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

**FORM 10-K**

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

For the fiscal year ended September 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** | **06-0853856** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |
| 6 Rubber Avenue, Naugatuck, Connecticut | 06770 |
| (Address of principal executive offices) | (Zip Code) |

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

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act: Common Stock, $.01 par value
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
☐Yes ☒No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
☐Yes ☒No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
YES ☒ NO ☐

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the 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 Act).
☐ Yes ☒ No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, as of the last business day of the registrant's most recently completed second fiscal quarter (March 31, 2009):$536,691.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of December 15, 2009:
3,487,473 Shares of Common Stock
634,615 Shares of Class B Stock

DOCUMENTS INCORPORATED BY REFERENCE: None

**GENERAL DATACOMM INDUSTRIES, INC.**

**INDEX TO ANNUAL REPORT ON FORM 10-K**
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**


| | | Page #s |
|---|---|---|
| **PART I** | | |
| Item 1. | Business | 3 |
| Item 1A. | Risk Factors | 8 |
| Item 1B. | Unresolved Staff Comments | 15 |
| Item 2. | Properties | 15 |
| Item 3. | Legal Proceedings | 15 |
| Item 4. | Submission of Matters to a Vote of Security Holders | 15 |
| **PART II** | | |
| Item 5. | Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities | 15 |
| Item 6. | Selected Financial Data | 16 |
| Item 7. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 16 |
| Item 7A. | Quantitative and Qualitative Disclosures About Market Risk | 25 |
| Item 8. | Financial Statements and Supplementary Data | 26 |
| Item 9. | Changes in and Disagreements With Accountants on Accounting and Financial Disclosure | 45 |
| Item 9A(T). | Controls and Procedures | 45 |
| Item 9B. | Other Information | 46 |
| **PART III** | | |
| Item 10. | Directors, Executive Officers and Corporate Governance | 47 |
| Item 11. | Executive Compensation | 48 |
| Item 12. | Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters | 51 |
| Item 13. | Certain Relationships and Related Transactions, and Director Independence | 53 |
| Item 14. | Principal Accounting Fees and Services | 54 |
| **PART IV** | | |
| Item 15. | Exhibits, Financial Statement Schedules | 55 |
| SIGNATURES | | 57 |


Supplemental Information to be Furnished With Reports Filed Pursuant to Section 15(d) of the Act by Registrants Which Have Not Registered Securities Pursuant to Section 12 of the Act: No annual report or proxy material has been sent to security holders.


Subsidiaries of the Registrant
Certification of Chief Executive Officer
Certification of Chief Financial Officer
Certification of CEO and CFO

## PART I

### ITEM 1. BUSINESS

General DataComm Industries, Inc. was incorporated in 1969 under the laws of the State of Delaware. Unless the context otherwise requires, the terms "General DataComm", "Company" and "GDC" as used here and in the following pages mean General DataComm Industries, Inc. and its subsidiaries. In addition, in the following business discussion "TDM" refers to Time Division Multiplexing technology, "ATM" refers to Asynchronous Transfer Mode cell switching technology, "LAN" refers to Local Area Network, "WAN" refers to Wide Area Network, "IP" refers to Internet Protocol technology, "MPLS" refers to Multi-Protocol Label Switching, "Ethernet" refers to a LAN transmission standard and "SNMP" refers to Simple Network Management Protocol.

Reference is made to Note 1 to the Notes to Consolidated Financial Statements presented in Item 8 of this Form 10-K, and to "Risk Factors" presented below.

***Overview***

General DataComm Industries, Inc., based in Naugatuck, Connecticut, is a provider of networking and telecommunications products, services and solutions. The Company is focused on providing multi-service provisioning solutions using multi-service access and switching products. The Company designs, develops, assembles, markets, sells, installs and maintains products that enable telecommunications common carriers, corporations, and governments to build, improve and more cost effectively manage their global telecommunications networks.

The Company's products and services are marketed worldwide through a combination of direct sales and distribution channels. The Company sells its products, services and solutions through its own sales organizations to common carriers (telephone companies), as well as corporations, governments, system integrators, distributors, and value-added and other resellers. International sales represented approximately 37% of the total Company revenues in fiscal 2009 as compared to 30% in fiscal 2008.

The Company's user base includes: local exchange carriers, including AT&T, Bell Canada, Qwest and Verizon; inter-exchange carriers; corporate end users; and government entities including NATO, NASA, U.S. Department of Defense and other U.S. Government Departments, including the U.S. State Department, the FAA, the U.K. Ministry of Defense and the Italian Ministry of Defense. Distributors and integrators deliver General DataComm products to markets in Europe and Latin America.

The Company's executive offices are located at 6 Rubber Avenue, Naugatuck, Connecticut 06770, and its telephone number is (203) 729-0271.

The Company leverages the sales resources of distributors, value-added and other resellers, integrators and telecommunication provider channels, in an effort to achieve greater sales coverage both domestically and internationally. The network access products produced by the Company for the most part have an inherently short selling cycle. However, the Company estimates that it takes approximately six to eighteen months to get these products approved for use in the central offices of telephone companies. System products, such as multi-service switches and multiplexers, have a longer sales cycle and require a greater level of system engineering and ongoing customer support.

GDC continues to shift its priorities in the overall access and multiservice switching markets. These priorities are governed by the accelerated growth of Internet-based services, packet-based (IP) voice and data services, and Ethernet, all of which require increased attention to network management, performance, quality and network security. GDC has developed a MPLS, Ethernet and IP platform that evolves its multiservice switch family into packet based services, including Metro Ethernet Forum compliant services as well as TDM, IP, ATM, and Frame Relay services.

***Principal Products and Services***

GDC is focused on products it believes to be targeted at market growth areas. Specifically, GDC's switching, routing and Ethernet extension solutions, networking products including integrated access systems for digital and analog transport, multiplexers and multi-service switches for network consolidation, satellite bandwidth management and legacy to MPLS/IP migration, constitute the major product elements serving to meet emerging market requirements. The Company does this by delivering products to target specific applications to provide solutions that are intended to be superior in price and performance to the competition.

These product solutions are offered across three distinct focused market segments: Carrier, Enterprise and Government.

**Multiservice Switches:** The Multiservice switching family known as "Xedge", manages multiple applications over various transport technologies and are installed in large enterprise and government networks for mission critical applications.

GDC specializes in converging and migrating legacy TDM, ATM, Frame Relay and other services to packet based (Ethernet, IP, MPLS) architectures.

**SpectraComm:** The SpectraComm product line consists of products that are NEBS Level 3 Certified for deployment in mission critical applications in telephone company central offices and government applications. See "The Significance of NEBS Certification" below.

**Multiplexers:** GDC's multiplexer products have been long known for their reliability and flexibility. They are deployed in large enterprise and government networks worldwide.

**Professional Services:** GDC provides a full range of Network Services including maintenance contracts, network monitoring and on site maintenance to assist customers in maintaining and managing their networks.

**Product Suites**

**Multiservice Switches - Xedge6000**
GDC's flagship *Xedge6000* multiservice platform now supports packet based MPLS and Ethernet transmission as well as ATM based multiservices. GDC has introduced its Packet Cell Switch (PCx) that enables multiservices (native Frame Relay, TDM, Ethernet, ATM, and IP) over MPLS, ATM, or Ethernet trunk interfaces. The technology allows service providers and private network operators to offer converged solutions while reducing capital and operational expenditures. The PCx plugs into any of GDC's flagship Xedge6000 family of multiservice switches including the new Xedge6002 two slot shelf. GDC has also introduced the Packet Circuit Emulation (PCE) Module for circuit emulation services over MPLS/IP. The new adaptive serial I/O Module (ASIO) combines with the PCE to provide unique time independent networking. GDC's network manager, ProSphere, facilitates the provisioning and monitoring of the converged service network.

GDC *Xedge6000* switches and related Xedge products deliver cost-effective solutions for public network providers and large private network operators in government, transportation, utilities, energy, and education sectors. GDC also resells other products (video codecs, integrated access devices, routers, among others) that extend the solution application reach of the *Xedge6000.* The ProSphere network management system provides a useful means of managing not only the Xedge family of switches, but also applications such as video-conferencing.

**Multiplexers**
General DataComm supplies a line of multiplexing products. The TMS-3000 is a network managed bandwidth management system for high-speed wide area networks. The TMS-3000 is primarily sold to system integrators, government agencies and enterprise customers to build or expand fault tolerant resilient backbone networks. GDC also provides an access product into the TMS-3000 network for smaller branch or regional offices via the OCM feeder and Minimux platforms. The OCM platform offers connectivity to a variety of digital carrier services and uses the same bandwidth optimization techniques as the TMS-3000 to efficiently transport a changing mix of applications, LAN to WAN integration, image and video along with traditional voice and data traffic. Minimux platforms provide a data and voice solution for satellite applications where minimum latency and maximum efficiency are mandatory.

**OEM**
The Company has entered into agreements with other manufacturers to supply products for sale which complement its own products' capabilities and provide a broader solution. Such manufacturers include H3C and Tailyn Networks.

**SpectraComm Family**
General DataComm's SpectraComm family of NEBS Level 3 modems, digital service units and LAN products support a wide range of applications. These include T3 broadband applications including M13, T1/FT1, E1/FE1 wide-band applications, 2.4 kbps - 64 kbps DDS (Digital Data Service) narrow-band applications, switched or private line analog applications and Local Area Network applications (Ethernet Extension and Ethernet switching). The flexible, expandable design of the SpectraComm system accommodates network growth, spanning from a single card enclosure to a robust 16-slot shelf system. This modularity maximizes the use of network facilities and helps to reduce network management complexity. The SpectraComm Manager provides SNMP Management for an entire shelf and is compliant with the Industry Standard HP OpenView®. GDC's SpectraComm devices provide packaging flexibility, meaning that any of the SpectraComm devices (from 202 to V34 to T1 to T3 to IP) will fit, and are interchangeable between the various enclosures' platforms. This interchangeability allows flexible inventories, lower sparing and easier deployment, and are designed for low power usage, all of which result in overall lower costs.

**The Significance of NEBS Certification**
NEBS is a requirement for Central Office equipment located in North American Public Switched Network centers. The rigorous NEBS requirements are a universal measure of network product excellence for carriers. NEBS includes criteria for operational continuity, protection of property, and personnel safety and NEBS is the major test of quality and safety that is required for organizations supplying or purchasing network equipment for public network high density applications.

Specifically, the NEBS criteria are intended to:

- Ensure equipment compatibility with telephone industry standards
- Simplify equipment planning and installation
- Guard against service outages
- Prevent interference to close proximity telecommunications equipment
- Minimize the risk of fire spread
- Ensure equipment operation under stressful environmental conditions
- Protect personnel from injury - surge, shock and toxicity

Telcordia has grouped NEBS criteria into three functional groups or levels, with Level 3 being the most stringent. Anything less than Level 3 certification can restrict deployment in certain carrier environment applications. By meeting NEBS Level 3 requirements, GDC products can be deployed in all interior carrier environments. The NEBS Level 3 certification of GDC's SpectraComm products is a key requirement for our Carrier and Service Provider customers. SpectraComm CSU/DSUs, Modems, LAN Extension and Ethernet switching devices function in their mission critical internal network infrastructures and central office applications, providing secure, remote network management, SS7 Signal Transport, Cell Site to CO access, and CPE provisioning.

**Professional Services**
Since GDC aims to sell application solutions to its customers, it offers a range of professional services to help customers apply technology efficiently through design and consulting, diagnose and remedy problems efficiently with third level technical expert support, as well as offer training, installation and project management services as required.

General DataComm has field-proven experience in the successful design, deployment, monitoring and maintenance and support of voice and data networking equipment. Flexible and responsive to customer specific needs, General DataComm provides complete outsourced services, installation, maintenance and product repair services for the complete line of network access products along with services such as project management, training, coordination, staging and network testing. GDC offers a range of guaranteed maintenance response plans: two- four- or eight-hour and next day on-site service. Unlike most industry-offered training programs, which deliver off-the-shelf, packaged courses, GDC creates a custom training solution to fit a customer's specific needs in terms of course content and duration. GDC's factory direct repair facility provides product and warranty repair at its repair center in Naugatuck, Connecticut.

***Sales and Marketing***
Effectively employing networking technology has become a key factor in developing a successful business. Communications networks have emerged as valuable assets that generate revenue and provide competitive advantage. General DataComm over the past 40 years has helped many of the world's largest enterprises harness the power of networking. Electronic channels of commerce have been established, and reliable public and private communication links are essential to any organization's survival. GDC's full range of products and services can support this growing network challenge. The Company's products are sold worldwide via a dedicated domestic sales force and through a domestic and international distributor network, augmented by original equipment manufacturers (OEM's), value-added and other resellers, system integrators and alternate service providers.

GDC's customer base includes: local exchange carriers, including, AT&T, Qwest, Verizon and Bell Canada; inter-exchange carriers; corporate end users; and government entities including federal, state, local and foreign governments. The Company's top five customers accounted for 57% of revenue in fiscal 2009.

***Research and Development***
The Company focuses its development efforts on providing enhanced functionality to its existing products, and the development of additional software-based features and functionality. Extensive product development input is obtained directly from customers and from monitoring of end-user needs as well as changes in the marketplace. The Company's current product development focus has been on developing IP and Ethernet solutions and completing new products and enhancements to Xedge products. Company management believes that our success will depend, in part, on our ability to develop and introduce in a timely fashion new products and enhancements to our existing product lines. GDC has in the past made, and intends to continue making, significant investments in product and technological development. Research and product development activities are performed at the Company's facility in Naugatuck, Connecticut.

The Company's inability to develop new products or enhancements to existing products on a timely basis, or the failure of these new products or enhancements to achieve market acceptance, could have a material adverse effect on the Company's business.

