BOUNDLESS CORP
Form 10-K
April 18, 2006

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

|X| 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, 2005

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 |X| 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 |X|

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

Yes |_| No |X|

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the last sale price of the registrant's Common Stock on December 31, 2005, is $0.

As of March 31, 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, 2005

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PART I

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.

Forward-looking statements that the Company makes, or that are made by others on its behalf with its knowledge

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

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 and Boundless Manufacturing, 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").

The operating losses generated by Boundless Manufacturing, 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.

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 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 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").

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

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

9. Valtec authorized the continued use of Valtec's Cash Collateral during the pendency of the Plan.

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 had met both the excess collateral margin and reporting requirements. The termination of the Valtec DIP financing on January 31, 2005, released the Company from its obligations with

respect to 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 March 31, 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.

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.

On 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. The original term of the EGC Agreement was one year; and, on January 31, 2006, the EGC Agreement was extended for an additional six months.

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 the preceding month. The EGC Agreement requires us to pay minimum monthly interest of $5,000 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.

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 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.

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.

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.

The Company has commenced preliminary negotiations to have one of its inactive, non-operating subsidiaries become acquired through a "reverse merger" by an operating company organized in China which desires to become a public company.

If consummated, approximately 10% of the outstanding common stock of the post-merged company will remain with Boundless, in which case approximately one-half of that interest will be distributed to the unsecured creditors.

In the event that Boundless Technologies is the subsidiary that is "reverse merged" then Boundless will transfer approximately 25,000 of the shares it receives to each of Mr. Stephens and Mr. Bowman, currently directors of the Company.

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, 2005 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 participates in the EMS market space and provides services that include 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
2005	89.7%	10.3%
2004	87.6%	12.4%
2003	88.0%	12.0%

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Foreign Sales. Net foreign sales were approximately $1,527,000, $1,929,000 and $3,473,000 for 2005, 2004 and 2003, 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.

	% of Total Revenue	
Period	Total	Europe
2005	25.5%	23.7%

2004	26.4%	20.9%
2003	29.6%	25.3%

Manufacturing

Assembly Operations. The Company's manufacturing operations are located in Farmingdale, New York, and include procurement of components and the 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 39%, 18% and 9%, respectively, of the dollar amount of the Company's total purchases of subassemblies and components in 2005. Purchases from Radiance Electronics, Ansen Corporation and Video Display Corporation accounted for approximately 34%, 20% and 9%, respectively, of the dollar amount of the Company's total purchases of subassemblies and components in 2004. In 2003, Radiance Electronics, 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.

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

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 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 2005, 2004 and 2003, 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 2005, 2004 and 2003, the Company expended approximately $208,000, $150,000 and $170,000, 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 the Company's historical experience. Additionally, because General Display Terminals are mature products, development activities in the recent past year have only included enhancements to the existing product family. In addition, the Company incurred research and development costs of $27,000 and $102,000, respectively; which expenses are included in "Loss on reimbursement of employee services" on the Company's statement of operations, as these costs were components of that reimbursement.

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.

For the year ended December 31, 2005, Ingram Micro and 1st Solutions provided 19% and 11%, respectively, of the Company's total revenue. During the year ended December 31, 2004, Hewlett Packard, Ingram Micro, and Jetstar contributed 16%, 14% and 11%, 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. 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 30%, with Wyse Technologies ("Wyse"), a Taiwanese company, holding an approximate 45% market share. In the period just prior to the bankruptcy filing, the Company 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.

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 March 31, 2006, 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. None of the Company's employees is covered by a collective bargaining agreement. The Company considers relations with its employees to be satisfactory.

ITEM 1A. RISK FACTORS

The following factors relating to the Company, its business and management should carefully be considered in evaluating the Company and its prospects.

Organizational restructuring. The Company has undergone significant organizational restructuring and it faces substantial operational challenges. We are in the process of evaluating our future strategic direction. We have been forced to take drastic actions to reduce operating costs and preserve our remaining cash. For example, in March 2003 we effected a reduction in force that reduced our workforce from approximately 125 to 70 employees. Subsequent actions further reduced the number of employees to approximately 31. The elimination of certain engineering and other personnel may have a negative effect on our future revenues and growth prospects and our ability to support new product initiatives and generate customer demand.

Going Concern Modification. The reports of our independent registered public accounting firms contained in the Report on Form 10-K for the years ended 2001 through and including 2005 contain a going concern modification.

Recent Operating Losses. We have incurred operating losses in our last six fiscal years. There can be no assurance

that we will be able to achieve or sustain profitable operations in the future.

Tax Implications of Bankruptcy. Certain tax implications of our bankruptcy and reorganization may increase our tax liability. Certain U.S. tax attributes of Boundless, including net operating loss carryovers, or NOLs, have been reduced or eliminated as a consequence of our bankruptcy and reorganization. The elimination or reduction of NOLs and such other tax attributes may increase the amount of tax payable by Boundless following its reorganization as compared with the amount of tax payable had no such reduction been required.

Debt Structure and Liquidity. As of December 31, 2005, we had a tangible net worth deficit of $15,006,107 and total liabilities of $17,009,717. In addition, as of December 31, 2005, we had a working capital deficit of $9,568 excluding $14,586,204 of liabilities subject to compromise in the bankruptcy.

Strategy. Industry-wide sales of general purpose text terminals have been declining over the past years. Approximately 90% of the Company's sales for the fiscal year ended December 31, 2005 were of general purpose text terminals. Recognizing the impact of this decline on our profitability and liquidity, we are advancing the strategies discussed above. There can be no assurance our strategy will be successful.

Dependence Upon Key Personnel. Our success will depend upon our key management, sales and technical personnel. We do not have employment contracts with any of our employees. In addition, we believe that, to succeed in the future, it will be required to continue to attract, retain and motivate additional skilled executive and technical sales and engineering employees who

are in short supply because of great demand throughout the industry for their services. The loss of any of our existing key personnel or the inability to attract and retain key employees in the future could have a material adverse effect on our business.

