82,833; Mr. Gardner: 72,833; Mr. Bowman: 40,000; and Mr. Stephens: 43,000. Includes or consists of shares of Common Stock issuable upon exercise of warrants as follows: Mr. Combs: 5,834; Mr. Ryan: 3,889; and Mr. Gardner: 1,945.
- (4) Includes 50,001 shares issuable upon the exercise of a warrant. The warrant was issued June 29, 2001, in connection with a sale of our common stock. The warrant has an exercise price per share of common stock of \$1.10, and the warrant expires five years following the date of grant. In June 2001 Neoware Systems Inc. purchased our Windows-based terminal product line for \$1,600,000. As part of the transaction, we secured an agreement to manufacture certain products for Neoware Systems, Inc.
- (5) On June 27, 2002, the Company entered into an agreement with its then secured lenders to terminate its revolving line of credit (the "Chase Credit Line"). In return for termination of the Chase Credit Line, the Company, amongst other consideration, agreed to issue 750,000 shares of its common stock and shares of its newly-created convertible preferred stock (the "Preferred Stock") with a stated value of \$1,250,000. The Company had agreed to register under the Securities Act of 1933 such common stock and the shares into which

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the Preferred Stock may be converted. The lenders have certain anti-dilution protection for their shares of common stock. The Preferred Stock may be converted after the first anniversary of their issuance into shares of the Company's common stock at \$3.00 per share and, unless sooner converted into common stock, must be redeemed by the Company on June 30, 2012 for their stated value.

- (6) Includes 380,000 shares of Common Stock issuable upon the conversion of a convertible promissory note. The principal amount of the note is \$475,000 and may be converted into shares of Common Stock of the Company, at the option of Mr. Combs, at a conversion price of \$1.25 per share of Common Stock.
- (7) Includes 19,905 shares of Common Stock issuable upon the conversion of a convertible promissory note. The principal amount of the note is \$18,667 and may be converted into shares of Common Stock of the Company, at the

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option of Mr. Stephens, at a conversion price of \$1.05 per share of Common Stock. See Item 10- "Directors and Executive Officers of the Registrant" for additional information concerning the issuance of the promissory note to Mr. Stephens.

- (8) By a Loan and Security Agreement dated December 3, 2002 (the "Valtec Loan Agreement"), the Company consolidated prior borrowings and received additional borrowings from Valtec in the aggregate amount of approximately \$1.2 million (plus accrued and unpaid interest and other charges). In connection with the Valtec Loan Agreement, the Company issued a warrant to Valtec to purchase 400,000 shares of the Company's Common Stock. The common shares underlying the warrant, have an exercise price per share of common stock of \$0.36, and the warrant expires five years following the date of grant.

Under the Plan of Reorganization, all outstanding common stock and derivative securities of the Company will be cancelled upon the Company's emergence from bankruptcy. It is highly unlikely the promissory notes issued to Messrs. Combs and Stephens will be converted to common stock of the Company. As a result, the principal and accrued interest thereon are included with liabilities subject to compromise.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During the period from the Petition Date through and January 28, 2005, Valtec provided debtor-in-possession financing ("Valtec DIP Financing") to the Company. As a condition to the Valtec DIP Financing, Valtec required the Company to enter into the Ansen Corporation Manufacturing Services Agreement ("Ansen Agreement"), pursuant to which, Ansen Corporation ("Ansen") would provide post-petition manufacturing, production and delivery services to the Company. Ansen is majority owned by Valtec. By Order dated April 16, 2003, the Bankruptcy Court approved the Company's execution of the Ansen Agreement.

Net revenue from EMS activities, primarily logistics services sold to Unique Co-operative Solutions, Inc. ("UCSI"), were \$240 for the year ended December 31, 2004. Net revenue from UCSI during 2003 and 2002 was not material. UCSI is wholly owned by Mr. Oscar Smith, who also is the majority shareholder of Vision Technologies, Inc. ("Vision"). The Company's Plan of Reorganization, assuming approval by the Bankruptcy Court, contemplates that Vision will own 100% of the Company. Mr. Smith currently owns approximately 15% of the outstanding common stock of the Company.

Beginning in the first quarter of 2004, the Company recognized that certain of its employees were underutilized, and outsourced a portion of this underutilization to UCSI. In the absence of this arrangement, the Company would have absorbed the entire expense of the underutilization. For the year ended December 31, 2004, these costs were estimated to be \$306 for which the Company charged UCSI \$255. The \$255 charged by the Company was less than the estimated personnel and personnel related expenses. The resulting loss of \$51 is reported in the statement of operations.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Independent Accountant Fees

The aggregate fees billed for professional services rendered by BP Audit Group and by BDO Seidman, LLP for the years ended December 31, 2004, 2003 and 2002 are as follows (amounts in dollars):

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	2004	2003	2002
	-----	-----	-----
BP Audit Group			
Audit fees	\$ 55,250	\$ 71,863	\$ 55,893
Audit-related fees	8,639	--	--
Tax fees	15,384	--	--
All other fees	1,788	--	--
	-----	-----	-----
	81,061	71,863	55,893
	-----	-----	-----
BDO Seidman, LLP			
Audit fees		2,500	42,050
Audit-related fees		--	18,000
Tax fees		--	66,792
All other fees		--	41,924
	-----	-----	-----
	--	2,500	168,766
	-----	-----	-----
Total Independent Accountant Fees			
Audit fees	55,250	74,363	97,943
Audit-related fees	8,639	--	18,000
Tax fees	15,384	--	66,792
All other fees	1,788	--	41,924
	-----	-----	-----
	\$ 81,061	\$ 74,363	\$ 224,659
	=====	=====	=====

Fees for audit services consist of audits of the Company's consolidated financial statements and limited reviews of the Company's consolidated quarterly financial statements.

Fees for audit-related services consist of statutory audits of the Company's 401K plan.

Fees for tax services consisted of assistance with preparation of state and federal tax returns.

All Other Fees billed in 2004 consisted of consulting services related to the Company's bankruptcy filing. All Other Fees billed in 2002 consisted of review of the Company's registration statement on Form S-3 and reorganization consulting.

All of the services under the Audit Related, Tax and All Other Fees categories above have been approved by the Audit Committee pursuant to paragraph (c) (7) (i) (c) of Rule 2-01 of Regulation S-X of the Exchange Act.

Audit Committee Pre-Approval Policy and Procedures.

The Audit Committee of the Boundless Board of Directors adopted the policy on pre-approval of services of independent accountants in October 2003. The policy provides that the Audit Committee shall pre-approve all audit and non-audit services to be provided to the Company and its subsidiaries and affiliates by its auditors. The process by which this is carried out is as follows:

For recurring services, the Audit Committee reviews and pre-approves BP Audit Group's annual audit services and employee benefit plan audits in

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conjunction with the Committee's annual appointment of the outside auditors. The materials include a description of the services along with related fees. The Committee also reviews and pre-approves other classes of recurring services along with fee thresholds for pre-approved services. In the event that the pre-approval fee thresholds are met and additional services are required prior to the next scheduled Committee meeting, pre-approvals of additional services follow the process described below.

Any requests for audit, audit-related, tax and other services not contemplated with the recurring services approval described above must be submitted to the Audit Committee for specific pre-approval and cannot commence until such approval has been granted. Normally, pre-approval is provided at regularly scheduled meetings. However, the authority to grant specific pre-approval

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between meetings, as necessary, has been delegated to the Chairman of the Audit Committee. The Chairman must update the Committee at the next regularly scheduled meeting of any services that were granted specific pre-approval.

On a periodic basis, the Audit Committee reviews the status of services and fees incurred year-to-date and a list of newly pre-approved services since its last regularly scheduled meeting

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULE, AND REPORTS ON FORM 8-K

Page

(a) (1) (2) Financial Statements and Schedules

Index to Consolidated Financial Statements and Financial Statement Schedules

All other financial statements and schedules not listed have been omitted since the required information is either included in the Financial Statements and the Notes thereto as included in the Company's Annual Report on Form 10-K for the Year ended December 31, 2004 or is not applicable or required.

(b) Reports on Form 8-K

On February 2, 2005, we filed a current report on Form 8-K disclosing we entered into a secured post-petition financing agreement with Entrepreneur Growth Capital, LLC ("EGC") pursuant to which EGC was granted a lien on all of our personal property

EXHIBIT INDEX

Exhibit No.*	Description of Exhibit
3.1[2]	Certificate of Incorporation of Registrant and Certificates of Amendment thereto.
3.2[1]	By-Laws of Registrant.