GDC's expenditures for research and development activities amounted to $1,661,000 and $3,232,000 for fiscal 2009 and 2008, respectively.

***Manufacturing***
GDC's manufacturing operations consist of materials planning and procurement, final assembly, product assurance testing, quality control, and packaging and shipping. GDC currently uses several independent manufacturers to supply certain printed circuit boards, chassis and subassemblies. The Company believes that the efficiency of its manufacturing process to date is largely due to product architecture and commitment to manufacturing process design. GDC has spent significant engineering resources producing customized products to assure consistent high quality. Products are tested after the assembly process using internally developed product assurance testing procedures.

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. The Company has generally been able to procure adequate supplies of these components in a timely manner from existing sources. 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 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, 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 affect the Company's operating results and business.

***Backlog***
The Company's order backlog, while one of several useful financial statistics, is however, a limited indicator of the Company's future revenues. Because of normally short delivery requirements, the Company's sales in each quarter primarily depend upon orders received and shipped in that same quarter.

In addition, since product shipments are historically heavier in the last month of each quarter, quarterly revenues can be adversely or beneficially impacted by several events including: unforeseen delays in product shipments; large sales that close at the end of the quarter; sales order changes or cancellations; changes in product mix; new product announcements by the Company or its competitors; and the capital spending trends of customers.

***Competition***
The telecommunications and networking industry is intensely competitive. Each competitor offers its own solutions and all are formidable. Many of the Company's current and prospective competitors including ADC Telecom, Cisco, Adtran, Network Equipment Technologies and Alcatel/Lucent, have greater name recognition, a larger installed base of networking products, more extensive engineering, manufacturing, marketing, distribution and support capabilities and greater financial, technological and personnel resources. There can be no assurance that the Company will be able to maintain or grow its market share of multi-service switches, network access and other products.

***Patents and Related Rights***
The Company presently owns one domestic patent, has a non-exclusive, royalty-free license to 35 domestic patents and has no additional applications pending. The Company believes that certain features relating to its equipment for which it has obtained patent rights are important to its business, but does not believe that its success is dependent upon its ability to obtain and defend such patents. Because of the extensive patent coverage in the communications industry and the rapid issuance of new patents, certain equipment of the Company may involve infringement of existing patents not known to the Company. See the "Risk Factors" section below and the caption titled "Limited Protection of Intellectual Property" included therein.

***Employees***
At November 30, 2009, the Company employed 61 persons, of whom 12 were research and development positions, 15 were manufacturing positions, 14 were sales and marketing positions, 8 were service and technical support positions, and 12 were general management and support positions, including information technology, accounting, human resources, facilities maintenance and other miscellaneous functions. No Company employees are covered by collective bargaining agreements. The Company has never experienced a work stoppage. Many employees are highly skilled, and the Company's success depends in part upon its ability to attract and retain such employees. Due to the Company's limited financial resources, the Company's employee benefit programs are likely not to be equivalent to those offered by our competitors. While to date management does not believe this to have resulted in significant difficulties in hiring and retaining skilled personnel, this may not be the case in the future.

**ITEM 1A. RISK FACTORS**

THIS ANNUAL REPORT ON FORM 10-K 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 THIS HEADING.

*The Financial Statements are Unaudited and the Quarterly Financial Statements Have Not Been Reviewed.* The financial statements in the Form 10-K for the years ended September 30, 2009 and 2008 as filed with the Securities and Exchange Commission have not been audited by an independent accounting firm. The financial statements in Form 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 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. 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 section which follows, 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 lines, declined to approximately 22% of product sales in fiscal 2009 from 26% in fiscal 2008. 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 (see Item 1. Business – Sales and Marketing). Sales to the Company's top five customers accounted for 57% and 54% of revenues in fiscal 2009 and 2008. 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 2010 and beyond. Additionally, world economic conditions could have a material adverse effect 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.

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 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 and product enhancements, delays in new product introductions 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 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 has and 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 unsecured 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 and to date such creditors have not received any payments. The ability to meet the objectives of this business plan is 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 business plan objectives. 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 other assets or that would significantly dilute its stockholders and/or (b) significantly scale back current operations. Any of these 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 in 2005 and de-activated in 2009. 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 operations 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 57% 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 January 12, 2010. Furthermore, Mr. Modlin is also trustee for the benefit of a daughter of Mr. Charles P. Johnson, the former Chairman of the Board and Chief Executive Officer, and such trust holds approximately 1.2% 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. To date, the holders of the 9% Preferred Stock have not designated any directors. 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.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 2. PROPERTIES

The principal facilities of the Company are as follows:

Naugatuck, CT –executive offices and operations, a 360,000 square foot facility owned by the Company (approximately 60% is vacant). Such property is currently for sale or lease. If such sale were to occur, the Company would intend to lease facilities in the same geographical area.

## ITEM 3. LEGAL PROCEEDINGS

None.

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

Not applicable.

# PART II

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

The Company's common stock is quoted on The Pink Sheets under the symbol "GNRD". The following table sets forth the range of high and low sales prices for the Company's common stock for the periods indicated:

| Fiscal 2009 | High | Low |
|---|---|---|
| First Quarter | $ .10 | $ .03 |
| Second Quarter | .03 | .01 |
| Third Quarter | .05 | .01 |
| Fourth Quarter | .04 | .03 |

| Fiscal 2008 | High | Low |
|---|---|---|
| First Quarter | $ .27 | $ .12 |
| Second Quarter | .16 | .12 |
| Third Quarter | .18 | .14 |
| Fourth Quarter | .16 | .10 |

As of November 30, 2009, the Company had approximately 470 common stockholders of record. The closing sales price of the Company's common stock on November 30, 2009 was $0.03 per share.

No shares of common stock or Class B stock were sold by the Company for cash during the two year period ending September 30, 2009.
Reference is made to Note 3 in the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K for description of warrants issued that were associated with loans from related parties, and to Note 10 for description of awards, grants and options issued pursuant to the Company's stock and bonus plans. All such warrants and stock options are at exercise prices substantially over the market price of the common stock at January 12, 2010.

No equity securities were repurchased by the Company during its fiscal years ended September 30, 2009 and 2008.

**Dividend Policy**

The Company has never paid cash dividends. GDC cannot declare or pay any dividends on its common stock in the foreseeable future due to provisions governing the 9% Preferred Stock which prohibit the payment of such dividends until all arrearages are paid in full. In any event, the Company presently intends to retain all earnings, if any, to invest in operations.

**ITEM 6. SELECTED FINANCIAL DATA**

Not required for smaller reporting companies.

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

THE FOLLOWING DISCUSSION AND ANALYSIS OF THE COMPANY'S FINANCIAL CONDITION AND THE RESULTS OF OPERATIONS SHOULD BE READ IN CONJUNCTION WITH THE FINANCIAL STATEMENTS AND RELATED NOTES APPEARING ELSEWHERE IN THIS ANNUAL REPORT ON FORM 10-K.

THIS ANNUAL REPORT ON FORM 10-K 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" IN ITEM 1A TO THIS FORM 10-K. UNLESS REQUIRED BY LAW, THE COMPANY UNDERTAKES NO OBLIGATION TO UPDATE ANY FORWARD-LOOKING STATEMENTS OR REASONS WHY ACTUAL RESULTS MAY DIFFER.

**General**

The Company is conducting operations from its owned facility in Naugatuck, Connecticut and as of November 30, 2009 had 61 employees.

All references to "Notes" in the following discussion of "Results of Operations" and "Liquidity and Capital Resources" are to the "Notes to Consolidated Financial Statements" included in Item 8 in this Form 10-K.

## Results of Operations – Fiscal Year Ended September 30, 2009 (unaudited)

The Company's revenues were $8.7 million in fiscal 2009, compared to $11.2 million in fiscal 2008. The Company has limited financial resources and is operating only on internally generated cash flows including sales of its accounts receivables and supplemented with loans from related parties. There is no commitment from any related parties to provide loans in the future.

The Company has over the recent years demonstrated the ability to introduce new products and services, maintain customer relationships and introduce manufacturing cost efficiencies. However, the ability of the Company to generate sufficient operating cash flow is dependent on achieving satisfactory revenue levels, customer collections, new product and product feature development, the ability to operate with minimal investment in capital equipment and software and other significant risks. Reference is made to Item 1A, "Risk Factors" and the "Liquidity" section below in this Form 10-K for further discussion of these items.

A significant portion of the Company's product revenues in recent years were derived from the sale of network access and wide area network equipment which include legacy products, primarily analog and digital data sets. Approximately 22% of product revenues in fiscal 2009 were provided by such legacy products. The Company anticipates that sales of legacy products will decline over the next several years while sales of new products will increase over the same period with significant fluctuations possible and without assurance that sales of new products will increase over the same period.

Approximately 46% and 38% of sales of products in fiscal 2009 and 2008, respectively, were made through integrators, distributors and resellers. Such parties are normally responsible for warehousing products and fulfilling product orders as well as identifying potential service providers and other customers. The balance of the product sales were made through direct sales to service providers and enterprise customers.

The Company's results from operations have fluctuated significantly from period-to-period in the past and this is expected to continue in the future. As a result, the Company believes that period-to-period comparisons of its financial results should not be relied upon as an indication of future performance.

**Revenues**

| (in thousands) | Year Ended September 30, **2009** | 2008 |
|---|---|---|
| Product | **$ 6,935** | $ 9,041 |
| Service | **1,765** | 2,147 |
| Total Revenues | **$ 8,700** | $ 11,188 |

Revenues for the fiscal year ended September 30, 2009 decreased $2,488,000, to $8,700,000 from $11,188,000 reported for the fiscal year ended September 30, 2008. Product revenues decreased $2,106,000, or 23.3% , while service revenues decreased $382,000, or 17.8%, from the prior year.

The product sales decrease was due to large orders in fiscal 2008 from three customers for network expansion that did not repeat in fiscal 2009. This resulted in a reduction in sales to these three customers of $2,908,000. These decreases were offset in part by: shipments of $1,578,000 under a new contract with a large US telecommunications company of a new ATM concentrator product, part of the multi-service switch product line; and by increased shipments of $1,046,000 to an integrator in Italy of new Xedge multi-service switch products for mission critical military and commercial applications. Other net decreases of $1,822,000 reflect primarily lower sales of network access products due to erosion in sales to large telecommunications carriers as migration to newer technologies continues, and to a downturn in economic conditions primarily affecting the Company's US markets.

In fiscal 2009, sales of the multi-service switch product line were approximately 67% of product revenue compared to 57% in fiscal 2008, whereas sales of the network access product line were approximately 33% of product revenue compared to approximately 43% in fiscal 2008.

The decrease in service revenue was primarily due to expiration of a service contract in Europe where the customer transitioned to alternate networking technology, and to subcontract work for a large telephone company in 2008 that did not repeat in 2009. Other net changes also reflect the expiration of contracts offset by new customer contracts.

A decline in demand for the Company's products began in fiscal 2001 and was further negatively impacted in recent years due to economic and industry-wide factors affecting the telecommunications industry, including financial constraints affecting customers and over-capacity in customers' markets. Furthermore, since that time orders for the Company's products from telecommunications carriers have continued to decline and the customer base has migrated to a higher percentage of commercial and government agency end-users. The general economic downturn in 2009 has resulted in significant uncertainty about future revenue levels. Accordingly, the ability to forecast future revenue trends in the current environment is difficult.

The Company's business is characterized by a concentration of sales to a limited number of key customers. Sales to the Company's top five customers accounted for 57% and 54% of revenues in fiscal 2009 and 2008, respectively. Customers who accounted for 10% or more of revenues in fiscal 2009 were AT&T Global Networks (20%), a worldwide telecomm provider, and NEC Philips, a large integrator in Italy (19%). The Company's customers who accounted for 10% or more of revenue in fiscal 2008 was Thales Communications (15%) and the City of Los Angeles (10%).

The Company sells its products and services in the United States and Canada primarily through a direct sales force and through a variety of resellers, integrators, and distributors. Sales to resellers, distributors and integrators accounted for approximately 46% and 38% of product sales in fiscal 2009 and 2008, respectively. The balance of the sales of products and services were made through direct sales to service providers and enterprise customers. Foreign revenues were 37% and 30% of total revenue in the fiscal years ended September 30, 2009 and 2008, respectively.

**Gross Margin**

| (in thousands) | Year Ended September 30, **2009** | Year Ended September 30, 2008 |
|---|---|---|
| Product | **$ 2,325** | $ 4,523 |
| Service | **1,089** | 644 |
| Total Gross Margin | **3,414** | 5,167 |
| Percentage of Product Revenues | **33.5%** | 50.0% |
| Percentage of Service Revenues | **61.7%** | 30.0% |
| Percentage of Total Revenues | **39.2%** | 46.2% |

Gross margin, as a percentage of revenues, in the fiscal year ended September 30, 2009 was 39.2% as compared to 46.2% in the fiscal year ended September 30, 2008, a decrease of 7.0%.

Product gross margin, as a percentage of product revenues, decreased 16.5%. Competitive pricing on a new contract and related higher start-up costs on a new multi-service switch product contributed to a 7.4% reduction in gross profit margin, manufacturing inefficiencies associated with lower sales volumes contributed 9.6% to the gross margin reduction and higher relative inventory obsolescence reserves contributed another 1.0% to the gross margin reduction. Offsetting these decreases was the greater favorable impact of selling inventories previously written down of 1.2% and other net items of 0.3%.

Service gross margin, as a percentage of service revenues, increased 31.7%. The improvement was due to operating cost reductions offsetting the reduced revenue level. Cost reductions resulted from the 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 most of the reduction.

