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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2009

OR

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

For the transition period from _____ to _____

COMMISSION FILE NUMBER 1-8086

GENERAL DATACOMM INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State of other jurisdiction of
incorporation or organization)

06-0853856

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

6 Rubber Avenue, Naugatuck, CT

(Address of principal executive offices)

06770

(Zip Code)

Registrant's telephone number, including area code 203-729-0271

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 a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Yes No

As of June 30, 2009, there were outstanding the following number of shares of each of the issuer's classes of common equity:

3,487,473 shares of common stock, par value \$0.01 per share

634,615 shares of Class B stock, par value \$0.01 per share

GENERAL DATACOMM INDUSTRIES, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

General DataComm Industries, Inc., and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)
(in thousands except shares)

	June 30, 2009	September 30, 2008
Assets:		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 42	\$ 136
Accounts receivable, less allowance for doubtful accounts of \$243 at June 30, 2009 and \$228 at September 30, 2008	305	993
Inventories	1,627	3,173
Other current assets	467	482
Total current assets	2,441	4,784
Property, plant and equipment, net	3,406	3,638
Total Assets	5,847	8,422
Liabilities and Stockholders' Deficit:		
<i>Current liabilities:</i>		
Current portion of long-term debt (including \$2,756 and \$2,505 of notes payable to related parties at June 30, 2009 and September 30, 2008, respectively)	22,204	21,972
Accounts payable	2,564	2,580
Accrued payroll and payroll-related costs	296	552
Accrued interest	11,636	10,015
Other current liabilities	2,681	2,657
Total current liabilities	39,381	37,776
Long-term debt, less current portion	4,500	4,500
Other liabilities	472	498
Total Liabilities	44,353	42,774
Commitments and contingencies	-	-
<i>Stockholders' deficit:</i>		
9% Preferred stock, par value \$1.00 per share, 3,000,000 shares authorized; 781,996 shares issued and outstanding; \$35.4 million liquidation preference, including \$15.8 million of cumulative dividend arrearages at June 30, 2009	782	782
Class B stock, par value \$.01 per share, 5,000,000 shares authorized; 634,615 shares issued and outstanding	6	6
Common stock, par value \$.01 per share, 25,000,000 shares authorized; 3,487,473 shares issued and outstanding	35	35
Capital in excess of par value	199,343	199,251
Accumulated deficit	(238,703)	(234,486)
Accumulated other comprehensive income	31	60
Total Stockholders' Deficit	(38,506)	(34,352)
Total Liabilities and Stockholders' Deficit	\$ 5,847	\$ 8,422

The accompanying notes are an integral part of these condensed consolidated financial statements.

General DataComm Industries, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)
(in thousands except share data)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2009	2008	2009	2008
Revenues:				
Product	\$ 1,914	\$ 3,078	\$ 5,207	\$ 8,153
Service	292	523	1,401	1,594
Total	2,206	3,601	6,608	9,747
Cost of revenues:				
Product	1,123	1,455	3,674	3,804
Service	116	341	591	1,193
Total	1,239	1,796	4,265	4,997
Gross margin	967	1,805	2,343	4,750
Operating expenses:				
Selling, general and administrative	1,104	1,778	3,279	4,929
Research and product development	341	904	1,278	2,410
	1,445	2,682	4,557	7,339
Operating loss	(478)	(877)	(2,214)	(2,589)
Interest expense	(743)	(699)	(2,280)	(2,213)
Other income, net	156	11	237	4,008
Loss before income taxes	(1,065)	(1,565)	(4,257)	(794)
Income tax provision (benefit)	(9)	3	(40)	8
Net loss	(1,056)	(1,568)	(4,217)	(802)
Dividends applicable to preferred stock	(440)	(440)	(1,320)	(1,320)
Net loss applicable to common and Class B stock	\$ (1,496)	\$ (2,008)	\$ (5,537)	\$ (2,122)
Earnings (loss) per share:				
Basic and diluted – common stock	\$ (0.36)	\$ (0.49)	\$ (1.34)	\$ (0.51)
Basic and diluted – Class B stock	\$ (0.36)	\$ (0.49)	\$ (1.34)	\$ (0.51)
Weighted average number of common and Class B shares outstanding:				
Basic and diluted - common stock	3,487,473	3,487,473	3,487,473	3,481,592
Basic and diluted – Class B stock	634,615	634,615	634,615	640,496

The accompanying notes are an integral part of these condensed consolidated financial statements.

General DataComm Industries, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

	Nine Months Ended June 30,	
	2009	2008
<i>Cash flows from operating activities:</i>		
Net loss	\$ (4,217)	\$ (802)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation and amortization	266	227
Stock compensation expense	92	177
Gain on sale of patents	-	(3,891)
Changes in:		
Accounts receivable	688	(980)
Inventories	1,546	(214)
Accounts payable	(16)	(304)
Accrued payroll and payroll-related costs	(256)	(12)
Accrued interest	1,621	1,095
Other net current liabilities	(47)	(104)
Other net long-term assets	(55)	(20)
Net cash used by operating activities	(378)	(4,828)
<i>Cash flows from investing activities:</i>		
Acquisition of property, plant and equipment, net	(34)	(257)
Net proceeds from sale of patents	-	3,891
Net cash provided (used) by investing activities	(34)	3,634
<i>Cash flows from financing activities:</i>		
Proceeds from notes payable to related party	250	375
Principal payments on notes payable to related party	-	(395)
Proceeds from notes payable to unrelated party	234	226
Principal payments on notes payable to unrelated party	(166)	(156)
Net cash provided by financing activities	318	50
Net decrease in cash and cash equivalents	(94)	(1,144)
Cash and cash equivalents, beginning of period	136	1,296
Cash and cash equivalents, end of period	\$ 42	\$ 152
<i>Supplemental disclosures of cash flow information:</i>		
Cash paid during the period for:		
Interest	\$ 359	\$ 883
Income and franchise taxes	\$ 10	\$ 6

The accompanying notes are an integral part of these
condensed consolidated financial statements.

GENERAL DATACOMM INDUSTRIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation and Liquidity

The accompanying financial statements of General DataComm Industries, Inc. (the "Company") for the three and nine months ended June 30, 2009 have been prepared by the Company on a going concern basis, in accordance with rules and regulations of the Securities and Exchange Commission. However, such financial statements have not been reviewed by an independent public accounting firm. In addition, the financial statements for the year ended September 30, 2008 have not been audited by an independent accounting firm. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations.

In the opinion of management, these statements include all adjustments, consisting of normal and recurring adjustments, considered necessary for a fair presentation of the results for the periods presented. The results of operations for the three and nine months ended June 30, 2009 are not necessarily indicative of results which may be achieved for the entire fiscal year ending September 30, 2009. The unaudited interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's annual report on Form 10-K for the fiscal year ended September 30, 2008 as filed with the Securities and Exchange Commission.

On November 2, 2001, General DataComm Industries, Inc. and its domestic subsidiaries filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware. The Company continued in possession of its properties and the management of its business as debtors in possession. The Company emerged from Chapter 11 effective on September 15, 2003 pursuant to a court-approved plan of reorganization. Under this plan, the Company was to pay all creditors 100% of their allowed claims based upon a five year business plan. Debentures were issued to unsecured creditors as part of the plan of reorganization. However, the Company has not met its business plan objectives since emerging from Chapter 11 and, therefore, there can be no assurance that any such outstanding claims will be paid.

The Company incurred a net loss and used a significant amount of cash in its operating activities for the nine months ended June 30, 2009. The Company has no current ability to borrow additional funds except as may be provided pursuant to a receivable sales agreement with a related party. It must, therefore, plan on funding operations from cash balances, cash generated from operating activities and any cash that may be generated from the sale of non-core assets such as real estate and others. In addition, at June 30, 2009 the Company had a stockholders' deficit of approximately \$38.5 million, and a working capital deficit of approximately \$36.9 million, including debentures in the principal amount of \$19.4 million, together with accrued interest thereon (\$11.2 million), which matured on October 1, 2008. While a subordinated security agreement signed by the indenture trustee on behalf of the debenture holders provides that no payments may be made to debenture holders, and that no event of default may be declared under the indenture, while senior secured debt is outstanding, in the absence of such restrictions the Company does not have the ability to repay the debentures. As of June 30, 2009, senior secured debt consists of notes payable to related parties and a real estate mortgage. A failure to pay the debentures when they become due and payable as described above, could result in an event of default being declared under the indenture governing the debentures.

The conditions described above raise substantial doubt about the Company's ability to continue as a going concern. To continue operations, management has responded by entering into a receivable sales agreement with a related party to provide liquidity and by selling its patents in 2008 for proceeds of \$4,000,000 while retaining rights to use the patented technologies. In addition, management has implemented operational changes, including closing its foreign offices, reducing certain salaries, restructuring the sales force, increasing factory and office shutdown time, constraining expenses and reducing the employee workforce. The Company also continues to pursue the sale or lease of its headquarters' land and building in Naugatuck, C.T. In 2007 the balance of the Company's initial senior debt was replaced with mortgage debt on more favorable terms.

