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

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2007

OR

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

For the transition period from _____ to _____

COMMISSION FILE NUMBER 1-8086

GENERAL DATACOMM INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State of other jurisdiction of incorporation or organization)

06-0853856

I.R.S. Employer Identification No.)

6 Rubber Avenue, Naugatuck, CT

(Address of principal executive offices)

06770

(Zip Code)

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

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

Yes No

Indicate by check mark whether the registrant is a large accelerated filer or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

Yes No

As of January 31, 2008, there were outstanding the following number of shares of each of the issuer's classes of common equity:

3,474,373 shares of common stock, par value \$0.01 per share

647,715 shares of Class B stock, par value \$0.01 per share

GENERAL DATACOMM INDUSTRIES, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	December 31, 2007 (Unaudited)	September 30, 2007*
Assets:		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 288	\$ 1,296
Accounts receivable, less allowance for doubtful accounts of \$269 at December 31, 2007 and \$250 at September 30, 2007	2,369	1,711
Inventories	3,013	2,766
Other current assets	578	676
Total current assets	6,248	6,449
Property, plant and equipment, net	3,654	3,687
Total Assets	9,902	10,136
Liabilities and Stockholders' Deficit:		
<i>Current liabilities:</i>		
Current portion of long-term debt (\$2,476 owed to related parties at December 31, 2007 and \$2,351 at September 30, 2007)	21,917	2,355
Accounts payable	3,031	2,810
Accrued payroll and payroll-related costs	567	565
Accrued interest	8,903	466
Other current liabilities	2,494	3,051
Total current liabilities	36,912	9,247
Long-term debt, less current portion	4,500	23,953
Accrued interest	42	7,946
Other liabilities	714	722
Total Liabilities	42,168	41,868
Commitments and contingencies	-	-
<i>Stockholders' deficit:</i>		
9% Preferred stock, par value \$1.00 per share, 3,000,000 shares authorized, 781,996 shares issued and outstanding at December 31, 2007 and September 30, 2007; \$32.7 million liquidation preference at December 31, 2007	782	782
Class B stock, par value \$.01 per share, 5,000,000 shares authorized; 647,715 shares issued and outstanding at December 31, 2007 and September 30, 2007	6	6
Common stock, par value \$.01 per share, 25,000,000 shares authorized; issued and outstanding at December 31, 2007 and September 30, 2007: 3,474,373 shares	35	35
Capital in excess of par value	199,088	199,021
Accumulated deficit	(232,202)	(231,601)
Accumulated other comprehensive income	25	25
Total Stockholders' Deficit	(32,266)	(31,732)
Total Liabilities and Stockholders' Deficit	\$ 9,902	\$ 10,136

* Derived from the Company's audited consolidated balance sheet at September 30, 2007.

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

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

	Three Months Ended December 31,	
	2007	2006
Revenues:		
Product	\$ 3,419	\$ 2,965
Service	661	594
Total	4,080	3,559
Cost of revenues:		
Product	1,460	1,143
Service	473	170
Total	1,933	1,313
Gross margin	2,147	2,246
Operating expenses:		
Selling, general and administrative	1,553	1,339
Research and product development	683	608
	2,236	1,947
Operating income (loss)	(89)	299
Interest expense	(777)	(795)
Other income, net	118	44
	(659)	(751)
Loss before income taxes	(748)	(452)
Income tax provision	3	3
Net loss	(751)	(455)
Dividends applicable to preferred stock	(440)	(440)
Net loss applicable to common and Class B stock	\$ (1,191)	\$ (895)
Loss per share:		
Common and Class B stock (basic and diluted)	\$ (0.29)	\$ (0.22)
Weighted average number of common and Class B shares outstanding:		
Common stock	3,474,373	3,470,813
Class B stock	647,715	651,275

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

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

	Three Months Ended December 31,	
	2007	2006
<i>Cash flows from operating activities:</i>		
Net loss	\$ (751)	\$ (455)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	67	87
Stock compensation expense	66	91
Changes in:		
Accounts receivable	(658)	173
Inventories	(247)	163
Accounts payable	221	(382)
Accrued payroll and payroll-related costs	2	(81)
Accrued interest	560	680
Other net current liabilities	(311)	(34)
Other net long-term assets	(32)	-
Net cash (used in) provided by operating activities	(1,083)	242
<i>Cash flows from investing activities:</i>		
Acquisition of property, plant and equipment, net	(25)	(8)
Net cash used in investing activities	(25)	(8)
<i>Cash flows from financing activities:</i>		
Principal payments on senior debt	-	(273)
Principal payments on notes payable	(25)	
Proceeds from notes payable to related parties	125	
Net cash provided by (used in) financing activities	100	(273)
Net decrease in cash and cash equivalents	(1,008)	(39)
Cash and cash equivalents, beginning of period	1,296	246
Cash and cash equivalents, end of period	\$ 288	\$ 207
<i>Supplemental disclosures of cash flow information:</i>		
Cash paid during the period for:		
Interest	\$ 154	\$ 65
Income taxes	\$ 6	\$ 3

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

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

1. – Basis of Presentation and Liquidity

The accompanying unaudited interim financial statements of General DataComm Industries, Inc. (the “Company”) have been prepared on a going concern basis, in accordance with generally accepted accounting principles in the United States for interim financial information, the instructions to Form 10-Q and Article 8 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 three months ended December 31, 2007 are not necessarily indicative of results which may be achieved for the entire fiscal year ending September 30, 2008. The unaudited interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company’s annual report on Form 10-KSB for the fiscal year ended September 30, 2007 as filed with the Securities and Exchange Commission.

