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

FORM 10-Q/A
(Amendment No. 1)

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

For the quarterly period ended March 31, 2004   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 No.)

6 Rubber Avenue, Naugatuck, Connecticut 06770
(Address of principal executive offices, including zip code)

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes [ ] No [X]

Applicable only to Registrants involved in bankruptcy proceeding during the preceding five years:

Indicate by check mark whether the Registrant has filed all documents and reports required to be filed by Section 12, 13 or 15 (d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by the Court. Yes [X] No [ ]

Number of shares of Common Stock and Class B Stock outstanding
as of April 30, 2004:

3,303,872 Shares of Common Stock
664,978 Shares of Class B Stock

<PAGE>

GENERAL DATACOMM INDUSTRIES, INC.

INDEX TO QUARTERLY REPORT ON FORM 10-Q

PART I	FINANCIAL INFORMATION	Page
Item 1.	Financial Statements (unaudited):	
	Condensed Consolidated Balance Sheets as of March 31, 2004 and September 30, 2003	3
	Condensed Consolidated Statements of Operations for the Three Months and Six Months Ended March 31, 2004 and 2003.	4
	Condensed Consolidated Statements of Cash Flows for the Three Months and Six Months Ended March 31, 2004 and 2003.	5
	Notes to the Condensed Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	10
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	25
Item 4.	Controls and Procedures	26
PART II	OTHER INFORMATION	
Item 5.	Exhibits and Reports on Form 8-K	27

EXPLANATORY NOTE:

This Form 10-Q/A Amendment is being filed to correct financial statements and footnotes for numbers that were inadvertently transposed.

<PAGE>

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	2004 (Unaudited)	September 30, 2003*
Assets:		
Current assets:		
Cash and cash equivalents	$ 998	$ 2,113
Restricted cash	--	325
Accounts receivable, less allowance for doubtful accounts of $677 at March and $514 at September	3,712	3,431
Notes receivable, net	25	136
Inventories	4,580	4,744
Other current assets	370	877
Total current assets	9,685	11,626
Property, plant and equipment, net	4,244	4,309
Other assets	--	4
Total Assets	$ 13,929	$ 15,939
Liabilities and Stockholders' Deficit:		
Current liabilities:		
Current portion of long-term debt	$ 3,000	$ 3,000
Accounts payable	1,688	1,579
Accrued payroll and payroll-related costs	651	1,104
Other current liabilities	7,012	7,544
Total current liabilities	12,351	13,227
Long-term debt, less current portion	35,431	36,817
Other liabilities	2,976	2,654
	50,758	52,698
Commitments and contingencies	--	--
Redeemable 5% preferred stock, par value $1.00 per share; issued and outstanding: no shares at March 31 and 73,000 shares at September 30	--	1,825
Stockholders' deficit:		
Preferred stock, par value $1.00 per share, 2,000,000 shares authorized, none outstanding; 9% preferred stock, par value $1.00 per share, 800,000 shares authorized, 787,900 shares issued and outstanding; $26.3 million liquidation preference at March 31, 2004	788	788
Class B common stock, par value $.01 per share, 10,000,000 shares authorized; 664,978 shares issued and outstanding	7	7
Common stock, par value $.01 per share, 50,000,000 shares authorized; 3,305,833 shares issued	33	33
Capital in excess of par value	198,312	196,487
Accumulated deficit	(235,824)	(235,754)
Common stock held in treasury, at cost; 1,961 shares	(145)	(145)
Total Stockholders' Deficit	(36,829)	(38,584)
Total Liabilities and Stockholders' Deficit	$ 13,929	$ 15,939

* Derived from the Company's audited consolidated balance sheet at September 30, 2003.

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

<PAGE>

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

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	Three Months Ended March 31,		Six Months Ended March 31,	
	2004	2003	2004	2003
<S>	<C>	<C>	<C>	<C>
Net sales	$ 4,094	$ 5,983	$ 9,195	$ 10,839
Cost of sales	1,696	3,014	3,875	5,283
Gross profit	2,398	2,969	5,320	5,556
Operating expenses:				
Selling, general and administrative	1,693	1,676	3,602	3,453
Research and product development	687	761	1,454	1,550
	2,380	2,437	5,056	5,003
Operating income	18	532	264	553
Other income (expense):				
Interest expense	(886)	(1,110)	(1,790)	(2,266)
Gain on legal settlement	--	--	--	2,450
Other, net	41	120	137	173
	(845)	(990)	(1,653)	357
Income (loss) before reorganization items and income taxes	(827)	(458)	(1,389)	910
Reorganization items:				
Professional fees	--	(686)	--	(1,137)
Claims settlements	1,330	6	1,330	6
Income (loss) before income taxes	503	(1,138)	(59)	(221)
Income tax provision	6	37	11	74
Net income (loss)	497	(1,175)	(70)	(295)
Less: dividends applicable to preferred stock	(443)	(478)	(894)	(956)
Net income (loss) applicable to common and Class B stock	$ 54	$ (1,653)	$ (964)	$ (1,251)
Basic and diluted earnings (loss) per share	$ .01	$ (0.49)	$ (0.24)	$ (0.37)
Weighted average number of common and Class B shares outstanding:				
Basic	3,968,850	3,400,138	3,963,668	3,400,138
Diluted	4,162,687	3,400,138	3,963,668	3,400,138

