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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

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**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of  
The Securities Exchange Act of 1934**

Date of Report (Date of Earliest Event Reported): **August 14, 2007**

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**Black Box Corporation**

(Exact Name of Registrant as Specified in its Charter)

**Delaware**  
(State or Other Jurisdiction  
of Incorporation)

**0-18706**  
(Commission File Number)

**95-3086563**  
(IRS Employer  
Identification No.)

**1000 Park Drive**  
**Lawrence, Pennsylvania**  
(Address of Principal Executive Offices)

**15055**  
(Zip Code)

Registrant's telephone number, including area code: **(724) 746-5500**

**N/A**  
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.02 Results of Operations and Financial Condition.**

On August 14, 2007, Black Box Corporation (the “Company”) issued a press release announcing financial results for the fiscal quarter ended June 30, 2007. A copy of the press release is furnished as Exhibit 99.1 to this report.

The Company provides quarterly and annual financial statements that are prepared in accordance with generally accepted accounting principles (“GAAP”). In addition, the press release attached hereto as Exhibit 99.1 contains non-GAAP financial information which has been identified as such. The presentation of this non-GAAP financial information is not meant to be considered in isolation or as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. The press release attached hereto also includes a reconciliation of the non-GAAP financial information provided with the comparable financial information reported in accordance with GAAP. The Company believes that all readers of such financial information should properly review and understand the disclosed material limitations associated with the non-GAAP financial measures included in the press release as well as the difference between the non-GAAP and the GAAP financial information.

**Item 9.01 Financial Statements and Exhibits.**

**(d) Exhibits.**

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release dated August 14, 2007.

**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 hereunto duly authorized.

Black Box Corporation

Date: August 14, 2007

By: /s/ Michael McAndrew  
Michael McAndrew  
Chief Financial Officer, Treasurer and  
Principal Accounting Officer

## Exhibit Index

Exhibit No.   Description

99.1      Press Release dated August 14, 2007



Michael McAndrew, Chief Financial Officer  
 Black Box Corporation  
 (724) 873-6788  
 (724) 873-6799 (fax)  
 Email: investors@blackbox.com

**FOR IMMEDIATE RELEASE**

**BLACK BOX CORPORATION REPORTS FIRST QUARTER OF FISCAL 2008 RESULTS**

- Reports 24% increase in GAAP EPS and 26% increase in operating EPS over prior year -

PITTSBURGH, PENNSYLVANIA, August 14, 2007 -- Black Box Corporation (NASDAQ:BBOX) today reported results for the first quarter of Fiscal 2008 ended June 30, 2007.

For the first quarter of Fiscal 2008, diluted earnings per share were 46¢ on net income of \$8.2 million or 3.2% of revenues compared to diluted earnings per share of 37¢ on net income of \$6.8 million or 3.0% of revenues for the same quarter last year. On a sequential quarter comparison basis, fourth quarter of Fiscal 2007 diluted earnings per share were 37¢ on net income of \$6.6 million or 2.7% of revenues. Excluding reconciling items, operating earnings per share (which is a non-GAAP term and is defined below) for first quarter of Fiscal 2008 were 73¢ on operating net income (which is a non-GAAP term and is defined below) of \$13.0 million or 5.1% of revenues compared to operating earnings per share of 58¢ on operating net income of \$10.6 million or 4.6% of revenues for the same quarter last year. Management believes that presenting operating earnings per share and operating net income is useful to investors because it provides a more meaningful comparison of the ongoing operations of the Company.

During the first quarter of Fiscal 2008, the Company's pre-tax reconciling items were \$7.4 million with an after tax impact on net income and EPS of \$4.7 million and 27¢, respectively. During the first quarter of Fiscal 2007, as previously disclosed, the Company's pre-tax reconciling items were \$5.8 million with an after tax impact on net income and EPS of \$3.8 million and 21¢, respectively. See below for further discussion regarding management's use of non-GAAP accounting measurements and a detailed presentation of the Company's pre-tax reconciling items for the periods presented above.