New Products and Technological Change. The computer industry is characterized by a rapid rate of product improvement, technological change and product obsolescence. Inventory management is critical to decreasing the risk of being adversely affected by obsolescence and there is no assurance that our inventory management and flexible manufacturing systems will adequately protect against this risk.

Dependence Upon Suppliers; Trade Terms; Shortages of Subassemblies and Components. We purchase subassemblies and components for our products almost entirely from more than 40 domestic and Far East suppliers. As a result of our financial condition, the majority of our purchases are transacted under "cash-in-advance" terms. Prior to our reorganization, certain important suppliers altered a number of ordinary trade terms, including shortening the length of time required to pay for goods and services and the imposition of restrictive credit requirements. We cannot assure that our suppliers will not impose further restrictive pricing and trade terms and policies in the future. Such terms could adversely affect our ability to grow our business.

While there are at least two qualified suppliers for the subassemblies and components that are made to our specifications, we generally source such items from a single supplier so that we can take advantage of volume discounts and more easily ensure quality control. We estimate 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 our business during such period of lead-time could have a material adverse effect on our sales and results of operations. Purchases from Radiance Electronics, Ansen Corporation and Video Display Corporation accounted for approximately 39%, 18% and 9%, respectively, of the dollar amount of the Company's total purchases of subassemblies and components in 2005.

Our adoption of "fresh-start" accounting may make evaluating our financial position and results of operations, as compared to prior periods, more difficult. Upon our emergence from bankruptcy pursuant to the Plan of Reorganization we will implement "fresh-start" accounting. In accordance with "fresh-start" accounting, all assets and liabilities will be restated to reflect their respective estimated fair values. As a result, the consolidated financial statements for our reorganized

company starting on and going forward from our emergence from bankruptcy will not be comparable to our consolidated financial statements for the periods prior to our emergence. The change in our accounting principles may make it more difficult to compare our operations to prior periods.

Fluctuations in Quarterly Results. Our quarterly operating results have fluctuated in the past and may continue to fluctuate in the future due to a number of factors, including: (i) timing of new product introductions by us and our competitors; (ii) changes in the mix of products sold; (iii) availability and pricing of subassemblies and components from third parties; (iv) timing of orders; (v) difficulty in maintaining margins; and (vi) changes in pricing policies by us, our competitors or suppliers.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of December 31, 2005, the Company's administrative offices and 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.

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.

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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.

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.

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, 2005.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

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.

Our Common Stock is subject to the Penny Stock Rules of the SEC. Trading in our securities has been conducted on the Pink Sheets. As a result, an investor may find it more difficult to purchase, dispose of and obtain accurate quotations as to the value of our securities.

In addition, as the trading price of our common stock has been less than

$5.00 per share, trading in our common stock is also subject to the requirements of Rule 15g-9 under the Securities Exchange Act of 1934. Under that rule, broker/dealers who recommend such low-priced securities to persons other than established customers and accredited investors must satisfy special sales practice requirements, including (a) a requirement that they make an individualized written suitability determination for the purchaser and (b) receive the purchaser's written consent prior to the transaction.

The Securities Enforcement Remedies and Penny Stock Reform Act of 1990 also requires additional disclosure in connection with any trades involving a stock defined as a penny stock (generally, any equity security not traded on an exchange or quoted on The NASDAQ SmallCap Market that has a market price of less than $5.00 per share), including the delivery, prior to any penny stock transaction, of a disclosure schedule explaining the penny stock market and the risks therewith. Such requirements could severely limit the market liquidity of our securities and the ability of stockholders to sell their securities in the secondary market.

As of March 31, 2006 there were approximately 625 holders of record of the Company's Common Stock. Price per share information for all of 2004 and 2005 were as reported by CBS Marketwatch.

Year Ended December 31, 2005:	High	Low
First quarter............................	Nil	Nil
Second quarter...........................	Nil	Nil
Third quarter............................	Nil	Nil
Fourth quarter...........................	Nil	Nil

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

The last sale price of the Company's Common Stock on March 31, 2006 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, if any, 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 year ended December 31, 2001 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, 2005, 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, 2005 and 2004, and for each of the years in the three-year period ended December 31, 2005 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.

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

	2005	2004	2003	
Total revenues	$ 5,989	$ 7,309	$ 11,750	$
Gross margin (loss)	1,448	1,852	788	
Interest expense	185	129	804	
Reorganization items	406	484	655	
Gain on restructuring of payables	--	--	--	
Income tax expense	--	--	--	
Loss from continuing operations	(101)	(28)	(3,579)	
Loss from discontinued operations	--	--	--	
Net loss	(101)	(28)	(3,579)	
Accretion on preferred stock	--	--	99	
Loss applicable to common shareholders	$ (101)	$ (28)	$ (3,678)	$
Loss per common share from continuing operations:				
Basic and diluted	$ (0.02)	$ --	$ (0.55)	$
Loss per common share:				
Basic and diluted	$ (0.02)	$ --	$ (0.55)	$

Consolidated Balance Sheet Data
At December 31:
(in thousands)

Working capital (deficit)	$ (10)	$ 632	$ (39)	$
Total assets	2,004	3,010	4,138	
Revolving credit loan (short-term)	--	--	--	
Current maturities of long-term debt	--	350	837	
Liabilities and other items subject to compromise	14,586	14,622	13,207	
Long-term obligations	450	953	1,581	
Mandatorily redeemable preferred stock	--	--	--	
Stockholder's deficit	(15,006)	(14,905)	(14,877)	(

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

Basis of Presentation

Boundless Corporation is a holding company whose principal subsidiaries are Boundless Technologies, Inc. and Boundless Manufacturing Services, 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.

Sales returns and other allowances, allowance for doubtful accounts.

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.

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.

During 2004 the Company reduced the allowance for doubtful accounts by $117, due primarily to accounts receivable collection activity which reduced

the value of outstanding receivables aged greater than 90 days. In 2005, the Company increased the allowance for doubtful accounts by $56 due to the aging of receivables from UCSI. At December 31, 2005, the allowance for doubtful accounts was $544 as compared to $501 at December 31, 2004.