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

<PAGE>

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2004	2003	2004	2003
Cash flows from operating activities:				
Net income (loss)	$ 497	$(1,175)	$ (70)	$ (295)
Adjustments to reconcile net income (loss) to net cash (used) provided by operating activities:				
Depreciation and amortization	49	45	94	90
Gains on claim settlements	(1,330)	--	(1,330)	--
Changes in:				
Accounts receivable	313	(403)	(281)	(97)
Inventories	86	767	164	657
Accounts payable	159	(328)	109	61
Accrued payroll and payroll-related costs	(185)	175	(360)	73
Other net current assets	(285)	405	1	1,042
Other net long-term assets	643	3	928	8
Net cash (used) provided by operating activities	(53)	(511)	(745)	1,539
Cash flows from investing activities:				
Acquisition of property, plant and equipment, net	(14)	(2)	(29)	(6)
Notes receivable collections	--	489	111	857
Net cash (used) provided by investing activities	(14)	487	82	851
Cash flows from financing activities:				
Proceeds from notes payable to related parties	500	--	1,100	--
Principal payments on term loan obligation, net	(823)	(622)	(1,877)	(3,683)
Net cash used by financing activities	(323)	(622)	(777)	(3,683)
Net decrease in cash and cash equivalents	(390)	(646)	(1,440)	(1,293)
Cash and cash equivalents, beginning of period	1,388	2,588	2,438	3,235
Cash and cash equivalents, end of period	$ 998	$ 1,942	$ 998	$ 1,942
Supplemental disclosures of cash flow information:				
Cash paid during the period for:				
Interest	$ 244	$ 1,110	$ 501	$ 2,266
Income taxes	$ 1	$ --	$ 17	$ --
Reorganization items	$ 160	$ 326	$ 413	$ 1,121

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

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

Note 1 - Basis of Presentation, Liquidity and Recent Developments

The accompanying unaudited interim condensed consolidated financial statements of General DataComm Industries, Inc. (the "Company" or "GDC") have been prepared in accordance with generally accepted accounting principles for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for year end financial statements. In the opinion of management, these statements include all adjustments, consisting of normal and recurring adjustments, considered necessary for a fair presentation of the results for the periods presented. The results of operations for the periods presented are not necessarily indicative of results which may be achieved for the entire fiscal year ending September 30, 2004. The unaudited interim condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's annual report on Form 10-K for the fiscal year ended September 30, 2003 as filed with the Securities and Exchange Commission

The accompanying condensed consolidated financial statements were prepared on the basis that the Company will continue as a going concern. The Company has no current line of credit and limited ability to borrow additional funds. In recent months it has had to rely on loans from related parties (see Note 4) in order to meet its payment obligations to senior secured lenders. It must therefore fund operations from cash balances and cash generated from operations to pay expenses and monthly payments of principal and interest (currently such principal and interest total approximately $320,000 each month) under its loan and security agreement. At March 31, 2004 the Company had significant outstanding long-term debt obligations ($38.4 million) and priority tax claims ($2.1 million), along with interest thereon. The Company is also required under its loan and security agreement to meet an "EBITDA" (earnings before interest, taxes, depreciation and amortization) financial covenant to avoid an event of default. The Company met the covenant requirement for the quarter-ended March 31, 2004 due in large part to resolution of creditors' claims in the Company's favor in the bankruptcy court. While the Company currently believes that it will also meet the EBITDA covenant requirement for the quarter ending June 30, 2004, there can be no assurance that such covenant will be met for that quarter or thereafter. The failure to meet the covenant requirement may result in a default in which case the senior secured lenders may accelerate payment of the outstanding debt due to them ($15.4 million at March 31, 2004) and have the right to foreclose on their security interests.

In fiscal 2003 and 2002, operations were funded primarily through cash balances on hand and cash generated from operations. Proceeds realized from sales and liquidations of non-core assets were required to pay down the secured debt. In prior years the Company had obtained cash from a combination of loans, convertible debt, and sales of common and preferred stock.

As a result of the Company's potential liquidity and cash flow risks, the Company's independent auditors for fiscal 2003 expressed uncertainty about the Company's ability to continue as a going concern in their opinion on the Company's financial statements.

Management has responded to such risks as part of an ongoing strategy by restructuring the Company's sales force, increasing factory and office shutdown time, containing expenses and reducing the size of the employee workforce. In addition and as mentioned above, from December 30, 2003 through March 31, 2004 the Company obtained an aggregate of $1,100,000 from loans from related parties to be used for general purposes and specifically, to make required payments to

<PAGE>

the Company's secured lenders (see Note 4). The Company also is actively marketing for sale its land and building and pursuing other asset recoveries, the proceeds of which would be used to reduce secured debt and related interest.

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 obtain additional funding sources. The Company's condensed consolidated financial statements do not include any adjustments that may result from the outcome of these uncertainties.

Recent Developments

The Company experienced a slow-down in customer orders in the six months ended March 31, 2004 and through the filing date of this report, primarily from its customer base of large telecommunication carriers. This has resulted in lower revenues in subsequent months.

In response to the lower revenues, on February 11, 2004 the Company announced to employees cost reduction actions, including for all employees a reduction in the work-week to approximately four days or approximately 20% wage or salary reductions for all employees. Such actions were taken to conserve cash and jobs during this slow period. Effective April 19, 2004, a majority of employees were returned to full-time status with a 10% salary reduction.

Note 2 - Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net income available to common stockholders by the 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. Dividends applicable to preferred stock represent accumulating dividends that are not declared or accrued. The following table sets forth the computation of basic and diluted earnings (loss) applicable to common and Class B stock for the three and six months ended March 31, 2004 and 2003 (in thousands, except shares and per share data):

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	Three Months March 31,		Ended Six Months Ended March 31,	
	2004	2003	2004	2003
<S>	<C>	<C>	<C>	<C>
Net income (loss)	$ 497	$ (1,175)	$ (70)	$ (295)
Less: dividends applicable to preferred stock	(443)	(478)	(894)	(956)
Net income (loss) applicable to common and Class B stock	$ 54	$ (1,653)	$ (964)	$ (1,251)
Weighted average number of common and Class B shares outstanding:				
Basic	3,968,850	3,400,138	3,963,668	3,400,138
Effect of potential common stock from the exercise of stock options	193,837	--	--	--
Diluted	4,162,687	3,400,138	3,963,668	3,400,138
Basic and diluted earnings (loss) per share	$ .01	$ (0.49)	$ (0.24)	$ (0.37)
Number of shares subject to option excluded from computation of diluted earnings per share because their effect is anti-dilutive	87,260	53,824	281,490	53,824

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Other outstanding securities not included in the computation of earnings (loss) per share include convertible preferred stock the impact of which impact is anti-dilutive on reported earnings per share, and contingent warrants granted to secured lenders which are issuable only in the event of a default or of certain payment terms not being met (for further discussion of these items, see Note 6 in Item 8 of the Company's annual report on Form 10-K for the fiscal year ended September 30, 2003 as filed with the Securities and Exchange Commission).