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While the Company is aggressively pursuing opportunities and corrective actions, there can be no assurance that the Company will be successful in its efforts to generate sufficient cash from operations or asset sales, or obtain additional funding sources or resolve the repayment of the debentures. The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern and do not include any adjustments that may result from the outcome of this uncertainty.

2. Summary of Significant Accounting Policies

Fair Value Measures

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards (SFAS) No. 157, "*Fair Value Measurements*". SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value. SFAS No. 157 does not expand the use of fair value measurements. In February 2007, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities*". SFAS No. 159 provides an option to expand the use of fair value measurements to report selected eligible financial assets and financial liabilities at fair value. This standard also establishes required presentation and disclosures to facilitate comparisons with companies that use different measurements to report similar assets and liabilities. The Company has not elected to measure and report any additional financial assets or liabilities at fair value under SFAS No. 159 that were not already measured at fair value under existing standards. All fair value disclosures are now determined in accordance with SFAS No. 157.

3. Earnings (Loss) Per Share

Basic earnings per share is computed by allocating net income available to common stockholders and to Class B shareholders based on their contractual participation rights to share in such net income as if all the income for the year had been distributed. Such allocation reflects that common stock is entitled to cash dividends, if and when paid, 11.11% higher per share than Class B stock. However, a net loss is allocated evenly to all shares. The income (loss) allocated to each security is divided by the respective weighted average number of common and Class B shares outstanding during the period. Diluted earnings per common share assumes the conversion of Class B stock into common stock. Diluted earnings per share gives effect to all potential dilutive common shares outstanding during the period. In computing diluted earnings per share, which only applies in the event there is net income, the average price of the Company's common stock for the period is used in determining the number of shares assumed to be purchased from exercise of stock options and warrants. Dividends applicable to preferred stock represent accumulating dividends that are not declared or accrued. The following table sets forth the computation of basic and diluted earnings (loss) applicable to common and Class B stock for the three and nine months ended June 30, 2009 and 2008 (in thousands, except shares and per share data):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2009	2008	2009	2008
Net loss	\$ (1,056)	\$ (1,568)	\$ (4,217)	\$ (802)
Dividends applicable to preferred stock	(440)	(440)	(1,320)	(1,320)
Net loss applicable to common and Class B stock	\$ (1,496)	\$ (2,008)	\$ (5,537)	\$ (2,122)
Net loss applicable to common stock-basic and diluted	\$ (1,266)	\$ (1,695)	\$ (4,685)	\$ (1,792)
Net loss applicable to Class B stock-basic and diluted	\$ (230)	\$ (313)	\$ (852)	\$ (330)

	Three Months Ended June 30,			
	Common Stock		Class B Stock	
	2009	2008	2009	2008
Numerator for basic and diluted earnings per share - net loss	\$ (1,266)	\$ (1,695)	\$ (230)	\$ (313)
Denominator for basic and diluted earnings per share-weighted average outstanding shares	3,487,473	3,487,473	634,615	634,615
Basic and diluted loss per share	\$ (0.36)	\$ (0.49)	\$ (0.36)	\$ (0.49)

	Nine Months Ended June 30,			
	2009	2008	2009	2008
	Common Stock		Class B Stock	
Numerator for basic and diluted earnings per share – net loss	\$ (4,685)	\$ (1,792)	\$ (852)	\$ (330)
Denominator for basic and diluted earnings per share-weighted average outstanding shares	3,487,473	3,481,592	634,615	640,496
Basic and diluted loss per share	\$ (1.34)	\$ (0.51)	\$ (1.34)	\$ (0.51)

In the three and nine months ended June 30, 2009 and 2008, no effect has been given to certain outstanding options, warrants and convertible securities in computing diluted loss per share as their effect would be antidilutive. Such share amounts outstanding at June 30, 2009 and 2008 which could potentially dilute basic earnings per share are as follows:

	No. of Shares	
	2009	2008
Stock warrants	4,093,251	4,093,251
Stock options	3,252,981	3,461,631
Convertible preferred stock	143,223	143,223
Total	7,489,455	7,698,105

4. Inventories

Inventories consist of (in thousands):

	June 30, 2009	September 30, 2008
Raw materials	\$ 176	\$ 160
Work-in-process	1,032	1,286
Finished goods	419	1,727
	\$ 1,627	\$ 3,173

Inventories are stated at the lower of cost or market using a first-in, first-out method. Reserves in the amount of \$ 2,912,000 and \$3,033,000 were recorded at June 30, 2009 and September 30, 2008, respectively, for excess and obsolete inventories.

5. Long-Term Debt

Long-term debt consists of (in thousands):

	June 30, 2009	September 30, 2008
Notes Payable to Related Parties	\$ 2,756	\$ 2,505
Note Payable to Unrelated Party	81	14
Debentures matured October 1, 2008	19,367	19,453
Real Estate Mortgage due July 31, 2010	4,500	4,500
	26,704	26,472
Less current portion	22,204	21,972
	\$ 4,500	\$ 4,500

Long-term debt totaling \$ 22,204,000 has matured as of June 30, 2009, of which \$19,367,000 in debentures matured October 1, 2008 but are restricted from being paid until senior debt is paid (see discussion below). The real estate mortgage in the amount of \$4,500,000 is due July 31, 2010.

The Company believes that the values of the note payable to unrelated party and real estate mortgage approximate their respective fair values. Also, notes payable to related parties are considered to approximate fair value when considering their senior secured interest in the Company's assets. However, the estimated fair value of debentures, with a face value totaling \$19,367,000 is considered to be substantially lower than carrying value due to the debentures being subordinated to both the real estate and related party debt. However, due to the extremely limited market (if any) for the debentures, the Company is unable to determine the current fair value.

Notes Payable to Related Parties

On December 9, 2005, Mr. Howard S. Modlin, Chairman of the Board and Chief Executive Officer, and Mr. John Segall, a Director, restructured existing loans and entered into new senior secured loans with the Company in the principal amounts of \$1,198,418 and \$632,527, respectively. Interest accrues at the rate of 10% per annum. In connection with the transactions, Mr. Modlin and Mr. Segall each received seven year warrants expiring December 8, 2012 to purchase common stock at \$0.575 per share covering 2,084,204 shares and 1,100,047 shares, respectively.

On February 17, 2006, the Company borrowed \$250,000 from Mr. Modlin in the form of a demand note which bore interest at the rate of 10% per annum. On April 20, 2006, the Corporation entered into an amendment of its loan arrangement with Mr. Modlin whereby the \$250,000 demand loan made by Mr. Modlin on February 17, 2006 was amended and restated into a term note, 50% of which was payable February 17, 2007 and 50% of which was payable February 17, 2008 (such payments were deferred until July 30, 2009 in agreement with Mr. Modlin). Mr. Modlin received a seven year warrant expiring April 19, 2013 to purchase 909,000 shares of common stock at \$0.275 per share. The warrant was valued at \$69,000 based upon an appraisal by an outside consultant and was recorded as debt discount and amortized as additional interest expense over the initial term of the debt.

In the quarters ended March 31, 2007 and December 31, 2007, Mr. Modlin made demand loans to the Company totaling \$270,000 and \$125,000, respectively, and which bore interest at the annual rate of 10%. Such loans were paid off in the quarter ended March 31, 2008. On April 30, May 13, July 9, September 18 and October 1, 2008, Mr. Modlin made demand loans to the Company bearing interest at the annual rate of 10% in the amounts of \$175,000, \$75,000, \$110,000, \$175,000 and \$250,000, respectively.

Accrued interest on all such loans amounted to \$311,762 and \$111,866 at June 30, 2009 and September 30, 2008, respectively. All loans made by Mr. Modlin and Mr. Segall are collateralized by all the assets of the Company and are presently due and payable. No demand for payment of such loans has been made by either Mr. Modlin or Mr. Segall and, if made, the Company presently would be unable to make such payments. All warrants have exercise prices that are above the current market price of common stock.

Debentures

Debentures in the principal amount of \$19,367,000 matured on October 1, 2008. The debentures have a subordinated security interest in all the assets of the Company. While a subordinated security agreement signed by the indenture trustee on behalf of the debenture holders provides that no payments may be made to debenture holders, and that no event of default may be declared under the indenture, while senior secured debt is outstanding, in the absence of such restrictions the Company does not have the ability to repay the debentures. Senior secured debt in the principal amount of \$7,255,945 was outstanding at June 30, 2009. Therefore, no payments to debenture holders have been made as of June 30, 2009. Interest accrues at the annual rate of 10% and totaled \$11,234,761 at June 30, 2009. See Note 1. "Basis of Presentation and Liquidity."

