

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

**FORM 10-K**

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

For the fiscal year ended September 30, 2008 \_\_\_\_\_

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File number 1-8086 \_\_\_\_\_

**GENERAL DATACOMM INDUSTRIES, INC.**  
(Exact name of registrant as specified in its charter)

**Delaware**

**06-0853856**

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

6 Rubber Avenue, Naugatuck, Connecticut  
(Address of principal executive offices)

06770  
(Zip Code)

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes     No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes     No

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company

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

Yes  No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, as of the last business day of the registrant's most recently completed second fiscal quarter (March 31, 2008):\$536,691.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of December 15, 2008:

3,487,473 Shares of Common Stock  
634,615 Shares of Class B Stock

DOCUMENTS INCORPORATED BY REFERENCE: None

GENERAL DATACOMM INDUSTRIES, INC.

INDEX TO ANNUAL REPORT ON FORM 10-K  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>Page #s</u>
<b><u>PART I</u></b>	
Item 1. Business	4
Item 1A. Risk Factors	9
Item 2. Properties	16
Item 3. Legal Proceedings	6
Item 4. Submission of Matters to a Vote of Security Holders	16
<b><u>PART II</u></b>	
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	17
Item 6. Selected Financial Data	17
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	18
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	25
Item 8. Financial Statements and Supplementary Data	26
Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	46
Item 9A(T). Controls and Procedures	46
Item 9B. Other Information	47
<b><u>PART III</u></b>	
Item 10. Directors, Executive Officers and Corporate Governance	47
Item 11. Executive Compensation	49
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	52
Item 13. Certain Relationships and Related Transactions, and Director Independence	55
Item 14. Principal Accountant Fees and Services	56
<b><u>PART IV</u></b>	
Item 15. Exhibits, Financial Statement Schedules	57
<b>SIGNATURES</b>	<b>59</b>

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

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

## PART I

### ITEM 1. BUSINESS

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

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

#### *Overview*

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

The Company's products and services are marketed worldwide through a combination of direct sales and distribution channels. The Company sells its products, services and solutions through its own sales organizations to common carriers (telephone and cable companies), as well as corporations and governments, system integrators, local distributors, and value-added resellers. International sales represented approximately 30% of the total Company revenues in fiscal 2008 as compared to 49% in fiscal 2007.

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

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

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

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

### **Principal Products and Services**

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

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

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

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

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

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

**Professional Services:** GDC provides a full range of Network Services from total out-sourced services to network monitoring, on site maintenance, and network security evaluations, to assist customers in managing their networks.

### **Product Suites**

#### **Multiservice Switches - Xedge6000**

GDC's flagship *Xedge6000* multiservice platform now supports packet based MPLS and Ethernet transmission as well as ATM based multiservices. GDC has introduced its Packet Cell Switch (PCx) that enables multiservices (native Frame Relay, TDM, Ethernet, ATM, and IP) over MPLS, ATM, or Ethernet trunk interfaces. The technology allows service providers and private network operators to offer converged solutions while reducing capital and operational expenditures. The PCx plugs into any of GDC's flagship Xedge6000 family of multiservice switches including the new Xedge6002 two slot shelf. GDC's network manager, ProSphere, facilitates the provisioning and monitoring of the converged service network.

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

#### **Multiplexers**

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

### **H3C**

The Company in 2007 signed an agreement with H3C to resell its distinguished portfolio of enterprise IP routers and Ethernet switches. Under the terms of the agreement, GDC will resell H3C products to customers in North America. H3C is a leading manufacturer and supplier of Ethernet, IP routing equipment, and related technologies worldwide.

The addition of the H3C technology to GDC's portfolio broadens GDC's converged solution capabilities and expands our support for enterprise networks. GDC will also provide technical assistance and Professional Services to customers who purchase H3C products and integrated solutions.

### **SpectraComm Family**

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

### **The Significance of NEBS Certification**

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

Specifically, the NEBS criteria are intended to:

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

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

**Professional Services**

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

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

**Sales and Marketing**

Effectively employing networking technology has become a key factor in developing a successful business. Communications networks have emerged as valuable assets that generate revenue and provide competitive advantage. General DataComm over the past 39 years has helped many of the world's largest enterprises harness the power of networking. Electronic channels of commerce have been established, and reliable public and private communication links are essential to any organization's survival. GDC's full range of products and services can support this growing network challenge. The Company's products are sold worldwide via a dedicated domestic sales force and through a domestic and international distributor network, augmented by original equipment manufacturers (OEM's), value-added resellers, system integrators and alternate service providers.

GDC's customer base includes: local exchange carriers, including, AT&T, Qwest, Verizon and Bell Canada; inter-exchange carriers; corporate end users; and government entities including state, local and foreign governments. The Company's top five customers accounted for 54% of revenue in fiscal 2008.

**Research and Development**

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

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

GDC's expenditures for research and development activities amounted to \$3,232,000 and \$2,515,000 for fiscal 2008 and 2007, respectively.

**Manufacturing**

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

The Company's products use certain components, such as microprocessors, memory chips and pre-formed enclosures that are acquired or available from one or a limited number of sources. The Company has generally been able to procure adequate supplies of these components in a timely manner from existing sources. While most components are standard items, certain application-specific integrated circuit chips used in many of the Company's products are customized to the Company's specifications. None of the suppliers of components operate under contract. Additionally, availability of some standard components may be affected by market shortages and allocations. The Company's inability to obtain a sufficient quantity of components when required or to develop alternative sources at acceptable prices and within a reasonable time, could result in delays or reductions in product shipments which could materially affect the Company's operating results in any given period. In addition, the Company relies heavily on outsourcing subcontractors for production. The inability of such subcontractors to deliver products in a timely fashion or in accordance with the Company's quality standards could materially affect the Company's operating results and business.

**Backlog**

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

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

**Competition**

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

**Patents and Related Rights**

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

### **Employees**

At November 30, 2008, the Company employed 71 persons, of whom 15 were research and development positions, 14 were manufacturing positions, 21 were sales and marketing positions, 9 were service support positions and 12 were general management and support positions, including information technology, accounting, human resources, facilities maintenance and other miscellaneous functions. No Company employees are covered by collective bargaining agreements. The Company has never experienced a work stoppage. Many employees are highly skilled, and the Company's success depends in part upon its ability to attract and retain such employees. Due to the Company's limited financial resources, the Company's employee benefit programs are likely not to be equivalent to those offered by our competitors. While to date management does not believe this to have resulted in significant difficulties in hiring and retaining skilled personnel, this may not be the case in the future.

### **ITEM 1A. RISK FACTORS**

THIS ANNUAL REPORT ON FORM 10-K CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. FOR THIS PURPOSE, STATEMENTS CONTAINED HEREIN THAT ARE NOT STATEMENTS OF HISTORICAL FACT MAY BE DEEMED TO BE FORWARD-LOOKING STATEMENTS. WITHOUT LIMITING THE FOREGOING, THE WORDS "BELIEVES", "ANTICIPATES", "PLANS", "EXPECTS" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. THESE FORWARD-LOOKING STATEMENTS INVOLVE RISKS AND UNCERTAINTIES AND ARE NOT GUARANTEES OF FUTURE PERFORMANCE. ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE INDICATED IN SUCH FORWARD-LOOKING STATEMENTS AS A RESULT OF CERTAIN FACTORS INCLUDING, BUT NOT LIMITED TO, THOSE SET FORTH UNDER THIS HEADING.

*The Financial Statements are Unaudited.* As discussed in Item 8 which follows, the financial statements included in this Form 10-K have not yet been audited. While the Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the fair presentation of financial statements in accordance with generally accepted accounting principles, because of its inherent limitations such internal control may not prevent or detect misstatements that may arise in an audit by an independent accounting firm.

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

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

*Non-payment of Debentures.* The Company has outstanding debentures in the principal amount of approximately \$19.5 million which, together with accrued interest thereon matured on October 1, 2008. While a subordinated security agreement signed by the indenture trustee on behalf of the debenture holders provides that no payments may be made to debenture holders and that no event of default may be declared under the indenture while the senior secured debt, including debt owed to Mr. Modlin and Mr. Segall (Chairman and Chief Executive Officer, and Director, respectively), is outstanding, in the absence of such restrictions the Company does not presently have the ability to repay the debentures. A failure to pay the debentures when they become due and payable as described above, could result in an event of default being declared under the indenture governing the debentures. Together with the other conditions described in the Liquidity section which follows, such condition raises substantial doubt about the Company's ability to continue as a going concern.

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

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

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

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

A small number of customers have historically accounted for a majority of the Company's sales (see Item 1. Business – Sales and Marketing). Sales to the Company's top five customers accounted for 54% and 67% of revenues in fiscal 2008 and 2007. There can be no assurance that the Company's current customers will continue to place orders with the Company, that orders by existing customers will continue at the levels of previous periods, or that the Company will be able to obtain orders from new customers. GDC expects the economic climate and conditions in the telecommunication equipment industry to remain unpredictable in fiscal 2008 and beyond. The loss of one or more of our service provider customers, such as occurred in the past through industry consolidation or otherwise, could have a material adverse effect on our sales and operating results. A bankruptcy filing by one or more of the Company's major customers could materially adversely affect the Company's business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

All of the above factors are difficult for the Company to forecast, and these or other factors can materially and adversely affect the Company's business, financial condition and results of operations for one quarter or a series of quarters. The Company's expense levels are based in part on its expectations regarding future sales and are fixed in the short term to a certain extent. Therefore, the Company may be unable to adjust spending in a timely manner to compensate for any unexpected shortfall in sales. Any significant decline in demand relative to the Company's expectations or any material delay of customer orders could have a material adverse effect on the Company's business, financial condition, and results of operations. There can be no assurance that the Company will be able to 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 new products introduced in the SpectraComm line and other products designed for telecommunications carrier networks will need to be NEBS Certified. As standards continue to evolve, the Company will be required to modify its products or develop and support new versions of its products. The failure of the Company's products to comply, or delays in compliance, with the various existing and evolving industry standards, could delay introduction of the Company's products, which could have a material adverse effect on the Company's business, financial condition and results of operations.

*GDC Will Require Additional Funding to Sustain Operations.* The Company emerged from Chapter 11 bankruptcy on September 15, 2003. Under the plan of reorganization, the Company was to pay all creditors 100% of their allowed claims based upon a five year business plan. However, the Company has not met its business plan objectives since emerging from Chapter 11. The ability to meet the objectives of this business plan is directly affected by the factors described in this "Risk Factors" section. The Company cannot assure investors that it will be able to obtain new customers or to generate the increased revenues required to meet business plan objectives. In addition, in order to execute the business plan, the Company may need to seek additional funding through public or private equity offerings, debt financings or commercial partners. The Company cannot assure investors that it will obtain funding on acceptable terms, if at all. If the Company is unable to generate sufficient revenues or access capital on acceptable terms, it may be required to (a) obtain funds on unfavorable terms that may require the Company to relinquish rights to certain of 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, difficulties in supporting foreign customers, greater difficulty in accounts receivable collection and potentially adverse tax consequences. To the extent any Company sales are denominated in foreign currency, the Company's sales and results of operations may also be directly affected by fluctuations in foreign currency exchange rates. In order to sell its products internationally, the Company must meet standards established by telecommunications authorities in various countries. A delay in obtaining, or the failure to obtain, certification of its products in countries outside the United States could delay or preclude the Company's marketing and sales efforts in such countries, which could have a material adverse effect on the Company's business, financial condition and results of operations.

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

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

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

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

*The Company is Controlled by a Small Number of Stockholders and Certain Creditors.* In particular, Mr. Modlin, Chairman of the Board and Chief Executive Officer, and President of Weisman Celler Spett & Modlin, P.C., legal counsel for the Company, owns approximately 73% of the Company's outstanding shares of Class B stock and has stock options and warrants that would upon exercise allow him to own approximately 58% of the Company's common stock, although all such options and warrants have exercise prices which are substantially over the market price of the common stock on December 30, 2008. Furthermore, Mr. Modlin is also trustee for the benefit of the children of Mr. Charles P. Johnson, the former Chairman of the Board and Chief Executive Officer, and such trust holds approximately 12% of the outstanding shares of Class B stock. Class B stock under certain circumstances has 10 votes per share in the election of Directors. The Board of Directors is to consist of no less than three and no more than thirteen directors, one of which may be designated by the debenture trustee. The holders of the 9% Preferred Stock are presently entitled to designate two directors until all arrears on the dividends on such 9% Preferred Stock are paid in full. In the event of a payment default under the debentures which is not cured within 60 days after written notice, the debenture trustee shall be entitled to select a majority of the Board of Directors. Accordingly, in the absence of a payment default under the debentures, Mr. Modlin may be able to elect all members of the Board of Directors not designated by the holders of the 9% Preferred Stock and the debenture trustee and determine the outcome of certain corporate actions requiring stockholder approval, such as mergers and acquisitions of the Company. This level of ownership by such persons and entities could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of the Company. Such provisions could limit the price that certain investors might be willing to pay in the future for shares of the Company's common stock, thereby making it less likely that a stockholder will receive a premium in any sale of shares. To date, the holders of the 9% Preferred Stock have not designated any directors.

**ITEM 2. DESCRIPTION OF PROPERTY**

The principal facilities of the Company are as follows:

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

**ITEM 3. LEGAL PROCEEDINGS**

A former employee has filed a lawsuit in a French court claiming additional compensation owed relating to his dismissal, in the approximate amount of 560,000 Euros (or approximately \$760,000 U.S. dollars as of December 31, 2008). The Company believes that the claims are without merit and the Company's French counsel has advised that the claims are unjustified.

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

Not applicable.

## PART II

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

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

<u>Fiscal 2008</u>		<u>High</u>	<u>Low</u>
First Quarter	\$	.25 \$.27	\$ .12
Second Quarter		.16	.12
Third Quarter		.18	.14
Fourth Quarter		.16	.10

<u>Fiscal 2007</u>		<u>High</u>	<u>Low</u>
First Quarter	\$	.19	\$ .09
Second Quarter		.16	.09
Third Quarter		.27	.13
Fourth Quarter		.30	.25

As of November 30, 2008, the Company had approximately 471 common stockholders of record. The closing sales price of the Company's common stock on December 30, 2008 was \$0.03 per share.

No shares of common stock or Class B stock were sold by the Company for cash during the two year period ending September 30, 2008.

Reference is made to Note 3 in the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K for description of warrants issued that were associated with loans from related parties, and to Note 9 for description of awards, grants and options issued pursuant to the Company's stock and bonus plans. All such warrants and stock options are at exercise prices substantially over the market price of the common stock at December 30, 2008.

No equity securities were repurchased by the Company during its fiscal years ended September 30, 2008 and 2007.

#### Dividend Policy

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

### ITEM 6. SELECTED FINANCIAL DATA

Not applicable

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

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

THIS ANNUAL REPORT ON FORM 10-K CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. FOR THIS PURPOSE, STATEMENTS CONTAINED HEREIN THAT ARE NOT STATEMENTS OF HISTORICAL FACT MAY BE DEEMED TO BE FORWARD-LOOKING STATEMENTS. WITHOUT LIMITING THE FOREGOING, THE WORDS "BELIEVES", "ANTICIPATES", "PLANS", "EXPECTS" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. THESE FORWARD-LOOKING STATEMENTS INVOLVE RISKS AND UNCERTAINTIES AND ARE NOT GUARANTEES OF FUTURE PERFORMANCE. ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE INDICATED IN SUCH FORWARD-LOOKING STATEMENTS AS A RESULT OF CERTAIN FACTORS INCLUDING, BUT NOT LIMITED TO, THOSE SET FORTH UNDER THE HEADING "RISK FACTORS" IN ITEM 1A TO THIS FORM 10-K. UNLESS REQUIRED BY LAW, THE COMPANY UNDERTAKES NO OBLIGATION TO UPDATE ANY FORWARD-LOOKING STATEMENTS OR REASONS WHY ACTUAL RESULTS MAY DIFFER.

**General**

The Company is conducting operations from its owned facility in Naugatuck, Connecticut and as of November 30, 2008 has 71 employees.

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

**Results of Operations – Fiscal Year Ended September 30, 2008 (unaudited)**

The Company's revenues were \$11.2 million in fiscal 2008, compared to \$14.1 million in fiscal 2007. The Company is operating on internally generated cash flows supplemented with loans from related parties. There is no commitment from any related parties to provide loans in the future. Furthermore, on July 30, 2007, GDC Naugatuck, Inc., a subsidiary of General DataComm Industries, Inc., obtained mortgage financing in the amount of \$4,500,000 which was used to refinance and replace senior secured debt. Such mortgage financing requires payments of interest (only) until it matures on July 31, 2010, as amended, and contains no financial covenants (see Note 3).

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

A significant portion of the Company's product revenues in recent years were derived from the sale of network access and wide area network equipment which include legacy products, primarily analog and digital data sets. Approximately 26% of product revenues in fiscal 2008 were provided by such legacy products. The Company anticipates that sales of legacy products will decline over the next several years while sales of new products will increase over the same period with significant fluctuations possible and without assurance that sales of new products will increase over the same period.

Approximately 38% and 53% of sales of products in fiscal 2008 and 2007, respectively, were made through integrators, distributors and resellers. Such parties are normally responsible for warehousing products and fulfilling product orders as well as identifying potential service providers and other customers. The balance of the product sales were made through direct sales to service providers and enterprise customers.

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

**Revenues**

(in thousands)	Year Ended September 30,	
	2008	2007
Product	\$ 9,041	\$ 11,596
Service	2,147	2,544
<b>Total Revenues</b>	<b>\$ 11,188</b>	<b>\$ 14,140</b>

Revenues for the fiscal year ended September 30, 2008 decreased \$2,952,000, to \$11,188,000 from \$14,140,000 reported for the fiscal year ended September 30, 2007. Product revenues decreased \$2,555,000, while service revenues decreased \$397,000 from the prior year. As discussed below, in fiscal 2007 one international customer had a significant positive impact on revenues generated by the Company's newer multi-service switches. However, while business with this customer continued in fiscal 2008, it did not attain the same high level as in fiscal 2007.

In fiscal 2007 the Company was awarded a contract to supply its high end multi-service switches and related services for a network transport system application in Central Asia. Shipments under this contract accounted for approximately 36% of product revenues in fiscal 2007 and resulted in \$4.0 million of incremental revenues. Sales to this same customer in fiscal 2008 were lower by \$2.5 million and were the primary reason for the decline in product revenues in fiscal 2008. In addition, the Company continued to experience a drop in legacy access products which had historically been sold to large telecommunications carriers, due to such carriers' migration to different technologies, offset by higher demand for high-end multi-service switches.

Service revenues declined due to the cancellation of a maintenance support contract in Europe for \$450,000 where the customer transitioned equipment, offset in part by revenue of \$178,000 generated from new sub-contract work from a major telephone company. Additional net decreases in project and support contracts amounted to \$125,000.

A decline in demand for the Company's products began in fiscal 2001 due to economic and industry-wide factors affecting the telecommunications industry, including financial constraints affecting customers and over-capacity in customers' markets. Furthermore, since that time orders for the Company's products from telecommunications carriers have continued to decline and the customer base has migrated to a higher percentage of commercial and government agency end-users. The general economic downturn in 2008 has resulted in significant uncertainty about future revenue levels. Accordingly, the ability to forecast future revenue trends in the current environment is difficult.

The Company's business is characterized by a concentration of sales to a limited number of key customers. Sales to the Company's top five customers accounted for 54% and 67% of revenues in fiscal 2008 and 2007, respectively. The Company's customers who accounted for 10% or more of revenues in fiscal 2008 were: Thales Communications who is a large integrator in France (15%) and the City of Los Angeles (14%). The Company's customer who accounted for 10% or more of revenue in fiscal 2007 was Thales Communications (30%).

The Company sells its products and services in the United States and Canada primarily through a direct sales force and through a variety of resellers, integrators, and distributors. Sales to resellers, distributors and integrators accounted for approximately 38% and 53% of product sales in fiscal 2008 and 2007, respectively. The balance of the sales of products and services were made through direct sales to service providers and enterprise customers. Foreign revenues were 30% and 49% of total revenue in the fiscal years ended September 30, 2008 and 2007, respectively.

#### Gross Margin

(in thousands)	Year Ended September 30,	
	2008	2007
Product	\$ 4,523	\$ 7,163
Service	644	1,418
Total Gross Margin	5,167	8,581
Percentage of Product Revenues	50.0%	61.8%
Percentage of Service Revenues	30.0%	55.7%
Percentage of Total Revenues	46.2%	60.7%

Gross margin, as a percentage of revenues, in the fiscal year ended September 30, 2008 was 46.2% as compared to 60.7% in the fiscal year ended September 30, 2007, a decrease of 14.5%.

Product gross margin, as a percentage of product revenues, decreased 11.8%. The decrease was due to the greater favorable impact in the prior year of selling inventories previously written down (-7.7%), low margin sales of security software products in fiscal 2008 (-5.1%) and manufacturing inefficiencies resulting from lower volumes (-2.9%). Offsetting these decreases was the successful procurement of components at reduced prices (+2.9%) and other net items contributing 1.0%.

Service gross margin, as a percentage of service revenues, declined 25.7%. The decline in service revenue, as described above, contributed a reduction of 13.4% in gross margin percent. Higher costs, associated with employee and contractor costs to support new subcontract work from a major telephone company and other net staffing changes, contributed to an additional reduction of 12.3% in gross margin percent.

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

#### Selling, General and Administrative

(in thousands)	Year Ended September 30,	
	2008	2007
Selling, general and administrative	\$ 6,253	\$ 5,388
Percentage of revenues	55.9%	38.1%

The Company's selling, general and administrative expenses increased to \$6,253,000, or 55.9% of revenues in the fiscal year ended September 30, 2008 from \$5,388,000, or 38.1% of revenues in the fiscal year ended September 30, 2007. The increase in spending in the year of \$865,000, or 16.0%, was due to higher compensation costs of \$528,000 resulting from new hires in the sales and marketing force and from salary increases that were initiated earlier in the fiscal year and later reduced. The Company also incurred increased legal fees for litigation work that was primarily responsible for a \$346,000 increase overall in professional fees. Other increases of \$99,000 resulted primarily from increases in inflation in general operating expenses due to higher energy costs and higher European travel costs. These increases were offset by a \$108,000 gain resulting from the favorable resolution of a property tax liability.

#### Research and Product Development

(in thousands)	Year Ended September 30,	
	2008	2007
Research and product development	\$ 3,232	\$ 2,515
Percentage of revenues	28.9%	17.8%

Research and product development expenses increased to \$3,232,000, or 28.9% of revenue in the fiscal year ended September 30, 2008 as compared to \$2,515,000, or 17.8% of revenue in the fiscal year ended September 30, 2007. The increase in spending in the year of \$717,000, or 28.5% was due to additions to the staff and salary adjustments which resulted in an increase in engineering compensation costs of \$549,000, an increase in the use of contract engineers of \$203,000 and other net decreases of \$35,000. Both the additions to staff and the contract engineers were required to accelerate the completion of critical and strategic product development programs.