First quarter of Fiscal 2008 total revenues were \$252 million, an increase of \$22 million or 10% from \$230 million for the same quarter last year. On a sequential quarter comparison basis, fourth quarter of Fiscal 2007 total revenues were \$250 million.

First quarter of Fiscal 2008 cash provided by operating activities was \$8 million or 94% of net income, compared to \$13 million or 185% of net income for the same quarter last year. First quarter of Fiscal 2008 free cash flow (which is a non-GAAP term and is defined below) was \$7 million compared to \$14 million for the same quarter last year. On a sequential quarter comparison basis, fourth quarter of Fiscal 2007 cash provided by operating activities was \$12 million or 182% of net income and free cash flow was \$13 million. Black Box utilized its first quarter of Fiscal 2008 free cash flow to fund debt reduction of \$3 million, to fund payments due on prior period acquisition activity of \$3 million and to pay dividends of \$1 million. Management believes that free cash flow, defined by the Company as cash provided by operating activities less net capital expenditures, plus proceeds from stock option exercises, plus or minus foreign currency translation adjustments, is an important measurement of liquidity as it represents the total cash available to the Company.

The Company's 6-month order backlog was \$165 million at June 30, 2007 compared to \$168 million for the same quarter ended last year. On a sequential quarter end comparison basis, the Company's 6-month order backlog was \$159 million at March 31, 2007.

The Company has received notification that its distribution agreement with Avaya, Inc. will be terminated effective September 8, 2007. The Company is in discussions with Avaya concerning the future business relationship of the parties and the handling of key accounts. The Company continues to evaluate the potential financial impact of this event as well as potential business strategies to minimize such impact. The Company currently anticipates that this event will not have a material impact on its Fiscal 2008 operating results.

As a result of the pending termination of its distribution agreement with Avaya, Inc. and an increase in the Company's current effective tax rate from Fiscal 2007, the Company's current targets for Fiscal 2008 are reported revenues of approximately \$1.0 billion; corresponding

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operating earnings per share in the range of \$3.30 to \$3.50; and cash provided by operating activities in the range of 80% to 90% of operating net income.

All of the above ranges exclude acquisition-related expense, stock option-based expense (including the impact of SFAS 123(R)), any restructuring / severance / other costs related to the NextiraOne, LLC ("NextiraOne") integration plan and the impact of changes in the fair market value of the Company's interest rate swap, and are before any new mergers and acquisition activity that has not been announced.

Commenting on the first quarter results, Terry Blakemore, Interim President and Chief Executive Officer, said, "We are very pleased with our 1Q08 performance. Revenues, operating EPS and operating cash flow results achieved are consistent with our targeted ranges. We are particularly pleased with our overall organic growth of 6% as well as the positive organic growth reported in each of our geographic segments and service lines. We believe these results are attributable to the continued success in marketing our DVH<sup>TM</sup> (Data, Voice and Hotline) technical services coupled with stable end-user markets."

Mr. Blakemore went on to say, "In addition, significant progress continues to be made towards finalizing the integration efforts related to the NextiraOne acquisition. To that end, in 1Q08, we incurred approximately \$4 million in expenses primarily related to systems integration, severance and facility consolidation. We expect that these actions will reduce our ongoing operating costs by approximately \$2 million per quarter and are an important step in increasing both profitability and cash flow consistent with our FY08 objectives."

"In summary, our expectations for Black Box in FY08 remain high and are centered around continuing to deliver the highest quality technical DVH services to our clients around the world."

The Company will conduct a conference call beginning at 5:00 p.m. Eastern Daylight Time today, August 14, 2007. Terry Blakemore, Interim President and Chief Executive Officer, will host the call. To participate in the call, please dial 612-332-1025 approximately 15 minutes prior to the starting time and ask to be connected to the Black Box Earnings Call. A replay of the conference call will be available for one week after the teleconference by dialing 320-365-3844 and using access code 882462.

Black Box is the world's largest technical services company dedicated to designing, building and maintaining today's complicated data and voice infrastructure systems. Black Box services 175,000 clients in 141 countries with 173 offices throughout the world. To learn more, visit the Black Box website at [www.blackbox.com](http://www.blackbox.com).

