

Edgar Filing: BOUNDLESS CORP - Form 10QSB

BOUNDLESS CORP  
Form 10QSB  
May 22, 2006

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C.

FORM 10-QSB

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

For the Quarterly Period Ended March 31, 2006

Commission File Number 0-17977

BOUNDLESS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other Jurisdiction of Incorporation or Organization)

13-3469637

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

50 Engineers Lane Unit 2  
Farmingdale, NY

(Address of principal executive offices)

11735

(Zip Code)

(631) 962-1500

(Registrant's telephone number, including area code)

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

Yes  No

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

Yes  No

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

Yes  No

As of May 12, 2006, the Registrant had approximately 6,705,613 shares of Common Stock, \$.01 par value per share outstanding.

# Edgar Filing: BOUNDLESS CORP - Form 10QSB

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

Part I. Financial Information

- Item 1. Financial Statements
  - Condensed Consolidated Balance Sheets as of March 31, 2006 (Unaudited) and December 31, 2005
  - Condensed Consolidated Statements of Operations for the three months ended March 31, 2006 and 2005 (Unaudited)
  - Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2006 and 2005 (Unaudited)
  - Notes to Condensed Consolidated Financial Statements (Unaudited)
- Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
- Item 3. Controls and Procedures

Part II. Other Information

- Item 1. Legal Proceedings
- Item 6. Exhibits

Signatures

2 of 24

## BOUNDLESS CORPORATION AND SUBSIDIARIES (DEBTOR AND DEBTORS-IN-POSSESSION) CONDENSED CONSOLIDATED BALANCE SHEETS (in thousands)

	March 31, 2006	December 31, 2005*
	----- (unaudited)	-----
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 11	\$ 14
Trade accounts receivable, net	656	657
Affiliate receivables	103	92
Other receivables	131	95
Inventories (Note 3)	890	870
Cash collateral and escrow accounts	155	103
Prepaid expenses and other current assets	63	43
	-----	-----
Total current assets	2,009	1,874
Property and equipment, net (Note 4)	130	130
	-----	-----
Total assets	\$ 2,139	\$ 2,004

Edgar Filing: BOUNDLESS CORP - Form 10QSB

	=====	=====
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Liabilities not subject to compromise		
Current liabilities:		
Current portion of long-term debt	\$ 355	\$ 96
Accounts payable	71	50
Accrued salaries	71	73
Accrued legal fees	1,229	1,154
Purchase order commitments	24	50
Accrued payroll and sales tax payable	28	28
Accrued warranty	30	30
Other accrued liabilities	217	203
	-----	-----
Total current liabilities	2,025	1,684
Long-term debt, less current maturities	650	650
Deferred credits	99	90
Items subject to compromise:		
Mandatorily redeemable preferred stock	1,652	1,652
Liabilities subject to compromise (Note 5)	12,934	12,934
	-----	-----
Total liabilities	17,360	17,010
	-----	-----
COMMITMENTS AND CONTINGENCIES (Note 9)		
Stockholders' deficit: (Note 6)		
Common stock	67	67
Additional paid-in capital	35,844	35,844
Accumulated deficit	(51,132)	(50,917)
	-----	-----
Total stockholders' deficit	(15,221)	(15,006)
	-----	-----
Total liabilities and stockholders' deficit	\$ 2,139	\$ 2,004
	=====	=====

\* Reclassified. See Note 2.

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3 of 24

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

	Three Months Ended March 31	
	-----	-----
	2006	2005
	-----	-----
Revenue:		
Product sales	\$ 1,139	\$ 1,444
Services	147	171
	-----	-----

Edgar Filing: BOUNDLESS CORP - Form 10QSB

Total revenue	1,286	1,615
	-----	-----
Cost of revenue		
Product sales	1,055	1,125
Services	55	74
	-----	-----
Total cost of revenue	1,110	1,199
	-----	-----
Gross margin	176	416
Other costs and expenses (income)		
Selling, general and administrative	237	246
Research and development	58	56
Interest expense (excluding contractual interest of \$18 and \$16 not recognized in 2006 and 2005, respectively)	49	38
Loss on reimbursement of employee services (net of reimbursement of \$30)	--	5
Other income	(36)	(5)
	-----	-----
	308	340
	-----	-----
Income (loss) before reorganization items	(132)	76
Reorganization items (Note 7)	83	96
	-----	-----
Net loss	\$ (215)	\$ (20)
	=====	=====
Basic and diluted loss per common share	\$ (0.03)	\$ --
	=====	=====
Basic and diluted weighted average shares outstanding	6,706	6,706
	=====	=====