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

At December 31, 2007 the Company had a stockholders’ deficit of approximately \$32.3 million and a working capital deficit of approximately \$30.7 million. Debentures in the principal amount of \$19,453,000 along with accrued interest thereon (\$8,369,000) mature on October 1, 2008. While a Subordinated Security Agreement signed by the Indenture Trustee on behalf of the Debenture holders provides that no payments may be made to Debenture holders while senior secured debt is outstanding, in the absence of such payment restrictions the Company does not presently have the ability to repay the Debentures. A failure to pay the Debentures when due and payable could result in an Event of Default being declared under the Indenture governing the Debentures.

The conditions described above raise substantial doubt about the Company’s ability to continue as a going concern. Management has responded to its liquidity and cash flow risks by replacing its senior debt in 2007 on more favorable terms and by selling patents in February 2008 for \$4,000,000 while retaining rights to use the patented technologies (See Note 7). In addition, management has implemented operational changes: restructuring the sales force, increasing factory shutdown time, constraining expenses, and reducing and reallocating the employee workforce. The Company also continues to pursue the sale or lease of its headquarters land and building in Naugatuck, CT.

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

2. – Earnings (Loss) Per Share

Basic earnings per share is computed by allocating net income available to common stockholders and to Class B shares based on their contractual participation rights to share in such net income as if all the income for the year had been distributed. Such allocation reflects that common stock is entitled to cash dividends, if and when paid, 11.1% higher per share than Class B stock. However, a net loss is allocated evenly to all shares. The income (loss) allocated to each security is divided by the respective weighted average number of common and Class B shares outstanding during the period. Diluted earnings per common share assumes the conversion of Class B stock into common stock. Diluted earnings per share gives effect to all potential dilutive common shares outstanding during the period. In computing diluted earnings per share, which only applies in the event there is net income, the average price of the Company's common stock for the period is used in determining the number of shares assumed to be purchased from exercise of stock options and warrants. Dividends applicable to preferred stock represent accumulating dividends that are not declared or accrued. The following table sets forth the computation of basic and diluted earnings (loss) applicable to common and Class B stock for the three months ended December 31, 2007 and 2006 (in thousands, except shares and per share data):

	Three Months Ended December 31,	
	2007	2006
Net loss	\$ (751)	\$ (455)
Dividends applicable to preferred stock	(440)	(440)
Net loss applicable to common and Class B stock	\$ (1,191)	\$ (895)
Net loss applicable to common stock-basic and diluted	\$ (1,004)	\$ (754)
Net loss applicable to Class B stock-basic and diluted	\$ (187)	\$ (141)

	Three Months Ended December 31,			
	2007	2006	2007	2006
	Common Stock		Class B Stock	
Numerator for basic and diluted earnings per share – net loss	\$ (1,004)	\$ (754)	\$ (187)	\$ (141)
Denominator for basic and diluted loss per share – weighted average outstanding shares	3,474,373	3,470,813	647,715	651,275
Basic and diluted loss per share	\$ (0.29)	\$ (0.22)	\$ (0.29)	\$ (0.22)

In the three months ended December 31, 2007 and 2006, no effect has been given to certain outstanding options and warrants, convertible securities and contingently issuable shares in computing diluted loss per share as their effect would be antidilutive. Such share amounts which could potentially dilute basic earnings per share are as follows:

	No. of Shares	
	Three Months Ended December 31,	
	2007	2006
Stock warrants	4,093,251	4,093,251
Stock options	2,635,807	2,672,647
Convertible preferred stock	143,223	143,223
Contingently issuable shares*	-	2,206,242
Total	6,872,281	9,115,363

* Common stock contingently issuable to the Company's senior secured lenders in the event of default or if certain payment terms were not met are excluded from the computation of earnings per share because the contingency defined in the loan agreement had not taken place. Such contingency was cancelled when the senior loan was paid off on July 30, 2007.

3. Inventories

Inventories consist of (in thousands):

	December 31, 2007	September 30, 2007
Raw materials	\$ 692	\$ 665
Work-in-process	1,262	1,020
Finished goods	1,059	1,081
	\$ 3,013	\$ 2,766

Inventories are stated at the lower of cost or market using a first-in, first-out method. Reserves in the amount of \$2,748,000 and \$2,883,000 were recorded at December 31, 2007 and September 30, 2007, respectively, for excess and obsolete inventories.