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.

In 2003 the Company placed non-cancellable purchase orders for components in an amount which, based on the Company's policies, required the Company to record additions to the inventory valuation allowance of $522. Continued utilization of this component throughout 2004 and 2005 allowed the Company to reduce the inventory valuation allowance by $109 in 2004 and $175 in 2005. At December 31, 2005, the manufacturing inventory valuation allowance was $618.

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 income tax 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, 2005, 2004 and 2003 the Company has recorded valuation allowances at 100% of its deferred tax assets.

Results of Operations

Years Ended December 31, 2005 and 2004

Revenues: Revenues for the year ended December 31, 2005 were $5,989, as compared to $7,309 for the year ended December 31, 2004. 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.

Sales of the Company's General Display Terminals declined by 16% to $5,360

for the year ended December 31, 2005 from $6,400 for the year ended December 31, 2004.

Customer Services revenue for 2005 was $595 compared to $669 in 2004, a decline of 11%. 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.

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

During 2005 the Company recorded EMS revenue of $23.

Ingram Micro and 1st Solutions were the Company's most significant customers in 2005, accounting for approximately 19% and 11%, respectively, of the Company's total revenue. Hewlett Packard, Ingram Micro and Jetstar contributed 16%, 14% and 11%, respectively of Company revenues in 2004.

Gross Margin. Gross margin for the year ended December 31, 2005 was $1,448 (24% of revenue), as compared to gross margin for the year ended December 31, 2004 of $1,852 (25% of revenue). Product margins and revenue mix remained relatively constant between the two years; however, fixed overhead expenses in 2005, primarily non-direct labor personnel expenses and depreciation, were 16% of Company revenue as compared to 15% of revenue in 2004, resulting in a decline in gross margin as a percent of revenue from 2004 to 2005.

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 2005 or 2004. 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, 2005, operating expenses, excluding interest and reorganization expenses, were $1,146 (19% of revenue), compared to expenses for 2004 of $1,434 (20% of revenue).

Sales and Marketing Expenses. Sales and marketing expenses decreased 8% to $271 (5% of revenue) for the year ended 2005 from $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 33%, or $322, to $667 (11% of revenue), from $989 (14% of revenue) for the periods ending December 31, 2005 and 2004, respectively. The decrease stems from reductions in personnel costs, travel and professional services.

Research and Development Expenses. Research and development expenses increased to $208 in 2005 from $150 in 2004. Because General Display Terminals are mature products, development activities over the past year have only included enhancements to the existing product family. 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 is expected to own 100% of the Company upon confirmation of the Company's plan of reorganization. In addition, the Company incurred research and development costs of $27 and $102, respectively; which expenses are included in "Loss on reimbursement of employee services" on the Company's statement of operations, as these costs were components of that reimbursement.

Interest Expense. Interest expense amounted to $185 for the year ended December 31, 2005 compared to $129 for 2004. During all of 2004 and through January 31, 2005, the Company's working capital requirements were satisfied through the use of cash collateral authorized by the bankruptcy court as part of the settlement stipulation with Valtec. The settlement stipulation required weekly cash payments to Valtec of $8 and annual interest on the outstanding balance of the Valtec debt of 8%. As of January 31, 2005, the Company entered into an agreement with Valtec to terminate its 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 with Entrepreneur Growth Capital, LLC ("EGC") pursuant to which EGC was granted a lien on all of our personal property. The original term of the EGC Agreement was one year; and, on January 31, 2006, the EGC Agreement was extended for an additional six months.

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 the preceding month. The EGC Agreement required us to pay minimum monthly interest of $8 even though our actual borrowings may have resulted in a lesser interest charge. As part of the negotiations to extend the EGC Agreement, the minimum monthly interest was reduced to $5 beginning February 1, 2006.

Loss on reimbursement of employee services. Beginning in the first quarter of 2004 the Company agreed to provide resources, principally Company employees, to UCSI to allow it 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 is expected to 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.

In May 2005 the Company discontinued the arrangement with UCSI, directing its resources toward development of new products to address the emerging RFID marketplace. For the period January 1, 2005 through May 31, 2005 the Company charged UCSI $50 and incurred estimated expenses of $58, resulting in a loss on reimbursement of employee services of $8.

Other Credits. Credits for the year ended December 31, 2005 were $197 and include $20 from the overpayment in prior years of personal property taxes on the Company's former manufacturing facility and equipment in Florida. In addition, in 2003 the Company placed non-cancellable purchase orders for components in an amount which, based on the Company's policies, required the Company to record additions to the inventory valuation allowance of $522. Continued utilization of this component throughout 2004 and 2005 allowed the Company to reduce the inventory valuation allowance by $109 in 2004 and $175 in 2005. Credits for the year ended 2004 were $218 and included the reduction in reserves for trade receivables of $117 and inventory of $109.

Reorganization Items. For the year ended December 31, 2005 the Company recorded net reorganization expenses of $406. The expenses for 2005 include $300 for legal fees associated with the Company's bankruptcy filing, $30 in fees to the United States Trustee administering the case and $37 relating to facility relocation expenses. 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.

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, 2005 and 2004. 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, 2005, the net loss was $101, compared to a net loss of $28 for the year ended December 31, 2004.

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 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.

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, 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 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 resources, principally Company employees, to UCSI to allow it 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 is expected to 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 capitalized debt financing costs associated with the asset-based lending agreement with the Company's prior lender.

Other 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.

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.

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 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.

The Company is highly leveraged. As of December 31, 2005, the Company had a tangible net worth deficit of $15,006 and total liabilities of $17,010. The Company had a working capital deficit, inclusive of liabilities and other items subject to compromise, of approximately $14,596 as of December 31, 2005, compared to working capital deficit of $13,990 as of December 31, 2004. 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.

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, which claim was $800, including accrued interest, at December 31, 2005.

Pursuant to the sale of 100 Marcus Blvd, Hauppauge, New York, Independence Community Bank 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 $14,586. 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 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, 2005, the Company had accrued approximately $1,154 primarily for legal assistance throughout the bankruptcy period. As of March 31, 2006, outstanding professional fees, inclusive of legal fees, are estimated to approximate $1,450 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.