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Exhibit No.* -----	Description of Exhibit -----
10(a)	Registrant's 1995 Incentive Plan (Incorporated by reference to and filed as Exhibit E to Registrant's Information Statement, dated September 28, 1995).
10(b)	Registrant's 1997 Incentive Plan (Incorporated by reference to and filed as Exhibit A to Registrant's Information Statement, dated March 6, 1998).
10(c) [6]	Registrant's 2000 Incentive Plan.
10(d) [4]	Restatement, Extension, Assumption and Modification Agreement, dated June 24, 1999, between Boundless Technologies, Inc. and Independence Community Bank (Originally filed as Exhibit 10(a)).
10(e) [4]	Restated Business Installment Promissory Note, dated June 24, 1999, from Boundless Technologies, Inc. to Independence Community Bank (Originally filed as Exhibit 10(b)).
10(f) [4]	Restated Mortgage and Security Agreement, dated June 24, 1999, between Boundless Technologies, Inc. and Independence Community Bank (Originally filed as Exhibit 10(c)).
10(g) [5]	Promissory Note, dated September 30, 1999, in the amount of \$500,000 from General Automation, Inc. to Boundless Technologies, Inc. (Originally filed as Exhibit 10(p)).
10(h) [5]	Secured Convertible Promissory Note from General Automation, Inc. to Boundless Technologies, Inc (Originally filed as Exhibit 10(o)).
10(i) [5]	Warrant issued by General Automation, Inc. to Boundless Technologies, Inc (Originally filed as Exhibit 10(q)).
10(j) [5]	Employment Agreement, dated July 1, 1999, among Registrant, Boundless Manufacturing Services, Inc. and Joseph Joy (Originally filed as Exhibit 10(f)).
10(k) [5]	Employment Agreement, dated July 1, 1999, among Registrant, Boundless Manufacturing Services, Inc. and Anthony Giovaniello (Originally filed as Exhibit 10(g)).
10(l) [6]	Employment Agreement, dated March 1, 2000, among Registrant, Boundless Technologies, Inc. and James Gerald Combs.
10(m) [6]	Employment Agreement, dated March 1, 2000, among Registrant, Boundless Technologies, Inc. and Jeffrey K. Moore.
10(n) [6]	Second Amended and Restated Credit Agreement and Guaranty (plus exhibits thereto) dated as of May 25, 2000 among Boundless Technologies, Inc., Boundless Manufacturing Services, Inc. and Merinta as co-borrowers, Boundless Acquisition Corp. and Boundless Corporation, as guarantors, and The Chase Manhattan Bank, Silicon Valley Bank and National Bank of Canada as the Banks and The Chase Manhattan Bank, as Administrative Agent for the Banks.

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Exhibit No.* -----	Description of Exhibit -----
10(o) [6]	First Amendment, dated as of July 31, 2000, to Second Amended and Restated Credit Agreement and Guaranty with Chase.
10(p) [6]	Second Amendment, dated as of November 7, 2000, to Second Amended and Restated Credit Agreement and Guaranty with Chase.
10(q) [6]	Third Amendment, dated as of November 16, 2000, to Second Amended and Restated Credit Agreement and Guaranty with Chase.
10(r) [6]	Form of Warrant issued by Merinta Inc. to the Chase Manhattan Bank, Silicon Valley Bank and National Bank of Canada for the purchase of a total of 100,000 shares of Merinta common stock (40,000 shares on May 25, 2000, 25,000 shares on July 31, 2000 and 35,000 shares on November 7, 2000).
10(s) [3]	Common Stock Purchase Warrant dated as of April 14, 1999 issued to Chase Manhattan Bank for the purchase of Registrant's common stock (Originally filed as Exhibit 10(b)).
10(t) [6]	Common Stock Purchase Warrant, dated as of May 25, 2000, issued to Chase Manhattan Bank for the purchase of Registrant's common stock.
10(u) [6]	Merinta Inc.'s Amended and Restated Certificate of Incorporation, effective November 6, 2000, including the terms of Merinta's Series A Convertible Preferred Stock issued to National Semiconductor Corporation.
10(v) [7]	Registrant's 2001 Incentive Plan. (Incorporated by reference to and filed as Appendix B to Definitive Proxy Statement, dated January 31, 2002).
10(w) [8]	Separation Agreement and General Release, effective as of January 1, 2002, with Mr. J. Gerald Combs.
10(x) [8]	Consulting Agreement, effective as of January 1, 2002, with Mr. J. Gerald Combs.
10(y) [8]	Non-negotiable Convertible Note by and between the Registrant and Mr. J. Gerald Combs.
10(z) [8]	List of Stock Options held by Jeffrey K. Moore and list of additional consideration or benefits to be provided to him pursuant to the Separation Agreement and General Release, dated as of January 1, 2002, by and between him and the Registrant (including the Registrant's subsidiaries) (constituting Exhibits B and E to such Agreement).
10(aa) [9]	Seventh Amendment, dated as of March 27, 2002, to Second Amended and Restated Credit Agreement and Guaranty with Chase.
10(ab) [10]	Letter Agreement, dated January 27, 2005, from Entrepreneur Growth Capital LLC to Boundless Corporation and its subsidiaries.

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10(ac)[10] Loan and Security Agreement, dated January 27, 2005, by and among Entrepreneur Growth Capital LLC and Boundless Corporation and its subsidiaries.

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Exhibit No.* -----	Description of Exhibit -----
10(ad)[10]	Corporate Guaranty of All Liability with Collateral, dated January 27, 2005, by Boundless Corporation and its subsidiaries in favor of Entrepreneur Growth Capital LLC.
10(ae)[10]	Certificate of Corporate Resolutions, dated January 27, 2005, of Boundless Corporation, Boundless Acquisition Corp., Boundless Technologies, Inc., and Boundless Manufacturing Services, Inc.
10(af)[10]	Intercreditor and Subordination Agreement, dated January 27, 2005, by and between Vision Technologies, Inc. and Entrepreneur Growth Capital.
11**	Statement re Computation of Per Share Earnings. See Consolidated Financial Statements.
21[5]	List of Subsidiaries
31	Section 302 Certification
32	Section 906 Certification

[1]	Incorporated by reference to Registrant's Registration Statement on Form S-18 (File No. 33-32396-NY).
[2]	Incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997.
[3]	Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999.
[4]	Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999.
[5]	Incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1999.
[6]	Incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000.
[7]	Incorporated by reference to the Registrant's Definitive Proxy Statement on Form DEF 14A, filed January 31, 2002.
[8]	Incorporated by reference to the Registrant's Report on Form 8-K filed January 23, 2002.
[9]	Incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001.

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Exhibit No.*	Description of Exhibit
[10]	Incorporated by reference to the Registrant's Report on Form 8-K filed February 2, 2005. Originally filed as exhibits 12.1-12.5

* Numbers inside brackets indicate documents from which exhibits have been incorporated by reference. Unless otherwise indicated, documents incorporated by reference refer to the identical exhibit number in the original documents from which they are being incorporated.

** Filed herewith

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: February 28, 2006

BOUNDLESS CORPORATION

By: /s/ John D. Ryan

John D. Ryan
Acting Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ John D. Ryan ----- John D. Ryan	Acting Chief Executive Officer	February 28,
/s/ Joseph Gardner ----- Joseph Gardner	Vice President - Finance, Chief Financial Officer (Principal Accounting Officer)	February 28,
/s/ Richard Bowman ----- Richard Bowman	Director	February 28,
/s/ Frank Stephens ----- Frank Stephens	Chairman, Board of Directors	February 28,

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BOUNDLESS CORPORATION AND SUBSIDIARIES (Debtor and Debtors-in-Possession)

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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BOUNDLESS CORPORATION AND SUBSIDIARIES (Debtor and Debtors-in-Possession)

To the Board of Directors and Stockholders
Boundless Corporation (Debtor-in-Possession)
Farmingdale, New York

We have audited the accompanying consolidated balance sheets of Boundless Corporation and Subsidiaries (Debtor and Debtors-in-Possession) as of December 31, 2004 and 2003 and the related consolidated statements of operations, comprehensive loss, changes in stockholders' deficit and cash flows for each of the years in the three-year period then ended. We have also audited the schedule of valuation and qualifying accounts for each of the years ended December 31, 2004, 2003 and 2002. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and schedule are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