Debentures were issued to the following related parties: \$125,000 to William G. Henry, Vice President, Finance and Administration; \$50,000 to George M. Gray, Vice President, Operations and Engineering, \$16,400 to Howard S. Modlin, Chairman of the Board of Directors and Chief Executive Officer and \$19,900 to John L. Segall, Director. In addition, a debenture in the amount of \$2,179,000 was issued to the law firm of Weisman Celler Spett & Modlin, P.C., of which Mr. Modlin is President.

Real Estate Mortgage

The real estate mortgage entered into July 30, 2007 in the amount of \$4,500,000 is secured by the Company's premises in Naugatuck, CT. Through December 31, 2008 the mortgage required monthly payments of interest at the rate of 30-day LIBOR plus 6% (such interest rate was 8.38% at December 31, 2008). No principal payments are required until the full amount of the mortgage matures. The mortgage contains no financial performance covenants.

On December 8, 2008 the Company finalized an amendment of the mortgage loan for the purpose of extending the maturity of such mortgage loan from July 31, 2009 to July 31, 2010. As consideration for the extension, the interest rate was increased effective January 1, 2009 to 30-day LIBOR plus 8% from 30-day LIBOR plus 6%, the minimum 30-day LIBOR was set at 4%, and an extension fee of \$45,000 is payable August 1, 2009. All other terms and conditions remain the same. The interest rate was 12% at June 30, 2009.

6. Accounting for Stock-Based Compensation

Effective October 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123 (R) "Accounting for Stock-Based Compensation" ("SFAS No. 123R") using the modified prospective method. Under that transition method, compensation cost recognized includes: (a) compensation cost for all share-based payments (including stock options) granted prior to, but not yet vested as of October 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, and (b) compensation cost for all share-based payments granted subsequent to October 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123R. Results for prior periods were not restated. Compensation cost is recorded over the stock options' vesting periods. As a result of adopting SFAS No. 123R, compensation cost recognized in the quarter ended June 30, 2009 and 2008 was \$ 26,000 and \$ 54,000, respectively. Compensation cost recognized in the nine months ended June 30, 2009 and 2008 was \$92,000 and \$177,000, respectively.

7. Employee Incentive Plans

Stock Award, Grants and Options

The Company has adopted a 2003 Stock and Bonus Plan ("2003 Plan") reserving 459,268 shares of Class B stock and 459,268 shares of common stock and a 2005 Stock and Bonus Plan ("2005 Plan") reserving 2,400,000 shares of common stock. No shares of Class B stock are authorized under the 2005 Plan and no further shares of Class B stock are available under the 2003 Plan. Officers and key employees may be granted non-incentive stock options at an exercise price equal to, greater than or less than the market price on the date of grant. While individual options can be issued under various provisions, most options, once granted, generally vest in increments of 20% per year over a five-year period and expire within ten years. At June 30, 2009 there were 551,036 options available for future issuance under the plans.

On October 11, 2007, the Stock Option Committee of the Board of Directors granted stock options pursuant to the Company's 2005 Plan to purchase 312,900 shares of common stock at the quoted market price of \$.25 per share, including grants of 30,000 shares to Aletta Richards and John L. Segall, Directors, William G. Henry, Vice President, Finance and Administration and Principal Financial Officer and George Gray, Vice President, Operations and Chief Technology Officer, and an aggregate of 192,900 of such options to all of its employees other than its officers and directors. The Committee also granted to Howard S. Modlin, Chairman and Chief Executive Officer, a stock option with terms similar to the options granted under the 2005 Plan to purchase 551,121 shares at \$.275 a share. All such options vest in increments of 20% per year over a five year period and expire ten years after grant.

A summary of stock options outstanding under the Company's stock plans as of September 30, 2008 and changes during the nine months ended June 30, 2009 are presented below:

	<i>Shares</i>	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Yrs)	Aggregate Intrinsic Value
Options outstanding, September 30, 2008	3,370,671	\$ 0.59		
Options granted	-	-		
Options exercised	-	-		
Options cancelled or expired	(117,690)	2.00		
Options outstanding, June 30, 2009	3,252,981	\$ 0.54	6.84	\$ 0
Vested or expected to vest at June 30, 2009	2,667,676	\$ 0.47	6.77	\$ 0
Exercisable at June 30, 2009	1,680,051	\$ 0.75	6.37	\$ 0

As of June 30, 2009, there was \$ 131,128 of total unrecognized compensation cost related to nonvested options which is expected to be recognized over a weighted average period of 1.50 years. There were no options granted during the nine months ended June 30, 2009.

Employee Retirement Savings and Deferred Profit Sharing Plan

Under the retirement savings provisions of the Company's retirement plan established under Section 401(k) of the Internal Revenue Code, employees are generally eligible to contribute to the plan after three months of continuous service in amounts determined by the plan. The Company does not make matching contributions and, therefore, no amounts have been charged to expense.

The deferred profit sharing portion of the plan provides that the Company may make contributions to the plan out of profits at the discretion of the Company. There were no such contributions in the nine months ended June 30, 2009 and 2008.

8. Gain on Sale of Patents

On February 5, 2008, the Company completed the sale of selected patents and patent applications for proceeds of \$4,000,000. The patents and patent applications sold relate to the Company's product lines, and the Company retained a non-exclusive, royalty-free license under the patents for all its product lines.

As a result of the sale, the Company recorded a gain in the amount of \$3,891,000 in the quarter ended March 31, 2008. The Company used the funds for general corporate purposes, including payment of debt and interest and for working capital.

9. Receivable Sales Agreement with Related Party and Subsequent Event

On October 24, 2008, the Company's subsidiary, General DataComm, Inc., entered into a Receivable Sales Agreement with Howard S. Modlin, the Company's Chief Executive Officer, pursuant to which Mr. Modlin initially purchased receivables with a face value of \$256,242 for an aggregate purchase price of \$250,000, representing a 2.5% discount. Thereafter, Mr. Modlin made additional purchases through June 30, 2009 with a face value of \$ 4,885,027 for an aggregate purchase price of \$ 4,772,000 under this agreement. For accounting purposes, the discount is recorded as interest expense at the time of purchase.

Subsequent to June 30, 2009 and through August 12, 2009, Mr. Modlin made additional receivable purchases with a face value of \$ 1,127,500 for an aggregate purchase price of \$ 1,100,000.

10. Litigation

A former employee filed a lawsuit in a French court claiming additional compensation owed relating to his dismissal. In March 2009, the Company was advised of an adverse decision in this case in the approximate amount of 160,000 Euros (or approximately \$216,000 at June 30, 2009) and, therefore, reserves to cover such payment have been recorded in the Company's financial statements as of June 30, 2009.

11. Contingencies

On December 19, 2007, a sole supplier of a proprietary component critical to one of the Company's products announced the discontinuation of the component and rejected previously accepted orders that had been placed for the component by the Company.

The Company implemented a plan to allow for a transition to a new component without a disruption in customer deliveries and is substantially along in this process. However, the Company has incurred and expects to further incur increased product development costs by reason of such transition plans. In the event that the Company is unable to transition to the new component in time to meet its customer requirements and/or is unable to generate the liquidity required to pay the increased costs, such events could have a material adverse effect on the Company's business, financial condition and results of operations.

12. Subsequent Event

In July 2009, the Company reorganized its European operations and transferred responsibility for its European sales activities from its Paris location to its headquarters in Connecticut. Such action resulted in the termination of the two remaining employees of its French subsidiary and ultimately will result in the closure of the Paris office. The Company anticipates that severance and other dismissal obligations, remaining lease obligations and other costs related to the closure of the office aggregating approximately \$375,000, will be recorded in the quarter ending September 30, 2009.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE FOLLOWING DISCUSSION AND ANALYSIS OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS SHOULD BE READ IN CONJUNCTION WITH THE FINANCIAL STATEMENTS AND RELATED NOTES APPEARING ELSEWHERE IN THIS QUARTERLY REPORT ON FORM 10-Q AND IN THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED SEPTEMBER 30, 2008 AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.

THIS REPORT ON FORM 10-Q CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. FOR THIS PURPOSE, STATEMENTS CONTAINED HEREIN THAT ARE NOT STATEMENTS OF HISTORICAL FACT MAY BE DEEMED TO BE FORWARD-LOOKING STATEMENTS. WITHOUT LIMITING THE FOREGOING, THE WORDS "BELIEVES", "ANTICIPATES", "PLANS", "EXPECTS" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. THESE FORWARD-LOOKING STATEMENTS INVOLVE RISKS AND UNCERTAINTIES AND ARE NOT GUARANTEES OF FUTURE PERFORMANCE. ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE INDICATED IN SUCH FORWARD-LOOKING STATEMENTS AS A RESULT OF CERTAIN FACTORS INCLUDING, BUT NOT LIMITED TO, THOSE SET FORTH UNDER THE HEADING "RISK FACTORS" BELOW. UNLESS REQUIRED BY LAW, THE COMPANY UNDERTAKES NO OBLIGATION TO UPDATE ANY FORWARD-LOOKING STATEMENTS OR REASONS WHY ACTUAL RESULTS MAY DIFFER.

