

September 2, 1997 was 7,664,443.

DOCUMENTS INCORPORATED BY REFERENCE

If the following documents are incorporated by reference, briefly describe them and identify the part of the Form 10-KSB (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) any annual report to security holders; (2) any proxy or information statement; and (3) any prospectus filed pursuant to Rule 424(b) or (c) of the Securities Act of 1933 ("Securities Act"):

1. The Annual Report to Shareholders for fiscal year ended June 30, 1997 ("Annual Report"), is incorporated into Parts I and II.

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2. The Proxy Statement provided to shareholders in conjunction with election of directors, approval of appointment of independent certified public accountants, and consideration of the 1997 Employee Stock Purchase Plan, at the Company's 1997 Annual Meeting of Shareholders to be held on November 21, 1997 ("Proxy Statement"), is incorporated into Part III.

[EXCEPT AS OTHERWISE NOTED, THE INFORMATION CALLED FOR IN PARTS I AND II IS INCORPORATED BY REFERENCE FROM THE REGISTRANT'S 1997 ANNUAL REPORT TO SHAREHOLDERS FURNISHED TO THE COMMISSION PURSUANT TO RULE 14A-3(B).]

PART I

- Item 1. Description of Business; see 1997 Annual Report section entitled "Description of Business".
- Item 2. Description of Properties; see 1997 Annual Report section entitled "Properties".
- Item 3. Legal Proceedings; None.
- Item 4. Submission of Matters to a Vote of Security Holders; None.

PART II

- Item 5. Market for Registrant's Common Stock and Related Stockholder Matters; see 1997 Annual Report section "Market for Common Equity and Related Stockholder Matters".
- Item 6. Management's Discussion and Analysis or Plan of Operation; see 1997 Annual Report section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operation".
- Item 7. Financial Statements; see attachment to 1997 Annual Report.
- Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure; None.

[THE INFORMATION CALLED FOR IN PART III IS INCORPORATED BY REFERENCE FROM THE REGISTRANT'S PROXY STATEMENT, TO BE FILED IN ACCORDANCE WITH SCHEDULE 14A IN CONNECTION WITH THE ELECTION OF DIRECTORS, APPOINTMENT OF AUDITORS, AND CONSIDERATION OF THE COMPANY'S 1997 EMPLOYEE STOCK PURCHASE PLAN, AT THE COMPANY'S 1997 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD NOVEMBER 12, 1997.]

PART III

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- Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act; see Proxy Statement sections entitled "Nominees", "Executive Officers", and compliance with "Section 16(a) of the Securities Exchange Act".

- Item 10. Executive Compensation; see Proxy Statement section entitled "Executive Compensation and Other Matters".
- Item 11. Security Ownership of Certain Beneficial Owners and Management; see Proxy Statement section entitled "Stock Ownership of Certain Beneficial Owners and Management".
- Item 12. Certain Relationships and Related Transactions; see Proxy Statement section entitled "Certain Relationships and Related Transactions".

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

Exhibits Required by Item 601 of Regulation S-B

The following exhibits are hereby incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1989. The exhibit numbers shown are those in the 1989 Form 10-K as originally filed.

EXHIBIT NUMBER	DESCRIPTION
3.1*+	Articles of Incorporation and all amendments thereto through March 1, 1988. (Page 10)
10.4**	VRC-1000 Purchase Agreement between Gentner Engineering Company, Inc. (a former subsidiary of the Company which was merged into the Company) and Gentner Research Ltd., dated January 1, 1987. (Page 71)
10.6**	Commercial Lease between the Company and Dell S. Nichols, dated January 15, 1988. (Page 97)
10.8**	Form of Split-Dollar Insurance Agreement. (Page 136)

The following exhibit is hereby incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1990. The exhibit number shown is the one in the 1990 Form 10-K as originally filed.

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EXHIBIT NUMBER	DESCRIPTION
10.1*+	Dealer Agreement between the Company and Allied Broadcast Equipment, dated January 19, 1990. (Page 55)

The following exhibits are hereby incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1991. The exhibit numbers shown are those in the 1991 Form 10-K as originally filed.

EXHIBIT NUMBER	DESCRIPTION
3.1*+	Amendment to Articles of Incorporation, dated July 1, 1991.
10.1**	Internal Modem Purchase Agreement between Gentner Engineering Company, Inc. and Gentner Research, Ltd., dated October 12, 1987.
10.2**	Digital Hybrid Purchase Agreement between Gentner Engineering, Inc. and Gentner Research, Ltd., dated September 8, 1988.

The following exhibits are hereby incorporated by reference from the Company's Form 10-K for the fiscal year ended June 30, 1992. The exhibit numbers shown are those in the 1992 Form 10-K as originally filed.

EXHIBIT NUMBER	DESCRIPTION
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10.2*+ Asset Purchase Agreement with MacroMedia, Inc., dated March 16, 1992. (Page 96)

The following documents are hereby incorporated by reference from the Company's Form 10-KSB for the fiscal year ended June 30, 1993. The exhibit numbers shown are those in the 1993 Form 10-KSB as originally filed.

EXHIBIT
NUMBER

DESCRIPTION

3*+ Bylaws, as amended on August 24, 1993. (Page 16)

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The following documents are hereby incorporated by reference from the Company's Form 10-KSB for the fiscal year ended June 30, 1996. The exhibit numbers shown are those in the 1996 Form 10-KSB as originally filed.

EXHIBIT
NUMBER

DESCRIPTION

10*# 1990 Incentive Plan, as amended August 7, 1996. (Page 40)

The following documents are filed as exhibits to this Form 10-KSB.

EXHIBIT
NUMBER

DESCRIPTION

10.1 Commercial Credit and Security Agreement, and Promissory Note, between Company and First Security Bank, N.A. (\$2,000,000)

10.2# 1997 Employee Stock Purchase Plan

10.3 Promissory Note in favor of Safeco Credit Company (\$419,000)

10.4 Commercial Credit and Security Agreement, and Promissory Note, between Company and First Security Bank (\$322,716.15)

10.5 Lease between Company and Valley American Investment Company

13.1 1997 Annual Report to Shareholders of Company

23.1 Consent of Ernst & Young, LLP, Independent Auditors

23.2 Consent of Ernst & Young, LLP, Independent Auditors

23.3 Consent of Ernst & Young, LLP, Independent Auditors

27 Financial Data Schedule

* Denotes exhibits specifically incorporated in this Form 10-KSB by reference to other filings pursuant to the provisions of Rule 12B-32 under the Securities Exchange Act of 1934.

Identifies management or compensatory plans, contracts or arrangements.

+ Denotes exhibits specifically incorporated into this Form 10-KSB by reference, pursuant to Regulation S-B, Item 10(f)(2). These documents are located under File No. 0-17219 and are located at the Securities and Exchange Commission, Public Reference Branch, 450 5th St., N.W., Washington, DC 20549.

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REPORTS ON FORM 8-K

The Company filed no reports on Form 8-K during the latest fiscal quarter.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Company caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GENTNER COMMUNICATIONS CORPORATION

September 29, 1997

By: /s/ Russell D. Gentner

Russell D. Gentner
Chief Executive Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Russell D. Gentner Russell D. Gentner	Director, Chairman of the Board of Directors, and Chief Executive Officer (Principal Executive Officer)	September 29, 1997
/s/ Susie Strohm Susie Strohm	Vice President of Finance (Principal Financial and Accounting Officer)	September 29, 1997

POWER OF ATTORNEY

Know all men by these presents, that each person whose signature appears below constitutes and appoints each of Russell D. Gentner and Susie Strohm, jointly and severally, his true and lawful attorney in fact and

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agent, with full power of substitution for him and in his name, place and stead, in any and all capacities, to sign any or all amendments to this report on Form 10-KSB and to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, hereby ratifying and confirming all that each said attorney in fact or his substitute or substitutes may do or cause to be done by virtue hereof.

Signature	Title	Date
/s/ Edward Dallin Bagley Edward Dallin Bagley	Director	September 29, 1997
/s/ Brad R. Baldwin Brad R. Baldwin	Director	September 29, 1997
/s/ Edward N. Bagley Edward N. Bagley	Director	September 29, 1997

/s/ K. Bradford Romney
K. Bradford Romney

Director

September 29, 1997

THIS COMMERCIAL CREDIT AND SECURITY AGREEMENT, dated as of the 24th day of October, 1996, is entered between Gentner Communications Corporation (the "Borrower") and First Security Bank, N.A. ("First Security").

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Borrower has requested First Security to extend credits to Borrower for certain purposes, and First Security is willing to make loans on the terms and conditions of this Agreement. Therefore, the parties agree as follows:

SECTION 1. DEFINITIONS. The following definitions shall apply to the credit facilities:

1.1 "Accounts" shall have the meaning as defined in the Borrowing Base Schedule to Commercial Credit and Security Agreement.

1.2 "Accounts Commitment" shall mean First Security's commitment to advance up to a maximum of Two Million Dollars (\$2,000,000.00) in support of Borrower's Accounts.

1.3 "Advance" shall mean an advance by First Security to or for the account of the Borrower under the Loan.

1.4 "Agreement" shall mean this Commercial Credit and Security Agreement together with all the attached Schedules identified in Section 8.10, together with any and all amendments, modifications, extensions, or substitutions to the same.

1.5 "Borrowing Base" shall have the meaning ascribed to it in the Borrowing Base Schedule to this Agreement.

1.6 "Collateral" shall mean all the Inventory, Receivables and General Intangibles referred to and described in the Inventory and Receivables Schedule to Commercial Credit and Security Agreement to which First Security is given a security interest pursuant to the Loan Documentation.

1.7 "Commitment" shall mean First Security's commitment under Section 2 of this Agreement, subject to the terms and conditions of this Agreement, to make Advances to Borrower under the Accounts Commitment and under the Inventory Commitment.

1.8 "Eligible Accounts" shall mean only those Accounts of Borrower which are eligible to be included within the Borrowing Base and which is more fully defined in the Borrowing Base Schedule to this Agreement.

1.9 "Eligible Inventory" shall mean only that Inventory of Borrower which is eligible to be included within the Borrowing Base and which is more fully defined in the Borrowing Base Schedule to this Agreement.

1.10 "First Security's Prime Rate" is its announced rate of interest used as a reference point from which it may calculate the cost of credit to customers. It is subject to change from time to time. First Security may make loans bearing interest above, at, or below its Prime Rate.

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1.11 "General Intangibles" shall have the meaning ascribed to it in the Inventory and Receivables Schedule to this Agreement.

1.12 "Inventory" shall have the meaning ascribed to it in the Inventory and Receivables Schedule to this Agreement.

1.13 "Inventory Commitment" shall mean First Security's commitment to advance up to a maximum of Five Hundred Thousand Dollars (\$500,000.00) in support of Borrower's Inventory.

1.14 "Libor Rate Index" shall mean, that interest rate which is referred to in the most recently published edition of the Wall Street Journal under the "Money Rates" column as the "London Interbank Offered Rate (LIBOR)" of one month maturities. In the event that there is reference to more than one London Interbank Offered Rate or a range of such rates for various markets, the Index shall be the highest rate in the range or the highest of the quoted rates. Said Libor Rate Index shall adjust on a monthly basis and shall remain fixed throughout the entire course of any given month.

1.15 "Libor Rate" shall mean the rate per annum which is payable by Borrower under the Note evidencing the Accounts Commitment, calculated by adding the applicable interest margin as indicated below in the following table, to the Libor Rate Index at the time of the making of an Advance under the Accounts Commitment.

	Libor Rate Index + 3.00%	Libor Rate Index + 3.5%	Libor Rate Index + 4.0%	Libor Rate Index +5.0%
Tangible Net Worth	>=\$4,500,000.00	\$4,000,000- \$4,499,000	\$3,750,000- \$3,999,999	< \$3,750,000
Debt to Equity Ratio	< = .75	.76 - 1.00	1.01 - 1.50	> 1.5
Debt Service Coverage (cumulative YTD)	> 2.00	1.51 - 2.00	1.10 - 1.50	<1.10

The applicable margins as indicated above shall be based upon the worst ratio in the matrix. In order to obtain, for instance, the lowest margin or 3.00% above the Libor Rate Index, all of the criteria in that column must have been achieved. If Borrower achieves all but one criterion, and that criterion would indicate a highest pricing in the matrix, then the highest margin would be the applicable margin to be added to the Libor Rate Index for the Accounts Commitment. The above-indicated margins shall be determined, and remain in effect at the beginning of each quarter until the beginning of the following quarter.