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4 of 24

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

	Three months ended March 31,	
	-----	-----
	2006	2005*
	-----	-----
Cash flows from operating activities:		
Income (loss) before reorganization items	(132)	76
Adjustments to reconcile income before reorganization items to net cash provided by (used in) operating activities:		
Depreciation and amortization	3	1
Change in deferred credits	9	2

Edgar Filing: BOUNDLESS CORP - Form 10QSB

Credit for excess and obsolete inventory	(33)	--
Changes in assets and liabilities:		
Cash on deposit with lender	--	241
Trade accounts receivable	1	115
Affiliate receivables	(11)	(11)
Other receivables	(36)	(18)
Inventories	13	(70)
Cash collateral and escrow accounts	(52)	(99)
Prepaid expense and other current assets	(20)	5
Accounts payable and accrued expenses	7	(73)
	-----	-----
Net cash provided by (used in) operating activities excluding reorganization items	(251)	169
	-----	-----
Cash flows from reorganization activities:		
Reorganization items, net	(83)	(96)
Increase in liabilities, net	75	75
	-----	-----
Net cash used in reorganization activities	(8)	(21)
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(3)	--
	-----	-----
Cash flows from financing activities:		
Net borrowings under new DIP/AR financing	259	411
Repayments of prior DIP debt	--	(653)
	-----	-----
Net cash provided by (used in ) financing activities	259	(242)
	-----	-----
Net decrease in cash and cash equivalents	(3)	(94)
Cash and cash equivalents at beginning of period	14	124
	-----	-----
Cash and cash equivalents at end of period	\$ 11	\$ 30
	=====	=====
Cash paid for:		
Interest	\$ 35	\$ 29

\* Reclassified. See Note 2.

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 of 24

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

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 (the "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

## Edgar Filing: BOUNDLESS CORP - Form 10QSB

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.

On May 9, 2006, a confirmation hearing was held in the Bankruptcy Court to determine, amongst other issues, the feasibility of the Company's Plan of Reorganization. At that hearing the Bankruptcy Court determined the Company's Plan of Reorganization was feasible and instructed legal counsel for the Company to prepare and submit for the Bankruptcy Court's approval an order to that affect. The Effective Date- the date upon which the Company exits bankruptcy- will be ten days following the Bankruptcy Court's approval of the order.

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

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

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

On the Effective Date, the Company shall issue, or cause to be issued for Vision's benefit, and in its name, shares of Technologies common stock sufficient to provide Vision with 100% of the Technologies common stock issued and outstanding, or to be issued and outstanding, under the Plan and 2,040,000 shares of Boundless Common Stock which will provide Vision with 51% of such shares to be issued and outstanding under the Plan. The Boundless Common Stock shall be issued in accordance with ss. 1145 of the Bankruptcy Code. Such issuance of the Technologies common stock and Boundless Common Stock shall be deemed to be in full satisfaction of the Vision claim of \$650 and current accrued interest thereon of \$166.

The Plan contemplates an annual payment of cash to holders of allowed unsecured claims (the "Claims"). The Company believes that these Claims aggregate approximately \$14,586 at March 31, 2006. Subject to adjustment, described below, holders of Claims shall receive their Pro Rata share of cash payments in an amount equal to 2% of annual revenues up to and including \$7 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.

6 of 24

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").

## Edgar Filing: BOUNDLESS CORP - Form 10QSB

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.

On the Effective Date, each holder of Claims shall also receive its pro rata share of 1,960,000 shares of Boundless Common Stock, which shares shall be issued in accordance with ss. 1145 of the Bankruptcy Code.