Unless otherwise stated, all references to "Notes" in the following discussion of "Results of Operations" and "Liquidity and Capital Resources" are to the "Notes to Condensed Consolidated Financial Statements" included in Item 1 in this Form 10-Q.

RESULTS OF OPERATIONS**Revenues**

(in thousands)	Three Months Ended June 30,		Nine Months Ended June 30,	
	2009	2008	2009	2008
Product	\$ 1,914	\$ 3,078	\$ 5,207	\$ 8,153
Service	292	523	1,401	1,594
Total Revenues	\$ 2,206	\$ 3,601	\$ 6,608	\$ 9,747

Revenues for the three months ended June 30, 2009 decreased \$1,395,000, or 38.7%, to \$2,206,000 from \$3,601,000 reported for the three months ended June 30, 2008. Product revenues decreased \$1,164,000, or 37.8%, while service revenues decreased \$231,000, or 44.2%.

The product sales decrease in the quarter-to-quarter comparison was due to a single large order in the prior year quarter. A major network expansion for an existing customer contributed \$1,250,000 to revenue in the prior year's quarter and alone represented 39% of the 2008 quarter's product sales. Sales of the multi-service switch product line constituted approximately 69% of product revenue in the 2009 quarter while the legacy network access product line constituted approximately 31% of product revenue, both of which stayed about level when compared to the prior year.

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The decrease in service revenue was due to expiration of a service contract in Europe where the customer transitioned the equipment and to subcontract work for a large telephone company in the 2008 quarter that did not repeat in the 2009 quarter.

Revenues in the nine months ended June 30, 2009 decreased \$3,139,000, or 32.2%, to \$6,608,000 from \$9,747,000 reported for the nine months ended June 30, 2008. Product revenues decreased \$2,946,000, or 36.1%, while service revenues decreased \$193,000, or 12.1%.

The product sales decrease in the nine month comparison was due to large orders in the 2008 nine month period from two customers for network expansion that did not repeat in the 2009 nine month period, and this accounted for a reduction in sales of \$2,005,000. In addition, in the 2008 period the Company realized \$324,000 from the sale of software security products that also did not repeat in the 2009 quarter. These decreases were offset in part by shipments of \$929,000 under a new contract with a large telephone company of an ATM Concentrator product, part of the multi-service product line. Other net decreases of \$1,546,000 reflect primarily lower sales of network access products. For the nine months ended June 30, 2009, sales of the multi-services switch product line increased to approximately 69% of product revenue, from approximately 58% in the comparable prior year period, whereas the network access product line decreased to approximately 31% of product revenue, from approximately 42% in the comparable prior year period. Furthermore, the largest two customers represented 45% of 2009 product revenue and the largest six customers represented 74% of 2009 product revenue, reflecting a high concentration of business in a limited number of customers.

Foreign sales accounted for approximately 42% and 31% of revenue in the nine months ended June 30, 2009 and 2008, respectively.

The Company anticipates that demand for its legacy network access products will continue to decline and due to the "Risk Factors" mentioned below, there can be no assurance that orders for new products and products with enhanced features will increase to offset this decline. Accordingly, the ability to forecast future revenue trends in the current environment is difficult.

Gross Margin

(in thousands)	<u>Three Months Ended June 30,</u>		<u>Nine Months Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Product	\$ 791	\$ 1,623	\$ 1,533	\$ 4,349
Service	176	182	810	401
Total Gross Margin	\$ 967	1,805	\$ 2,343	\$ 4,750
Percentage of Product Revenues	41.3%	52.7%	29.4%	53.3%
Percentage of Service Revenues	60.3%	34.8%	57.8%	25.2%
Percentage of Total Revenues	43.8%	50.1%	35.5%	48.7%

Gross margin, as a percentage of revenues in the three months ended June 30, 2009, was 43.8% as compared to 50.1% in the three months ended June 30, 2008, a decrease of 6.3%.

Product gross margin, as a percentage of product revenue, decreased 11.4%. Competitive pricing on a new contract and related higher start-up costs on a new multi-service switch product contributed to a 9.9% reduction in gross profit margin, and manufacturing inefficiencies associated with lower sales volumes contributed another 6.3% to the gross margin reduction. Offsetting these decreases was the favorable impact of selling inventories previously written down (+4.5%).

Service gross margin, as a percentage of service revenue, increased 25.5%. The improvement was due to operating cost reductions offsetting the reduced revenue level. Cost reductions resulted from service organization being restructured and, in some cases reallocated to sales support functions, to adjust to a lower revenue stream from recurring contracts. Compensation cost reductions and related expenses, along with lower use of outside contractors, accounted for the reduction.

Gross margin, as a percentage of revenues in the nine months ended June 30, 2009, was 35.5% as compared to 48.7% in the nine months ended June 30, 2008, a decrease of 13.2%.

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Product gross margin, as a percentage of product revenues, decreased 23.9%. The decrease was due to lower margins primarily on new products (-5.1%), a reduction of the favorable impact in the prior year of acquiring lower cost components (-3.1%), manufacturing inefficiencies associated with lower sales volumes (-13.0%) and other net reductions (-2.7%).

Service gross margin, as a percentage of revenues increased 32.6%. The primary reasons for the improvement are cost reductions resulting from restructuring the service organization, in some cases being reallocated to sales support functions, compensation cost reductions and lower use of outside contractors, partially offset by a reduction in revenue.

In future periods, the Company's gross margin will vary depending upon a number of factors, including the mix of products sold, the cost of products manufactured at subcontract facilities, the channels of distribution, the price of products sold, discounting practices, price competition, increases in material costs, the costs of the service organization and changes in other components of cost of sales. As and to the extent the Company introduces new products and services, it is possible that such products and services may have lower gross profit margins than other established products in higher volume production and traditional service offerings. Accordingly, gross margin as a percentage of revenues is expected to vary.

Selling, General and Administrative

(in thousands)	Three Months Ended June 30,		Nine Months Ended June 30,	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Selling, general and administrative	\$ 1,104	1,778	\$ 3,279	\$ 4,929
Percentage of revenues	50.0%	49.4%	49.6%	50.6%

Selling, general and administrative expenses decreased to \$1,104,000, or 50.0% of revenues in the three months ended June 30, 2009 from \$1,778,000, or 49.4% of revenues in the three months ended June 30, 2008. The decrease in spending in the quarter of \$674,000, or 37.9%, was primarily a result of lower compensation costs of \$534,000 due to salary and benefit reductions for sales and administrative staff, along with lower commissions resulting from lower revenues. In addition, professional fees were lowered by \$109,000 due to lower anticipated audit fees and a reduction in legal support activities. Other items were a net decrease of \$31,000.

Selling, general and administrative expenses decreased to \$3,279,000, or 49.6% of revenues in the nine months ended June 30, 2009, as compared to \$4,929,000, or 50.6% of revenues in the nine months ended June 30, 2008. The decrease of \$1,650,000, or 33.5%, was primarily a result of lower compensation costs of \$1,403,000 and lower professional fees of \$178,000. Other net reductions were \$69,000.

Research and Product Development

(in thousands)	Three Months Ended June 30,		Nine Months Ended June 30,	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Research and product development	\$ 341	\$ 904	\$ 1,278	\$ 2,410
Percentage of revenues	15.5%	25.1%	19.3%	24.7%

Research and product development expenses decreased to \$341,000, or 15.5% of revenues in the three months ended June 30, 2009, as compared to \$904,000, or 25.1% of revenues in the three months ended June 30, 2008. The decrease of \$563,000, or 62.3%, was primarily the result of lower compensation costs of \$445,000 due to salary and benefit reductions taken by the engineering staff and headcount reductions resulting from a combination of attrition and lay-offs, and lower costs of outside contractors of \$54,000 as development projects are completed. Other net reductions were \$64,000.

Research and product development expenses decreased to \$1,278,000, or 19.3% of revenues in the nine months ended June 30, 2009, as compared to \$2,410,000, or 24.7% of revenues in the nine months ended June 30, 2008. The decrease of \$1,132,000, or 47.0%, resulted from lower compensation and benefit costs of \$983,000 and lower costs of outside contractors of \$19,000. Other net reductions were \$130,000.

Interest Expense

Interest expense increased to \$743,000 in the three months ended June 30, 2009 from \$699,000 in the three months ended June 30, 2008. The increased interest charges of \$44,000 resulted primarily from a higher interest rate on the real estate mortgage in the 2009 quarter, which rate became effective January 1, 2009 when the mortgage was amended, and from interest charges associated with the sales of accounts receivable to a related party in 2009.

These items also accounted for the increase in interest expenses of \$67,000, from \$2,213,000 to \$2,280,000, in the nine months ended June 30, 2009 as compared to the nine months ended June 30, 2008.

The Company is currently only paying interest on the real estate mortgage. Such payments amounted to \$359,000 in the nine month period ended June 30, 2009.