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

**Selling, General and Administrative**

| | Year Ended September 30, | |
|---|---|---|
| (in thousands) | **2009** | 2008 |
| Selling, general and administrative | **$ 4,539** | $ 6,253 |
| Percentage of revenues | **52.2%** | 55.9% |

The Company's selling, general and administrative expenses decreased to $4,539,000, or 52.2% of revenues in the fiscal year ended September 30, 2009 from $6,253,000, or 55.9% of revenues in the fiscal year ended September 30, 2008. The decrease in spending in the year of $1,714,000, or 27.4%, was primarily a result of lower compensation costs of $1,704,000 due to salary and benefit reductions, including job eliminations, for sales and administrative staff, along with lower commissions resulting from lower revenues. In addition, professional fees were lower by $196,000 due to lower anticipated audit fees and a reduction in legal support activities. A decrease of $148,000 was due to a reduction in travel expense. Other net reductions were $41,000. These reductions were offset by a charge of $375,000 for restructuring of the Company's European operations (see Note 15).

**Research and Product Development**

| | Year Ended September 30, | |
|---|---|---|
| (in thousands) | **2009** | 2008 |
| Research and product development | **$ 1,661** | $ 3,232 |
| Percentage of revenues | **19.1%** | 28.9% |

Research and product development expenses decreased to $1,661,000, or 19.1% of revenues in the fiscal year ended September 30, 2009, as compared to $3,232,000, or 28.9% of revenues in the fiscal year ended September 30, 2008. The decrease in spending in the year of $1,571,000, or 48.6%, was primarily the result of lower compensation costs of $1,315,000 due to salary and benefit reductions taken by the engineering staff, and headcount reductions resulting from a combination of attrition and lay-offs. In addition, there were lower costs of outside contractors of $91,000 as development projects were completed. Other net reductions were $165,000.

**Interest Expense**

Interest expense decreased to $2,885,000 in the fiscal year ended September 30, 2009 from $2,904,000 in the fiscal year ended September 30, 2008. The decreased interest charges of $19,000 resulted primarily from lower fee amortization partially offset by a higher interest rate on the real estate mortgage, which rate became effective January 1, 2009 when the mortgage was amended.

The Company is currently only making interest payments on the real estate mortgage, which amounted to $497,000 and $ 444,000 in the years ended September 30, 2009 and 2008, respectively.

**Other Income (Expense)**

Other income (expense) for the fiscal year ended September 30, 2009 and 2008 totaled $57,000 and $4,018,000, respectively. The 2009 amount includes $124,000 resulting from the favorable settlement of bankruptcy claims, $50,000 received in a legal settlement, $86,000 received from a tradename license and $24,000 of other net income items, offset by $190,000 of discount associated with the sales of accounts receivable and $37,000 of realized foreign exchange losses. The 2008 amount includes $3,891,000 from the gain on the sale of patents, $64,000 received from a tradename license and $100,000 from a negotiated professional fee reduction, offset by $37,000 in other net expenses.

**Provision for Income Taxes**

The income tax provision for the fiscal year ended September 30, 2009 reflects a benefit of $46,000 and includes $37,000 related to a refund of prior years' general business credit under provisions of the U.S. Housing and Economic Recovery Act of 2008, and a benefit of $21,000 resulting from a reduction in reserves for state taxes due to expiration of time in which to make claims by taxing authorities, offset by $12,000 in current state tax liabilities. The income tax provision for the fiscal year ended September 30, 2008 reflects a benefit in the amount of $169,000 and includes a reduction of $176,000 of possible tax liabilities deemed no longer required due to expiration of time in which to make claims by taxing authorities, offset by $7,000 in current state tax liabilities.

No federal income tax provisions or other tax benefits were provided in fiscal 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 carry forwards from prior years and the net loss incurred in fiscal 2009. The Company has federal tax credit and net operating loss carry forwards of approximately $11.8 million and $214.4 million, respectively, at September 30, 2009.

**Critical Accounting Policies**

The Company's financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in the United States of America, the instructions to Form 10-K and Regulation S-X. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues 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.

FASB Codification Discussion

The Company follows accounting standards set by the Financial Accounting Standards Board, commonly referred to as the "FASB". The FASB sets generally accepted accounting principles (GAAP) that the Company follows to ensure consistent reporting of the Company's financial condition, results of operations, and cash flows. Over the years, the FASB and other designated GAAP-setting bodies, have issued standards which include FASB Statements, Interpretations, FASB Staff Positions, EITF consensuses, and AICPA Statements of Position.

The FASB recognized the complexity of its standard-setting process and embarked on a revised process in 2004 that culminated in the release on July 1, 2009, of the *FASB Accounting Standards Codification* ™, sometimes referred to as the Codification or ASC. The Codification does not change how the Company accounts for its transactions or the nature of related disclosures made. However, when referring to guidance issued by the FASB, reference is made to topics in the ASC rather than to FASB Statements, etc. The above change was made effective by the FASB for periods ending on or after September 15, 2009.

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 this Form 10-K for a summary of the Company's significant accounting policies.

*Revenue Recognition*. The Company recognizes a sale when the product is shipped or thereafter, and the following four criteria are met: (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) collectibility 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 maintain a stock of the Company's products. Service revenue is either recognized 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 customer's ability and intent to pay, and are based on historical trends, general economic conditions and current customer data. Should 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 year.

*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. The Company's long-lived assets consist of real estate, equipment and other personal property. Through September 30, 2009, real estate represented the only long-lived asset that had, in prior years, been written down for impairment.

**Recently Issued Accounting Standards**

In September 2009, the FASB issued Accounting Standards Update ("ASU") No. 2009-06, *Income Taxes*, which provided implementation guidance on the accounting for uncertainty in income taxes and disclosure amendments for nonpublic entities. The adoption of the implementation guidance will not have an impact on the Company's consolidated financial statements and disclosures.

In June 2009, the FASB issued FASB ASC 105, *Generally Accepted Accounting Principles,* which establishes the FASB Accounting Standards Codification, referred to above in *"Critical Accounting Policies",* as the sole source of authoritative generally accepted accounting principles ("GAAP"). Pursuant to the provisions of FASB ASC 105, the Company has updated references to GAAP in its financial statements issued for the period ended September 30, 2009. The adoption of FASB ASC 105 did not impact the Company's financial position or results of operations.

In May 2009, the FASB issued guidance related to changes to accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued, otherwise known as "subsequent events". In particular, these changes set forth (i) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that my occur, (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date and (iii) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This guidance introduces the concept of financial statements being available to be issued. It requires the disclosure of (i) the date through which an entity has evaluated subsequent events and (ii) the basis for that date, that is, whether that date represents the date the financial statements were issued or were available to be issued. This guidance should not result in significant changes in the subsequent events that an entity reports in its financial statements and does not apply to subsequent events or transactions that are within the scope of other applicable generally accepted accounting principles that provide different guidance on the accounting treatment for subsequent events or transactions. The adoption of these changes had no significant impact to the financial statements of the Company.

In December 2008, the FASB issued guidance related to employers' disclosure about postretirement benefit plan assets. Such disclosures should provide users of financial statements with an understanding of (i) how investment allocation decisions are made, (ii) major categories of plan assets, (iii) how fair value of plan assets are measured , (iv) the effect of fair value measurements on changes in plan assets during a period and (v) significant concentrations of risk within plan assets. The requirements of this new disclosure about plan assets shall be provided for fiscal years ending after December 15, 2009.

**Liquidity and Capital Resources**

| (in thousands) | September 30, 2009 | 2008 |
|---|---|---|
| Cash and cash equivalents | **$ 79** | $ 136 |
| Working capital (deficit) | **(38,199)** | (32,992) |
| Total assets | **6,410** | 8,422 |
| Long-term debt, including current portion | **26,663** | 26,472 |
| Total liabilities | **46,269** | 42,774 |
| | **Year Ended September 30, 2009** | **2008** |
| Net cash provided (used) by: | | |
| Operating activities | **$ (299)** | $ (4,939) |
| Investing activities | **(35)** | 3,625 |
| Financing activities | **277** | 154 |

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 Item 1A, "Risk Factors" for further discussion.

**Fiscal 2009**

Net cash used by operating activities totaled $299,000 in the fiscal year ended September 30, 2009. The net loss in the period was $5,568,000. Included in this net loss were non-cash expenses for depreciation and amoritization of $364,000 and stock compensation expense of $118,000. A decrease in accounts receivable due to levels of customer collections and sales (to a related party) of accounts receivable being higher than new sales levels resulted in a source of cash of $729,000. Inventories were lower by $738,000 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. The sale of accounts receivable to be invoiced (to a related party) resulted in a source of cash of $888,000. Unpaid interest which accrued on the Company's debt increased $2,174,000 as a source of cash. Unpaid professional fees, primarily to a related party, increased $229,000 as a source of funds. A reduction in deferred income on service contracts of $395,000 due to older contracts expiring and not being renewed resulted in a use of cash. Other net sources of cash were $426,000.

Cash used by investing activities in the fiscal year ended September 30, 2009 was $35,000 for the acquisition of equipment.

Net cash provided by financing activities in the year ended September 30, 2009 was $277,000. 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 $207,000.

**Fiscal 2008**

Net cash used in operating activities totaled $4,939,000 in the fiscal year ended September 30, 2008. The net loss in the period was $3,035,000. 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 $309,000 and stock compensation expense of $230,000. Unpaid interest which accrued on the Company's debt increased $1,644,000 as a result of additional interest charges of $2,920,000 reduced by interest payments to related parties of $458,000 and to others of $818,000. A decrease in accounts receivable due to customer collection levels being higher than new sales levels resulted in a source of cash of $718,000. Inventories were higher and resulted in a use of cash of $407,000 as the Company prepared to ship anticipated orders with short delivery times. Other net uses of cash included a reduction in accounts payable and accrued expenses of $295,000 due to payments of installments of prior year tax claims in the amount of $178,000 and net reductions in amounts owed to suppliers and others. Other sources of cash totaled $212,000.

Net cash provided by investing activities of $3,625,000 in the year ended September 30, 2008 is comprised of net proceeds from the sale of patents of $3,891,000, offset in part by $266,000 used for the acquisition of equipment.

Net cash provided by financing activities of $154,000 in the year ended September 30, 2008 is comprised of proceeds from notes payable to related parties of $550,000 and from other notes payable of $226,000, offset in part by payments on notes payable to related parties of $395,000 and on other notes payable of $227,000.

**Liquidity and Going Concern**

The Company incurred a net loss and used a significant amount of cash in its operating activities for the year ended September 30, 2009. The Company has no current ability to borrow or otherwise secure additional funds except as may be provided pursuant to a receivable sales agreement with a related party. It must, therefore, fund 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 September 30, 2009 the Company had a stockholders' deficit of approximately $39.9 million, and a working capital deficit of approximately $38.2 million, including debentures in the principal amount of $19.4 million, together with accrued interest thereon ($11.7 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 September 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 implementing 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.

The Company's contractual cash obligations including interest, as of September 30, 2009, are as follows:

| | PAYMENTS DUE BY PERIOD *(in thousands)* | | |
|---|---|---|---|
| | Total | Fiscal 2010 | Fiscal 2011 |
| Real Estate Mortgage | $ 5,594 | $ 600 | $ 4,994 |
| Related Parties | 3,406 | 3,406 | - |
| Priority Tax Claims | 488 | 488 | - |
| Debentures | 31,090 | 31,090 | - |
| Note Payable | 42 | 42 | - |
| Operating Leases | 16 | 16 | - |
| Total Contractual Cash Obligations | $ 40,636 | $ 35,642 | $ 4,994 |

The real estate mortgage, related party debt and debentures are subject to acceleration in the event of a payment default by the Company with respect to such obligation that is not cured. A default under the real estate mortgage would be a cross-default to the related party debt. No demand for payment of related party debt has been made though presently due and payable. There can be no assurance that the Company will be able to avoid a payment default in the future. Furthermore, the Company has not paid priority tax claims in the amount of $488,000 that were due on or before September 15, 2009.

The real estate mortgage, entered into July 30, 2007, provides for monthly payments of interest only and the principal amount is payable in full on July 31, 2011, as amended.

Debenture interest accrues at the rate of 10% and the outstanding balance of principal and interest matured on October 1, 2008. For discussion of a potential default on debentures, see "Risk Factors" in Section 1A of this Form 10-K.

See Notes 3 and 16 in the Notes to Consolidated Financial Statements included in Item 8 in this Form 10-K for additional information on certain contractual cash obligations.

The Company has no off balance sheet arrangements.

**ITEM 7A. QUANTITIVE AND QUALITIVE 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 September 30, 2009 such accounts receivable were not significant.