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

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

### Financial Statement Presentation.

The unaudited condensed consolidated interim financial statements, and accompanying notes included herein, have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and reflect all adjustments which are of a normal recurring nature and which, in the opinion of management, are necessary for the fair statement of the results of the three months ended March 31, 2006 and 2005. Certain information and footnote disclosures have been condensed or omitted pursuant to such regulations. The results for the current interim periods are not necessarily indicative of the results for the full year. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto in the Company's latest annual report filed with the SEC on Form 10-K for the year ended December 31, 2005. The accompanying financial statements include the accounts of the Company and its subsidiaries on a consolidated basis. All significant inter-company accounts and transactions have been eliminated.

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 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:

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

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

1. Repositioning the Company's business from a text terminal company to a Point-of-Service/Point-of-Sale ("POS") technology company, and build upon the



## Edgar Filing: BOUNDLESS CORP - Form 10QSB

Company's historical success in POS to establish a strong link between the Company's and POS' applications. A key activity in support of the POS initiative includes leveraging the Company's existing technology platforms

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.

As we emerge from Chapter 11, there is no assurance that our 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.

8 of 24

### 2. Summary of Certain Accounting Policies

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

#### Cash and Cash Equivalents

All highly liquid investments with maturities at purchase of three months or less are considered cash equivalents. Cash and cash equivalents excludes amounts held by the Company's DIP lender as collateral against debt outstanding under the Company's DIP financing agreement as well as cash held in escrow for the benefit of the professionals assisting the Company in its bankruptcy case. These cash amounts, which totaled \$155 and \$103 at March 31, 2006 and December 31, 2005, respectively, are included in cash collateral and escrow accounts on the Company's consolidated balance sheets.

#### Minority Interest

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

#### Revenue Recognition

## Edgar Filing: BOUNDLESS CORP - Form 10QSB

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

### Supplier Concentration

The Company purchases subassemblies and components for its products from more than 40 domestic and Far East suppliers. For the quarter ended March 31, 2006, purchases from Radiance Electronics and Video Display Corporation accounted for approximately 53% and 9%, respectively, of total purchases of material. During the first quarter of 2005 purchases from Radiance Electronics, Ansen Corporation, and Video Display Corporation accounted for approximately 38%, 19%, and 11%, respectively, of the Company's total purchases of material.

### Net Income (Loss) Per Common Share

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

### Pervasiveness of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses

9 of 24

during the reporting period. Actual results could differ from those estimates.

### New Accounting Pronouncements

In March 2005, the Financial Accounting Standards Board (the "FASB") issued FASB Interpretation (FIN) No. 47, "Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143". FIN No. 47 clarifies that conditional asset retirement obligations meet the definition of liabilities and should be recognized when incurred if their fair values can be reasonably estimated. The Interpretation is effective no later than December 31, 2005. The cumulative effect of initially applying the Interpretation will be recognized as a change in accounting principle. The 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

## Edgar Filing: BOUNDLESS CORP - Form 10QSB

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.

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

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

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

10 of 24

### 3. Inventories

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

Edgar Filing: BOUNDLESS CORP - Form 10QSB

	March 31, ----- 2006 -----	December 31, ----- 2005 -----
Raw materials and purchased components	\$ 956	\$ 1,004
Finished goods	156	169
Manufacturing inventory reserves	(535)	(618)
Service parts	313	315
	-----	-----
	\$ 890	\$ 870
	=====	=====

4. Property and equipment

Property and equipment consists of the following:

	March 31, ----- 2006 -----	December 31, ----- 2005 -----
Buildings and improvements	\$ 17	\$ 17
Machinery and equipment	6,534	6,531
	-----	-----
	6,551	6,548
Less accumulated depreciation and amortization	6,421	6,418
	-----	-----
	\$ 130	\$ 130
	=====	=====

Appropriate assets are not depreciated below their respective salvage value. Depreciation expense for the quarters ending March 31, 2006 and 2005, was \$3 and \$1. The Company recorded repairs and maintenance expenses of \$0 and \$1 for the quarters ended March 31, 2006 and 2005.

5. 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. Payment terms for these amounts have been established in connection with the confirmation of the Chapter 11 reorganization plan.