#### Interest Expense

Interest expense decreased to \$2,904,000 in the fiscal year ended September 30, 2008 from \$3,038,000 in the fiscal year ended September 30, 2007. The lower interest charges of \$134,000 resulted from a reduction in debt levels due to a repurchase of debentures in fiscal 2007 and lower variable interest rates in fiscal 2008.

#### Other Income (Expense)

Other income (expense) for the fiscal year ended September 30, 2008 and 2007 totaled \$4,018,000 and \$5,881,000, respectively. The 2008 amount includes \$3,891,000 from the gain on the sale of patents, \$64,000 received from a tradename license and \$100,000 from a negotiated professional fee reduction, offset by \$37,000 in other net expenses. The 2007 amount includes \$4,062,000 from restructuring of debt, \$1,500,000 from refinancing of debt, \$101,000 resulting from settlement of a Canadian sales tax audit, \$21,000 from a settlement with a component supplier, \$83,000 received from a tradename license, \$35,000 in sales of components no longer used and \$79,000 of other net items of income.

#### Provision for Income Taxes

The income tax benefit for the fiscal year ended September 30, 2008 in the amount of \$176,000 reflects current state tax provisions of \$7,000 offset by a reduction of \$176,000 of possible liabilities deemed no longer required due to the expiration of time. The income tax provision for the fiscal year ended September 30, 2007 reflects a benefit of \$67,000 primarily due to possible foreign tax liabilities deemed no longer required due to expiration of time in which to make claims and to a lower level of potential foreign claims, partially offset by a current state tax provision of \$6,000.

No federal income tax provisions or other tax benefits were provided in fiscal 2008 and 2007 due to the valuation allowance provided against deferred tax assets. The Company established a full valuation allowance against its net deferred tax assets due to the uncertainty of realization of benefits of the net operating loss carry forwards from prior years and the net loss incurred in fiscal 2008. The Company has federal tax credit and net operating loss carry forwards of approximately \$11.9 million and \$217.7 million, respectively, at September 30, 2008.

## Critical Accounting Policies

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

*Revenue Recognition.* The Company recognizes a sale when the product is shipped or thereafter, and the following four criteria are met 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 maintain a stock of the Company's products. Service revenue is either recognized when the service is performed or, in the case of maintenance contracts, on a straight-line basis over the term of the contract.

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

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

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

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

*Impairment of Long-Lived Assets.* The Company assesses the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable under the guidance prescribed by SFAS No. 144. The Company's long-lived assets consist of real estate, equipment and other personal property. At September 30, 2008, real estate represented the most significant long-lived asset that has not been fully depreciated or written down for impairment.

**Recent Accounting Pronouncements**

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.

**Liquidity and Capital Resources**

(in thousands)	September 30,	
	2008	2007
Cash and cash equivalents	\$ 136	\$ 1,296
Working capital (deficit)	(32,992)	(2,798)
Total assets	8,422	10,136
Long-term debt, including current portion	26,472	26,308
Total liabilities	42,774	41,868

  

	Year Ended September 30,	
	2008	2007
Net cash provided (used) by:		
Operating activities	\$ (4,939)	\$ 108
Investing activities	3,625	(24)
Financing activities	154	966

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

### **Fiscal 2008**

Net cash used in operating activities totaled \$4,939,000 in the fiscal year ended September 30, 2008.

The net loss in the period was \$3,035,000. Included in this net loss were a net gain of \$3,891,000 related to the sale of patents and non-cash expenses for depreciation and amortization of \$309,000 and stock compensation expense of \$230,000. Unpaid interest which accrued on the Company's debt increased \$1,644,000 as a result of additional interest charges of \$2,920,000 reduced by interest payments to related parties of \$458,000 and to others of \$818,000. A decrease in accounts receivable due to customer collection levels being higher than new sales levels resulted in a source of cash of \$718,000. Inventories were higher and resulted in a use of cash of \$407,000 as the Company prepared to ship anticipated orders with short delivery times. Other net uses of cash included a reduction in accounts payable and accrued expenses of \$295,000 due to payments of installments of prior year tax claims in the amount of \$178,000 and net reductions in amounts owed to suppliers and others. Other sources of cash totaled \$212,000.

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

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

### **Fiscal 2007**

Net cash provided by operating activities was \$108,000 in the fiscal year ended September 30, 2007. The net income in fiscal 2007 was \$3,582,000. Non-cash items included in net income were expenses for depreciation and amortization of \$346,000 and stock compensation expense of \$269,000 and non-cash income recorded as a result of an amendment of the Company's senior loan agreement of \$4,062,000, the gain on refinancing of such agreement with a mortgage financing of the Company's Naugatuck, Connecticut property of \$1,500,000 and a reduction in liability for income taxes of \$67,000. A decrease in accounts receivable due to customer's collections being higher than new sales levels resulted in a source of cash of \$775,000. Inventories were higher and resulted in a use of cash of \$212,000, as the Company was preparing to ship a large international order. Unpaid interest which accrued on the Company's debt increased \$2,179,000 as a source of cash. The Company received the proceeds of a prior year legal settlement (\$213,000), a final settlement of claims in a subsidiary liquidation (\$137,000) and a final settlement of a Canadian sales tax audit (\$101,000). The Company paid the third of six installments of prior year tax claims in the amount of \$223,000 and paid delinquent real estate property taxes of \$931,000. Other net uses of cash were \$499,000.

Cash used by investing activities in the fiscal year ended September 30, 2007 was \$24,000 for the acquisition of equipment.

Net cash provided by financing activities of \$966,000 in the fiscal year ended September 30, 2007 is comprised of proceeds from a mortgage financing of \$4,500,000, proceeds from notes payable to related parties of \$270,000 and from other notes payable of \$222,000, offset in part by payments on senior debt including final pay-off of a loan of \$3,827,000 and on notes payable of \$199,000.

### **Liquidity**

The Company incurred a net loss and used a significant amount of cash in its operating activities for the twelve months ended September 30, 2008. 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. As discussed in the "Risk Factors" section that follows, the Company has outstanding \$19.5 million of debentures and accrued interest thereon of \$9.8 million which matured on October 1, 2008. The liquidity risks 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 in 2008 by selling its patents for proceeds of \$4,000,000 while retaining rights to use the patented technologies. In 2007 senior debt was replaced with mortgage debt on more favorable terms. In addition, management has implemented operational changes: reducing certain salaries, restructuring the sales force, increasing factory and office shutdown time, constraining expenses and reducing the employee workforce. The Company also continues to pursue the sale or lease of its headquarters land and building in Naugatuck, CT.

The Company's contractual cash obligations including interest, as of September 30, 2008, are as follows:

	<b>PAYMENTS DUE BY PERIOD</b>		
	<i>(in thousands)</i>		
	Total	Fiscal 2009	Fiscal 2010
Real Estate Mortgage	\$ 5,504	\$ 548	\$ 4,956
Related Parties	2,873	2,873	-
Priority Tax Claims	542	542	-
Debentures	29,282	29,282	-
Note Payable	22	22	-
Operating Leases	69	54	15
<b>Total Contractual Cash Obligations</b>	<b>\$ 38,292</b>	<b>\$ 33,321</b>	<b>\$ 4,971</b>

The real estate mortgage, related party debt and debentures are subject to acceleration in the event of a payment default by the Company that is not cured. The related party debt repayment has been deferred indefinitely per agreement with the parties. There can be no assurance that the Company will be able to avoid a payment default in the future. Furthermore, the Company has not paid priority tax claims in the amount of \$214,000 that were due September 15, 2008.

The real estate mortgage, entered into July 30, 2007, provides for monthly payments of interest only and the principal amount is payable in full on July 31, 2010, as amended.

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

See Notes 3 and 14 in the Notes to Consolidated Financial Statements included in Item 8 in this Form 10-K for additional information on certain contractual cash obligations.

The Company has no off balance sheet arrangements.

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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

Historically the Company has had little or no exposure to market risk in the area of changes in foreign currency except to the extent the Company invoices customers in foreign currencies and is, therefore, subject to foreign currency exchange rate risk on any individual invoice while it remains unpaid, a period that normally is less than 90 days. At September 30, 2008 such accounts receivable were not significant.

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

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

The financial statements of the Company for fiscal 2008 which follow have not yet been audited. The Company has limited financial resources and had been negotiating audit fees with its audit firm. The negotiations delayed the start of the fiscal 2008 audit and on January 5, 2009 the audit firm terminated its audit relationship with the Company. The Company filed a Form 8-K to disclose this matter. The predecessor audit firm had not commenced its audit of the Company's 2008 year-end financial statements, but had completed its reviews of the Company's condensed financial statements included in Form 10-Q for each of the first three quarters of fiscal 2008. The Company is in the process of appointing new auditors. The predecessor audit firm's report on the Company's fiscal 2007 financial statements is expected to be reissued in connection with the completion of the audit of the Company's fiscal 2008 financial statements

PAGE

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED):

CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2008 AND 2007	27
CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED SEPTEMBER 30, 2008 and 2007	28
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007	29
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007	30

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

(In thousands except shares)

September 30,

	2008	2007
<b>Assets:</b>		
<i>Current assets:</i>		
Cash and cash equivalents	136	\$ 1,296
Accounts receivable, less allowance for doubtful receivables of \$228 in 2008 and \$250 in 2007	993	1,711
Inventories	3,173	2,766
Other current assets	482	676
Total current assets	4,784	6,449
Property, plant and equipment, net	3,638	3,687
Total Assets	8,422	\$ 10,136
<b>Liabilities and Stockholders' Deficit:</b>		
<i>Current liabilities:</i>		
Current portion of long-term debt (including \$2,505 owed to related parties in 2008 and \$2,351 in 2007)	21,972	\$ 2,355
Accounts payable	2,580	2,810
Accrued payroll and payroll-related costs	552	565
Accrued interest	10,015	466
Other current liabilities	2,657	3,051
Total current liabilities	37,776	9,247
Long term debt, less current portion	4,500	23,953
Accrued interest	-	7,946
Other liabilities	498	722
Total Liabilities	42,774	41,868
Commitments and contingencies (Notes 14 and 15)		
Stockholders' deficit:		
9% Preferred stock, par value \$1.00 per share, 3,000,000 shares authorized; 781,996 shares issued and outstanding; \$34.1 million liquidation preference at September 30, 2008	782	782
Class B stock, par value \$.01 per share, 5,000,000 shares authorized; 634,615 issued and outstanding in 2008 and 647,715 in 2007	6	6
Common stock, par value \$.01 per share, 25,000,000 shares authorized; issued and outstanding: 3,487,473 in 2008 and 3,474,373 in 2007	35	35
Capital in excess of par value	199,251	199,021
Accumulated deficit	(234,486)	(231,601)
Accumulated other comprehensive income	60	25
Total Stockholders' Deficit	(34,352)	(31,732)
Total Liabilities and Stockholders' Deficit	\$ 8,422	\$ 10,136

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

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

(In thousands except share data)  
Year ended September 30,

	2008	2007
<b>Revenues:</b>		
Product	\$ 9,041	\$ 11,596
Service	2,147	2,544
<b>Total</b>	<b>11,188</b>	<b>14,140</b>
<b>Cost of revenues</b>		
Product	4,518	4,433
Service	1,503	1,126
<b>Total</b>	<b>6,021</b>	<b>5,559</b>
Gross margin	5,167	8,581
<b>Operating expenses:</b>		
Selling, general and administrative	6,253	5,388
Research and product development	3,232	2,515
	9,485	7,903
Operating income (loss)	(4,318)	678
Interest expense	(2,904)	(3,038)
Other income, net	4,018	5,881
	(3,204)	3,521
Income (loss) before income taxes	(3,204)	3,521
Income tax benefit	(169)	(61)
	(3,035)	3,582
Net income (loss)	(3,035)	3,582
Dividends applicable to preferred stock	(1,760)	(1,760)
Net income (loss) applicable to common and Class B stock	\$ (4,795)	\$ 1,822
<b>Earnings (loss) per share:</b>		
Basic-common stock	\$ (1.16)	\$ 0.45
Basic – Class B stock	\$ (1.16)	\$ 0.40
Diluted –common stock	\$ (1.16)	\$ 0.44
Diluted – Class B stock	\$ (1.16)	\$ 0.40
<b>Weighted average number of common and Class B shares outstanding:</b>		
Basic – common stock	3,483,071	3,473,271
Basic – Class B stock	639,017	648,817
Diluted – common stock	3,483,071	4,122,088
Diluted – Class B stock	639,017	648,817

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

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

	Comprehensive Income (Loss)	9% Preferred Stock		Class B Stock		Common Stock		Capital In Excess of Par	Accumulated Deficit	Accumulated Other Comprehensive Income*	Total Stock- holders Deficit
		Shares	Amount	Shares	Amount	Shares	Amount				
Balance September 30, 2006		781,996	\$ 782	653,947	\$ 7	3,468,141	\$ 35	\$ 198,751	\$ (235,183)	\$ 10	\$ (35,598)
Comprehensive income											
Net Income	\$ 3,582								3,582		3,582
Foreign currency translation adjustments	15									15	15
Comprehensive income	\$ 3,597										
Conversion of Class B stock to common stock											
				(6,232)	(1)	6,232		1			
Stock compensation expense								269			269
Balance September 30, 2007		781,996	782	647,715	6	3,474,373	35	199,021	(231,601)	25	(31,732)
Adoption of FIN 48											
									150		150
Comprehensive income (loss)											
Net loss	\$ (3,035)								(3,035)		(3,035)
Foreign currency translation adjustments	35									35	35
Comprehensive (loss)	\$ (3,000)										
Conversion of Class B stock to common stock											
				(13,100)	-	13,100	-				
Stock compensation expense								230			230
Balance September 30, 2008		781,996	\$ 782	634,615	\$ 6	3,487,473	\$ 35	\$ 199,251	\$ (234,486)	\$ 60	\$ (34,352)

“Accumulated Other Comprehensive Income” is comprised solely of foreign currency translation adjustments; there is no income tax expense or benefit associated with such adjustments.

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

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

(In thousands)

Year ended September 30,

	<b>2008</b>	<b>2007</b>
<i>Cash flows from operating activities:</i>		
Net income (loss)	\$ (3,035)	\$ 3,582
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	309	346
Stock compensation expense	230	269
Gain on sale of patents	(3,891)	-
Gain on restructuring of debt	-	(4,062)
Gain on forgiveness of debt	-	(1,500)
Reduction in liability for income taxes	(176)	(67)
Changes in:		
Accounts receivable	718	775
Inventories	(407)	(212)
Accounts payable	(230)	127
Accrued payroll and payroll-related costs	(13)	(31)
Accrued interest	1,644	2,179
Other net current liabilities	168	(1,062)
Other net long-term assets	(256)	(236)
<b>Net cash provided (used) by operating activities</b>	<b>(4,939)</b>	<b>108</b>
<i>Cash flows from investing activities:</i>		
Acquisition of property, plant and equipment, net	(266)	(24)
Net proceeds from sale of patents	3,891	-
<b>Net cash provided (used) by investing activities</b>	<b>3,625</b>	<b>(24)</b>
<i>Cash flows from financing activities:</i>		
Proceeds from notes payable to related parties	550	270
Principal payments on notes payable to related parties	(395)	-
Proceeds from other notes payable	226	222
Principal payments on other notes payable	(227)	(199)
Principal payments on senior loan obligations	-	(3,827)
Proceeds from real estate mortgage	-	4,500
<b>Net cash provided by financing activities</b>	<b>154</b>	<b>966</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,160)</b>	<b>1,050</b>
Cash and cash equivalents, beginning of year	1,296	246
<b>Cash and cash equivalents, end of year</b>	<b>\$ 136</b>	<b>\$ 1,296</b>
<i>Supplemental disclosures of cash flow information:</i>		
Cash paid during the year for:		
Interest	\$ 980	\$ 394
Income and franchise taxes	\$ 6	\$ 6

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

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

**1. Basis of Presentation and Liquidity**

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

The Company incurred a net loss and used a significant amount of cash in its operating activities for the year ended September 30, 2008. 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. In addition, at September 30, 2008 the Company had a stockholders' deficit of \$34.3 million and a working capital deficit of \$33.0 million, including debentures in the principal amount of \$19.5 million, together with accrued interest thereon (\$9.8 million), which matured on October 1, 2008. While a subordinated security agreement signed by the indenture trustee on behalf of the debenture holders provides that no payments may be made to debenture holders, and that no event of default may be declared under the indenture, while senior secured debt is outstanding, in the absence of such restrictions the Company does not have the ability to repay the debentures. As of September 30, 2008, senior secured debt consists of notes payable to related parties and a mortgage payable. A failure to pay the debentures when they become due and payable as described above could result in an event of default being declared under the indenture governing the debentures.

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

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

## **2. Description of Business and Summary of Significant Accounting Policies**

### **Description of Business**

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

### **Principles of Consolidation**

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

### **Cash and Cash Equivalents**

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

### **Inventories**

Inventories are stated at the lower of cost or market using the first-in, first-out method (see Note 4).

### **Property, Plant and Equipment**

Property, plant and equipment are stated at cost and are depreciated or amortized using the straight-line method over their estimated useful lives. The cost of internally constructed assets (test fixtures) includes the cost of materials, internal labor and overhead costs (see Note 5).

### **Revenue Recognition**

The Company recognizes a sale when the product is shipped or thereafter and the following four criteria are met: (1) persuasive evidence of an arrangement exists; (2) title and risk of loss transfers to the customer; (3) the selling price is fixed or determinable; and (4) collectability is reasonably assured. A reserve for future product returns is established at the time of the sale based on historical return rates and return policies including stock rotation for sales to distributors that 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.

### **Promotion and Advertising Costs**

Promotion and advertising costs, which include internal staff costs, are charged to selling, general and administrative expense in the period in which they are incurred. Promotion and advertising costs amounted to \$65,000 and \$292,000 in fiscal years 2008 and 2007, respectively.

## **Research and Product Development**

Research and product development is expensed in the period incurred.

## **Income Taxes**

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards No. 109 ("SFAS 109"), "Accounting for Income Taxes," which requires the use of the asset and liability method of accounting for deferred income taxes (see Note 6).

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 uncertainty in income taxes recognized in the financial statements in accordance with SFAS 109. 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 interest and penalties as of September 30, 2007 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 states and foreign jurisdictions. The Company is no longer subject to examination by taxing authorities for fiscal years before September 30, 2004 and therefore reduced its liability by \$136,000. The Company classifies interest and penalties as selling, general and administrative expenses. Interest and penalties recognized in the fiscal year ended September 30, 2008 amounted to a reduction of approximately \$132,000 and accrued interest and penalties included in the balance sheet at September 30, 2008 amounted to approximately \$17,800.

The provision for income taxes includes federal, foreign, state and local income taxes currently payable, benefits associated with favorable resolution of tax claims and deferred taxes resulting from temporary differences between the financial statement and tax bases of assets and liabilities. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

## **Foreign Currency**

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

## **Earnings (Loss) Per Share**

Basic and diluted earnings (loss) per share are computed in accordance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share" (see Note 10).

## **Concentrations of Credit Risk**

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash instruments and accounts receivable. The Company places its cash investments with high-quality U.S. financial institutions. Approximately \$425,000, or 43%, of accounts receivable at September 30, 2008 (\$808,000, or 41%, at September 30, 2007) were concentrated in telephone companies or distributors to such companies primarily in North America and \$389,000, or 39%, (\$884,000, or 45%, at September 30, 2007) were concentrated in large integrators to government agencies in North America and Europe. Two integrators each represented 20% and 10% of accounts receivable at September 30, 2008 and two integrators each represented 15% and 14% of accounts receivable at September 30, 2007. These receivables are not collateralized due to the Company's assessment of limited risk and favorable history of payments from such customers.

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

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

The Company does provide health and long-term care benefits to five former long-term executives of the Company who retired in November 2001. The Company recorded the liability for such benefits based on actuary-provided life expectancies, known fixed annual costs and estimated variable costs and adjusts the liability based on actual experience. The liability for such expenses was \$562,000 and \$571,000 at September 30, 2008 and 2007, respectively.

#### **Accounting for Stock-Based Compensation**

At September 30, 2008, the Company has stock-based employee compensation plans in effect, which are described more fully in Note 9.

Effective October 1, 2006, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards No. 123 (R), "Accounting for Stock-Based Compensation" ("SFAS 123R") using the modified prospective transition method. Under that transition method, compensation cost recognized in fiscal 2008 and 2007 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 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 123R. Results for prior periods have not been restated. Compensation cost is recorded over the stock options' vesting periods. As a result of adopting SFAS 123R, compensation cost recognized in the years ended September 30, 2008 and 2007 was \$230,000 and \$269,000, respectively.

#### **Comprehensive Income**

The Company has adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130") which establishes standards for reporting comprehensive income and its components in a Company's financial statements. The Company reported foreign currency translation gain as other comprehensive income as defined in SFAS 130 in the fiscal years ended September 30, 2008 and 2007.

Accumulated Other Comprehensive Income" is comprised solely of foreign currency translation adjustments. There is no income tax expense or benefit associated with such adjustments.

### Operating Segments

The Company has adopted Statement of Financial Accounting Standards No. 131, "Disclosures About Segments of an Enterprise and Related Information" ("SFAS 131"), which utilizes a "management" approach to segment reporting. The management approach designates the internal organization that is used by management for making operating decisions and assessing performance as the source of the Company's reportable segments. For the years ended September 30, 2008 and 2007, the Company operated in one reportable segment. SFAS 131 also requires enterprise-wide disclosures about products and services, geographic areas, and major customers (see Note 8).

### Use of Estimates

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

### Recent Accounting Pronouncements

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.

### 3. Long-Term Debt

Long-term debt consists of (in thousands):

September 30,	2008	2007
Notes Payable to Related Parties, net of debt discount of \$19 in 2007 (none in 2008)	\$ 2,505	\$ 2,332
Other Note Payable	14	23
Debentures maturing October 1, 2008	19,453	19,453
Real Estate Mortgage due July 31, 2010	4,500	4,500
	<u>26,472</u>	<u>26,308</u>
Less current portion	21,972	2,355
	<u>\$ 4,500</u>	<u>\$ 23,953</u>

The Company believes that the values of the other note payable and real estate mortgage approximate their respective fair values due to the recent placement of such debt. Also, notes payable to related parties in the amounts of \$2.5 million and \$2.3 million at September 30, 2008 and 2007, respectively, are considered to approximate fair value. However, the estimated fair value of debentures, with a face value totaling \$19.5 million is considered to be substantially lower than carrying value due to the debentures being subordinated to both the real estate and related party debt. However, due to the extremely limited market (if any) for the debentures, the Company is unable to determine the current fair value.

Long-term debt matures in amounts totaling \$21,972,000 in fiscal 2009, and \$4,500,000 in fiscal 2010. Debentures in the amount of \$19,453,000 mature October 1, 2008, but are restricted from being paid until the senior debt is paid (see discussion below).