The interest rate on the Company's $4.5 million real estate mortgage is based upon the London Interbank Borrowing Rate 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

The financial statements of the Company for the fiscal years ended September 30, 2009 and 2008 have not been audited. The Company has limited financial resources and had been negotiating audit fees with its audit firm. The negotiations delayed the start of the fiscal 2008 audit and on January 5, 2009 the audit firm terminated its audit relationship with the Company. The Company filed a Form 8-K to disclose this matter. The predecessor audit firm had not commenced its audit of the Company's 2008 year-end financial statements, but had completed its reviews of the Company's condensed financial statements included in Form 10-Q for each of the first three quarters of fiscal 2008. The condensed financial statements included in Form 10-Q for each of the first three quarters of fiscal 2009 have not been reviewed by an independent auditor. The Company is in the process of appointing new auditors but is currently unable to finalize this appointment due to limited financial resources for the payment of the audit fees.


| | PAGE |
|---|---|
| CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED): | |
| CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2009 AND 2008 | 27 |
| CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008 | 28 |
| CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008 | 29 |
| CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008 | 30 |

**General DataComm Industries, Inc. and Subsidiaries**
***Consolidated Balance Sheets***
***(Unaudited)***

| (In thousands except shares)<br>September 30, | | 2009 | | 2008 |
|---|---|---|---|---|
| **Assets:** | | | | |
| *Current assets:* | | | | |
| Cash and cash equivalents | $ | 79 | $ | 136 |
| Accounts receivable, less allowance for doubtful receivables of $224 in 2009 and $228 in 2008 | | 264 | | 993 |
| Inventories | | 2,435 | | 3,173 |
| Other current assets | | 323 | | 482 |
| Total current assets | | 3,101 | | 4,784 |
| Property, plant and equipment, net | | 3,309 | | 3,638 |
| Total Assets | $ | 6,410 | $ | 8,422 |
| **Liabilities and Stockholders' Deficit:** | | | | |
| *Current liabilities:* | | | | |
| Current portion of long-term debt (including $2,756 owed to related parties in 2009 and $2,505 in 2008) | $ | 22,163 | $ | 21,972 |
| Accounts payable (including $1,534 owed to a related party in 2009 and $1,304 in 2008) | | 3,014 | | 2,580 |
| Accrued payroll and payroll-related costs | | 461 | | 552 |
| Accrued interest (including $375 owed to related parties in 2009 and $112 in 2008) | | 12,189 | | 10,015 |
| Other current liabilities (including $888 owed to a related party in 2009) | | 3,473 | | 2,657 |
| Total current liabilities | | 41,300 | | 37,776 |
| Long term debt, less current portion | | 4,500 | | 4,500 |
| Other liabilities | | 469 | | 498 |
| Total Liabilities | | 46,269 | | 42,774 |
| Commitments and contingencies (Notes 16 and 17) | | | | |
| Stockholders' deficit: | | | | |
| 9% Preferred stock, par value $1.00 per share, 3,000,000 shares authorized; 781,996 shares issued and outstanding; $35.8 million liquidation preference, including $16.3 million of cumulative dividend arrearages, at September 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 | | 199,369 | | 199,251 |
| Accumulated deficit | | (240,054) | | (234,486) |
| Accumulated other comprehensive income | | 3 | | 60 |
| Total Stockholders' Deficit | | (39,859) | | (34,352) |
| Total Liabilities and Stockholders' Deficit | $ | 6 ,410 | $ | 8,422 |

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

**General DataComm Industries, Inc. and Subsidiaries**
***Consolidated Statements of Operations***
***(Unaudited)***

| (In thousands except share data)<br>Year ended September 30, | 2009 | 2008 |
|---|---|---|
| ***Revenues:*** | | |
| Product | $ 6,935 | $ 9,041 |
| Service | 1,765 | 2,147 |
| ***Total*** | 8,700 | 11,188 |
| | | |
| ***Cost of revenues:*** | | |
| Product | 4,610 | 4,518 |
| Service | 676 | 1,503 |
| ***Total*** | 5,286 | 6,021 |
| | | |
| **Gross margin** | 3,414 | 5,167 |
| | | |
| ***Operating expenses:*** | | |
| | | |
| Selling, general and administrative | 4,539 | 6,253 |
| Research and product development | 1,661 | 3,232 |
| | 6,200 | 9,485 |
| | | |
| **Operating loss** | (2,786) | (4,318) |
| | | |
| Interest expense | (2885) | (2,904) |
| Gain on sale of patents | | 3,891 |
| Other income, net | 57 | 127 |
| | | |
| **Loss before income taxes** | (5,614) | (3,204) |
| | | |
| Income tax benefit | (46) | (169) |
| | | |
| **Net loss** | (5,568) | (3,035) |
| Dividends applicable to preferred stock | (1,760) | (1,760) |
| **Net loss applicable to common and Class B stock** | $ (7,328) | $ (4,795) |
| | | |
| ***Loss per share:*** | | |
| Basic and diluted-common stock | $ (1.78) | $ (1.16) |
| Basic and diluted-Class B stock | $ (1.78) | $ (1.16) |
| | | |
| ***Weighted average number of common and Class B shares outstanding:*** | | |
| Basic and diluted-common stock | 3,487,473 | 3,483,071 |
| Basic and diluted-Class B stock | 634,615 | 639,017 |

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

***General DataComm Industries Inc. and Subsidiaries***
***Consolidated Statements of Stockholders' Deficit***
***(Unaudited)***
***(in Thousands, Except Share Data)***

| | Comprehensive Income (Loss) | 9% Preferred Stock Shares | 9% Preferred Stock Amount | Class B Stock Shares | Class B Stock Amount | Common Stock Shares | Common Stock Amount | Capital In Excess of Par | Accumulated Deficit | Accumulated Other Comprehensive Income (Loss)* | Total Stock-holders Deficit |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance September 30, 2007 | | 781,996 | $ 782 | 647,715 | $ 6 | 3,474,373 | $ 35 | $ 199,021 | $ (231,601) | $ 25 | $ (31,732) |
| Adoption of FIN 48 | | | | | | | | | 150 | | 150 |
| Comprehensive loss | | | | | | | | | | | |
| Net loss | $ (3,035) | | | | | | | | (3,035) | | (3,035) |
| Foreign currency translation adjustments | 35 | | | | | | | | | 35 | 35 |
| Comprehensive loss | $ (3,000) | | | | | | | | | | |
| Conversion of Class B stock to common stock | | | | (13,100) | - | 13,100 | - | | | | |
| Stock compensation expense | | | | | | | | 230 | | | 230 |
| Balance September 30, 2008 | | 781,996 | $ 782 | 634,615 | $ 6 | 3,487,473 | $ 35 | $ 199,251 | $ (234,486) | $ 60 | $ (34,352) |
| Comprehensive loss | | | | | | | | | | | |
| Net loss | $ (5,568) | | | | | | | | (5,568) | | (5,568) |
| Foreign currency translation adjustments | (57) | | | | | | | | | (57) | (57) |
| Comprehensive loss | $ (5,625) | | | | | | | | | | |
| Stock compensation expense | | | | | | | | 118 | | | 118 |
| Balance September 30, 2009 | | 781,996 | $ 782 | 634,615 | $ 6 | 3,487,473 | $ 35 | $ 199,369 | $ (240,054) | $ 3 | $ (39,859) |

* "Accumulated Other Comprehensive Income (Loss)" is comprised solely of foreign currency translation adjustments; there is no income tax expense or benefit associated with such adjustments.

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

***General DataComm Industries, Inc. and Subsidiaries***
***Consolidated Statements of Cash Flows***
***(Unaudited)***

| (In thousands)<br>Year ended September 30, | 2009 | 2008 |
|---|---|---|
| *Cash flows from operating activities:* | | |
| Net loss | $ (5,568) | $ (3,035) |
| Adjustments to reconcile net loss to net cash used by operating activities: | | |
| Depreciation and amortization | 364 | 309 |
| Stock compensation expense | 118 | 230 |
| Gain on sale of patents | - | (3,891) |
| Reduction in liability for income taxes | (17) | (176) |
| Changes in: | | |
| Accounts receivable | 729 | 718 |
| Inventories | 738 | (407) |
| Accounts payable | 434 | (230) |
| Accrued payroll and payroll-related costs | (91) | (13) |
| Accrued interest | 2,174 | 1,644 |
| Other net current liabilities | 906 | 168 |
| Other net long-term liabilities | (86) | (256) |
| **Net cash used by operating activities** | (299) | (4,939) |
| *Cash flows from investing activities:* | | |
| Acquisition of property, plant and equipment, net | (35) | (266) |
| Net proceeds from sale of patents | - | 3,891 |
| **Net cash provided (used) by investing activities** | (35) | 3,625 |
| *Cash flows from financing activities:* | | |
| Proceeds from notes payable to related parties | 250 | 550 |
| Principal payments on notes payable to related parties | - | (395) |
| Proceeds from notes payable to unrelated party | 234 | 226 |
| Principal payments on notes payable to unrelated party | (207) | (227) |
| **Net cash provided by financing activities** | 277 | 154 |
| **Net decrease in cash and cash equivalents** | (57) | (1,160) |
| Cash and cash equivalents, beginning of year | 136 | 1,296 |
| **Cash and cash equivalents, end of year** | $ 79 | $ 136 |
| *Supplemental disclosures of cash flow information:* | | |
| Cash paid during the year for: | | |
| Interest | $ 497 | $ 980 |
| Income and franchise taxes | $ 10 | $ 6 |

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

**General DataComm Industries, Inc.**
**Notes to Consolidated Financial Statements**
**(Unaudited)**

**1. Liquidity and Going Concern**

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 year ended September 30, 2009. The Company has no current ability to borrow or otherwise secure additional funds. It must, therefore, fund operations from cash balances, cash generated from operating activities including the sale of its accounts receivable and any cash that may be generated from the sale of non-core assets such as real estate and others. In addition, at September 30, 2009 the Company had a stockholders' deficit of approximately $39.9 million and a working capital deficit of approximately $38.2 million, including debentures in the principal amount of $19.4 million, together with accrued interest thereon ($11.7 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 September 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 receivables sales agreement with a related party to provide liquidity and by implementing 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.

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, 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. Description of Business and Summary of Significant Accounting Policies

### Description of Business

The Company is a provider of networking and telecommunications products, services and solutions to domestic and international customers. The Company is focused on providing multi-service provisioning solutions using multi-service access and switching products. The Company designs, assembles, markets, installs and maintains products that enable telecommunications common carriers, corporations and governments to build, improve and more cost effectively manage their global telecommunications networks. For further description of the business, refer to Item 1 "Business" in Part I of this Form 10-K.

The Company follows accounting standards set by the Financial Accounting Standards Board, commonly referred to as the "FASB." The FASB sets generally accepted accounting principles (GAAP) that the Company follows to ensure consistent reporting of the Company's financial condition, results of operations, and cash flows. References to GAAP issued by the FASB in these footnotes are to the FASB *Accounting Standards Codification*™, sometimes referred to as the Codification or ASC. The FASB finalized the Codification effective for periods ending on or after September 15, 2009. Prior FASB standards are no longer being issued by the FASB. For further discussion of the Codification see "FASB Codification Discussion" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

### Principles of Consolidation

The consolidated financial statements include the accounts of General DataComm Industries, Inc. and its majority-owned subsidiary companies. Intercompany accounts, transactions and profits have been eliminated in consolidation.

### Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

### 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 customer's ability and intent to pay, and are based on historical trends, general economic conditions and current customer data. Should 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.

**Property, Plant and Equipment**

Property, plant and equipment are stated at cost and are depreciated or amortized using the straight-line method over their estimated useful lives. The cost of internally constructed assets (test fixtures) includes the cost of materials, internal labor and overhead costs (see Note 6).

**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. The Company's long-lived assets consist of real estate, equipment and other personal property. Through September 30, 2009, real estate represented the only long-lived asset that had, in prior years, been written down for impairment.

**Revenue Recognition**

The Company recognizes a sale when the product is shipped or thereafter, and the following four criteria are met: (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 maintain a stock of 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.

**Promotion and Advertising Costs**

Promotion and advertising costs, which include internal staff costs, are charged to selling, general and administrative expense in the period in which they are incurred. Promotion and advertising costs amounted to $60,000 and $65,000 in fiscal years 2009 and 2008, respectively.

**Research and Product Development**

Research and product development is expensed in the period incurred.

**Income Taxes and Deferred Tax Assets**

The Company files a consolidated federal income tax return with its subsidiaries. In addition, the Company and/or its subsidiaries file in various states and foreign jurisdictions.

The Company accounts for income taxes in accordance with FASB ASC 740, *Income Taxes*. FASB ASC 740 prescribes the use of the liability method whereby deferred tax assets and liability account balances are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company 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 each year. FASB ASC 740-10 clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, measurement and classification of amounts relating to uncertain tax positions, accounting for and disclosure of interest and penalties, accounting in interim periods, disclosures and transition relating to the adoption of the new accounting standard. The Company classifies interest and penalties on tax positions as selling, general and administrative expenses. Accrued interest and penalties included in the balance sheet at September 30, 2009 amounted to approximately $21,000.

**Foreign Currency**

Transactions denominated in foreign currencies are recorded on a monthly basis using the average of the prior and current month end exchange rates. Assets and liabilities denominated in foreign currencies are translated at the balance sheet dates using the closing rates of exchange between those foreign currencies and the U.S. dollar with any transaction gains or losses reported in income. Adjustments that result from translating financial statements of the Company's subsidiary in France are recorded in accumulated other comprehensive income or loss.

**Earnings (Loss) Per Share**

Basic earnings (loss) per share is computed by allocating net income (loss) available to common stockholders to common and Class B shares 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. 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 share gives effect to all potential dilutive common shares outstanding during the period. In computing diluted earnings per share, 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.

**Concentrations of Credit Risk**

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash instruments and unsold accounts receivable.

The Company's business is characterized by a concentration of sales to a limited number of key customers. Sales to the Company's top five customers accounted for 57% and 54% of revenues in fiscal 2009 and 2008, respectively. Customers who accounted for 10% or more of revenues in fiscal 2009 were AT&T Global Networks, a worldwide telecomm provider (20%) and NEC Philips, a large integrator in Italy (19%). The Company's customers who accounted for 10% or more of revenue in fiscal 2008 were Thales Communications (15%) and the City of Los Angeles (10%). These receivables are not collateralized due to the Company's assessment of limited risk and favorable history of payments from such customers.

The Company sells its products and services in the United States and Canada primarily through a direct sales force and through a variety of resellers, integrators, and distributors. Sales to resellers, distributors and integrators accounted for approximately 46% and 38% of product sales in fiscal 2009 and 2008, respectively. The balance of the sales of products and services were made through direct sales to service providers and enterprise customers. Foreign revenues were 37% and 30% of total revenue in the fiscal years ended September 30, 2009 and 2008, respectively.