4. Long-Term Debt and Loss on Extinguishment of Debt

Long-term debt consists of (in thousands):

	December 31, 2007	September 30, 2007
Notes Payable to Related Parties, net of debt discount of \$11 at December 31, 2007 and \$19 at September 30, 2007	2,464	2,332
Note Payable	-	23
Debentures due October 1, 2008	19,453	19,453
Real Estate Mortgage due July 31, 2009	4,500	4,500
	26,417	26,308
Less current portion	21,917	2,355
	\$ 4,500	\$ 23,953

Long-term debt matures in amounts totaling \$21,918,000 in the next twelve months, of which \$19,453,000 in Debentures is due October 1, 2008. In the following twelve months, the Real Estate Mortgage in the amount of \$4,500,000 is due July 31, 2009.

Notes Payable to Related Parties

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

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

In the quarters ended March 31, 2007 and December 31, 2007, Mr. Modlin made demand loans to the Company totaling \$270,000 and \$125,000, respectively.

As of December 31, 2007, no principal or interest payments required under the terms of any of the above loans have been made to Mr. Modlin or Mr. Segall under agreement with such individuals. Accrued interest on all such loans amounted to \$450,066 and \$389,748 at December 31, 2007 and September 30, 2007, respectively. All loans made by Mr. Modlin and Mr. Segall are collateralized by all the assets of the Company.

Debentures

Debentures together with accrued interest mature on October 1, 2008. The Debentures were issued to unsecured creditors in 2003 as part of the Company's Plan of Reorganization. No principal or interest is payable on the Debentures until the senior secured lenders' claims are paid in full and no principal or interest has been paid through December 31, 2007. Interest accrues at the annual rate of 10% and totaled \$8,369,000 at December 31, 2007. While principal and/or interest on the Debentures may not be paid while the senior secured debt, including such debt owed to Mr. Modlin and Mr. Segall, is outstanding, in the absence of such payment restrictions the Company does not presently have the ability to repay the Debentures. A failure to pay the Debentures when due and payable, could result in an Event of Default being declared under the Indenture governing the Debentures and the Company's business, financial condition, and results of operations could be materially adversely affected thereby.

Real Estate Mortgage

The real estate mortgage entered into July 30, 2007 in the amount of \$4,500,000 is secured by the Company's premises in Naugatuck, CT. The mortgage requires monthly payments of interest at the rate of 30-day LIBOR plus 6% (such interest was 10.82% at December 31, 2007). No principal payments are required until the full amount of the mortgage matures on July 30, 2009. The mortgage contains no financial performance covenants.

5. Accounting for Stock-Based Compensation

Effective October 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123 (R) "Accounting for Stock-Based Compensation" ("SFAS No. 123R") using the modified prospective method. Under that transition method, compensation cost recognized includes: (a) compensation cost for all share-based payments (including stock options) granted prior to, but not yet vested as of October 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, and (b) compensation cost for all share-based payments granted subsequent to October 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123R. Results for prior periods were not restated. Compensation cost is recorded over the stock options' vesting periods. As a result of adopting SFAS No. 123R, compensation cost recognized in the quarter ended December 31, 2007 and 2006 was \$65,905 and \$90,571, respectively.

6. Employee Incentive Plans

Stock Awards, Grants and Options

The Company has adopted a 2003 Stock and Bonus Plan ("2003 Plan") reserving 459,268 shares of Class B stock and 459,268 shares of common stock and a 2005 Stock and Bonus Plan ("2005 Plan") reserving 2,400,000 shares of common stock. No shares of Class B stock are authorized under the 2005 Plan. Officers and key employees may be granted incentive stock options at an exercise price equal to or greater than the market price on the date of grant and non-incentive stock options at an exercise price equal to, greater than or less than the market price on the date of grant. While individual options can be issued under various provisions, most options, once granted, generally vest in increments of 20% per year over a five-year period and expire within ten years. At December 31, 2007 there were 463,616 options available for future issuance under the plans.

On October 10, 2006, the Stock Option Committee of the Board of Directors granted stock options pursuant to the Company's 2005 Plan to purchase 363,400 shares of Common Stock at the quoted market price of \$.18 per share, including grants of 30,000 Plan shares to each of Lee M. Paschall, Aletta Richards and John L. Segall, Directors, William G. Henry, Vice President, Finance and Administration and Principal Financial Officer and George Gray, Vice President, Operations and Chief Technology Officer, and an aggregate of 213,400 of such options to all of its employees other than its officers and directors. The committee also granted to Howard S. Modlin, Chairman and Chief Executive Officer, a stock option under the 2005 Plan to purchase 551,121 shares at \$.20 a share. All such options vest in increments of 20% a year over a five year period and expire then years after grant.