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.

As of January 31, 2005, the Company entered into an agreement with Valtec to terminate our DIP financing and to release their liens on our personal property. At the same time, the Company entered into another secured DIP financing agreement with Entrepreneur Growth Capital, LLC ("EGC") pursuant to which EGC was granted a lien on all of our personal property. The original term of the EGC Agreement was one year; and, on January 31, 2006, the EGC Agreement was extended for an additional six months.

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 the preceding month. The EGC Agreement required us to pay minimum monthly interest of $8 even though our actual borrowings may have resulted in a lesser interest charge. As part of the negotiations to extend the EGC Agreement, the minimum monthly interest was reduced to $5 beginning February 1, 2006.

The Company's total cash and cash equivalents decreased approximately $110 to $14 at December 31, 2005 from $124 at the end of fiscal 2004. Income before reorganization items of $305, net of non-cash effects of $92, provided $213 of the $750 in cash generated from operating activities in fiscal 2005. Changes in current assets and liabilities also contributed to the increase in cash from operating activities by $537 as follows: reductions in trade and other receivables of $459, cash on deposit with the Company's prior lender of $271, and inventories of $399. These increases to cash provided by operations were offset by a decline in accounts payable and accrued expenses of $505 and increases in other assets of $87.

Net cash used in reorganization activities in fiscal 2005 was $274, composed of $300 related to legal expenses, $30 in expenses associated with the U.S. Trustee administering the bankruptcy case, $37 related to the relocation of the Company's manufacturing facility and miscellaneous bankruptcy expenses of $39. These expenses were offset by increases in accrued liabilities, principally for legal expenses of $132.

Net cash used in investing activities in fiscal 2005 consisted of $29 for the purchase of machinery and equipment.

Net cash used in financing activities amounted to $557 in fiscal 2005, which amount included repayments of the Company's prior DIP debt in the amount of $653, offset by net borrowings under the Company's current DIP financing agreement in the amount of $96.

	For the fiscal years ended December 3		
	2005	2004	2003
Net cash provided by (used in) operating activities	$ 750	$ 651	$ (6
Net cash provided by (used in) reorganization activities	(274)	(211)	
Net cash provided by (used in) investing activities	(29)	(15)	1
Net cash provided by (used in) financing activities	(557)	(674)	8
Net increase (decrease) in cash and cash equivalents	$ (110)	$ (249)	$ 3

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.

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, 2005.

	Less than one year	Years 2 and 3	Years 4 and 5	Tot
Long-term debt	$ 296	$ 450	$ --	$
Operating leases	228	477	41	
Total contractual cash obligations	$ 524	$ 927	$ 41	$

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:

- 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.
- 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.
- 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.
- The ability of the Company to generate cash from operations and to maintain adequate cash on hand; and
- 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, 2005	December 31, 2004
Days of sales outstanding in accounts receivable	40	59
Days of supply in inventory	69	72
Days of purchases outstanding in accounts payable	(4)	(3)
Cash conversion cycle	105	128

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.

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 2003 to 2004 is a result of increased sales to Ingram Micro, which pays its obligations on net 60 day terms, and who contributed approximately 14% of total revenue for the year ended December 31, 2004 as compared to 6% of revenue for the year ended December 31, 2003. During 2005 collection efforts with Ingram Micro resulted in reducing the percentage of its receivables aged greater than 60 days from 51% to 20%.

The decrease in DPO from 2003 through 2005 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

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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 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 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.

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

In June 2005, the FASB issued FASB Staff Position (FSP) No. FAS 143-1, "Accounting for Electronic Equipment Waste Obligations," that provides guidance on how commercial users and producers of electronic equipment should recognize and measure asset retirement obligations associated with the European Directive 2002/96/EC on Waste Electrical and Electronic Equipment (the "Directive"). In the second quarter of 2005, the company adopted FSP FAS 143-1 in those European Union (EU) member countries that transposed the Directive into country-specific laws. In the third quarter of 2005, the company adopted FSP FAS 143-1 in several additional EU-member countries that enacted country-specific laws

in the current reporting period. The adoption of the FSP in the second and third quarter of 2005 did not have a material effect on the company's consolidated financial statements. As of the end of the current quarter, the majority of the EU-member countries have transposed the Directive into country-specific laws. The effect of applying FSP FAS 143-1 in the remaining countries in future periods is not expected to have a material effect on the company's consolidated financial statements.

In June 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3." SFAS No. 154 will become effective for accounting changes and corrections of errors made in fiscal year 2006. The adoption of this statement is not expected to effect the company's consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company's exposure to market risk for changes in interest rates is related primarily to the Company's revolving credit facility and long-term debt obligations.

The Company places its investments with high credit quality issuers and, by policy, is averse to principal loss and ensures the safety and preservation of its invested funds by limiting default risk, market risk and reinvestment risk. As of December 31, 2005 the Company's investments consisted of cash balances maintained in its corporate account with JPMorganChase 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.

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, 2005. 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. 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 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.

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 2005 indicates that each of Frank Stephens, Richard Bowman, John Ryan, and Joseph Gardner did not file a Form 5 as required under section 16(a) 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 Chief Financial Officer, each of whom earned more than $100,000 for services rendered in all capacities to us during the fiscal year ended December 31, 2005 (collectively, the "named executive officers"). In addition, it provides information with respect to the compensation paid by us to the named executive officers during 2004 and 2003.

Summary Compensation Table

		Annual Compensation			Long-Term Compensatio
Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation	Options(#)
Joseph Gardner	12/31/05	$133,954	--	--	--
Vice President-Finance	12/31/04	$128,762	--	--	--
Chief Financial Officer	12/31/03	$136,610	--	--	--
John D. Ryan	12/31/05	$133,954	--	--	--
Acting Chief Executive	12/31/04	$128,762	--	--	--
Officer	12/31/03	$ 88,990	--	--	--

Employment Agreements and Change-in-Control Arrangements

None

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.