#### **Notes Payable to Related Parties and Warrants**

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

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

In the quarter ended March 31, 2007, Mr. Modlin made demand loans to the Company totaling \$270,000 and \$125,000, respectively, and which bore interest at the annual rate of 10%. Such loans were paid off in the quarter ended March 31, 2008. On April 30, May 13, July 9 and September 18, 2008, Mr. Modlin made demand loans to the Company in the amounts of \$175,000, \$75,000, \$110,000 and \$175,000 respectively. Such loans bear interest at the annual rate of 10%. The loan made on July 9, 2008 was repaid on July 17, 2008. (See Note 16, "Subsequent Events" for reference to a loan and receivable purchases made by Mr. Modlin to the Company after September 30, 2008.

Accrued interest on all such loans amounted to \$111,866 and \$389,748 at September 30, 2008 and 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 matured on October 1, 2008. The debentures were issued to unsecured creditors in 2003 as part of the Company's plan of reorganization. No principal or interest is payable on the debentures until the senior lenders' claims are paid in full and no principal or interest has been paid as of September 30, 2008. Interest accrues at the annual rate of 10% and totaled \$9,829,000 at September 30, 2008. See Note 1 "Basis of Presentation and Liquidity".

## Real Estate Mortgage

The real estate mortgage entered into July 30, 2007 in the amount of \$4,500,000 is secured by the Company's premises in Naugatuck, CT. The mortgage required monthly payments of interest at the rate of 30-day LIBOR plus 6% (such interest was 8.49% at September 30, 2008). No principal payments are required until the full amount of the mortgage matures. Such date was extended from July 30, 2009 to July 30, 2010 as part of an amendment to the mortgage dated December 8, 2008. The mortgage contains no financial covenants. (See Note 16, "Subsequent Events" for further discussion of the mortgage amendment, including higher interest rate effective January 1, 2009.)

## 4. Inventories

Inventories consist of (in thousands):

September 30,	2008	2007
Raw materials	160	\$ 665
Work-in-process	1,286	1,020
Finished goods	1,727	1,081
	<u>\$ 3,173</u>	<u>\$ 2,766</u>

Inventories are stated at the lower of cost or market using the first-in-first out method. Reserves in the amount of \$3,033,000 and \$2,883,000 were recorded at September 30, 2008 and 2007, respectively, for excess and obsolete inventories.

## 5. Property, Plant and Equipment

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

September 30,	2008	2007	Estimated Useful Life
Land	\$ 1,000	\$ 1,000	—
Buildings and improvements	7,115	7,115	10 to 30 years
Test equipment, fixtures and field spares	3,595	3,595	3 to 10 years
Other equipment	4,625	4,349	2 to 10 years
	<u>16,335</u>	<u>16,059</u>	
Less: accumulated depreciation	<u>12,697</u>	<u>12,372</u>	
	<u>\$ 3,638</u>	<u>\$ 3,687</u>	

Depreciation expense amounted to \$328,000 and \$308,000 in fiscal 2008 and 2007, respectively.

The Company's property in Naugatuck, Connecticut, which is the location of the Company's operations, has a net book value of \$3,399,000 and \$3,579,000 at September 30, 2008 and 2007, respectively. Although the Company has been actively trying to sell the building since 2001, due to its inability to do so, such building is not reflected as an asset held for sale in the accompanying balance sheets. In addition such property is collateral for the indebtedness under the Company's mortgage note, which has a first lien, as well as notes payable to related parties collateralized by a subordinate mortgage and subordinated rights of debentures to any remaining proceeds.

## 6. Income Taxes

Income (loss) before income taxes in the years ended September 30, 2008 and 2007 consists primarily of domestic income (loss) generated in the United States. The income tax benefits in fiscal 2008 and 2007 reflect a benefit of \$176,000 and \$1,352,000 respectively, primarily due to expiration of time in which to make claims by the taxing authorities, offset in part by current state tax provisions of \$7,000 for fiscal 2008 and \$6,000 for fiscal 2007.

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

Year ended September 30,	<u>2008</u>	<u>2007</u>
Federal statutory rate	(34.0)%	34.0%
Reduction of accruals for prior years' taxes	(5.5)	(1.8)
Change in valuation allowance	34.0	(34.0)
State income tax effects	.2	0.1
Effective income tax rate	<u>(5.3)%</u>	<u>(1.7)%</u>

For regular income tax reporting purposes at September 30, 2008, domestic federal tax credit and net operating loss carryforwards amounted to approximately \$11.9 million and \$217.6 million, respectively. Domestic federal tax credit and net operating loss carryforwards expire in various amounts between fiscal 2008 and 2026. Domestic state loss carryforwards of approximately \$48.9 million expire in various amounts between fiscal 2009 and 2028, but most expire by 2023. Utilization of the net operating loss carryforwards may be subject to limitation due to the changes in ownership provisions under section 382 of the Internal Revenue Code and similar state provisions. The Company's subsidiary in France has approximately \$191,000 in net operating loss carryforwards.

The tax effects of the significant temporary differences and carryforwards comprising the deferred tax assets and liabilities at September 30, 2008 and 2007 were as follows (in thousands):

	<u>2008</u>	<u>2007</u>
<i>Deferred Tax Assets</i>		
Bad debt reserve	\$ 90	\$ 100
Inventory reserve	7,315	7,388
Other accruals	490	568
Loss carryforward	77,893	77,168
Tax credits	<u>11,872</u>	<u>11,991</u>
	97,660	97,215
Valuation allowance	<u>(97,660)</u>	<u>(97,215)</u>
Net deferred tax assets	<u>0</u>	<u>0</u>

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

Statement of Financial Accounting Standard No. 109, "Accounting For Income Taxes," requires a valuation allowance against deferred tax assets if, based on available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The Company believes that uncertainty exists with respect to the future realization of deferred tax assets and, as a result, carries a valuation allowance for such items. The valuation allowances, disclosed in the deferred tax summary above, increased by \$445 in fiscal 2008 and decreased by \$1,243,000 in fiscal 2007.

On October 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes". See Note 2 for further discussion.

## 7. Capital Stock

## **Common Stock and Class B Stock**

In addition to regular common stock, the Company's capital structure includes Class B stock which, under certain circumstances, has greater voting power in the election of directors. However, common stock is entitled to cash dividends, if and when paid, 11.11% higher per share than Class B stock. The Company has never declared or paid cash dividends on its common stock. So long as there are arrearages in payment of dividends on the Company's 9% Preferred Stock, the Company is prohibited from paying cash dividends on its common stock and Class B stock. Class B stock has limited transferability and is convertible into common stock at any time on a share-for-share basis. There were 634,615 and 647,715 shares of Class B stock outstanding at September 30, 2008 and 2007, respectively.

## **9% Preferred Stock**

At September 30, 2008 and 2007, there were 781,996 shares of the Company's 9% Cumulative Convertible Exchangeable Preferred Stock ("9% Preferred Stock") outstanding. The 9% Preferred Stock accrues dividends at a rate of 9% per annum, cumulative from the date of issuance and payable quarterly in arrears. Dividends were paid through June 30, 2000; dividends in arrears, which are not accrued for financial reporting purposes since they have not been declared by the Company, amounted to \$14,515,801 at September 30, 2008 (\$18.56 per share) and are included in the liquidation value disclosed in the accompanying fiscal 2008 balance sheet. Such arrearages entitle the holders of the 9% Preferred Stock to elect two directors until all arrearages are paid, but no such designation has been made or requested. The 9% Preferred Stock can be converted into common stock at \$136.50 per share, or the equivalent of .18315 shares of common stock for each share of 9% Preferred Stock.

## **8. Segment and Geographical Information**

For the years ended September 30, 2008 and 2007, the Company operated in one reportable segment.

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

Year ended September 30,	Revenue		Long-Lived Assets	
	2008	2007	2008	2007
United States	\$ 7,805	\$ 7,175	3,623	\$ 3,616
Foreign	3,383	6,965	15	71
Total	\$ 11,188	\$ 14,140	3,638	\$ 3,687

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

Customers accounting for more than 10% of the Company's revenues in fiscal, 2008 were Thales Communications (France) at 15% and City of Los Angeles at 14% and in fiscal 2007 such customer was Thales Communications at 30%.

## **9. 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 non-incentive stock options at an exercise price equal to, greater than or less than the market price on the date of grant. While individual options can be issued under various provisions, most options, once granted, generally vest in increments of 20% per year over a five-year period and expire within ten years. At September 30, 2008 there were 0443,596 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 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 ten years after grant.

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

A summary of stock options outstanding under the Company's stock plans as of September 30, 2008 and changes during the twelve months ended September 30, 2007 and 2008 is presented below:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Yrs)	Aggregate Intrinsic Value
Options outstanding, September 30, 2006	1,782,226	\$ 1.26		
Options granted	914,521	0.19		
Options exercised	-	-		
Options cancelled or expired	(60,940)	6.68		
Options outstanding, September 30, 2007	2,635,807	0.77	8.10	\$ 0
Options granted	864,021	0.27		
Options exercised	-	-		
Options cancelled or expired	(129,157)	2.24		
Options outstanding, September 30, 2008	3,370,671	0.59	7.58	0
Vested or expected to vest at September 30, 2008	2,834,738	0.51	7.49	0
Exercisable at September 30, 2008	1,090,814	1.13	6.76	0

As of September 30, 2008, there was \$241,394 of total unrecognized compensation cost related to nonvested options which is expected to be recognized over a weighted-average period of 1.61 years.

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

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

Expected volatility is based on historical volatility in the Company's stock price over the expected life of the options. The risk-free interest rate is based on the annual yield on the measurement date of a zero coupon U.S. Treasury Bond, the maturity of which equals the options' expected life. The weighted average expected life of 6.50 years 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.

The deferred profit sharing portion of the plan provides that the Company may make contributions to the plan out of profits at the discretion of the Company. There were no such contributions in the two fiscal years ended September 30, 2008.

#### 10. Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by allocating net income (loss) available to common stockholders to common and Class B shares based on their contractual participation rights to share in such net income as if all the income for the year had been distributed. Such allocation reflects that common stock is entitled to cash dividends, if and when paid, 11.11% higher per share than Class B stock. The income (loss) allocated to each security is divided by the respective weighted average number of common and Class B shares outstanding during the period. Diluted earnings per share gives effect to all potential dilutive common shares outstanding during the period. In computing diluted earnings per share, the average price of the Company's common stock for the period is used in determining the number of shares assumed to be purchased from exercise of stock options and warrants. Dividends applicable to preferred stock represent accumulating dividends that are not declared or accrued. The following table sets forth the computation of basic and diluted earnings (loss) applicable to common and Class B stock for the years ended September 30, 2008 and 2007 (in thousands, except shares and per share data):

	Year Ended September 30,	
	2008	2007
Net income (loss)	\$ (3,035)	\$ 3,582
Dividends applicable to preferred stock	(1,760)	(1,760)
Net income (loss) applicable to common and Class B stock	\$ (4,795)	1,822
Net income (loss) applicable to common stock – basic	\$ (4,052)	\$ 1,560
Net income (loss) applicable to Class B stock – basic	\$ (743)	\$ 262

  

	Year Ended September 30,			
	2008		2007	
	Common Stock	Class B Stock	Common Stock	Class B Stock
Numerator for basic earnings per share - net income (loss)	(4,052)	1,560	(743)	262
Reallocation of net income for potential dilutive common shares	-	262	-	-
Numerator for diluted earnings per share - net income (loss)	(4,052)	1,822	(743)	262
Denominator for basic earnings per share - weighted average outstanding shares	3,483,071	3,473,271	639,017	648,817
Effect of dilutive securities:				
Class B stock		648,817	-	-
Denominator for diluted earnings per share	3,483,071	4,122,088	639,017	648,817
Basic earnings (loss) per share	\$ (1.16)	\$ 0.45	\$ (1.16)	\$ 0.40
Diluted earnings (loss) per share	\$ (1.16)	\$ 0.44	\$ (1.16)	\$ 0.40

In fiscal 2008 and 2007, no effect has been given to certain outstanding options and warrants, convertible securities and contingently issuable shares in computing diluted income (loss) per common share as their effect would be antidilutive. Such share amounts which could potentially dilute basic earnings per share are as follows:

	No. of Shares	
	2008	2007
Stock warrants	4,093,251	4,093,251
Stock options	3,370,671	2,635,807
Convertible preferred stock	143,223	143,223
Total	7,607,145	8,174,785

#### 11. Related Party Transactions

Mr. Howard Modlin, Secretary and a Director of the Company since 1969 and Chairman of the Board of Directors of the Company since November 2001 and currently Chairman, President and Chief Executive Officer, is also President of the law firm of Weisman Celler Spett & Modlin, P.C. ("WCSM") to whom the Company was indebted for legal services of \$2,179,000 for work performed prior to the Company's bankruptcy filing in November 2001 and in settlement for which the Company issued subordinated debentures. The bankruptcy court also approved \$294,000 for work performed by WCSM while the Company operated in bankruptcy. Furthermore, the Company was indebted to Mr. Modlin for fees for Company director meetings for which he received subordinated debentures in the total amount of \$16,400. Thereafter, WCSM agreed to work on a specific litigation matter on a contingency basis. WCSM has outstanding amounts owed totaling \$1,183,000 for work performed for the Company between September 15, 2003 and September 30, 2008.

See Note 3 regarding loans made to the Company by Messrs. Howard Modlin and John L. Segall, and Note 16 regarding a loan and receivable purchases made by Mr. Modlin after September 30, 2008.

## 12. Other Current Liabilities and Other Long-Term Liabilities

Other current liabilities are comprised of the following (in thousands):  
September 30,

	<u>2008</u>	<u>2007</u>
Liabilities for foreign tax obligations	\$ 96	\$ 433
Accrued professional fees (unbilled)	566	461
Accrued post retirement benefits	106	70
Accrued property taxes	254	241
Deferred income	642	527
Priority tax claims (short-term portion)	463	428
Other	530	891
	<u>\$ 2,657</u>	<u>\$ 3,051</u>

Other long-term liabilities at September 2008 and 2007 in the amounts of \$498,000 and \$722,000, respectively, consist primarily of the long-term portion of accrued post retirement benefits.

## 13. Other Income, Net

Other income, net is comprised of the following (in thousands):

Year ended September 30,	2008	2007
Gain on sale of patents	\$ 3,891	\$ -
Gain on restructuring of debt	-	4,062
Gain on forgiveness of debt	-	1,500
Other, net	127	319
	<u>\$ 4,018</u>	<u>\$ 5,881</u>

### Gain on Sale of Patents

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

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

### Gain on Restructuring of Debt

On January 17, 2007, pursuant to an amendment to the senior loan agreement the Company and its senior lender, agreed, among other matters, to the following changes:

- (a) to reduce and fix the outstanding amount of a term note obligation, including principal and interest, at \$3,000,000 as of January 16, 2007;
- (b) to provide for certain affiliates of the senior lender to sell debentures with a face value approximating \$2,471,000 together with accrued interest of \$824,694 to the Company for consideration of \$1.00.

As a result of the debenture purchase and the adjustment to the term note obligation, the Company recorded a gain on restructuring of debt in the amount of \$4,062,000 in the quarter ended March 31, 2007.

#### Gain on Forgiveness of Debt

The proceeds of a real estate mortgage closed on July 30, 2007 were used to retire and replace the remaining balance owed on senior debt in the amount of \$4,379,252. Pursuant to an amendment to the senior loan agreement described above and as consideration for retiring the senior debt, the Company's loan obligations were reduced by \$1,500,000 resulting in a gain on forgiveness of debt of \$1,500,000 in the quarter and fiscal year ended September 30, 2007. As further consideration, the senior lender surrendered contingent warrants to purchase the Company's common stock that had been provided in the senior loan agreement.

#### **14. Operating Leases**

At September 30, 2008 the Company had non-cancelable leases for sales offices with annual rent of \$53,649 which expire through January 12, 2010. Aggregate remaining rentals under these leases at September 30, 2008 amount to approximately \$68,791.

Net rental expense for fiscal 2008 and 2007 was approximately \$77,171 and \$79,688, respectively.

#### **15. Contingencies**

##### Component Supply

On December 19, 2007, a sole supplier of a proprietary component critical to one of the Company's products announced the discontinuation of the component and rejected previously accepted orders that had been placed for the component by the Company. Thereafter, the Company filed a legal claim in Connecticut Superior court against the supplier. On July 7, 2008, a financial settlement was reached with the supplier, the financial impact of which was not significant.

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

##### Litigation

A former employee has filed a lawsuit in a French court claiming additional compensation owed relating to his dismissal, in the approximate amount of 560,000 Euros (or approximately \$760,000 U.S. dollars as of December 31, 2008). The Company believes that the claims are without merit and the Company's French counsel has advised that the claims are unjustified.

## 16. Subsequent Events

### Related Party Loan

On October 1, 2008, the Company borrowed \$250,000 from Howard S. Modlin, Chairman of the Board and Chief Executive Officer, reflected by a demand promissory note bearing interest at the rate of 10% per annum from the date of loan secured by the assets of the Company.

### Maturity of Debentures

Debentures in the principal amount of \$19,453,000 matured on October 1, 2008. While a subordinated security agreement signed by the indenture trustee on behalf of the debenture holders provides that no payments may be made to debenture holders and that no event of default may be declared under the indenture while senior secured debt is outstanding, in the absence of such restrictions the Company does not have the ability to repay the debentures. Senior secured debt in the principal amount of \$7,255,945 was outstanding at October 1, 2008. Therefore, no payments to debenture holders have been made as of the maturity date.

### Receivable Sales Agreement with Related Party

On October 24, 2008, the Company's Subsidiary, General DataComm, Inc. entered into a Receivable Sales Agreement with Howard S. Modlin, the Company's Chief Executive Officer, pursuant to which Mr. Modlin initially purchased receivables with a face value of \$256,242 for an aggregate purchase price of \$250,000, representing a 2.5% discount. Thereafter, Mr. Modlin made additional purchases in November and December of 2008 and January 2009 for an aggregate purchase price of \$1,379,000 under this agreement.

### Real Estate Mortgage

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

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

The Company is in discussions with an audit firm to perform the audit of its financial statements for the year ended September 30, 2008, to replace Eisner LLP who resigned as the Company's independent registered public accounting firm on January 5, 2009. The Company has limited financial resources and is seeking to obtain audit and related services at a lower annual cost. As a result of delays associated with this transition, the accompanying financial statements included in Item 8 in this Form 10-K, are unaudited. The Company intends to file audited financial statements by amendment when available.

## ITEM 9A(T). CONTROLS AND PROCEDURES

The registrant carried out an evaluation, under the supervision and with the participation of the registrant's management, including the registrant's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the registrant's disclosure controls and procedures, as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the registrant's disclosure controls and procedures as of September 30, 2008 were effective to ensure that information required to be disclosed by the registrant in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

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

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

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

Based on the Company's evaluation under the framework in "Internal Controls over Financial Reporting - Guidance for Smaller Public Companies", management concluded that the Company's internal control over financial reporting was effective as of September 30, 2008.

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

There were no changes in the registrant's internal control over financial reporting that occurred during the quarter ended September 30, 2008 that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

(b) Reports on Form 8-K.

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

None

**PART III**

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

<u>Name</u>	<u>Position</u>	<u>Age</u>
Howard S. Modlin	Chairman of the Board of Directors, Chief Executive Officer, President and Secretary	77
William G. Henry	Vice President, Finance and Administration and Chief Financial Officer	59
George M. Gray	Vice President, Operations and Chief Technical Officer	58
John L. Segall	Director	82
Aletta P. Richards	Director	56

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

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

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

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

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

#### **AUDIT COMMITTEE**

The Audit Committee is comprised of one director who is not an officer or employee of the Company. The Audit Committee had four meetings during the 2008 fiscal year to review and approve the fiscal 2008 interim unaudited financial statements and fiscal 2007 audited financial statements.

#### **AUDIT COMMITTEE FINANCIAL EXPERT**

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

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

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

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

#### **CODE OF CONDUCT AND ETHICS**

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

#### **ITEM 11. EXECUTIVE COMPENSATION**

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

The following Summary Compensation Table sets forth the compensation paid or awarded to the named executive officers of the registrant for the fiscal years ended September 30, 2008, 2007 and 2006:

**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year	Annual Compensation			Other Amount Compens- ation	Restricted Stock Awards	Long Term Compensation		All Other- Compens- ation
		Salary	Bonus				Awards	Securities Underlying Optional SARS	
	(\$)	(\$)	(\$)	(\$)	(\$)	(#)	(\$)	(\$)	
Howard S. Modlin(1) Chairman of the Board of Directors and Chief Executive Officer	2008	\$ 46,030	-	\$ 1,385	-	-	-	-	
	2007	-	-	-	-	-	-	-	
	2006	-	-	-	-	-	-	-	
William G. Henry(2) Vice President, Finance and Administration and Chief Financial Officer	2008	\$ 165,377	-	\$ 8,190	-	-	-	-	
	2007	\$ 151,592	-	\$ 8,190	-	-	-	-	
	2006	\$ 150,302	-	\$ 8,190	-	-	-	-	
George M. Gray(2) Vice President, Operations and Chief Technology Officer	2008	\$ 153,843	-	\$ 7,545	-	-	-	-	
	2007	\$ 139,630	-	\$ 7,545	-	-	-	-	
	2006	\$ 144,345	-	\$ 7,545	-	-	-	-	
George T. Best(2) Vice President, Sales and Marketing	2008	-	-	-	-	-	-	-	
	2007	-	-	-	-	-	-	-	
	2006	\$ 93,942	-	\$ 18,441	-	-	-	-	

- (1) Except for a four week period in 2008, Mr. Modlin has served without salary or bonus since he assumed such positions in November 2001 following the death of the Company's founder and Chairman, Charles P. Johnson. The Company is paying the annual premium on a \$5,000,000 life insurance policy which the Company owns, on Mr. Modlin's life at an approximate annual cost of \$45,400. Such amounts are not included in All Other Compensation as the Company is the owner of said policy.
- (2) Mr. Henry became Vice President, Finance and Administration in April 2003. He was elected Vice President, Finance and Chief Financial Officer in fiscal 1999. Messrs. Gray and Best became executive officers on September 15, 2003. Mr. Best resigned his position on August 18, 2006.
- (3) Other Annual Compensation is comprised of the following:

		Car Allowance	Term Life Insurance	Commissions	Total
Howard S. Modlin	2008	\$ 1,385	\$ -	\$ -	\$ 1,385
William G. Henry	2008	6,900	1,290	-	8,190
	2007	6,900	1,290	-	8,190
	2006	6,900	1,290	-	8,190
George M. Gray	2008	6,900	645	-	7,545
	2007	6,900	645	-	7,545
	2006	6,900	645	-	7,545
George T. Best	2006	4,379	792	13,270	18,441

Reference is made to Notes 3, 11 and 16 in the Notes to Consolidated Financial Statements in Item 8 of this Report on Form 10-K for description of related party transactions and loans and receivables purchases made by Messrs. Modlin and Segall to the Company:

The following table sets forth information concerning individual grants of stock options made during the fiscal year ended September 30, 2008.