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1.16 "Loan" shall mean either one or both of the Commitments specified in Section 2 of this Agreement evidenced by a Two Million Dollar (\$2,000,000.00) Note, and/or a Five Hundred Thousand Dollars (\$500,000.00) Note.

1.17 "Loan Documentation" shall mean in addition to this Agreement, and the Note, all instruments, collateral assignments, trust deeds, mortgages, other security agreements, other pledge agreements, lien instruments, guaranties, subordinations, financing statements, notices, lien waivers, certificates, certificates of title, applications for certificates of title, environmental indemnities, and all other documents set forth in, contemplated by, or as otherwise required by First Security as a condition to or in connection with the Loan, whether now or hereafter executed, including amendments, extensions, renewals, and substitutions of any of the foregoing.

1.18 "Maturity Date" shall mean October 24, 1997.

1.19 "Note" shall collectively refer to a promissory note or notes or other instrument restating the obligations of Borrower to repay the Loan.

1.20 "Obligations" shall refer to the obligations, indebtedness, covenants and liabilities of Borrower set forth or contemplated in the Loan Documentation, including without limitation any indebtedness resulting from any overdraft on any account with First Security (provided that nothing herein shall be a commitment by First Security to honor overdrafts).

1.21 "Receivables" shall have the meaning ascribed to it in the Receivables and Inventory Schedule to this Agreement.

1.22 "Satisfactory Accounts" shall mean only those accounts of Borrower which are eligible to be included within the Borrowing Base and which are more fully defined in the Borrowing Base Schedule to this Agreement.

SECTION 2. AMOUNT AND TERMS OF THE LOAN. Subject to the terms and conditions set forth in this Agreement and the related Loan Documentation, First Security commits to make the following credit facilities available to the Borrower.

2.1 The Accounts Commitment. The maximum principal amount of the Accounts Commitment shall be Two Million Dollars (\$2,000,000.00).

(a) The Account Commitment shall be a revolving Loan, with the right of Borrower to repay principal and to reborrow, until the Maturity Date, up to a maximum of the lesser of i) the maximum principal amount of the Accounts Commitment stated above or ii) the Borrowing Base for the Accounts Commitment, (so Long as no default exists under this Agreement).

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(b) The Loan shall be evidenced by a Note restating the obligation of Borrower to repay the Loan and shall:

(a) Be payable to the order of First Security at its Commercial Loan Accounting Center at P.O. Box 7666, Boise, Idaho 83707-1666.

(b) Be stated to be for the principal amount of Two Million Dollars (\$2,000,000.00) or the unpaid principal balance due under the Note outstanding from time to time with First Security, whichever is less.

(c) Be stated to mature on October 24, 1997.

(d) Be stated to bear interest for each Advance at the Libor Rate.

(e) Be stated upon the occurrence of an Event of Default, as is defined in either this Agreement or the Note, to increase the rate charged under the Note by four percent (4.00%) over the rate being charged prior to the occurrence of said Event of Default; provided further, however, that if First Security shall waive in writing or allow a cure of such Event of Default, the interest charged on Advances under the Note shall revert to the non-default rate specified above from and after such waiver or completion of cure (whichever is sooner).

(e) Provide for the repayment of the unpaid principal sum, together with accrued and unpaid interest, on the Maturity Date.

2.2 The Inventory Commitment. The maximum principal amount of the Inventory Commitment shall be Five Hundred Thousand Dollars (\$500,000.00).

(a) The Inventory Commitment shall be a revolving Loan, with the right of Borrower to repay principal and to reborrow, until the Maturity Date, up to a maximum of the Lesser of i) the maximum principal amount of the Inventory Commitment stated above or ii) the Borrowing Base for the inventory Commitment, (so long as no default exists under this Agreement).

(b) The Loan shall be evidenced by a Note restating the obligation of Borrower to repay the Loan and shall:

(f) Be payable to the order of First Security at its Commercial Loan Accounting Center at P.O. Box 7666, Boise, Idaho 83707-1666.

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(g) Be stated to be for the principal amount of Five Hundred Thousand Dollars (\$500,000.00) or the unpaid principal balance due under the Note outstanding from time to time with First Security, whichever is less.

(h) Be stated to mature on October 24, 1997.

(i) Be stated to bear interest at First Security's Prime Rate plus 2.0%.

2.3 Payments. All payments shall be made to First Security at the address specified in this Agreement in lawful money of the United States of America. All payments received by First Security shall be applied as follows: first, toward the satisfaction of commitment fees, origination fees, attorneys' fees and costs incidental thereto and to advances made and costs and expenses incurred by First Security or its agent to enforce Borrower's Obligations hereunder and under the Loan Documentation or to preserve the Collateral securing the Obligations; second, toward the reduction of any and all accrued and unpaid interest, including uncollected late charges; third, toward the reduction of unpaid principal; and fourth, to prepayment of Obligations which may arise from any outstanding letters of credit.

2.4 Accountings. First Security shall provide periodic accountings to Borrower of all payments, collections, applications and borrowings. Borrower shall promptly examine such accountings and borrowings. Borrower shall promptly examine such accountings and shall, after learning of any discrepancy, immediately notify First Security of any discrepancies. Fifteen days after the rendering of such accountings, in the absence of patent demonstrable error pointed out by Borrower in writing within said fifteen day period, the accounting shall be deemed to be conclusive as between First Security and Borrower.

2.5 Fees. The Borrower shall pay, at the time of the execution of this Agreement, an upfront facility fee of 0.25% for the Accounts Commitment or \$5,000.00. In addition Borrower shall at the same time also pay a 1.00% fee for the Inventory Commitment, or \$5,000.00.

2.6 Advances. Borrower agrees that any and all Advances made hereunder shall be for Borrower's benefit whether or not said Advances are deposited to Borrower's account, and that persons other than the undersigned Borrower may have authority to draw against such account. Advances may be made hereunder at the oral or written request of Russ Gentner or David L. Harmon who are hereby authorized to request Advances until written notice of revocation of this authority is received by First Security from Borrower. Advances shall be made to Borrower or for the account of Borrower unless Borrower directs otherwise in writing.

2.7 Costs and Expenses. Any and all fees, costs and expenses, of

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whatever kind or nature, including but not Limited to attorneys' fees, filing fees, title insurance premiums, surveys, environmental audits and appraisal fees, incurred by First Security in connection with this Agreement (whether or not the Loan is advanced) shall be borne and paid by Borrower on demand by First Security and until so paid constitute part of the Obligations of Borrower secured by the Loan Documentation and the Collateral and shall accrue interest at the Note rate or, if applicable, at the default rate. Borrower hereby authorizes First Security to make advances on the Loan, if available, to pay such costs and expenses if First Security, in its sole discretion, chooses to do so.

SECTION 3. SECURITY.

3.1 Grant of Interest In Collateral. To secure repayment and performance of the Obligations, Borrower hereby grants, assigns and conveys to First Security a security interest in all of Borrower's right, title and interest, whether now owned or hereafter acquired, in and to those properties, interests and rights that are identified as part of the Collateral in those Schedules that are incorporated herein by Section 8.10.

3.2 Execution of Loan Documentation. As a precondition to the Loan and as security for the payment and performance by Borrower of all the

Obligations, Borrower shall execute and deliver or shall cause to be executed and delivered all Loan Documentation and shall take all actions that First Security may at any time deem appropriate to secure, perfect, protect and enforce the Liens, security interests and rights of First Security granted under this Agreement and the other Loan Documentation.

SECTION 4. CONDITIONS.

4.1 Conditions Precedent. First Security shall not be required to advance funds under this Agreement unless First Security shall have received from Borrower the following:

- (a) Current financial statements in such form as First Security may require;
- (b) The fully executed Loan Documentation;
- (c) Acceptable lien searches evidencing and insuring that the Loan Documentation creates first priority, perfected encumbrances against the Collateral, subject only to the permitted encumbrances listed on the Permitted Encumbrances Schedule attached hereto and incorporated herein by Section 8.10;

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- (d) Corporate resolutions and documents, as applicable, evidencing the good standing of Borrower and the due and proper execution of the Loan Documentation by authorized representatives;

- (e) Assurances, satisfactory to First Security, that all other conditions and requirements of any applicable commitment Letter have been satisfied; and

- (f) Such other documentation and information that First Security or its counsel may request given the circumstances and terms of the Loan.

4.2 Rights for Advances Forfeited Upon an Event of Default. First Security shall not be required to make any advance under the Loan if a default or an event of default under the Loan Documentation exists or if an event has occurred that with the passage of time would constitute such a default or event of default.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF BORROWER.

To induce First Security to make the Loan, Borrower warrants and represents as follows:

- (1) Legal Compliance. Borrower is in good standing under, and in full compliance with, all applicable laws, codes, rules and regulations under federal, state and municipal authority, including without limitation the proper use, storage, registration and disposal of any hazardous materials.

- (2) Corporate Authority. Borrower has full power, authority and capacity to incur the indebtedness described herein and to execute the Loan Documentation. The person or persons executing this Agreement and the other Loan Documentation on behalf of Borrower are duly authorized to do so.

- (3) No Legal Bar. The Loan Documentation is in all respects legal, valid, and binding according to its terms. The execution and performance of the Loan Documentation will not violate any applicable law, regulation, order, judgment or decree, article of incorporation, bylaw, indenture, contract or agreement that purports to be binding on the Borrower or its assets, and will not result in the creation of any encumbrance on the assets of Borrower except as contemplated by the Loan Documentation.

- (4) Accuracy of Financial Statements. Any financial statements of Borrower heretofore delivered to First Security are true and correct in all respects. The most recent statements given to First Security accurately represent the current financial condition of Borrower, and, since the date of such statements, the business, properties, assets, and liabilities of Borrower

have not been adversely affected or changed in any material way.

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(5) Validity of Representations. All written representations previously made and information previously given by Borrower or Borrower's agents to First Security or its agents remain true and correct.

(6) No Default. Borrower is not in default under any indebtedness, lease, contract, license, undertaking, or other agreement which will affect the ability of Borrower to perform under any of the Loan Documentation.

(7) Litigation. There are no existing actions, suits, or proceedings pending or threatened against Borrower or relating to the business, properties, and assets of Borrower that may have an adverse effect upon the financial condition, the business or the assets of Borrower or the Collateral, and no judgment, order, or decree has been rendered which has not been discharged, satisfied, or complied with other than those disclosed to First Security in writing.

(8) Taxes. Borrower has filed all federal and state income tax returns which are required to be filed (except returns for which extensions have been properly filed) and has paid all taxes, assessments and governmental charges or levies imposed upon Borrower or upon Borrower's income or profits, or upon any property belonging to Borrower, to the extent that such taxes and assessments have become due (except such taxes and assessments that are being contested in good faith by appropriate proceedings diligently prosecuted and that have been disclosed to First Security in writing).

(9) Title to Properties. Borrower has good title to its assets, including the Collateral and including the properties and assets reflected in the most recent statements given to First Security, and the title to the Collateral is free and clear of all liens and encumbrances except those in favor of First Security and those that may be identified as permitted encumbrances on the Permitted Encumbrances Schedule, if applicable, attached hereto. Borrower at its own expense shall defend First Security's interest in the Collateral.

SECTION 6. COVENANTS OF BORROWER.