Note 3 - Inventories

Inventories consist of (in thousands):

	March 31, 2004	September 30, 2003
Raw materials	$1,364	$ 1,674
Work-in-process	1,410	1,501
Finished goods	1,806	1,569
	$4,580	$ 4,744

Inventories are stated at the lower of cost or market using the first-in, first out method. Reserves in the amount of $3,554,000 and $4,177,000 were recorded at March 31, 2004 and September 30, 2003, respectively, for excess and obsolete inventories. The inventory reserve decreased due to the write-off of certain obsolete inventories.

Note 4 - Long-Term Debt

Long-term debt consists of (in thousands):	March 31, 2004	September 30, 2003
Term Obligation	$ 12,899	$ 14,775
PIK Obligation	2,500	2,500
Notes Payable to Related Parties	1,100	--
Debentures	21,932	22,542
	38,431	39,817
Less current portion	3,000	3,000
	$ 35,431	$ 36,817

Long-term debt matures in amounts totaling $3,000,000 in each of fiscal 2003 and 2004, $4,100,000 in fiscal 2005, $3,000,000 in each of fiscal 2006 and 2007, and $22,331,000 in fiscal 2008. The decrease in the Debentures was due to the Company settling claims through the bankruptcy proceedings.

Term Obligation, PIK Obligation and Debentures

Under the terms of the loan and security agreement which became effective September 15, 2003, minimum payments under the Term Obligation are $250,000 per month, or $3,000,000 per year, and interest is payable monthly at the annual rate of 7.25% through December 31, 2003, and thereafter at the greater of (i) 7.25% and (ii) the prime rate plus 2.5%. In addition, proceeds from the potential sales of non-core assets and certain other proceeds must be used to reduce the term obligation.

The Company also entered into a loan in the original principal amount of $5 million, subject to adjustment, due December 31, 2007 (the "PIK Obligation"). Interest accrues at the same rates as the Term Obligation. The outstanding principal and accrued interest thereon shall be forgiven in increments of $1.25 million if payments on the Term Obligation are made in the amount of $5 million by June 30, 2003, of $10 million by December 31, 2003, of $15 million by June 30, 2004 and the balance by December 31, 2004. Since by September 30, 2003 payments on the Term Obligation of more than $10 million were made, the current balance owing on the PIK Obligation was reduced to $2.5 million, plus accrued interest, in the accompanying condensed consolidated balance sheets at September

<PAGE>

30, 2003 and March 31, 2004. Debentures with principal and interest due in fiscal 2008 were issued to unsecured creditors as part of the Company's Plan of Reorganization.

For further details of the loan and security agreement and a description of the Term Obligation, PIK Obligation and Debentures, see Note 6, "Reorganization Plan and Emergence from Chapter 11" included in Item 8 of the Company's annual report on Form 10-K for the year ended September 30, 2003 as filed with the Securities and Exchange Commission.

Convertible Note to Related Parties

On December 30, 2003, pursuant to authorization by the Board of Directors and amendment of the New Loan Agreement, the Company borrowed $300,000 from each of Howard S. Modlin, Chairman of the Board, and John L. Segall, a Director, for working capital purposes. The loans are for two years payable on December 29, 2005 and bear interest at the rate of 10% per annum payable monthly accruing immediately, but with payments commencing May 1, 2004. The notes are convertible at the option of the holder into common stock at a conversion price of $2.12 per share and are secured by all the assets of the Company subordinate to the first lien of the Company's senior lenders who hold the Term and PIK obligations. Any shares issued on conversion will not be registered and must be held for investment without a view to distribution. Additional secured loans subordinate to the first lien of the Company's senior lenders, of $125,000 each, were made by Messrs. Modlin and Segall on March 1, 2004 and March 31, 2004 or an aggregate of $250,000 each and $500,000 in the aggregate. Such loans are likewise for two years payable respectively on February and March 31, 2006 with payment of interest accruing immediately, but commencing on July 1, 2004 and August 1, 2004, respectively, and convertible into common stock at $.8625 and $.5625 per share respectively.

Note 5 - Accounting for Stock-Based Compensation

As permitted under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", the Company has elected to continue to measure costs for its employee stock compensation plans by using the accounting methods prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", which allows that no compensation cost be recognized provided the exercise price of options granted is equal to or greater than fair market value of the Company's stock at date of grant.

Proforma results, representative of financial results which would have been reported by the Company if it had adopted the fair value based method of accounting for stock-based compensation under SFAS No. 123, are summarized below:

	Three Months Ended March 31,		Six Months Ended March 31,	
	(Amounts in thousands, except per share data)			
	2004	2003	2004	2003
Net income (loss), as reported	$ 497	$(1,175)	$ (70)	$ (295)
Less: total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(22)	(19)	(45)	(41)
Proforma net income (loss)	475	(1,194)	(115)	(336)
Less: dividends applicable to preferred stock	(443)	(478)	(894)	(956)
Proforma net income (loss) applicable to common and Class B stock	$ 32	$(1,672)	$(1,009)	$(1,292)
Proforma basic and diluted earnings (loss) per share	$ .01	$ (0.49)	$ (0.25)	$ (0.38)

<PAGE>

The Black-Scholes method was used to compute the proforma amounts presented above. No material stock options or other stock-based employee compensation awards were granted to employees in the three and six month periods ended March 31, 2004 and 2003.

Note 6 - Conversion of 5 % preferred stock

On November 5, 2003, the holder of the remaining 73,000 shares of 5% Preferred Stock surrendered such shares for conversion into 27,097 shares of the Company's Common Stock, which surrender and conversion had the effect of increasing capital in excess of par value and reducing stockholders' deficit by $1,825,000.