**Post-Retirement and Post-Employment Benefits**

The Company does not offer post-retirement and post-employment benefits to its current employees other than federally required programs which are fully funded by such employees.

The Company does provide health and long-term care benefits to five former long-term executives of the Company who retired in November 2001. The Company recorded the liability for such benefits based on actuary-provided life expectancies, known fixed annual costs and estimated variable costs and adjusts the liability based on actual experience. The liability is not funded until paid. The liability for such expenses was $515,000 and $562,000 at September 30, 2009 and 2008, respectively.

**Stock-Based Compensation**

The Company uses the fair value method to measure all share-based compensation to employees, including grants of employee stock options and other equity-based awards. This fair value is recorded as an expense in our consolidated statement of operations over the requisite service period, which is generally the vesting term of the award. Total compensation expense recognized for the fiscal years ended September 30, 2009 and 2008 was $118,000 and $230,000, respectively. As of September 30, 2009, total unrecognized estimated compensation expense net of forfeitures related to non-vested equity awards granted prior to that date was $98,000 and will be amortized over a weighted average period of 1.42 years.

The Company values their share-based awards on the date of grant using the Black-Scholes model. The determination of the fair value of share-based payment awards on the date of grant using a pricing model is affected by the Company stock price as well as assumptions regarding a number of complex and subjective variables. These variables include, but are not limited to, expected stock price volatility over the expected term of the awards, actual and projected employee equity award behaviors, risk-free interest rate and expected dividends. In the model, the Company uses the historical volatility in its stock price for the expected volatility assumption. The risk-free interest rate is based on the implied yield currently available on United States Treasury zero-coupon issues with a remaining term equal to the expected term of the awards on the grant date. Furthermore, the Company estimates forfeitures for equity awards granted which are not expected to vest. The prevesting forfeiture rate is calculated by using historical equity grants forfeiture information. If factors change and different assumptions are employed in future periods, the compensation expense that is recorded may differ significantly from what has been recorded in the current period.

**Comprehensive Income (Loss)**

Comprehensive income (loss) is included in the consolidated statements of stockholders' deficit. Accumulated other comprehensive income (loss) is comprised solely of foreign currency translation adjustments. There is no income tax expense or benefit associated with such adjustments.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from those estimates. For example, the markets for the Company's products are characterized by intense competition, rapid technological development and frequent new product introductions, all of which could impact the future value of the Company's inventory and certain other assets.

**Recently Issued Accounting Standards**

In September 2009, the FASB issued Accounting Standards Update ("ASU") No. 2009-06, *Income Taxes*, which provided implementation guidance on the accounting for uncertainty in income taxes and disclosure amendments for nonpublic entities. The adoption of the implementation guidance will not have an impact on the Company's consolidated financial statements and disclosures.

In June 2009, the FASB issued FASB ASC 105, *Generally Accepted Accounting Principles,* which establishes the FASB Accounting Standards Codification, referred to above in *"Critical Accounting Policies",* as the sole source of authoritative generally accepted accounting principles ("GAAP"). Pursuant to the provisions of FASB ASC 105, the Company has updated references to GAAP in its financial statements issued for the period ended September 30, 2009. The adoption of FASB ASC 105 did not impact the Company's financial position or results of operations.

In May 2009, the FASB issued guidance related to changes to accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued, otherwise known as "subsequent events". In particular, these changes set forth (i) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that my occur, (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date and (iii) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This guidance introduces the concept of financial statements being available to be issued. It requires the disclosure of (i) the date through which an entity has evaluated subsequent events and (ii) the basis for that date, that is, whether that date represents the date the financial statements were issued or were available to be issued. This guidance should not result in significant changes in the subsequent events that an entity reports in its financial statements and does not apply to subsequent events or transactions that are within the scope of other applicable generally accepted accounting principles that provide different guidance on the accounting treatment for subsequent events or transactions. The adoption of these changes had no significant impact on the financial statements of the Company.

In December 2008, the FASB issued guidance related to employers' disclosure about postretirement benefit plan assets. Such disclosures should provide users of financial statements with an understanding of (i) how investment allocation decisions are made, (ii) major categories of plan assets, (iii) how fair value of plan assets are measured , (iv) the effect of fair value measurements on changes in plan assets during a period and (v) significant concentrations of risk within plan assets. The requirements of this new disclosure about plan assets shall be provided for fiscal years ending after December 15, 2009.

**3. Long-Term Debt**

Long-term debt consists of (in thousands):

| September 30, | 2009 | 2008 |
|---|---|---|
| Notes Payable to Related Parties | $ 2,756 | $ 2,505 |
| Note Payable to Unrelated Party | 40 | 14 |
| Debentures which matured October 1, 2008 | 19,367 | 19,453 |
| Real Estate Mortgage due July 31, 2011 | 4,500 | 4,500 |
| | 26,663 | 26,472 |
| Less current portion | 22,163 | 21,972 |
| | $ 4,500 | $ 4,500 |

The Company believes that the values of the note payable to unrelated party and real estate mortgage approximate their respective fair values due to the recent placement and amendment of such debt. Also, in the judgment of management, notes payable to related parties in the amounts of $2,756,000 and $2,505,000 at September 30, 2009 and 2008, respectively, are considered to approximate fair value, although such financing was otherwise unavailable due to the Company's negative financial condition and, therefore, the Company is unable to determine the current fair value. 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.

Long-term debt in the form of the real estate mortgage in the amount of $4,500,000 matures July 31, 2011, as amended (see Note 18 "Subsequent Events"). Debentures in the amount of $19,367,000 matured October 1, 2008, but are restricted from being paid until the senior debt is paid (see discussion below). Related party debt is presently due and payable but demand for payment has not been made. The note payable to unrelated party matures in fiscal 2010.

**Notes Payable to Related Parties and Warrants**

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 amount 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, 2010 in agreement with Mr. Modlin). Mr. Modlin received a seven year warrant expiring April 19, 2013 to purchase 909,090 shares of common stock at $0.275 per share. 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 in the amounts of $175,000, $75,000, $110,000, $175,000 and $250,000 respectively. Such loans bear interest at the annual rate of 10%. The loan made on July 9, 2008 was repaid on July 17, 2008.

Accrued interest on all such loans amounted to $374,926 and $111,866 at September 30, 2009 and 2008, respectively. All loans made by Mr. Modlin and Mr. Segall are collateralized by all the assets of the Company.

**Debentures**

Debentures together with accrued interest matured on October 1, 2008. The debentures were issued to unsecured creditors in 2003 as part of the Company's plan of reorganization. No principal or interest is payable on the debentures until the senior lenders' claims are paid in full and no principal or interest has been paid as of January 12, 2010. Interest accrues at the annual rate of 10% and totaled $11,723,000 at September 30, 2009. (see Note 1 "Liquidity and Going Concern")

**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. The mortgage required monthly payments of interest at the rate of 30-day LIBOR plus 8% with a minimum interest of 12% (such interest was 12% at September 30, 2009). No principal payments are required until the full amount of the mortgage matures. Effective December 31, 2009, the Company amended the mortgage to extend the maturity date from July 30, 2010 to July 31, 2011, to increase the interest rate effective August 1, 2010 to LIBOR plus 9% with a minimum interest of 13% and to charge a fee in the amount of $45,000 that is payable no later than August 1, 2010 (see Note 18 "Subsequent Events"). The mortgage contains no financial covenants.

**4. Receivable Sales Agreement with Related Party**

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 $256,000 for an aggregate purchase price of $250,000 representing a 2.5% discount. Thereafter, Mr. Modlin made additional purchases through September 30, 2009 with a face value of $7,787,000 for an aggregate purchase price of $7,596,000 under this agreement. For accounting purposes, the discount is recorded as an expense at the time of purchase. Such expense amounted to $ 190,000 in the year ended September 30, 2009.

On April 15, 2009, such agreement was amended to include purchases of accounts receivable to be invoiced pursuant to customer purchase orders. The liability for rights to such future accounts receivable totaled $888,000 at September 30, 2009 and is included in other current liabilities (see Note 13).

**5. Inventories**

Inventories consist of (in thousands):

| September 30, | **2009** | 2008 |
|---|---|---|
| Raw materials | **$ 405** | $ 160 |
| Work-in-process | **1,535** | 1,286 |
| Finished goods | **495** | 1,727 |
| | **$ 2,435** | $ 3,173 |

Inventories are stated at the lower of cost or market using the first-in-first out method. Reserves in the amount of $2,879,000 and $3,033,000 were recorded at September 30, 2009 and 2008, respectively, for excess and obsolete inventories.

**6. Property, Plant and Equipment**

Property, plant and equipment consist of (in thousands):

| September 30, | **2009** | 2008 | Estimated Useful Life |
|---|---|---|---|
| Land | **$ 1,000** | $ 1,000 | — |
| Buildings and improvements | **7,115** | 7,115 | 10 to 30 years |
| Test equipment, fixtures and field spares | **3,383** | 3,595 | 3 to 10 years |
| Other equipment | **3,764** | 4,625 | 2 to 10 years |
| | **15,262** | 16,335 | |
| Less: accumulated depreciation | **11,953** | 12,697 | |
| | **$ 3,309** | $ 3,638 | |

Depreciation expense amounted to $364,000 and $299,000 in fiscal 2009 and 2008, respectively.

The Company's property in Naugatuck, Connecticut, which is the location of the Company's operations, has a net book value of $3,219,000 and $3,399,000 at September 30, 2009 and 2008, respectively. Although the Company has been actively trying to sell the building since 2001, due to its inability to do so, such building is not reflected as an asset held for sale in the accompanying balance sheets. In addition such property is collateral for the indebtedness under the Company's mortgage note, which has a first lien, as well as notes payable to related parties collateralized by a subordinate mortgage and subordinated rights of debentures to any remaining proceeds.

**7. Income Taxes**

Income (loss) before income taxes in the years ended September 30, 2009 and 2008 consists primarily of domestic income (loss) generated in the United States. The income tax provision for the fiscal year ended September 30, 2009 reflects a benefit of $46,000 and includes $37,000 related to a refund of prior years' general business credit under provisions of the U.S. Housing and Economic Recovery Act of 2008, and a benefit of $21,000 resulting from a reduction in reserves for state taxes due to expiration of time in which to make claims by taxing authorities, offset by $12,000 in current state tax liabilities. The income tax provision for the fiscal year ended September 30, 2008 reflects a benefit in the amount of $169,000 and includes a reduction of $176,000 of possible tax liabilities deemed no longer required due to expiration of time in which to make claims by taxing authorities, offset by $7,000 in current state tax liabilities.

The following reconciles the U.S. statutory income tax rate to the Company's effective rate:

| Year ended September 30, | **2009** | 2008 |
|---|---|---|
| Federal statutory rate | **(34.0)%** | (34.0)% |
| Federal tax refund | **(.7)** | - |
| Reduction of accruals for prior years' taxes | **(.3)** | (5.5) |
| Change in valuation allowance | **34.0** | 34.0 |
| State income tax effects | **.2** | .2 |
| Effective income tax rate | **(0.8)%** | (5.3)% |

For regular income tax reporting purposes at September 30, 2009, domestic federal tax credit and net operating loss carryforwards amounted to approximately $11.9 million and $214.4 million, respectively. Domestic federal tax credit and net operating loss carryforwards expire in various amounts between fiscal 2010 and 2025. Domestic state loss carryforwards of approximately $49.4 million expire in various amounts between fiscal 2010 and 2029, but most expire by 2023. Utilization of the net operating loss carryforwards may be subject to limitation due to the changes in ownership provisions under section 382 of the Internal Revenue Code and similar state provisions.

The tax effects of the significant temporary differences and carryforwards comprising the deferred tax assets and liabilities at September 30, 2009 and 2008 were as follows (in thousands):

| | **2009** | 2008 |
|---|---|---|
| *Deferred Tax Assets* | | |
| Bad debt reserve | **$ 90** | $ 90 |
| Inventory reserve | **7,456** | 7,315 |
| Other accruals | **447** | 490 |
| Loss carryforward | **76,838** | 77,893 |
| Tax credits | **11,832** | 11,872 |
| | **96,663** | 97,660 |
| Valuation allowance | **(96,663)** | (97,660) |
| Net deferred tax assets | $ 0 | $ 0 |

The deferred tax asset related to the inventory reserve includes inventory written off for book purposes which is not yet deductible for tax reporting purposes.

FASB ASC 740 prescribes the use of the liability method whereby deferred tax assets and liability account balances are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company 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 each year.

FASB ASC 740-10 clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, measurement and classification of amounts relating to uncertain tax positions, accounting for and disclosure of interest and penalties, accounting in interim periods, disclosures and transition relating to the adoption of the new accounting standard. The Company classifies interest and penalties on tax positions as selling, general and administrative expenses. Accrued interest and penalties included in the balance sheet at September 30, 2009 amounted to approximately $21,000.

## 8. Capital Stock

**Common Stock and Class B Stock**

In addition to regular common stock, the Company's capital structure includes Class B stock which, under certain circumstances, has greater voting power in the election of directors. However, common stock is entitled to cash dividends, if and when paid, 11.11% higher per share than Class B stock. The Company has never declared or paid cash dividends on its common stock. So long as there are arrearages in payment of dividends on the Company's 9% Preferred Stock, the Company is prohibited from paying cash dividends on its common stock and Class B stock. Class B stock has limited transferability and is convertible into common stock at any time on a share-for-share basis. There were 634,615 shares of Class B stock outstanding at September 30, 2009 and 2008.