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Option Grants in Last Fiscal Year

The Company did not grant options to the named executive officers during the fiscal years ending December 31, 2005.

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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, 2005. No options were exercised during the year.

			Number of Unexercised Options at December 31, 2005 (#)		Value In-the Decemb
Name	Shares Acquired on Exercise(#)	Value Realized	Exercisable	Unexercisable	Exercisabl
Joseph Gardner	0	0	72,833	4,167	--
John D. Ryan	0	0	82,833	4,167	--

(1) The last sale price of the Company's Common Stock on December 31, 2005, $0.00.

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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 March 31, 2006, 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 Feheley Dr., King of Prussia, PA 19406.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Outstanding Shares
Unique Co-Operative Solutions, Inc./		

Oscar L. Smith	1,002,389 (1)(3)	14.8%
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	173,122 (3)	2.5%
Joseph Gardner	86,991 (3)	1.3%
J. Frank Stephens	87,293 (3)(7)	1.3%
Richard Bowman	60,000 (3)	0.9%
All current directors and executive officers as a group (four individuals)	407,406	5.9%

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(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: 25,000; Mr. Combs: 480,000; Mr. Ryan: 82,083; Mr. Gardner: 72,083; Mr. Bowman: 25,000; 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 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 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 Mssrs. 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

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, and $23 for the year ended December 31, 2005. 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. The Company discontinued its arrangement with UCSI in May 2005. For the period January 1, 2005 through May 31, 2005, the Company charged UCSI $50 and incurred personnel and personnel related expenses of $58. The resulting loss of $8 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, 2005, 2004 and 2003 are as follows (amounts in dollars):

	2005	2004	2003

BP Audit Group			
Audit fees	$ 52,250	$ 58,356	$ 71,863
Audit-related fees	15,893	10,427	--
Tax fees	7,127	15,384	--
	75,270	84,167	71,863
BDO Seidman, LLP			
Audit fees			2,500
Audit-related fees			--
Tax fees			--
	--	--	2,500
Total Independent Accountant Fees			
Audit fees	52,250	58,356	74,363
Audit-related fees	15,893	10,427	--
Tax fees	7,127	15,384	--
	$ 75,270	$ 84,167	$ 74,363

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 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 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 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

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PART IV

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

			Page No.
(a)	(1)(2)	Financial Statements and Schedules	
		Index to Consolidated Financial Statements and Financial Statement Schedules	F-1

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, 2005 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

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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.
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.

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Exhibit No.*	Description of Exhibit
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.

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.

Exhibit No.*	Description of Exhibit
10(ab)[10]	Letter Agreement, dated January 27, 2005, from Entrepreneur Growth Capital LLC to Boundless Corporation and its

subsidiaries.

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

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[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.

Exhibit No.*	Description of Exhibit
[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.

[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: April 13, 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.

Signature	Title	Date
/s/ John D. Ryan John D. Ryan	Acting Chief Executive Officer	April 13, 2006
/s/ Joseph Gardner Joseph Gardner	Vice President - Finance, Chief Financial Officer (Principal Accounting Officer)	April 13, 2006
/s/ Richard Bowman Richard Bowman	Director	April 13, 2006
/s/ Frank Stephens Frank Stephens	Chairman, Board of Directors	April 13, 2006

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

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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, 2005 and 2004 and the related consolidated statements of operations, 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, 2005, 2004 and 2003. 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 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, 2005 and 2004 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 six fiscal years. In addition, as of December 31, 2005, the Company has a stockholders' deficit of $15,006,107 and has a working capital deficit of $9,568, excluding liabilities and other items subject to compromise of $14,586,204. 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

March 31, 2006

BOUNDLESS CORPORATION AND SUBSIDIARIES
(Debtor and Debtors-in-Possession)
CONSOLIDATED BALANCE SHEETS
At December 31, 2005 and 2004
(in thousands)

ASSETS

	2005	2004
Current assets:		
Cash and cash equivalents	$ 14	$ 124
Cash on deposit with lender	--	271
Trade accounts receivable, net	657	1,150
Acounts receivable affiliates	92	92
Other receivables	95	117
Inventories (Note 3)	870	1,094
Prepaid expenses and other current assets	146	59

Total current assets	1,874	2,907
Property and equipment, net (Note 4)	130	103
Total assets	$ 2,004	$ 3,010
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Liabilities not subject to compromise		
Current liabilities:		
Current portion of long-term debt	$ 296	$ 350
Accounts payable	50	44
Accrued salaries	73	86
Accrued legal fees	1,154	1,029
Purchase order commitments	50	561
Accrued payroll and sales tax payable	28	30
Accrued warranty	30	18
Other accrued liabilities (Note 6)	203	157
Total current liabilities	1,884	2,275
Long-term liabilities:		
Long-term debt, less current maturities (Note 8)	450	953
Deferred credits	90	65
Items subject to compromise:		
Manditorily redeemable preferred stock (Note 7 & 9)	1,652	1,652
Liabilities subject to compromise (Note 7)	12,934	12,970
Total liabilities	17,010	17,915
COMMITMENTS AND CONTINGENCIES (Notes 1, 12 and 13)		
Stockholders' deficit: (Note 9)		
Common stock	67	67
Additional paid-in capital	35,844	35,844
Accumulated deficit	(50,917)	(50,816)
Total stockholders' deficit	(15,006)	(14,905)
Total liabilities and stockholders' deficit	$ 2,004	$ 3,010

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 STATEMENT OF OPERATIONS
For the Years Ended December 31, 2005, 2004 and 2003
(in thousands, except per share data)