Note 7 - 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 in excess of $2,179,000 for work performed prior to November 2001 and in settlement for which the Company issued subordinated debentures. WCSM had filed a claim in the Company's bankruptcy proceedings for $294,000 for work performed between November 2001 and September 15, 2003 during the Company's bankruptcy proceedings which was approved and authorized by the bankruptcy court subsequent to September 30, 2003. The Company has accrued additional estimated WCSM legal fees in the amount of $150,000 for the six months ended March 31, 2004. None of these legal fees have as yet been paid to WCSM for services rendered to the Company. Furthermore, the Company was indebted to Mr. Modlin for fees for Company director meetings he attended prior to November 2001 for which he received subordinated debentures in the total amount of $16,400.

On September 30, 2003 the Stock Option Committee of the Board of Directors awarded Mr. Modlin 459,268 shares of the Company's Class B stock and Lee M. Paschall and John L. Segall, Directors, 25,000 shares each of the Company's Common Stock, all subject to registration restrictions. 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, are scheduled to receive subordinated debentures for past services and bonuses in the amounts of $125,000 and $50,000, respectively.

See Note 4 regarding loans made to the Company by Messrs. Howard Modlin and John L. Segall.

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

Notice Concerning Forward-Looking Statements

The following Management's Discussion and Analysis contains "forward-looking statements" within the meaning of the federal securities laws, including forward-looking statements regarding future sales of our products to our customers, inventory levels, expectations regarding our operating expenses, gross margins, working capital and expenditure requirements and operating requirements. In some cases, forward-looking statements can be identified by the use of terminology such as "may," will, "expects," "intends," "plans," "anticipates," "estimates," "potential," or "continue," or the negative thereof or other comparable terminology. These statements are based on current expectations and projections about our industry and assumptions made by management and are not guarantees of future performance. Although Company management believes that the expectations reflected in the forward-looking

<PAGE>

statements contained herein are reasonable, these expectations or any of the forward-looking statements could prove to be incorrect and actual results could differ materially from those projected or assumed in the forward-looking statements. The Company's future financial condition, as well as any forward-looking statements, are subject to risks and uncertainties, including but not limited to the factors set forth in the "Risk Factors" section elsewhere in this report, as well as in the Company's annual report on Form 10-K for the year ended September 30, 2003 as filed with the Securities and Exchange Commission. Unless required by law, the Company undertakes no obligation to update any forward-looking statements or reasons why actual results may differ.

Overview

The Company is a provider of networking and telecommunications products and services to domestic and international customers. The Company designs, assembles, markets, installs and maintains products and services that enable telecommunications common carriers, corporations and governments to build, upgrade and better manage their global telecommunications networks. Specifically, GDC's switching, routing and LAN extension solutions, networking products including integrated access systems for digital and analog transport and multiplexers for network consolidation, constitute the Company's major product elements.

From 1994 through 2002, the Company incurred significant net losses and as of March 31, 2004 had an accumulated deficit of $235.8 million. A substantial portion of the Company's operating losses have resulted from costs incurred developing and marketing Asynchronous Transfer Mode ("ATM") technology in the former Broadband Systems Division ("BSD").

After implementing a number of restructuring and cost reduction programs in an attempt to better align the Company's operating cost structure with revenues, in 2001 three of the Company's business units were actively marketed for sale with the objective of reducing outstanding debt and providing additional liquidity.

Between June and August 2001, three of the Company's four operating divisions representing a significant portion of the assets of the Company, including BSD, were sold. However, due to the impact of a general economic downturn and a decline in the telecommunication industry in particular, the Company did not realize sufficient proceeds from the sales to satisfy its secured debtors. Revenues of divisions sold constituted 61% of consolidated revenues in fiscal 2001. By the end of fiscal 2001 the number of employees declined to 210 from 1,019 at the beginning of the year. Further cost-saving reductions were implemented in fiscal 2002 and 2003 which reduced headcount to 111 employees at September 30, 2003. The number of employees at March 31, 2004 was 108.

On November 2, 2001 General DataComm Industries Inc. and its domestic subsidiaries ("the Debtors") filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. ss. 101 et seq. (the "Bankruptcy Code") of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware. The Debtors continued in possession of their properties and the management of their business as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

During the year ended September 30, 2002, and in the aftermath of the sales of its business units, the Debtors consolidated their remaining operations into the owned facility in Naugatuck, Connecticut, and downsized their staff and operating assets to more properly reflect current operating requirements for the one remaining business unit.

On April 29, 2003, the Debtors and their secured lenders (the "Lenders") filed their Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code (as amended, the "Plan") and accompanying disclosure statement (the "Disclosure Statement"), both of which set forth the consensual Chapter 11 plan that was agreed upon by and between the Lenders, the Creditors Committee and the Debtors. On June 24, 2003, the Court authorized the Debtors to commence the

<PAGE>

solicitation process for the approval of the Plan including mailing of the Disclosure Statement. On August 5, 2003, the Court entered an order confirming the Plan. The Plan became effective on September 15, 2003.

RESULTS OF OPERATIONS

Net Sales

(in thousands)	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003	Six Months Ended March 31, 2004	Six Months Ended March 31, 2003
Net Sales	$4,094	$5,983	$9,195	$10,839

Net sales for the three months ended March 31, 2004 decreased 32% to $4,094,000 from $5,983,000 reported for the three months ended March 31, 2003. This decrease is attributable to lower unit sales to large telecommunication carrier customers, primarily Bell Canada and (through a distributor to) SBC Communications, Inc. Net sales for the six months ended March 31, 2004 decreased 15% to $9,195,000 from $10,839,000 for the same period of the prior year due primarily to lower unit sales to these same customers.

Net sales declined 20% sequentially from the quarter ended December 31, 2003 and reflects continued weakness in the Company's markets. This decline began in fiscal 2001 due to economic and industry-wide factors affecting the telecommunications industry, including financial constraints affecting customers and over-capacity in our customers' markets. The Company anticipates that the current reduced capital spending levels by its customers will continue to affect sales until there is an overall recovery in the telecommunications market, which market is not expected to significantly change in 2004. Accordingly, the ability to forecast future revenue trends in the current environment is difficult.