**9% Preferred Stock**

At September 30, 2009 and 2008, there were 781,996 shares of the Company's 9% Cumulative Convertible Exchangeable Preferred Stock ("9% Preferred Stock") outstanding. The 9% Preferred Stock accrues dividends at a rate of 9% per annum, cumulative from the date of issuance and payable quarterly in arrears. Dividends were paid through June 30, 2000; dividends in arrears, which are not accrued for financial reporting purposes since they have not been declared by the Company, amounted to $16,275,000 at September 30, 2009 ($18.56 per share) and are included in the liquidation value disclosed in the accompanying fiscal 2009 balance sheet. Such arrearages entitle the holders of the 9% Preferred Stock to elect two directors until all arrearages are paid, but no such designation has been made or requested. The 9% Preferred Stock can be converted into common stock at $136.50 per share, or the equivalent of .18315 shares of common stock for each share of 9% Preferred Stock.

## 9. Segment and Geographical Information

For the years ended September 30, 2009 and 2008, the Company operated in one reportable segment.

Consolidated revenue and long-lived asset information by geographic area is as follows (in thousands):

| | Revenue | | Long-Lived Assets | |
|---|---|---|---|---|
| Year ended September 30, | **2009** | 2008 | **2009** | 2008 |
| United States | **$ 5,460** | $ 7,805 | **$ 3,309** | $ 3,623 |
| Foreign | **3,240** | 3,383 | **-** | 15 |
| Total | **$ 8,700** | $ 11,188 | **$ 3,309** | $ 3,638 |

Foreign revenue is determined based on the country in which the revenue originated (where the customer placing the order is domiciled).

Customers accounting for more than 10% of the Company's revenues in fiscal 2009 were AT&T Global Network at 20% and NEC Philips (Italy) at 19% and in fiscal 2008 such customers were Thales Communications (France) at 15% and City of Los Angeles at 10%.

**10. Employee Incentive Plans**

**Stock Awards, 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 presently authorized under the 2005 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 September 30, 2009 there were 567,326 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 each of 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, 2009 and changes during the twelve months ended September 30, 2008 and 2009 is presented below:

| | Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (Yrs) | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Options outstanding, September 30, 2007 | 2,635,807 | $ 0.77 | | |
| Options granted | 864,021 | 0.27 | | |
| Options exercised | - | - | | |
| Options cancelled or expired | (129,157) | 2.24 | | |
| Options outstanding, September 30, 2008 | 3,370,671 | 0.57 | 7.58 | $ 0 |
| Options granted | - | - | | |
| Options exercised | - | - | | |
| Options cancelled or expired | (141,518) | 2.34 | | |
| Options outstanding, September 30, 2009 | 3,229,153 | 0.52 | 6.61 | 0 |
| Vested or expected to vest at September 30, 2009 | 2,695,046 | 0.46 | 6.55 | 0 |
| Exercisable at September 30, 2009 | 1,656,223 | .70 | 6.14 | 0 |

As of September 30, 2009, there was $98,000 of total unrecognized compensation cost related to nonvested options which is expected to be recognized over a weighted-average period of 1.42 years.

The weighted-average grant-date fair value of options granted during the twelve months ended September 30, 2008 was $0.23 per share, which was estimated using the Black Scholes model and the following weighted average assumptions:

| | |
|---|---|
| Risk-free interest rate (%) | 3.76% |
| Volatility (%) | 133% |
| Expected life (in years) | 6.50 |
| Dividend yield rate | Nil |

Expected volatility is based on historical volatility in the Company's stock price over the expected life of the options. The risk-free interest rate is based on the annual yield on the measurement date of a zero coupon U.S. Treasury Bond, the maturity of which equals the options' expected life. The weighted average expected life of 6.50 years is the average of the contractual term of the options and the weighted average vesting period for all option tranches. The dividend yield assumption is based on the Company's intent not to issue a dividend.

**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 two fiscal years ended September 30, 2009.

**11. Earnings (Loss) Per Share**

The following table sets forth the computation of basic and diluted earnings (loss) applicable to common and Class B stock for the years ended September 30, 2009 and 2008 (in thousands, except shares and per share data):

| | Year Ended September 30, 2009 | 2008 |
|---|---|---|
| Net loss | $ (5,568) | $ (3,035) |
| Dividends applicable to preferred stock | (1,760) | (1,760) |
| Net loss applicable to common and Class B stock | $ (7,328) | $ (4,795) |
| Net loss applicable to common stock – basic and diluted | $ (6,200) | $ (4,052) |
| Net loss applicable to Class B stock – basic and diluted | $ (1,128) | $ (743) |

| | Year Ended September 30, | | | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | Common Stock | | Class B Stock | |
| Numerator for basic and diluted earnings per share - net loss | $ (6, 200) | $ (4,052) | $ (1,128) | $ (743) |
| Denominator for basic and diluted earnings per share - weighted average outstanding shares | 3,487,473 | 3,483,071 | 634,615 | 639,017 |
| Basic and diluted loss per share | $ (1.78) | $ (1.16) | $ (1.78) | $ (1.16) |

In fiscal 2009 and 2008, no effect has been given to certain outstanding options and warrants, convertible securities and contingently issuable shares in computing diluted income (loss) per common share as their effect would be antidilutive. Such share amounts which could potentially dilute basic earnings per share are as follows:

| | No. of Shares | |
|---|---|---|
| | **2009** | 2008 |
| Stock warrants | **4,093,341** | 4,093,341 |
| Stock options | **3,229,153** | 3,370,671 |
| Convertible preferred stock | **143,223** | 143,223 |
| Total | **7,465,717** | 7,607,235 |

**12. Related Party Transactions**

Mr. Howard Modlin, Secretary and a Director of the Company since 1969 and Chairman of the Board of Directors of the Company since November 2001 and currently Chairman, President and Chief Executive Officer, is also President of the law firm of Weisman Celler Spett & Modlin, P.C. ("WCSM") to whom the Company was indebted for legal services of $2,179,000 for work performed prior to the Company's bankruptcy filing in November 2001 and in settlement for which the Company issued subordinated debentures. The bankruptcy court also approved $294,000 for work performed by WCSM while the Company operated in bankruptcy (prior to September 15, 2003). Furthermore, the Company was indebted to Mr. Modlin for fees for Company director meetings for which he received subordinated debentures in the total amount of $16,400. Thereafter, WCSM agreed to work on a specific litigation matter on a contingency basis. WCSM has outstanding amounts owed totaling $1,575,000 for work performed for the Company between September 15, 2003 and September 30, 2009.

See Note 3 regarding loans made to the Company by Messrs. Howard Modlin and John L. Segall, and Note 4 regarding receivable and other purchases made by Mr. Modlin.

**13. Other Current Liabilities and Other Long-Term Liabilities**

Other current liabilities are comprised of the following (in thousands):

| September 30, | 2009 | 2008 |
|---|---|---|
| Liability for accounts receivable to be invoiced – related party | $ **888** | $ - |
| Liabilities for income tax obligations | **80** | 96 |
| Accrued professional fees (unbilled) | **794** | 566 |
| Accrued post retirement benefits | **89** | 106 |
| Accrued property taxes | **154** | 254 |
| Deferred income | **247** | 642 |
| Priority tax claims (short-term portion) | **412** | 463 |
| Other | **809** | 530 |
| | $ **3,473** | $ **2,657** |

Other long-term liabilities at September 2009 and 2008 in the amounts of $469,000 and $498,000, respectively, consist primarily of the long-term portion of post retirement benefits liabilities.

**14. Gain on Sale of Patents**

On February 5, 2008, the Company completed the sale of selected patents and patent applications to an unrelated party for proceeds of $4,000,000. The patents and patent applications sold relate to the Company's product lines, and the Company retains 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. The Company used the funds for general corporate purposes, including payment of debt and interest and for working capital.

**15. Restructuring of European Operations**

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 the planned closure of the Paris office. Severance and other dismissal obligations, remaining lease obligations and other costs related to the closure of the office aggregating approximately $375,000, were recorded in selling, general and administrative expense in the accompanying financial statements for the year ended September 30, 2009.

**16. Operating Lease**

At September 30, 2009 the Company had a non-cancelable lease for a sales office in France with annual rent of 47,100 Euros (approximately $68,000 U.S.) which expires November 30, 2010. Aggregate remaining rental under this lease at September 30, 2009 amounts to 54,908 Euros (approximately $80,000 U.S.). Such amount is fully accrued in the Company's financial statements at September 30, 2009 due to the reorganization of the Company's European operations in July 2009 (see Note 15).

Net rental expense for fiscal 2009 (excluding restructuring charges) and 2008 was approximately $51,000 and $77,000, respectively

**17. Contingencies**

Litigation

The Company received an adverse ruling from a France court dated November 1, 2009 regarding compensation owed to a former employee, in the amount of 151,603 Euros (approximately $225,000 U.S.). The Company has sufficient reserves recorded at September 30, 2009 to absorb this expense should such payment become necessary. However the Company believes that the claims are without merit and has entered an appeal in this case.

**18. Subsequent Events**

Management has evaluated subsequent events through January 12, 2010, the day immediately prior to the date the financial statements were issued in this Form 10-K, and has determined the following subsequent events to be reported:

- Effective December31, 2009 the Company amended the terms of its real estate mortgage to extend the maturity date from July 31, 2010 to July 31, 2011. In consideration for the extension, the mortgagee will charge a fee of $45,000 on July 31, 2010 and the rate of interest will increase effective August 1, 2010 by 1.0% to 30-day LIBOR plus 9% , an increase from the previous 30-day LIBOR plus 8%, and the minimum interest will increase from 12% to 13%.

- Pursuant to a receivable sales agreement with a related party (see Note 4), subsequent to September 30, 2009 and through January 12, 2010 additional receivable purchases of $2,721,000 were made for an aggregate purchase price of $2,653,000.

- An initial adverse ruling from a court in France was received dated November 1, 2009. See Note 17 for further discussion.

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

The Company is in discussions with an audit firm to perform the audit of its financial statements for the year ended September 30, 2009, to replace Eisner LLP who resigned as the Company's independent registered public accounting firm on January 5, 2009. The Company has limited financial resources and is seeking to obtain audit and related services at a lower annual cost. As a result of the Company's limited financial resources to pay audit fees, the accompanying financial statements included in Item 8 in this Form 10-K are unaudited. The Company intends to file audited financial statements by amendment when available.

**ITEM 9A(T). 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 September 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.

*Management's Annual Report on Internal Control over Financial Reporting.* The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) or 15d-15(f) under the Securities Exchange Act). Under supervision and with the participation of management, including the principal executive officer and chief financial officer, an evaluation was conducted of the effectiveness of the Company's internal control over financial reporting based on the framework in "Internal Control over Financial Reporting – Guidance for Smaller Public Companies" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the preparation and fair presentation of financial statements for external purposes in accordance with generally accepted accounting principles.  Internal control over financial reporting includes those policies and procedures that (i)pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets: (ii)provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.  Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on the Company's evaluation under the framework in "Internal Controls over Financial Reporting - Guidance for Smaller Public Companies", management concluded that the Company's internal control over financial reporting was effective as of September 30, 2009.

This annual report does not include an attestation report of a registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by a registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

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

**ITEM 9B. OTHER INFORMATION**

(b) Reports on Form 8-K.

The following report on Form 8-K was filed during the last quarter of the period covered by this report:

None

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

| Name | Position | Age |
|---|---|---|
| Howard S. Modlin | Chairman of the Board of Directors,<br>Chief Executive Officer, President and Secretary | 78 |
| William G. Henry | Vice President, Finance and Administration and<br>Chief Financial Officer | 60 |
| George M. Gray | Vice President, Operations and<br>Chief Technical Officer | 59 |
| John L. Segall | Director | 83 |
| Aletta P. Richards | Director | 57 |

Mr. Howard S. Modlin, Chairman of the Board and Chief Executive Officer was elected to such position in November 2001 following the death of Charles P. Johnson, the Company's founder. Mr. Modlin was also elected President in April 2003. Mr. Modlin is an attorney and President of the firm of Weisman Celler Spett & Modlin, P.C., and has been Secretary, a Director and counsel to the Company since its formation.

Mr. William G. Henry, Vice President, Finance and Administration and Chief Financial Officer, joined the Company as Corporate Controller in January 1984, was appointed an officer of the Company in June 1989, was elected Vice President in February 1996, was promoted to Vice President, Finance and Chief Financial Officer in February 1999 and to his present positions in April 2003.

Mr. George M. Gray, Vice President, Operations and Chief Technical Officer, has held positions of major responsibility within the Company since September 18, 2000 and has served in executive capacities since September 15, 2003.

Mr. John L. Segall has been a Director of the Company since 1994. He is a consultant, former Vice Chairman of GTE from 1991 to 1994 and former Vice Chairman of Contel Corp. from 1989 to 1994.

Ms. Aletta P. Richards has been a Director of the Company since September 15, 2003 and is the director designee on behalf of the Trustee under the Indenture governing the Company's debentures. During the past five years she has been Corporate Credit Manager of Sanmina Corporation.

### AUDIT COMMITTEE

The Audit Committee is comprised of one director who is not an officer or employee of the Company. The Audit Committee had four meetings during the 2009 fiscal year to review and approve the fiscal 2009 interim unaudited financial statements and fiscal 2008 annual financial statements.

### AUDIT COMMITTEE FINANCIAL EXPERT

The Company's Board of Directors does not have an "audit committee financial expert". Mr. Lee Paschall was previously an audit committee financial expert and an independent director, as that term is used in Item 7 (d)(3)(iv) of Schedule 14A under the Securities Exchange Act of 1934. Mr. Paschall died on December 17, 2006 and has not been replaced.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

The Corporation's executive officers and directors are required under Section 16(a) of the Securities Exchange Act of 1934 to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Copies of those reports must also be furnished to the Corporation.

Based solely on a review of the copies of reports furnished to the Corporation and discussions with the Corporation's executive officers and directors, the Corporation believes that during the preceding year, all filing requirements applicable to executive officers and directors were met.