**OPTION/SAR GRANTS IN LAST FISCAL YEAR  
(Individual Grants)**

Name	Number of Securities Underlying Options/SARs Granted	Percent Of Total Options SARs Granted To Employees In Fiscal Year	Exercise Or Base Price (SARs)	Expiration Date
Howard S. Modlin, CEO	551,121	63.8%	\$ 0.275	October 10, 2017
William G. Henry	30,000	3.5%	\$ 0.25	October 10, 2017
George M. Gray	30,000	3.5%	\$ 0.25	October 10, 2017

The following table sets forth certain summary information covering each exercise of stock options to purchase the Company's common stock during the fiscal year ended September 30, 2008 by each of the named executive officers and the value of unexercised options as of September 30, 2008:

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

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Securities Underlying Unexercised Options at Fiscal Year End (#)		Value of Unexercised In-The-Money Options at Fiscal Year-End (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Howard S. Modlin, CEO	0	0	661,947	1,543,137	0	0
William G. Henry	0	0	51,751	84,000	0	0
George M. Gray	0	0	49,000	84,000	0	0

The following table sets forth that there were no awards made to each named executive officer during the fiscal year ended September 30, 2008 under any Long-Term Incentive Plan ("LTIP"):

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

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

**Director Compensation**

No fees were paid to Directors for attendance at Board and Committee Meetings for the fiscal year ended September 30, 2008.

**Employment Contracts**

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

**Stock Option Plans**

Under the terms of the Company's Stock Option Plans in effect prior to 2003, officers and key employees under those plans selected by the Chairman of the Board or the Stock Option Committee, as the case may be, may be granted incentive stock options at an exercise price equal to or greater than the fair market value per share on the date of grant and non-incentive stock options at an exercise price equal to, greater than or less than the fair market value per share on the date of grant. While individual options can be issued under various provisions, options cannot be exercised during the first year, generally vest in increments of 25% per year over a four-year period and expire within ten years for outstanding options granted under the older plans. The Chairman or the Stock Option Committee, as the case may be, determines the number of stock options to be granted to any person, subject to the limitations on incentive stock options in Section 422A of the Internal Revenue Code of 1986, as amended ("Code").

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

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

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

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

The following table sets forth information as of November 30, 2008 with respect to the beneficial ownership of the Corporation's Class B stock and common stock by all persons known by the Corporation to own more than 5% of the Corporation's outstanding Class B stock or common stock who are deemed to be such beneficial owners of the Corporation's Class B stock or common stock under Rule 13d-3. The Percent of Class and Percent of All Classes presented are based upon shares outstanding at November 30, 2008 and all outstanding options and warrants are at exercise prices that are higher than the market price for common stock on November 30, 2008. Class B stock is convertible into common stock at any time on a share-for-share basis.

<u>Title of Class</u>	<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>	<u>Percent of All Classes</u>
Class B Stock, \$0.01 par value	Howard S. Modlin General DataComm Naugatuck, CT 06770	459,943(1)	72.5%	5.1%
Common Stock, \$0.01 par value	Howard S. Modlin General DataComm Naugatuck, CT 06770	4,866,805(1)	58.3%	59.3%
Common Stock, \$0.01 par value	John L. Segall General DataComm Naugatuck, CT 06770	1,185,747(2)	25.5%	22.4%

(1) The amount of common stock beneficially owned by Howard S. Modlin includes the following: 9,053 shares owned by Mr. Modlin's law firm pursuant to Rule 13d-3, 909,090 shares deemed owned on exercise of a seven year warrant at \$.275 a share issued April 20, 2006, 2,084,204 shares deemed owned on exercise of a seven year warrant at \$.575 a share issued December 9, 2005, 761,614 shares deemed owned on exercise of a five year warrant at \$.32825 a share issued September 30, 2004, 600 shares deemed owned based on options to purchase common stock which could be exercised by Mr. Modlin at \$26.875 per share expiring October 20, 2009, 440,897 shares at \$.61 per share deemed owned pursuant to an option granted January 26, 2005, 330,673 shares at \$.50 a share under an option granted November 22, 2005, 220,449 shares under an option granted October 10, 2006 and 110,225 shares at \$.275 a share under an option granted October 11, 2007. The amount of common stock and Class B stock does not include an aggregate of 93,324 shares of common and Class B stock, or 2.26% of the outstanding shares consisting of (i) 11,200 shares of common stock and 3,400 shares of Class B stock owned by Mr. Modlin's wife, the beneficial ownership of which Mr. Modlin disclaims, and (ii) an aggregate of 82,124 shares, held as trustee for the benefit of two children of Charles P. Johnson, the Company's former Chairman, of which Mr. Modlin is the sole trustee, the beneficial ownership of which Mr. Modlin disclaims. Such shares held as trustee consist of 75,684 shares of Class B stock convertible into a like number of shares of common stock, 4,608 shares of common stock and an additional 1,832 shares of common stock if 10,000 shares of the Company's 9% Cumulative Convertible Exchangeable Preferred Stock are converted into common stock at \$136.50 per share. In calculating the aforesaid percentage of excluded shares, the amount of 1,832 shares acquirable on conversion is added to the shares of the Company outstanding at September 30, 2007. The 58.3% of common stock deemed owned is obtained by dividing the number of common stock shares deemed owned by the outstanding common stock increased by adding all shares acquirable on exercise or conversion in the next 60 days. The balance of the shares under the stock options granted January 25, 2005, November 22, 2005 and October 10, 2006 are not included because no such shares may be acquired in the next 60 days. All such exercise prices of warrants and options are substantially higher than the market price for the common stock of \$.03 per share on December 30, 2008.

- (2) Pursuant to Rule 13d-3, 1,100,047 shares of common stock are deemed owned by Mr. Segall on the exercise of a seven year warrant issued December 9, 2005, 600 shares are deemed owned based on options to purchase common stock which could be exercised at \$26.875 per share expiring October 20, 2009, 24,000 shares pursuant to an option granted January 26, 2005 at \$.55 per share, 18,000 shares pursuant to an option granted November 22, 2005 at \$.45 a share, 12,000 shares pursuant to an option granted October 10, 2006 at \$.18 a share and 6,000 shares pursuant to an option granted October 11, 2007 at \$.25 a share.

Each director and each executive officer listed in the Summary Compensation Table in Item 11 of this Form 10-K has advised the Corporation that, as of November 30, 2008 he or she owned beneficially, directly or indirectly, securities of the Corporation in the amounts set forth opposite his or her name as follows:

<u>Name</u>	<u>Shares of Common Stock Owned</u>	<u>Percent of Class</u>	<u>Shares of Class B Stock Owned (1)</u>	<u>Percent of Class</u>	<u>Percent of All Classes</u>
Howard S. Modlin	4,866,805(2)	58.3%	459,943	72.5%	59.3%
John L. Segall	1,185,747(3)	25.5%	-	-	22.4%
William G. Henry	100,804(4)	2.8%	-	-	2.4%
George M. Gray	98,000(5)	2.8%	-	-	2.3%
Aletta Richards	60,000(6)	1.7%	-	-	1.4%
Directors and Officers as a group (5 individuals)	6,311,356(7)	65.0%	459,943	72.5%	65.4%

- (1) The Class B stock is convertible into common stock at any time on a share-for-share basis.
- (2) See Note 1 to preceding table listing all persons known to own more than 5% of the Corporation's common stock or Class B stock.
- (3) See Note 2 to preceding table listing all persons known to own more than 5% of the Corporation's common stock or Class B stock.

- (4) Includes 25,000 shares owned by Mr. Henry, 75,751 shares which Mr. Henry could acquire by the exercise of stock options within sixty (60) days and 53 shares held in the Corporation's 401(k) Stock Fund.
- (5) Includes 25,000 shares owned by Mr. Gray and 73,000 shares which Mr. Gray could acquire by the exercise of stock options within sixty (60) days.
- (6) Includes 60,000 shares which Ms. Richards could acquire by the exercise of stock options within sixty (60) days.
- (7) Includes 75,100 shares of common stock owned by persons in the group, 1,372,195 shares of common stock which persons in the group have the right to acquire by the exercise of stock options within sixty (60) days, 53 shares of common stock held in the Corporation's 401(k) Stock Fund, 9,053 shares of common stock held by Mr. Modlin's law firm, 761,614 shares acquirable by Mr. Modlin on exercise of a warrant at \$0.32825 a share, 2,084,204 shares acquirable by Mr. Modlin on exercise of a warrant at \$0.575, 909,090 shares acquirable by Mr. Modlin on exercise of a warrant at \$0.275 a share and 1,100,047 shares acquirable by Mr. Segall on exercise of a warrant at \$0.575 a share. Does not include 3,400 shares of Class B Stock and 11,200 shares of common stock owned directly by members of the directors' and officers' immediate families, the beneficial ownership of which they disclaim. Also does not include 78,683 shares of Class B stock and 6,439 shares of common stock beneficially held in trusts for children of Charles P. Johnson, the Company's former Chairman, of which Mr. Modlin is the sole trustee, the beneficial ownership of which Mr. Modlin disclaims.

#### Equity Compensation Plan Information

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans</u>
Equity compensation plans approved by security holders	6,701	\$ 26.24	None
Equity compensation plans not approved by security holders	3,363,970	0.54	443,596
<b>Total</b>	<b>3,370,671</b>	<b>\$ 0.59</b>	<b>443,596</b>

Officers and key employees may be granted incentive stock options at an exercise price equal to or greater than the market price on the date of grant and non-incentive stock options at an exercise price equal to or less than the market price on the date of grant. While individual options can be issued under various provisions, most options, once granted, generally vest in increments of 20% per year over a five-year period and expire within ten years. Under the terms of these stock option plans, the Company has reserved a total of 443,596 shares of common stock at September 30, 2008.

The 2003 Stock and Bonus Plan also provides for outstanding grants of stock as described in Note 11 to the consolidated financial statements. Officers, directors and employees are eligible for such grants under such plan.

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

Mr. Howard Modlin, Secretary and a Director of the Company since 1969 and Chairman of the Board of Directors of the Company since November 2001 and currently Chairman, President and Chief Executive Officer, is also President of the law firm of Weisman Celler Spett & Modlin, P.C. ("WCSM") to whom the Company was indebted for legal services of \$2,179,000 for work performed prior to the Company's bankruptcy filing in November 2001 and in settlement for which the Company issued subordinated debentures. The bankruptcy court also approved \$294,000 for work performed by WCSM while the Company operated in bankruptcy. Furthermore, the Company was indebted to Mr. Modlin for fees for Company director meetings for which he received subordinated debentures in the total amount of \$16,400. Thereafter, WCSM agreed to work on a specific litigation matter on a contingency basis (see Note 15). WCSM has outstanding amounts owed totaling \$1,443,000 for work performed for the Company between September 15, 2003 and September 30, 2008.

On September 30, 2003 the Stock Option Committee of the Board of Directors awarded Mr. Modlin 459,268 shares of the Corporation's Class B stock and Lee M. Paschall and John L. Segall, Directors, 25,000 shares each of the Corporation's common stock, all subject to registration restrictions. Refer to Note 11, "Employee Incentive Plans" for further discussion. Messrs. Segall and Paschall respectively received subordinated debentures in the total amount of \$19,900 and \$17,900 in payment for directors fees for Company director meetings they attended prior to November 2001. In addition, Messrs. William G. Henry, Vice President, Finance and Administration, and George M. Gray, Vice President, Manufacturing and Engineering, have been issued subordinated debentures for services and bonuses prior to the Company's bankruptcy filing in the amounts of \$125,000 and \$50,000, respectively.

**Notes Payable to Related Parties**

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

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

In the quarter ended March 31, 2007, Mr. Modlin made demand loans to the Company totaling \$270,000 and \$125,000, respectively, and which bore interest at the annual rate of 10%. Such loans were paid off in the quarter ended March 31, 2008. On April 30, May 13, July 9 and September 18, 2008, Mr. Modlin made demand loans to the Company in the amounts of \$175,000, \$75,000, \$110,000 and \$175,000 respectively. Such loans bear interest at the annual rate of 10%. The loan made on July 9, 2008 was repaid on July 17, 2008. (See Note 16, "Subsequent Events" for reference to receivable purchases made by Mr. Modlin to the Company after September 30, 2008.

Accrued interest on all such loans amounted to \$111,866 and \$389,748 at September 30, 2008 and 2007, respectively. All loans made by Mr. Modlin and Mr. Segall are collateralized by all the assets of the Company.

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

The audit for the year ended September 30, 2008 has not been completed and, therefore, the final audit fees have not been determined. The aggregate fees billed to the Company for the year ended September 30, 2007, by its principal accounting firm, Eisner LLP, were as follows:

**Audit Fees:** The aggregate fee for professional services rendered by Eisner LLP in connection with (i) the audit of annual financial statements (Form 10-KSB), and (ii) reviews of quarterly financial statements (Forms 10-QSB) for the year ended September 30, 2007 was \$187,500.

**Audit Related Fees:** There were no fees for professional services rendered by Eisner LLP for assurance and related services related to the audit services in connection with the Company's financial statements for the year ended September 30, 2007.

**Tax Fees:** There were no fees for professional services rendered by Eisner LLP for tax compliance, tax advice and tax planning for the year ended September 30, 2007.

**All Other Fees:** There were no fees for professional services that were not included in audit fees, audit-related fees and tax fees for the year ended September 30, 2007.

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

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

Consistent with these policies and procedures, the Audit Committee approved all of the services rendered by Eisner LLP during the fiscal year ended September 30, 2007 as described above.

**PART IV**

**ITEM 15. EXHIBITS**

<b>Exhibit No.</b>	<b>Description</b>
3.1	Corrected Certificate of Amended and Restated Certificate of Incorporation of the Corporation <sup>1</sup>

3.2	Amended By-Laws of the Corporation <sup>2</sup>
4.1	Certificate of the Powers, Designation, Preferences, Rights and Limitations of 9% Cumulative Convertible Exchangeable Preferred Stock <sup>3</sup>
4.2	Indenture dated September 15, 2003 covering issued 10% Adjustable Senior Sub-ordinated Debentures due 2007 <sup>4</sup>
4.3	Promissory Notes in the amounts of \$343,315.07, \$143,047.95, \$146,164.38, \$286,095.84 and \$279,794.52, issued to Howard S. Modlin <sup>5</sup>
4.4	Promissory Notes in the amounts of \$343,315.07, \$143,047.95 and \$146,164.38 issued to John L. Segall <sup>6</sup>
4.5	Warrant issued to Howard S. Modlin <sup>7</sup>
4.6	Warrant D-2 issued to Howard S. Modlin <sup>8</sup>
4.7	Warrant D-3 issued to John L. Segall <sup>9</sup>
4.8	Promissory Note in the amount of \$250,000 issued to Howard S. Modlin <sup>10</sup>
4.9	Warrant D-4 issued to Howard S. Modlin <sup>11</sup>
4.10	Promissory Notes in the amounts of \$125,000 and \$100,000 issued to Howard S. Modlin <sup>12</sup>
10.1	2003 Stock and Bonus Plan, as amended <sup>13</sup>
10.2	Form of Stock Option to employees <sup>14</sup>
10.3	Form of Stock Option to Directors <sup>15</sup>
10.4	Additional Senior Security Agreement <sup>16</sup>
10.5	1998 Stock Option Plan, as amended <sup>17</sup>
10.6	2005 Stock Option Plan, as amended <sup>18</sup>
10.7	Retirement Savings and Deferred Profit Sharing Plan, and related amendments <sup>19</sup>
10.8	Subordinated Security Agreement dated September 15, 2003 <sup>20</sup>
10.9	Open End Mortgage in favor of Atlas Partners Mortgage Investors, LLC as amended <sup>21</sup>
10.10	First Amendment to Open End Mortgage <sup>22</sup>
10.11	Mortgage Note in favor of Atlas Partners Mortgage Investors, LLC <sup>23</sup>

10.12	Receivable Sales Agreement <sup>24</sup>
10.13	Open-End Mortgage Deed (filed herewith)
10.14	First Modification of Open-End Mortgage Deed (filed herewith)
10.15	Eleventh Amendment to Additional Senior Security Agreement dated October 1, 2008 (filed herewith)
10.16	\$250,000 Negotiable Promissory Note dated October 1, 2008 (filed herewith)
14.1	Code of Conduct and Ethics <sup>25</sup>
21	Subsidiaries of the Registrant
31.1	Rule 13a-15(e)/15d-15(e) Certification by Chief Executive Officer.
31.2	Rule 13a-15(e)/15d-15(e) Certification by Chief Financial Officer.
32.1	Section 1350 Certification by Chief Executive Officer.
32.2	Section 1350 Certification by Chief Financial Officer.

Exhibit footnotes

1	Incorporated by reference to Exhibit 3.1 to Form 10KSB for year ended September 30, 2005
2	Incorporated by reference to Exhibit 3.2 to Form 8-K/A dated September 18, 2003.
3	Incorporated by reference to Exhibit 4 to Form dated October 8, 1996.
4	Incorporated by reference to Exhibit 4.1 to Form 8-K dated September 17, 2003.
5	Incorporated by reference to Exhibits 10.2, 10.4, 10.6, 10.8 and 10.9 to Form 8-K dated December 14, 2005.
6	Incorporated by reference to Exhibits 10.3, 10.4 and 10.5 to Form 8-K dated December 14, 2005.
7	Incorporated by reference to Exhibit 10.3 to Form 8-K dated October 4, 2004.
8	Incorporated by reference to Exhibit 4.1 to Form 8-K dated December 14, 2005
9	Incorporated by reference to Exhibit 4.2 to Form 8-K dated December 14, 2005
10	Incorporated by reference to Exhibit 10.2 to Form 8-K dated April 25, 2006
11	Incorporated by reference to Exhibit 4.1 to Form 8-K dated April 25, 2006
12	Incorporated by reference to Exhibits 10.2 and 10.3 to Form 8-K dated March 14, 2007
13	Incorporated by reference to Exhibit 10.1 to Form 10-K for the year ended September 30, 2007
14	Incorporated by reference to Exhibit 4.3 to Registration Statement No. 333-131964
15	Incorporated by reference to Exhibit 4.4 to Registration Statement No. 333-131964
16	Incorporated by reference to Exhibit 10.1 to Form 8-K dated January 8, 2004. The Eighth Amendment thereto incorporating all prior amendments is incorporated by reference to Exhibit 10.1 to Form 8-K dated March 9, 2007.
17	Incorporated by reference to Exhibit 10.6 to Form 10-K for the year ended September 30, 2007
18	Incorporated by reference to Exhibit 10.7 to Form 10-K for the year ended September 30, 2007
19	Incorporated by reference from Form S-8, Registration Statement No. 33-37266. Amendments thereto are incorporated by reference to Exhibit 10.16 to Form 10-Q for the quarter ended December 31, 1996.
20	Incorporated by reference to Exhibit 10.1 to Form 8-K/A dated September 18, 2003.
21	Incorporated by reference to Exhibit 10.1 to Form 8-K dated August 1, 2007.
22	Incorporated by reference to Exhibit 99.2 to Form 8-K dated December 9, 2008.
23	Incorporated by reference to Exhibit 99.2 to Form 8-K dated December 9, 2008.

- 24 Incorporated by reference to Exhibit 99.2 to Form 8-K dated October 27, 2008.
- 25 Incorporated by reference to Exhibit 14.1 to Form 10-K for year ended September 30, 2003.

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ HOWARD S. MODLIN</u> HOWARD S. MODLIN	Chairman of the Board and Chief Executive Officer	January 13, 2009
<u>/s/ WILLIAM G. HENRY</u> WILLIAM G. HENRY	Vice President, Finance & Administration, Chief Financial Officer	January 13, 2009
<u>/s/ JOHN L. SEGALL</u> JOHN L. SEGALL	Director	January 13, 2009
_____ ALETTA RICHARDS	Director	January 13, 2009

OPEN END MORTGAGE DEED AND SECURITY AGREEMENT

**GDC NAUGATUCK, INC.**

(MORTGAGOR)

IN FAVOR OF

**HOWARD S. MODLIN and JOHN L. SEGALL**

(MORTGAGEE)

DATED: AS OF DECEMBER 7, 2006

THIS INSTRUMENT AFFECTS REAL AND PERSONAL PROPERTY SITUATED IN THE STATE OF CONNECTICUT, COUNTY OF NEW HAVEN, BOROUGH OF NAUGATUCK;

THIS INSTRUMENT IS TO BE FILED AND INDEXED IN THE REAL ESTATE RECORDS AND IS ALSO TO BE INDEXED IN THE INDEX OF FINANCING STATEMENTS UNDER THE NAMES OF MORTGAGOR, AS "DEBTOR", AND MORTGAGEE, AS "SECURED PARTY".

This Document was Prepared by  
and After Recording Return to:  
Weisman Celler Spett & Modlin, P.C.  
445 Park Avenue  
New York, New York 10022  
Attention: William F. Treanor, Esq.

---

**OPEN-END MORTGAGE DEED  
AND SECURITY AGREEMENT**

THIS MORTGAGE is made December 7, 2006 and between, GDC Naugatuck, Inc. ("Mortgagor"), a Delaware corporation, whose address is 6 Rubber Avenue, Naugatuck, Connecticut 06770 and Howard S. Modlin and John L. Segall, whose address is c/o Weisman Celler Spett & Modlin, P.C., 445 Park Avenue, New York, New York 10022, (collectively "Mortgagee").

WITNESSETH:

WHEREAS, Mortgagor's parent, General DataCom Industries, Inc. ("GDC") is obligated for the payment of all sums due under Notes in aggregate amount of \$2,080,945.21 as of November 30, 2006 plus accrued interest as set forth in Exhibit A hereof (the "Notes") issued to Mortgagee and the payment of such Notes is secured by an Additional Senior Security Agreement by and among Mortgagor, General DataComm, Inc., DataComm Leasing Corporation, GDC Federal Systems, Inc., GDC Holding Company, LLC, GDC Realty, Inc. and GDC, as Debtors, and Mortgagee dated as of December 30, 2003 as amendment (the "Security Agreement"); and

NOW, THEREFORE, to secure the full and prompt payment and performance of all such amounts under the Notes and the Security Agreement as well as under this Mortgage (such amounts being referred to herein as the "indebtedness") and in consideration of other valuable consideration, receipt of which is hereby acknowledged, Mortgagor hereby gives, grants, bargains, sells and confirms unto Mortgagee, its successors and assigns forever, the following property, rights, privileges and franchises (collectively, the "Mortgaged Property");

The real property described in said Exhibit B, together with the buildings, structures and improvements thereon erected or to be erected (the "Improvements"), with the appurtenances thereof and thereto (all, the "Premises");

TOGETHER with all leasehold estate, right, title and interest of Mortgagor in and to all leases or subleases covering the Premises or any portion thereof (collectively, the "Leases") now or hereafter existing or entered into, and all right, title and interest of Mortgagor thereunder, including, without limitation, all cash or security deposits, advance rentals, and deposits or payments of similar nature;

TOGETHER with all right, title and interest of Mortgagor in and to all options to purchase or lease the Premises or any portion thereof or interest therein, and any greater estate in the Premises owned or hereafter acquired;

TOGETHER with all interests, estates or other claims, both in law and in equity, which Mortgagor now has or may hereafter acquire in the Premises;

TOGETHER with all easements, rights-of-way and rights used in connection therewith or as a means of access thereto, and all tenements, hereditaments and appurtenances thereof and thereto, and all water rights;

TOGETHER with any and all of Mortgagor's fixtures, attachments, equipment, machinery now or hereafter located or to be located at the Premises and attached to, the Premises, be they deemed personal, mixed or real property (the "Fixtures");

TOGETHER with all right, title and interest of Mortgagor in and to any streets and roads abutting the Premises to the center lines thereof and in and to any strips or gores of land therein or adjacent to the Premises;

TOGETHER with all awards and proceeds of condemnation or insurance for the Mortgaged Property or any part thereof to which Mortgagor is entitled for any taking of or casualty to all or any part of the Mortgaged Property by condemnation or exercise of the right of eminent domain or casualty (the "Proceeds"). All such awards and condemnation or insurance proceeds are hereby assigned to Mortgagee and Mortgagee is hereby authorized, subject to the provisions contained in this Mortgage, to apply such awards and condemnation or insurance proceeds or any part thereof, after deducting therefrom any expenses incurred by Mortgagee in the collection or handling thereof, toward the payment, in full or in part, of any amount due under the Notes secured by the Mortgage, notwithstanding the fact that the amount owing thereon may not then be due and payable;

TOGETHER with all rents, issues, income and profits (including, without limitation, any payment(s) in exchange for lease termination or cancellation) of the Premises and all the estate, right, title and interest of every nature whatsoever of Mortgagor in and to the same and the leases, subleases and tenancies concerning the same (the "Rents and Profits");

TOGETHER with all inventory, equipment, machinery, furniture, accounts, chattel paper, contracts, contract rights, notes, drafts, acceptances, general intangibles, causes of action and all other personal property, now existing, or hereafter acquired or arising, with respect to the operation of Premises (the "Personalty").