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opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Boundless Corporation and Subsidiaries (Debtor and Debtors-in-Possession) as of December 31, 2004 and 2003 and the consolidated results of their operations and their cash flows for each of the years in the three-year period then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the schedule of valuation and qualifying accounts presents fairly, in all material respects, the information set forth therein.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company and its subsidiaries filed for protection under Chapter 11 of the U.S. Bankruptcy Code on March 12, 2003. The Company has suffered substantial losses from operations in each of its last four fiscal years. In addition, as of December 31, 2004, the Company has a stockholders' deficit of \$14,905,000 and has working capital of \$632,000, excluding liabilities and other items subject to compromise of \$14,622,000. These factors raise substantial doubt about the Company's ability to continue as a going concern. Although the Company and its subsidiaries are currently operating as debtors-in-possession under the jurisdiction of the Bankruptcy Court, the continuation of the business as a going concern is first contingent upon the ability of the Company to confirm a plan of reorganization under the Bankruptcy Code and emerge from bankruptcy protection and then subsequently, among other things: (1) the ability of the Company to restructure the terms of its secured debtors-in-possession financing, thereby reducing its cost of borrowing; (2) the ability of the Company to negotiate trade financing with suppliers at acceptable terms; (3) the ability of the Company to negotiate contracts for the sale of its manufacturing services to customers to provide additional liquidity for operations; (4) the ability of the Company to generate cash from operations and to maintain adequate cash on hand; and (5) the ability of the Company to achieve profitability. Management's plans in regard to these matters are also described in Note 1. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ BP Audit Group, PLLC

Farmingdale, NY

September 28, 2005

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BOUNDLESS CORPORATION AND SUBSIDIARIES
(Debtor and Debtors-in-Possession)
CONSOLIDATED BALANCE SHEETS
At December 31, 2004 and 2003
(in thousands)

ASSETS

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	2004	2003
	-----	-----
Current assets:		
Cash and cash equivalents	\$ 124	\$ 373
Cash on deposit with lender	271	328
Trade accounts receivable, net	1,150	912
Affiliate receivables	92	--
Other receivables	117	143
Inventories (Note 3)	1,094	2,072
Prepaid expenses and other current assets	59	179
	-----	-----
Total current assets	2,907	4,007
Property and equipment, net (Note 4)	103	131
	-----	-----
Total assets	\$ 3,010	\$ 4,138
	=====	=====
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Liabilities not subject to compromise		
Current liabilities:		
Current portion of long-term debt	\$ 350	\$ 837
Accounts payable	44	900
Accrued salaries	86	71
Accrued legal fees	1,029	756
Purchase order commitments	561	1,130
Accrued payroll and sales tax payable	30	212
Accrued warranty	18	59
Other accrued liabilities (Note 6)	157	81
	-----	-----
Total current liabilities	2,275	4,046
	-----	-----
Long-term debt, less current maturities (Note 8)	953	1,581
Deferred credits	65	181
Items subject to compromise:		
Mandatorily redeemable preferred stock (Notes 7 & 9)	1,652	1,652
Liabilities subject to compromise (Note 7)	12,970	11,555
	-----	-----
Total liabilities	17,915	19,015
	-----	-----
COMMITMENTS AND CONTINGENCIES (Notes 11 and 12)		
Stockholders' deficit: (Note 9)		
Common stock	67	67
Additional paid-in capital	35,844	35,844
Accumulated deficit	(50,816)	(50,788)
	-----	-----
Total stockholders' deficit	(14,905)	(14,877)
	-----	-----
Total liabilities and stockholders' deficit	\$ 3,010	\$ 4,138
	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE
CONSOLIDATED FINANCIAL STATEMENTS

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(Debtor and Debtors-in-Possession)
 CONSOLIDATED STATEMENTS OF OPERATIONS
 For the Years Ended December 31, 2004, 2003 and 2002
 (in thousands, except per share data)

	2004	2003
	-----	-----
Revenue:		
Product sales	\$ 6,400	\$ 10,718
Services	909	1,032
	-----	-----
Total revenue	7,309	11,750
	-----	-----
Cost of revenue		
Product sales	5,010	10,165
Services	447	797
	-----	-----
Total cost of revenue	5,457	10,962
	-----	-----
Gross margin (loss)	1,852	788
	-----	-----
Operating expenses		
Sales and marketing	295	610
General and administrative	989	2,032
Research and development	150	170
Interest expense (excluding contractual interest of \$64 and \$49 not recognized in 2004 and 2003, respectively)	129	804
	-----	-----
	1,563	3,616
	-----	-----
	289	(2,828)
Other expense (income)		
Loss on reimbursement of employee services (net of reimbursement of \$255)	51	--
Loss on extinguishment of debt	--	289
Write-off of goodwill and other intangible assets	--	--
Net gain on restructuring of payables	--	--
Other charges (credits)	(218)	(193)
	-----	-----
Income (loss) before reorganization items	456	(2,924)
Reorganization items (Note 15)	(484)	(655)
	-----	-----
Net loss	(28)	(3,579)
Accretion of preferred stock	--	99
	-----	-----
Net loss attributable to common stockholders	\$ (28)	\$ (3,678)
	=====	=====
Basic and diluted loss per common share	\$ --	\$ (0.55)
	=====	=====
Basic and diluted weighted average shares outstanding	6,706	6,706
	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE

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CONSOLIDATED FINANCIAL STATEMENTS

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BOUNDLESS CORPORATION AND SUBSIDIARIES
(Debtor and Debtors-in-Possession)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the Years Ended December 31, 2004, 2003 and 2002
(in thousands, except per share data)

	2004	2003	2002
Net loss	\$ (28)	\$ (3,579)	\$ (7,623)
Other comprehensive income:			
Cash flow hedges, net of taxes	--	--	141
Total comprehensive loss	\$ (28)	\$ (3,579)	\$ (7,482)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE
CONSOLIDATED FINANCIAL STATEMENTS

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BOUNDLESS CORPORATION AND SUBSIDIARIES
(Debtor and Debtors-in-Possession)
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
For the Years Ended December 31, 2004, 2003 and 2002
(in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit
	Shares	Amount		
Balance, January 1, 2002	5,688	\$ 57	\$ 35,280	\$ (39,339)
Common stock sold	267	2	160	
Common stock issued in consideration of debt modification	750	8	404	
Net loss				(7,623)
Preferred stock accretion				(148)
Other comprehensive loss				--
Balance, December 31, 2002	6,705	67	35,844	(47,110)
Net loss				(3,579)
Preferred stock accretion				(99)
Balance, December 31, 2003	6,705	67	35,844	(50,788)
Net loss				(28)

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Balance, December 31, 2004	6,705	\$ 67	\$ 35,844	\$ (50,816)
	=====	=====	=====	=====

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CONSOLIDATED FINANCIAL STATEMENTS

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BOUNDLESS CORPORATION AND SUBSIDIARIES
(Debtor and Debtors-in-Possession)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2004, 2003 and 2002
(in thousands)

	2004

Cash flows from operating activities:	
Net income (loss) before reorganization items	456
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Gain on restructuring of payables	--
Depreciation and amortization	43
Write-off of debt financing costs	--
Write-off of goodwill	--
Loss (gain) on the disposition of assets	--
Change in deferred revenues	(116)
Provision (credit) for doubtful accounts	(117)
Provision (credit) for excess and obsolete inventory	(109)
Changes in assets and liabilities:	
Cash on deposit with lender	57
Trade accounts receivable	(121)
Affiliate receivables	(92)
Other receivables	26
Income tax refunds	--
Inventories	1,087
Other assets	120
Accounts payable and accrued expenses	(583)

Net cash provided by (used in) operating activities	651

Cash flows provided by (used in) reorganization activities:	
Reorganization expenses	(484)
Gain on disposition of property and equipment	(23)
Proceeds from disposition of property	23
Increase in liabilities, net	273

Net cash provided by (used in) reorganization activities	(211)

Cash flows from investing activities:	
Capital expenditures	(15)
Proceeds from sale of assets	--

Net cash provided by (used in) investing activities	(15)

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Cash flows from financing activities:	
Net proceeds from issuance of debt	--
Proceeds from issuance of common stock	--
Payments on loans payable and capital leases	(674)

Net cash provided by (used in) financing activities	(674)

Net increase (decrease) in cash and cash equivalents	(249)
Cash and cash equivalents at beginning of year	373

Cash and cash equivalents at end of year	\$ 124
	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE
CONSOLIDATED FINANCIAL STATEMENTS

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BOUNDLESS CORPORATION AND SUBSIDIARIES
(Debtor and Debtors-in-Possession)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2004, 2003 and 2002
(in thousands)

	2004	2003
	-----	-----
Non-cash transactions:		
Asset sale proceeds paid directly to creditors	\$ --	\$ 7,000
Equipment acquisitions funded through debt	--	--
Common stock issued in exchange for debt	--	--
Mandatorily redeemable preferred stock issued in exchange for debt	--	--
Cash paid for:		
Interest	91	12
Taxes	4	--

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE
CONSOLIDATED FINANCIAL STATEMENTS

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BOUNDLESS CORPORATION AND SUBSIDIARIES
(DEBTOR AND DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share data)

1. Voluntary Reorganization Under Chapter 11 of the Bankruptcy Code

The Company voluntarily petitioned for relief under Chapter 11 of the United States Bankruptcy Code on March 12, 2003, (the "Petition Date") in the United States Bankruptcy Court for the Eastern District of New York, Central Islip.