Black Box and the Double Diamond logo are registered trademarks and DVH is a trademark of BB Technologies, Inc.

Any forward-looking statements contained in this release are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and speak only as of the date of this release. You can identify these forward-looking statements by the fact they use words such as "should," "anticipate," "estimate," "approximate," "expect," "target," "may," "will," "project," "intend," "plan," "believe" and other words of similar meaning and expression in connection with any discussion of future operating or financial performance. One can also identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. Forward-looking statements are inherently subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Although it is not possible to predict or identify all risk factors, they may include the timing and final outcome of the ongoing review of the Company's stock option practices, including the related SEC investigation, shareholder derivative lawsuit, Nasdaq Stock Market ("NASDAQ") process regarding listing of the Company's common stock and tax matters, and the impact of any actions that may be required or taken as a result of such review, SEC investigation, shareholder derivative lawsuit, NASDAQ process or tax matters, levels of business activity and operating expenses, expenses relating to corporate compliance requirements, cash flows, global economic and business conditions, successful integration of acquisitions, including the NextiraOne business, the timing and costs of restructuring programs, successful marketing of DVH (Data, Voice, Hotline) services, successful implementation of our M&A program, including identifying appropriate targets, consummating transactions, and successfully integrating the businesses, competition, changes in foreign, political and economic conditions, fluctuating foreign currencies compared to the U.S. dollar, rapid changes in technologies, client preferences, the ability of the Company to identify, acquire and operate additional technical services companies, the Company's arrangements with suppliers of voice equipment and technology and various other matters, many of which are beyond the Company's control. Additional risk factors are included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2007. We can give no assurance that any goal, plan or target set forth in forward-looking statements can be achieved and readers are cautioned not to place undue reliance on such statements, which speak only as of the date made. We undertake no obligation to release publicly any revisions to forward-looking statements as a result of future events or developments.

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**BLACK BOX CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

In thousands, except per share amounts	Three months ended June 30,	
	2007	2006
<b>Revenues:</b>		
Hotline products	\$ 56,139	\$ 52,225
On-Site services	196,152	178,170
Total	252,291	230,395
<b>Cost of Sales:</b>		
Hotline products	29,362	25,461
On-Site services	131,699	119,090
Total	161,061	144,551
<b>Gross profit</b>	<b>91,230</b>	<b>85,844</b>
Selling, general & administrative expenses	72,743	70,202
Intangibles amortization	2,318	1,506
<b>Operating income</b>	<b>16,169</b>	<b>14,136</b>
Interest expense (income), net	3,280	3,640
Other expenses (income), net	(67)	115
Income before provision for income taxes	12,956	10,381
Provision for income taxes	4,768	3,568
<b>Net income</b>	<b>\$ 8,188</b>	<b>\$ 6,813</b>
Earnings per common share:		
Basic	\$ 0.47	\$ 0.39
Diluted	\$ 0.46	\$ 0.37
Weighted average common shares outstanding		
Basic	17,527	17,626
Diluted	17,639	18,262
Dividends per share	\$ 0.06	\$ 0.06

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**BLACK BOX CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

In thousands, except par value	June 30, 2007	March 31, 2007
<b>Assets</b>		
Cash and cash equivalents	\$ 16,295	\$ 17,157
Accounts receivable, net	162,384	161,733
Inventories, net	69,745	72,807
Costs/estimated earnings in excess of billings on uncompleted contracts	62,296	61,001
Prepaid and other current assets	33,215	31,057
<b>Total current assets</b>	<b>343,935</b>	<b>343,755</b>
Property, plant and equipment, net	37,237	39,051
Goodwill, net	569,438	568,647
Intangibles:		
Customer relationships, net	67,048	68,016
Other intangibles, net	31,916	33,258
Other assets	30,618	37,364
<b>Total assets</b>	<b>\$ 1,080,192</b>	<b>\$ 1,090,091</b>
<b>Liabilities</b>		
Accounts payable	\$ 79,492	\$ 74,727
Accrued compensation and benefits	20,529	21,811
Deferred revenue	32,574	35,630
Billings in excess of costs/estimated earnings on uncompleted contracts	18,446	19,027
Income taxes	13,574	13,430
Other liabilities	58,789	62,071
<b>Total current liabilities</b>	<b>223,404</b>	<b>226,696</b>
Long-term debt	234,999	238,194
Other liabilities	20,321	25,505
<b>Total liabilities</b>	<b>478,724</b>	<b>490,395</b>
<b>Stockholders' equity</b>		
Common stock	25	25
Additional paid-in capital	438,595	441,283
Retained earnings	452,048	450,022
Accumulated other comprehensive income	27,833	25,399
Treasury stock	(317,033)	(317,033)
<b>Total stockholders' equity</b>	<b>601,468</b>	<b>599,696</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,080,192</b>	<b>\$ 1,090,091</b>