6.1 Financial Information. Borrower shall promptly furnish First Security, during the term of the Loan, copies of such financial reports and statements as requested by First Security, all prepared in a manner and form and at such times as are acceptable to First Security. Such statements shall, at a minimum, include: (a) Annual audited financial statements to be provided to First Security within ninety (90) days after the end of each fiscal year; (b) Quarterly financial statements to be provided within thirty (30) days after the end of each quarter; and (c) Monthly Borrowing Base Certificates to be provided within thirty (30) days after the end of each month. Borrower shall also furnish such information regarding the Collateral as may be requested by First Security including, but not Limited to monthly Receivables

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Aging reports and monthly Inventory lists during any month when an Advance has been outstanding under the Inventory Commitment. In addition, Borrower shall provide to First Security within thirty (30) days of each month-end a compliance certificate certifying Borrower's compliance with all the financial covenants made a part of this Agreement.

6.2 Notices. Borrower shall promptly give notice to First Security of (a) the occurrence of any default or event of default under any of the Loan Documentation; (b) any litigation, proceedings or event that may have an adverse effect upon the financial condition, the business or the assets of Borrower or the Collateral; (c) any dispute between Borrower and any governmental regulatory body or other party that may interfere with the normal business operation of Borrower or adversely affect the assets of Borrower; (d) any event that might adversely affect the Collateral; and (e) any adverse change in the financial condition of Borrower.

6.3 Compliance with Law: Maintenance of Existence and Properties.

Borrower will:

(a) duly observe and conform to all requirements of any governmental authorities relative to the conduct of Borrower's business or to Borrower's properties or assets, including without limitation the proper use, storage, registration and disposal of any hazardous materials;

(b) maintain and keep in full force and effect all licenses and permits necessary to the proper conduct of Borrower's business, including the continuance of Borrower's good standing; and

(c) pay all obligations and liabilities when due, including without limitation all taxes, assessments and governmental charges or levies imposed upon Borrower or upon Borrower's income or profits, or upon any property belonging to Borrower, and maintain appropriate reserves for the accrual of the same in accordance with generally accepted accounting principles.

6.4 Records. Borrower will keep proper books and records in which full, true and correct entries (and in a manner acceptable to First Security) will be made of all dealings or transactions relating to its business and activities.

6.5 Insurance. Borrower will maintain, with financially sound and responsible companies, hazard and liability insurance in such form and in such amounts and against such risks as is customarily carried by companies engaged in the same or a similar business and operating like properties or as requested by First Security and shall provide First Security evidence of such coverage. With respect to the Collateral, such policies shall cover at least the full insurable value of the Collateral, and such policies shall identify First Security as an additional insured and shall include a standard mortgagee clause and/or a lender's loss payable clause, as applicable, in favor of First

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Security. If Borrower fails to obtain such insurance coverage, First Security may obtain insurance coverage, and any premiums for such insurance shall become part of the Obligations, shall be repaid to First Security on demand, and shall accrue interest at the Note rate or, if applicable, at the default rate.

6.6 Right to Inspect. Borrower will permit First Security or its agents to inspect the Collateral, corporate books and financial records of Borrower and to discuss the affairs, finances and assets of Borrower with Borrower, all at such reasonable times and as often as First Security may reasonably request.

6.7 Limitation on Liens. Borrower will not create or suffer to exist any lien or encumbrance on any of the Collateral except (1) liens in favor of First Security; (2) liens for taxes or assessments not yet payable; (3) mechanic's or materialman's liens arising in the ordinary course of business that are not overdue; (4) deposits or pledges to secure the payment of worker's compensation, unemployment or other social security benefits, or to secure the performance of bids, tenders, contracts (other than for borrowed money), leases, public or statutory obligations, security or appeal bonds or other obligations of a similar nature incurred in the ordinary course of business; (5) liens that may be identified as permitted encumbrances on the Permitted Encumbrances Schedule attached hereto; or (6) liens to which First Security has previously consented in writing. Borrower shall notify First Security in writing immediately upon receipt of notice of the imposition of any lien, levy, attachment or execution on the business or assets of Borrower. Borrower shall cause such liens or other process not permitted by this Section to be satisfied immediately. First Security may discharge such unpermitted liens and encumbrances, and any such amounts shall become part of the Obligations, shall be repaid to First Security on demand, and shall accrue interest as set forth in the Note.

6.8 Limitation on Obligations of, or Loans to Others. Borrower will not guarantee, endorse or otherwise become surety for the obligations of any other person or entity without the prior written consent of First Security, except with respect to consumer-related obligations and with respect to checks, drafts and similar instruments for deposit or collection in the ordinary course of Borrower's business. Without prior written consent of First Security, Borrower agrees that it will not loan to, or provide credit accommodations to third parties, except as associated with transactions in the

ordinary course of business.

6.9 Limitation on Sale of Assets. Except for sales in the ordinary course of its business, Borrower will not transfer, sell, convey, grant or otherwise convey any right, title or interest in and to any of the Collateral, without the prior written consent of First Security.

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6.10 Changes in Borrower's Structure. Borrower shall immediately notify First Security in writing of any change in the Location of Borrower's business or any change in Borrower's name, any change in the key management or ownership of Borrower or any change in the agreements affecting the structure of Borrower or the operation of its business. Without the prior written consent of First Security, Borrower will not become party to or involved in any merger, consolidation or change of form or structure or other like change or acquisition. Borrower shall not redeem or purchase its own stock. Furthermore, Borrower shall not commingle its funds with any other entity.

6.11 Financial Covenants. Throughout the course of the Loan and until it is fully and finally paid and no obligation exists on the part of First Security to make further Advances under the Commitment, Borrower agrees to maintain the following:

- (a) A Tangible Net Worth which shall be no less than \$3,500,000.00.
- (b) A Debt-to-Equity Ratio which shall not exceed 1.75 to 1.00.
- (c) A Current Ratio which shall be no Less than 1.50 to 1.00.
- (d) A Debt Service Coverage Ratio (cumulative YTD) which shall be no less than 1.00 to 1.00.

SECTION 7. DEFAULT AND REMEDIES

7.1 Events of Default. The occurrence of any of the following shall constitute an event of default under this Agreement (references to "Borrower" in this Section 7.1 shall include each obligor executing this Agreement and each other party to the Loan Documentation):

- (a) Failure to pay when due any principal or interest or other monetary indebtedness under the Obligations;
- (b) Any representation or warranty made by Borrower in the Loan Documentation or in connection with any borrowing hereunder, or in any certificate, financial statement or other statement furnished by Borrower pursuant hereto is untrue in any respect at the time when made;
- (c) Failure of Borrower to observe or perform any of the covenants or agreements contained in the Loan Documentation;
- (d) Any material provisions of the Loan Documentation shall for any reason cease to be in full force and effect;

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- (e) Borrower shall default on any other obligation owed to First Security or other Lender;
- (f) Filing by or against Borrower of a petition in bankruptcy or for any other relief under the Bankruptcy Code, as amended, or under any other insolvency act or law, state or federal, now or hereafter existing, or any action by Borrower indicating Borrower's consent to, approval of, or acquiescence in, any such petition or proceeding; the application by Borrower, or the consent or acquiescence of Borrower to the appointment of a receiver or trustee for Borrower or for all or a substantial part of Borrower's property; the making by Borrower of an

assignment for the benefit of creditors under state law; or the admission of Borrower in writing of Borrower's inability to pay Borrower's debts as they mature;

(g) The involuntary appointment of a receiver or trustee for Borrower or for all or a substantial part of Borrower's property; or the issuance of a warrant of attachment, execution or similar process against any substantial part of the property of Borrower;

(h) All or any substantial part of the property of Borrower shall be sold, assigned, transferred, or shall be condemned, seized or otherwise appropriated, or custody or control of such property shall be assumed by any governmental agency or any court of competent jurisdiction at the instance of any governmental agency;

(i) The occurrence of any adverse change in the financial condition of Borrower or the status of the Collateral deemed material by First Security;

(j) First Security shall for whatever reason cease to have the priority of liens and security interests in any item of Collateral or any other lienholder commences to foreclose or take any other action against any item of Collateral; or

(k) First Security deems itself insecure.

7.2 Remedies. If any of the events set forth in Section 7.1 occurs:

(a) First Security may (i) terminate any obligation to make further Advances under the Loan; (ii) declare the entire Obligations outstanding hereunder to be immediately due and payable, whereupon the principal amount of the outstanding Loan, together with accrued interest thereon, shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the Note to the contrary notwithstanding; and/or (iii) proceed to enforce any of its remedies under the Loan Documentation, including this Agreement.

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(b) First Security may, in its sole discretion and for its sole account, advance such sums and costs and take such other steps as it may deem necessary or advisable to protect the Collateral. All sums advanced or paid by First Security for such purposes shall accrue interest at the Note rate or, if applicable, at the default rate and shall be payable by the Borrower to First Security on demand, as loans from First Security to the Borrower under this Agreement, and shall be part of the Obligations.

(c) First Security may, at its sole option, without demand and upon such notice as may be required by law, and irrespective of negative consequences to Borrower or any other party to the Loan Documentation, do any one or more of the following: (i) require Borrower to assemble the Collateral and make it available to First Security at a place designated by First Security; (ii) immediately take possession of the Collateral wherever it may be found, using all necessary and lawful actions to do so, and Borrower waives all claims to damages due to or arising from or connected with any such taking; (iii) proceed in the foreclosure of this Agreement and sell all the Collateral in any manner permitted by law or provided for herein; (iv) sell the Collateral at public or private sale with or without having said Collateral at the place of sale and upon terms and in such manner as First Security may determine, with Borrower agreeing that if notice of such a sale is required by law, a ten (10) day notice period shall be commercially reasonable unless a shorter time period is permitted by law or the Loan documentation; (v) complete the processing of any of the Collateral or repair or recondition any of the Collateral to such extent as First Security may deem advisable, and any sums expended therefor by First Security shall be repaid by Borrower and be part of the Obligations; (vi) take possession of Borrower's premises to complete such processing, repairing and reconditioning, using the facilities and other property of Borrower to do so, to store any of the Collateral subject to First Security's security interest and to conduct any state as provided for herein, all without compensation to Borrower; (vii)

sell, in one or more sales, at public or private sale, for such price as it may deem fair, any or all of the Collateral; and (viii) be the purchaser of any of the Collateral so sold and hold the same thereafter in its own right, absolutely free from any claims or rights of Borrower.

The net proceeds of any sale as hereinbefore described shall be applied against the amount owed on the Obligations in such order as First Security may elect. Borrower shall forthwith pay to First Security any deficiency upon demand. Demand of performance, advertisement and presence of property at sale are hereby waived, and First Security is hereby authorized to sell hereunder any evidence of debt it may hold as security for the Obligations. All demands and presentments of any kind or nature are expressly waived by Borrower. Borrower hereby waives any right to require First Security to proceed against any Collateral. Borrower waives the right to require First

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Security to pursue any other remedy for the benefit of Borrower and agrees that First Security may proceed against Borrower for the amount of the Obligations owed by Borrower to First Security without taking any action against any other party and without setting or otherwise proceeding against or applying any Collateral. Borrower authorizes First Security, at its option, to apply toward the payment of the Obligations all balances of any deposit account in the name of Borrower held by First Security.

(d) First Security may exercise and enforce with respect to the Collateral any and all other rights and remedies available on default to a secured party under the Loan Documentation, the Uniform Commercial Code or other applicable law.

No remedy given to First Security in the Loan Documentation is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given under the Loan Documentation or now or hereafter existing at law or in equity or by statute.

7.3 Borrower's Cooperation. The Borrower agrees to cooperate with First Security in effectuating First Security's rights notwithstanding any unanticipated inability of Borrower to pay the Loan or otherwise perform the Obligations.

SECTION 8. MISCELLANEOUS.

8.1 Time is of the Essence. Single Action Shall Not Preclude Other Actions. Time is of the essence of this Agreement. No advance under the Loan shall constitute a waiver of any of the conditions to First Security's obligation to make further advances, nor, in the event Borrower is unable to satisfy any such condition, shall any failure on First Security's part to immediately enforce its remedies have the effect of precluding First Security from thereafter declaring such inability to be an event of default under this Agreement. No failure or delay on the part of First Security in exercising any right, power or privilege hereunder or under the Loan Documentation shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The consent or approval by First Security to or of any subsequent act. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by law.