The Debtor will continue to operate its business as "debtor-in-possession" under

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the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure and applicable court orders. In general, as debtors-in-possession, the Debtor is authorized under Chapter 11 to continue to operate as an ongoing business, but may not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court.

In order to successfully exit Chapter 11, the Company will need to propose, and obtain confirmation by the Bankruptcy Court of, a plan of reorganization that satisfies the requirements of the Bankruptcy Code. Additionally, the Company is delinquent in its filings with the Securities and Exchange Commission and is required to file those delinquent reports prior to gaining confirmation.

Background

Boundless Corporation (the "Company") was incorporated in 1988 under the laws of the State of Delaware. The Company through its subsidiaries, Boundless Technologies, Inc. ("Boundless Technologies") and Boundless Manufacturing Services, Inc. ("Boundless Manufacturing"), is a provider of text terminals and manufacturing services. The Company's headquarters is located at 50 Engineers Lane, Farmingdale, New York 11735 (telephone number (631) 962-1500).

Boundless Technologies, a wholly-owned subsidiary, is engaged in supplying computer terminals for commercial use. The Company's general strategy is to provide fast, easy-to-use, and cost-effective products that enable access to applications and data in commercial environments, as well as older "legacy" applications, running on mainframes, mid-range, and Unix systems.

Boundless Technologies principally designs, sells and supports (i) desktop computer display terminals, which generally do not have graphics capabilities, ("General Display Terminals"), and (ii) other products that are used in multi-user computing environments. Boundless Technologies offers standard and custom models of its General Display Terminals primarily to retail, financial, telecommunications and wholesale distribution businesses requiring them for data entry and point of sale activities.

Boundless Manufacturing is pursuing opportunities in the electronic manufacturing services ("EMS") marketplace. As of December 31, 2004 and 2003, the Company owned 75% of the outstanding shares of common stock of this subsidiary. Services include supply chain optimization, global supply base management, systems assembly and test, distribution and logistics, repair centers and end-of-life management. Boundless Manufacturing also offers in-house engineering expertise- product design, test development and product development-to significantly reduce time-to-market for original equipment manufacturers ("OEM") customers. Boundless Manufacturing provides a complete supply chain that is designed and built to each customer's specifications. Boundless Manufacturing also has post-manufacturing support capability in New York and Atlanta.

Financial Statement Presentation.

The accompanying consolidated financial statements have been prepared in accordance with American Institute of Certified Public Accountants' Statement of Position 90-7 ("SOP 90-7"), "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code," and on a going-concern basis, which contemplates continuity of operations, realization of assets and satisfaction of liabilities in the ordinary course of business.

SOP 90-7 requires that the financial statements for periods subsequent to the Chapter 11 filing petition distinguish transactions and events that are directly associated with the reorganization from the operations of the business. Accordingly, revenues, expenses (including professional fees), realized gains and losses, and provisions for losses directly associated with the

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reorganization and restructuring of the business are reported separately in the financial statements. The Consolidated Balance Sheet distinguishes pre-petition liabilities and other items subject to compromise from both those pre-petition liabilities that are not subject to compromise and from post-petition liabilities. Liabilities and other items subject to compromise are reported at the amounts expected to be allowed, even if they may be settled for lesser amounts.

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BOUNDLESS CORPORATION AND SUBSIDIARIES (DEBTOR AND DEBTORS-IN-POSSESSION) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In addition, as a result of the Chapter 11 filing, the realization of assets and satisfaction of liabilities, without substantial adjustments or changes in ownership, are subject to uncertainty. Given this uncertainty, there is substantial doubt about the Company's ability to continue as a going concern. While operating as debtors-in-possession under the protection of Chapter 11 of the Bankruptcy Code and subject to approval of the Bankruptcy Court or otherwise as permitted in the ordinary course of business, the Debtors, or some of them, may sell or otherwise dispose of assets and liquidate or settle liabilities for some amounts other than those reflected in the consolidated financial statements. Further, a plan of reorganization could materially change the amounts and classifications in the historical consolidated financial statements.

The primary issues management will focus on immediately following confirmation of the Company's Plan of Reorganization 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 cashflows 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 its 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

2. Gaining access to a more modern and growing market through new product

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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.

There is no assurance that the Company will be successful in obtaining confirmation of its Plan of Reorganization. If not, liquidation of the Company's assets would most likely ensue. If the Company does emerge from Chapter 11, there is no assurance that its operations will be profitable and cash flow positive; in the alternative, the scope of operations could be severely curtailed or discontinued entirely. The accompanying financial statements do not include any adjustments that might result from the outcome of these uncertainties.

DIP Financing

During the period from the Petition Date through and including January 2005, Valtec Capital Corporation ("Valtec"). provided debtor-in-possession financing to the Company. Pursuant to the Bankruptcy Court's Interim Order entered on April 17, 2003, the Bankruptcy Court approved: (i) the Company's use of Valtec's cash collateral ; (ii) direct borrowings from Valtec of an amount up to \$1,500; and (iii) the Debtor-in-Possession Financing and Security Agreement by and among Valtec and the Company. See "Cash and Cash Equivalents" below.

See Note 19- Subsequent Events, of Notes to Consolidated Financial Statements, for additional information concerning the Company's DIP financing.

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BOUNDLESS CORPORATION AND SUBSIDIARIES (DEBTOR AND DEBTORS-IN-POSSESSION) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies

Basis of Presentation

Boundless Corporation is a holding company whose principal subsidiaries are Boundless Technologies, Inc., Boundless Manufacturing Services, Inc., and Merinta Inc. The consolidated financial statements include the accounts of all of the majority-owned subsidiaries.

All significant intercompany transactions are eliminated. Certain prior year amounts, specifically the presentation of cash, trade accounts receivable, and interest expense have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the Company's income or loss before reorganization items, net loss, or related per share amounts for any period presented.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, after elimination of intercompany accounts and transactions. As of December 31, 2004

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the Company owned 100%, 84%, and 75% of the outstanding common stock of Boundless Technologies, Merinta and Boundless Manufacturing, respectively. Due to the equity deficits of the latter two companies, no minority interest is reflected.

Cash and Cash Equivalents

All highly liquid investments with maturities at purchase of three months or less are considered cash equivalents. The Company had \$271 and \$328 classified as "cash on deposit with lender" at December 31, 2004 and 2003, respectively, representing cash on-hand in a lockbox account under the control of the Company's DIP lender. On approval of the DIP lender the Company accesses these funds, further, the lender withdraws payments on terms of its DIP financing agreement discussed above.

Allowance for Doubtful Accounts

An allowance for uncollectible trade receivables is provided based on management's analysis of write-off history, aging analysis, and any specific, known troubled accounts. Periodically management's review of this allowance could result in a reduction and corresponding credit to the statement of operations. The Company recorded a credit to bad debt expense of \$117 in 2004, and recorded bad debt expense of \$104 and \$599 for the years ended December 31, 2003 and 2002, respectively. The allowance for doubtful accounts was \$501 and \$623 at December 31, 2004 and 2003, respectively.

Inventory

Boundless values inventory at the lower of cost or market, with cost computed on a first-in, first-out basis.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Buildings and improvements are depreciated over a 25-year period, and machinery and equipment are depreciated over periods ranging from 2 to 15 years. Expenditures that increase the value or extend the life of an asset are capitalized, while costs of maintenance and repairs are expensed as incurred. Gains or losses upon disposal of assets are recognized in the statements of operations.

Long-Lived Assets

In 2002, the Company recorded an expense of \$775 for the impairment of the carrying value of machinery and equipment, which was sold in July 2002, upon closing of the Florida manufacturing facility. The loss is included in other charges for the year ended 2002.

Goodwill

Due to its March 2003 Chapter 11 proceedings, in December 2002, the Company recorded an expense of \$3,262 to remove the remaining unamortized book value of all goodwill and associated intellectual property.

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 Company.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, current liabilities and

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long-term debt reported on the balance sheets approximate their fair value. The Company estimated the fair value of long-term debt by comparing the carrying amount to the future cash flows of the instrument, discounted using the Company's incremental rate of borrowing for a similar instrument. The Company believes the

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BOUNDLESS CORPORATION AND SUBSIDIARIES (DEBTOR AND DEBTORS-IN-POSSESSION) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

fair value of liabilities and other items subject to compromise is not determinable.