Gross Profit

(in thousands)	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003	Six Months Ended March 31, 2004	Six Months Ended March 31, 2003
Gross profit	$2,398	$2,969	$5,320	$5,556
Percentage of revenues	58.6%	49.6%	57.9%	51.3%

Gross profit, as a percentage of sales, in the three months ended March 31, 2004 was 58.6% as compared to 49.6% in the three months ended March 31, 2003. The 9.0% increase in gross profit margin in the three months ended March 31, 2004 was attributable to the sale of obsolete inventories that had previously been written off (+4.5%), to lower material component and subcontractor assembly costs (+7.7%), to sales of higher margined products (+2.3%) offset in part by plant cost inefficiencies associated with lower sales volumes (-5.5%).

Gross profit, as a percentage of sales, in the six months ended March 31, 2004 increased 6.6% to 57.9% from 51.3% in the six months ended March 31, 2003, due to the sale of obsolete inventories that had previously been written off (+2.9%), to lower material component and subcontractor assembly costs (+5.2%), to sales of higher margined products (+1.0%) offset in part by plant cost inefficiencies associated with lower sales volumes (-2.5%).

In future periods, the Company's gross profit will vary depending upon a number of factors, including the mix of products sold, the cost of products manufactured at subcontract facilities, the channels of distribution, the price

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of products 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 profit as a percentage of sales may vary.

Selling, General and Administrative

(in thousands)	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003	Six Months Ended March 31, 2004	Six Months Ended March 31, 2003
Selling, general and administrative	$1,693	$1,676	$3,602	$3,453
Percentage of sales	41.4%	28.0%	39.2%	31.9%

The Company's selling, general and administrative ("SG&A") expenses increased to $1,693,000, or 41.4% of sales in the three months ended March 31, 2004 from $1,676,000, or 28.0% of sales in the three months ended March 31, 2003. The 1.0%, or $17,000 increase in spending in the quarter ended March 31, 2004 was due to higher professional fees ($93,000) substantially offset by lower labor costs due to a shortened work week in effect in 2004, whereas the increase in the percentage of sales was primarily due to the lower base of sales in 2004 versus 2003.

For the six months ended March 31, 2004, SG&A increased to $3,602,000, or 39.2% of sales, from $3,453,000, or 31.9% of sales in the six months ended March 31, 2003. The 4.3%, or $149,000 increase in spending was due to higher sales force travel expenses, higher legal fees and the termination of a tenant's lease which had provided for operating expense reimbursements, all offset in part with lower labor costs resulting from cost containment actions.

Research and Product Development

(in thousands)	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003	Six Months Ended March 31, 2004	Six Months Ended March 31, 2003
Research and product development	$ 687	$ 761	$1,454	$1,550
Percentage of sales	16.8%	12.7%	15.8%	14.3%

Research and product development ("R&D") expenses decreased to $687,000 in the three months ended March 31, 2004 as compared to $761,000 in the three months ended March 31, 2003, due to lower labor costs resulting from a shortened work week implemented in 2004. However, due to the lower sales base, R&D as a percentage of sales increased to 16.8% from 12.7% in these same periods. For the same reason, R&D expenses for the six months ended March 31, 2004 decreased to $1,454,000 from $1,550,000 as compared to the comparable prior year period, while R&D as a percentage of sales increased to 15.8% as compared to 14.3% in the comparable prior year period.

Interest Expense

Interest expense decreased to $886,000 and $1,790,000 in the three and six months ended March 31, 2004, respectively, from $1,110,000 and $2,266,000 in the three and six months ended March 31, 2003, respectively, due to higher adequate protection payments made while the Company operated in Chapter 11 in the prior fiscal year.

Interest is currently required to be paid only on the Term Obligation, which interest payments amounted to $244,000 and $501,000 in the three and six months ended March 31, 2004, respectively, whereas interest is not currently paid on the PIK obligation, Debentures, convertible notes and priority tax claims.

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Other Income (Expense)

Other income for the three months ended March 31, 2004 and 2003 was $41,000 and $120,000, respectively. The 2003 amount includes a $128,000 foreign duty refund.

Other income for the six months ended March 31, 2004 and 2003 was $137,000 and $2,623,000, respectively. The 2003 amount includes $2,450,000 from the settlement of legal claims in favor of the Company and a $128,000 foreign duty refund.

Reorganization Items

Reorganization items in both the three and six months ended March 31, 2004 include $1,330,000 in reduced claims from unsecured creditors in the Company's bankruptcy case due to challenges raised by the Company.

Reorganization items in the three and six months ended March 31, 2003 include professional fees of $686,000 and $1,137,000, respectively, associated with the Company's bankruptcy proceedings, primarily related to the Company's unaffiliated legal advisors and the Creditors' Committee's legal and financial advisors.

Provision for Income Taxes

No federal income tax provisions or tax benefits were provided in the three and six months ended March 31, 2004 and 2003 due to the valuation allowance provided against the net change in deferred tax assets. The Company established a full valuation allowance against its net deferred tax assets due to the uncertainty of realization of benefits of the net operating loss carryforwards from prior years. The Company has federal tax credit and net operating loss carryforwards of approximately $12.2 million and $210.5 million, respectively, as of September 30, 2003. Income tax provisions for the three and six months ended March 31, 2004 and 2003 reflect estimated minimum state taxes.

Liquidity and Capital Resources

(in thousands)	March 31, 2004	September 30, 2003
Cash and cash equivalents	$ 998	$ 2,113
Working capital (deficit)	(2,666)	(1,601)
Total assets	13,929	15,939
Long-term debt, including current portion	38,431	39,817
Total liabilities (excluding redeemable preferred stock)	50,758	52,698

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(in thousands)	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003	Six Months Ended March 31, 2004	Six Months Ended March 31, 2003
Net cash provided (used) by:				
Operating activities	(53)	(511)	(745)	1,539
Investing activities	(14)	487	82	851
Financing activities	(323)	(622)	(777)	(3,683)

Note: Significant risk factors exist due to the Company's limited financial resources and dependence on achieving future positive cash flows in order to satisfy its obligations and avoid a default under its loan and debenture obligations. See "Risk Factors" below for further discussion.