**BLACK BOX CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

In thousands	Three months ended June 30,	
	2007	2006
<b>Operating Activities</b>		
Net income	\$ 8,188	\$ 6,813
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Intangibles amortization and depreciation	5,273	3,806
Loss on sale of property	481	--
Deferred taxes	(7,789)	(508)
Stock compensation expense	1,716	3,249
Tax impact from stock options	4,404	779
Change in fair value of interest rate swap	(1,308)	--
Changes in operating assets and liabilities:		
Accounts receivable, net	320	11,218
Inventories, net	3,312	(1,066)
All other current assets excluding deferred tax asset	(1,996)	(2,115)
Liabilities exclusive of long-term debt	(4,897)	(9,569)
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 7,704</b>	<b>\$ 12,607</b>
<b>Investing Activities</b>		
Capital expenditures	\$ (984)	\$ (1,523)
Capital disposals	--	30
Acquisition of businesses (payments)/recoveries	--	(129,161)
Prior merger-related (payments)/recoveries	(3,250)	(1,350)
<b>Net cash provided by (used for) investing activities</b>	<b>\$ (4,234)</b>	<b>\$ (132,004)</b>
<b>Financing Activities</b>		
Proceeds from borrowings	\$ 47,445	\$ 194,522
Repayment of borrowings	(50,818)	(73,769)
Repayment on discounted lease rentals	--	(21)
Proceeds from exercise of options	--	3,530
Payment of dividends	(1,052)	(1,055)
<b>Net cash provided by (used for) financing activities</b>	<b>\$ (4,425)</b>	<b>\$ 123,207</b>
Foreign currency exchange impact on cash	\$ 93	\$ (657)
<b>Increase / (decrease) in cash and cash equivalents</b>	<b>\$ (862)</b>	<b>\$ 3,153</b>
Cash and cash equivalents at beginning of period	\$ 17,157	\$ 11,207
Cash and cash equivalents at end of period	\$ 16,295	\$ 14,360

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### **Non-GAAP Financial Measures**

As a supplement to United States Generally Accepted Accounting Principles (“GAAP”), the Company provides non-GAAP financial measures such as free cash flow, cash provided by operating activities excluding restructuring payments, operating net income, operating earnings per share (EPS), Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”) and Adjusted EBITDA to illustrate the Company’s operational performance. These non-GAAP financial measures exclude the impact of certain items and, therefore, have not been calculated in accordance with GAAP. Pursuant to the requirements of Regulation G, the Company has provided Management explanations regarding their use and the usefulness of non-GAAP financial measures, definitions of the non-GAAP financial measures and reconciliations to the most directly comparable GAAP financial measures which are provided below.

Management uses non-GAAP financial measures (a) to evaluate the Company’s historical and prospective financial performance as well as its performance relative to its competitors, (b) to set internal sales targets and associated operating budgets, (c) to allocate resources, (d) to measure operational profitability and (e) as an important factor in determining variable compensation for Management and its team members. Moreover, the Company has historically reported these non-GAAP financial measures as a means of providing consistent and comparable information with past reports of financial results.