Whenever requested by Mortgagee, Mortgagor shall from time to time execute and record or file at Mortgagor's expense such supplementary mortgage(s), financing statements, and other chattel instruments as Mortgagee may reasonably require in order to insure that all the Mortgaged Property shall be subject to the lien created by the Mortgage and shall be security for the payment of the indebtedness as herein provided. Mortgagor shall have the right hereunder and under said financing statements or other chattel instruments to replace fixtures, equipment or machinery from time to time with similar items of at least equal value, provided the replacements are free of any outstanding ownership interest, financing statements or encumbrances of any kind in favor of anyone other than Mortgagee. If Mortgagor shall fail to execute and record supplementary mortgage(s), financing statements or other chattel instruments as required herein within ten (10) days after written request by Mortgagee, then Mortgagor hereby irrevocably appoints Mortgagee its attorney-in-fact, coupled with an interest, to execute and deliver such supplementary mortgage(s), financing statements or other chattel instruments in the name of, and on behalf of, Mortgagor.

TO HAVE AND TO HOLD the Mortgaged Property, with the appurtenances thereof and thereto, unto Mortgagee, its successors and assigns forever, to its and their own proper use and behoof.

This Mortgage is subordinate to a mortgage from Mortgagor to Ableco Finance, LLC ("Agent"), as arranger and administrative agent for the lenders (the "Lenders") under that certain Loan and Security Agreement dated as of August 20, 2002 (as amended, supplemented or otherwise modified from time to time, the "Senior Loan Agreement"), which mortgage was recorded in the Naugatuck Land Records in Volume 641 at Page 691 et seq. on December 13, 2003 as Document No. 9800 (the "Prior Mortgage") covering property therein described (the "Prior Mortgage Property") and any mortgage subsequently granted from Mortgagor to any other lender in accordance with Section 13 of the Security Agreement. Mortgagee acknowledges that any interest granted in the Mortgaged Property pursuant to this Mortgage is subordinate and junior to the interests and rights of the Agent to the extent such interests and rights secure the repayment of all obligations under the Senior Loan Agreement and other Loan Documents (as defined in the Senior Loan Agreement)(collectively, the "Obligations"). So long as any Obligations are due the Lenders under the Prior Mortgage, Mortgagee agrees it will not, without the prior written consent of the Agent, exercise or enforce any rights or remedies that it may have under this Mortgage unless and until the Obligations have been fully paid with interest and performed; provided, that nothing herein shall prevent Mortgagee from participating in any foreclosure action commenced by the Agent or Lenders against the Premises. Notwithstanding Mortgagee's right to participate in a foreclosure action commenced by the Agent or the Lenders, Mortgagee shall not challenge the validity or priority of the Prior Mortgage nor shall Mortgagee interpose any defense or counterclaim against the Agent or the Lenders in such action.

To protect the security of the Mortgage, Mortgagor further covenants, warrants and agrees with Mortgagee as follows:

ARTICLE I

WARRANTIES, COVENANTS AND AGREEMENTS OF MORTGAGOR

1.1 Payment of Secured Obligations. Mortgagor shall pay when due the principal of, and the interest on the indebtedness and all charges, fees and other amounts due under the Obligations and the Notes and shall otherwise comply with all the terms of the Senior Loan Agreement, the Loan Documents, the Security Agreement, the Notes, the Prior Mortgage, this Mortgage and any other agreements related to the Security Agreement and Notes.

1.2 Warranties and Representations. Mortgagor does for itself, its successors and assigns, covenant with Mortgagee, its successors and assigns, that at and until the sealing of these presents, it is well seized of the Mortgaged Property as a good indefeasible estate in FEE SIMPLE, and has good right to bargain, sell, convey, assign, transfer and mortgage the same in manner and form as is above written, and that the same is free from all encumbrances whatsoever except as specifically set forth in Exhibit C.

And furthermore, Mortgagor does by these presents bind itself and its successors and assigns forever to preserve its interest in and title to the Mortgaged Property and to WARRANT AND DEFEND the Mortgaged Property to Mortgagee, its successors and assigns, against all claims and demands whatsoever, except as set forth in Exhibit C.

1.3 Rents and Profits. As additional and collateral security for the payment of the indebtedness secured hereby and cumulative of any and all rights and remedies herein provided for, Mortgagor hereby absolutely and presently assigns to Mortgagee all existing and future Leases, and all existing and future Rents and Profits. Mortgagor hereby grants to Mortgagee the sole, exclusive and immediate right, without taking possession of the Property, to demand, collect (by suit or otherwise), receive and give valid and sufficient receipts for any and all of said Rents and Profits, for which purpose Mortgagor does hereby irrevocably make, constitute and appoint Mortgagee its attorney-in-fact with full power to appoint substitutes or a trustee to accomplish such purpose (which power of attorney shall be irrevocable so long as any indebtedness secured hereby is outstanding, shall be deemed to be coupled with an interest, shall survive the voluntary or involuntary dissolution of Mortgagor and shall not be affected by any disability or incapacity suffered by Mortgagor subsequent to the date hereof). Mortgagee shall be without liability for any loss which may arise from a failure or inability to collect Rents and Profits, proceeds or other payments. However, until the occurrence of an Event of Default under this Mortgage, Mortgagor shall have a license to collect and receive the Rents and Profits when due and prepayments thereof for not more than one month prior to due date thereof. Upon the occurrence of an Event of Default which is continuing, Mortgagor's license shall automatically terminate on demand and notice to Mortgagor and Mortgagee may thereafter, without taking possession of the Property, collect the Rents and Profits itself or by an agent or receiver. From and after the termination of such license, Mortgagor shall be the agent of Mortgagee in collection of the Rents and Profits and all of the Rents and Profits so collected by Mortgagor shall be held in trust by Mortgagor for the sole and exclusive benefit of Mortgagee and Mortgagor shall, within one (1) business day after receipt of any Rents and Profits, pay the same to Mortgagee to be applied by Mortgagee as hereinafter set forth. Neither the demand for or collection of Rents and Profits by Mortgagee, nor the exercise of Mortgagee's rights as assignee of the Leases, shall constitute any assumption by Mortgagee of any obligations under any Lease or other agreement relating thereto. Mortgagee is obligated to account only for such Rents and Profits as are actually collected or received by Mortgagee. Mortgagor irrevocably agrees and consents that the respective payors of the Rents and Profits shall, upon demand and notice from Mortgagee of an Event of Default hereunder, pay said Rents and Profits to Mortgagee without liability to determine the actual existence of any Event of Default claimed by Mortgagee. Mortgagor hereby waives any right, claim or demand which Mortgagor may now or hereafter have against any such payor by reason of such payment of Rents and Profits to Mortgagee, and any such payment shall discharge such payor's obligation to make such payment to Mortgagor. All Rents and Profits collected or received by Mortgagee shall be applied against all expenses of collection, including, without limitation, attorneys' fees, against costs of operation and management of the Mortgaged Property and against the indebtedness secured hereby, in whatever order or priority as to any of the items so mentioned as Mortgagee directs in its sole subjective discretion and without regard to the adequacy of its security. Neither the exercise by Mortgagee of any rights under this Section nor the application of any Rents and Profits to the secured indebtedness shall cure or be deemed a waiver of any Default or Event of Default hereunder. The assignment of Leases and of Rents and Profits hereinabove granted shall continue in full force and effect during any period of foreclosure or redemption with respect to the Mortgaged Property.

1.4 Ground Leases, Leases or Subleases. Mortgagor shall pay when due all rents and other payments which it may be required to pay and shall keep, observe and perform all of the covenants, agreements, terms, conditions and provisions on its part to be kept, observed and performed under any ground lease, lease or sublease which may constitute a portion of or an interest in the Premises, shall require its tenants or subtenants to keep, observe and perform all of the covenants, agreements, terms, conditions and provisions on their part to be kept, observed or performed under any and all ground leases, leases or subleases and shall not suffer or permit any breach or default to occur with respect to the foregoing. In default thereof, Mortgagee shall have the right to perform or to require performance of any such covenants, agreements, terms, conditions or provisions of any such ground lease, lease or sublease and to add any expense incurred in connection therewith to the indebtedness secured hereby, which expense shall bear interest from the date of payment to the date of recovery by Mortgagee at the rate of interest applicable at the relevant times on the Notes (the "Default Rate"). Any such expense incurred by Mortgagee, with interest thereon, shall be immediately due and payable. Mortgagor shall not, without the consent of holders of a majority in principal amount of the outstanding Notes in accordance with the Security Agreement, consent to the modification, amendment, cancellation, termination or surrender of any such ground lease, lease or sublease.

No release or forbearance of any of Mortgagor's obligations under any such ground lease, lease or sublease, pursuant to any such ground lease, lease or sublease, or otherwise, shall release Mortgagor from any of its obligations under the Mortgage.

1.5 Required Insurance. Mortgagor shall, at Mortgagor's sole cost and expense, maintain or cause to be maintained with respect to the Mortgaged Property, and each part thereof, the following insurance:

(a) Insurance against loss or damage to the Improvements by fire and any of the risks covered by insurance of the type now known as "fire, broad form extended coverage and vandalism and malicious mischief" perils, in an amount sufficient to prevent the application of any co-insurance contributions in any loss and, in any event, not less than the full replacement cost of the Improvements less foundations and footings and Personalty and with no more than \$25,000.00 deductible from the loss payable for any casualty. The policies of insurance carried in accordance with this subparagraph (a) shall contain the "Replacement Cost Endorsement";

(b) [Intentionally Omitted];

(c) Comprehensive public liability insurance (including coverage for elevators and escalators, if any, on the Premises and, on an "occurrence basis" against claims for "personal injury" including without limitation bodily injury, death or property damage occurring on, in or about the Premises and the adjoining streets, sidewalks and passageways, in the amount of \$1,000,000 per occurrence and \$5,000,000 in the aggregate (or such larger amount as may be required under Mortgagor's general liability umbrella policy);

(d) Boiler and machinery insurance covering pressure vessels, air tanks, boilers, machinery, pressure piping, heating, air conditioning and elevator equipment and escalator equipment, provided the Improvements contain equipment of such nature, and insurance against loss of occupancy or use arising from any such breakdown, on a replacement cost basis;

(e) Flood insurance if any part of the Property is located in an area identified by the Federal Emergency Management Agency as an area having special flood hazards and in which flood insurance has been made available under the National Flood Insurance Program in an amount equal to the lesser of (a) the minimum amount required, under the terms of coverage, to compensate for any damage or loss on a replacement basis (or the unpaid balance of the indebtedness secured hereby if replacement cost coverage is not available for the type of building insured); or (b) the maximum insurance available under the appropriate National Flood Insurance Program.

(f) Such other insurance and in such amounts as may from time to time be reasonably required by Mortgagee against the same or other hazards.

All policies of insurance required by the terms of the Mortgage shall contain an endorsement or agreement by the insurer that any loss shall be payable to Mortgagee in accordance with the terms of such policy notwithstanding any act or negligence of Mortgagor which might otherwise result in forfeiture of said insurance, and the further agreement of the insurer waiving all rights of setoff, counterclaim or deductions against Mortgagor.

Mortgagor may effect for its own account any insurance not required under this Section 1.5, but any such insurance effected by Mortgagor on the Premises, whether or not so required, shall be for the mutual benefit of Mortgagor and Mortgagee and shall be subject to the other provisions of the Mortgage.

1.6 Delivery of Policies, Payment of Premiums. All policies of insurance shall be issued by companies and in amounts in each company consistent with past practice. All policies of insurance shall have attached thereto the standard non-contributory mortgagee endorsement or lender's loss payable endorsement, as appropriate, for the benefit of Mortgagee satisfactory to Mortgagee in form and substance. Mortgagor shall furnish Mortgagee with an original policy of all policies of required insurance. At least thirty (30) days prior to the expiration of each such policy, Mortgagor shall furnish Mortgagee with evidence satisfactory to Mortgagee of the payment of premium and the reissuance of a policy continuing insurance in force as required by the Mortgage. All such policies shall contain a provision that such policies shall not be canceled or materially amended, which term shall include any reduction in the scope or limits of coverage, without at least thirty (30) days' prior written notice to Mortgagee. If Mortgagor fails to provide, maintain, keep in force or deliver and furnish to Mortgagee the policies of insurance required by this Article I, Mortgagee may procure such insurance or single-interest insurance for such risks covering Mortgagee's interest, and Mortgagor shall pay all premiums thereon promptly upon demand by Mortgagee, and until such payment is made by Mortgagor, the amount of all such premiums together with interest thereon at the Default Rate shall be secured by the Mortgage.

1.7 Insurance Proceeds on Damage or Destruction.

(a) In the event of any partial or total damage to or destruction of the Improvements, Mortgagor shall give immediate notice thereof to Mortgagee and shall, whether or not any insurance proceeds are available or adequate for such purpose and regardless of the dollar amount of such damage or loss, with reasonable diligence at Mortgagor's own sole cost and expense, repair, restore or reconstruct the Improvements or the portion thereof so damaged, to the condition that it was in before said damage or destruction.

(b) The adjustment of any loss with the carrier thereof must be approved by Mortgagee, such approval not to be unreasonably withheld or delayed.

(c) Subject to the rights of the holders of the Prior Mortgage, Mortgagee may, and is hereby authorized to, at its option, collect and receipt for any such insurance proceeds, the same to be dealt with as provided in this Mortgage.

(d) If any portion of the Mortgaged Property is encumbered by the Prior Mortgage, any insurance proceeds in excess of the amount thereof that is applied to the debts secured by the Prior Mortgage and/or used for restoration or repair of the Improvements, in either case, pursuant to the Prior Mortgage, shall be paid over to Mortgagee and may, at the option of Mortgagee, either be applied by Mortgagee to the payments of the indebtedness hereby secured in the inverse order of their maturity only and shall not affect Mortgagor's obligations to continue to make payments not prepaid pursuant to the foregoing or made available to Mortgagor for repair or restoration of damage or destruction. If none of the Mortgaged Property is then encumbered by the Prior Mortgage, any insurance proceeds shall be paid over to Mortgagee and may, at the option of Mortgagee, either be applied by Mortgagee to the payments of the indebtedness hereby secured in the inverse order of their maturity only and shall not affect Mortgagor's obligations to continue to make payments not prepaid pursuant to the foregoing or made available to Mortgagor for repair or restoration of damage or destruction; provided, however, that if there is then no Event of Default and such insurance proceeds are less than \$1,000,000, Mortgagee shall make the proceeds available to Mortgagor for repair or restoration of the damage or destruction. If such insurance proceeds are made available for repair or restoration of damage or destruction, the same may be held by Mortgagee and disbursed for such repair or restoration in installments as the same is accomplished.

(e) Mortgagor shall provide to Mortgagee copies of all correspondence and other submissions to or from the holders of the Prior Mortgage relating to adjustment of insured losses and repair or restoration of damage or destruction.

1.8 Assignment of Policies Upon Foreclosure. In the event of foreclosure of the Mortgage or other transfer of title or assignment of the Mortgaged Property, in whole or in part, of the debt secured hereby, all right, title and interest of Mortgagor in and to all policies of insurance required by this Article I shall inure to the benefit of and pass to Mortgagee or any purchaser or grantee of the Mortgaged Property, as the case may be. Mortgagor hereby irrevocably appoints Mortgagee its attorney-in-fact, coupled with an interest, to endorse any checks, drafts or other instruments representing any proceeds of such insurance, whether payable by reason of loss thereunder or otherwise.

1.9 Indemnification; Subrogation; Waiver of Offset.

(a) If Mortgagee, its officers, employees, agents, or representatives, are made a party defendant to any litigation concerning the Mortgage or the Mortgaged Property or any part thereof or interest therein, or the construction, operation, or occupancy thereof by Mortgagor or others, then Mortgagor shall indemnify, defend and hold Mortgagee, its officers, directors, employees, agents, or representatives, harmless from all liability by reason of said litigation, including reasonable attorneys' fees, appraisers' fees and expenses incurred by Mortgagee, its officers, directors, employees, agents, or representatives, in any such litigation, whether or not any such litigation is prosecuted to judgment. If Mortgagee commences an action against Mortgagor to enforce any of the terms hereof or because of the breach by Mortgagor of any of the terms hereof, or for the recovery of any sum secured hereby, Mortgagor shall pay to Mortgagee reasonable attorneys' fees and expenses and the right to such attorneys' fees, appraisers' fees and expenses shall be deemed to have accrued on the commencement of such action and shall be enforceable, whether or not such action is prosecuted to judgment.

(b) Mortgagor waives any and all right to claim or recovery against Mortgagee, its officers, directors, employees, agents and representatives, for loss of or damage to Mortgagor, the Mortgaged Property, Mortgagor's property or the property of others under Mortgagor's control from any cause insured against or required to be insured against by the provisions of the Mortgage.

(c) All sums payable by Mortgagor hereunder shall be paid, unless specifically provided otherwise herein without notice, demand, counterclaim, setoff, deduction or defense and without abatement, suspension, deferment, diminution or reduction, and the obligations and liabilities of Mortgagor hereunder shall in no way be released, discharged, or otherwise affected.

1.10 Taxes, Utilities and Imposition. Mortgagor shall pay, or cause to be paid and discharged, on or before the last day on which they may be paid without penalty or interest, all such duties, taxes, sewer rents, charges for water, and all other utilities in the Improvements or on the Premises or any part thereof, and any assessments and payments, usual or unusual, extraordinary or ordinary, which shall be imposed upon or become due and payable or become a lien upon the Premises or any part thereof and the sidewalks or streets in front thereof and any vaults therein by virtue of any present or future law of the United States or of the State, County, City or Town wherein the Premises are located (all of the foregoing being herein collectively called "Impositions"). In default of any such payment of any Imposition, Mortgagee may pay the same and the amount so paid by Mortgagee shall, at Mortgagee's option, become immediately due and payable with interest thereon at the Default Rate and shall be deemed part of the indebtedness secured by this Mortgage.

If at any time there shall be assessed or imposed (i) a tax or assessment on the Premises in lieu of or in addition to the Impositions payable by Mortgagor pursuant to this Section or (ii) a license fee, tax or assessment imposed on Mortgagee and measured by or based in whole or in part upon the amount of the outstanding obligations secured hereby, then all such taxes, assessments or fees shall be deemed to be included within the term "Impositions" as defined in this Section, and Mortgagor shall pay and discharge the same as herein provided with respect to the payment of Impositions unless such payment is prohibited by law, in which event the amount of such payment shall become part of the indebtedness secured hereby.

Mortgagor shall pay all mortgage, recording taxes payable with respect to the Mortgage or other mortgage or transfer taxes due on account of the mortgage or the indebtedness secured by this mortgage.

Mortgagor shall exhibit to Mortgagee the original receipts or other reasonably satisfactory proof of the payment of all Impositions which may affect the Mortgaged Property or any part thereof or the lien of the Mortgage, promptly following the last date on which each such Imposition is payable hereunder without interest or penalty.

Notwithstanding the foregoing, Mortgagor shall have the right, after prior notice to Mortgagee, to contest the amount and validity of any Imposition affecting the Mortgaged Property by appropriate proceedings conducted in good faith and with due diligence and to postpone or defer payment thereof, if and so long as:

- (a) Such proceedings shall operate to suspend the collection of such Imposition from Mortgagor or the Mortgaged Property; or
- (b) Neither the Mortgaged Property nor any part thereof would be in immediate danger of being forfeited or lost by reason of such proceedings, postponement or deferment; and
- (c) In the case of any Imposition affecting the Mortgaged Property which might be or become a lien, encumbrance or charge upon or result in any forfeiture or loss of the Mortgaged Property or any part thereof, or which might result in loss or damage to Mortgagor or Mortgagee, Mortgagor, prior to the date such Imposition would become delinquent, shall have furnished Mortgagee with security satisfactory to Mortgagee, and, if such security is furnished, Mortgagee shall not have the right during the period of the contest to pay, remove or discharge the Imposition.

1.11 Mechanics' Liens. Mortgagor shall pay when due all claims and demands of mechanics, materialmen, laborers and others for any work performed or materials delivered for the Premises or Improvements; provided, however, that, Mortgagor shall have the right to contest in good faith any such claim or demand, so long as it does so diligently, by appropriate proceedings and without prejudice to Mortgagee, and provided that neither the Mortgaged Property nor any interest therein would be in any danger of sale, loss or forfeiture as a result of such proceeding or contest. In the event Mortgagor shall contest any such claim or demand, Mortgagor shall promptly notify Mortgagee of such contest and thereafter shall, upon request of holders of a majority in principal amount of the outstanding Notes in accordance with the Security Agreement, promptly provide a bond, cash deposit or other security satisfactory to Mortgagee to protect Mortgagee's interest and security should the contest be unsuccessful. If Mortgagor shall fail to immediately discharge or provide security against any such claim or demand as aforesaid, Mortgagee may do so and any and all expenses incurred by Mortgagee, together with interest thereon at the Default Rate from the date incurred by Mortgagee until actually paid by Mortgagor, shall be immediately paid by Mortgagor on demand and shall be secured by this Mortgage and by any other documents securing all or any part of the indebtedness evidenced by the Notes.