Cash Flows

Net cash used by operating activities totaled $745,000 for the six months ended March 31, 2004 compared to net cash provided by operating activities of $1,539,000 for the six months ended March 31, 2003. Net cash used by operating activities in the current period was due to a net loss before depreciation and amortization and before gains on claims settlements of $1,306,000 compared to a loss of $205,000 in the comparable period in the prior year. The increase in accounts receivable used cash of $281,000 for the six months ended March 31, 2004 compared to $97,000 in the comparable period in the prior year. The decrease in inventories for the six months ended March 31, 2004 provided $164,000 of cash compared to cash provided in the same period last year of $657,000. Accounts payable increased $109,000 in the six-month period ended March 31, 2004 compared to an increase of $61,000 in the comparable period in the prior fiscal year The decrease in accrued payroll due to the timing of payrolls used cash of $360,000 for the six months ended March 31, 2004 compared to cash provided in the same period last year of $73,000. Other changes in the six-month period ended March 31, 2003 included an increase in accrued interest of $1,207,000 primarily for debentures due in 2008, a reduction in accrued professional fees of $781,000 due to payments made for audit and legal work, and a decrease of $503,000 in other net assets. Other changes in the six-month period ended March 31, 2003 included a decrease of $424,000 in assets of discontinued operations, receipt of a customer deposit in the amount of $144,000 and a decrease of $474,000 in other net assets.

Cash provided by investing activities was $82,000 for the six months ended March 31, 2004 compared to $851,000 for the six months ended March 31, 2003. The funds provided by investing activities during the six months ended March 31, 2004 were the result of collections of notes receivable of $111,000, offset by $29,000 used for purchases of property, plant and equipment. For the six months ended March 31, 2003, collections of notes receivable were $857,000 offset by $6,000 used for purchases of property, plant and equipment.

Cash used in financing activities was $777,000 for the six months ended March 31, 2004 as compared to $3,683,000 for the six months ended March 31, 2003. Payments on the term loan obligation were $1,877,000 and $3,683,000 for the six months ended March 31, 2004 and 2003, respectively. Proceeds from the issuance of notes payable to related parties provided $1,100,000 of cash in the six months ended March 31, 2004.

Liquidity

The Company has no current line of credit and limited ability to borrow additional funds and in recent months has had to rely upon loans from related parties in order to meet its payment obligations to senior secured lenders. It must, therefore, fund operations from cash balances and cash generated from operating activities. The Company has significant short-term obligations

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including payment of professional fees and monthly payments of principal and interest (currently such principal and interest total approximately $320,000 each month) under its loan and security agreement. Furthermore, at March 31, 2004 the Company had significant outstanding long-term debt obligations ($38.4 million) and priority tax claims ($2.1 million), along with interest thereon.

The Company's failure to make required payments under its loan and security agreement would constitute an event of default. In addition, the Company is required to meet an "EBITDA" (earnings before interest, taxes, depreciation and amortization) financial covenant to avoid an event of default.

The ability of the Company to meet cash flow and loan covenant requirements is directly affected by the factors described below in the section titled "Risk Factors". There can be no assurance that the Company will be able to avoid a default on its loan and security agreement. The Company met the covenant requirement for the quarter ended March 31, 2004 due in large part to resolution of creditors' claims in the Company's favor in bankruptcy court. While the Company currently believes that it will also meet the EBITDA covenant requirement for the quarter ending June 30, 2004, there can be no assurance that such covenant will be met for that quarter or thereafter. The failure to meet the covenant requirement may result in a default in which case the senior secured lenders may accelerate payment of the outstanding debt ($15.4 million at March 31, 2004) and have the right to foreclose on their security interests which likely would require the Company to again file for bankruptcy protection.

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

In fiscal 2003 and 2002, operations were funded primarily through cash generated from operations. Proceeds realized from sales and liquidations of non-core assets were required to pay down the secured debt. In prior years the Company had obtained cash from a combination of loans, convertible debt, and sales of common and preferred stock.

At March 31, 2004 the Company's principal source of liquidity included cash and cash equivalents of approximately $1.0 million compared to $2.1 million at September 30, 2003. At March 31, 2004, the Company's working capital was a deficit of approximately $2.7 million.

The Company has significant unpaid professional fees (approximately $0.9 million) at March 31, 2004 that are expected to be paid in fiscal 2004. These include independent auditors' fees, and remaining bankruptcy professional fees. In order to meet these and other future payments, the Company's financial projections anticipate that revenue growth combined with minimal inventory and capital asset investment will be required to sustain operations.

Because operating results fluctuate significantly due to decreases in customer demand or decreases in the acceptances of our future products, the Company may

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be unable to generate positive cash flow from operations. Should the need arise, it may become necessary to borrow additional funds or otherwise raise additional capital. However, since the Company does not have any source of additional funds or capital in place, any such requirement could have a material adverse effect on the Company. See the section titled "Risk Factors".

As a result of the potential liquidity and cash flow risks described above, the Company's independent auditors for fiscal 2003 expressed uncertainty about the Company's ability to continue as a going concern in their opinion on the Company's financial statements. Management has responded to such risks as part of an ongoing strategy by restructuring its sales force, increasing factory and office shutdown time, containing expenses and reducing the size of the employee workforce (see the "Recent Developments" section of Note 1 of the Notes to Condensed Consolidated Financial Statements in Item 1 of this Form 10-Q). In addition, on December 30, 2003 the Company obtained $600,000 in loans from related parties to be used for working capital and general purposes and an additional $250,000 on each of March 1, 2004 and March 31, 2004 (see Note 4 of the Notes to Consolidated Financial Statements included in Item 1 in this Form 10-Q). The Company also is actively marketing for sale its land and building and pursuing other asset recoveries, the proceeds of which would be used to reduce secured debt and related interest.

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. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods might be based upon amounts that differ from those estimates. The following represent what the Company believes are among the critical accounting policies most affected by significant management estimates and judgments. See Note 2 to Consolidated Financial Statements in Item 8 of the Company's Annual Report on Form 10-K for the year ended September 30, 2003 as filed with the Securities and Exchange Commission for a summary of the Company's financial accounting policies.