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

A summary of stock options outstanding under the Company's stock plans as of September 30, 2007, and changes during the three months then ended, December 31, 2007 is presented below:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Yrs)	Aggregate Intrinsic Value
Options outstanding, September 30, 2007	2,635,807	\$ 0.77		
Options granted	864,021	0.27		
Options exercised	--	--		
Options cancelled or expired	(2,390)	30.88		
Options outstanding, December 31, 2007	3,497,438	0.64	8.33	\$ 0
Vested or expected to vest at December 31, 2007	3,139,239	0.58	8.34	0
Exercisable at December 31, 2007	970,357	1.37	7.55	0

As of December 31, 2007, there was \$414,757 of total unrecognized compensation cost related to nonvested options which is expected to be recognized over a weighted-average period of 1.83 years.

The weighted-average grant-date fair value of options granted during the three months ended December 31, 2007 was \$0.23 per share, which was estimated using the Black Scholes model and the following weighted average assumptions:

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

Expected volatility is based on historical volatility in the Company's stock price over the expected life of the options. The risk-free interest rate is based on the annual yield on the measurement date of a zero coupon U.S. Treasury Bond, the maturity of which equals the options' expected life. The weighted average expected life of 6.50 years reflects the alternative simplified method permitted by SEC Staff Accounting Bulletin No. 107, which defines the expected life as the average of the contractual term of the options and the weighted average vesting period for all option tranches. The dividend yield assumption is based on the Company's intent not to issue a dividend.

Employee Retirement Savings and Deferred Profit Sharing Plan

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

7. Subsequent Event

Sale of Patents

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

As a result of the sale, the Company will record a gain in the approximate amount of \$3,900,000 in the Quarter ending March 31, 2008. The Company intends to use the funds for general corporate purposes, including payment of debt and interest and for working capital.

8. Contingencies

On December 19, 2007, a sole supplier of a proprietary component critical to one of the Company's products in its Xedge product line, announced the discontinuation of the component and rejected previously accepted orders that had been placed for the component by the Company. Thereafter, the Company attempted to exercise its rights to obtain the documentation necessary to allow the Company to manufacture the component under its contracts with the supplier. The Company has been unable to date to obtain this documentation and, as a result, on February 8, 2008 the Company filed a legal claim in Connecticut Superior Court against the supplier.

If the component is unavailable to the Company in the future, the Company may experience a significant decline in revenues and would likely have to increase development costs in order to develop or replacement component. Such events could have a material adverse effect on the Company's business, financial condition and results of operations.

9. Recent Accounting Pronouncements

On October 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48 ("FIN 48"), "*Accounting for Uncertainty in Income Taxes*," which clarifies the accounting for the uncertainty in income taxes recognized in the financial statements in accordance with FASB Statement No. 109, "*Accounting for Income Taxes*". FIN 48 provides guidance on the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition. Prior to implementation of FIN 48, the Company had a liability for unrecognized foreign and state tax benefits amounting to \$313,000 provided in its balance sheet all of which, if recognized, would affect the Company's effective tax rate. In adopting FIN 48, the liability for unrecognized tax benefits was reduced by \$180,000 and accrued interest through September 30, 2007 and penalties aggregating \$30,000 related to unrecognized tax benefits were accrued resulting in a net reduction of \$150,000 to the accumulated deficit at October 1, 2007. The Company files a consolidated federal income tax return with its subsidiaries. In addition, the Company and/or its subsidiaries file in various state and foreign jurisdictions. The Company is no longer subject to examinations by taxing authorities for fiscal years before September 30, 2004. The Company classifies interest and penalties as selling, general and administrative expenses. Interest and penalties recognized in the period ended December 31, 2007 amounted to \$1,100 and accrued interest and penalties included in the balance sheet amounted to approximately \$151,100 at such date.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, "*Fair Value Measurements*". SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of this standard on the consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities*", SFAS No. 159 provides an option to report selected financial assets and financial liabilities using fair value. The standard establishes required presentation and disclosures to facilitate comparisons with companies that use different measurements for similar assets and liabilities. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007, with early adoption allowed only if SFAS No. 157 is also adopted. The Company is currently evaluating the impact of this standard on the consolidated financial statements.

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

THE FOLLOWING DISCUSSION AND ANALYSIS OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS SHOULD BE READ IN CONJUNCTION WITH THE FINANCIAL STATEMENTS AND RELATED NOTES APPEARING ELSEWHERE IN THIS QUARTERLY REPORT ON FORM 10-Q AND IN THE COMPANY'S ANNUAL REPORT ON FORM 10-KSB FOR THE YEAR ENDED SEPTEMBER 30, 2007 AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.

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

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

RESULTS OF OPERATIONS**Revenues**

(in thousands)	Three Months Ended December 31,	
	2007	2006
Product	\$ 3,419	\$ 2,965
Service	661	594
Total Revenues	\$ 4,080	\$ 3,559

Revenues for the three months ended December 31, 2007 increased \$521,000, or 14.6%, to \$4,080,000 from \$3,559,000 reported for the three months ended December 31, 2006. Product revenues increased \$454,000, or 15.3%, while service revenues increased by \$67,000 or 11.3%.

Sales of high-end multi-service switches increased approximately \$580,000 as existing customers in South East Asia and the United States expanded their networks. Furthermore, the Company realized increased sales of \$227,000 from its line of security software products. These increases were offset by approximately \$350,000 resulting from continued declines in sales of network access products to large telecommunication carriers.