8.2 Payment for Fees and Expenses. Borrower shall pay all attorneys' fees, paralegal fees, costs, including without limitation costs of appraisals, environmental audits and evidences of title, and other expenses incurred by First Security in the enforcement of its rights hereunder and the

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other Loan Documentation, whether any default is ultimately cured or First Security is obligated to pursue its remedies hereunder, including such expenses incurred before legal action, during the pendency of any such legal action, during the enforcement of First Security's rights in any bankruptcy or insolvency proceedings, and continuing to all such expenses in connection with

any appeal to higher courts arising out of matters associated herewith. Until so paid, all such fees, costs, and expenses shall constitute part of the obligations of Borrower secured by the Loan Documentation and the Collateral and shall accrue interest at the Note rate or, if applicable, at the default rate.

8.3 Indemnification. Borrower hereby agrees to indemnify and hold harmless First Security, its directors, officers and employees from any and all liability, expense, costs, charges or assessments, including attorneys' fees and expenses, with respect to hazardous or toxic substances or waste handling, disposal, storage, repairs or cleanup, whether incurred or imposed pursuant to local, state or federal law. Borrower also agrees to indemnify and hold harmless First Security, its directors, officers and employees from and against any and all liability, expense, damage, demands, claims and lawsuits, including attorneys' fees and expenses, arising out of this Agreement or the other Loan Documentation or in connection therewith, unless arising from First Security's willful misconduct.

8.4 Integration. In addition to this Agreement and the other Loan Documentation, this finance transaction may include closing documentation such as resolutions, waivers, notices, acknowledgments, statements, closing or escrow instructions, loan purpose statements, and other documents that First Security may customarily use in closing such transactions. Such additional documents are incorporated herein by this reference. The Loan Documentation and the closing documents to which this Section refers, as applicable, express, embody and supersede any previous understandings, agreements or promises (whether oral or written) with respect to this finance transaction, and said documents represent the final expression of the agreement between First Security and Borrower, the terms and conditions of which cannot hereafter be contradicted by any oral understanding not reduced to writing and identified above. This Section shall govern in the event it is inconsistent with any similar provision in any other Loan Documentation.

8.5 Notices. Any notice required by any Loan Documentation will be deemed effective if personally delivered to the party to which notice is being given, or, in the alternative, on the date such notice is placed, first-class mail, in the U.S. Mail addressed to the party to which notice is being given, at such address as is set forth below. In the event another agreement constituting part of the Loan Documentation sets forth a notice procedure, such procedure shall govern for purposes of that document and thus supersede the terms of this Section if inconsistent.

8.6 Survival of Representations and Warranties: Successors and Assigns. All representations and warranties made in this Agreement and the

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Note and in any certificates delivered pursuant hereto and thereto shall survive the execution and delivery of this Agreement and the making of the Loan hereunder and shall survive payment of the Loan. This Agreement shall be binding upon and inure to the benefit of Borrower and First Security and their respective successors and assigns, except that the Borrower may not assign or transfer its rights hereunder without the written consent of First Security. It is understood that First Security may sell the Loan and its interests under the Loan Documentation without the need for Borrower's consent and may procure other lenders to participate in the Loan, and First Security may issue participation certificates to such other tenders.

8.7 Other Documentation: Separability. Borrower agrees to execute any other documentation and provide such other information and documentation as First Security may reasonably require. Any provision of this Agreement or any other constituents of the Loan Documentation, which may be found to be invalid, shall be deemed separable and shall not invalidate the remainder of the provisions. No third party shall, under any circumstances, be deemed to be a beneficiary under the Loan Documentation or any condition set forth therein. Nothing in the Loan Documentation shall create a partnership or joint venture between First Security and Borrower.

8.8 Counterparts; Construction. This Agreement may be signed in any number of counterparts, each of which shall be deemed an original, and such counterparts together shall constitute one and the same instrument. This Agreement and the other Loan Documentation shall be governed by, and construed and interpreted in accordance with, the laws of the State of Utah. If Borrower is not a resident of the State of Utah, Borrower hereby consents to the jurisdiction of the courts of the State of Utah to enforce this Agreement

and the other Loan Documentation.

8.9 Joint and Several. The obligations of Borrower under the Loan Documentation, including warranties and representations, shall be joint and several.

8.10 Additional Terms. This Agreement incorporates by reference all additional terms set forth in the following Schedules attached hereto:

/X/ Inventory and Receivables Schedule /X/ Borrowing Base Schedule
/ / Permitted Encumbrance Schedule / / -----

Unless the context otherwise requires, the terms in the Schedules shall have the meanings set forth in this Agreement and other terms which are defined in

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the Uniform Commercial Code shall have the meanings set forth therein.

DATED this 24th day of October, 1996.

BORROWER:

Gentner Communications Corporation

By:-----

David L. Harmon

Its: Vice President

Address: 1825 Research Way
Salt Lake City, Utah 84119

FIRST SECURITY:

First Security Bank, N.A.

By:-----

D. Kevin Imlay

Its: Vice President

Address: Commercial Banking Division
15 East 100 South 2nd Floor
Salt Lake City, Utah 84111

INVENTORY AND RECEIVABLES SCHEDULE TO COMMERCIAL
CREDIT AND SECURITY AGREEMENT

(a) The term "Collateral" shall include without limitation the following (check the applicable box(es)):

/X/ All inventory (as defined below)

/X/ All Receivables (as defined below)

whether now owned or hereafter acquired or arising, together with all products and proceeds therefrom (including without limitation proceeds of insurance policies insuring any Collateral against loss by theft, casualty or otherwise). Collateral shall also include any substitutions for, accessions and modifications to and other additions and replacements for any of the Collateral and any other rights or interests arising out of or in connection with any of the Collateral. Collateral shall also include all records, accountings, reports, papers and documents relating to any of the Collateral, including all computer records, data programs, software, disks, etc., relating to or arising out of or used in connection with any of the Collateral.

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(b) The term "General Intangibles" shall have the meaning specified in the Uniform Commercial Code, including without limitation all patents, patent applications, copyrights, licensing agreements, trademarks, trademark applications, licenses, permits, goodwill, intellectual property, customer lists, chooses in action, contracts and contract rights, whether now owned or hereafter acquired and wherever located.

(c) The term "Inventory" or "Inventories" shall have the meaning specified in the Uniform Commercial Code, and shall include without limitation all raw materials, stock in trade, finished goods, goods in process, parts, supplies, tools, farm products (as defined in the Uniform Commercial Code), all of Borrower's right as the seller of goods under the Uniform Commercial Code, and all Inventory which may be returned or repossessed, whether now owned or hereafter acquired or created and wherever located. "Inventory" or "Inventories" shall include all General Intangibles related to or arising from the ownership, manufacturing, processing, storing, shipping or distribution of any of the foregoing.

(d) The term "Receivables" shall mean any and all of Borrower's accounts (as defined in the Uniform Commercial Code) and any and all rights of any kind of Borrower to payment from a third party, including without limitation all instruments, executory contract rights, contract rights, chattel paper, documents, tax refunds and any and all General Intangibles relating to or arising from Borrower's goods or services and Borrower's operations.

Receivables shall also include all ledger sheets, files, records and documents relating to the same, including but not limited to invoices, purchase orders, contracts, etc. For purposes hereof, any person, party or entity obligated in any way to Borrower on any of the Receivables shall be referred to herein as an "account debtor" or collectively as "account debtors".

(e) If the Collateral includes Receivables, Borrower shall fully cooperate and act at First Security's discretion and direction in giving notices, assurances or other information to account debtors of the assignment to First Security and in turning over receipts to First Security. Upon request, any and all instruments, documents or other writing constituting or evidencing any Receivable shall be delivered to First Security. All payments made by or on behalf of account debtors on any Receivables shall be deemed to be received and held by Borrower in trust for First Security, provided that unless and until an event of default under this Agreement has occurred, Borrower may utilize such funds in its business operations.

(f) If the Collateral includes Receivables, First Security is entitled to receive all payments made by or on behalf of account debtors on Receivables. Whether or not an event of default has occurred, First Security shall be entitled, at its sole option and discretion and at any time, to

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require one or more of the following procedures:

(i) All receipts shall be deposited with First Security or endorsed for such deposit in an account that shall bear the name of Borrower and shall be designated as a "bancontrol" account under the full control of First Security, with Borrower having no drafting or withdrawal rights. Notwithstanding the foregoing, so long as no event of default shall be existing, First Security shall on a periodic basis, determined by it, transfer funds from the bancontrol account to an operating account of Borrower at First Security. Borrower hereby grants a security interest in that account and the funds therein as further security for performance of the Obligations.

(ii) Notice shall be given to one or more of the account debtors that the Receivables have been assigned to First Security and that payments thereon are to be made directly to First Security, Borrower agreeing to sign and acknowledge any such notice. So long as no event of default shall have occurred, funds so collected may be applied against the Obligations, subject to any right of Borrower to reborrow funds under the provisions of this Agreement.

(iii) Account debtors shall be notified by Borrower that payments be sent to a post office box designated by First Security as a "lock box". That post office box shall be under the exclusive ownership and control

of First Security, and Borrower shall have no access or rights to its contents. So long as no event of default shall have occurred, funds so collected may be applied against the Obligations, subject to any right of Borrower to reborrow funds under the provisions of this Agreement.

In the event First Security elects one or more of the procedures set forth in subsection (f)(i) through (iii) above, all monies and remittances in any form received by Borrower shall be kept by Borrower separate and apart from any other monies or property in the possession of Borrower and shall be transmitted immediately to First Security.

Borrower shall cooperate in executing, delivering and otherwise giving necessary notices in assuring that the foregoing procedures are fully implemented. Borrower hereby constitutes First Security its attorney-in-fact for all purposes necessary for implementation of any of the above procedures, with full authority to endorse and negotiate instruments, make collections, give notices and otherwise act to implement any of those procedures mentioned. Borrower hereby expressly authorizes First Security to make direct contact with account debtors for purposes of verifying the character, amount, enforceability and status of Receivables. Such verification process may be accomplished directly by First Security or through any officer, agent, contractor or employee of First Security. If an event of default has occurred, First Security may settle or adjust all disputes or claims directly with the account debtors with respect to any Receivables and may compromise or extend the time of payment for any Receivables on such terms and conditions as

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First Security may determine without affecting the liability of Borrower hereunder.

(g) Borrower hereby irrevocably appoints First Security, or any person designated by First Security, its true and lawful attorney-in-fact to receive, open and dispose of all mail addressed to Borrower, to endorse the name of Borrower on any notes, acceptances, checks, drafts, money orders or other remittances, to endorse the name of Borrower on any invoice, freight or express bill or bill of lading, storage receipt, warehouse receipt or other instrument or document in respect to any account or invoice, to sign the name of Borrower to drafts against account debtors, assignments or verifications of Collateral and notices to account debtors, to station a representative of First Security on the premises of Borrower for the purpose of taking any of the actions described in this paragraph, including but not limited to taking possession books and records relating to the Collateral, and to do all other acts and things necessary to carry out the intent of this Agreement. The authority herein granted First Security shall remain in full force and effect until all the Obligations have been paid and discharged in full.

(h) Borrower agrees that all Inventory now owned or subsequently acquired by it shall be kept in (or shall be in transit to or from) the state of Utah. Borrower may keep inventory in any other state only if (i) it shall have given First Security prior written notice of its intention to keep inventory in that other state, clearly describing such new location and providing such other information in connection therewith as First Security may reasonably request, and (ii) with respect to such new location, Borrower shall have taken all actions satisfactory to First Security to cause the security interest in the Inventory granted hereby to be and continue at all times fully perfected and in full force and effect.

(i) Borrower shall notify all, warehouses, issuers of warehouse receipts, and issuers of negotiable bills of lading or other documents of title relating to any of the Inventory concerning the security interest granted hereby to First Security, and, if requested by First Security, Borrower shall make arrangements to have all warehouse receipts, negotiable bills of lading, and other documents of title relating to any of the Inventory delivered into First Security's possession for purposes of protecting First Security's interests hereunder. Borrower agrees to take all such further actions as First Security may deem necessary to protect and perfect First Security's security interest in any of the Inventory that might be in transit or storage at any time.