Revenue Recognition. The Company recognizes a sale when the product is shipped and the following four criteria are met upon shipment: (1) persuasive evidence of an arrangement exists; (2) title and risk of loss transfers to the customer; (3) the selling price is fixed or determinable; and (4) 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 stock the Company's products.

Warranty Reserves - The Company offers warranties of various lengths to our customers depending on the specific product and the terms of our 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.

Impairment of Long-Lived Assets and Goodwill. The Company assesses the impairment of long-lived assets and goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable under the

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guidance prescribed by SFAS No.'s 144 and 142, respectively. The Company's long-lived assets include, but are not limited to, real estate, property and equipment and software licenses.

At March 31, 2004 and September 30, 2003, real estate represents the only significant remaining long-lived asset that has not been fully impaired.

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. The Company has possession of inventory from its former Broadband Systems Division that was sold in 2001 which has been written off for financial reporting purposes. If the Company is able to sell inventory in the future that has been previously written off such sales will result in higher than normal gross margin.

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 our actual experience with respect to collections differ from these assessments, there could be adjustments to our allowance for doubtful accounts.

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.

Off Balance Sheet Arrangements. The Company has no off balance sheet arrangements.

RISK FACTORS

THE FOLLOWING IS A DISCUSSION OF CERTAIN FACTORS THAT CURRENTLY IMPACT THE COMPANY'S BUSINESS, OPERATING RESULTS AND/OR FINANCIAL CONDITION AND, AS A RESULT, PAST PERFORMANCE SHOULD NOT BE CONSIDERED TO BE A RELIABLE INDICATION OF FUTURE PERFORMANCE.

GDC Limited Operating History Since Emerging from Bankruptcy. The Company recently emerged from Bankruptcy on September 15, 2003. The Company voluntarily filed for protection under Chapter 11 of the US Bankruptcy Code on November 2, 2001, after incurring seven consecutive years of losses and selling three of its four operating divisions in 2001. Accordingly, an investor in our 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 operating history 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.

Limited Financial Resources and Risk of Default. The Company has virtually no current ability to borrow additional funds. It must, therefore, substantially fund operations from cash balances and cash generated from operating activities. The Company has significant short term obligations including payment of professional fees and monthly payments of principal and interest (currently such principal and interest totals approximately $320,000 per month) under its new loan agreement. Furthermore, the Company has significant long-term debt obligations outstanding (approximately $38.4 million).

The Company's failure to make required payments under the new loan agreement would constitute an event of default. In addition, the Company is required to meet a minimum quarterly EBITDA (earnings before interest, taxes, depreciation and amortization) financial covenant of $1,100,000 starting with the quarter ended March 31, 2004 in order to avoid an event of default.

The ability of the Company to meet cash flow and loan covenant requirements is directly affected by the factors described elsewhere in this section on "Risk Factors".

There can be no assurance that the Company will be able to avoid a default on the new loan agreement. If there is such a default, the senior secured lenders may accelerate payment of the outstanding debt ($15.4 million at March 31, 2004) and foreclose on their security interests which likely would require the Company to again file for bankruptcy protection. In addition, the Company's new loan agreement provides the lenders with warrants to (i) purchase up to 51% of the Company's common stock at $.01 per share in the event of default and (ii) purchase 10% of the Company's common stock if the debt owing to them is not fully paid by December 31, 2004. Both such warrants and any common stock issued thereunder will be cancelled if the lender's outstanding debt is fully paid by December 31, 2007.

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. The majority of sales continue to be provided by the Company's legacy products, primarily our DSU/CSU, V.34 lines which represented approximately 85% of net sales in fiscal 2003. The Company anticipates that net sales from legacy products will 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 both the Company's recently introduced InnovX product line 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 cause customers to purchase 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

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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. The Company's historical customers have consisted primarily of RBOCs, long distance service providers, wireless service providers, and Resellers who sell to these customers. The market for the services provided by the majority of these service providers has been influenced largely by the passage and interpretation of the Telecommunications Act of 1996. 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. Over the past several years, resources made available by these customers for capital acquisitions have declined, particularly due to recent negative market conditions in the United States. If the Company's current or potential service provider customers cannot successfully raise the necessary funds, or if they experience any other adverse effects with respect to their operating results or profitability, their capital spending programs may be adversely impacted which could materially adversely affect the Company's business, financial condition and results of operations.

A small number of customers have historically accounted for a majority of the Company's sales. Sales to the Company's top five customers accounted for 61% of sales in fiscal 2003. 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. GDC expects the economic climate and conditions in the telecommunication equipment industry to remain unpredictable in fiscal 2004, and possibly beyond. The loss of one or more of our service provider customers, such as occurred during the past three years 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

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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 affect the Company's operating results and business.

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

Fluctuations in Quarterly 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 quarters and 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

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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 InnovX line of products, delays in new product introductions by the Company, market acceptance of new products and feature enhancements introduced by the Company, changes in the mix of products and or customers, the gain or loss of a significant customer, competitive price pressures, changes in expenses related to operations, research and development and marketing associated with existing and new products, and the general condition of the economy.

All of the above factors are difficult for the Company to forecast, and these or other factors can materially and adversely affect the Company's business, financial condition and results of operations for one quarter or a series of quarters. The Company's expense levels are based in part on its expectations regarding future sales and are fixed in the short term to a certain extent. Therefore, the Company may be unable to adjust spending in a timely manner to compensate for any unexpected shortfall in sales. Any significant decline in demand relative to the Company's expectations or any material delay of customer orders could have a material adverse effect on the Company's business, financial condition, and results of operations. There can be no assurance that the Company will be able to be profitable 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 market for telecommunications network access equipment addressed by the Company's SpectraComm, InnovX and TMS/OCM product families can be characterized as highly competitive, with intensive equipment price pressure. This market is 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 DSU/CSU portion of the SpectraComm and InnovX lines 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, Lucent Technologies, Inc. and Nortel Networks, 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

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is a complex and uncertain process, requiring high levels of innovation. The Company may need to supplement its internal expertise and resources with specialized expertise or intellectual property from third parties to develop new products.