	2005	2004	200

Revenue:			
Product sales	$ 5,371	$ 6,400	$ 10
Services	618	909	1
Total revenue	5,989	7,309	11
Cost of revenue			
Product sales	4,298	5,010	10
Services	243	447	
Total cost of revenue	4,541	5,457	10
Gross margin	1,448	1,852	
Operating expenses			
Sales and marketing	272	295	
General and administrative	667	989	2
Research and development	208	150	
Interest expense (excludes contractual interest of $67, $64 and $49 not recognized in 2005, 2004 and 2003)	185	129	
	1,332	1,563	3
	116	289	(2
Other expense (credits)			
Loss on reimbursement of employee services (net of reimbursement of $50 and $255 in 2005 and 2004)	8	51	
Loss on extinguishment of debt	--	--	
Other credits	(197)	(218)	
Income (loss) before reorganization items	305	456	(2
Reorganization items (Note 16)	(406)	(484)	
Net loss	(101)	(28)	(3
Accretion of preferred stock	--	--	
Net loss attributable to common stockholders	$ (101)	$ (28)	$ (3
Basic and diluted loss per common share	$ (0.02)	$ --	$ (
Basic and diluted weighted average shares outstanding	6,706	6,706	6

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

BOUNDLESS CORPORATION AND SUBSIDIARIES
(Debtor and Debtors-in-Possession)
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
For the Years Ended December 31, 2005, 2004 and 2003
(in thousands)

	Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Capital	Deficit	Tota
Balance, January 1, 2003	6,705	67	35,844	(47,110)	(11,1
Net loss				(3,579)	(3,57
Preferred stock accretion				(99)	(9
Balance, December 31, 2003	6,705	67	35,844	(50,788)	(14,8
Net loss				(28)	(
Balance, December 31, 2004	6,705	67	35,844	(50,816)	(14,9
Net loss				(101)	(1
Balance, December 31, 2005	6,705	$ 67	$ 35,844	$ (50,917)	$ (15,0

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, 2005, 2004 and 2003
(in thousands)

	2005	2004
Cash flows from operating activities:		
Income (loss) before reorganization items	305	4
Adjustments to reconcile income (loss) before reorganization items to net cash provided by (used in) operating activities:		
Depreciation and amortization	2	
Write-off of debt financing costs	--	
Gain on the disposition of assets	--	
Change in deferred credits	25	(1
Provision (credit) for doubtful accounts	56	(1
Provision (credit) for excess and obsolete inventory	(175)	(1
Changes in assets and liabilities:		
Cash on deposit with lender	271	
Trade accounts receivable	437	(1
Accounts receivable affiliates	0	(
Other receivables	22	
Income tax refunds	--	
Inventories	399	1,0
Other assets	(87)	1
Accounts payable and accrued expenses	(505)	(5
Net cash provided by (used in) operating activities excluding reorganization items	750	6

Cash flows from reorganization activities:		
Reorganization expenses	(406)	(4
Gain on disposition of property and equipment	--	(
Proceeds from disposition of property	--	
Increase in liabilities, net	132	2
Net cash provided by (used in) reorganization activities	(274)	(2
Cash flows from investing activities:		
Capital expenditures	(29)	(
Proceeds from sale of assets	--	
Net cash provided by (used in) investing activities	(29)	(
Cash flows from financing activities:		
Net borrowings under new DIP/AR financing	96	
Repayments of prior DIP debt	(653)	(6
Net cash provided by (used in) financing activities	(557)	(6
Net increase (decrease) in cash and cash equivalents	(110)	(2
Cash and cash equivalents at beginning of year	124	3
Cash and cash equivalents at end of year	$ 14	$ 1

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

BOUNDLESS CORPORATION AND SUBSIDIARIES
(Debtor and Debtors-in-Possession)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2005, 2004 and 2003
(in thousands)

	2005	2004
Non-cash investing and financing transactions:		
Refininancing of DIP debt	$ 599	$ --
Asset sale proceeds paid directly to creditors	--	--
Equipment acquisitions funded through debt	--	--
Common stock issued in exchange for debt	--	--
Manditorily redeemable prefered stock issued in exchange for debt	--	--
Cash paid for:		
Interest	126	91
Taxes	--	4

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

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 continues to operate its business as "debtor-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. 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.

The Company has commenced preliminary negotiations to have one of its inactive, non-operating subsidiaries become acquired through a "reverse merger" by an operating company organized in China which desires to become a public company.

If consummated, approximately 10% of the outstanding common stock of the post-merged company will remain with Boundless, in which case approximately one-half of that interest will be distributed to the unsecured creditors.

In the event that Boundless Technologies is the subsidiary that is "reverse merged" then Boundless will transfer approximately 25,000 of the shares it receives to each of Mr. Stephens and Mr. Bowman, currently directors of the Company.

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.

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, 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, 2005 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.

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 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.

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

- 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.

- 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.

- 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.

- The ability of the Company to generate cash from operations and to maintain adequate cash on hand; and

- 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 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.

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.

On January 31, 2005, the Company entered into an agreement with its secured lender Valtec Capital, LLC, as assignee of Valtec Capital Corporation, 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 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 the Company 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, which had a term of one year but which was extended for an additional six months, requires minimum monthly interest of approximately $5 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.

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.

2. Summary of Significant Accounting Policies

Principles of Consolidation

Boundless Corporation is a holding company whose principal subsidiaries are Boundless Technologies, Inc. and Boundless Manufacturing Services, Inc. The consolidated financial statements include the accounts of all of the majority-owned subsidiaries. Due to the equity deficits in less than 100% owned subsidiaries, no minority interest is reflected.

All significant intercompany transactions are eliminated. Certain prior year amounts, specifically the presentation of 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.

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 classified as "cash on deposit with lender" at December 31, 2004, respectively, representing cash on-hand in a lockbox account under the control of the Company's then lender.

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 bad debt expense of $56 in 2005, recorded a credit to bad debt expense of $117 in 2004, and recorded bad debt expense of $104 for the year ended December 31, 2003. The allowance for doubtful accounts was $544 and $501 at December 31, 2005 and 2004, 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. Leasehold improvements are depreciated over the shorter of the life of the lease or the estimated useful life of the improvement; 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.

Beginning January 2005 the Company discontinued recording depreciation expense against machinery and equipment as those assets had reached their estimated salvage value. The Company continues to record depreciation expense against its leasehold improvements.