BORROWING BASE SCHEDULE TO COMMERCIAL CREDIT
AND SECURITY AGREEMENT

1. The amount of the outstanding Loan shall at no time exceed the "Borrowing Base." Borrower agrees that if at any time First Security

determines that the aggregate outstanding principal amount of either

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Note, which includes the face amounts of all outstanding letters of credit, exceeds the Borrowing Base, Borrowers shall immediately prepay, together with accrued interest to and including the date of prepayment, an amount equal to such excess. Failure to prepay immediately such amounts shall constitute an event of default.

2. The "Borrowing Base" for the Accounts Commitment shall mean a figure obtained by multiplying seventy-five percent (75%) times the dollar amount of "Satisfactory Accounts" of Borrower.

The "Borrowing Base" for the Inventory Commitment shall mean a figure obtained by multiplying twenty-five percent (25%) times the dollar amount of "Eligible Inventory" of Borrower.

3. "Inventory" shall have the meaning designated in the Inventory and Receivables Schedule to Commercial Credit and Security Agreement.
4. "Eligible Inventory" shall mean all Inventory in which First Security has been given a security interest (valued at the lower of cost or market) that can be physically inspected by First Security or by an agent appointed by First Security or as otherwise determined by First Security, excluding: (i) Inventory received for sale on consignment, delivered to another for sale on consignment, or subject to vendor's rights of reclamation; (ii) Inventory for which payment has not or will not be made in the ordinary course to the vendor thereof; (iii) Inventory that is subject to any lien (except those of First Security); (iv) used Inventory; (v) work-in-process; and (vi) Inventory determined by First Security to be unsuitable for inclusion in the Borrowing Base.
5. "Accounts" shall have the meaning designated for "Receivables" in the Inventory and Receivables Schedule.
6. "Satisfactory Accounts" shall mean all Accounts in which First Security has been given a security interest except: (i) Accounts that are 90 days past invoice (unless otherwise affirmatively approved by First Security in writing); (ii) Accounts where the account debtor is not incorporated in, or is otherwise not resident in, the United States of America; (iii) Accounts any part of which is unearned (including rental payments not yet due or contracts not yet performed); (iv) Accounts which have been rewritten or the original terms of which have otherwise been modified to cure any delinquency or default; (v) Accounts not arising out of the sale of goods and services in the ordinary course of business (sales of equipment, sales of Accounts and/or sales of real property shall not be considered to be sales conducted in the ordinary course of business); (vi) tax refunds applied for but not received; (vii) Accounts on which the account debtor is an affiliate; (viii) Accounts all or any part of which is subject to an existing counterclaim, setoff or defense being asserted by the account debtor.

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(ix) Accounts with respect to which the extension of credit to the account debtor is not deemed by First Security in its reasonable discretion to be in accordance with sound credit practice by reason of, including but not limited to, the unsatisfactory credit history of the account debtor, or the excessive amount of the credit extended, or the unsatisfactory documentation or collateralization of the indebtedness, or the unsatisfactory financial condition of the account debtor; (x) Finance Charges; (xi) Accounts the terms and conditions of which are subject to any other default which is continuing; (xii) Accounts of an account debtor of which fifty percent (50%) or more, by outstanding principal amount, with the Borrower are not Satisfactory Accounts for any other reason stated in this definition of Satisfactory Accounts or (xiii) Accounts which are deemed by First Security for any other reason not to be satisfactory for inclusion in the Borrowing Base. If the United States Government is the account debtor, such Accounts (assuming they meet all other eligibility requirements) shall be included in the Borrowing Base only if all notices of the assignment in favor of First Security have been given as required by federal law.

7. As long as any Obligations are outstanding under the Agreement, Borrower shall certify and deliver to First Security a Borrowing Base Certificate, in the form attached hereto or provided by First Security within thirty (30) days after the end of each month, certifying the Borrowing Base as of the end of that period. Any certificate supplied shall be accompanied by such supporting documentation, data and information as shall be reasonably required by First Security showing the accuracy of the representations made. Such supporting materials shall include explanations and data for valuation of Inventory shown on the Borrowing Base Certificate. In establishing the value of Inventory or in assessing the status of Accounts for inclusion in the Borrowing Base, First Security may consult such sources and undertake such analysis or appraisal as it deems necessary. Any calculation of the Borrowing Base and the conclusions of First Security as to valuation and inclusion for Borrowing Base purposes shall be final and conclusive. First Security shall have the right at any time in the future to require Borrower to provide First Security a more frequent Borrowing Base Certificate if First Security determines that such is necessary to obtain sufficient information to calculate the amounts of the Borrowing Base on a current basis.

FIRST SECURITY BANK, N.A.
ACCOUNTS REVOLVING NOTE

Date: October 24, 1996

Note No. 0023791 - 9001

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Borrowers: Gentner Communications Corporation
1825 Research Way
Salt Lake City, UT 84119

Principal Amount: Two Million Dollars (\$2,000,000.00)

FOR value received, Gentner Communications Corporation (the "Borrower") promises to pay to First Security Bank, N.A. ("First Security"), or to its order, the total principal amount of Two Million Dollars (\$2,000,000.00), or such other amount then outstanding on this Revolving Note ("Note"), together with interest as stated below, in lawful money of the United States of America.

INTEREST:

INTEREST on the outstanding unpaid principal balance, shall be calculated on the following basis, until the occurrence of an Event of Default or until said principal balance is paid in full:

Variable Rate:

The interest on this Note shall be calculated as a variable rate which shall accrue at various increments above the Libor Rate Index defined in the Commercial Credit and Security Agreement (the "Credit Agreement") executed of even date with this Note (the "Libor Rate") until paid; The Libor Rate will be adjusted on a monthly basis, and the interest payable on this Note will continue to fluctuate at an increment above the Libor Rate Index as is specified in the Credit Agreement. Any changes in the interest rate under this Note shall become effective without prior notice, on the date on which the Libor Rate Index changes.

Notwithstanding the foregoing, upon the occurrence of an Event of Default, as is defined in either this Note, or the Credit Agreement, the interest charged on the Note shall be increased by four percent (4.00%); provided further, however, that if First Security shall waive in writing or allow a cure of such Event of Default, the interest charged under the Note shall revert to the non-default rate specified above from and after such waiver or completion of cure (whichever is sooner).

THE actual interest to be charged under this Note shall be calculated

daily on the outstanding balance on a 360 day base year. Should the rate of interest as calculated exceed that allowed by law, the applicable rate of interest will be the maximum rate of interest lawfully allowed.

INTEREST on this Note is payable monthly, on the 24th day of each month, commencing on November 24, 1996.

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THE principal amount outstanding on which the interest rate shall be charged shall be determined from First Security's records, which shall at all times be conclusive.

PAYMENT SCHEDULE:

THE principal amount outstanding on this Note (together with all accrued and unpaid interest and other amounts owing under this Note) shall be due and payable in full on October 24, 1997.

PRINCIPAL and interest shall be payable at the Commercial Loan Accounting Center at P.O. Box 7666, Boise, Idaho 83707-166 [sic], or at such other place as the holder of this Note may designate. At First Security's option, payments received on the Note may be applied first toward the satisfaction of commitment fees, origination fees, late fees, attorneys' fees and costs incidental thereto, all as more fully described in the Credit Agreement, second to accrued interest with the remainder (if any) applied to the principal.

If First Security has not received the full amount of any payment, whether of principal or interest or both, by the end of fifteen (15) calendar days after the date such payment is due under the Note, including the balance due at maturity, Borrower will pay a late charge to First Security in the amount of five percent (5%) of the unpaid amount of the overdue payment or \$1,000.00, whichever is lesser. Borrower agrees(s) to pay the late charge promptly, but only once on each late payment.

THIS Note is a revolving promissory note and evidences the Accounts Commitment described in the Credit Agreement and is entitled to the benefits and covenants set forth in said Credit Agreement. This Note is a revolving line of credit not to exceed the lesser of the maximum principal amount stated above or the Accounts Commitment Borrowing Base at any one time. The amount outstanding on this Note at any specific time shall be the total amount advanced by First Security, plus the outstanding amount of to the release of any collateral or part thereof and the release of any surety, with or without substitution.

BORROWER

Gentner Communications Corporation

By: /s/ David L. Harmon

Its: Vice President

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FIRST SECURITY BANK, N.A.
INVENTORY REVOLVING NOTE

Date: October 24, 1996

Note No. 0023791 - 9002

Borrowers: Gentner Communications Corporation
1825 Research Way
Salt Lake City, UT 84119

Principal Amount: Five Hundred Thousand Dollars (\$500,000.00)

FOR value received, Gentner Communications Corporation (the "Borrower") promises to pay to First Security Bank, N.A. ("First Security"), or to its order, the total principal amount of Five Hundred Thousand Dollars (\$500,000.00), or such other amount then outstanding on this Revolving Note ("Note"), together with interest as stated below, in lawful money of the United States of America.

INTEREST:

INTEREST on the outstanding unpaid principal balance, shall be calculated on the following basis, until the occurrence of an Event of Default or until said principal balance is paid in full:

Variable Rate:

The interest on this Note shall be calculated as a variable rate which shall accrue at two percentage points (2.00%) above First Security's Prime Rate until paid; said interest rate being a total of 10.25% on the date of this Note. First Security's Prime Rate may change from time to time, and the interest payable on this Note will continue to fluctuate at the same increment above the Prime Rate as stated above. Any changes in the interest rate under this Note shall become effective without prior notice, on the date on which First Security's Prime Rate changes. First Security's Prime Rate is its announced rate of interest used as a reference point from which it may calculate the cost of credit to customers. It is subject to change from time to time. First Security may make loans bearing interest above, at, or below its Prime Rate.

Notwithstanding the foregoing, upon the occurrence of an Event of Default, as is defined in either this Note, or the Commercial Credit and Security Agreement executed of even date herewith (the "Credit Agreement") , the interest charged on the Note shall be increased by four percent (4.00%); provided further, however, that if First Security shall waive in writing or

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allow a cure of such Event of Default, the interest charged under the Note shall revert to the non-default rate specified above from and after such waiver or completion of cure (whichever is sooner).

THE actual interest to be charged under this Note shall be calculated daily on the outstanding balance on a 360 day base year. Should the rate of interest as calculated exceed that allowed by law, the applicable rate of interest will be the maximum rate of interest lawfully allowed.

INTEREST on this Note is payable monthly, on the 24th day of each month, commencing on November 24, 1996.

THE principal amount outstanding on which the interest rate shall be charged shall be determined from First Security's records, which shall at all times be conclusive.

PAYMENT SCHEDULE:

THE principal amount outstanding on this Note (together with all accrued and unpaid interest and other amounts owing under this Note) shall be due and payable in full on October 24, 1997.

PRINCIPAL and interest shall be payable at the Commercial Loan Accounting Center at P.O. Box 7666, Boise, Idaho 83707-166 [sic], or at such other place as the holder of this Note may designate. At First Security's option, payments received on the Note may be applied first toward the satisfaction of commitment fees, origination fees, late fees, attorneys, fees and costs incidental thereto, all as more fully described in the Credit Agreement, second to accrued interest with the remainder (if any) applied to the principal.

If First Security has not received the full amount of any payment, whether of principal or interest or both, by the end of fifteen (15) calendar days after the date such payment is due under the Note, including the balance due at maturity, Borrower will pay a late charge to First Security in the

amount of five percent (5%) of the unpaid amount of the overdue payment or \$1,000.00, whichever is lesser. Borrower agrees(s) to pay the late charge promptly, but only once on each late payment.

THIS Note is a revolving promissory note and evidences the Inventory Commitment described in the Credit Agreement and is entitled to the benefits and covenants set forth in said Credit Agreement. This Note is a revolving line of credit not to exceed the lesser of the maximum principal amount stated above or the Inventory Commitment Borrowing Base at any one time. The amount outstanding on this Note at any specific time shall be the total amount advanced by First Security, plus the outstanding amount of any undrawn letters of credit, less the amount of principal payments made from time to time, plus any interest due and payable.