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

Compliance with Regulations and Evolving Industry Standards. The market for the Company's products is characterized by the need to meet a significant number of communications regulations and standards, some of which are evolving as new technologies are deployed. In the United States, the Company's products must comply with various regulations defined by the Federal Communications Commission and standards established by Underwriters Laboratories and Bell Communications Research and new products introduced in the SpectraComm line 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 May Require Additional Funding to Sustain Operations. The Company emerged from Chapter 11 bankruptcy on September 15, 2003. Under the plan of emergence, the Company plans to pay all creditors 100% of their allowed claims based upon a five year business plan. The ability to meet the objectives of this business plan is directly affected by the factors described in this section "Risk Factors". The Company cannot assure investors that it will be able to obtain new customers or to generate the increased revenues required to meet our 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 our technologies or that would significantly dilute our stockholders and/or (b) significantly scale back current operations. Either of these two possibilities would have a material adverse effect on the Company's business, financial condition and results of operations.

Risks Associated With Entry into International Markets. The Company to date has had minimal direct sales to customers outside of North America since 2001. The Company has little recent experience in international markets with the exception of a few direct customers and resellers/integrators. 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

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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, as well as recommendations of the Consultative Committee on International Telegraph and Telephony. 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 certain U.S. and Canadian patents with respect to certain products. There can be no assurance that third parties have not or will not develop equivalent technologies or products without infringing the Company's patents or that a court having jurisdiction over a dispute involving such patents would hold the Company's patents 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

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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. 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 70% of the Company's outstanding shares of Class B stock. Furthermore, Mr. Modlin is also executor of the estate of Mr. Charles P. Johnson, the former Chairman of the Board and Chief Executive Officer, and such estate owns approximately 27% 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 (and has been) designated by the Creditors Committee (and thereafter the Trustee). The holders of the 9% Preferred Stock are presently entitled to designate two directors until all arrears on the dividends on such 9% Preferred Stock are paid in full. In addition, until the Company's primary secured loan obligations are paid in full, the primary secured lender, Ableco Finance LLC ("Ableco") is entitled to designate three directors and, upon default in its loan, its affiliate shall have the right under the two warrants it holds, to (i) acquire from 5% to 51% of the outstanding Common Stock depending on the amount of the outstanding secured debt at such time and (ii) acquire 10% of the outstanding common stock on a diluted basis. If Ableco's loan is not repaid in full by September 15, 2006, the Trustee may designate two more directors, and in the event of a payment default under the Debentures which is not cured within 60 days after written notice, the Trustee shall be entitled to select a majority of the Board of Directors. Accordingly, in the absence of a default under Ableco's loan, or 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, Ableco and the Trustee in a contested election for directors and determine the outcome of certain corporate actions requiring stockholder approval, such as mergers and acquisitions of the Company. This level of ownership by such persons and entities could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of the Company. Such provisions could limit the price that certain investors might be willing to pay in the future for shares of the Company's common stock, thereby making it less likely that a stockholder will receive a premium in any sale of shares. To date, the holders of the 9% Preferred Stock and Ableco have not designated any directors.

ITEM 3. QUANTITIVE AND QUALITIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that impacts our financial position, results of operations or cash flows due to adverse changes in financial and commodity market prices and rates. Historically the Company has had little or no exposure to market risk for changes in foreign currency exchange rates as measured against the United States dollar, 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

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period that normally is less than 90 days. At March 31, 2004 the Company had net accounts receivable denominated in Canadian dollars of approximately $1,194,837 (equivalent to approximately $911,302 U.S. dollars).

The Company is subject to interest rate risks on its long-term debt. If market interest rates were to increase immediately and uniformly by 10% from levels as of March 31, 2004, the additional interest expense would be approximately $1.4 million annually. However, the Company believes that the effect, if any, of reasonably possible near-term changes in interest rates on the Company's financial position, results of operations and cash flows would not be material.

ITEM 4. CONTROLS AND PROCEDURES

For the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's President and Chief Executive Officer, and Vice President and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Company's President and Chief Executive Officer, and Vice President and Chief Financial Officer, have concluded that the Company's disclosure controls and procedures are effective to ensure the information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. There have been no significant changes in the Company's internal controls over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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ITEM 5. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits Index:

Exhibit Number	Description of Exhibit
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on From 8-K

During the quarter ended March 31, 2004, reports on Form 8-K were filed as follows:

(i) A report on Form 8-K dated January 8, 2004 advising that the Company borrowed $300,000 from each of Howard S. Modlin, Chairman of the Board, and John L. Segall, a Director, for working capital purposes.

(ii) A report on Form 8-K dated March 3, 2004 advising that the Company borrowed an additional $125,000 from each of Howard S. Modlin, Chairman of the Board and John L. Segall, a Director, for replacement of senior indebtedness being repaid with the $250,000 aggregate proceeds.

SIGNATURES

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

GENERAL DATACOMM INDUSTRIES INC.

May 20, 2004

/s/ WILLIAM G. HENRY

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

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-Q/A (the "Report") of the Company for the quarter ended March 31, 2004.

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)) 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) 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

   c) disclosed in this Report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

5. The Company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and 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: May 20, 2004

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-Q/A (the "Report") of the Company for the quarter ended March 31, 2004.

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)) 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) 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

   c) disclosed in this Report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

5. The Company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and 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/ WILLIAM G. HENRY

Date: May 20, 2004

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

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND 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, Howard S. Modlin, Chairman of the Board, President and Chief Executive Officer, and I, William G. Henry, Vice President, Finance and Administration and Chief Financial Officer, each of General DataComm Industries, Inc. (the "Company"), do each hereby certify, to the best of my knowledge that:

(1) The Company's Quarterly Report on Form 10-Q/A for the period ended March 31, 2004 being filed with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

This Certification accompanies this Form 10-Q/A 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/ HOWARD S. MODLIN

Date: May 20, 2004

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

/s/ WILLIAM G. HENRY

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