At March 31, 2006 and December 31, 2005, the Company had liabilities and other items subject to compromise of approximately \$14,586 which consisted of the following:

11 of 24

	March 31, ----- 2006 -----	December 31, ----- 2005 -----
Liabilities:		
Accounts payable	\$ 10,912	\$ 10,912
Convertible notes payable, principally related to prior separation agreements	965	965
Accrued salaries	397	397
Accrued warranty	222	222
Capital lease obligations	438	438

Edgar Filing: BOUNDLESS CORP - Form 10QSB

	-----	-----
	12,934	12,934
Other:		
Mandatorily redeemable preferred stock	1,652	1,652
	-----	-----
	\$ 14,586	\$ 14,586
	=====	=====

Pursuant to the confirmed plan, the mandatorily redeemable preferred stock is cancelled.

6. Stockholders' Deficit

At March 31, 2006 and December 31, 2005 stockholders' deficit consisted of the following:

	March 31,	December 31,
	-----	-----
	2006	2005
	-----	-----
Preferred stock, \$0.01 par value, 1,000,000 shares authorized, none issued	\$ --	\$ --
Common stock, \$0.01 par value, 25,000,000 shares authorized, 6,705,613 shares issued and outstanding	67	67
Additional paid-in capital	35,844	35,844
Accumulated deficit	(51,132)	(50,917)
Accumulated other comprehensive loss	--	--
	-----	-----
Total stockholders' deficit	\$ (15,221)	\$ (15,006)
	=====	=====

Pursuant to the confirmed plan, all existing shares of capital are cancelled.  
(See Note 1.)

7. Reorganization Expenses

Reorganization expenses were as follows:

	Three months ended	
	March 31,	
	-----	-----
	2006	2005
	-----	-----
Professional fees	\$ 75	\$ 75
United States District Court fees	8	6
Facility relocation expenses	--	10
Other expenses	--	5
	-----	-----
	\$ 83	\$ 96
	=====	=====

8. Major Customers

The Company markets its terminal products through OEMs and reseller distribution channels. Customers can buy the Company's products from an international network of value-added resellers (VARs) and regional distributors. Through its sales force, the Company sells directly to large VARs and regional distributors and also sells to major national and international distributors. 1st Solutions, Ingram Micro and Ultimate Technology Corporation contributed 15%, 11% and 9%, respectively, of total revenue for the quarter

ended March 31, 2006. The Company had one customer representing 24% of revenues during the first quarter ended March 31, 2005; and five other customers representing individually between 5% and 7% of revenues for the same period.

#### 9. Litigation and 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. See Part II- Other Information, Item 1. Legal Matters.

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

##### RESULTS OF OPERATIONS

The numbers and percentages contained in this Item 2 are approximate. Dollar amounts are stated in thousands.

Revenue - Revenue for the quarter ended March 31, 2006 was \$1,286 as compared to \$1,615 for the quarter ended March 31, 2005.

Sales of the Company's General Display Terminals were \$1,136 for the quarter ended March 31, 2006 compared to \$1,444 for the quarter ended March 31, 2005.

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

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

Net revenue from EMS activities, primarily logistics services sold to Unique Co-operative Solutions, Inc. ("UCSI"), were \$50 for the quarter ended March 31, 2006, as compared to \$4 in the comparable quarter of 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 provides that Vision will own 100% of the Company, and will receive this ownership in settlement of the \$650 note payable due to him plus accrued interest of \$166. Pre-confirmation, Mr. Smith currently owns approximately 15% of the outstanding common stock of the Company.

Net revenue from the Company's repairs and spare parts business for the quarter ended March 31, 2006 was \$97 as compared to \$166 for the quarter ended March 31, 2005. This revenue includes the sale of spare parts, repair of product outside of the warranty period, and the sale of multi-year warranty contracts. Historically, customer service revenue has been driven from the sales of the Company's text terminal products.

The Company's engineering efforts have focused on cost reduction and reliability improvements. These efforts have decreased the average failure rate of the

## Edgar Filing: BOUNDLESS CORP - Form 10QSB

Company's text terminals and extended the average useful life of the text terminal. These improvements

13 of 24

have reduced the Company's ability to generate revenue from spare parts sales and repair activities. In addition, a substantial market has evolved around the sale of used equipment, as customers trade in text terminals when they switch to alternative technologies, thereby reducing the Company's opportunity to sell new equipment.