Other Income (Expense)

Other income (expense) for the three months ended June 30, 2009 and 2008 totaled \$156,000 and \$11,000, respectively. The 2009 quarterly amount includes \$124,000 resulting from favorable settlement of bankruptcy claims, \$21,000 received from a tradename license, and \$11,000 in other net income items. The 2008 quarterly amount includes \$19,000 received from a tradename license offset by \$8,000 in other net expense items.

Other income (expense) for the nine months ended June 30, 2009 and 2008 totaled \$237,000 and \$4,008,000, respectively. The 2009 nine month period includes \$124,000 resulting from favorable settlement of bankruptcy claims, \$50,000 received in a legal settlement, \$61,000 received from a tradename license and \$28,000 of other net income items, offset by \$26,000 of realized foreign exchange losses. The 2008 nine month period includes \$3,891,000 from the gain on the sale of patents, \$45,000 received from a tradename license and \$100,000 from a negotiated professional fee reduction offset by \$28,000 in other net expense items.

Provision for Income Taxes

The income tax provisions for the three months ended June 30, 2009 reflects a benefit of \$12,000 resulting from a reduction in reserves for state taxes no longer deemed necessary, offset by \$3,000 in current state tax liabilities. The income tax provision for the nine months ended June 30, 2009 includes \$37,000 related to a refund of prior years' general business credit under provisions of the Housing and Economic Recovery Act of 2008, and a benefit of \$12,000 resulting from a reduction in reserves for state taxes no longer deemed necessary, offset by \$9,000 in current state tax liabilities.

The income tax provisions for the three and nine months ended June 30, 2008 reflect current state tax provisions, only.

No federal income tax provisions were provided in the three and nine months ended June 30, 2009 and 2008 due to the valuation allowance provided against deferred tax assets. The Company established a full valuation allowance against its net deferred tax assets due to the uncertainty of realization of benefits of the net operating loss carryforwards from prior years and the operating losses in fiscal 2009. The Company has federal tax credit and net operating loss carryforwards of approximately \$11.9 million and \$214.4 million, respectively, as of September 30, 2008.

Liquidity and Capital Resources

(in thousands)	<u>June 30,</u> <u>2009</u>	September 30, <u>2008</u>
Cash and cash equivalents	\$ 42	\$ 136
Working capital (deficit)	(36,940)	(32,992)
Total assets	5,847	8,422
Long-term debt, including current portion	26,704	26,472
Total liabilities	44,353	42,774
	<u>Nine Months Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
Net cash provided (used) by:		
Operating activities	\$ (378)	\$ (4,828)
Investing activities	(34)	3,634
Financing activities	318	50

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Note: Significant risk factors exist due to the Company's limited financial resources and its present inability to repay its senior debt and its debentures which matured on October 1, 2008. See "Risk Factors" below for further discussion.

Cash Flows

Net cash used by operating activities totaled \$378,000 in the nine months ended June 30, 2009. The net loss in the period was \$4,217,000. Included in this net loss were non-cash expenses for depreciation and amortization of \$266,000 and stock compensation expense of \$92,000. A decrease in accounts receivable due to levels of customer collections and sales of accounts receivable (to a related party) being higher than new sales levels resulted in a source of cash of \$688,000. Inventories were lower by \$1,546,000 as the Company was able to achieve shipments of on-hand inventories to satisfy new customer orders and generate a source of cash through reduced purchasing. Unpaid interest which accrued on the Company's debt increased \$1,621,000 as a source of cash. Other uses of cash included a reduction in deferred income on service contracts of \$364,000 due to older contracts expiring and not being renewed, and other net uses of \$10,000.

Net cash used by operating activities totaled \$4,828,000 in the nine months ended June 30, 2008. The net loss in the period was \$802,000. Included in this net loss were a net gain of \$3,891,000 related to the sale of patents and non-cash expenses for depreciation and amortization of \$227,000 and stock compensation expense of \$177,000. A net increase of accrued interest of \$1,095,000 resulted from additional interest charges of \$1,978,000 reduced by interest payments to related parties of \$458,000 and to others of \$425,000. An increase in accounts receivable due to a large collection that occurred at the end of the prior fiscal year and did not repeat itself resulted in a use of cash of \$980,000. Other net uses of cash included a reduction in accounts payable and accrued expenses of \$255,000 due to payments made to professionals, suppliers and others, annual cash payments of pre-petition tax claims of \$178,000, property tax payments of \$189,000 and favorable resolution of a property tax liability of \$108,000. Other sources of cash totaled \$76,000.

Net cash used by investing activities in the nine months ended June 30, 2009 was 34,000 for the acquisition of equipment.

Net cash provided by investing activities in the nine months ended June 30, 2008 was \$3,634,000, including \$3,891,000 from the sale of patents and \$257,000 for the acquisition of equipment.

Net cash provided by financing activities in the nine months ended June 30, 2009 was \$318,000. Proceeds from notes payable to a related party of \$250,000 and from notes payable to an unrelated party of \$234,000 were offset by payments on a note payable to an unrelated party of \$166,000.

Net cash provided by financing activities in the nine months ended June 30, 2008 of \$50,000 is comprised of proceeds from notes payable to an unrelated party of \$226,000 and to a related party of \$375,000 offset by payments on notes payable to a related party of \$395,000 and to an unrelated party of \$226,000.

Liquidity

The Company incurred a net loss and used a significant amount of cash in its operating activities for the nine months ended June 30, 2009. The Company has no current ability to borrow additional funds except as may be provided pursuant to a receivable sales agreement with a related party. It must, therefore, plan on funding operations from cash balances, cash generated from operating activities and any cash that may be generated from the sale of non-core assets such as real estate and others. In addition, at June 30, 2009 the Company had a stockholders' deficit of approximately \$38.5 million, and a working capital deficit of approximately \$36.9 million, including debentures in the principal amount of \$19.4 million, together with accrued interest thereon (\$11.2 million), which matured on October 1, 2008. While a subordinated security agreement signed by the indenture trustee on behalf of the debenture holders provides that no payments may be made to debenture holders, and that no event of default may be declared under the indenture, while senior secured debt is outstanding, in the absence of such restrictions the Company does not have the ability to repay the debentures. As of June 30, 2009, senior secured debt consists of notes payable to related parties and a real estate mortgage. A failure to pay the debentures when they become due and payable as described above, could result in an event of default being declared under the indenture governing the debentures.

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The conditions described above raise substantial doubt about the Company's ability to continue as a going concern. To continue operations, management has responded by entering into a receivable sales agreement with a related party to provide liquidity and by selling its patents in 2008 for proceeds of \$4,000,000 while retaining rights to use the patented technologies. In addition, management has implemented operational changes, including closing its foreign offices, reducing certain salaries, restructuring the sales force, increasing factory and office shutdown time, constraining expenses and reducing the employee workforce. The Company also continues to pursue the sale or lease of its headquarters' land and building in Naugatuck, CT. In 2007 the balance of the Company's initial senior debt was replaced with mortgage debt on more favorable terms.

Critical Accounting Policies

The Company's financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in the United States, the instructions to Form 10-Q and Article 8 of Regulation S-X. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods might be based upon amounts that differ from those estimates. The following represent what the Company believes are among the critical accounting policies most affected by significant management estimates and judgments. See Note 2 in Notes to Consolidated Financial Statements in Item 8 in Form 10-K for the year ended September 30, 2008 as filed with the Securities and Exchange Commission for a summary of the Company's significant accounting policies.

Revenue Recognition. The Company recognizes a sale when the product is shipped and the following four criteria are met upon shipment: (1) persuasive evidence of an arrangement exists; (2) title and risk of loss transfers to the customer; (3) the selling price is fixed or determinable; and (4) collectability is reasonably assured. A reserve for future product returns is established at the time of the sale based on historical return rates and return policies including stock rotation for sales to distributors that stock the Company's products. Service revenue is recognized either when the service is performed or, in the case of maintenance contracts, on a straight-line basis over the term of the contract.

Warranty Reserves. The Company offers warranties of various lengths to its customers depending on the specific product and the terms of its customer purchase agreements. Standard warranties require the Company to repair or replace defective product returned during the warranty period at no cost to the customer. An estimate for warranty related costs is recorded based on actual historical return rates and repair costs at the time of sale. On an on-going basis, management reviews these estimates against actual expenses and makes adjustments when necessary. While warranty costs have historically been within expectations of the provision established, there is no guarantee that the Company will continue to experience the same warranty return rates or repair costs as in the past. A significant increase in product return rates or the costs to repair our products would have a material adverse impact on the Company's operating results.

Allowance for Doubtful Accounts. The Company estimates losses resulting from the inability of its customers to make payments for amounts billed. The collectability of outstanding invoices is continually assessed. Assumptions are made regarding the customers ability and intent to pay, and are based on historical trends, general economic conditions and current customer data. Should our actual experience with respect to collections differ from these assessments, there could be adjustments to the allowance for doubtful accounts.