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 a 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 services are performed and billable. Revenue from maintenance and extended warranty agreements is deferred and recognized ratably over the term of the agreement.

Supplier Concentration

The Company purchases subassemblies and components for its products from more than 40 domestic and Far East suppliers. In 2004 purchases from Radiance Electronics, Ansen Corporation and Video Display Corporation accounted for 34%, 20%, and 9%, respectively, of the Company's total purchases of material. Purchases from Radiance Electronics (formerly Goldtron Electric), Ansen Corporation and Hewlett Packard, accounted for approximately 24%, 20% and 18%, respectively, of the dollar amount of the Company's total purchases of subassemblies and components in 2003.

As a condition to the Valtec DIP Financing, Valtec required the Company to enter into the Ansen Corporation Manufacturing Services Agreement ("Ansen Agreement"), pursuant to which, Ansen Corporation would provide post-petition manufacturing, production and delivery services to the Company. The Company placed with Ansen initial purchase orders for certain components with committed delivery dates beginning March 2003. The failure of Ansen to timely deliver the components resulted in the cancellation or rescheduling of customer orders placed with the Company; and generally resulted in a reduction of the number of components required by the Company with respect to the original delivery dates. On November 7, 2003, Ansen notified the Company of its intention to terminate the Ansen Agreement due to the alleged failure of the Company to accept and pay for the components as originally scheduled. By subsequent agreement, the Company will continue to purchase any remaining components from Ansen as needed; and, should any components remain as of the Effective Date, the Company will purchase the then remaining balance. Ansen continues to deliver the components to the Company. The balance due Ansen was approximately \$561 and \$1,130 at December 31, 2004 and 2003, respectively; and such balance is included in "Purchase order commitments" on the balance sheets.

Due to the Company's poor working capital position immediately preceding its bankruptcy filing, Hewlett Packard agreed to provide the cash the Company needed to purchase components necessary for the manufacturing of Hewlett Packard's product requirements. During the period from December 2002 through July 2003

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Hewlett Packard purchased approximately \$1,493 of components.

Concentration of Credit Risk

The Company is required by SFAS No. 105, "Disclosure of Information about Financial Instruments with Concentrations of Credit Risk," to disclose concentrations of credit risk regardless of the degree of such risk. The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and trade accounts receivable. The Company's cash policy limits credit exposure; however, for limited periods of time during the year bank balances may exceed the FDIC insurance coverage. The Company routinely assesses the financial strength of its customers and as a consequence, believes that its accounts receivable credit risk exposure is limited. No collateral is required. The Company extends credit in the normal course of business to a number of distributors and value-added resellers in the computer industry. The Company had three customers representing 16%, 14% and 11% of revenues, respectively, in 2004, two customers representing 32% and 13% of revenues, respectively, in 2003, and one customer representing 14% of revenues in 2002.

Shipping and Handling

The Company records as revenue all amounts billed to customers for out-bound shipping and handling. All costs associated with in-bound and out-bound shipping and handling are included in cost of revenue.

Advertising

Advertising costs are expensed as incurred. The amount charged to advertising expense was \$0, \$12 and \$94 for the years ended December 31, 2004, 2003 and 2002.

Income Taxes

As more fully discussed in Note 5, income taxes are provided in accordance with the liability method of accounting for income taxes

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BOUNDLESS CORPORATION AND SUBSIDIARIES (DEBTOR AND DEBTORS-IN-POSSESSION) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

pursuant to SFAS No. 109. Accordingly, deferred income taxes are recorded to reflect the future tax consequences of differences between the tax basis of assets and liabilities and their financial amounts at year-end. Deferred tax assets are reduced by an estimated valuation allowance.

Stock Based Compensation

The Company accounts for stock options and warrants issued to employees in accordance with APB 25 "Accounting for Stock Issued to Employees." The Company follows SFAS No. 123 "Accounting for Stock Based Compensation" for financial statement disclosure purposes and issuances of options and warrants to non-employees for services rendered.

Net Loss Per Common Share

Net loss attributable to common stockholders includes the accretion of mandatorily redeemable preferred stock.

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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. There were no dilutive instruments for 2004, 2003 or 2002.

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.

Comprehensive Income (Loss)

The adoption of FAS 133, "Accounting for Derivative Instruments and Hedging Activities," at January 1, 2001, resulted in recording \$30 in accumulated other comprehensive loss for the cumulative effect of the accounting change. At December 31, 2002, the Company had in place an interest rate swap agreement in the amount of \$306 bearing three-month LIBOR interest of 1.4%. The interest rate swap agreement expired March 31, 2003. The deferred loss resulting from the swap agreements, as calculated using the mark-to-market method, was not material. At December 31, 2002, the Company's interest rate swap, a cash flow hedge, was closed out to the statement of operations.

New Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets--An Amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions" ("SFAS 153"). SFAS 153 eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion No. 29, "Accounting for Nonmonetary Transactions," and replaces it with an exception for exchanges that do not have commercial substance. SFAS 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 153 is effective for the fiscal periods beginning after June 15, 2005 and is required to be adopted by Boundless in the third quarter of fiscal 2005, beginning on July 1, 2005. Boundless is currently evaluating the effect that the adoption of SFAS 153 will have on its consolidated results of operations and financial condition but does not expect it to have a material impact.

3. Inventories

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 affected through a credit to the statement of operations. For the year ended December 31, 2004 the Company recorded a credit of \$109 for excess and obsolete inventory as compared to a provision of \$1,169 and \$565 in 2003 and 2002, respectively.

The major components of inventories are as follows:

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BOUNDLESS CORPORATION AND SUBSIDIARIES
(DEBTOR AND DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	December 31, 2004	December 31, 2003
Raw materials and purchased components	\$ 1,584	\$ 2,843
Finished goods	126	135
Manufacturing inventory reserves	(935)	(1,242)
Service parts	319	336
	\$ 1,094	\$ 2,072

4. Property and Equipment

Property and equipment consists of the following:

	December 31, 2004	December 31, 2003
Machinery and equipment	\$ 6,519	\$ 6,605
Less accumulated depreciation and amortization	6,416	6,474
	\$ 103	\$ 131

On or about September 17, 2003, pursuant to that certain Purchase and Sale Agreement by and among the Company, Independence Community Bank ("ICB"), JPMorgan Chase and 100 Marcus LLC, the Company agreed to transfer all of its right, title and interest in and to 100 Marcus Boulevard, Hauppauge, New York, which had served as the Company's main operating facility (the "Premises"). ICB and JPMorgan Chase held mortgages on the Premises and participated in the sale transaction. The Company successfully negotiated a sale of the Premises which provided for: (i) satisfaction of all liens and encumbrances of ICB and JPMorgan Chase; (ii) payment of all outstanding real estate tax obligations from the proceeds of the sale; (iii) the Company's use of 15,000 square feet, rent free, for a period of one (1) year post-closing; (iv) the payment of \$250 to the Company and (v) ICB and JP Morgan Chase retaining unsecured claims against the Company for the difference between the Company's Obligations to such banks and the amount of the proceeds of the sale of the Premises remitted to such bank. As a result, such banks have pre-petition unsecured claims against the Company aggregating approximately \$2,271. The Company recognized a gain on the sale of the building and other miscellaneous assets of \$685; which gain includes approximately \$150, representing the fair market rental value of the premises for the one-year rent-free period.

Depreciation expense for the years ending December 31, 2004, 2003 and 2002 was \$43, \$752 and \$1,557, respectively. The Company recorded repairs and maintenance expenses of \$13, \$26 and \$102 for the years ended December 31, 2004, 2003 and 2002.

5. Income Taxes

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(DEBTOR AND DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Due to the reported net losses, there were no provisions for current or deferred federal or state income taxes for the years ended December 31, 2004, 2003 or 2002.

The benefit from income taxes differs from the amount of income tax determined by applying the statutory federal income tax rate to continuing operations before income taxes as a result of the following:

	2004	2003	2002
	-----	-----	-----
Federal income tax benefit at statutory rate	\$ (10)	\$ (1,217)	\$ (2,592)
Losses not producing tax benefits	10	1,217	2,592
	-----	-----	-----
Income tax benefit	\$ --	\$ --	\$ --
	=====	=====	=====

The Company has provided a valuation allowance against the total amount of the net deferred tax assets due to the uncertainty of future realization.