During the first quarter of 2006, 1st Solutions and Ingram Micro contributed 15% and 11%, respectively, of total revenue. During the first quarter of 2005, Ingram Micro contributed 24% of total revenues.

Gross Margin - The Company recorded gross margin for the three months ended March 31, 2006 of \$176 (13.7% of revenue) compared to gross margin of \$416 (25.7% of revenue) for the first quarter of 2005. The decrease in total gross margin as a percentage of revenue is attributable to the reduction in the Company's revenue without a corresponding reduction in the Company's manufacturing overhead expenses, which expenses include fixed costs such as rent for the manufacturing facility. Manufacturing overhead expenses in the first quarter of 2006 were \$258, or 20% of revenue, as compared to \$259, or 16% of revenue, for the first quarter of 2005.

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

Total Operating Expenses - For the quarter ended March 31, 2006, operating expenses, excluding interest expense and reorganization expenses associated with the Company's bankruptcy filing, decreased 3% to \$295 (23% of revenue), compared to expenses for the first quarter of 2005 of \$302 (19% of revenue).

Loss on reimbursement of employee services - Beginning in the first quarter of 2004 the Company agreed to provide UCSI resources, primarily Company employees, to allow UCSI to pursue programs critical to their continued development of the thin client market. UCSI is wholly-owned by Mr. Oscar Smith. Mr. Smith is also the majority owner of Vision Technologies, Inc., the entity which will own 100% of the Company upon confirmation of the Company's plan of reorganization. A monthly charge to UCSI was agreed to based upon the Company's estimate of the percentage of time its employees would be devoted to UCSI projects. For the quarter ending March 31, 2005, the Company charged UCSI \$30 and incurred expenses of \$35, resulting in a loss on reimbursement of \$5. The agreement to provide services to UCSI terminated in the second quarter of 2005.

Other income - Other income for the quarter ended March 31, 2006 was \$36 compared to income of \$5 for the period ended March 31, 2005. Other income recorded in 2006 includes \$33 relating to a reduction in reserves for excess and obsolete inventory. The Company follows policies to establish reserves against its trade receivables and inventory, and periodically reviews the adequacy of these reserves. The Company utilizes ratios based on its historical experience, as well as management's judgment, in its assessment.

Interest Expense - Interest expense for the quarter ended March 31, 2006 was \$49 compared to \$38 for the comparable period in 2005. In January 2005, the Company

## Edgar Filing: BOUNDLESS CORP - Form 10QSB

replaced its then existing DIP financing with DIP financing provided by Entrepreneur Growth Capital, LLC ("EGC"). At March 31, 2006 and 2005, the balance due EGC was \$355 and \$411, respectively, and carried an interest rate of the prime rate plus 6%. In addition, in June 2003 the Bankruptcy Court authorized the Company to secure \$650 of junior secured DIP financing from Vision. The Vision DIP financing carries interest at 8% per annum. Interest expense incurred on the Vision debt was \$14 and \$15, respectively, for the quarters ended March 31, 2005 and 2006.

Reorganization Expenses - During the first quarter of 2006 the Company recorded reorganization expenses of \$83, primarily for legal fees incurred in the bankruptcy. For

14 of 24

the quarter ended March 31, 2005, reorganization expenses were \$96, which amount included approximately \$75 for legal fees and \$10 related to expenses associated with the Company's relocating its manufacturing operations to Farmingdale, New York.

Income Tax Expense/Credit - For the first quarter of 2006 and 2005 the Company did not record income tax expense or credit against the recorded results. The Company recorded no income tax benefit for the quarter ended March 31, 2006, based on the Company's estimate of its annual effective income tax rate to be zero. For annual reporting purposes, the Company has provided a 100% valuation allowance for its net deferred tax assets.

Net Income (Loss) - For the quarter ended March 31, 2006, the Company recorded a net loss of \$215, compared to a net loss of \$20 for the quarter ended March 31, 2005.