Inventories. The Company values inventory at the lower of cost or market. Cost is computed using standard cost, which approximates actual cost on a first-in, first-out basis. Agreements with certain customers provide for return rights. The Company is able to reasonably estimate these returns and they are accrued for at the time of shipment. Inventory quantities on hand are reviewed on a quarterly basis and a provision for excess and obsolete inventory is recorded based primarily on product demand for the preceding twelve months. Historical product demand may prove to be an inaccurate indicator of future demand in which case the Company may increase or decrease the provision required for excess and obsolete inventory in future periods. Furthermore, if the Company is able to sell inventory in the future that has been previously written down or off, such sales will result in higher than normal gross margin.

Deferred Tax Assets. The Company has provided a full valuation allowance related to its deferred tax assets. In the future, if sufficient evidence of the Company's ability to generate sufficient future taxable income in certain tax jurisdictions becomes apparent, the Company will be required to reduce its valuation allowances, resulting in income tax benefits in the Company's consolidated statement of operations. Management evaluates the realizability of the deferred tax assets and assesses the need for the valuation allowance each period.

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Impairment of Long-Lived Assets. The Company assesses the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable under the guidance prescribed by SFAS No. 144. The Company's long-lived assets consist of real estate, equipment and other personal property. At March 31, 2009, real estate represented the most significant long-lived asset that has not been fully depreciated or written down for impairment.

Recent Accounting Pronouncements

Financial Accounting Standards Board Staff Position 157-2, "Effective Date of Statement of Financial Accounting Standards ("SFAS") No. 157," delayed the effective date of SFAS No. 157 for all non-financial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), until the beginning of fiscal 2010. The Company is currently assessing the impact that the application of SFAS No. 157 to nonfinancial assets and liabilities will have on its results of operations and financial position.

RISK FACTORS

The Financial Statements are Unaudited and the Quarterly Financial Statements Have Not Been Reviewed. The financial statements in Form 10-K for the year ended September 30, 2008 as filed with the Securities and Exchange Commission have not been audited by an independent accounting firm. The financial statements in Forms 10-Q for the quarters ended December 31, 2008, March 31, 2009 and June 30, 2009 as filed with the Securities and Exchange Commission have not been reviewed by an independent accounting firm. While the Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the fair presentation of financial statements in accordance with generally accepted accounting principles, because of its inherent limitations such internal control may not prevent or detect misstatements that may arise in an audit or review by an independent accounting firm.

GDC's Negative Operating History Since Emerging from Bankruptcy. The Company emerged from Bankruptcy on September 15, 2003. Accordingly, an investor in the Company's common stock must evaluate the risks, uncertainties, and difficulties frequently encountered by a company emerging from Chapter 11 and that operates in rapidly evolving markets such as the telecommunications equipment industry.

Due to the Company's limited and negative operating history, and poor performance since emergence, the Company may not successfully implement any of its strategies or successfully address these risks and uncertainties. As described by the following factors, past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods.

Non-payment of Debentures and Certain Senior Debt. The Company has outstanding debentures in the principal amount of approximately \$19.4 million which, together with accrued interest thereon matured on October 1, 2008. While a subordinated security agreement signed by the indenture trustee on behalf of the debenture holders provides that no payments may be made to debenture holders, and that no event of default may be declared under the indenture, while the senior secured debt, including debt owed to Mr. Modlin and Mr. Segall (Chairman and Chief Executive Officer, and Director, respectively), is outstanding. In the absence of such restrictions the Company does not presently have the ability to repay the debentures. A failure to pay the debentures when they become due and payable as described above, could result in an event of default being declared under the indenture governing the debentures. The Senior Debt owed to Messrs. Modlin and Segall is due and payable but payment has not been demanded by either of them. Together with the other conditions described in the Liquidity and Capital Resources section above and elsewhere in this Form 10-Q, such condition raises substantial doubt about the Company's ability to continue as a going concern.

Dependence on Legacy and Recently Introduced Products and New Product Development. The Company's future results of operations are dependent on market acceptance of existing and future applications for the Company's current products and new products in development. Sales of the Company's legacy products, primarily digital service unit and V.34 product lines, declined to approximately 26% of product sales in fiscal 2008 from 30% in fiscal 2007 and continue to decline in fiscal 2009. The Company anticipates that net sales from legacy products will continue to decline over the next several years and net sales of new products will increase at the same time, with significant quarterly fluctuations possible, and without assurance that sales of new products will increase at the same time.

Market acceptance of the Company's recently introduced and future product lines is dependent on a number of factors, not all of which are in the Company's control, including the continued growth in the use of bandwidth intensive applications, continued deployment of new telecommunication services, market acceptance of multiservice access devices, the availability and price of competing products and technologies, and the success of the Company's sales and marketing efforts. Failure of the Company's products to achieve market acceptance would have a material adverse effect on the Company's business, financial condition and results of operations. Failure to introduce new products in a timely manner in order to replace sales of legacy products could result in customers purchasing products from competitors and have a material adverse effect on the Company's business, financial condition and results of operations.

New products under development may require additional development work, enhancement and testing or further refinement before the Company can make them commercially available. The Company has in the past experienced delays in the introduction of new products, product applications and enhancements due to a variety of internal factors, such as reallocation of priorities, financial constraints, difficulty in hiring sufficient qualified personnel, and unforeseen technical obstacles, as well as changes in customer requirements. Such delays have deferred the receipt of revenue from the products involved. If the Company's products have performance, reliability or quality shortcomings, then the Company may experience reduced orders, higher manufacturing costs, delays in collecting accounts receivable, and additional warranty and service expenses.

Customer Concentration and Economic Conditions. The Company's customers include local exchange carriers, inter-exchange carriers, wireless service providers, and resellers who sell to these customers. Such service providers require substantial capital for the development, construction, and expansion of their networks and the introduction of their services. The ability of service providers to fund such expenditures often depends on their ability to budget or obtain sufficient capital resources. In the past, resources made available for such capital acquisitions have varied along with market conditions in the United States. If the Company's current or potential service provider customers cannot successfully raise the necessary funds, or if they experience any other adverse effects with respect to their operating results or profitability, their capital spending programs may be adversely impacted which could materially adversely affect the Company's business, financial condition and results of operations.

A small number of customers have historically accounted for a majority of the Company's sales. Sales to the Company's top five customers accounted for 54% and 67% of revenues in fiscal 2008 and 2007. There can be no assurance that the Company's current customers will continue to place orders with the Company, that orders by existing customers will continue at the levels of previous periods, or that the Company will be able to obtain orders from new customers. The Company expects the economic climate and conditions in the telecommunication equipment industry to remain unpredictable in fiscal 2009 and beyond. Additionally, world economic conditions could have a material adverse affect on the Company's operations. The loss of one or more of our service provider customers, such as occurred in the past through industry consolidation or otherwise, could have a material adverse effect on our sales and operating results. A bankruptcy filing by one or more of the Company's major customers could materially adversely affect the Company's business, financial condition and results of operations.

Dependence on Key Personnel. The Company's future success will depend to a large extent on the continued contributions of its executive officers and key management, sales, and technical personnel. Each of the Company's executive officers, and key management, sales and technical personnel would be difficult to replace. The Company does not have employment contracts with its key employees. The Company implemented significant cost and staff reductions in recent years, which may make it more difficult to attract and retain key personnel. The loss of the services of one or more of the Company's executive officers or key personnel, or the inability to attract qualified personnel, could delay product development cycles or otherwise could have a material adverse effect on the Company's business, financial condition and results of operations.

Dependence on Key Suppliers and Component Availability. The Company generally relies upon several contract manufacturers to assemble finished and semi-finished goods. The Company's products use certain components, such as microprocessors, memory chips and pre-formed enclosures that are acquired or available from one or a limited number of sources. Component parts that are incorporated into board assemblies are sourced directly by the Company from suppliers. The Company has generally been able to procure adequate supplies of these components in a timely manner from existing sources.

In December 2007, a sole supplier of a proprietary component critical to one of the Company's products announced the discontinuation of the component and rejected previously accepted orders that had been placed for the component by the Company. The Company implemented a plan to allow for a transition to a new component without a disruption in customer deliveries and is substantially along in this process. However, the Company has incurred and expects to further incur increased product development costs by reason of such transition plans. In the event that the Company is unable to transition to the new component in time to meet its customer requirements and/or is unable to generate the liquidity required to pay the increased costs, such events could have a material adverse effect on the company's business, financial condition and results of operations.

While most components are standard items, certain application-specific integrated circuit chips used in many of the Company's products are customized to the Company's specifications. None of the suppliers of components operate under contract. Additionally, availability of some standard components may be affected by market shortages and allocations. The Company's inability to obtain a sufficient quantity of components when required, or to develop alternative sources due to lack of availability or degradation of quality, at acceptable prices and within a reasonable time, could result in delays or reductions in product shipments which could materially affect the Company's operating results in any given period. In addition, as referenced above the Company relies heavily on outsourcing subcontractors for production. The inability of such subcontractors to deliver products in a timely fashion or in accordance with the Company's quality standards could materially adversely affect the Company's operating results and business.