The components of the net deferred tax assets and liabilities were as follows:

	2004	2003
	-----	-----
Current deferred tax assets:		
Inventory	\$ 702	\$ 702
Accounts receivable	259	321
Warranties	79	145
Other deferred tax assets	679	676
Less valuation allowance	(1,719)	(1,844)
	-----	-----
Total current deferred tax assets	\$ --	\$ --
	=====	=====
Noncurrent deferred tax assets- Goodwill and other	\$ 828	\$ 835
Noncurrent deferred tax liabilities- Property and equipment	(675)	(588)
Net operating loss carryforwards	15,955	15,726
Less valuation allowance	(16,108)	(15,973)
	-----	-----
Net noncurrent deferred tax assets	\$ --	\$ --
	=====	=====

The increase (decrease) in the valuation allowance for deferred tax assets for the years ending December 31 was as follows:

	2004	2003
	-----	-----
Current deferred tax asset valuation allowance	\$ (125)	\$ (175)
Long-term deferred tax asset valuation allowance	135	1,390
	-----	-----
	\$ 10	\$ 1,215
	=====	=====

6. Other accrued liabilities

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At December 31, 2004 and 2003 other accrued liabilities consisted of the following:

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BOUNDLESS CORPORATION AND SUBSIDIARIES
(DEBTOR AND DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2004	2003
	-----	-----
Accrued interest expense	\$ 100	\$ 60
Accrued audit expense	1	12
Other accrued expenses	56	9
	-----	-----
	\$ 157	\$ 81
	=====	=====

7. 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 Company's estimate of known or potential pre-petition claims to be resolved in connection with the Chapter 11 Cases. Such claims remain subject to future adjustments. Adjustments may result from negotiations, actions of the Bankruptcy Court, the determination as to the value of any collateral securing claims, proofs of claim or other events. It is anticipated that such adjustments may be material. Payment terms for these amounts will be established in connection with the Chapter 11 Cases.

As a result of the bankruptcy proceedings, certain accounts payable have been re-characterized as liabilities subject to compromise in 2004. In addition, as a result of other bankruptcy proceedings certain capital lease obligations previously reported in long-term debt are now re-characterized as liabilities subject to compromise. See Note 8- Debt.

At December 31, 2004 and 2003, the Company had liabilities and other items subject to compromise of approximately \$14,622 and \$13,207 which consisted of the following:

	2004	2003
	-----	-----
Liabilities:		
Accounts payable	\$ 10,948	\$ 9,971
Convertible notes payable, principally related to prior separation agreements	965	965
Accrued salaries	397	397
Accrued warranty	222	222
Capital lease obligations	438	--
	-----	-----
	12,970	11,555
Other:		
Mandatorily redeemable preferred stock	1,652	1,652
	-----	-----
	\$ 14,622	\$ 13,207
	=====	=====

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Pursuant to the separation arrangements described below, the Board of Directors of the Company accepted the resignations, effective as of January 1, 2002, of J. Gerald Combs, its Chairman and Chief Executive Officer, and Jeffrey K. Moore, its Vice President of Corporate Development, from all of their positions with the Company and its subsidiaries.

The Company entered into a Separation Agreement and General Release (the "Separation Agreement") with each of Mr. Combs and Mr. Moore and issued a 6% Convertible Promissory Note (the "Note") to each of them, with a principal amount of \$475,000 for Mr. Combs and \$382,600 for Mr. Moore, representing the separation payments. The principal amount of the notes include a bonus previously awarded by the Company for the year 2000 (\$75,000 for Mr. Combs and \$25,000 for Mr. Moore), which had not been paid by the Company. Simultaneously, the Company entered into a Consulting Agreement with Mr. Combs and an Employment and Consulting Agreement with Mr. Moore (together, the "Consulting Agreements"). Mr. Combs was to serve as a consultant to the Company until March 31, 2003, and Mr. Moore was to remain as an employee of the Company at a reduced salary and in a non-officer capacity until March 31, 2002 and thereafter serve as a consultant to the Company until February 27, 2003. Under the Consulting Agreements the Company agreed to pay a total of \$241,056 to Mr. Combs and \$137,500 to Mr. Moore. The Company agreed that, to the extent not already vested, all stock options held by Mr. Combs (480,000) and Mr. Moore (205,000) would be fully vested immediately and such options would be exercisable for five years from January 1, 2002. The exercise prices of such stock options were not changed. The Company (including its subsidiaries) granted releases to Mr. Combs and Mr. Moore, each of whom

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BOUNDLESS CORPORATION AND SUBSIDIARIES (DEBTOR AND DEBTORS-IN-POSSESSION) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

granted reciprocal releases to the Company (and its subsidiaries).

Each Note was payable on February 27, 2003 and entitled the holder to convert it at the price of \$1.25 per share into restricted shares of the Company's common stock at any time prior to such maturity date. However, if the Notes were not converted and the Company had not raised equity financing of at least \$2,500,000 prior to such maturity date, the Company had the option to extend the Notes for two years and to pay the Notes in 24 monthly installments. The Company's obligations to make payments under the Notes were subordinated to its current or future obligations to repay all other indebtedness for borrowed money. The shares into which the Notes could have been converted were accompanied by "piggyback" registration rights. As a result of the bankruptcy filing, the obligations to both Messrs. Combs and Moore are unsecured and subject to compromise.

The mandatorily redeemable preferred stock is convertible into shares of common stock of the Company at a conversion price of \$3 per share. The Plan of Reorganization contemplates that all equity instruments of the Company will be cancelled on the Effective Date. As a result, the conversion of the preferred stock to shares of common stock is doubtful and therefore the mandatorily preferred stock is included with other items subject to compromise.

The preferred stock was issued in connection with the 2002 debt restructuring in the face amount of \$4,365 and was recorded at its estimated fair value \$1,406. Assuming none of the holders of the Preferred Stock convert

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to Common Stock of Boundless Corporation, the Company would be required to record a charge to earnings available to stockholders over the ten-year redemption period such that the carrying value of the Preferred Stock equals its face value at the time of redemption. Pre-petition, the difference between the carrying value of the preferred stock and its face value was being treated as a dividend and charged to earnings available to stockholders over the ten-year redemption period unless conversion occurs, in which case accretion terminates at that point. As of December 31, 2003, \$247 was accreted and added to losses attributable to common stockholders.

Since the Plan of Reorganization contemplates that all equity instruments of the Company will be cancelled on the Effective Date, the Company discontinued the accretion of the difference between the carrying value of the preferred stock and its face value to earnings available to stockholders.

As of the Petition Date, and absent further order of the Bankruptcy Court, no party, subject to certain exceptions, may take any action, again subject to certain exceptions, to recover on pre-petition claims.. The Company has rejected pre-petition executory contracts and unexpired lease obligations, and they are included with liabilities subject to compromise. The parties affected by these rejections may file claims with the Bankruptcy Court. At this time, it is not possible to predict the outcome of the Chapter 11 process or its effect on the Company's business.

The Company's statement of operations for the years ended December 31, 2004 and 2003 do not include interest expense on debt subject to compromise subsequent to the Petition Date. If the Company had reported interest on the basis of the amounts it was contractually required to pay, additional interest expense of \$64 and \$49 would have been recorded in 2004 and 2003, respectively.

8. Debt

Long-term debt at December 31, 2004 and 2003 consisted of the following:

	2004	2003
Note payable to Valtec Capital Corporation, bearing interest at 8%, collateralized by receivables, inventory and equipment	\$ 653	\$ 1,321
Notes payable to Vision Technologies, Inc., bearing interest at 8%, payable in 36 equal monthly installments, commencing the month following payment in full of the Valtec Capital note collateralized by receivables, inventory and equipment, subordinate to Valtec Capital	650	650
Capital lease obligations, secured by underlying assets	--	447
	1,303	2,418
Less current maturities on long-term debt	350	837
	\$ 953	\$ 1,581

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The aggregate debt schedule maturities is as follows:

2005	\$	350
2006		351
2007		204
2008		221
2009		177

	\$	1,303
		=====

In connection with the bankruptcy filing, during the quarter ended March 31, 2003, the Company obtained debtor-in-possession financing with Valtec Capital, LLC and wrote off \$289 of capitalized debt financing costs associated with the asset-based lending agreement with the Company's prior lender.

As a result of other bankruptcy proceedings certain capital lease obligations previously reported in long-term debt are now re-characterized as liabilities subject to compromise. See Note 7- Liabilities Subject to Compromise.

9. Equity

At December 31, 2004 and 2003, stockholders' deficit consisted of the following:

	2004	2003
	-----	-----
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	67
Additional paid-in capital	35,844	35,844
Accumulated deficit	(50,816)	(50,788)
	-----	-----
Total stockholders' deficit	\$ (14,905)	\$ (14,877)
	=====	=====

Mandatorily Redeemable Preferred Stock and Related Gain on Debt Settlement.