While Management believes these non-GAAP financial measures provide useful supplemental information to investors, there are limitations associated with the use of non-GAAP financial measures. The limitations include (i) the non-GAAP financial measures are not prepared in accordance with GAAP, are not reported by all of the Company’s competitors and may not be directly comparable to similarly titled measures of the Company’s competitors due to potential differences in the exact method of calculation, (ii) the non-GAAP financial measures exclude restructuring, severance and other acquisition integration costs (collectively referred to as “restructuring charges” or “restructuring payments”) incurred during the periods reported that will impact future operating results, (iii) the non-GAAP financial measures exclude certain non-cash amortization of intangible assets on acquisitions, however, do not specifically exclude the added benefits of these costs, such as revenue and contributing operating margin, (iv) the non-GAAP financial measures exclude non-cash stock-based compensation charges, which is similar to cash compensation paid to employees and is an integral part of achieving our operating results, (v) the non-GAAP financial measures exclude non-cash asset write-up depreciation expense on acquisitions related to acquisitions made during recent years which is derived from the book value to fair market value write-up on acquired assets, (vi) the non-GAAP financial measures exclude historical stock option granting practice investigation costs, (vii) the non-GAAP financial measures exclude the non-cash change in fair value of the interest rate swap which will continue to impact the Company’s earnings until the interest rate swap is settled and (viii) there is no assurance the excluded items in the non-GAAP financial measures will not occur in the future. The Company compensates for these limitations by using these non-GAAP financial measures as supplements to GAAP financial measures and by reviewing the reconciliations of the non-GAAP financial measures to their most comparable GAAP financial measures.

Non-GAAP financial measures are not in accordance with, or an alternative for, GAAP. The Company’s non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP financial measurements, and should be read only in conjunction with the Company’s consolidated financial statements prepared in accordance with GAAP.

### **Free Cash Flow**

Free cash flow is defined by the Company as cash provided by operating activities less net capital expenditures, plus proceeds from stock option exercises, plus or minus foreign currency translation adjustments. Management’s reasons for exclusion of each item are explained in further detail below.

#### **Net capital expenditures**

The Company believes net capital expenditures must be included with cash provided by operating activities to more properly reflect the actual cash available to the Company. Net capital expenditures are typically material and directly impact the availability of the Company’s operating cash. Net capital expenditures are comprised of capital expenditures and capital disposals.

#### **Proceeds from stock option exercises**

The Company believes that proceeds from stock option exercises should be added to cash provided by operating activities to more accurately reflect the actual cash available to the Company. The Company has demonstrated a recurring inflow of cash related to its stock-based compensation plans and since this cash is immediately available to the Company, it directly impacts the availability of the Company’s operating cash. The amount of proceeds from stock option exercises is dependent upon a number of variables, including the number and exercise price of outstanding options and the trading price of the Company’s common stock. In addition, the timing of stock option exercises is under the control of the individual option holder and is not in the control of the Company. As a result, there can be no assurance as to the timing or amount of any proceeds from stock option exercises.

Foreign currency translation adjustment

Due to the size of the Company's international operations, and the ability of the Company to utilize cash generated from foreign operations locally without the need to convert such currencies to U.S. dollars on a regular basis, the Company believes that it is appropriate to adjust its operating cash flows to take into account the positive and / or negative impact of such charges as such adjustment provides an appropriate measure of the availability of the Company's operating cash on a world-wide basis. A limitation of adjusting cash flows to account for the foreign currency impact is that it may not provide an accurate measure of cash available in U.S. dollars.

A reconciliation of cash provided by operating activities to free cash flow is presented below:

	<b>1Q08</b>	<b>4Q07</b>	<b>1Q07</b>
Cash provided by operating activities	\$ 7,704	\$ 12,040	\$ 12,607
Capital expenditures	(984)	(2,411)	(1,523)
Capital disposals	--	474	30
Foreign currency exchange impact on cash	93	546	(657)
Free cash flow before stock option exercises	\$ 6,813	\$ 10,649	\$ 10,457
Proceeds from stock option exercises	--	2,829	3,530
Free cash flow	\$ 6,813	\$ 13,478	\$ 13,987

**Cash provided by operating activities excluding restructuring payments**

Cash provided by operating activities excluding restructuring payments is defined by the Company as cash provided by operating activities plus restructuring payments. Restructuring payments are the cash payments made during the period for restructuring charges. The Company believes that restructuring payments should be added to cash provided by operating activities to more accurately reflect the cash flow from operations.