The increase in service revenues in the quarter was due primarily to support services sold along with the security software products.

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Foreign sales accounted for 35% and 50% of revenue for the three months ended December 31, 2007 and 2006, respectively.

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

Gross Margin

(in thousands)	Three Months Ended December 31,	
	2007	2006
Product	\$ 1,959	\$ 1,822
Service	188	424
Total Gross Margin	2,147	\$ 2,246
Percentage of Product Revenues	57.3%	61.4%
Percentage of Service Revenues	28.4%	71.4%
Percentage of Total Revenues	52.6%	63.1%

Gross Margin as a percentage of revenues, in the three months ended December 31, 2007 was 52.6% as compared to 63.1% in the three months ended December 31, 2006, a decrease of 10.5%.

Product gross margin, as a percentage of product revenues, decreased 4.2%. This decrease was due primarily to the low margin sales of the Company's line of security software products (-2.8%). Other decreases include the impact of lower sales prices due to competitive pressures (-0.5%), a reduction in shipments of high-margin products (primarily multiplexer products) to a government contractor (-1.1%) and other net items (+0.2%).

Service gross margin, as a percentage of service revenues, declined 43.0%. In the three months ended December 31, 2007, the Company started a new business venture in Texas to target sub contract service work from major telecommunications providers. These start-up costs, with no revenue, reduced gross margins by 21.6%. Low margin service support on security software reduced gross margin another 4.4%. The balance of the reduction (-17.0%) results from compensation and additional strategic investments made in the area of professional services to position this as an area for growth.

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

Selling, General and Administrative

(in thousands)	Three Months Ended December 31,	
	2007	2006
Selling, general and administrative	\$ 1,553	\$ 1,339
Percentage of revenues	38.1%	37.6%

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The Company's selling, general and administrative expenses increased to \$1,553,000, or 38.1% of revenue in the three months ended December 31, 2007 from \$1,339,000, or 37.6% of revenue in the three months ended December 31, 2006. The increase in spending in the quarter of \$214,000, or 16.0% was primarily a result of higher compensation costs of \$165,000 due to a combination of new hires in the sales force, higher commissions associated with increased revenues and related employer taxes. In addition, higher utility rates added \$27,000 to expenses and increased legal costs contributed to a \$30,000 increase in professional fees. Other items were a net decrease of \$8,000.

Research and Product Development

(in thousands)	Three Months Ended December 31,	
	2007	2006
Research and product development	\$ 683	\$ 608
Percentage of revenues	16.7%	17.1%

Research and product development expenses increased to \$683,000, or 16.7% of revenues in the three months ended December 31, 2007 as compared to \$608,000 or 17.1% of revenues in the three months ended December 31, 2006. The increase of \$75,000, or 12.3%, was due to primarily to an increase in engineering compensation costs of \$81,000 due to additions to the staff and salary adjustments, and other net reductions of \$6,000.

Interest Expense

Interest expense decreased to \$777,000 in the three months ended December 31, 2007 from \$795,000 in the three months ended December 31, 2006. The lower interest charges resulted primarily from a reduction in high interest-bearing obligations which were paid off in 2007, and a repurchase of debentures from the Company's then senior lender in 2007.

Other Income (Expense)

Other income (expense) for the three months ended December 31, 2007 and 2006 totaled \$118,000 and \$44,000, respectively. The 2007 quarterly amount includes \$100,000 from a negotiated professional fee reduction, \$14,000 of income from a trade name license and other items totaling \$4,000. The 2006 quarterly amount includes \$25,000 in sales of components no longer used, \$37,000 of income from a trade name license, offset by \$18,000 in net losses, primarily from foreign exchange related to the weak U.S. dollar.

Provision for Income Taxes

Income tax provisions for each of the three months ended December 31, 2007 and 2006 of \$3,000 reflect current state tax provisions only. No federal income tax provisions or tax benefits were provided in the three months ended December 31, 2007 and 2006 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 \$11.9 million and \$214.3 million, respectively, as of September 30, 2007.

Liquidity and Capital Resources

(in thousands)	December 31, 2007	September 30, 2007
Cash and cash equivalents	\$ 288	\$ 1,296
Working capital (deficit)	(30,664)	(2,798)
Total assets	9,902	10,136
Long-term debt, including current portion	26,417	26,308
Total liabilities	42,168	41,868

	Three Months Ended December 31,	
	2007	2006
Net cash provided (used) by:		
Operating activities	\$ (1,083)	\$ 242
Investing activities	(25)	(8)
Financing activities	100	(273)

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 in operating activities totaled \$1,083,000 in the three months ended December 31, 2007. The net loss in the quarter was \$751,000. Included in this net loss were non-cash expenses for depreciation and amortization of \$67,000 and stock compensation expense of \$66,000. An increase in accounts receivable primarily due to increased sales and higher shipments toward the end of the quarter resulted in a use of cash of \$658,000. Inventories were higher due to purchases of materials required to meet product delivery requirements and resulted in a use of cash of \$247,000. Unpaid interest which accrued on the Company's debt increased \$560,000 as a source of cash. Other net uses of cash included an advance of proceeds toward an insurance claim relating to product damaged in shipment of \$100,000, offset by a reduction in deferred income on service contracts \$189,000 due to older contracts expiring and not being renewed, and other uses of \$31,000.