During the second quarter of 2002, the Company issued mandatorily redeemable convertible preferred stock (the "Preferred Stock"), in the respective face amounts of \$1,250 and \$3,115 as part of two debt settlements. The Company retained the services of an independent firm to determine the fair value of the aggregate face value of \$4,365 of the Preferred Stock for purposes of recording the transactions on the Company's books.

The convertible preferred stock was valued as a combination of an unsecured fixed income like security ("Debt Portion") and a warrant. The combination of the Debt Portion and warrant provided for an estimated fair value of the Preferred Stock of \$1,406, resulting in the Company's recognizing a gain in the second quarter ended June 30, 2002 of \$846 and \$2,113 respectively on the portion of troubled debt attributable to the issuance of the Preferred Stock.

In satisfying the secured debt and in return for removing the lien on our assets, the Company, amongst other consideration, also agreed to issue 750,000 shares of its common stock to the lenders and shares of the Preferred Stock referred to above with a stated value of \$1,250 and a carrying value of \$404, resulting in the recognition of gain of \$846 as reflected above. The Company had

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agreed to register under the Securities Act of 1933 such common stock and the shares into which the Preferred Stock may be converted. The lenders have certain anti-dilution protection for their shares of common stock.

The Company also reached agreement with its unsecured creditors representing approximately \$10,237 of debt which required the Company to make cash payments totaling approximately \$2,878, issue shares of Preferred Stock as discussed above with a stated value of approximately \$3,115 and a carrying value of \$1,002, allow offsets of receivables in the amount of \$301 otherwise due the Company and agree to price increases in the total amount of \$820 on future purchases of components. The Company recognized a gain on the restructuring of these payables to creditors of \$5,236 including the gain attributable directly to the Preferred stock in the amount of \$2,113 as shown above. Subsequently, the Company failed to meet its payment obligations under the agreements, resulting in a reversal during the fourth quarter of 2002 of \$2,158 of gain on the settlement of unsecured trade debt previously

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BOUNDLESS CORPORATION AND SUBSIDIARIES (DEBTOR AND DEBTORS-IN-POSSESSION) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

recorded. As a result, the gain of \$6,082 from the second quarter was reduced to a net gain of \$3,924 for the full year.

The Preferred Stock issued to the lenders and unsecured creditors was convertible after the first anniversary of their issuance into shares of the Company's common stock at \$3.00 per share and, unless sooner converted into common stock, must be redeemed by the Company on June 30, 2012 for their stated value.

If all of such Preferred Stock, including the Preferred Stock which the Company is required to issue to the lenders, are converted, the Company would be required to issue approximately 1,455,073 shares of its common stock, subject to adjustment. As part of the Company's Plan of Reorganization, which requires Bankruptcy Court approval, it is contemplated that the shares issuable under the Preferred Stock will be cancelled. The carrying value of the mandatorily redeemable stock is included in other items subject to compromise at December 31, 2004 and 2003.

Assuming none of the holders of the Preferred Stock convert to Common Stock of Boundless Corporation, the Company would be required to record a charge to earnings available to stockholders over the ten-year redemption period such that the carrying value of the Preferred Stock equals its face value at the time of redemption. Pre-petition, the difference between the carrying value of the preferred stock and its face value was being treated as a dividend and charged to earnings available to stockholders over the ten-year redemption period unless conversion occurs, in which case accretion terminates at that point. As a result of the bankruptcy, in the third quarter of 2003 the Company discontinued accreting the difference. As of December 31, 2004, \$247 was accreted and charged to losses attributable to common stockholders. Since the Plan of Reorganization contemplates that all equity instruments of the Company will be cancelled on the Effective Date, the Company discontinued the accretion of the difference between the carrying value of the preferred stock and its face value.

During the quarter ended September 30, 2002, the Company sold to nine individuals (the "Subscribers") 267,367 shares of unregistered Common Stock of the Company for proceeds of \$162. Proceeds of the offering were used for general working capital purposes. The purchase price was calculated by taking the

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average closing price of the Common Stock on the American Stock Exchange during the five consecutive trading days ending on the trading date immediately preceding the purchase date. In connection with this sale, the Company granted to the Subscribers warrants to purchase 267,367 shares of the Company's Common Stock. The warrants are exercisable at between \$0.47 and \$0.70 per share of Common Stock and expire on the fifth anniversary from the date of issuance.

10. Options and Warrants

The Company believes its presently outstanding equity securities will have no value and it is expected that those securities will be canceled under any plan of reorganization.

On March 6, 1998, the Company filed an Information Statement on Schedule 14C with the Securities and Exchange Commission in connection with, amongst other items, the Board of Directors of the Company approving the Company's 1997 Incentive Plan permitting the grant of stock options, stock appreciation rights, performance shares, stock awards, stock units and incentive awards to employees, directors and others.

The Company had previously adopted its 1995 Incentive Plan which permitted up to 600,000 shares of Common Stock to be issued thereunder. As additional shares were no longer available to be issued under the 1995 Incentive Plan, the Board adopted the 1997 Incentive Plan. The maximum number of shares to be issued under the 1997 Incentive Plan is not to exceed 1,000,000. The exercise price of each option granted is to be equal to or greater than the market price of the Company's stock on the date of grant. The terms of the options are generally over five years with vesting occurring in 25% increments beginning one year after the grant date. In December 2000 the Board created the 2000 Incentive Plan that covers up to 1,000,000 shares of Common Stock. The number of shares granted on a calendar year basis under the 2000 Incentive Plan is limited to 5% of the total number of shares of Common Stock outstanding, or 10% in any five-year period.

The Company has elected to continue to account for stock options issued to employees in accordance with APB 25, "Accounting for Stock Issued to Employees". During the year ended December 31, 2002, all options issued to officers and employees were granted at an exercise price which equaled or exceeded the market price per share at the date of grant and accordingly, no compensation was recorded.

The Company follows the disclosure requirements of FASB Statement 123, "Accounting for Stock-Based Compensation". This statement requires the Company to provide pro forma information regarding net income and net income per share as if compensation

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BOUNDLESS CORPORATION AND SUBSIDIARIES
(DEBTOR AND DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

cost for the Company's employee stock options granted had been determined in accordance with the fair value based method prescribed in SFAS No. 123. The Company estimates the fair value of each stock option at the grant date by using the Black-Scholes option pricing model. No options or warrants were granted in 2004 or 2003. The following weighted average assumptions were used for grants in 2002:

1. Dividend yield of 0%

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2. Expected volatility of 114%.
3. Risk-free interest rates ranging from 1.47% to 2.1%
4. Expected term of 3 years

Under the accounting provisions of SFAS No. 123, the Company's net loss and net loss per share would have been equal to the pro forma amounts indicated below:

	2004 -----	2003 -----	2002 -----
Net loss			
As reported	\$ (28)	\$ (3,579)	\$ (7,623)
Under SFAS No. 123	(28)	(3,696)	(8,096)
Net loss per share			
As reported - basic	\$ (0.00)	\$ (0.55)	\$ (1.21)
As reported - diluted	(0.00)	(0.55)	(1.21)
Under SFAS No. 123 - basic	(0.00)	(0.55)	(1.26)
Under SFAS No. 123 - diluted	(0.00)	(0.55)	(1.26)

A summary of the status of the Company's stock options and warrants as of December 31, 2004 and 2003, and changes during the years ending on those dates is as follows:

Options -Boundless Corporation	2004 -----		2003 -----	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
	-----	-----	-----	-----
Outstanding at beginning of year	1,992,715	\$ 2.50	2,326,247	\$ 2.42
Granted	--	--	--	--
Exercised	--	--	--	--
Forfeited	(587,265)	(1.94)	(333,532)	(1.92)
	-----	-----	-----	-----
Outstanding at end of year	1,405,450	\$ 2.74	1,992,715	\$ 2.50
	=====	=====	=====	=====
Options exercisable at end of year	1,362,032	\$ 2.81	1,653,171	\$ 2.92
	=====	=====	=====	=====
Weighted average fair value of options granted during the year		N/A		N/A
		=====		=====

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BOUNDLESS CORPORATION AND SUBSIDIARIES
(DEBTOR AND DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Warrants- Boundless Corporation	2004 -----	2003 -----
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	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	1,463,560	\$ 3.27	1,530,900	\$ 3.55
Granted	--	--	--	--
Exercised	--	--	--	--
Forfeited	(380,002)	(7.30)	(67,340)	(9.69)
Outstanding at end of year	1,083,558	\$ 1.86	1,463,560	\$ 3.27
Warrants exercisable at end of year	1,083,558	\$ 1.86	1,463,560	\$ 3.27
Weighted average fair value of warrants granted during the year		N/A		N/A