The Company uses internal forecasts to manage its general finished goods and components requirements. Lead times for materials and components may vary significantly, and depend on factors such as specific supplier performance, contract terms, and general market demand for components. If orders vary from forecasts, the Company may experience excess or inadequate inventory of certain materials and components, and suppliers may demand longer lead times and higher prices. From time to time, the Company has experienced shortages and allocations of certain components, resulting in delays in fulfillment of customer orders. Such shortages and allocations may occur in the future, and could have a material adverse effect on the Company's business, financial condition and results of operations.

Fluctuations in Quarterly and Annual Operating Results. The Company's sales are subject to quarterly and annual fluctuations due to a number of factors resulting in more variability and less predictability in the Company's quarter-to-quarter sales and operating results. As a small number of customers have historically accounted for a majority of the Company's sales, order volatility by any of these major customers has had and may have an impact on the Company in the prior, current and future fiscal years.

Most of the Company's sales require short delivery times. The Company's ability to affect and judge the timing of individual customer orders is limited. Large fluctuations in sales from quarter-to-quarter could be due to a wide variety of factors, such as delay, cancellation or acceleration of customer projects, and other factors discussed below. The Company's sales for a given quarter may depend to a significant degree upon planned product shipments to a single customer, often related to specific equipment or service deployment projects. The Company has experienced both acceleration and slowdown in orders related to such projects, causing changes in the sales level of a given quarter relative to both the preceding and subsequent quarters.

Delays or lost sales can be caused by other factors beyond the Company's control, including late deliveries by the third party subcontractors the Company is using to outsource its manufacturing operations and by vendors of components used in a customer's products, slower than anticipated growth in demand for the Company's products for specific projects or delays in implementation of projects by customers and delays in obtaining regulatory approvals for new services and products. Delays and lost sales have occurred in the past and may occur in the future. The Company believes that sales in the past have been adversely impacted by merger and restructuring activities by some of its top customers. These and similar delays or lost sales could materially adversely affect the Company's business, financial condition and results of operations. See "Customer Concentration" and "Dependence on Key Suppliers and Component Availability".

The Company's backlog at the beginning of each quarter typically is not sufficient to achieve expected sales for that quarter. To achieve its sales objectives, the Company is dependent upon obtaining orders in a quarter for shipment in that quarter. Furthermore, the Company's agreements with certain of its customers typically provide that they may change delivery schedules and cancel orders within specified timeframes, typically up to 30 days prior to the scheduled shipment date, without significant penalty. Some of the Company's customers have in the past built, and may in the future build, significant inventory in order to facilitate more rapid deployment of anticipated major projects or for other reasons. Decisions by such customers to reduce their inventory levels could lead to reductions in purchases from the Company in certain periods. These reductions, in turn, could cause fluctuations in the Company's operating results and could have an adverse effect on the Company's business, financial condition and results of operations in the periods in which the inventory is reduced.

Operating results may also fluctuate due to a variety of factors, including market acceptance of the Company's new lines of products, delays in new product introductions by the Company, market acceptance of new products and feature enhancements introduced by the Company, changes in the mix of products and or customers, the gain or loss of a significant customer, competitive price pressures, changes in expenses related to operations, research and development and marketing associated with existing and new products, and the general condition of the economy.

All of the above factors are difficult for the Company to forecast, and these or other factors can materially and adversely affect the Company's business, financial condition and results of operations for one quarter or a series of quarters. The Company's expense levels are based in part on its expectations regarding future sales and are fixed in the short term to a certain extent. Therefore, the Company may be unable to adjust spending in a timely manner to compensate for any unexpected shortfall in sales. Any significant decline in demand relative to the Company's expectations or any material delay of customer orders could have a material adverse effect on the Company's business, financial condition, and results of operations. There can be no assurance that the Company will be able to achieve or sustain profitability on a quarterly or annual basis. In addition, the Company has had, and in some future quarter may have operating results below the expectations of public market analysts and investors. In such event, the price of the Company's Common Stock would likely be materially and adversely affected. See "Potential Volatility of Stock Price".

Competition. The markets for telecommunications network access and multi-service equipment addressed by the Company's products can be characterized as highly competitive, with intensive equipment price pressure. These markets are subject to rapid technological change, wide-ranging regulatory requirements, the entrance of low cost manufacturers and the presence of formidable competitors that have greater name recognition and financial resources. Certain technology such as the V.34 and digital service units portion of the SpectraComm line are not considered new and the market has experienced decline in recent years.

Industry consolidation could lead to competition with fewer, but stronger competitors. In addition, advanced termination products are emerging, which represent both new market opportunities, as well as a threat to the Company's current products. Furthermore, basic line termination functions are increasingly being integrated by competitors, such as Cisco and Alcatel/Lucent, into other equipment such as routers and switches. To the extent that current or potential competitors can expand their current offerings to include products that have functionality similar to the Company's products and planned products, the Company's business, financial condition and results of operations could be materially adversely affected. Many of the Company's current and potential competitors have substantially greater technical, financial, manufacturing and marketing resources than the Company. In addition, many of the Company's competitors have long-established relationships with network service providers. There can be no assurance that the Company will have the financial resources, technical expertise, manufacturing, marketing, distribution and support capabilities to compete successfully in the future.

Rapid Technological Change. The network access and telecommunications equipment markets are characterized by rapidly changing technologies and frequent new product introductions. The rapid development of new technologies increases the risk that current or new competitors could develop products that would reduce the competitiveness of the Company's products. The Company's success will depend to a substantial degree upon its ability to respond to changes in technology and customer requirements. This will require the timely selection, development and marketing of new products and enhancements on a cost-effective basis. The development of new, technologically advanced products is a complex and uncertain process, requiring high levels of innovation. The Company may need to supplement its internal expertise and resources with specialized expertise or intellectual property from third parties to develop new products.

Furthermore, the communications industry is characterized by the need to design products that meet industry standards for safety, emissions and network interconnection. With new and emerging technologies and service offerings from network service providers, such standards are often changing or unavailable. As a result, there is a potential for product development delays due to the need for compliance with new or modified standards. The introduction of new and enhanced products also requires that the Company manage transitions from older products in order to minimize disruptions in customer orders, avoid excess inventory of old products and ensure that adequate supplies of new products can be delivered to meet customer orders. There can be no assurance that the Company will be successful in developing, introducing or managing the transition to new or enhanced products, or that any such products will be responsive to technological changes or will gain market acceptance. The Company's business, financial condition and results of operations would be materially adversely affected if the Company were to be unsuccessful, or to incur significant delays in developing and introducing such new products or enhancements. See "Dependence on Legacy and Recently Introduced Products and New Product Development".

Compliance with Regulations and Evolving Industry Standards. The market for the Company's products is characterized by the need to meet a significant number of communications regulations and standards, some of which are evolving as new technologies are deployed. In the United States, the Company's products must comply with various regulations defined by the Federal Communications Commission and standards established by Underwriters Laboratories and Telcordia Technologies, and new products introduced in the SpectraComm line and other products designed for telecommunications carrier networks will need to be NEBS Certified. As standards continue to evolve, the Company will be required to modify its products or develop and support new versions of its products. The failure of the Company's products to comply, or delays in compliance, with the various existing and evolving industry standards, could delay introduction of the Company's products, which could have a material adverse effect on the Company's business, financial condition and results of operations.

GDC Will Require Additional Funding to Sustain Operations. The Company emerged from Chapter 11 bankruptcy on September 15, 2003. Under the plan of reorganization, the Company was to pay all creditors 100% of their allowed claims based upon a five year business plan. However, the Company has not met its business plan objectives since emerging from Chapter 11. The ability to meet the objectives of this business plan was directly affected by the factors described in this "Risk Factors" section. The Company cannot assure investors that it will be able to obtain new customers or to generate the increased revenues required to meet its business plan objectives in the future. In addition, in order to execute the business plan, the Company may need to seek additional funding through public or private equity offerings, debt financings or commercial partners. The Company cannot assure investors that it will obtain funding on acceptable terms, if at all. If the Company is unable to generate sufficient revenues or access capital on acceptable terms, it may be required to (a) obtain funds on unfavorable terms that may require the Company to relinquish rights to certain of its technologies or that would significantly dilute its stockholders and/or (b) significantly scale back current operations. Either of these two possibilities would have a material adverse effect on the Company's business, financial condition and results of operations.