**CODE OF CONDUCT AND ETHICS**

We have adopted a Code of Conduct and Ethics ("Code") that applies to all of the Company's employees. The Code is located on the Company's website (www.gdc.com). Any amendments or waivers to the Code will be promptly disclosed on our website as required by applicable laws, rules and regulations of the Securities and Exchange Commission.

**ITEM 11. EXECUTIVE COMPENSATION**

Reference is made to Item 1A of this Report on Form 10-K to the discussion of Risk Factors, relating to the ability of certain persons or groups to elect designees to the Board of Directors which could result in a change in control.

The following Summary Compensation Table sets forth the compensation paid or awarded to the named executive officers of the registrant for the fiscal years ended September 30, 2009, 2008 and 2007:

**SUMMARY COMPENSATION TABLE**

| | Annual Compensation | | | | Long Term Compensation | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Awards | | Payouts | |
| Name and Principal Position | Year | Salary | Bonus | Other Amount Compens-ation | Restricted Stock Awards | Securities Underlying Optional SARS | LTIP Payouts | All Other-Compen-sation |
| | ($) | ($) | ($) | ($) | ($) | (#) | ($) | ($) |
| Howard S. Modlin(1) | 2009 | - | - | - | - | - | - | - |
| Chairman of the | 2008 | $ 46,030 | - | $ 1,385 | - | - | - | - |
| Board of Directors and Chief Executive Officer | 2007 | - | - | - | - | - | - | - |
| William G. Henry(2) | 2009 | $ 139,131 | - | $ 2,020 | - | - | - | - |
| Vice President, | 2008 | $ 165,377 | - | $ 8,190 | - | - | - | - |
| Finance and Administration and Chief Financial Officer | 2007 | $ 151,592 | - | $ 8,190 | - | - | - | - |
| George M. Gray(2) | 2009 | $ 128,157 | - | $ 470 | - | - | - | - |
| Vice President, | 2008 | $ 153,843 | - | $ 7,545 | - | - | - | - |
| Operations and Chief Technology Officer | 2007 | $ 139,630 | - | $ 7,545 | - | - | - | - |

(1) Except for a four week period in 2008, Mr. Modlin has served without salary or bonus since he assumed such positions in November 2001 following the death of the Company's founder and Chairman, Charles P. Johnson. The Company is paying the annual premium on a $5,000,000 life insurance policy which the Company owns, on Mr. Modlin's life at an approximate annual cost of $45,400. Such amounts are not included in All Other Compensation as the Company is the owner of said policy.

(2) Mr. Henry became Vice President, Finance and Administration in April 2003. He was elected Vice President, Finance and Chief Financial Officer in fiscal 1999. Mr. Gray became an executive officer on September 15, 2003.

(3) Other Annual Compensation is comprised of the following:

| | | Car Allowance | Term Life Insurance | Commissions | Total |
|---|---|---|---|---|---|
| Howard S. Modlin | 2009 | $ - | $ - | - | $ - |
| | 2008 | 1,385 | - | - | 1,385 |
| | 2007 | - | - | - | - |
| William G. Henry | 2009 | - | 2,020 | - | 2,020 |
| | 2008 | 6,900 | 1,290 | - | 8,190 |
| | 2007 | 6,900 | 1,290 | - | 8,190 |
| George M. Gray | 2009 | - | 470 | - | 470 |
| | 2008 | 6,900 | 645 | - | 7,545 |
| | 2007 | 6,900 | 645 | - | 7,545 |

Reference is made to Notes 3, 4 and 12 in the Notes to Consolidated Financial Statements in Item 8 of this Report on Form 10-K for description of related party transactions and loans and receivables purchases made by Messrs. Modlin and Segall to the Company:

**The following table sets forth certain summary information covering each exercise of stock options to purchase the Company's common stock during the fiscal year ended September 30, 2009 by each of the named executive officers and the value of unexercised options as of September 30, 2009:**

**AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION/SAR VALUES**

| | | | Number of Securities Underlying Unexercised Options at Fiscal Year End (#) | | Value of Unexercised In-The–Money Options at Fiscal Year-End ($) | |
|---|---|---|---|---|---|---|
| **Name** | **Shares Acquired on Exercise (#)** | **Value Realized ($)** | **Exercisable** | **Unexercisable** | **Exercisable** | **Unexercisable** |
| Howard S. Modlin, CEO | 0 | 0 | 1,102,844 | 1,102,240 | 0 | 0 |
| William G. Henry | 0 | 0 | 72,056 | 60,000 | 0 | 0 |
| George M. Gray | 0 | 0 | 73,000 | 60,000 | 0 | 0 |

**The following table sets forth that there were no awards made to each named executive officer during the fiscal year ended September 30, 2009 under any Long-Term Incentive Plan ("LTIP"):**

**LONG-TERM INCENTIVE PLANS – AWARDS IN LAST FISCAL YEAR**

| Name | Number of Shares # | Preference or Other Period Until Maturities or Payment | Estimated Future Payouts Under Non-Stock Price-Based Plans Threshold | Target | Maximum |
|---|---|---|---|---|---|
| **Howard S. Modlin, CEO** | **None** | **-** | **-** | **-** | **-** |
| **William G. Henry** | **None** | **-** | **-** | **-** | **-** |
| **George M. Gray** | **None** | **-** | **-** | **-** | **-** |

**Director Compensation**

No fees were paid to Directors for attendance at Board and Committee Meetings for the fiscal year ended September 30, 2009.

**Employment Contracts**

The Company has no employment contracts with any of its executives.

**Stock Option Plans**

Under the terms of the Company's Stock Option Plans in effect prior to 2003, officers and key employees under those plans selected by the Chairman of the Board or the Stock Option Committee, as the case may be, may be granted incentive stock options at an exercise price equal to or greater than the fair market value per share on the date of grant and non-incentive stock options at an exercise price equal to, greater than or less than the fair market value per share on the date of grant. While individual options can be issued under various provisions, options cannot be exercised during the first year, generally vest in increments of 25% per year over a four-year period and expire within ten years for outstanding options granted under the older plans. The Chairman or the Stock Option Committee, as the case may be, determines the number of stock options to be granted to any person, subject to the limitations on incentive stock options in Section 422A of the Internal Revenue Code of l986, as amended ("Code").

On September 15, 2003 the Company adopted the 2003 Stock and Bonus Plan ("2003 Plan") reserving 459,268 shares of Class B stock and 459,268 shares of common stock for grant by the Stock Option Committee of the Board of Directors. The 2003 Plan provides for outright stock grants, conditional stock grants and non-incentive stock options.

On January 26, 2005, the Board of Directors adopted the 2005 Stock and Bonus Plan ("2005 Plan") covering 1,200,000 shares of common stock, and the Stock Option Committee authorized certain options pursuant to the 2005 Plan. The provisions of the 2005 Plan are similar to the 2003 Plan except that no shares of Class B stock are authorized under the 2005 Plan.

On October 11, 2007, the Stock Option Committee of the Board of Directors granted stock options pursuant to the Corporation'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 each of 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 options granted under the Plan to purchase 551,121 shares at $.275 a share. All such options vest in increments of 20% a year over a five year period and expire ten years after grant.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following table sets forth information as of November 30, 2009 with respect to the beneficial ownership of the Corporation’s Class B stock and common stock by all persons known by the Corporation to own more than 5% of the Corporation’s outstanding Class B stock or common stock who are deemed to be such beneficial owners of the Corporation's Class B stock or common stock under Rule 13d-3. The Percent of Class and Percent of All Classes presented are based upon shares outstanding on November 30, 2009 and all outstanding options and warrants are at exercise prices that are higher than the market price for common stock on November 30, 2009. Class B stock is convertible into common stock at any time on a share-for-share basis.

| Title of Class | Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership | Percent of Class | Percent of All Classes |
|---|---|---|---|---|
| Class B Stock, $.01 par value | Howard S. Modlin<br>General DataComm<br>Naugatuck, CT 06770 | 459,943(1) | 72.5% | 5.1% |
| Common Stock, $.01 par value | Howard S. Modlin<br>General DataComm<br>Naugatuck, CT 06770 | 4,545,487(1) | 56.6% | 57.8% |
| Common Stock, $.01 par value | John L. Segall<br>General DataComm<br>Naugatuck, CT 06770 | 1,209,147(2) | 25.9% | 22.8% |

(1) The amount of common stock beneficially owned by Howard S. Modlin includes the following: 9,053 shares owned by Mr. Modlin’s law firm pursuant to Rule 13d-3, 909,090 shares deemed owned on exercise of a seven year warrant at $.275 a share issued April 20, 2006, 2,084,204 shares deemed owned on exercise of a seven year warrant at $.575 a share issued December 9, 2005, 551,121 shares at $.61 per share deemed owned pursuant to an option granted January 26, 2005, 440,897 shares at $.50 a share under an option granted November 22, 2005, 330,673 shares under an option granted October 10, 2006 and 220,449 shares at $.275 a share under an option granted October 11, 2007. The amount of common stock and Class B stock does not include an aggregate of 93,324 shares of common and Class B stock, or 2.26% of the outstanding shares consisting of (i) 11,200 shares of common stock and 3,400 shares of Class B stock owned by Mr. Modlin’s wife, the beneficial ownership of which Mr. Modlin disclaims, and (ii) an aggregate of 11,062 shares, held as trustee for the benefit of one child of Charles P. Johnson, the Company’s former Chairman, of which Mr. Modlin is the sole trustee, the beneficial ownership of which Mr. Modlin disclaims. Such shares held as trustee consist of 7,842 shares of Class B stock convertible into a like number of shares of common stock, 2,304 shares of common stock and an additional 916 shares of common stock if 5,000 shares of the Company’s 9% Cumulative Convertible Exchangeable Preferred Stock are converted into common stock at $136.50 per share. In calculating the aforesaid percentage of excluded shares, the amount of 1,832 shares acquirable on conversion is added to the shares of the Company outstanding at September 30, 2009. The 58.3% of common stock deemed owned is obtained by dividing the number of common stock shares deemed owned by the outstanding common stock increased by adding all shares acquirable on exercise or conversion in the next 60 days. The balance of the shares under the stock options granted January 25, 2005, November 22, 2005 and October 10, 2006 are not included because no such shares may be acquired in the next 60 days. All such exercise prices of warrants and options are substantially higher than the market price for the common stock of $.03 per share on November 30, 2009.

(2) Pursuant to Rule 13d-3, 1,100,047 shares of common stock are deemed owned by Mr. Segall on the exercise of a seven year warrant issued December 9, 2005, 30,000 shares pursuant to an option granted January 26, 2005 at $.55 per share, 24,000 shares pursuant to an option granted November 22, 2005 at $.45 a share, 18,000 shares pursuant to an option granted October 10, 2006 at $.18 a share and 12,000 shares pursuant to an option granted October 11, 2007 at $.25 a share.

Each director and each executive officer listed in the Summary Compensation Table in Item 11 of this Form 10-K has advised the Corporation that, as of November 30, 2009 he or she owned beneficially, directly or indirectly, securities of the Corporation in the amounts set forth opposite his or her name as follows:

| Name | Shares of Common Stock Owned | Percent of Class | Shares of Class B Stock Owned (1) | Percent of Class | Percent of All Classes |
|---|---|---|---|---|---|
| Howard S. Modlin | 4,545,487(2) | 56.6% | 459,943 | 72.5% | 57.8% |
| John L. Segall | 1,209,147(3) | 25.9% | - | - | 22.4% |
| William G. Henry | 119,250(4) | 3.3% | - | - | 2.8% |
| George M. Gray | 122,000(5) | 3.4% | - | - | 2.9% |
| Aletta Richards | 84,000(6) | 2.4% | - | - | 2.0% |
| Directors and Officers as a group (5 individuals) | 6,079,884(7) | 64.1% | 459,943 | 72.5% | 64.6% |

(1) The Class B stock is convertible into common stock at any time on a share-for-share basis.

(2) See Note 1 to preceding table listing all persons known to own more than 5% of the Corporation’s common stock or Class B stock.

(3) See Note 2 to preceding table listing all persons known to own more than 5% of the Corporation’s common stock or Class B stock.

(4) Includes 25,000 shares owned by Mr. Henry and 94,250 shares which Mr. Henry could acquire by the exercise of stock options within sixty (60) days.

(5) Includes 25,000 shares owned by Mr. Gray and 97,000 shares which Mr. Gray could acquire by the exercise of stock options within sixty (60) days.

(6) Includes 84,000 shares which Ms. Richards could acquire by the exercise of stock options within sixty (60) days.

(7) Includes 75,100 shares of common stock owned by persons in the group, 1,902,390 shares of common stock which persons in the group have the right to acquire by the exercise of stock options within sixty (60) days, 9,053 shares of common stock held by Mr. Modlin’s law firm, 2,084,204 shares acquirable by Mr. Modlin on exercise of a warrant at $0.575, 909,090 shares acquirable by Mr. Modlin on exercise of a warrant at $0.275 a share and 1,100,047 shares acquirable by Mr. Segall on exercise of a warrant at $0.575 a share. Does not include 3,400 shares of Class B Stock and 11,200 shares of common stock owned directly by members of the directors’ and officers’ immediate families, the beneficial ownership of which they disclaim. Also does not include 7,842 shares of Class B stock and 2,304 shares of common stock beneficially held in trusts for children of Charles P. Johnson, the Company’s former Chairman, of which Mr. Modlin is the sole trustee, the beneficial ownership of which Mr. Modlin disclaims.

Equity Compensation Plan Information

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted-average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans |
|---|---|---|---|
| Equity compensation plans approved by security holders | 3,006 | $ 26.88 | None |
| Equity compensation plans not approved by security holders | 3,226,147 | 0.49 | 567,326 |
| Total | 3,229,153 | $ 0.52 | 567,326 |

Officers and key employees may be granted incentive stock options at an exercise price equal to or greater than the market price on the date of grant and non-incentive stock options at an exercise price equal to 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. Under the terms of these stock option plans, the Company has reserved a total of 567,326 shares of common stock at September 30, 2009.