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 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 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 2005 purchases from Radiance Electronics, Ansen Corporation and Video Display Corporation accounted for 39%, 18%, and 9%, respectively, of the Company's total purchases of material. Purchases from Radiance Electronics, Ansen Corporation and Video Display Corporation, accounted for approximately 34%, 20% and 9%, respectively, of the dollar amount of the Company's total purchases of subassemblies and components in 2004. Purchases from Radiance Electronics, 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.

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 two customers representing 19% and 11% of revenues, respectively, in 2005, three customers representing 16%, 14% and 11% of revenues, respectively, in 2004, and two customer representing 32% and 13% of revenues, respectively, in 2003.

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, $3 and $12 for the years ended December 31, 2005, 2004 and 2003.

Income Taxes

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

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

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 in 2003.

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. Material reductions in estimated valuation allowances related to accounts receivable and inventory are reported as "other credits" in the statement of operations.

New Accounting Pronouncements

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

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

In the third quarter of 2005, the company adopted SFAS No. 153, "Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29." SFAS No. 153 requires that exchanges of productive assets be accounted for at fair value unless fair value cannot be reasonably determined or the transaction lacks commercial substance. The adoption of SFAS No. 153 did not have a material effect on the company's consolidated financial statements.

In June 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3." SFAS No. 154 will become effective for accounting changes and corrections of errors made in fiscal year 2006. The adoption of this statement is not expected to effect the company's consolidated financial statements.

3. Inventories

Inventories are stated at the lower of cost or market with costs determined on a first-in first-out basis. On a periodic 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, 2005 the Company recorded a credit of $175 for excess and obsolete inventory. 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 in 2003.

The major components of inventories are as follows:

	December 31, 2005	December 31, 2004
Raw materials and purchased components	$ 1,004	$ 1,584
Finished goods	169	126
Manufacturing inventory reserves	(618)	(935)
Service parts	315	319
	$ 870	$ 1,094

4. Property and Equipment

Property and equipment consists of the following:

	December 31, 2005	December 31, 2004
Leasehold improvements	$ 17	$ 14
Machinery and equipment	6,531	6,505
	6,548	6,519
Less accumulated depreciation and amortization	6,418	6,416
	$ 130	$ 103

Depreciation expense for the years ending December 31, 2005, 2004 and 2003 was $3, $43 and $752, respectively. The Company recorded repairs and maintenance expenses of $3, $13 and $26 for the years ended December 31, 2005, 2004 and

2003.

5. Income Taxes

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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, 2005, 2004 or 2003.

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:

	2005	2004	2003
Federal income tax benefit at statutory rate	$ (34)	$ (10)	$ (1,217)
Losses not producing tax benefits	34	10	1,217
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:

	2005	2004
Current deferred tax assets:		
Inventory	$ 642	$ 702
Accounts receivable	278	259
Warranties	83	79
Other deferred tax assets	679	679
Less valuation allowance	(1,682)	(1,719)
Total current deferred tax assets	$ --	$ --
Non-current other deferred tax assets	$ 828	$ 828
Non-current deferred tax liabilities- property and equipment	(758)	(675)
Net operating loss carryforwards	16,110	15,955
Less valuation allowance	(16,180)	(16,108)
Net non-current deferred tax assets	$ --	$ --

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

	2005	2004
Current deferred tax asset valuation allowance	$ (37)	$ (125)
Long-term deferred tax asset valuation allowance	72	135
	$ 35	$ 10

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6. Other accrued liabilities

At December 31, 2005 and 2004 other accrued liabilities consisted of the following:

	2005	2004
Accrued interest expense	$ 152	$ 100
Accrued audit expense	10	1
Other accrued expenses	41	56
	$ 203	$ 157

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.

At December 31, 2005 and 2004, the Company had liabilities and other items subject to compromise of approximately $14,586 and $14,622 which consisted of the following:

	December 31, 2005	December 31, 2004
Liabilities:		
Accounts payable	$ 10,912	$ 10,948
Convertible notes payable, principally related to prior separation agreements	965	965
Accrued salaries	397	397
Accrued warranty	222	222
Capital lease obligations	438	438
	12,934	12,970

Other:		
Manditorily redeemable preferred stock	1,652	1,652
	$ 14,586	$ 14,622

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 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.

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, 2005 and 2004.

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, 2005, 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 $67, $64 and $49 would have been recorded in 2005, 2004 and 2003, respectively.

8. Debt

Long-term debt, as described in Note 1, consisted at December 31, 2005 and 2004 of the following:

	2005	2004
Note payable toValtec Capital Corporation, bearing interest at 8%, collateralized by receivables, inventory and equipment	$ --	$ 653
Notes payable toVision 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 and Entrepreneur Growth Capital	650	650
Revolving loan payable to Entrepreneur Growth Capital, bearing interest at the prime rate plus 6%, collateralized by receivables inventory and equipment, due July 2006	96	
	$ 746	$ 1,303
Less current maturities on long-term debt	296	350
	$ 450	$ 953

The aggregate debt schedule maturities is as follows:

2006	$ 296
2007	216
2008	234
2009	
2010	
	$ 746

As part of the Plan of Reorganization, the Company is proposing that the note payable to Vision Technologies, Inc., including accrued interest thereon, be exchanged for equity in the Reorganized Debtor. Accordingly, payments have not commenced even though the Valtec debt has been extinguished.

9. Equity

At December 31, 2005 and 2004, stockholders' deficit consisted of the following:

	2005	2004
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	(50,917)	(50,816)
Total stockholders' deficit	$ (15,006)	$ (14,905)

In 2002, the Company sold to nine individuals 267,367 shares of unregistered Common Stock of the Company for proceeds of $162. In connection with this sale, the Company granted to these individuals 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.

In 1997 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".

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 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 2005, 2004 or 2003.