Net cash provided by operating activities totaled \$242,000 in the three months ended December 31, 2006. The net loss in the quarter was \$455,000. Included in this net loss were non-cash expenses for depreciation and amortization of \$87,000 and stock compensation expense of \$91,000. A decrease in accounts receivable due to customer collections being higher than sales levels resulted in a source of cash of \$173,000. Inventories were lower by \$163,000 as the Company was able to achieve shipments of on-hand inventories to satisfy new customer orders and generate a source of cash through reduced purchasing. Unpaid interest which accrued on the Company's debt increased \$680,000 as a source of cash. Uses of cash include a decrease in unpaid vendor liabilities of \$382,000, a reduction in accrued payroll of \$81,000 due to timing of payrolls and a reduction in other net current liabilities of \$34,000. The reduction in other net current liabilities reflects the proceeds received from a portion of a prior year legal settlement (+\$213,000), and a prior year subsidiary liquidation (+\$137,000) and other cash sources of \$75,000, offset by reduction in deferred income on service contracts (-\$236,000) and by annual cash payments of pre-petition tax claims (-\$223,000).

Net cash used by investing activities in the three months ended December 31, 2007 and 2006 was \$25,000 and \$8,000, respectively, for the acquisition of equipment.

Net cash provided by financing activities was \$100,000 in the three months ended December 31, 2007. Proceeds from notes payable to related parties were \$125,000 offset by payments made on notes payable of \$25,000. Net cash used by financing activities in the three months ended December 31, 2006 was \$273,000, representing payments made on the Company's senior debt.

Liquidity

The Company has no current ability to borrow additional funds. It must, therefore, fund operations from cash balances, cash generated from operating activities and any cash that may be generated from the sale of non-core assets such as real estate and others. The Company has significant short-term obligations including amounts due for unpaid professional fees, delinquent property taxes, priority tax claims from 2001 and prior years, and monthly payments of interest on its mortgage. Furthermore, the Company has other significant future outstanding obligations as shown in the accompanying condensed consolidated balance sheet at December 31, 2007. In order to meet these and other future payments the Company must achieve revenue growth while at the same time limiting investments in inventories and capital assets.

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Under the Company's plan of reorganization, the Company was to pay all creditors 100% of their allowed claims based on a five year business plan. However, the Company has not met its business plan objectives since emerging from Chapter 11. The ability to meet the objectives of this business plan is directly affected by the factors described below 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 execute the business plan, the Company may need to seek additional funding through public or private equity offerings, debt financings or commercial partners. Since the Company has virtually no current ability to borrow additional funds, it 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.

As a result of the potential liquidity and cash flow risks described above, the Company's independent auditors expressed uncertainty about the Company's ability to continue as a going concern in their opinion on the Company's fiscal 2007 financial statements.

Management has responded to its liquidity and cash flow risks in 2007 by replacing its senior debt with mortgage debt on more favorable terms. Such mortgage financing requires payments of interest (only) and contains no financial covenants. In addition, management has implemented operational changes: restructuring the sales force, increasing factory shutdown time, constraining expenses, and reducing and reallocating the employee workforce. The Company also continues to pursue the sale or lease of its headquarters land and building in Naugatuck, CT. Furthermore, on February 5, 2008 the Company completed the sale of certain patents for proceeds of \$4,000,000 and received a royalty-free license to continue to use the patented technologies in its products.

Critical Accounting Policies

The Company's financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in the United States, the instructions to Form 10-Q and Article 8 of Regulation S-X. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Management bases its estimates and judgements 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 judgements. See Note 2 in Notes to Consolidated Financial Statements in Item 7 in Form 10-KSB for the year ended September 30, 2007 as filed with the Securities and Exchange Commission for a summary of the Company's significant accounting policies.

Revenue Recognition. The Company recognizes a sale when the product is shipped and the following four criteria are met upon shipment: (1) persuasive evidence of an arrangement exists; (2) title and risk of loss transfers to the customer; (3) the selling price is fixed or determinable; and (4) 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. Service revenue is recognized either when the service is performed or, in the case of maintenance contracts, on a straight-line basis over the term of the contract.

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

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

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

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

Impairment of Long-Lived Assets. The Company assesses the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable under the guidance prescribed by SFAS No. 144. The Company's long-lived assets consist of real estate, property and equipment. At both December 31, 2007 and September 30, 2007, real estate represented the only significant remaining long-lived asset that has not been fully written down for impairment.