A reconciliation of cash provided by operating activities to cash provided by operating activities excluding restructuring payments is presented below:

	<b>1Q08</b>	<b>4Q07</b>	<b>1Q07</b>
Cash provided by operating activities	\$ 7,704	\$ 12,040	\$ 12,607
Restructuring payments	4,017	3,446	4,710
Cash provided by operating activities excluding restructuring payments	\$ 11,721	\$ 15,486	\$ 17,317

**Operating net income and operating earnings per share (EPS)**

Management believes that operating net income, defined as net income less reconciling items including restructuring charges, amortization of intangible assets on acquisitions, stock-based compensation expense, asset write-up depreciation expense on acquisitions and the change in fair value of the interest rate swap and operating EPS, defined as operating net income divided by weighted average common shares outstanding (diluted), provides investors additional important information to enable them to assess, in a way Management assesses, the Company's current and future operations. Management's reason for exclusion of each item is explained in further detail below:

Restructuring charges

The Company believes that incurring costs in the current period(s) as part of a restructuring plan or as a result of economies of scale from acquisitions will result in a long-term positive impact on financial performance in the future. Restructuring charges are presented in accordance with GAAP in the Company's Condensed Consolidated Statements of Income. However, due to the material amount of additional costs incurred during a single or possibly successive periods, Management believes that exclusion of these costs and their related tax impact provides a more accurate reflection of the Company's ongoing financial performance.

Amortization of intangible assets on acquisitions

The Company incurs non-cash amortization expense from intangible assets related to various acquisitions it has made in recent years. Management excludes these expenses and their related tax impact for the purpose of calculating non-GAAP financial measures when it evaluates the continuing operational performance of the Company because these costs are fixed at the time of an acquisition, are then amortized over a period of several years after the acquisition and generally cannot be changed or influenced by Management after the acquisition.

Stock-based compensation expense

The Company records non-cash stock-based compensation expense equal to the fair value of share-based payment awards to its directors, executives and employees. Stock-based compensation expense is an integral part of ongoing operations since it is considered similar to other types of compensation to employees. However, Management believes that varying levels of stock-based compensation expense could result in misleading period-over-period comparisons and is providing an adjusted disclosure, which excludes stock-based compensation and its related tax impact.

Asset write-up depreciation expense on acquisitions

The Company incurs non-cash asset write-up depreciation expense on acquisitions related to acquisitions made during recent years. Specifically, this non-cash expenditure is derived from the book value to fair market value write-up on acquired assets. Asset write-ups are depreciated over their remaining useful life which generally falls between one to five years. Management excludes these expenses and their related tax impact for the purpose of calculating non-GAAP financial measures when it evaluates the continuing operational performance of the Company because these costs are fixed from acquisition to the end of the asset's useful life, and generally cannot be changed or influenced by Management after the acquisition.

Historical stock option granting practices investigation costs

The Company incurred significant costs in connection with its investigation of historical stock option grant practices during the current year. Management excludes these expenses and their related tax impact for the purpose of calculating non-GAAP financial measures when it evaluates the continuing operational performance of the Company because these costs are generally non-recurring and cannot be changed or influenced by Management.

Change in fair value of the interest rate swap

To mitigate the risk of interest-rate fluctuations associated with the Company's variable rate debt, the Company entered into a five-year interest rate swap ("interest rate swap") that does not qualify as a cash flow hedge. Thus, the Company records the change in fair value of the interest rate swap as an asset/liability within the Company's Condensed Consolidated Balance Sheets with the offset to Interest expense (income) within the Company's Condensed Consolidated Statements of Income. Management excludes this non-cash expense (income) and the related tax impact for the purpose of calculating non-GAAP financial measures when it evaluates the continuing operational performance of the Company because these costs generally cannot be changed or influenced by Management.