1.12 Maintenance, Repairs, Alterations. Mortgagor shall keep the Mortgaged Property or cause the same to be kept in good condition and repair and fully protected from the elements to the reasonable satisfaction of Mortgagee. Mortgagor shall not commit or permit any waste thereon and shall not do or permit any act by which the Mortgaged Property shall become less valuable. Mortgagor shall not remove, demolish or substantially or structurally alter any building, structure or other Improvement without the prior permission of holders of a majority in principal amount of the outstanding Notes in accordance with the Security Agreement, which shall not be unreasonably withheld or delayed, except (x) such alterations as may be required by laws, ordinances or regulations, (y) non-structural alterations costing less than \$3,500,000 per project and (z) erection or installation of shelves, bins, machinery and equipment of all kinds, plumbing and wiring. Any removals of shelves, bins, machinery and equipment and other items from the Mortgaged Property shall be subject to the provisions of the Security Agreement. Mortgagor shall promptly restore in like manner any Improvements which may be damaged or destroyed thereon and shall pay when due all claims for labor performed and materials furnished therefor; and Mortgagor shall use and operate, and shall require its lessees or licensees to use or operate, the Mortgaged Property in compliance with all applicable laws, ordinances, regulations, covenants, conditions, and restrictions, and with all applicable requirements of any ground lease, lease or sublease now or hereafter affecting the Premises or any part thereof. Mortgagee and its representative shall have access to the Premises and Mortgaged Property at all reasonable times on notice to Mortgagor to determine whether Mortgagor is complying with its obligations under this Mortgage.

1.13 Condemnation. Should the Mortgaged Property or any part thereof or interest therein be taken or damaged by reason of any public use or improvement or condemnation proceeding, or by alteration in grade of any street, or in any other manner ("Condemnation"), or should Mortgagor receive any notice or other information regarding a Condemnation, Mortgagor shall give prompt notice thereof to Mortgagee.

(a) Mortgagee shall be entitled to all compensation, awards and other payments or relief granted in connection with a Condemnation unless used for restoration or repair as a result of the Condemnation. Mortgagor shall be entitled, at its option, to commence, appear in and prosecute in its own name any action or proceedings relating to the Condemnation. Mortgagor shall not be entitled to make any compromise or settlement in connection with a Condemnation without the prior consent of the holders of a majority in principal amount of the outstanding Notes in accordance with the Security Agreement, such consent not to be unreasonably withheld or delayed. All such compensation, awards, payments, and relief, and proceeds awarded to Mortgagor (the "Proceeds") are hereby assigned to Mortgagee and Mortgagor agrees to execute such further assignments of the Proceeds as Mortgagee may require.

(b) If any portion of the Mortgaged Property is so taken or damaged, Mortgagee shall have the option in its sole and absolute discretion to apply all the Proceeds, after deducting therefrom all costs and expenses including reasonable attorneys' fees, incurred by it in connection with the Proceeds, upon any indebtedness secured hereby, or to apply all the Proceeds, after such deductions, to the restoration of the Mortgaged Property upon such conditions as Mortgagee may determine.

(c) Any amounts received by Mortgagee hereunder (after such deductions) shall, if retained by Mortgagee, be applied in payment of any accrued interest and then in reduction of the then outstanding principal of the indebtedness secured hereby, notwithstanding that the same may not then be due and payable. Any amount so applied to principal shall be applied to the payment of installments of principal due pursuant to the Notes in the inverse order of their due dates and shall not affect Mortgagor's obligations to continue to make payments not prepaid pursuant to the foregoing.

(d) Mortgagor shall provide to Mortgagee copies of all correspondence and other submissions to or from the holders of the Prior Mortgage relating to a Condemnation.

1.14 Actions Affecting the Security of the Mortgage. Mortgagor shall appear in and contest any action or proceeding purporting to affect the security hereof or the rights or powers of Mortgagee. If any action or proceeding affecting the Mortgaged Property or any part thereof shall be commenced, to which action or proceeding Mortgagee is made a party or in which the right to use the Mortgaged Property or any part thereof is threatened or in which, in the opinion of Mortgagee, it becomes necessary to defend or uphold the lien of the Mortgage, all sums paid by Mortgagee in connection therewith, including reasonable attorneys' fees, shall be paid by Mortgagor, together with interest thereon at the Default Rate, and any such sum and the interest thereon shall be deemed to be part of the indebtedness secured by the Mortgage within ten (10) days after rendition of a bill or statement therefor.

1.15 Actions by Mortgagee to Preserve Security, etc. If Mortgagor fails to make any payment or to do any act as and in the manner provided for in the Mortgage or the Security Agreement, Mortgagee, in its own discretion, without obligation so to do and upon ten (10) days' notice to or demand upon Mortgagor (except in an emergency, in which case, no notice or demand is required of Mortgagee) and without releasing Mortgagor from any obligation, may make or do the same in such manner and to such extent as Mortgagee may deem necessary to protect the security hereof. Mortgagor shall pay upon demand all expenses incurred or paid by Mortgagee (including reasonable attorneys' fees, appraisers' fees and court, costs) on account of the exercise of any of the aforesaid rights or privileges or on account of any litigation which may arise in connection with the Mortgage or the Security Agreement or on account of any attempt, without litigation, to enforce the terms of the Mortgage or the Security Agreement. If the Mortgaged Property or any part thereof shall be advertised for foreclosure sale and not sold, Mortgagor shall pay all costs in connection therewith.

If Mortgagee is called upon to pay any sums of money to protect or sustain the lien of this Mortgage after ten (10) days' notice to and failure of the Mortgagor to do so, all such monies advanced or due hereunder shall become immediately due and payable, together with interest thereon at the Default Rate from the date of such advance to the date of the actual receipt of payment thereof by Mortgagee.

Mortgagor agrees that if Mortgagee shall obtain a money judgment, in accordance with the terms and conditions of the indebtedness secured hereby and/or the Mortgage, then interest thereon at the Default Rate shall accrue and be due and payable on said money judgment from the date of entry thereof, until the said judgment is paid in full.

If the Mortgage is placed in the hands of an attorney for the collection of any sum payable hereunder, Mortgagor agrees to pay all costs of collection, including, without limitation, reasonable attorneys' fees, appraisers' fees, costs and expenses, incurred by Mortgagee, either with or without the institution of any action or proceeding, and in addition all costs, disbursements and allowances provided by law. All such costs of collection incurred pursuant to this Section shall be deemed to be part of the indebtedness secured by the Mortgage.

1.16 Survival of Warranties. Mortgagor shall satisfy and perform fully and faithfully the obligations of Mortgagor contained in the Notes, the Security Agreement and each agreement of Mortgagor incorporated by reference therein or herein or issued by Mortgagor pursuant to the Security Agreement, and any modification or amendment of any of the foregoing. Copies of the same are on file in the office of the Mortgagor. All representations, warranties and covenants of Mortgagor contained therein or incorporated by reference shall survive the closing and funding of the indebtedness evidenced by the Notes and shall remain continuing obligations, warranties and representations of Mortgagor during any time when any portion of the obligations secured by the Mortgage remains outstanding.

1.17 Additional Security. If Mortgagee at any time holds additional security for any of the obligations secured hereby, it may enforce the sale thereof or otherwise realize upon the same, at its option, either before or concurrently with or after a foreclosure or sale hereunder without being deemed to have made an election thereby or of having accepted the security provided hereby or the proceeds hereof or such additional security or the proceeds thereof in full settlement of the Notes.

1.18 Inspections, etc. Mortgagee, or its agents, representatives or workers, are authorized to enter at any reasonable time on notice to Mortgagor upon or in any part of the Premises for the purpose of inspecting the same or the Mortgaged Property and for the purpose of performing any of the acts it is authorized to perform under the terms of the Mortgage. Mortgagor agrees to permit the maintenance in a prominent place on the Premises during the period of any construction of any Improvements of a financing sign by Mortgagee.

1.19 Liens. Mortgagor shall pay and promptly discharge, at Mortgagor's cost and expense, all liens, encumbrances and charges (other than this Mortgage or any prior encumbrance referred to in Exhibit C) upon the Mortgaged Property or any part thereof or interest therein, except as hereinafter otherwise provided. Mortgagor shall have the right to contest in good faith the validity of any such lien, encumbrance or charge, provided Mortgagor shall first deposit with Mortgagee a bond or other security satisfactory to Mortgagee in such amounts as Mortgagee shall reasonably require, but not more than one hundred twenty-five percent (125%) of the amount of the claim, and provided further that Mortgagor shall thereafter diligently proceed to cause such lien, encumbrance or charge to be removed and discharged. If Mortgagor shall fail to discharge any such lien, encumbrance or charge, then, in addition to any other right or remedy of Mortgagee, Mortgagee may, but shall not be obligated to, discharge the same, either by paying the amount claimed to be due, or by procuring the discharge of such lien, encumbrance, or charge by depositing in court a bond for the amount claimed or otherwise giving security for such claim, or in such manner as is or may be prescribed by law. Any amount so paid by Mortgagee shall, at Mortgagee's option, become immediately due and payable with interest thereon at the Default Rate and shall be deemed part of the indebtedness secured by the Mortgage. Impositions that are liens are governed by the provisions of Section 1.10 and not by this Section.

1.20 Subordinate Mortgages. Mortgagor shall not create, assume or suffer to exist in respect of the Mortgaged Property, or any part thereof, any mortgage or lien (other than the Mortgage), without the prior written consent of holders of a majority in principal amount of the outstanding Notes in accordance with the Security Agreement, which consent shall not be unreasonably withheld.

1.21 Continued Occupancy. If at any time the then existing use or occupancy of any part of the Mortgaged Property shall, pursuant to any zoning or other law, ordinance or regulation, be permitted only so long as such use or occupancy shall continue, Mortgagor shall promptly advise Mortgagee thereof and shall not cause or permit such use or occupancy to be discontinued without the prior consent of holders of a majority in principal amount of the outstanding Notes in accordance with the Security Agreement.

1.22 Transfer. Except to the extent provided in Section 4.13, Mortgagor shall not sell, lease, encumber or otherwise transfer any of its interest or ownership in the Mortgaged Property without the written consent of holders of a majority in principal amount of the outstanding Notes in accordance with the Security Agreement.

## ARTICLE 11

### SECURITY AGREEMENT

2.1 Creation of Security Interest. Mortgagor hereby grants to Mortgagee a security interest as contemplated by the Uniform Commercial Code as in effect in Connecticut, in the Fixtures, Proceeds, Rents, Profits, and Personalty (collectively, the "Collateral") located on or at the Mortgaged Property, now or hereafter used in the operation of the Mortgaged Property, whether or not located on or at the Mortgaged Property, and all accessions and accessories thereto, substitutes and replacements therefor and any interest now existing or hereafter arising with respect thereto for the purpose of securing all obligations of Mortgagor set forth in the Mortgage.

2.2 Warranties, Representations and Covenants of Mortgagor. Mortgagor hereby warrants, represents and covenants as follows:

(a) Except for the security interest granted hereby, the security interest under the Prior Mortgage and any other security interest that exists on the date hereof that has been disclosed to and approved by Mortgagee in writing, Mortgagor is, and as to portions of the fixtures to be acquired after the date hereof will be, the sole owner of the Collateral, free from any adverse lien, security interest, encumbrance or adverse claims thereon of any kind whatsoever. Mortgagor shall notify Mortgagee of, and will defend the Collateral against, all claims and demands of all persons at any time claiming the same or any interest therein.

(b) Except for any lease permitted under the Security Agreement or Security Agreement, Mortgagor shall not lease, sell, convey, pledge, encumber, or in any manner transfer the Collateral without the prior consent of holders of a majority in principal amount of the outstanding Notes in accordance with the Security Agreement, which consent may be withheld in Mortgagee's sole discretion.

(c) The Collateral is not used or bought for personal, family or household purposes.

(d) The Collateral shall be kept on or at the Mortgaged Property and Mortgagor shall not remove the Collateral from the Mortgaged Property without the prior consent of holders of a majority in principal amount of the outstanding Notes in accordance with the Security Agreement, except such portions or items of Collateral as are consumed or worn out in ordinary usage, all of which shall be promptly replaced by Mortgagor and except to the extent and on the terms provided in the Security Agreement.

(e) Mortgagor maintains a place of business in the State of Connecticut and Mortgagor shall immediately notify Mortgagee in writing of any change in its place of business as set forth in the beginning of the Mortgage.

(f) All covenants and obligations of Mortgagor contained herein relating to the Mortgaged Property shall be deemed to apply to the Collateral, whether or not expressly referred to herein.

(g) The Mortgage constitutes a Security Agreement as that term is used in the Uniform Commercial Code of the State of Connecticut.

### ARTICLE III

#### DEFAULTS AND REMEDIES

3.1 Events of Default. Any one or more of the following shall constitute an Event of Default under the Mortgage and the Security Agreement:

(a) The occurrence of any Event of Default under the Notes or the Security Agreement or any other instrument given by or agreement made by Mortgagor pursuant to or in connection with the Notes or the Security Agreement.

(b) Failure of Mortgagor to pay, when due or, if no time for payment is specified, within thirty (30) days after rendition of an bill or statement therefor, the amount of any costs, expenses or fees (including attorneys' fees) of Mortgagee, as required by any provision of the Mortgage with any interest thereon as provided in the Mortgage.

(c) Failure to pay any Imposition or insurance premium required hereunder when the same shall be due or to exhibit to Mortgagee, within ten (10) days after written demand therefor, proof of payment of any Imposition or insurance premium required hereunder.

(d) The actual or threatened alteration, demolition or removal of any of the Improvements in contravention of the provisions of this Mortgage without the prior consent of Mortgagee.

(e) Damage to any of the Improvements or Collateral in any manner, to the extent of more than \$50,000 which is not replaced by Mortgagor within a reasonable period of time after such damage (including a reasonable period of time for Mortgagor to obtain any insurance proceeds on account of such damage).

(f) Failure to maintain the Improvements and Collateral in good repair in accordance with Section 1.12 hereof.

(g) Failure to comply with any requirements or order or notice of violation or ordinance issued by any governmental authority claiming jurisdiction over the Mortgaged Property within the time specified in such order, notice, law, ordinance, or regulation as the same may be extended or stayed, or, if not so specified, within three (3) months from the issuance thereof.

(h) The passage of any law deducting from the value of land for the purposes of taxation any lien thereon, or changing in any way the taxation of mortgages or debts secured thereby, if Mortgagor cannot or does not pay the same.

(i) Failure of Mortgagor for thirty (30) days after notice to substantially comply with or perform, or any material breach or violation by Mortgagor of, any warranty, representation, covenant, agreement, prohibition, restriction or condition contained herein, in the Security Agreement, or in any other instrument given by or agreement made by Mortgagor pursuant to or in connection with the Security Agreement.

(j) The institution of any bankruptcy, reorganization or insolvency proceedings against Mortgagor or other owner of the Mortgaged Property or the appointment of a receiver or a similar official with respect to any part of the Mortgaged Property or all or a substantial part of the properties of Mortgagor or other owner of the Mortgaged Property and a failure to have such proceedings dismissed or such appointment vacated within a period of ninety (90) days.

(k) The institution of any voluntary bankruptcy, reorganization or insolvency proceedings by Mortgagor or other owner of the Mortgaged Property, or the appointment of a receiver or a similar official with respect to any part of the Mortgaged Property or all or a substantial part of the properties of Mortgagor or other owner of the Mortgaged Property.

(l) Any sale, assignment, transfer, conveyance or other change in the legal or equitable title to the Mortgaged Property, or any portion thereof (including the execution of any contract of sale relating thereto but excluding leases which are governed by Section 4.13), whether voluntarily or involuntarily by operation of law and whether or not of record or for consideration without Mortgagee's written consent, which consent may be given or withheld by Mortgagee in its sole and absolute discretion.

(m) The creation of any lien or encumbrance on the Mortgaged Property, including, without limitation, any junior financing on the Mortgaged Property but not including easements for utilities or rights of way that do not materially and adversely impact on the value of the Mortgaged Property.

(n) The occurrence of any default or Event of Default under any other encumbrance affecting the Mortgaged Property, including, specifically, but not limited to, the Prior Mortgage on the Mortgaged Property, or any part thereof.

(o) The dissolution or liquidation of Mortgagor.

3.2 Acceleration Upon Default; Additional Remedies. In the event that one or more of the Events of Default as above provided shall occur and be continuing and subject to the subordination provisions set forth herein, in the Security Agreement and in the Notes, the remedies available to Mortgagee shall include, but not necessarily be limited to, any one or more of the following:

(a) Mortgagee may declare the entire unpaid balance of the indebtedness secured hereby due and payable in full in accordance with the Security Agreement.

(b) Mortgagee may take immediate possession of the Mortgaged Property or any part thereof (which Mortgagor agrees to surrender to Mortgagee) and manage, control or lease the same to such person or persons and at such rental as it may deem proper; and collect, with or without taking possession of the Mortgaged Property, all the Rents and Profits therefrom, including those past due as well as those thereafter accruing, with the right in Mortgagee to cancel any lease, sublease or tenancy for any cause which would entitle Mortgagor to cancel the same; to make such expenditures for maintenance, repairs and costs of operation as it may deem advisable; and after deducting the cost thereof including the fee of a third-party property manager if one is engaged by Mortgagee, to apply the residue to the payment of any sums which are unpaid on the indebtedness secured hereby. The taking of possession and/or the collection of rents under this paragraph shall not prevent concurrent or later proceedings for the foreclosure of the Mortgaged Property as provided elsewhere herein.

(c) Mortgagee may apply to any court of competent jurisdiction for the appointment of a receiver or similar official to manage and operate the Mortgaged Property, or any part thereof, and to apply the Rents and Profits therefrom to the payment of the interest and principal of the indebtedness due under the Notes and any other obligations of Mortgagor to Mortgagee hereunder. In the event of such application, Mortgagor consents to the appointment of such receiver or similar official and agrees that such receiver or similar official may be appointed without notice to Mortgagor, without regard to the adequacy of any security for the debt and without regard to the solvency of Mortgagor or any other person, firm or corporation who or which may be liable for the payment of the indebtedness secured hereby.

(d) Mortgagee may exercise any or all of the remedies available to a secured party under the Connecticut Uniform Commercial Code, including, but not limited to:

(1) Either personally or by means of a court appointed receiver, to take possession of all or any of the Collateral and exclude therefrom Mortgagor and all others claiming under Mortgagor, and thereafter to hold, store, use, operate, manage, maintain and control, make repairs, replacements, alterations, additions and improvements to and exercise all rights and powers of Mortgagor in respect to the Collateral or any part thereof. In the event Mortgagee demands or attempts to take possession of the Collateral in the exercise of any rights under any of the instruments which secure the Notes, Mortgagor promises and agrees to promptly turn over and deliver complete possession thereof to Mortgagee;

(2) Without notice to or demand upon Mortgagor, to make such payments and do such acts as Mortgagee may deem necessary to protect its security interest in the Collateral, including without limitation, paying, purchasing, contesting or compromising any encumbrance, charge or lien which is prior to or superior to the security interest granted hereunder, and in exercising any such powers or authority to pay all expenses incurred in connection therewith;

(3) To require Mortgagor to assemble the Collateral or any portion thereof at a place designated by Mortgagee and reasonably convenient to both parties, and promptly to deliver such Collateral to Mortgagee, or an agent or representative designated by it. Mortgagee, and its agents and representatives, shall have the right to enter upon any or all of Mortgagor's premises and property to exercise Mortgagee's rights hereunder;

(4) To sell, lease or otherwise dispose of the Collateral at public sale, with or without having the Collateral at the place of sale, and upon such terms and in such manner as Mortgagee may determine. Mortgagee may be a purchaser at any such sale, and unless the Collateral are perishable or threaten to decline speedily in value or are of a type customarily sold on a recognized market, Mortgagee shall give Mortgagor at least ten (10) days' prior written notice of the time and place of any public sale of the Collateral or other intended disposition thereof. Such notice may be mailed to Mortgagor at the address hereinafter set forth for notices.

(e) Mortgagee shall have the right to foreclose the Mortgage and in an action or proceeding to foreclosure the Mortgage, the Mortgaged Property may be foreclosed in parts or as an entirety.

3.3 Additional Provisions. Mortgagor expressly agrees as follows:

(a) All remedies available to Mortgagee with respect to the Mortgage shall be cumulative and may be pursued concurrently or successively. No delay by Mortgagee in exercising any such remedy shall operate as a waiver thereof or preclude the exercise thereof during the continuance of that or any subsequent default.

(b) The obtaining of a judgment or decree on the Notes, shall not in any manner affect the lien of the Mortgage upon the Mortgaged Property, and the debt represented by said judgment or decree shall be secured hereby to the same extent as the Notes are now secured.

(c) The only limitation upon the foregoing agreements as to the exercise of Mortgagee's remedies is that there shall be but one full and complete satisfaction of the indebtedness secured hereby.

3.4 Remedies Not Exclusive. Mortgagee shall be entitled to enforce payment of any indebtedness secured hereby and performance of all obligations contained herein and to exercise all rights and powers under the Mortgage or under any other agreement of Mortgagor or any laws now or hereafter in force, notwithstanding that some or all of the said indebtedness and obligations secured hereby may now or hereafter be otherwise secured, whether by mortgage, deed of trust, pledge, lien, assignment or otherwise. Neither the acceptance of the Mortgage nor its enforcement shall prejudice or in any manner affect Mortgagee's right to realize upon or enforce any other security now or hereafter held by Mortgagee, it being agreed that Mortgagee shall be entitled to enforce the Mortgage and any other security now or hereafter held by Mortgagee in such order and manner as Mortgagee may in its absolute discretion determine. No remedy herein conferred upon or reserved to Mortgagee is intended to be exclusive of any other remedy herein or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. Every power or remedy given to Mortgagee or to which it otherwise may be entitled may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by Mortgagee and it may pursue inconsistent remedies.

ARTICLE IV

MISCELLANEOUS

4.1 Successors and Assigns. In the event title to the Mortgaged Property or any portion thereof becomes vested in other than Mortgagor, Mortgagee may, without notice to Mortgagor, deal with such successor or successors in interest with reference to the Mortgage and the debt hereby secured in the same manner as with Mortgagor, and such action shall in no way affect the liability of Mortgagor hereunder or under the indebtedness secured hereby or the lien or priority of the Mortgage with respect to any part of the Mortgaged Property. All provisions of the Mortgage shall be binding upon and inure to the benefit of the parties thereto and their respective heirs, executors, administrators, successors and assigns, except as otherwise herein expressly provided.

4.2 Notices. All notices, demands, requests, permissions, consents or approvals ("Notices") given by either party hereto to the other party shall be in writing and, if sent by telecopier or facsimile transmission followed by a hard copy sent by regular mail. All notices, demands and requests by Mortgagee to Mortgagor shall be deemed given (a) if sent by United States registered or certified mail, postage prepaid, return receipt requested, three business days after being postmarked, (b) if sent by overnight delivery service, when received at the applicable address or when delivery is refused or (c) if sent by telecopier or facsimile transmission, when receipt of such transmission is acknowledged, addressed as follows:

If to Mortgagee:

Howard S. Modlin and John L. Segall  
c/o Weisman Celler Spett & Modlin, P.C.  
445 Park Avenue  
New York, New York 10022  
Attention: Gerald Gordon

Copy to:

Weisman Celler Spett & Modlin, P.C.  
445 Park Avenue  
New York, New York 10022  
Telecopy 212-371-5400  
Attention: William F. Treanor, Esq.