### LIQUIDITY AND CAPITAL RESOURCES

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

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

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

All assets of the Company, if any, not owned by Technologies shall be transferred to Technologies and any and all liabilities of the Company, including guarantees, shall be assumed by Technologies or canceled. On the Effective Date, Boundless Manufacturing Services, Inc. and Boundless Acquisition Corp. shall be dissolved.

On the Effective Date, the Company shall issue, or cause to be issued for Vision's benefit, and in its name, shares of Technologies common stock sufficient to provide Vision with 100% of the Technologies common stock issued and outstanding, or to be issued and outstanding, under the Plan and 2,040,000 shares of Boundless Common Stock which will provide Vision with 51% of such shares to be issued and outstanding under the Plan. The Boundless Common Stock shall be issued in accordance with ss. 1145 of the Bankruptcy Code. Such



## Edgar Filing: BOUNDLESS CORP - Form 10QSB

issuance of the Technologies common stock and Boundless Common Stock shall be deemed to be in full satisfaction of the Vision claim of \$650 and current accrued interest thereon of \$166.

The Plan contemplates an annual payment of cash to holders of allowed unsecured claims (the "Claims"). The Company believes that these Claims aggregate approximately \$14,586 at March 31, 2006. Subject to adjustment, described below, holders of Claims shall receive their Pro Rata share of cash payments in an amount equal to 2% of annual revenues up to and including \$7 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").

15 of 24

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.

On the Effective Date, each holder of Claims shall also receive its pro rata share of 1,960,000 shares of Boundless Common Stock, which shares shall be issued in accordance with ss. 1145 of the Bankruptcy Code.

At March 31, 2006, the Company had accrued approximately \$1,229 for legal assistance throughout the bankruptcy period. As of March 31, 2006, outstanding professional fees, inclusive of legal fees, are estimated to approximate \$1,430 as of the Effective Date. Upon application for payment pursuant to 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 EGC, but pari passu with the Vision security interest, if any. When the Professionals shall have been paid in full, the security interest in their favor shall be cancelled and be of no further force and effect.

Subsequent to the Effective Date, the Boundless contemplates acquiring (the "Acquisition") an interest in an operating company which desires to become a public company. In effecting this subsequent transaction under the Plan, Boundless will issue Boundless Common Stock to acquire its interests in the operating company. As a result these stock issuances, the Boundless Common Stock issued to Vision and holders of Claims will represent approximately 10% of the outstanding common stock of Boundless after the Acquisition is consummated and the owners of the operating company will own approximately 90% of the outstanding common stock of Boundless after the transaction. The consummation of this transaction will be undertaken in compliance with the Securities Laws of

## Edgar Filing: BOUNDLESS CORP - Form 10QSB

the United States and all other jurisdictions, if any, which require such compliance. In this regard, Boundless will file a Form 8-K with the Securities and Exchange Commission with respect to this transaction.

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

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. As of March 31, 2006, the Company had a tangible net worth deficit of \$15,221 and total liabilities of \$17,360. The Company had a working capital deficit, inclusive of liabilities and other items subject to compromise, of approximately \$14,602 as of March 31, 2006, compared to working capital deficit of \$14,396 as of December 31, 2005. Historically, the Company has relied on cash flow from operations, bank borrowings and sales of its common stock to finance its working capital, capital expenditures and acquisitions.

As of January 31, 2005, we entered into an agreement with our secured lender Valtec Capital, LLC, as assignee of Valtec Capital Corporation, a Nevada corporation (the "Prior

16 of 24

Lender") to terminate our debtor-in-possession ("DIP") financing and to release their liens on our personal property. In return for termination of the prior DIP financing we also agreed to pay the Prior Lenders a total of \$100 for legal fees they incurred during our bankruptcy period. This amount is payable to the Prior Lenders on the date that our Plan of Reorganization becomes effective.

At the same time, we 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; however, 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 even though our actual borrowings may result in a lesser interest charge. We are responsible for certain fees and fees for early termination of the facility. The maximum availability under the EGC Agreement is \$1,000 and the term is six months. After emergence from Chapter 11 the Company will seek to renegotiate the terms of this financing.