Recent Accounting Pronouncements

On October 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes," which clarifies the accounting for the uncertainty in income taxes recognized in the financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes". FIN 48 provides guidance on the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition. Prior to implementation of FIN 48, the Company had a liability for unrecognized foreign and state tax benefits amounting to \$313,000 provided in its balance sheet all of which, if recognized, would affect the Company's effective tax rate. In adopting FIN 48, the liability for unrecognized tax benefits was reduced by \$180,000 and accrued interest through September 30, 2007 and penalties aggregating \$30,000 related to unrecognized tax benefits were accrued resulting in a net reduction of \$150,000 to the accumulated deficit at October 1, 2007. The Company files a consolidated federal income tax return with its subsidiaries. In addition, the Company and/or its subsidiaries file in various state and foreign jurisdictions. The Company is no longer subject to examinations by taxing authorities for fiscal years before September 30, 2004. The Company classifies interest and penalties as selling, general and administrative expenses. Interest and penalties recognized in the period ended December 31, 2007 amounted to \$1,100 and accrued interest and penalties included in the balance sheet amounted to approximately \$151,100 at such date.

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In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, "*Fair Value Measurements*". SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of this standard on the consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities*". SFAS No. 159 provides an option to report selected financial assets and financial liabilities using fair value. The standard establishes required presentation and disclosures to facilitate comparisons with companies that use different measurements for similar assets and liabilities. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007, with early adoption allowed only if SFAS No. 157 is also adopted. The Company is currently evaluating the impact of this standard on the consolidated financial statements.

RISK FACTORS

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

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

Limited Financial Resources and Risk of Default. The Company has no current ability to borrow additional funds. It must, therefore, substantially fund operations from cash balances, cash generated from operating activities and, if possible, cash generated from the sale of non-core assets. The Company has significant short term accounts payable and accrued expense obligations. The Company also has significant outstanding contractual cash obligations and commitments (see Item 6 in the Company's annual report on Form 10-KSB for the year ended September 30, 2007 as filed with the Securities and Exchange Commission, in the section on "Liquidity" for additional discussion of this risk factor and the Company's contractual cash obligations as of September 30, 2007).

While the Company recorded an operating profit in fiscal 2007, in prior years and after emerging from bankruptcy, the Company incurred operating losses and has a working capital deficit. Furthermore, the ability of the Company to meet cash flow requirements, including mortgage payments, is directly affected by the factors described in this "Risk Factors" section.

Dependence on Legacy and Recently Introduced Products and New Product Development. The Company's future results of operations are dependent on market acceptance of existing and future applications for the Company's current products and new products in development. Sales of the Company's legacy products, primarily the digital service unit and V.34 lines, declined to approximately 30% of product sales in fiscal 2007 from 44% in fiscal 2006. 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 the Company's recently introduced and future product lines is dependent on a number of factors, not all of which are in the Company's control, including the continued growth in the use of bandwidth intensive applications, continued deployment of new telecommunication services, market acceptance of multiservice access devices, the availability and price of competing products and technologies, and the success of the Company's sales and marketing efforts. Failure of the Company's products to achieve market acceptance would have a material adverse effect on the Company's business, financial condition and results of operations. Failure to introduce new products in a timely manner in order to replace sales of legacy products could cause customers to purchase products from competitors and have a material adverse effect on the Company's business, financial condition and results of operations.

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

Customer Concentration. The Company's customers include the former Regional Bell Operating Companies, 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 (the "1996 Act"). Service providers require substantial capital for the development, construction, and expansion of their networks and the introduction of their services. The ability of service providers to fund such expenditures often depends on their ability to budget or obtain sufficient capital resources. In the past, resources made available 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 approximately 67% and 45% of revenues in fiscal 2007 and 2006, respectively, and one customer accounted for approximately 30% of revenues in fiscal 2007. There can be no assurance that the Company's current customers will continue to place orders with the Company, that orders by existing customers will continue at the levels of previous periods, or that the Company will be able to obtain orders from new customers. GDC expects the economic climate and conditions in the telecommunication equipment industry to remain unpredictable in fiscal 2008, and possibly beyond. The loss of one or more service provider customers, such as occurred during past 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.

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On December 19, 2007, a sole supplier of a proprietary component critical to the Company's Xedge product line, announced the discontinuation of the component and rejected previously accepted orders that had been placed for the component by the Company. Thereafter, the Company attempted to exercise its rights under its supply contract to obtain the technical documentation necessary to allow the Company to manufacture the product. The Company has therefore, been unsuccessful in obtaining the manufacturing documentation and, as a result, on February 8, 2008 the Company filed a legal claim in Connecticut superior court against the supplier.