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ADVANCES:

Borrower agrees that any and all Advances made hereunder shall be for Borrower's benefit whether or not said Advances are deposited to Borrower's account, and that persons other than the undersigned Borrower may have authority to draw against such account. Advances may be made hereunder at the oral or written request of Russ Gentner or David L. Harmon who are hereby authorized to request Advances until written notice of revocation of this authority is received by First Security from Borrower. Advances shall be made to Borrower or for the account of Borrower unless Borrower directs otherwise in writing.

SECURITY:

THIS Note is secured by all of Borrower's Inventory, Receivables, and General Intangibles as are more fully described in the Credit Agreement.

IF Borrower fails to make any scheduled payment on this Note when due or otherwise defaults in any other obligations imposed by this Note, or by the Credit Agreement, or any document which may now or hereafter secure this Note, or is executed in connection with this Note, First Security, at its option, may declare immediately due and payable all amounts outstanding under this Note, and any other liabilities of Borrower to First Security, direct or indirect, absolute or contingent, now existing or hereafter arising. First Security shall have the right of offset against any and all accounts or property of Borrower held by First Security. Borrower shall pay all costs and expenses incurred by First Security or by any other holder of this Note in connection with any failure to pay or other default of Borrower, including attorney's fees, collection costs, court costs, and costs on appeal, whether incurred before or after judgment, and whether or not litigation or suit is commenced.

THIS Note is to be construed under the laws of the State of Utah.

THE makers, sureties, guarantors and endorsers of this Note jointly and severally waive presentment for payment, protest, notice of protest, and notice of non-payment of this Note, and consent that this Note or any payment due under this Note may be extended or renewed without demand or notice, and further consent to the release of any collateral or part thereof and the

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release of any surety, with or without substitution.

BORROWER

Gentner Communications Corporation

By: /s/ David L. Harmon

Its: Vice President

Exhibit 10.2

THIS DOCUMENT CONSTITUTES PART OF A PROSPECTUS
COVERING SECURITIES THAT HAVE BEEN REGISTERED UNDER
THE SECURITIES ACT OF 1933

GENTNER COMMUNICATIONS CORPORATION
1997 EMPLOYEE STOCK PURCHASE PLAN

500,000 Shares of Common Stock
par value \$.001 per share

These shares are being offered by Gentner Communications Corporation
(the "Company") to the Company's employees pursuant to the terms
and conditions of the Company's 1997 Employee Stock Purchase
Plan (the "Plan") as described herein

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The Common Stock is listed on the NASDA
under the symbol GTNR

January 1, 1997

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements, and other information with the Securities and Exchange Commission (the "Commission"). Reports, proxy statements, and other information filed by the Company can be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington D.C. 20549, at prescribed rates.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED HEREIN IN CONNECTION WITH THE OFFERING MADE HEREBY, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY. THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER OF ANY SECURITIES OTHER THAN THOSE TO WHICH IT RELATES OR AN OFFER TO SELL OR SOLICITATION OF AN OFFER TO BUY ANY OF THE SECURITIES OFFERED HEREBY IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS DOCUMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, IMPLY THAT INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

GENTNER COMMUNICATIONS CORPORATION

1997 EMPLOYEE STOCK PURCHASE PLAN

PLAN SUMMARY

INTRODUCTION

The Company is hereby offering up to 500,000 shares of its Common Stock, \$.001 par value per share ("Common Stock"), to its employees under the Company's 1997 Employee Stock Purchase Plan (the "Plan"). The terms and conditions, including the prices and shares of Common Stock issuable under the Plan, are governed by the Plan and the enrollment form attached thereto that is completed by participants of the Plan (the "Participants"). This description of the Plan is qualified in its entirety by reference to the full text of the Plan, a copy of which and any other additional information relating thereto may be obtained by contacting David L. Harmon at the Company's executive offices located at 1825 West Research Way, Salt Lake City, Utah 84119. The telephone number at that location is (801) 975-7200.

DESCRIPTION OF THE PLAN

IN GENERAL

The purpose of the Plan is to provide Company employees with an opportunity to purchase Common Stock through weekly payroll deductions. Participants will be able to purchase ten shares of Common Stock for the price of nine shares, effectively giving them a 10% discount on the purchase price of the Common Stock. The Plan is not qualified under Section 423 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not expected to be subject to the provisions of the Employee Retirement Income Security Act of 1974.

DURATION

The Plan will become effective on January 1, 1997 and will expire on June 30, 2010, unless terminated or extended by the Company's Board of Directors (the "Board").

ELIGIBILITY

Any current employee with at least 90 days of continuous employment with the Company is eligible to participate in the Plan.

COMPANY CONTRIBUTIONS

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The Company will contribute share of Common Stock into the individual accounts of Participants, at no cost, for each nine shares of Common Stock purchased by such Participant under the Plan. This effectively gives Participants a 10% discount on the purchase price for ten shares of Common Stock.

TRANSACTION FEES AND COMMISSIONS

The Company will pay all transaction fees and commissions associated with the purchase of Common Stock for the individual accounts of Participants.

However, all transaction fees and commissions incurred by subsequent transfers or resales of the Common Stock will be the responsibility of the respective Participant.

HOLDING PERIOD

Participants cannot dispose of Common Stock in their account for one year from the date of purchase of those shares.

PAYROLL DEDUCTIONS

Employees who wish to participate in the Plan must fill out an enrollment form specifying the amount they wish to have withheld from each paycheck. Participants may elect to have up to 10% of their gross compensation, or a minimum of \$25 withheld from each paycheck. Any withholdings will remain in the Participants' accounts until the withholdings are used to purchase Common Stock. Enrollment forms must be returned to the Company's Human Resources Department at least five business days prior to the issuance of the first paycheck on which payroll deductions are to be made.

PURCHASES

Purchases of Common Stock will be made once per quarter by a broker appointed by the Committee. All accumulated withholdings from the previous purchase date (if applicable) will be used to purchase Common Stock in whole share increments for the respective accounts of each Participant. Any residual amounts in each account too small to purchase an entire share of Common Stock will remain in such account until the next quarterly purchase date.

CHANGES IN WITHHOLDINGS

Participants may change the amounts withheld from their future paychecks by filling out a new enrollment form and submitting it to the Company's Human Resources Department. Any changes by a Participant in amounts to be withheld may be made a maximum of once every six months.

WITHDRAWAL FROM THE PLAN

A Participant may elect to withdraw all accumulated payroll deductions
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not already used to purchase Common Stock for such Participant's account. Such an election can be made by filling out another enrollment form and indicating that no further withholdings are to be made, and then returning the enrollment form to the Human Resources Department at least five days before the paycheck for which the withdrawals are to be terminated has been issued.

ADMINISTRATION OF THE PLAN

The Plan is intended to be administered by a compensation committee established by the Board (the "Committee"). The Committee shall be composed of at least three members of the Board.

The Committee shall be responsible for maintaining individual accounts of all Participants, including (i) the keeping of transaction records and account balances, (ii) the receipt and processing of Plan enrollment forms, (iii) the receipt and holding of payroll deductions made under the Plan, (iv) the delivery of such payroll deductions to a predesignated broker or brokers at quarterly intervals for purchases of Common Stock, (v) any elections and/or changes made by Participants, (vi) the delivery of stock certificates to Participants representing purchased Common Stock, and (vii), and other administrative functions of the Plan.

REPORTS

The Company will provide all Participants with a periodic statement of their respective accounts, including a statement of the amount of payroll deductions for the period, the purchase price for each date on which Common Stock was purchased for their account, the number of shares purchased on each quarterly and the remaining cash balance, if any, in the Participants' respective accounts.

AMENDMENTS AND PLAN TERMINATION

The Board may amend or terminate the Plan at any time and for any reason. The Committee may also amend the Plan, consistent with the requirements of the Code.

SPECIAL ADJUSTMENTS

Because the Company will contribute shares of Common Stock into the accounts of Plan Participants (as opposed to offering all shares at a discount), such Participants' accounts will not be adjusted for stock splits, reverse stock splits, and changes in the Company's capitalization.

DISSOLUTION OR LIQUIDATION OF THE COMPANY

In the event of a proposed dissolution or liquidation of the Company, a sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, the Plan will terminate

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immediately prior to the consummation of such proposed action, unless otherwise provided by the Committee, and the Company shall return to each Participant the accumulated withholdings in such Participant's account, as well as any Common Stock purchased for such Participant's account, with such Participant subject to the one-year holding period restriction described below.

NON-TRANSFERABILITY

Payroll deductions not yet used to purchase Common Stock may not be assigned, transferred, pledged, or otherwise disposed of except by will or the laws of inheritance. Any attempts to assign, transfer, pledge, or dispose of withheld funds shall be without effect, except that the Company may treat such attempts as an election to withdraw from the Plan.

RESTRICTIONS ON RESALE

Participants will not be able to sell, assign, pledge, or otherwise transfer the Common Stock in their individual accounts for a period of one (1) year from the date of purchase of those shares. Since purchases of the Common Stock are made at quarterly intervals on the applicable Purchase Date, each Purchase Date serves as the beginning point for the one-year holding period.

TAX IMPLICATIONS

NOTE: THE FOLLOWING SUMMARY OF FEDERAL INCOME TAX CONSEQUENCES TO PARTICIPANTS DOES NOT PURPORT TO BE COMPLETE AND PARTICIPANTS SHOULD REFER TO THE APPLICABLE PROVISIONS OF THE CODE. THE SUMMARY DOES NOT ADDRESS OTHER TAXES THAT MAY AFFECT AN INDIVIDUAL SUCH AS STATE AND LOCAL INCOME TAXES, FEDERAL AND STATE ESTATE, INHERITANCE AND GIFT TAXES, AND FOREIGN TAXES. PARTICIPANTS SHOULD CONSULT THEIR PERSONAL TAX ADVISOR BEFORE THE ACQUISITION OR DISPOSITION OF COMMON STOCK UNDER THE PLAN.

At each quarterly purchase date, a Participant must include as compensation, in computing his gross income for the taxable year of such quarterly purchase date, the fair market value of any shares of Common Stock contributed by the Company into the Participant's account. Any taxable gain received from a subsequent disposition of such Common Stock pursuant to the holding period requirements described above shall be considered gain upon the sale of a capital asset.

BENEFICIARIES

Each Participant may designate a beneficiary on the Plan enrollment form to receive such Participant's accumulated withholdings and shares of Common Stock in the event of the Participant's death. If no such designation is made, then the heirs of the Participant or the Participant's estate may

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receive the Common Stock and accumulated withholdings.

EMPLOYMENT RIGHTS

The Plan does not create a right in any employee to continue employment with the Company, and will not be deemed to interfere with the Company's right to terminate, or otherwise modify, an employee's employment at any time.

OTHER DOCUMENTS

In addition to the receipt of this Summary of the Plan, Participants may also request and receive without charge, copies of (i) the Company's most recent Annual Report on Form 10-KSB for the fiscal year ended June 30, 1996, (ii) the Company's Quarterly Reports on Form 10-QSB for the quarters ended September 30, 1996 and December 31, 1996, (iii) the description of the Common Stock to be offered under the Plan, which description is contained in the Company's Form 10 Registration Statement, including any amendments or updates pertaining thereto, and (iv) all other reports as filed with the Securities and Exchange Commission pursuant to Section 13(a), 13(c), 14, and 15(d) of the Securities Exchange Act of 1934.

GENTNER COMMUNICATIONS CORPORATION

1997 EMPLOYEE STOCK PURCHASE PLAN

ARTICLE I - PURPOSE

The Gentner Communications Corporation (hereafter, the "Company") 1997 Employee Stock Purchase Plan (the "Plan") is intended to provide a method whereby employees of the Company will have an opportunity to acquire a proprietary interest in the Company through the purchase of shares of the Company's Common Stock at a discount.

ARTICLE II - DEFINITIONS

2.1 - Base Pay. "Base Pay" shall mean regular straight-time earnings excluding payments for overtime, shift premium, bonuses and other special payments, commissions and other marketing incentive payments.

2.2 - Board. "Board" shall mean the Company's board of directors.

2.3 - Commencement Date. "Commencement Date" means the date on which shares of Common Stock become available for purchase under the Plan.