The Company's liquidity is affected by many factors, some of which are based on

## Edgar Filing: BOUNDLESS CORP - Form 10QSB

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.

The Company's total cash and cash equivalents decreased approximately \$3 to \$11 at March 31, 2006 from \$14 at the end of fiscal 2005. The loss before reorganization items of \$132, net of non-cash effects of \$21, absorbed \$153 of the \$251 in cash used in operating activities during the first quarter of 2006. Changes in current assets and liabilities also contributed to the decrease in cash from operating activities by \$98 as follows: increases in affiliate and other receivables of \$47, increases in cash collateral and escrow accounts of \$52, principally for legal fees, and increases in prepaid expenses and other current assets, principally for audit fees, of \$20. These decreases in cash used in operations were offset by an increase in accounts payable and accrued expenses of \$7 and a decrease in inventories of \$13.

Net cash used in reorganization activities for the first quarter of 2006 was \$8, composed of \$75 related to legal expenses and \$8 in expenses associated with the U.S. Trustee administering the bankruptcy case. These expenses were offset by increases in accrued liabilities, principally for legal expenses of \$75.

Net cash used in investing activities for the three months ended March 31, 2006, consisted of \$3 for the purchase of machinery and equipment.

Net cash provided by financing activities amounted to \$259 during the first quarter of 2006, which amount included repayments of the Company's DIP debt in the amount of \$1281, offset by net borrowings under the Company's DIP financing agreement in the amount of \$1,540.

Net cash provided by operating activities during the three months ended March 31, 2005 was \$169, principally related to net income before reorganization expenses of \$76, and reductions in cash on deposit with lenders of \$241 and trade accounts receivable of \$115. Net cash provided by operating activities during the first quarter of 2005 was reduced by increases in other assets, principally cash collateral, of \$94, increases in inventory of \$70 and increases in affiliate and other receivables of \$29. In addition, accounts payable and accrued expenses decreased by \$73.

For the first quarter of 2005, net cash used in reorganization activities was \$21. Net cash used in 2005 includes \$75 for legal fees incurred during the bankruptcy period, \$10 incurred for facility relocation expenses and \$6 of expenses associated with fees paid to the U.S. Trustee administering the bankruptcy case. These expenses were offset by increases in liabilities of \$75.

For the quarter ended March 31, 2005, net cash used in financing activities was \$242,

17 of 24

consisting of net payments to EGC and Valtec under the respective DIP financing agreements.

### FORWARD-LOOKING INFORMATION MAY PROVE INACCURATE

This Form 10-QSB contains various "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking

## Edgar Filing: BOUNDLESS CORP - Form 10QSB

statements represent the Company's expectations and beliefs concerning future events, based on information available to us on the date of the filing of this Form 10-QSB, and are subject to various risks and uncertainties. We disclaim any intent or obligation to update or revise any of the forward-looking statements, whether in response to new information, unforeseen events or changed circumstances except as required to comply with the disclosure requirements of the federal securities laws.

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

## Edgar Filing: BOUNDLESS CORP - Form 10QSB

or developments will result in the expected consequences for it or affect it, its business or operations in the way the Company expects. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates, or on any subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf, which are expressly qualified in their entirety by these cautionary statements. The Company does not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances after the date hereof or thereof or to reflect the occurrence of unanticipated events, other than as required to comply with the disclosure requirements of the federal securities laws.

### Item 3. 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 March 31, 2006. Based on that evaluation, the Company's management, including the CEO and CFO, has concluded that the Company's disclosure controls and procedures are effective. During the period covered by this report, there was no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

19 of 24

## PART II - OTHER INFORMATION

### Item 1. Legal Matters

In re: Boundless Corporation, et. al.

As discussed above, on the Petition Date, the Company, and its wholly and majority owned subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court. The Chapter 11 Cases 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 the Company's business.

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

### Item 6. Exhibits and Reports on Form 8-K

#### (a) Exhibits

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

Edgar Filing: BOUNDLESS CORP - Form 10QSB

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

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

(b) Reports on Form 8-K

None

20 of 24

SIGNATURES

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

Dated: May 19, 2006

Boundless Corporation

By: /s/Joseph Gardner

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

21 of 24