If to Mortgagor:

GDC Naugatuck, Inc.  
6 Rubber Avenue  
Naugatuck, Connecticut 06670  
Telecopy: 203-729-3182  
Attention: William Henry, Chief Financial Officer

Copy to:

Weisman Celler Spett & Modlin, P.C.  
445 Park Avenue  
New York, New York 10022  
Telecopy: 212-371-5407  
Attention: William F. Treanor, Esq.

Mortgagor or Mortgagee may change the address to which notices are to be given by notice to the other as provided herein.

Mortgagor shall deliver to Mortgagee, promptly upon receipt of same, copies of all notices, certificates, documents and instruments received by it which materially affect any part of the Mortgaged Property covered hereby, including, notices from any lessor, lessee, sublessee or mortgagee claiming that Mortgagor is in default under any terms of any lease, sublease or mortgage.

4.3 Modifications in Writing. This Mortgage may not be changed, terminated or modified orally or in any other manner than by an instrument in writing signed by the party against whom enforcement is sought.

4.4 Captions. The captions or headings at the beginning of each Section hereof are for the convenience of the parties and are not a part of the Mortgage.

4.5 Invalidity of Certain Provisions. If any term, clause or provision of the Mortgage shall be adjudged to be invalid, the validity of the remainder shall not be affected thereby, and each such term, clause, and provision shall be valid and enforceable to the fullest extent permitted by law. If the lien of the Mortgage is adjudged to be invalid or unenforceable as to any part of the debt, or if the lien is invalid or unenforceable as to any part of the Mortgaged Property, the unsecured portion of the debt as determined by Mortgagee may at Mortgagee's option be declared due and payable and shall be completely paid prior to the payment of the secured portion of the debt, and all payments made on the debt, whether voluntary or otherwise, shall be considered to have been first paid on and applied to the full payment of that portion of the debt which is not secured or fully secured by the lien of the Mortgage.

4.6 Governing Law and Construction of Clauses. This Mortgage shall be governed and construed by the laws of the State of Connecticut.

4.7 Terms. The words "Mortgagor" and "Mortgagee," together with any pronoun or pronouns in connection therewith (and the possessive form of any such pronoun or pronouns), shall include the singular, plural, masculine, feminine and neuter, as the context may require. Whenever used, the singular number shall include the plural, the plural the singular, and the use of any gender shall include all genders, as the context may require. Any list of one or more items preceded by the word "including" shall not be deemed limited to the stated items but shall be without limitation.

4.8 Counting of Days. The term "days" when used herein shall mean calendar days. If any time period ends on a Saturday, Sunday or holiday officially recognized by the state within which the Improvements are located, the period shall be deemed to end on the next succeeding business day. The term "business day" when used herein shall mean a weekday, Monday through Friday, except a legal holiday or a day on which banking institutions in the State in which the Improvements are located are authorized by law to be closed.

4.9 No Merger. It is the desire and intention of the parties hereto that this Mortgage and the lien hereof do not merge in fee simple title to the Premises. It is hereby understood and agreed that should Mortgagee acquire any additional or other interests in or to the Premises or the ownership thereof, then, unless a contrary intent is manifested by Mortgagee as evidenced by an appropriate document duly recorded, this Mortgage and the lien hereof shall not merge in such other or additional interests in or to the Premises, toward the end that this Mortgage may be foreclosed as if owned by a stranger to said other or additional interests.

4.10 Counterparts. This Mortgage may be executed in any number of counterparts, each of which shall be effective only upon delivery and thereafter shall be deemed an original, and all of which shall be taken to be one and the same instrument, for the same effect as if all parties hereto had signed the same signature page. Any signature page of this Mortgage may be detached from any counterpart of this Mortgage without impairing the legal effect of any signatures thereon and may be attached to another counterpart of this Mortgage identical in form hereto but having attached to it one or more additional signature pages.

4.11 Prejudgment Remedies. MORTGAGOR ACKNOWLEDGES THAT (A) THE TRANSACTION OF WHICH THIS MORTGAGE IS A PART IS A COMMERCIAL TRANSACTION, AND NOT A CONSUMER TRANSACTION AND TO THE EXTENT PERMITTED BY LAW WAIVES ANY RIGHT TO A NOTICE AND HEARING OR TO SEEK MORTGAGEE TO POST A BOND UNDER CHAPTER 903a OF THE CONNECTICUT GENERAL STATUTES OR OTHER STATUTE OR STATUTES AFFECTING PREJUDGMENT REMEDIES AND AUTHORIZES HOLDER'S ATTORNEY TO ISSUE A WRIT FOR A PREJUDGMENT REMEDY WITHOUT COURT ORDER, PROVIDED THE COMPLAINT SHALL SET FORTH A COPY OF THIS WAIVER, AND FURTHER WAIVES ANY RIGHT TO A TRIAL BY JURY OF ANY OR ALL ISSUES ARISING IN ANY ACTION OR PROCEEDING BETWEEN MORTGAGEE AND MORTGAGOR OR THEIR SUCCESSORS, UNDER OR CONNECTED WITH THIS MORTGAGE OR ANY OF ITS PROVISIONS, AND (B) THE OBLIGATION EVIDENCED BY THIS MORTGAGE IS AN EXEMPTED TRANSACTION UNDER THE TRUTH-IN-LENDING ACT, 15 U.S.C. §1601 ET SEQ.

4.12 Open End Mortgage. This is an "open-end" mortgage and the holder hereof shall have all the rights, powers and protection to which the holder of any open-end mortgage is entitled. Additional loans shall be evidenced by a note or notes of GDC and/or recorded on the books of account of Mortgagee. All present loans aggregate \$2,080,945.21 as of November 30, 2006 plus accrued interest and shall not exceed \$3,000,000 or such lesser amount as approved by the Lenders. It is further agreed that upon request of Mortgagor, Mortgagee may hereafter, at its option, at any time before full payment of this Mortgage, make further advances to Mortgagor in amounts and at such rates of interest as Mortgagee shall determine, and all such additional loans and every such further advance, with interest, shall be secured by this Mortgage and evidenced by an additional note or notes given by Mortgagor.

4.13 Leases. Mortgagor may, from time to time, enter into Leases for all or any portion of the Premises without the consent of Mortgagee or notice to Mortgagee, provided, however, the Mortgagor shall not enter into a Major Lease (as hereafter defined) unless and until (1) Mortgagor shall give Mortgagee fifteen (15) days prior written notice of its intent (the "Major

Lease Notice") to enter the Major Lease, together with a copy of such proposed Major Lease; and (2) Mortgagor shall deliver to Mortgagee simultaneously with such Major Lease Notice a legal opinion from counsel reasonably acceptable to Mortgagee stating that entering into the Major Lease by Mortgagor shall have no material adverse effect on the priority and validity of the lien granted hereunder, subject to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights as to which no opinion need be expressed. Mortgagee agrees that Mortgagee, at the request of Mortgagor, will enter into a Subordination, Non-Disturbance and Attornment Agreement in the form annexed as Exhibit D (the "Non-Disturbance Agreement") with the lessee or tenant under any lease. Mortgagor may terminate or consent to the cancellation or surrender of any of the Leases or of any part thereof, now existing or hereafter to be made, modify any Lease so as to shorten the unexpired term thereof or so as to decrease, waive or compromise in any manner the amount of the rents payable thereunder or modify, release or terminate any guaranties of any Lease or otherwise deal with any lease, any of which actions of Mortgagor shall, however, be subject to the terms of any Non-Disturbance Agreement entered into between Mortgagee and Lessee or tenant of Mortgagor, if any.

Notwithstanding the foregoing, Mortgagee may, at its discretion, withhold entering into the Non-Disturbance Agreement for a Major Lease if (i) such tenant under the Major Lease does not have a credit rating (according to Dun & Bradstreet or other recognized national credit rating organization) equal to or greater than the borrowers under the Notes on a consolidated basis; (ii) the term of the Lease would not extend beyond the maturity date of the Notes (except that if the Lease is of the entire Premises this clause (ii) shall not apply); (iii) the rent is not the fair market rent at the inception of the Lease; and (iv) the use under the Lease violates zoning or other similar laws applicable to the Mortgaged Property or is a use which requires the tenant to register as a generator of hazardous wastes with the appropriate governmental authorities except to the extent such use is now being carried on by Mortgagor at the Mortgaged Property but excluding any such use which violates any governmental laws, ordinances, orders or directives, rules or regulations affecting the Mortgaged Property, including rules and regulations of any Board of Fire Underwriters (or other agency exercising similar functions) having jurisdiction over the Mortgaged Property.

Notwithstanding the foregoing, nothing herein contained shall prohibit or limit Mortgagor from permitting any corporate affiliate of Mortgagor to use or occupy the Premises or any part thereof without notice to Mortgagee.

(b) "Major Lease" shall mean any lease which is for more than thirty (30)% of the area of the improvements located on the Premises.

NOW, THEREFORE, if the indebtedness secured hereby shall be well and truly paid according to its tenor, and if all agreements and provisions contained in the Notes, the Security Agreement or any other instrument given by or agreement made by Mortgagor pursuant to or in connection with the Security Agreement are fully kept and performed, then this Mortgage shall become null and void; otherwise to remain in full force and effect.

IN WITNESS WHEREOF, Mortgagor has hereunto set or caused to be set its hand as of the day and year first hereinbefore written.

Signed and Delivered  
in the presence of:

\_\_\_\_\_

**GDC Naugatuck, Inc.,**  
a Delaware corporation

\_\_\_\_\_

By: \_\_\_\_\_  
Name: William G. Henry  
Title: Vice President

STATE OF            )  
                          ) ss:  
COUNTY OF        )

On this the \_\_\_ day of \_\_\_\_\_, 2006, before me the undersigned officer, personally appeared William G. Henry who acknowledged himself/herself to be the Vice President of GDC Naugatuck, Inc., a Delaware corporation, signer and sealer of the foregoing instrument, and that he/she as such officer, being authorized so to do, acknowledged the execution of the same to be his/her free act and deed as such officer and the free act and deed of said corporation.

IN WITNESS WHEREOF, I hereunto set my hand.

\_\_\_\_\_  
Commissioner of the Superior Court  
Notary Public

My Commission Expires:

EXHIBIT A

Schedule of Notes

<u>Date</u>	<u>Payee</u>	<u>Principal Amount (\$)</u>
December 9, 2005	Howard S. Modlin	343,315.07
December 9, 2005	John L. Segall	343,315.07
December 9, 2005	Howard S. Modlin	143,047.95
December 9, 2005	John L. Segall	143,047.95
December 9, 2005	Howard S. Modlin	146,164.38
December 9, 2005	John L. Segall	146,164.38
December 9, 2005	Howard S. Modlin	286,095.89
December 9, 2005	Howard S. Modlin	279,794.52
April 20, 2006	Howard S. Modlin	250,000.00

EXHIBIT B

A certain piece or parcel of land located in the Borough of Naugatuck, County of New Haven, State of Connecticut, said Parcel contains 492,304 sq. ft. (11.30 acres) of land and is more particularly described as follows:

Beginning at a point on the southerly street line of Maple Street, said point being marked by a monument:

Thence running southerly along land n/f of H. and S. Realty and R. Smith, each in part, in a line which makes an interior angle of 85°-37'-30" with the southerly street line of Maple Street, a distance of 103.71 feet to a point;

Thence running easterly along land n/f of said R. Smith and Water Street, each in part, in a line which makes an interior angle of 276°-36'-00", a distance of 176.18 feet to a point:

Thence running southerly along land n/f of Penn Central Transportation Company in a line which makes an interior angle of 76°-07'-35" with the last herein before described line a distance of 45.81 feet to a point of curvature.

Thence continuing southerly along land of said Penn Central Transportation Company in a curved line (concave to the east), said curved line having a radius of 2685.90 feet, a distance of 678.73 feet to a point of tangency;

Thence continuing southerly along land of said Penn Central Transportation Company, a distance of 228.18 feet to point:

Thence continuing southerly in a line which makes an interior angle of 168°-25'-05" with the last herein before described line along land of said Penn Central Transportation Company, a distance of 57.15 feet to a point;

Thence continuing southerly in a line which makes an interior angle of 183°-56'-55" with the last herein before described line along land of said Penn Central Transportation Company, a distance of 52.13 feet to a point.

Thence continuing southerly in a line which makes an interior angle of 196°-15'-33" with the last herein before described line along land of said Penn Central Transportation Company, a distance of 270.86 feet to a point:

Thence continuing southerly in a line which makes an interior angle of 184°-01'-32" with the last herein before described line along land of said Penn Central Transportation Company, a distance of 220.93 feet to a point;

Thence running westerly in a line which makes an interior angle of 96°-03'-22" with the last herein before described line along land of said Penn Central Transportation Company, a distance of 276.77 feet to a point in the easterly street line of Elm Street.

Thence running northerly along the easterly street line of Elm Street in a curved line (concave to the east), said curved line having a radius of 1106.28 feet, a distance of 122.26 feet to a point of compound curvature;

Thence continuing northerly along said easterly street line of Elm Street in a curved line (concave to the east), said curved line having a radius of 1678.12 feet, a distance of 169.45 feet to a point of tangency;

Thence continuing northerly along said easterly street line of Elm Street, a distance of 78.84 feet to a point;

Thence continuing northerly along said easterly street line of Elm Street in a line which makes an interior angle of  $177^{\circ}-21'-24''$  with the last herein before described line, a distance of 218.99 feet to a point of curvature.

Thence running northerly in a curved line (concave to the south east), said curved line having a radius of 12.00 feet, a distance of 7.98 feet to a point of tangency);

Thence running northwesterly along the easterly end of Rubber Avenue, a distance of 70.71 feet to a point of curvature;

Thence running northeasterly along the proposed easterly street line of South Water Street (a/k/a Old Firehouse Road) in a curved line (concave to the northwest), said curved line having a radius of 360.00 feet, a distance of 179.14 feet to a point of tangency.

Thence running northerly along said proposed easterly street line of South Water Street (a/k/a Old Firehouse Road), a distance of 771.49 feet to a point,

Thence continuing northerly along said proposed easterly street line of South Water Street (a/k/a Old Firehouse Road) in a line which makes an exterior angle of  $179^{\circ}-24'-00''$  with the last herein before described line, a distance of 156.19 feet to a point on the southerly street line of said Maple Street;

Thence running easterly along said southerly street line of Maple Street in a line which makes an interior angle of  $86^{\circ}-02'-30''$  with the last herein before described line, a distance of 204.83 feet to the point and place of beginning.

The property is shown on a certain survey entitled "Property of GDC Naugatuck, Inc. Naugatuck, Connecticut Scale: 1" = 40'", sheets 1 and 2 of 2, dated December 23, 1985 and last revised October 17, 1997, by Robert H. Mansfield, Clarence Blair Associates, Inc., 341 Quinnipiac Avenue, New Haven, Connecticut.

EXHIBIT C

ENCUMBRANCES

1. Mortgage from GDC Naugatuck, Inc. to Ableco Finance, LLC, as arranger and administrative agent for the lenders under that certain Loan and Security Agreement dated as of August 20, 2002 (as amended, supplemented or otherwise modified from time to time, the "Senior Loan Agreement"), dated September 15, 2003 and recorded September 12, 2003 in Volume 641 at Page 691 et seq. of the Naugatuck Land Records as Document No. 9800.
2. UCC Financing Statement from GDC Naugatuck, Inc. to Ableco Finance, LLC, as arranger and administrative agent, dated September 15, 2003 and recorded in Volume \_\_\_ at Page \_\_\_\_ of the Naugatuck Land Records.
3. Right of way to Borough of Naugatuck set forth in a deed dated April 1, 1909 and recorded in Volume 45 at Page 210 and 214 and as reserved in a deed dated March 12, 1909 and recorded in Volume 45 at Page 205 of the Naugatuck Land Records.
4. Reservations, conditions, agreements and encumbrances set forth in a deed dated March 7, 1952 and recorded in Volume 105 at Page 418; as partially released by Quit Claim Deed dated April 18, 1985 and recorded in Volume 264 at Page 161; as modified by a Quit Claim Deed dated May 29, 1985 and recorded in Volume 267 at Page 44 of the Naugatuck Land Records.
5. Reservations, conditions, agreements and encumbrances set forth in a deed dated November 10, 1953 and recorded in Volume 112 at Page 340; as partially released by Quit Claim Deed dated April 18, 1985 and recorded in Volume 264 at Page 161; as modified by a Quit Claim Deed dated May 29, 1985 and recorded in Volume 267 at Page 44 of the Naugatuck Land Records.
6. Easement to the Connecticut Light and Power Company dated July 18, 1955 and recorded in Volume 116 at Page 356 of the Naugatuck Land Records.
7. Easement to the Connecticut Light and Power Company dated May 13, 1918 and recorded in Volume 61 at Page 333 of the Naugatuck Land Records.
8. Agreement between United States Rubber Company and Morris Rosenblatt dated March 20, 1937 and recorded in Volume 85 at Page 178 of the Naugatuck Land Records.
9. Easement to the Borough of Naugatuck dated February 11, 1955 and recorded in Volume 116 at Page 117 of the Naugatuck Land Records.
10. Right of way set forth in a deed dated May 15, 1916 and recorded in Volume 56 at Page 340 and in a deed dated May 18, 1916 and recorded in Volume 56 at Page 342 of the Naugatuck Land Records.
11. Reservation set forth in a deed dated April 19, 1985 and recorded in volume 264 at Page 122 of the Naugatuck Land Records.
12. Grant to the Connecticut Light and Power Company, Connecticut Water Company and Borough of Naugatuck recorded April 19, 1985 in Volume 264 at Page 157 and refiled in Volume 276 at Page 545 of the Naugatuck Land Records.
13. Stipulation for Judgment dated March 8, 1988 and recorded in Volume 313 at Page 15 of the Naugatuck Land Records.

**SUBORDINATION, NON-DISTURBANCE  
AND ATTORNMENT AGREEMENT**

THIS SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT (this "Agreement") made as of the [\_\_] day of [\_\_\_\_], 200\_, by and among Howard S. Modlin and John L. Segall whose address is c/o Weisman Celler Spett & Modlin, P.C., 445 Park Avenue, New York, New York 10022, as Secured Party, as hereinafter discussed (individually or collectively "Secured Party" as applicable), [\_\_\_\_], a [\_\_\_\_], having an office at [\_\_\_\_] ("Tenant") and GDC Naugatuck, Inc., a Delaware corporation, having an office at 6 Rubber Avenue, Naugatuck, Connecticut 06670 ("Landlord").

WITNESSETH:

WHEREAS, Landlord's parent is obligated for the payment of all sums due under certain notes ("Notes") issued to each Secured Party.

WHEREAS, the obligations under the Notes will be secured by, among other things, an Open-End Mortgage Deed and Security Agreement (the "Mortgage") made by Landlord to Secured Party covering the land (the "Land") described on Schedule A hereto and all improvements (the "Improvements") now or hereafter located on the land (the Land and the Improvements hereinafter collectively referred to as the "Mortgaged Property"); and

WHEREAS, by a lease dated as of [\_\_\_\_] (which lease, as the same may have been amended and supplemented, is hereinafter called the "Lease"), Landlord leased to Tenant approximately [\_\_\_\_] square feet of space located in the Improvements (the "Premises"); and

WHEREAS, the parties hereto desire to make the Lease subject and subordinate to the Mortgage.

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

1. The Lease and all of Tenant's right, title and interest in and to the Premises and all rights, remedies and options, if any, of Tenant under the Lease are and shall be unconditionally subject and subordinate to the Mortgage and the lien thereof, to all the terms, conditions and provisions of the Mortgage, to each and every advance made or hereafter made under the Mortgage, and to all renewals, modifications, consolidations, replacements, substitutions and extensions of the Mortgage, so that at all times the Mortgage shall be and remain a lien on the Mortgaged Property prior and superior to the Lease for all purposes; provided, however, and Secured Party agrees, that, in the event Lender shall succeed to Landlord's interest under the Lease by foreclosure or otherwise, so long as (A) no event has occurred and no condition exists which, after the passage of time or the giving of notice, or both, would entitle Landlord to terminate the Lease or would cause, without further action of Landlord, the termination of the Lease or would entitle Landlord to dispossess Tenant from the Premises, (B) the term of the Lease has commenced and Tenant is in possession of the Premises, (C) the Lease shall be in full force and effect, (D) Tenant shall duly confirm its attornment to Secured Party by written instrument as set forth in Paragraph 3 hereof, (E) Secured Party shall not be liable under any warranty of construction contained in the Lease or any implied warranty of construction, (F) Tenant shall have performed all of its covenants contained herein, and (G) all representations and warranties made herein by Tenant shall be true and correct as of the date of such attornment; then, and in such event Tenant's leasehold estate under the Lease shall not be terminated, Tenant's possession of the Premises shall not be disturbed by Secured Party.

2. Notwithstanding anything to the contrary contained in the Lease, Tenant hereby agrees that in the event of any act, omission or default by Landlord or Landlord's agents, employees, contractors, licensees or invitees which would give Tenant the right, either immediately or after the lapse of a period of time, to terminate the Lease, or to claim a partial or total eviction, or to reduce the rent payable thereunder or credit or offset any amounts against future rents payable thereunder, Tenant will not exercise any such right (i) until it has given written notice of such act, omission or default to Secured Party by delivering notice in accordance with Paragraph 11 herein of such act, omission or default, and (ii) until a period of not less than sixty (60) days for remedying such act, omission or default shall have elapsed following the giving of such notice and following the time when Secured Party shall have become entitled under the Mortgage. Notwithstanding the foregoing, in the case of any default of Landlord which cannot be cured within such sixty (60) day period, if Secured Party shall within such period proceed promptly to cure the same (including such time as may be necessary to acquire possession of the Premises if possession is necessary to effect such cure) and thereafter shall prosecute the curing of such default with diligence, then the time within which such default may be cured by Secured Party shall be extended for such period as may be necessary to complete the curing of the same with diligence. Secured Party's cure of Landlord's default shall not be considered an assumption by Secured Party of Landlord's other obligations under the Lease. Unless Secured Party otherwise agrees in writing, Landlord shall remain solely liable to perform Landlord's obligations under the Lease (but only to the extent required by and subject to the limitation included with the Lease), both before and after Secured Party's exercise of any right or remedy under this Agreement. If Secured Party becomes obligated to perform as Landlord under the Lease, such person or entity will be released from those obligations when such person or entity assigns, sells or otherwise transfers its interest in the Premises or the Mortgaged Property.

3. Without limitation of any of the provisions of the Lease, in the event that, by reason of any default under the Mortgage on the part of the Landlord, Secured Party shall succeed to the interest of Landlord, then subject to the provisions of this Agreement including, without limitation, Paragraph 1 above, the Lease shall nevertheless continue in full force and effect and Tenant shall and does hereby agree to attorn to and accept Secured Party and to recognize Secured Party as its Landlord under the Lease for the then remaining balance of the term thereof, and upon request of Secured Party, Tenant shall execute and deliver to Secured Party an agreement of attornment satisfactory to Secured Party.