If the product is unavailable to the Company in the future, the Company may experience a significant decline in revenues and would likely have to increase development costs in order to replace the component product. Such events could have a material adverse effect on the Company's business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

Industry consolidation could lead to competition with fewer, but stronger competitors. In addition, advanced termination products are emerging, which represent both new market opportunities, as well as a threat to the Company's current products. Furthermore, basic line termination functions are increasingly being integrated by competitors, such as Cisco, Alcatel/Lucent, 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 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 certain new products introduced, for example 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 Will Require Additional Funding to Sustain Operations. The Company emerged from Chapter 11 bankruptcy on September 15, 2003. Under the plan of reorganization, the Company was to pay all creditors 100% of their allowed claims based upon a five year business plan. However, the company has not met its business plan objectives since emerging from Chapter 11. The ability to meet the objectives of this business plan is directly affected by the factors described in this "Risk Factors" section. The Company cannot assure investors that it will be able to obtain new customers or to generate the increased revenues required to meet 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 has limited experience in international markets with the exception of a few direct customers and resellers/integrators and sales into Western Europe through its subsidiary in France, which was acquired by the Company on June 30, 2005. The Company intends to expand sales of its products outside of North America and to enter certain international markets, which will require significant management attention and financial resources. Conducting business outside of North America is subject to certain risks, including longer payment cycles, unexpected changes in regulatory requirements and tariffs, difficulty in supporting foreign customers, greater difficulty in accounts receivable collection and potentially adverse tax consequences. To the extent any Company sales are denominated in foreign currency, the Company's sales and results of operations may also be directly affected by fluctuation 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 Telephone. 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 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. (See Note 7. "Subsequent Event" regarding the sale of certain patents and patent rights and license back of technology.)

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

The Company is Controlled by a Small Number of Stockholders and Certain Creditors. In particular, Mr. Howard 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 71% of the Company's outstanding shares of Class B stock and has stock options and warrants that would allow him to acquire approximately 57% of the Company's common stock. Furthermore, Mr. Modlin is also trustee for the benefit of the children of Mr. Charles P. Johnson, the former Chairman of the Board and Chief Executive Officer, and such trust holds approximately 12% of the outstanding shares of Class B stock. Class B stock under certain circumstances has 10 votes per share in the election of Directors. The Board of Directors is to consist of no less than three and no more than thirteen directors, one of which was designated by the Creditors Committee (and thereafter may be designated by the Debenture Trustee). The holders of the 9% Preferred Stock are presently entitled to designate two directors until all arrears on the dividends on such 9% Preferred Stock are paid in full. In the event of a payment default under the Debentures which is not cured within 60 days after written notice, the Debenture Trustee shall be entitled to select a majority of the Board of Directors. Accordingly, in absence of a default under the Debentures, Mr. Modlin may be able to elect all members of the Board of Directors not designated by the holders of the 9% Preferred Stock, and the Debenture Trustee and determine the outcome of certain corporate actions requiring stockholder approval, such as mergers and acquisitions of the Company. This level of ownership by such persons and entities could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of the Company. Such provisions could limit the price that certain investors might be willing to pay in the future for shares of Company's common stock, thereby making it less likely that a stockholder will receive a premium in any sales of shares. To date, the holders of the 9% Preferred Stock have not designated any directors.

Potential default on Debentures. Debentures in the principal amount of \$19,453,000 together with accrued interest (\$8,369,000 at December 31, 2007) mature on October 1, 2008. While principal and/or interest on the Debentures may not be paid while the senior secured debt, including such debt owed to Mr. Modlin and Mr. Segall, is outstanding, in the absence of such payment restrictions the Company does not presently have the ability to repay the Debentures. A failure to pay the Debentures when due and payable, could result in an Event of Default being declared under the Indenture governing the Debentures and the Company's business, financial condition, and results of operations could be materially adversely affected thereby.

ITEM 3. QUANTITATIVE AN QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to certain market risks, including foreign currency fluctuations and interest rate fluctuations.

The Company is exposed to foreign currency exchange risk primarily through transactions denominated in foreign currencies. The vast majority of the Company's foreign transactions are denominated in U. S. dollars and, therefore, an adverse change in foreign currency exchange rates is not expected to have a direct material effect on the Company's results of operations, financial position or cash flows. However, there could be a negative impact on future sales orders if, as a result of such a change in foreign exchange rates, customers determined that the Company's sales prices were not competitive. The Company cannot quantify the impact on orders on reduced margins thereon in the event customers object to such prices.

The Company is exposed to interest rate fluctuations on its variable rate, LIBOR-based mortgage loan. A one-percent increase or decrease in 30-day LIBOR would result in an increase or decrease in interest expense of \$45,000 on an annualized basis.

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 Chairman 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.

PART II. OTHER INFORMATION

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Payment of dividends on the 9% Cumulative Convertible Exchangeable Preferred Stock were suspended June 30, 2000. Such dividend arrearages total \$13,196,182.50 as of December 31, 2007.

ITEM 5. OTHER INFORMATION

See Note 7, "Subsequent Event", included in the Notes to Condensed Consolidated Financial Statements included in Part I of this Form 10-Q, concerning the "Sale of Patents."

ITEM 6. EXHIBITS

(a) Exhibits Index:

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
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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.
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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
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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
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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.

February 14, 2008

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

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 (the "Report") of the Company for the quarter ended December 31, 2007.
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.

Date: February 14, 2008

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

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 (the "Report") of the Company for the quarter ended December 31, 2007.
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.

Date: February 14, 2008

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

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 for the period ended December 31, 2007 being filed with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

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

Date: February 14, 2008

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

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