2.4 - Committee. "Committee" shall mean the committee described in Article IX.

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2.5 - Common Stock. "Common Stock" means the Company's issued and/or outstanding Common Stock.

2.6 - Employee. "Employee" means any person who is customarily employed on a full-time or part-time basis by the Company and is regularly scheduled to work more than 20 hours per week.

2.7 - Offering. "Offering" means the Company's offer of shares of its Common Stock for purchase under the Plan.

2.8 - Participant. "Participant" means any person who, being eligible under Article III herein, participates in the Plan.

2.9 - Purchase Date. "Purchase Date" means the date each quarter on which the Company, through the Participating Broker, purchases shares of Common Stock for the individual accounts of Plan Participants.

2.10 - Participating Broker. "Participating Broker" means the securities broker or brokers retained by the Company for purposes of executing orders to buy or sell shares of Common Stock on behalf of Plan Participants.

ARTICLE III - ELIGIBILITY AND PARTICIPATION

3.1 - Initial Eligibility. Any Employee who has completed ninety (90) days' continuous employment and is currently employed by the Company on the date his participation in the Plan is to become effective shall be eligible to

participate in the Plan on or after such ninety day period has concluded.

3.2 - Leave of Absence. For purposes of participation in the Plan, a person on leave of absence shall be deemed to be an Employee for the first 90 days of such leave of absence and such Employee's employment shall be deemed to have terminated at the close of business on the 90th day of such leave of absence unless such Employee shall have returned to regular full-time or part-time employment (as the case may be) prior to the close of business on such 90th day. Termination by the Company of any Employee's leave of absence, other than termination of such leave of absence on return to full time or part time employment, shall terminate an Employee's employment for all purposes of the Plan and shall terminate such Employee's participation in the Plan pursuant to Section 6.3 herein.

ARTICLE IV - OPERATION OF THE PLAN

4.1 - Subscription. An eligible Employee may become a Participant by completing an authorization for payroll deductions in the form of Exhibit "A" attached hereto (the "Enrollment Form"), in the amount specified by such Participant. The Enrollment Form executed by the Participant together with this Plan constitutes a subscription for shares of Common Stock. The

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Enrollment Form shall be filed with the Companys Human Resources Department at least five (5) business days prior to issuance of the first paycheck on which payroll deductions are to be made, unless a later time for filing the Enrollment Form is set by the Committee.

4.2 - Right to Purchase. Once payroll deductions have been made from a Participants paycheck pursuant to Article V herein, such Participant shall be deemed to have been granted a right to purchase shares of Common Stock. Each Participant will be deemed to have exercised his right to purchase Common Stock on the Purchase Date, unless such Participant notifies the Committee pursuant to Section 6.1 herein.

4.3 - Purchases; Purchase Price. On the Purchase Date, the Company shall deliver the amounts withheld from each Participant's compensation pursuant to Article V and direct the Participating Broker to conduct open market purchases of shares of Common Stock. The purchase price for individual shares of Common Stock purchased under the Plan shall be the closing quoted market price of such stock by the NASDAQ National Market System as of the Purchase Date.

4.4 - Company Contributions. The Company shall contribute to the account of each Participant, for no consideration, one (1) share of its Common Stock for every nine (9) shares purchased by such Participant under the Plan. Fractional shares will not be contributed.

4.5 - Transaction Fees and Commissions. The Company shall be responsible for all transaction fees and commissions incurred in connection with the purchase of shares of Common Stock for purposes of the Plan. Each Participant shall be responsible for all transaction fees and commissions incurred in connection with any subsequent sales or transfers of Common Stock from the Participant's account.

4.6 - Holding Period. Subject to death, disability, or a medical condition of the Participant or the Participant's immediate family that will incur significant costs to the Participant, each Participant shall be obligated to hold shares of Common Stock, both purchased under the Plan and contributed by the Company under Section 4.4, in such Participant's account for not less than one (1) year from the Purchase Date applicable to the purchase of such shares.

4.7 - Termination Date. The Plan shall terminate on June 30, 2010 unless sooner terminated under Section 10.5 or by the Company pursuant to Section 10.6 (the "Termination Date").

ARTICLE V - PAYROLL DEDUCTIONS

5.1 - Amount of Deduction. Each Participant shall file an Enrollment Form as specified in Section 4.1 and shall elect to have deductions made from

each paycheck at the rate of not less than twenty-five dollars (\$25.00), nor more than ten percent (10%) of the Participant's Base Pay for the period covered by the paycheck. In the case of a part-time hourly Employee, such Employee's Base Pay shall be determined by multiplying such Employee's hourly rate by the number of regularly scheduled hours of work for such Employee. Payroll deductions for a Participant shall commence on the Offering Commencement Date or when such Participant's Enrollment Form become effective, whichever is later, and shall end on the Termination Date (as defined in Section 4.7) unless sooner terminated by the Participant as provided in Article VI.

5.2 - Participant's Account. All payroll deductions made for a Participant shall be credited to such Participant's account under the Plan. A Participant may not make any separate cash payment into such account except when on leave of absence and then only as provided in Section 5.4.

5.3 - Changes in Payroll Deductions. A Participant may change the amounts withheld from the Participants future paychecks by filing a new Enrollment Form with the Human Resources Department, and specifying the amounts to be withheld from such future paychecks. Any changes in the amount withheld from such Participants future paychecks under this Section shall only be permitted if not less than six (6) months has elapsed since the Participant last made changes to the amounts withheld under this Section.

5.4 - Leave of Absence. If a Participant goes on a leave of absence, such Participant shall have the right to elect: (a) to withdraw the balance in his or her account pursuant to Section 6.1, (b) to discontinue contributions to the Plan but remain a Participant in the Plan, or remain a Participant in the Plan during such leave of absence, authorizing deductions to be made from payments by the Company to the Participant during such leave of absence and undertaking to make cash payments to the Plan at the end of each payroll period to the extent that amounts payable by the Company to such Participant are insufficient to meet such Participant's authorized Plan deductions.

ARTICLE VI - WITHDRAWAL

6.1 - In General. A Participant may withdraw from the Plan by electing to withdraw all accumulated payroll deductions credited to such Participants account under the Plan at any time by giving written notice to the Companys Human Resources Department within five (5) business days before the paycheck is issued on which payroll deductions have been terminated. With the exception of any payroll deductions of such Participant used to purchase Common Stock prior to the giving of such written notice, all of the Participant's payroll deductions credited to his account will be paid to him promptly after receipt of his notice of withdrawal, and no further payroll

deductions will be made from his pay. Any Common Stock purchased on behalf of the Participant pursuant to the Plan shall be returned to him pursuant to Section 6.6 herein. The Company may, at its option, treat any attempt to borrow by an Employee on the security of his accumulated payroll deductions as an election, under Section 3.2, to withdraw such deductions.

6.2 - Effect on Subsequent Participation. A Participant's withdrawal from the Plan will not have any effect upon his eligibility to participate in any succeeding Offering or in any similar plan which may hereafter be adopted by the Company.

6.3 - Termination of Employment. Upon termination of the Participant's employment for any reason, including retirement (but excluding death while in the employ of the Company or continuation of a leave of absence for a period beyond 90 days), any payroll deductions credited to his account and not used to purchase Common Stock will be returned to him. Any Common Stock purchased for the Participants account shall be returned to the Participant pursuant to Section 6.6 herein. In the case of the Participants death subsequent to the termination of his employment, such accumulated payroll deductions and/or Common Stock purchased for his account shall be returned to the person or persons entitled thereto under Section 10.1.

6.4 - Termination of Employment Due to Death. Upon termination of the Participant's employment because of his death, his beneficiary (as defined in Section 10.1) shall have the right to elect, by written notice given to the Company Secretary prior to the earlier of the Termination Date or the expiration of a period of sixty (60) days commencing with the date of the death of the Participant, either:

a) to withdraw all of the payroll deductions credited to the Participant's account under the Plan, or

b) to purchase the number of full shares of stock which the accumulated payroll deductions in the Participant's account at the date of the Participant's death will purchase at the applicable purchase price (as defined in Section 4.3), together with any applicable contributions by the Company under Section 4.4, and any excess in such account will be returned to said beneficiary, with interest as specified in Article VII.

In the event that no such written notice of election shall be duly received by the office of the Secretary of the Company, the beneficiary shall automatically be deemed to have elected, pursuant to paragraph (b), to purchase the applicable number of shares under the Plan on the next Purchase Date.

6.5 - Leave of Absence. A Participant on leave of absence shall, subject to the election made by such Participant pursuant to Section 5.4, continue to be a Participant in the Plan so long as such Participant is on continuous leave of absence. A Participant who has been on leave of absence for more

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than 90 days and who therefore is not an Employee for the purpose of the Plan shall not be entitled to participate in the Offering if the Offering Commencement Date is after the 90th day of such leave of absence. Notwithstanding any other provisions of the Plan, unless a Participant on leave of absence returns to regular full time or part time employment with the Company at the earlier of: (a) the termination of such leave of absence or (b) three months from the 90th day of such leave of absence, such Participant's participation in the Plan shall terminate on whichever of such dates first occurs.

6.6 - Closing of Account. If a Participant's participation under the Plan is terminated pursuant to this Article or Sections 3.2, 10.5, or 10.6 herein, then the Company shall return any accumulated amounts withheld from the Participant's account not used to purchase Common Stock, and shall direct the Participating Broker to close such Participant's account with the Participating Broker, and remit to the Participant or his beneficiary pursuant to Section 10.1, any Common Stock purchased on his behalf. Any Common Stock remitted under this Section shall retain the holding period restrictions as defined in Section 4.6 herein.

ARTICLE VII - INTEREST

7.1 - Payment of Interest. No interest will be paid or allowed on any money paid into the Plan or credited to the account of any Participant Employee; provided, however, that interest shall be paid on any and all money which is distributed to an Employee or his beneficiary pursuant to the provisions of Sections 6.1, 6.3, 6.4, 6.6, and 8.1. Such distributions shall bear simple interest during the period from the date of withholding to the date of return at the regular passbook savings account rates per annum in effect at First Security Bank, Salt Lake City, Utah, during the Offering period or, if such rates are not published or otherwise available for such purpose, at the regular passbook savings account rates per annum in effect during such period at another major commercial bank in Salt Lake City, Utah selected by the Committee. Where the amount returned represents an excess amount in an Employee's account after such account has been applied to the purchase of stock, the Employee's withholding account shall be deemed to have been applied first toward purchase of stock under the Plan, so that interest shall be paid on the last withholdings during the period which results in the excess amount.

ARTICLE VIII - STOCK

8.1 - Maximum Shares. The maximum number of shares of Common Stock which shall be issued under the Plan shall be five hundred thousand (500,000) shares. If the total number of shares of Common Stock for which payroll deductions have been made under Article V herein exceeds the maximum number

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of shares for the Offering, the Company, on the applicable Purchase Date, shall make a pro rata allocation of the shares available for delivery and distribution in an nearly a uniform manner as shall be practicable and as it shall determine to be equitable, and the balance of payroll deductions credited to the account of each Participant under the Plan shall be returned to him as promptly as possible.

8.2 - Participant's Interest in Common Stock. The Participant shall not have an interest in any Common Stock until purchases of such Common Stock have been made for the Participants account.

8.3 - Registration of Stock. Stock to be delivered to a Participant under the Plan will be registered in the name of the Participant, or, if the Participant so directs by written notice to the Company's Human Resources Department prior to the Termination Date, in the names of the Participant and one such other person as may be designate by the Participant, as joint tenants with rights of survivorship or as tenants by the entireties, to the extent permitted by applicable law.

ARTICLE IX - ADMINISTRATION

9.1 - Appointment of Committee. The Board shall appoint a compensation committee (the "Committee") to administer the Plan. The Committee shall consist of no fewer than three members of the Board. No member of the Committee shall be eligible to purchase stock under the Plan.

9.2 - Authority of Committee. Subject to the express provisions of the Plan, the Committee shall have plenary authority in its discretion to interpret and construe any and all provisions of the Plan, to adopt rules and regulations for administering the Plan, and to make all other determinations deemed necessary or advisable for administering the Plan. The Committee's determination on the foregoing matters shall be conclusive.