The 2003 Stock and Bonus Plan also provides for outstanding grants of stock as described in Note 12 to the consolidated financial statements. Officers, directors and employees are eligible for such grants under such plan.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Mr. Howard Modlin, Secretary and a Director of the Company since 1969 and Chairman of the Board of Directors of the Company since November 2001 and currently Chairman, President and Chief Executive Officer, is also President of the law firm of Weisman Celler Spett & Modlin, P.C. ("WCSM") to whom the Company was indebted for legal services of $2,179,000 for work performed prior to the Company's bankruptcy filing in November 2001 and in settlement for which the Company issued subordinated debentures. The bankruptcy court also approved $294,000 for work performed by WCSM while the Company operated in bankruptcy (prior to September 15, 2003). Furthermore, the Company was indebted to Mr. Modlin for fees for Company director meetings for which he received subordinated debentures in the total amount of $16,400. Thereafter, WCSM agreed to work on a specific litigation matter on a contingency basis (see Note 16). WCSM has outstanding amounts owed totaling $1,575,000 for work performed for the Company between September 15, 2003 and September 30, 2009.

On September 30, 2003 the Stock Option Committee of the Board of Directors awarded Mr. Modlin 459,268 shares of the Corporation's Class B stock and Lee M. Paschall and John L. Segall, Directors, 25,000 shares each of the Corporation's common stock, all subject to registration restrictions. Refer to Note 12, "Employee Incentive Plans" for further discussion. Messrs. Segall and Paschall respectively received subordinated debentures in the total amount of $19,900 and $17,900 in payment for directors fees for Company director meetings they attended prior to November 2001. In addition, Messrs. William G. Henry, Vice President, Finance and Administration, and George M. Gray, Vice President, Manufacturing and Engineering, have been issued subordinated debentures for services and bonuses prior to the Company's bankruptcy filing in the amounts of $125,000 and $50,000, respectively.

**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 amount 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. Mr. Modlin received a seven year warrant expiring April 19, 2013 to purchase 909,000 shares of common stock at $0.275 per share.

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 in the amounts of $175,000, $75,000, $110,000, $175,000 and $250,000 respectively. Such loans bear interest at the annual rate of 10%. The loan made on July 9, 2008 was repaid on July 17, 2008. (See Note 4 for reference to receivables and other purchases made by Mr. Modlin from the Company).

Accrued interest on all such loans amounted to $374,926 and $111,866 at September 30, 2009 and 2008, respectively. All loans made by Mr. Modlin and Mr. Segall are collateralized by all the assets of the Company.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The audits for the years ended September 30, 2009 and 2008 have not been performed and, due to the Company's limited financial resources to pay audit fees, no auditor has been appointed. Therefore, there were no fees incurred to date for audit work, audit-related work or tax work for the year ended September 30, 2009. The only accounting fees billed for the year ended September 30, 2008 were for quarterly review and other services performed by Eisner LLP, prior to its resignation as the Company's principal accounting firm, in the amount of $40,948.

**Pre-Approval Policies and Procedures for Audit and Permitted Non-Audit Services.**

The Audit Committee has a policy of considering and, if deemed appropriate, approving, on a case by case basis, any audit or permitted non-audit services proposed to be performed by the Company's independent auditor in advance of the performance of such service. These services may include audit services, audit-related services, tax services and other services. The Audit Committee has not implemented a policy or procedure which delegates the authority to approve, or pre-approve, audit or permitted non-audit services to be performed by the Company's independent auditor. In connection with making any pre-approval decision, the Audit Committee must consider whether the provision of such permitted non-audit services by the Company's independent auditor is consistent with maintaining such firm's status as the Company's independent auditors.

PART IV

## ITEM 15. EXHIBITS

| Exhibit No. | Description |
|---|---|
| 3.1 | Corrected Certificate of Amended and Restated Certificate of Incorporation of the Corporation [1] |
| 3.2 | Amended By-Laws of the Corporation [2] |
| 4.1 | Certificate of the Powers, Designation, Preferences, Rights and Limitations of 9% Cumulative Convertible Exchangeable Preferred Stock [3] |
| 4.2 | Indenture dated September 15, 2003 covering issued 10% Adjustable Senior Sub-ordinated Debentures due 2007 [4] |
| 4.3 | Promissory Notes in the amounts of $343,315.07, $143,047.95, $146,164.38, $286,095.84 and $279,794.52, issued to Howard S. Modlin [5] |
| 4.4 | Promissory Notes in the amounts of $343,315.07, $143,047.95 and $146,164.38 issued to John L. Segall [6] |
| 4.5 | Warrant issued to Howard S. Modlin [7] |
| 4.6 | Warrant D-2 issued to Howard S. Modlin [8] |
| 4.7 | Warrant D-3 issued to John L. Segall[9] |
| 4.8 | Promissory Note in the amount of $250,000 issued to Howard S. Modlin[10] |
| 4.9 | Warrant D-4 issued to Howard S. Modlin[11] |
| 4.10 | Promissory Notes in the amounts of $125,000 and $100,000 issued to Howard S. Modlin[12] |
| 10.1 | 2003 Stock and Bonus Plan, as amended [13] |
| 10.2 | Form of Stock Option to employees [14] |
| 10.3 | Form of Stock Option to Directors [15] |
| 10.4 | Additional Senior Security Agreement [16] |
| 10.5 | 1998 Stock Option Plan, as amended [17] |

| | |
|---|---|
| 10.6 | 2005 Stock Option Plan, as amended [18] |
| 10.7 | Retirement Savings and Deferred Profit Sharing Plan, and related amendments [19] |
| 10.8 | Subordinated Security Agreement dated September 15, 2003 [20] |
| 10.9 | Open End Mortgage in favor of Atlas Partners Mortgage Investors, LLC as amended [21] |
| 10.10 | First Amendment to Open End Mortgage [22] |
| 10.11 | Mortgage Note in favor of Atlas Partners Mortgage Investors, LLC [23] |
| 10.12 | Receivable Sales Agreement as amended [24] |
| 10.13 | Open-End Mortgage Deed (filed herewith) |
| 10.14 | First Modification of Open-End Mortgage Deed (filed herewith) |
| 10.15 | Eleventh Amendment to Additional Senior Security Agreement dated October 1, 2008 (filed herewith) |
| 10.16 | $250,000 Negotiable Promissory Note dated October 1, 2008 (filed herewith) |
| 14.1 | Code of Conduct and Ethics [25] |
| 21 | Subsidiaries of the Registrant |
| 31.1 | Rule 13a-15(e)/15d-15(e) Certification by Chief Executive Officer. |
| 31.2 | Rule 13a-15(e)/15d-15(e) Certification by Chief Financial Officer. |
| 32.1 | Section 1350 Certification by Chief Executive Officer. |
| 32.2 | Section 1350 Certification by Chief Financial Officer. |

Exhibit footnotes

1 Incorporated by reference to Exhibit 3.1 to Form 10KSB for year ended September 30, 2005
2 Incorporated by reference to Exhibit 3.2 to Form 8-K/A dated September 18, 2003.
3 Incorporated by reference to Exhibit 4 to Form dated October 8, 1996.
4 Incorporated by reference to Exhibit 4.1 to Form 8-K dated September 17, 2003.
5 Incorporated by reference to Exhibits 10.2, 10.4, 10.6, 10.8 and 10.9 to Form 8-K dated December 14, 2005.
6 Incorporated by reference to Exhibits 10.3, 10.4 and 10.5 to Form 8-K dated December 14, 2005.
7 Incorporated by reference to Exhibit 10.3 to Form 8-K dated October 4, 2004.
8 Incorporated by reference to Exhibit 4.1 to Form 8-K dated December 14, 2005
9 Incorporated by reference to Exhibit 4.2 to Form 8-K dated December 14, 2005
10 Incorporated by reference to Exhibit 10.2 to Form 8-K dated April 25, 2006
11 Incorporated by reference to Exhibit 4.1 to Form 8-K dated April 25, 2006
12 Incorporated by reference to Exhibits 10.2 and 10.3 to Form 8-K dated March 14, 2007
13 Incorporated by reference to Exhibit 10.1 to Form 10-K for the year ended September 30, 2007
14 Incorporated by reference to Exhibit 4.3 to Registration Statement No. 333-131964
15 Incorporated by reference to Exhibit 4.4 to Registration Statement No. 333-131964

16 Incorporated by reference to Exhibit 10.1 to Form 8-K dated January 8, 2004. The Eighth Amendment thereto incorporating all prior amendments is incorporated by reference to Exhibit 10.1 to Form 8-K dated March 9, 2007.
17 Incorporated by reference to Exhibit 10.6 to Form 10-K for the year ended September 30, 2007
18 Incorporated by reference to Exhibit 10.7 to Form 10-K for the year ended September 30, 2007
19 Incorporated by reference from Form S-8, Registration Statement No. 33-37266. Amendments thereto are incorporated by reference to Exhibit 10.16 to Form 10-Q for the quarter ended December 31, 1996.
20 Incorporated by reference to Exhibit 10.1 to Form 8-K/A dated September 18, 2003.
21 Incorporated by reference to Exhibit 10.1 to Form 8-K dated August 1, 2007.
22 Incorporated by reference to Exhibit 99.2 to Form 8-K dated December 9, 2008.
23 Incorporated by reference to Exhibit 99.2 to Form 8-K dated December 9, 2008.
24 Incorporated by reference to Exhibit 99.2 to Form 8-K dated October 27, 2008. Amendment dated April 15, 2009 is filed herewith.
25 Incorporated by reference to Exhibit 14.1 to Form 10-K for year ended September 30, 2003.

**SIGNATURES**

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

| Signature | Title | Date |
|---|---|---|
| /s/ HOWARD S. MODLIN<br>HOWARD S. MODLIN | Chairman of the Board and<br>Chief Executive Officer | January 13, 2010 |
| /s/ WILLIAM G. HENRY<br>WILLIAM G. HENRY | Vice President,<br>Finance & Administration,<br>Chief Financial Officer | January 13, 2010 |
| /s/ JOHN L. SEGALL<br>JOHN L. SEGALL | Director | January 13, 2010 |
| ALETTA RICHARDS | Director | January 13, 2010 |

Exhibit 21

**General DataComm Industries, Inc.**
**Subsidiaries of the Registrant**

| Subsidiaries | State or Jurisdiction of Incorporation | Percentage of Voting Securities Owned |
|---|---|---|
| General DataComm, Inc. | Delaware | 100% |
| GDC Federal Systems, Inc. | Delaware | 100% |
| GDC Naugatuck, Inc. | Delaware | 100% |
| General DataComm France SARL (inactive status) | France | 100% |

AMENDMENT NUMBER ONE DATED APRIL 15, 2009 TO
RECEIVABLE SALES AGREEMENT

Dated as of October 24 2008
between
General DataComm, Inc., having an office at
6 Rubber Avenue, Naugatuck, CT 06770, as Seller
and
Howard S. Modlin, having an office at
445 Park Avenue, New York, NY 10022, as Buyer

WHEREAS, Seller and Buyer entered into a Receivables Sales Agreement dated October 24, 2008 (the "Agreement") and desire to amend the Agreement

NOW, THEREFORE in consideration of the premises and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1.1 Notwithstanding anything contained in the Agreement to the contrary, the definitions of Receivable and Additional Receivables include accounts receivable to be invoiced pursuant to customer purchase orders ("Open Purchase Orders") which may be purchased by Buyer hereunder.

Section 1.2 Seller covenants and agrees to timely fulfill such Open Purchase Orders in accordance with their terms and to supply Buyer with the appropriate invoice numbers so issued as well as to appropriately designate them as sold to Buyer as provided in the Agreement. Seller shall be responsible and shall have sole liability and obligation to fulfill and perform such Open Purchase Orders and shall pay all costs and expenses in doing so, including but not limited to material and other component costs, and shall indemnify and hold Buyer harmless therefrom. Seller further covenants and agrees that the representation and warranty as to Invoices in Section 2.1(p) will be true and correct on the date of such issuance as to Invoices for Receivables and Additional Receivables, issued pursuant to Open Purchase Orders which may be purchased by Buyer hereunder.

1.3 All other terms and conditions of the Agreement remain in full force and effect without amendment.

Section 1.4. This amendment to the Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

GENERAL DATACOMM, INC.

By /s/ William G. Henry

Name: William G. Henry

Title: Vice President

/s/ Howard S. Modlin

Howard S. Modlin

Exhibit 31.1

CERTIFICATION

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-K (the "Report") of the Company.

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 controls 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 year that has materially affected,or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

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.

/s/ Howard S. Modlin

Date: January 13, 2010

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

Exhibit 31.2

CERTIFICATION

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-K (the "Report") of the Company.

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;

   b) 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 controls 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 year that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

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:

   b) 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.

/s/ William G. Henry

Date: January 13, 2010

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

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE 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 of General DataComm Industries, Inc. (the "Company"), do hereby certify, to the best of my knowledge that:

(1) Except for the financial statements which are unaudited, the Company's Annual Report on Form 10-K for the year ended September 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-K 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: January 13, 2010

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

Exhibit 32.2

CERTIFICATION OF CHIEF 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, William G. Henry, Vice President, Finance and Administration and Chief Financial Officer of General DataComm Industries, Inc. (the "Company"), do hereby certify, to the best of my knowledge that:

(1) Except for the financial statements which are unaudited, the Company's Annual Report on Form 10-K for the year ended September 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-K 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.

/s/ William G. Henry

Date: January 13, 2010

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