The following table represents the Company's pre-tax reconciling items:

	1Q08	4Q07	1Q07
<b>Non-cash charges:</b>			
Amortization of intangible assets on acquisitions	\$ 2,269	\$ 4,127	\$ 1,433
Stock-based compensation expense	1,716	1,832	3,249
Asset write-up depreciation expense on acquisitions	659	742	--
Change in fair value of interest rate swap	(1,308)	426	--
<b>Total Non-cash charges</b>	<b>\$ 3,336</b>	<b>\$ 7,127</b>	<b>\$ 4,682</b>
<b>Cash charges:</b>			
Restructuring charges	\$ 4,030	\$ 1,099	\$ 1,115
Historical stock option granting practices investigation costs	--	542	--
<b>Total Cash charges</b>	<b>\$ 4,030</b>	<b>\$ 1,641</b>	<b>\$ 1,115</b>
<b>Total pre-tax reconciling items</b>	<b>\$ 7,366</b>	<b>\$ 8,768</b>	<b>\$ 5,797</b>

A reconciliation of net income to operating net income is presented below:

	1Q08	4Q07	1Q07
Net income	\$ 8,188	\$ 6,628	\$ 6,813
% of revenues	3.2%	2.7%	3.0%
Reconciling items, after tax	4,655	5,611	3,805
Operating Net Income	\$ 12,843	\$ 12,239	\$ 10,618
% of revenues	5.1%	4.9%	4.6%

A reconciliation of diluted earnings per common share (EPS) to operating EPS (may not sum due to rounding) is presented below:

	<b>1Q08</b>	<b>4Q07</b>	<b>1Q07</b>
Diluted EPS	\$ 0.46	\$ 0.37	\$ 0.37
EPS impact of reconciling items	0.27	0.32	0.21
Operating EPS	\$ 0.73	\$ 0.69	\$ 0.58

#### **EBITDA and Adjusted EBITDA**

Management believes that EBITDA, defined as income before provision for income taxes plus interest, depreciation and amortization, is a widely accepted measure of profitability that we believe may be used to measure the Company's ability to service its debt. Adjusted EBITDA, defined as EBITDA plus stock compensation expense, may also be used to measure the Company's ability to service its debt.

A reconciliation of net income to EBITDA is presented below:

	<b>1Q08</b>	<b>4Q07</b>	<b>1Q07</b>
Income before provision for income taxes	\$ 12,956	\$ 10,477	\$ 10,381
Interest	3,280	5,185	3,640
Depreciation / Amortization	5,273	7,277	3,806
EBITDA	\$ 21,509	\$ 22,939	\$ 17,827
Stock compensation expense	1,716	1,832	3,249
Adjusted EBITDA	\$ 23,225	\$ 24,771	\$ 21,076

#### **Supplemental Information:**

The following supplemental information including geographical segment results, service type results, same office comparisons and significant balance sheet ratios and other information is being provided for comparisons of reported results for first quarter of Fiscal 2008, fourth quarter of Fiscal 2007 and first quarter of Fiscal 2007. All dollar amounts are in thousands unless noted otherwise.

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**Geographical Segment Results:**

Management is presented with and reviews revenues, operating income and adjusted operating income by geographical segment. Adjusted operating income is defined as operating income less reconciling items, including restructuring charges, amortization of intangible assets on acquisitions, stock-based compensation expense, asset write-up depreciation expense on acquisitions and historical stock option granting practice investigation costs. See above for additional details provided by Management regarding non-GAAP financial measures. Revenues, operating income and adjusted operating income for North America, Europe and All Other are presented below:

	<b>1Q08</b>	<b>4Q07</b>	<b>1Q07</b>
<b>Revenues:</b>			
North America	\$ 210,002	\$ 205,828	\$ 192,572
Europe	32,799	34,479	29,345
All Other	9,490	9,477	8,478
Total	<u>\$ 252,291</u>	<u>\$ 249,784</u>	<u>\$ 230,395</u>
<b>Operating income:</b>			
North America	\$ 10,582	\$ 8,277	\$ 9,397
% of North America revenues	5.0%	4.0%	4.9%
Europe	\$ 3,948	\$ 5,308	\$ 3,143
% of Europe revenues	12.0%	15.4%	10.7%
All Other	\$ 1,639	\$ 2,054	\$ 1,596
% of All Other revenues	17.3%	21.7%	18.8%
Total	<u>\$ 16,169</u>	<u>\$ 15,639</u>	<u>\$ 14,136</u>
% of Total revenues	6.4%	6.3%	6.1%
<b>Reconciling items (pretax):</b>			
North America	\$ 8,674	\$ 8,342	\$ 5,797
Europe	--	--	--
All Other	--	--	--
Total	<u>\$ 8,674</u>	<u>\$ 8,342</u>	<u>\$ 5,797</u>
<b>Adjusted Operating Income:</b>			
North America	\$ 19,256	\$ 16,619	\$ 15,194
% of North America revenues	9.2%	8.1%	7.9%
Europe	\$ 3,948	\$ 5,308	\$ 3,143
% of Europe revenues	12.0%	15.4%	10.7%
All Other	\$ 1,639	\$ 2,054	\$ 1,596
% of All Other revenues	17.3%	21.7%	18.8%
Total	<u>\$ 24,843</u>	<u>\$ 23,981</u>	<u>\$ 19,933</u>
% of Total revenues	9.8%	9.6%	8.7%

**Service Type Results:**

Management is presented with and reviews revenues and gross profit for Data Services, Voice Services and Hotline Services which are presented below:

	1Q08	4Q07	1Q07
<b>Revenues:</b>			
Data Services	\$ 46,165	\$ 44,801	\$ 44,531
Voice Services	149,987	147,138	133,639
Hotline Services	56,139	57,845	52,225
Total	\$ 252,291	\$ 249,784	\$ 230,395
<b>Gross profit:</b>			
Data Services	\$ 14,177	\$ 14,138	\$ 13,317
% of Data Services revenues	30.7%	31.6%	29.9%
Voice Services	\$ 50,276	\$ 51,026	\$ 45,763
% of Voice Services revenues	33.5%	34.7%	34.2%
Hotline Services	\$ 26,777	\$ 27,260	\$ 26,764
% of Hotline Services revenues	47.7%	47.1%	51.2%
Total	\$ 91,230	\$ 92,424	\$ 85,844
% of Total revenues	36.2%	37.0%	37.3%

**Same-office Comparisons:**

Management is presented with and reviews revenues on a same-office basis which excludes the effects of revenues from acquisitions since the earliest reported period thus allowing the comparison of same-office revenues from the earliest to current period under review. While the information provided below is presented on a consolidated basis, the revenue from acquisitions from first quarter of Fiscal 2007 to first quarter of Fiscal 2008 relates to North America Voice Services.

Information on revenues on a same-office basis compared to the same quarter last year is presented below:

	1Q08	1Q07	% Change
Revenues as reported	\$ 252,291	\$ 230,395	10%
Less revenues from offices added since 1Q07	(72,027)	(60,174)	
Revenues on same-office basis	\$ 180,264	\$ 170,221	6%

Information on revenues on a same-office basis compared to the sequential quarter is presented below:

	1Q08	4Q07	% Change
Revenues as reported	\$ 252,291	\$ 249,784	1%
Less revenues from offices added since 4Q07	(2,632)	(1,693)	
Revenues on same-office basis	\$ 249,659	\$ 248,091	1%

**Significant Balance Sheet Ratios and Other Information:**

Information on certain balance sheet ratios, backlog and headcount is presented below. Dollar amounts are in millions.

	1Q08		4Q07		1Q07				
<b>Accounts receivable:</b>									
Gross accounts receivable	\$	176.1	\$	176.0	\$	188.2			
Reserve \$ / %	\$	13.7	7.8%	\$	14.3	8.1%	\$	15.9	8.5%
Net accounts receivable	\$	162.4	\$	161.7	\$	172.3			
Net days sales outstanding		53 days		53 days		57 days			
<b>Inventory:</b>									
Gross inventory	\$	91.7	\$	95.6	\$	93.9			
Reserve \$ / %	\$	22.0	24.0%	\$	22.8	23.8%	\$	25.7	27.4%
Net inventory	\$	69.7	\$	72.8	\$	68.2			
Net inventory turns		7.5x		7.2x		7.2x			
Six-month order backlog	\$	165	\$	159	\$	168			
Team members		4,454		4,581		4,752			

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