The following table summarizes information about fixed stock options and warrants outstanding at December 31, 2004:

	Number Outstanding at December 31, 2004	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number Exercisable December 31, 2004
Options - Boundless Corp.	207,400	\$ 0.45	2.83	16,000
	215,000	1.03	1.81	21,000
	148,000	1.05	2.14	14,000
	220,000	1.50	1.45	22,000
	30,050	2.60	1.15	3,000
	130,000	4.50	2.00	13,000
	150,000	4.88	2.00	15,000
	100,000	5.00	2.00	10,000
	205,000	5.62	2.00	20,000
	1,405,450	\$ 2.74	2.01	1,360,000
Warrants - Boundless Corp.	400,000	\$ 0.36	2.92	40,000
	172,430	0.65	2.51	17,000
	144,939	0.84	2.17	14,000
	64,409	1.30	1.42	6,000
	6,946	1.33	1.43	0
	20,834	1.36	1.41	2,000
	27,500	2.40	0.15	2,000
	46,500	5.00	1.01	4,000
	150,000	5.80	0.38	15,000

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50,000	6.88	0.40	5
-----	-----	-----	-----
1,083,558	\$ 1.86	2.01	1,08
=====	=====	=====	=====

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BOUNDLESS CORPORATION AND SUBSIDIARIES
(DEBTOR AND DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In accordance with SFAS No. 123, the Company is required to account for options issued to non-employees for services rendered using the fair value method over their vesting period.

In connection with a sale of the Company's common stock in September 2001, the Company granted to the subscribers warrants to purchase 267,367 shares of the Company's Common Stock. The warrants are exercisable at between \$0.47 and \$0.70 per share of Common Stock and expire on the fifth anniversary from the date of issuance.

Due to the expected cancellation of all of the Company's outstanding equity securities, including the mandatorily redeemable Preferred Stock, as a result of the Chapter 11 proceedings, none of the outstanding warrants or options is believed to have any economic or dilutive effect on the Company's finances.

11. Related Party Transactions

In 2002 the Company issued certain convertible notes in connection with separation agreements. These are included in liabilities subject to compromise. See Note 7- Liabilities Subject to Compromise.

Net revenue from EMS activities, primarily logistics services sold to Unique Co-operative Solutions, Inc. ("UCSI"), was \$240 for the year ended December 31, 2004. Net revenue from UCSI during 2003 and 2002 was not material. UCSI is wholly owned by Mr. Oscar Smith, who also is the majority shareholder of Vision Technologies, Inc. ("Vision"). The Company's Plan of Reorganization, assuming approval by the Bankruptcy Court, contemplates that Vision will own 100% of the Company. Mr. Smith currently owns approximately 15% of the outstanding common stock of the Company.

Beginning in the first quarter of 2004, the Company recognized that certain of its employees were underutilized, and outsourced a portion of this underutilization to UCSI. In the absence of this arrangement, the Company would have absorbed the entire expense of the underutilization. For the year ended December 31, 2004, these costs were estimated to be \$306 for which the Company charged UCSI \$255. The \$255 charged by the Company was less than the estimated personnel and personnel related expenses. The resulting loss of \$51 is reported in the statement of operations.

12. Commitments

Leases

The Company leases certain manufacturing, sales and administrative facilities and office equipment under operating lease agreements, which expire at various times through February 2009.

Total rent expense was \$336 and \$91 in 2004 and 2003, respectively.

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Future minimum rental commitments as of December 31, 2004 were as follows:

2005	\$	221
2006		228
2007		235
2008		242
2009		41

	\$	967
		=====

13. Contingencies

The Company is subject to lawsuits and claims that arose in the normal course of business. Management is of the opinion that all such matters are without merit, or are of such kind, or involve such amounts, as would not have a significant effect on the financial position, results of operations or cash flows of the Company if disposed unfavorably.

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BOUNDLESS CORPORATION AND SUBSIDIARIES
(DEBTOR AND DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Segment Reporting and Geographic Information

Operating segments are identified as components of an enterprise about which separate financial information is available for evaluation by its decision making group. For 2002, the Company had two reportable segments. With the Company's restructuring in conjunction with Chapter 11 filing on March 12, 2003, the business segment reporting ceased.

The Company's manufacturing is conducted at its New York facility and its sales force operates from three geographically dispersed locations in the United States and United Kingdom.

Foreign sales were approximately \$1,929, \$3,473 and \$7,430 for 2004, 2003 and 2002, respectively. The following table shows the approximate percentage of total revenue attributable to export sales to the regions described for each of the years ended December 31:

	2004	2003	2002
	-----	-----	-----
Western Europe	21%	25%	17%
Other European countries	1%	0%	0%
Other foreign countries	5%	4%	11%
	-----	-----	-----
Total	27%	29%	28%
	=====	=====	=====

All significant long-lived assets of the Company are in the United States.

15. Defined Contribution Plan

Concurrent with its filing for protection under Chapter 11, the Company ceased providing a 401(k) retirement savings plan (the "401(k) Plan") for its full-time employees. Effective March 1, 2002, the Company had terminated its contributions to the 401(k) plan, with only employee contributions remaining. During 2003, the

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	-----	-----	-----
Net revenue	\$ 1,811	\$ 3,461	\$ 4,008
Cost of product sold and services	2,405	2,770	3,205
Gross profit (loss)	(594)	691	803
Net loss	\$ (1,113)	\$ (92)	\$ (955)

Per share amounts:

Basic and diluted net loss per common share	\$ (0.17)	\$ (0.01)	\$ (0.15)
---	-----------	-----------	-----------

For the six months ended
June 30, June 30,

	-----	-----
	2004	2003
	-----	-----
Net revenue	\$ 3,994	\$ 6,478
Cost of product sold and services	2,909	5,787
Gross profit (loss)	1,085	691
Net income (loss)	\$ (100)	\$ (2,374)

Per share amounts:

Basic and diluted net loss per common share	\$ (0.01)	\$ (0.37)
---	-----------	-----------

For the nine months ended
September 30, September 30,

	-----	-----
	2004	2003
	-----	-----
Net revenue	\$ 5,406	\$ 9,939
Cost of product sold and services	3,986	8,557
Gross profit	1,420	1,382
Net income (loss)	\$ (113)	\$ (2,466)

Per share amounts:

Basic and diluted net loss per common share	\$ (0.02)	\$ (0.38)
---	-----------	-----------

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BOUNDLESS CORPORATION AND SUBSIDIARIES
(DEBTOR AND DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. Subsequent Events

On November 30, 2004, the Company filed a motion with the Bankruptcy Court for an order authorizing the Company to (i) incur post-petition secured indebtedness, and (ii) grant a security interest and priority claims pursuant to Sections 364(c) and 364(d) of the Bankruptcy Code. On January 27, 2005, the Bankruptcy Court approved the order.

As of January 31, 2005, the Company entered into an agreement with its secured lender Valtec Capital, LLC, as assignee of Valtec Capital Corporation, (the "Prior Lender") to terminate its debtor-in-possession ("DIP") financing and to release its liens on the Company's personal property. At the same time, the Company entered into another secured DIP financing agreement with Entrepreneur

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Growth Capital, LLC ("EGC") pursuant to which EGC was granted a lien on all of the Company's personal property.

In general, the new agreement permits us to borrow up to 80% of our eligible accounts receivable. Under the agreement, the annual interest rate is 6% above the Citibank, N.A. prime rate. The Company is required to pay a monthly service fee equal to three quarters of one percent (0.75%) of the face value of invoices assigned to EGC for the preceding month. The agreement requires minimum monthly interest of approximately \$8 even though actual borrowings may result in a lesser interest charge. The Company is responsible for certain fees and fees for early termination of the facility. The maximum availability under the agreement is \$1,000 and the term is one year.

In return for termination of the prior DIP financing the Company also agreed to pay Valtec Capital a total of \$100 for legal fees they incurred during the bankruptcy period. This amount is payable to Valtec Capital on the date that the Plan of Reorganization becomes effective.

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SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS For the Years Ended December 31, (In thousands)

Description	Balance at Beginning of Period	Additions	Deductions
Allowances:			
Doubtful accounts:			
2004	\$ 623	\$ (117)	\$ 5 (A)
2003	763	\$ 104	244 (A)
2002	1,348	599	1,184 (A)
Manufacturing inventory reserves:			
2004	1,242	(109)	198 (B)
2003	789	1,169	716 (B)
2002	3,451	565	3,227 (B)

(A) Includes accounts written off during the period.

(B) Includes inventory written off during the period.

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