4. If Secured Party shall succeed to the interest of Landlord or any successor to Landlord, in no event shall Secured Party have any liability for any act or omission of any prior landlord under the Lease which occurs prior to the date Secured Party shall succeed to the rights of Landlord under the Lease, nor any liability for claims, offsets or defenses which Tenant might have had against Landlord and in any event Secured Party shall have no personal liability as successor to Landlord and Tenant shall look only to the estate and property of Secured Party in the Land and the Improvements for the satisfaction of Tenant's remedies for the collection of a judgment (or other judicial process) requiring the payment of money in the event of any default by Secured Party under the Lease, and no other property or assets of Secured Party shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies under or with respect to the Lease, the relationship of Landlord and Tenant thereunder or Tenant's use or occupancy of the Premises.

5. Tenant agrees that no prepayment of rent or additional rent due under the Lease of more than one month in advance, and no amendment, modification, surrender or cancellation of the Lease, and no waiver or consent by Landlord under the terms of the Lease, shall be binding upon or as against Secured Party, as holder of the Mortgage, and as Landlord under the Lease if it succeeds to that position, unless consented to in writing by Secured Party. In addition, and notwithstanding anything to the contrary set forth in this Agreement, Tenant agrees that Secured Party, as holder of the Mortgage, and as Landlord under the Lease if it succeeds to that position, shall in no event have any liability for the performance or completion of any initial work or installations or for any loan or contribution or rent concession towards initial work, which are required to be made by Landlord (A) under the Lease or under any related Lease documents or (B) for any space which may hereafter become part of said Premises, and any such requirement shall be inoperative in the event Secured Party succeeds to the position of Landlord prior to the completion or performance thereof. Tenant further agrees with Secured Party that Tenant will not voluntarily subordinate the Lease to any lien or encumbrance without Secured Party's prior written consent.

6. Landlord represents and warrants that the Lease was duly executed by Landlord and all consents, resolutions or other approvals required for Landlord to execute the Lease were obtained. Tenant represents and warrants that the Lease was duly executed by Tenant and all consents, resolutions or other approvals required for Tenant to execute the Lease were obtained.

7. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute and be construed as one and the same instrument.

8. All remedies which Secured Party may have against Landlord provided herein, if any, are cumulative and shall be in addition to any and all other rights and remedies provided by law and by other agreements between Secured Party and Landlord or others. If any party consists of multiple individuals or entities, each of same shall be jointly and severally liable for the obligations of such party hereunder.

9. The reasonable cost of attorneys' fees and disbursements for any legal action or arbitration between or among the parties arising out of any dispute or litigation relating to enforcement of this Agreement shall be borne by the party(s) against whom a final decision is rendered.

10. All notices to be given under this Agreement shall be delivered to the addressee identified below or their respective successor or assign in writing and shall be either mailed by certified mail, postage prepaid, return receipt requested, or sent by overnight air courier service, or personally delivered to a representative of the receiving party, or sent by telecopy (provided an identical notice is also sent simultaneously by mail, overnight courier, or personal delivery as otherwise provided in this paragraph). Such addresses may be changed by notice given in the same manner. If any party consists of multiple individuals or entities, then notice to any one of same shall be deemed notice to such party.

Secured Party's Address:

Howard S. Modlin and John L. Segall  
c/o Weisman Celler Spett & Modlin, P.C.  
445 Park Avenue  
New York, New York 10022  
Attention: Gerald Gordon

With a copy to:

Weisman Celler Spett & Modlin, P.C.  
445 Park Avenue  
New York, New York 10022  
Telecopy: (212) 371-5407  
Attention: William F. Treanor

Tenant's Address:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_

With a copy to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_

Landlord's Address:

GDC Naugatuck, Inc.  
6 Rubber Avenue  
Naugatuck, Connecticut 06670  
Telecopy: 203-729-3182  
Attention: Howard Modlin, Chief Executive Officer

With a copy to:

Weisman Celler Spett & Modlin, P.C.  
445 Park Avenue  
New York, New York 10022  
Telecopy: (212) 371-5407  
Attention: William F. Treanor

11. This Agreement shall be interpreted and construed in accordance with and governed by the laws of the State of Connecticut.

12. This Agreement shall apply to, bind and inure to the benefit of the parties hereto and their respective successors and assigns. As used herein "Secured Party" shall include any subsequent holder of the Mortgage.

13. Landlord, Tenant and Secured Party agree that unless Secured Party shall otherwise consent in writing, Landlord's estate in and to the Mortgaged Property and the leasehold estate created by the Lease shall not merge but shall remain separate and distinct, notwithstanding the union of said estates either in Landlord or Tenant or any third party by purchase, assignment or otherwise.

14. Tenant acknowledges that Landlord has assigned to Secured Party its right, title and interest in the Lease and to the rents, issues and profits of the Mortgaged Property pursuant to the Mortgage and that certain Assignment of Leases and Rents, of even date herewith, and that Landlord has been granted the license to collect such rents provided no Event of Default has occurred under, and as defined in, the Mortgage. Tenant agrees to pay all rents and other amounts due under the Lease directly to Secured Party upon receipt of written demand by Secured Party, and Landlord hereby consents thereto. The assignment of the Lease to Secured Party, or the collection of rents by Secured Party pursuant to such assignment, shall not obligate Secured Party to perform Landlord's obligations under the Lease.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

SECURED PARTY:

\_\_\_\_\_  
Howard S. Modlin

\_\_\_\_\_  
John L. Segall

LANDLORD:

GDC NAUGATUCK, INC.

By: \_\_\_\_\_  
Howard Modlin  
Chief Executive Officer

TENANT

\_\_\_\_\_  
By: \_\_\_\_\_  
Name:  
Title:

STATE OF NEW YORK        )  
                                  ) ss:  
COUNTY OF NEW YORK    )

The foregoing instrument was acknowledged before me this    day of \_\_\_\_\_, 200\_, by each of Howard S. Modlin and John L. Segall.

Notary Public

My Commission Expires:

STATE OF )  
 ) ss:  
COUNTY OF )

On this the \_\_\_ day of \_\_\_\_\_, 200\_, before me the undersigned officer, personally appeared \_\_\_\_\_ who acknowledged himself/herself to be the \_\_\_\_\_ of GDC Naugatuck, Inc., a Delaware corporation, signer and sealer of the foregoing instrument, and that he/she as such officer, being authorized so to do, acknowledged the execution of the same to be his/her free act and deed as such officer and the free act and deed of said corporation.

IN WITNESS WHEREOF, I hereunto set my hand.

Commissioner of the Superior Court  
Notary Public  
My Commission Expires:

STATE OF )  
 ) ss:  
COUNTY OF )

On this the \_\_\_ day of \_\_\_\_\_, 200\_, before me the undersigned officer, personally appeared \_\_\_\_\_ who acknowledged himself/herself to be the \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_, signer and sealer of the foregoing instrument, and that he/she as such officer, being authorized so to do, acknowledged the execution of the same to be his/her free act and deed as such officer and the free act and deed of said \_\_\_\_\_.

IN WITNESS WHEREOF, I hereunto set my hand.

Commissioner of the Superior Court  
Notary Public  
My Commission Expires:

SCHEDULE A

LEGAL DESCRIPTION

**FIRST MODIFICATION  
OF OPEN-END MORTGAGE DEED  
AND SECURITY AGREEMENT**

**THIS FIRST MODIFICATION OF OPEN-END MORTGAGE DEED** is made as of the 1st day of October, 2008, by and between **GDC NAUGATUCK, INC.**, a Delaware corporation, whose address is 6 Rubber Avenue, Naugatuck, Connecticut 06770. (the "**Mortgagor**") and **HOWARD S. MODLIN AND JOHN L. SEGALL**, with an address at 445 Park Avenue, New York, New York 10022 06103 (the "**Mortgagee**").

**WITNESSETH:**

**WHEREAS**, Mortgagor's parent, General DataComm Industries, Inc. ("GDC") is obligated for the payment of all sums due under Notes in the aggregate amount of \$2,755,945.21 as of October 1, 2008 plus accrued interest as set forth in Exhibit A hereof (the "Notes") issued to Mortgagee and the payment of such Notes is secured by an (i) Additional Senior Security Agreement by and among Mortgagor, General DataComm, Inc., DataComm Leasing Corporation, GDC Federal Systems, Inc., GDC Holding Company, LLC, GDC Realty, Inc. and GDC, as Debtors and Mortgagee dated as of December 30, 2003 as amended (the "Security Agreement") and (ii) an Amended and Restated Guaranty dated September 30, 2008 from GDC to the Mortgagee securing the obligations under the Notes; and

**WHEREAS**, the obligations of the Mortgagor are secured by an Open-End Mortgage Deed from the Mortgagor to Mortgagee, dated December 7, 2006 and recorded in Volume \_\_\_\_\_ at Page \_\_\_\_\_ of the \_\_\_\_\_ Land Records (the "**Mortgage**"), encumbering certain real property described in the Mortgage (the "**Property**"); and

**WHEREAS**, Mortgagor and Mortgagee desire to amend the terms and conditions of the Mortgage to amend the Note of even date herewith.

**NOW THEREFORE**, in consideration of the foregoing, and in consideration of \$1.00 and other valuable consideration received to the full satisfaction of the Mortgagor, the Mortgagor and the Mortgagee hereby agree as follows:

*The Mortgage is hereby amended as follows:*

The second full paragraph on Page 1 of the Mortgage is deleted in its entirety and the following is substituted in lieu thereof:

"WHEREAS, Mortgagor's parent, General DataCom Industries, Inc. ("GDC"), having a principal address of 6 Rubber Avenue, Naugatuck, CT 06770 is obligated for the payment of all sums due under notes in the aggregate amount of \$2,755,945.21 as of October 1, 2008 plus accrued interest as set forth in Exhibit A hereof (the "Notes") issued to Mortgagee and the payment of such Notes is secured by an Additional Senior Security Agreement by and among Mortgagor, General DataComm, Inc., DataComm Leasing Corporation, GDC Federal Systems, Inc., GDC Holding Company, LLC, GDC Realty, Inc. and GDC, as Debtors and Mortgagee dated as of December 30, 2003 as amended (the "Security Agreement"), which Security Agreement constitutes a commercial revolving loan agreement allowing for a maximum indebtedness of \$3,500,000;

---

(b) The following is added as a new third, fourth and fifth paragraphs of the Mortgage:

“WHEREAS, each of the Notes is in a form attached hereto as Exhibit C and made a part hereof;

WHEREAS, each of the Notes has a maturity date on or before July 31, 2009 (the “Maturity Date”);

WHEREAS, Mortgagor, has executed an Amended and Restated Guaranty dated October 1, 2008, in favor of Mortgagee, a copy of which is attached hereto as Exhibit D and made a part hereof guarantying the obligations of GDC under the Notes and the Security Agreement, and”

(c) The current third paragraph on Page 1 of the Mortgage is hereby deleted and the following is substituted in lieu thereof as a sixth paragraph of the Mortgage:

“NOW, THEREFORE, to secure the full and prompt payment and performance of all such amounts under the Notes, the Security Agreement and the Amended and Restated Guaranty, as well as under this Mortgage (such amounts being referred to herein as the “indebtedness”) in a maximum amount of \$3,500,000, on or before the Maturity Date, and in consideration of other valuable consideration, receipt of which is hereby acknowledged, Mortgagor hereby gives, grants, bargains, sells and confirms unto Mortgagee, its successors and assigns, forever, the following property rights, privileges, and franchises (collectively, the “Mortgaged Property”);”

(d) Article I, Section 1.1 “Payment of Secured Obligations” is hereby deleted in its entirety and the following is substituted in lieu thereof:

“1.1 Payment of Secured Obligations. Mortgagor shall pay when due on or before the Maturity Date, the principal of, and the interest on the indebtedness and all charges, fees and other amounts due under the Obligations, the Notes and the Amended and Restated Guaranty, and shall otherwise comply with all the terms of the Loan Agreement, the Loan Documents, the Security Agreement, the Notes, the Mortgage in favor of Atlas Partners Mortgage Investors, LLC, this Mortgage, the Amended and Restated Guaranty and any other agreements related to the Security Agreement, the Notes or the Amended and Restated Guaranty.”

(e) Article 4, Section 4.12 “Open End Mortgage” is hereby deleted in its entirety and the following is substituted in lieu thereof:

“4.12 Open End Mortgage. This Mortgage is an “open-end” mortgage and the holder hereof shall have all the rights, powers and protection to which the holder of any open-end mortgage is entitled, including, without limitation, those rights, powers and protections included in Conn. Gen. Stat. sec. 49-2, as may be amended. It is further agreed that upon request of GDC, Mortgagee may hereafter, at its option, at any time before full payment of this Mortgage, make further advances to GDC in amounts and at such rates of interest as Mortgagee shall determine in accordance with the provisions of the Loan Documents, and every such further advance shall be secured by this Mortgage and evidenced by the Loan Documents, which include commercial revolving loans, provided, that the amount of the principal secured by this Mortgage and remaining unpaid shall at no time exceed the original principal sum secured hereby of \$3,500,000 and provided that the time of repayment of such advancement shall not extend the time of repayment beyond the Maturity Date. The Security Agreement secured by this Mortgage is a “commercial revolving loan” as such term is defined in Conn. Gen. Stat. sec. 49-2(c).”

---

Exhibit A of the Mortgage is hereby deleted in its entirety and is replaced by Exhibit A attached hereto and made a part hereof.

3. Exhibit C attached hereto and made a part hereof shall be Exhibit C of the Mortgage
  4. Exhibit D attached hereto and made a part hereof shall be Exhibit D of the Mortgage.
  5. *Except as specifically modified hereby, all other terms and conditions of the Mortgage shall continue in full force and effect.  
Remainder of page intentionally left blank-  
signature and acknowledgment pages to follow*
-

**IN WITNESS WHEREOF**, the Mortgagor and the Mortgagee have caused this First Modification of Open-End Mortgage Deed and Security Agreement to be executed as of the date first set forth above.

Signed and delivered  
in the presence of

**MORTGAGOR:**  
**GDC NAUGATUCK, INC.**

\_\_\_\_\_  
(print name)

By: \_\_\_\_\_  
William G. Henry  
Its Vice President

\_\_\_\_\_  
(print name)

**MORTGAGEE:**

\_\_\_\_\_  
(print name)

\_\_\_\_\_  
Howard S. Modlin

\_\_\_\_\_  
(print name)

**MORTGAGEE:**

\_\_\_\_\_  
(print name)

\_\_\_\_\_  
John L. Segall

\_\_\_\_\_  
(print name)

STATE OF CONNECTICUT            )  
  ) ss.:  
COUNTY OF NEW HAVEN         )

\_\_\_\_\_

On this \_\_\_\_ day of \_\_\_\_\_, 2008, before me, the undersigned officer, personally appeared William G. Henry, as Vice President GDC Naugatuck, Inc., signer and sealer of the foregoing instrument and acknowledged the same to be his free act and deed and the free act and deed GDC Naugatuck, Inc..

---

Notary Public  
My Commission Expires:

STATE OF CONNECTICUT            )  
  ) ss.:  
COUNTY OF NEW HAVEN         )

On this \_\_\_\_ day of \_\_\_\_\_, 2008, before me, the undersigned officer, personally appeared Howard S. Modlin, signer and sealer of the foregoing instrument and acknowledged the same to be his free act and deed before me.

---

Notary Public  
My Commission Expires:

STATE OF CONNECTICUT            )  
  ) ss.:  
COUNTY OF NEW HAVEN         )

On this \_\_\_\_ day of \_\_\_\_\_, 2008, before me, the undersigned officer, personally appeared John L. Segall, signer and sealer of the foregoing instrument and acknowledged the same to be his free act and deed before me.

---

Notary Public  
My Commission Expires:

---

**EXHIBIT A**

Schedule of Notes

---

**EXHIBIT C**

Form of Note to be attached

---

**EXHIBIT D**

Form of Amended and Restated Guaranty

---

**ELEVENTH AMENDMENT  
TO ADDITIONAL SENIOR SECURITY AGREEMENT**

ELEVENTH AMENDMENT, dated AS OF October 1, 2008 (the "Amendment"), to the Additional Senior Security Agreement referred to below, by and among (i) GENERAL DATACOMM INDUSTRIES, INC., a Delaware corporation, GENERAL DATACOMM, INC., a Delaware corporation ("GDC"), GDC HOLDING COMPANY, LLC, a Delaware limited liability company, GDC NAUGATUCK, INC., a Delaware corporation, GDC FEDERAL SYSTEMS, INC., a Delaware corporation, GDC REALTY, INC., a Texas corporation (each, a "Borrower" and collectively, the "Debtors") and Howard S. Modlin ("Modlin") and John L. Segall (together with their successors and assigns the "Secured Party")

WHEREAS, GDC and the other Debtors have requested previously on October 1, 2008 that Modlin as a Secured Party loan GDC an additional \$250,000, subject to (i) the execution and delivery of this Amendment by the Debtors, and (ii) the other terms and conditions set forth in this Amendment;

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the parties hereto hereby agree as follows:

1. Definitions in Amendment. Any capitalized term used herein and not defined shall have the meaning assigned to it in the Additional Senior Security Agreement dated December 30, 2003 between the Debtors and the Secured Party as heretofore amended ( the "Security Agreement").

2. Loans. In consideration of the principal amount of \$250,000 loaned October 1, 2008 by Modlin as a Secured Party to GDC reflected by a demand note of \$250,000 bearing interest at 10% per annum from the date hereof, GDC covenants and agrees such funds are and were to be used for working capital purposes.

3. Indebtedness Secured. Paragraph 3 of the Security Agreement entitled "Indebtedness Secured" is amended by replacing the last sentence thereof in its entirety by the following new sentence "The Security Interest granted by Debtors secures payment of any and all indebtedness of Parent and its subsidiaries incurred under the Amended and Restated Notes, and demand promissory notes dated April 30, 2008, May 13, 2008, September 18, 2008 and October 1, 2008 in amounts of \$175,000, \$75,000, \$175,000 and \$250,000, all of which notes total \$2,755,945.21 (the "Notes.")

4. Miscellaneous.

(a) Continued Effectiveness of Security Agreement. Except as otherwise expressly provided herein, the Security Agreement shall continue to be, in full force and effect and is hereby ratified and confirmed in all respects. Except as expressly provided herein, the execution, delivery and effectiveness of this Amendment shall not constitute an amendment of any other provision of the Security Agreement.

---

(b) Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement.

(c) Headings. Section headings herein are included for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

(d) Governing Law. This Amendment shall be governed by, and construed in accordance with, the law of the State of New York.

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

Borrowers:

**GENERAL DATACOMM INDUSTRIES, INC.**

a Delaware corporation

By \_\_\_\_\_

Title: \_\_\_\_\_ Vice President \_\_\_\_\_

**GENERAL DATACOMM, INC.,**  
a Delaware corporation

By \_\_\_\_\_

Title: \_\_\_\_\_ Vice President \_\_\_\_\_

**GDC HOLDING COMPANY, LLC,**  
a Delaware limited liability company

By \_\_\_\_\_

Title: \_\_\_\_\_ Vice President \_\_\_\_\_

**GDC FEDERAL SYSTEMS, INC.,**  
a Delaware corporation

By \_\_\_\_\_

Title: \_\_\_\_\_ Vice President \_\_\_\_\_

**GDC NAUGATUCK, INC.,**  
a Delaware corporation

By \_\_\_\_\_

Title: \_\_\_\_\_ Vice President \_\_\_\_\_

\_\_\_\_\_

**GDC REALTY, INC.,**  
a Texas corporation

By \_\_\_\_\_

Title: \_\_\_\_\_ Vice President \_\_\_\_\_

Secured Party

\_\_\_\_\_  
Howard S. Modlin

\_\_\_\_\_  
John L. Segall

\_\_\_\_\_

\$250,000 NEGOTIABLE PROMISSORY NOTE

October 1, 2008

For value received, General DataComm Industries, Inc, having an office at 6 Rubber Avenue, Naugatuck CT 06770 ("Payor"), promises to pay on demand to the order of Howard S. Modlin, having an office at 445 Park Avenue, 15<sup>th</sup> floor, New York, New York 10022 ("Payee"), with interest at the rate of 10% per annum on the unpaid balance thereof from October 1, 2008, the principal sum of \$250,000 in lawful money of the United States of America. This Note is payable on demand and may be prepaid at any time without penalty or premium. Interest which accrues during each calendar month shall be paid on the first day of the following calendar month during the term of this Note or date of payment or prepayment if earlier. This Note evidences a loan made to Payor by Payee on October 1, 2008 in the sum of \$250,000.

1. Payment of this Note is unconditional and shall be made without defense, counterclaim or offset, any defense to be asserted in a separate suit. If payment is not made on the installment date or at maturity or upon the occurrence of a Default, then interest shall accrue from such date until paid in full at the rate of 12% per annum or the maximum permitted by law, whichever is less. This Note is secured by a security agreement dated December 30, 2003, as amended and a mortgage on real estate.

2. The term "Default" as used herein shall mean the failure of Payor to pay the principal or interest on this Note when due or the failure of Payor to perform any other obligation under this Note (including the obligations under the security agreement securing this Note).

3. Payor agrees to pay all costs and expenses of collection, including reasonable attorney's fees, in the event of acceleration of this Note by Payee or holder following Default.

4. Presentation for payment, notice of dishonor, protest and notice of protest are hereby waived.

5. This Note shall be governed by the laws of the State of Connecticut. The Payor of this Note hereby submits to the exclusive jurisdiction of the courts of general jurisdiction of the State of Connecticut, and hereby waives, and agrees not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement of this Note, that it is not subject thereto or that such action, suit or proceeding may not be brought or it is not maintainable in such courts, or that this Note may not be enforced in or by such courts, or that the suit, action or proceeding is brought in an inconvenient forum, or that the venue of the suit, action or proceeding is improper. Service of process with respect thereto may be made upon Payor by mailing a copy thereof by registered or certified mail, postage prepaid, to such party at its address as provided above.

GENERAL DATACOMM INDUSTRIES, INC.

By: \_\_\_\_\_

William G. Henry  
Title: Vice President, Finance  
and Administration

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

<b>Subsidiaries</b>	<b>State or Jurisdiction of Incorporation</b>	<b>Percentage of Voting Securities Owned</b>
General DataComm, Inc.	Delaware	100%
GDC Federal Systems, Inc.	Delaware	100%
GDC Naugatuck, Inc.	Delaware	100%
General DataComm France SARL	France	100%

---

CERTIFICATION

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

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

Date: January 13, 2009

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

Date: January 13, 2009

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

---

CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

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

(1) Except for the financial statements which are unaudited, the Company's Annual Report on Form 10-K for the year ended September 30, 2008 being filed with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

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

Date: January 13, 2009

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

---

CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

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

(1) Except for the financial statements which are unaudited, the Company's Annual Report on Form 10-K for the year ended September 30, 2008 being filed with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

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

Date: January 13, 2009

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

---