Under the accounting provisions of SFAS No. 123, the effective options granted prior to 2003 on the Company's net loss and net loss per share would have been equal to the pro forma amounts indicated below:

	2005	2004	2003

Net loss			
As reported	$ (101)	$ (28)	$ (3,579)
Under SFAS No. 123	(104)	(28)	(3,696)
Net loss per share			
As reported - basic and diluted	$ (0.02)	$ (0.00)	$ (0.55)
Under SFAS No. 123 - basic and diluted	(0.02)	(0.00)	(0.55)

A summary of the status of the Company's stock options and warrants outstanding as of December 31, 2005 and 2004, and changes during the years ending on those dates is as follows:

Options -Boundless Corporation	2005		2004	
	Shares	Weighted Average Exercise Price	Shares	Weighte Average Exercis Price
Outstanding at beginning of year	1,405,450	$ 2.74	1,992,715	$ 2.
Granted	--	--	--	
Exercised	--	--	--	
Forfeited	(142,800)	(1.38)	(587,265)	(1.
Outstanding at end of year	1,262,650	$ 2.89	1,405,450	$ 2.
Options exercisable at end of year	1,250,898	$ 2.91	1,362,032	$ 2.
Weighted average fair value of options granted during the year		N/A		N

Warrants- Boundless Corporation	2005		2004	
	Shares	Weighted Average Exercise Price	Shares	Weighte Average Exercis Price
Outstanding at beginning of year	1,083,558	$ 1.86	1,463,560	$ 3.
Granted	--	--	--	
Exercised	--	--	--	
Forfeited	(227,500)	(5.63)	(380,002)	(7.
Outstanding at end of year	856,058	$ 0.85	1,083,558	$ 1.
Warrants exercisable at end of year	856,058	$ 0.85	1,083,558	$ 1.
Weighted average fair value of warrants granted during the year		N/A		N

The following table summarizes information about fixed stock options and warrants outstanding at December 31, 2005:

Options - Boundless Corp.	Number Outstanding at December 31, 2005	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number Exercisable at December 31, 2005
	187,900	$ 0.45	1.83	176,148
	215,000	1.03	0.81	215,000
	148,000	1.05	1.14	148,000
	100,000	1.50	1.00	100,000
	26,750	2.60	0.15	26,750
	130,000	4.50	1.00	130,000
	150,000	4.88	1.00	150,000
	100,000	5.00	1.00	100,000
	205,000	5.62	1.00	205,000
	1,262,650	$ 2.89	1.09	1,250,898

Warrants - Boundless Corp.	Number Outstanding at December 31, 2005	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number Exercisable at December 31, 2005
	400,000	$ 0.36	1.92	400,000
	95,632	0.63	1.52	95,632
	76,798	0.67	1.51	76,798
	94,938	0.70	1.52	94,938
	50,001	1.10	0.49	50,001
	1,737	1.26	0.43	1,737
	62,672	1.30	0.42	62,672
	6,946	1.33	0.43	6,946
	20,834	1.36	0.41	20,834
	46,500	5.00	0.01	46,500
	856,058	$ 0.85	1.45	856,058

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.

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

Net revenue from EMS activities, primarily logistics services sold to Unique Co-operative Solutions, Inc. ("UCSI"), was $23 for the year ended December 31, 2005. Net revenue from UCSI during 2004 was $240 and immaterial in 2003. 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 the issuance to Vision of new shares of common stock, representing 100% of the new shares issued, in full satisfaction of the Vision note payable and accrued interest thereon. Mr. Smith currently owns approximately 15% of the outstanding common stock of the Company.

Beginning in the first quarter of 2004, the Company outsourced certain employees to UCSI. 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. The Company discontinued the arrangement with UCSI in May 2005. From January 1, 2005 through May 31, 2005 the Company charged UCSI $50 and incurred estimated personnel and personnel related expenses of $58. The resulting loss of $8 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 $261 and $336 in 2005 and 2004, respectively.

Future minimum rental commitments as of December 31, 2005 were as follows:

2006	$ 228
2007	235
2008	242
2009	41
	$ 746

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.

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 $1,527, $1,929 and $3,473 for 2005, 2004 and 2003, 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:

	2005	2004	2003
Western Europe	24%	21%	25%
Other European countries	0%	1%	0%
Other foreign countries	2%	5%	4%
Total	26%	27%	29%

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 Company discontinued employee contributions.

16. Reorganization Expenses

Reorganization expenses for the years ended December 31, 2005, 2004 and 2003 were as follows:

	2005	2004	2003
Professional fees	$ 300	$ 298	$ 1,266
United States District Court fees	30	25	32
Facility relocation expenses	37	184	42
Other expenses	39	--	--
Gain on the disposition of building and equipment	--	(23)	(685)

	$ 406	$ 484	$ 655

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.

17. Selected Quarterly Financial Data - (unaudited)

Provided below is the selected unaudited quarterly financial data from 2005 and 2004.

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	For the three months ende		
	December 31, 2005	September 30, 2005	June 30, 2005
Net revenue	$ 1,427	$ 1,411	$ 1,53
Cost of product sold and services	1,095	1,055	1,19
Gross margin	332	356	34
Net income (loss)	$ 70	$ (101)	$ (5
Per share amounts:			
Basic and diluted net income (loss) per common share	$ 0.01	$ (0.02)	$ (0.0

	For the three months ende		
	December 31, 2004	September 30, 2004	June 30, 2004
Net revenue	$ 1,903	$ 1,412	$ 1,81

Cost of product sold and services	1,471	1,077	1,37
Gross margin	432	335	44
Net income (loss)	$ 85	$ (13)	$ (11
Per share amounts:			
Basic and diluted net income (loss) per common share	$ 0.01	$ (0.00)	$ (0.0

18. Subsequent Events

On January 31, 2006, the Company extended its expiring DIP financing agreement with EGC for six months. Terms of the new agreement are substantially similar to the expiring agreement, except that the minimum monthly interest payable under the agreement is reduced to $5 per month from $8 per month.

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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	Balance at End of Period
Allowances:				
Doubtful accounts:				
2005	$ 501	$ 56	$ 13	$ 54
2004	623	(117)	5 (A)	50
2003	763	104	244 (A)	62
Manufacturing inventory reserves:				
2005	935	(175)	142	61
2004	1,242	(109)	198 (B)	93
2003	789	1,169	716 (B)	1,24

(A) Includes accounts written off during the period.

(B) Includes inventory written off during the period.