Risks Associated With Entry into International Markets. The Company has limited experience in international markets with the exception of a few direct customers and resellers/integrators and sales into Western Europe through its formerly active subsidiary in France, which was acquired by the Company on June 30, 2005. The Company intends to expand sales of its products outside of North America and to enter certain international markets, which will require significant management attention and financial resources. Conducting business outside of North America is subject to certain risks, including longer payment cycles, unexpected changes in regulatory requirements and tariffs, difficulties in supporting foreign customers, greater difficulty in accounts receivable collection and potentially adverse tax consequences. To the extent any Company sales are denominated in foreign currency, the Company's sales and results of operations may also be directly affected by fluctuations in foreign currency exchange rates. In order to sell its products internationally, the Company must meet standards established by telecommunications authorities in various countries. A delay in obtaining, or the failure to obtain, certification of its products in countries outside the United States could delay or preclude the Company's marketing and sales efforts in such countries, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Risk of Third Party Claims of Infringement. The network access and telecommunications equipment industries are characterized by the existence of a large number of patents and frequent litigation based on allegations of patent infringement. From time to time, third parties may assert exclusive patent, copyright, trademark and other intellectual property rights to technologies that are important to the Company. The Company has not conducted a formal patent search relating to the technology used in its products, due in part to the high cost and limited benefits of a formal search. In addition, since patent applications in the United States are not publicly disclosed until the related patent is issued and foreign patent applications generally are not publicly disclosed for at least a portion of the time that they are pending, applications may have been filed which, if issued as patents, could relate to the Company's products. Software comprises a substantial portion of the technology in the Company's products. The scope of protection accorded to patents covering software-related inventions is evolving and is subject to a degree of uncertainty which may increase the risk and cost to the Company if the Company discovers third party patents related to its software products or if such patents are asserted against the Company in the future.

The Company may receive communications from third parties asserting that the Company's products infringe or may infringe the proprietary rights of third parties. In its distribution agreements, the Company typically agrees to indemnify its customers for any expenses or liabilities resulting from claimed infringements of patents, trademarks or copyrights of third parties. In the event of litigation to determine the validity of any third-party claims, such litigation, whether or not determined in favor of the Company, could result in significant expense to the Company and divert the efforts of the Company's technical and management personnel from productive tasks. In the event of an adverse ruling in such litigation, the Company might be required to discontinue the use and sale of infringing products, expend significant resources to develop non-infringing technology or obtain licenses from third parties. There can be no assurance that licenses from third parties would be available on acceptable terms if at all. In the event of a successful claim against the Company and the failure of the Company to develop or license a substitute technology, the Company's business, financial condition, and results of operation could be materially adversely affected.

Limited Protection of Intellectual Property. The Company relies upon a combination of patent, trade secret, copyright, and trademark laws and contractual restrictions to establish and protect proprietary rights in its products and technologies. The Company has been issued and has licensed certain U.S., Canadian and other foreign patents with respect to certain products, including licenses granted under patents sold in 2008. There can be no assurance that third parties have not or will not develop equivalent technologies or products without infringing the Company's patents and/or patent licenses or that a court having jurisdiction over a dispute involving such patents would hold the Company's patents and/or licenses valid, enforceable and infringed. The Company also typically enters into confidentiality and invention assignment agreements with its employees and independent contractors, and non-disclosure agreements with its suppliers, distributors and appropriate customers so as to limit access to and disclosure of its proprietary information. There can be no assurance that these statutory and contractual arrangements will deter misappropriation of the Company's technologies or discourage independent third-party development of similar technologies. In the event such arrangements are insufficient, the Company's business, financial condition and results of operations could be materially adversely affected. The laws of certain foreign countries in which the Company's products are or may be developed, manufactured or sold may not protect the Company's products or intellectual property rights to the same extent as do the laws of the United States and thus, make the possibility of misappropriation of the Company's technology and products more likely.

Potential Volatility of Stock Price. The trading price of the Company's common stock may be subject to wide fluctuations in response to quarter-to-quarter variations in operating results, announcements of technological innovations or new products by the Company or its competitors, developments with respect to patents or proprietary rights, general conditions in the telecommunication network access and equipment industries, changes in earnings estimates by analysts, or other events or factors. In addition, the stock market has experienced extreme price and volume fluctuations, which have particularly affected the market prices of many technology companies and which have often been unrelated to the operating performance of such companies. Company-specific factors or broad market fluctuations may materially adversely affect the market price of the Company's common stock. The Company has experienced significant fluctuations in its stock price and share trading volume in the past and may continue to do so.

The Company is Controlled by a Small Number of Stockholders and Certain Creditors. In particular, Mr. Modlin, Chairman of the Board and Chief Executive Officer, and President of Weisman Celler Spett & Modlin, P.C., legal counsel for the Company, owns approximately 73% of the Company's outstanding shares of Class B stock and has stock options and warrants that would upon exercise allow him to own approximately 58% of the Company's common stock, although all such options and warrants have exercise prices which are substantially over the market price of the common stock on March 31, 2009. Furthermore, Mr. Modlin is also trustee for the benefit of the children of Mr. Charles P. Johnson, the former Chairman of the Board and Chief Executive Officer, and such trust holds approximately 12% of the outstanding shares of Class B stock. Class B stock under certain circumstances has 10 votes per share in the election of Directors. The Board of Directors is to consist of no less than three and no more than thirteen directors, one of which may be designated by the debenture trustee. The holders of the 9% Preferred Stock are presently entitled to designate two directors until all arrears on the dividends on such 9% Preferred Stock are paid in full. In the event of a payment default under the debentures which is not cured within 60 days after written notice, the debenture trustee shall be entitled to select a majority of the Board of Directors. Accordingly, in the absence of a payment default under the debentures, Mr. Modlin may be able to elect all members of the Board of Directors not designated by the holders of the 9% Preferred Stock and the debenture trustee and determine the outcome of certain corporate actions requiring stockholder approval, such as mergers and acquisitions of the Company. This level of ownership by such persons and entities could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of the Company. Such provisions could limit the price that certain investors might be willing to pay in the future for shares of the Company's common stock, thereby making it less likely that a stockholder will receive a premium in any sale of shares. To date, the holders of the 9% Preferred Stock have not designated any directors.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that impacts the Company's financial position, results of operations or cash flows due to adverse changes in financial and commodity market prices and interest rates.

Historically the Company has had little or no exposure to market risk in the area of changes in foreign currency except to the extent the Company invoices customers in foreign currencies and is, therefore, subject to foreign currency exchange rate risk on any individual invoice while it remains unpaid, a period that normally is less than 90 days. At June 30, 2009 such accounts receivable were not significant.

The interest rate on the Company's \$4.5 million real estate mortgage fluctuates based upon the London Interbank Borrowing Rate to the extent such rate exceeds a base of 4%, which may result in a different rate of interest being charged than if such interest was based on the U.S. bank prime lending rate.

ITEM 4. CONTROLS AND PROCEDURES

The registrant carried out an evaluation, under the supervision and with the participation of the registrant's management, including the registrant's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the registrant's disclosure controls and procedures, as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the registrant's disclosure controls and procedures as of June 30, 2009 were effective to ensure that information required to be disclosed by the registrant in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There were no changes in the registrant's internal control over financial reporting that occurred during the quarter ended June 30, 2009 that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

PART II. OTHER INFORMATION

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ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Payment of dividends on the 9% Cumulative Convertible Exchangeable Preferred Stock were suspended June 30, 2000. Such dividend arrearages total \$15,835,419 as of June 30, 2009.

ITEM 6. EXHIBITS

(a) Exhibits Index:

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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.

GENERAL DATACOMM INDUSTRIES, INC.

August 14, 2009

/s/ William G. Henry
William G. Henry
Vice President, Finance and Administration
Chief Financial Officer

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Howard S. Modlin, Chairman of the Board, President and Chief Executive Officer of General DataComm Industries, Inc. (the "Company") certify that:

1. I have reviewed this Report on Form 10-Q (the "Report") of the Company for the quarter ended June 30, 2009.
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this Report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
 - d) disclosed in this Report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the audit committee of the Company's board of directors:
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: August 14, 2009

/s/ Howard S. Modlin
Howard S. Modlin
Chairman of the Board, President and
Chief Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, William G. Henry, Vice President, Finance and Administration and Chief Financial Officer of General DataComm Industries, Inc. (the "Company") certify that:

1. I have reviewed this Report on Form 10-Q (the "Report") of the Company for the quarter ended June 30, 2009.
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this Report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
 - d) disclosed in this Report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.
5. The Company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the audit committee of the Company's board of directors:
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: August 14, 2009

/s/ William G. Henry
William G. Henry
Vice President, Finance and Administration
Chief Financial Officer

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND
PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), I, Howard S. Modlin, Chairman of the Board, President and Chief Executive Officer, and I, William G. Henry, Vice President, Finance and Administration and Chief Financial Officer, each of General DataComm Industries, Inc. (the "Company"), do each hereby certify, to the best of my knowledge that:

(1) The Company's Quarterly Report on Form 10-Q for the period ended June 30, 2009 being filed with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This Certification accompanies this Form 10-Q as an exhibit, but shall not be deemed as having been filed for purposes of Section 18 of the Securities Exchange Act of 1934 or as a separate disclosure document of the Company or the certifying officer.

Date: August 14, 2009

/s/ Howard S. Modlin
Howard S. Modlin,
Chairman of the Board, President and
Chief Executive Officer

/s/ William G. Henry
William G. Henry
Vice President, Finance and Administration
and Chief Financial Officer