9.3 - Rules Governing the Administration of the Committee. The Board may from time to time appoint members of the Committee in substitution for or in addition to members previously appointed and may fill vacancies, however caused, in the Committee. The Committee may select one of its members as its Chairman and shall hold its meetings at such times and places as it shall deem advisable and may hold telephonic meetings. A majority of its members shall constitute a quorum. All determinations of the Committee shall be made by a majority of its members. The Committee may correct any defect or omission or reconcile any inconsistency in the Plan, in the manner and to the extent it shall deem desirable. Any decision or determination reduced to writing and signed by a majority of the members of the Committee shall be as fully effective as if it had been made by a majority vote at a meeting duly called and held. The Committee may appoint a secretary and shall make such rules and regulations for the conduct of its business as it shall deem advisable.

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9.4 - Administration and Record Keeping. The Committee or its representatives shall be responsible for the following functions of the Plan: (i) maintaining individual accounts and transaction records of Plan Participants, (ii) receiving and processing Enrollment Forms, (iii) receiving and holding payroll deductions from the paychecks of Plan Participants, (iv) delivering payroll deductions under the Plan to the Participating Broker at quarterly intervals for purchase of Common Stock, (v) elections and changes in elections made by Plan Participants, (vi) delivery of certificates representing the shares of Common Stock purchased by Plan Participants, (vii) keeping minutes of its actions under the Plan, and (viii) any and all procedures and functions of the Plan not otherwise specified herein or assigned to another party in accordance with the terms of the Plan or by authority of the Committee.

9.5 - Reports. The Company shall provide to each Participant, on at

least an annual basis, statements setting forth the amounts of payroll deductions, the purchase price for each Purchase Date, the number of shares purchased on each Purchase Date, the total number of shares purchased, and the remaining cash balance, if any, for such Participant's account.

9.6 - Professional Assistance. The Committee may employ such legal counsel, including, without limitation, independent legal counsel regularly employed by the Company, consultants and agents as the Committee may deem appropriate for the administration of the Plan and may rely upon any opinion received from any such counsel or consultant and any computations received from any such consultant or agent. All expenses incurred by the Committee in interpreting and administering the Plan, including, without limitation, meeting fees and expenses and professional fees, shall be paid by the company.

9.7 - Participating Broker. The Committee shall designate a Participating Broker to act as the Company's agent pursuant to the operation of the Plan. Functions of the Participating Broker may include, without limitation, the execution of orders to purchase Common Stock with the proceeds obtained pursuant to Article V herein and the closing of a Participant's brokerage account with the Participating Broker pursuant to Section 6.6 herein.

9.8 - Liability. No member or former member of the Committee or the Board shall be liable for any action or determination made in good faith with respect to the Plan or any deduction or withholding made under the Plan. Each member or former member of the Committee or the Board shall be indemnified and held harmless by the Company against all costs or expenses (including counsel fees) or liability (including any sum paid in settlement of a claim with the approval of the Board) arising out of any act or omission to act in connection with the Plan to the extent allowed by law.

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ARTICLE X - MISCELLANEOUS

10.1 - Designation of Beneficiary. A Participant may file a written designation of a beneficiary who is to receive any Common Stock and/or cash. Such designation of beneficiary may be changed by the Participant at any time by written notice to the Secretary of the Company. Upon the death of a Participant and upon receipt by the Company of proof of identity and existence at the Participant's death of a beneficiary validly designated by him under the Plan, the Company shall deliver such Common Stock and/or cash to such beneficiary. In the event of the death of a Participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such Participant's death, the company shall deliver such Common Stock and/or cash to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such Common Stock and/or cash to the spouse or to any one or more dependents of the Participant as the Company may designate. No beneficiary shall, prior to the death of the Participant by whom he has been designated, acquire any interest in the Common Stock or cash credited to the Participant under the Plan.

10.2 - Transferability. Neither payroll deductions credited to a Participant's account nor any rights to receive Common Stock under the Plan may be assigned, transferred, pledged, or otherwise disposed of in any way by the Participant other than by will or the laws of descent and distribution. Any such attempted assignment, transfer, pledge or other disposition of such rights shall be without effect, except that the Company may treat such act as an election to withdraw from the plan under Section 6.1.

10.3 - Use of Funds. All payroll deductions received or held by the Company under the Plan may be used by the Company for any corporate purpose and the Company shall not be obligated to segregate such payroll deductions.

10.4 - No Adjustment Upon Changes in Capitalization. No adjustment shall be made to a Participant's account due to stock splits, reverse stock splits, changes in the Company's capitalization, or similar transaction. No adjustments shall be made for stock dividends.

10.5 - Dissolution or Liquidation. In the event of a proposed dissolution or liquidation of the Company, a sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, the Plan will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Committee, and the Company shall return to each Participant, with interest, the accumulated withholdings in such Participant's account, as well as any Common Stock purchased for such Participant's account, with such Participant subject to the one-year holding period restriction described in Section 4.6.

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10.6 - Amendment and Termination. The Board shall have complete power and authority to terminate or amend the Plan at any time and for any reason. No termination, modification, or amendment of the Plan may, without the consent of an Employee then having a right to purchase Common Stock under the Plan, adversely affect the rights of such Employee to purchase Common Stock.

10.7 - Effective Date. The Plan shall become effective as of January 1, 1997.

10.8 - No Employment Rights. The Plan does not, directly or indirectly, create any right for the benefit of any Employee or class of Employees to purchase any shares under the Plan, or create in any Employee or class of Employees any right with respect to continuation of employment by the Company, and it shall not be deemed to interfere in any way with the Company's right to terminate, or otherwise modify, an Employee's employment at any time.

10.9 - Effect of Plan. The provisions of the Plan shall, in accordance with its terms, be binding upon, and inure to the benefit of, all successors of each Participant, including, without limitation, such Participant's estate and the executors, administrators or trustees thereof, heirs and legatees, and any receiver, trustee in bankruptcy or representative of creditors of such Participant.

10.10 - Governing Law. The provisions of the Plan and all matters relating thereto shall be governed by the laws of the State of Utah, except to the extent such laws are superseded by the laws of the United States.

EXHIBIT "A"

GENTNER COMMUNICATIONS CORPORATION
1997 EMPLOYEE STOCK PURCHASE PLAN
ENROLLMENT FORM AUTHORIZATION

PARTICIPANT NAME (LAST, FIRST, M.I.) SOCIAL SECURITY NUMBER

HIRE DATE INITIAL ELECTION / / CHANGE ELECTION / /

BIRTH DATE MARRIED / / SINGLE / /

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I hereby authorize and direct that my employer withhold from each pay period the indicated amount from my gross compensation for quarterly purchases of shares of the company's common stock for my account. I understand that under the Plan I may authorize no less than \$25.00 and no more than 10% of my gross compensation to be withheld from each paycheck.

/ / 3% / / 5% / / 10% %----- \$-----

I understand that I may change, suspend, and resume contributions at such

times as outlined in the terms of the plan and that my salary reduction and participation in the plan is completely voluntary

I hereby authorize the above payroll deduction.

Signature----- Date-----

BENEFICIARY DESIGNATION

Designate the following beneficiaries for any interest due from the Plan upon the event of death:

Beneficiary (Primary)----- Relationship-----

Beneficiary (Secondary) ----- Relationship-----

Signature ----- Relationship-----

*PLEASE NOTE: If you are married and your spouse is NOT the 100% Primary Beneficiary, under provisions of the Retirement Equity Act of 1984, your spouse must consent to his or her waiver as the Primary Beneficiary. Such consent is only valid when authorized by his or her signature which must be witnessed by a notary public or Plan representative. Please obtain a waiver from your employer.

We suggest that you consult your tax or legal advisor regarding the consequences of the designation of the beneficiary you have made. You may change your designation by properly completing a new Beneficiary Designation section of this form.

Exhibit 10.3

PROMISSORY NOTE
(Multiple Advances)

\$419,000

December 12, 1996

Account Name: Gentner Communications Corporation Account No.: GENT 7584

For value received, the undersigned jointly and severally promises to pay to the order of SAFECO Credit Company, Inc., its successors and assigns ("Payee"), at SAFECO Plaza, Seattle, Washington 98185, or at such other place as Payee may designate in writing, the principal sum of Four Hundred Nineteen Thousand and 00/100 Dollars, or so much thereof as may be advanced, plus interest thereon from the date of disbursement until paid at the rate of 11.5 percent per annum.

Subject to the terms and conditions of any underlying agreement between the parties, the principal of this note shall be advanced from time to time from the date hereof until March 1, 1997 at the request of David L. Harmon who is authorized to request advances and direct the disposition of any advances until written notice of the revocation of this authority is received by Payee at the place designated for payments hereunder. Any advance made pursuant to such a request shall conclusively be presumed to have been made for the benefit of the undersigned.

Principal and interest shall be repaid in accordance with the following schedule: Forty-Eight (48) payments of \$10,931.29 each, including interest due at the time of payment. The first payment shall be due on January 31, 1997, and a like payment on the same day of each succeeding month thereafter until December 31, 2000. Any principal and interest remaining unpaid shall be due and payable on December 31, 2000. All payments on this note shall be applied first to accrued interest and then to the unpaid principal.

If any payment or part thereof remains unpaid ten (10) days after its due date, the undersigned agrees to pay to Payee, in addition to the payment, a late charge equal to the lesser of 10% of the payment or the maximum such charge permitted by applicable law. The assessment of a late charge is in addition to, and not in lieu of, any other right or remedy of Payee under this note or under any agreement securing this note.

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Any failure to pay the full amount of any payment when due or any event of default on any agreement securing this note shall be an event of default on this note. Upon the occurrence of an event of default, the entire unpaid balance of principal and accrued interest shall, at the option of the Payee, become immediately due and payable. After default, the principal shall bear interest at the default rate, which shall be 6% above the interest rate stated above. All amounts past due must be paid at the time of and as a condition to the curing of any default. The undersigned agrees to pay all reasonable costs and expenses incurred in the collection and enforcement of this note and in the enforcement of any agreement securing this note or in bankruptcy or insolvency proceedings, including reasonable attorney fees, whether or not litigation is commenced. Any forbearance by Payee in exercising any right or remedy hereunder or under any document securing this note shall not be a waiver of or preclude the exercise of any right or remedy.

The undersigned waives presentment, demand, protest and notice of dishonor.

Interest payable under this note shall not exceed the highest rate permitted by law. If and to the extent interest is payable which exceeds the maximum amount permitted by law, it shall be applied to reduction of principal or refunded.

This note is made and shall be construed under the internal laws (without applying the conflicts of law rules) of the State of Utah.

The Note may not be prepaid in whole or in part during the full term of the loan term unless Borrower pays a fee for such privilege equal to 2.5% of the amount prepaid.

Gentner Communications Corporation

By: /s/ David J. Harmon

Chief Financial Officer

Title

[SAFECO LOGO]

COMMERCIAL CREDIT AND
SECURITY AGREEMENT

THIS COMMERCIAL CREDIT AND SECURITY AGREEMENT (the "Agreement"), dated as of the date written below, is entered between the undersigned borrower(s)

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(individually and collectively "Borrower") and FIRST SECURITY BANK, N.A. ("First Security").

Borrower has requested First Security to extend credit to Borrower for certain purposes, and First Security is willing to make such a loan (hereinafter the "Loan") on the terms and conditions of this Agreement. Therefore, the parties agree as follows:

SECTION 1. AMOUNT OF TERMS OF THE LOAN.

1.1 The maximum principal amount of the Loan shall be \$322,716.15.

1.2 The Loan shall be (check one or more, as applicable):

/ / A revolving loan (with the right of Borrower to repay principal and to reborrow up to the maximum principal amount of the Loan so long as no default exists under this Agreement)

/ / A term loan (with no right to reborrow repaid principal)

/ / A nonrevolving loan with funds to be advanced over a period of time (with no right to reborrow repaid principal)

If none of the boxes is checked, the Loan shall be deemed to be a term loan.

1.3 The Loan shall be evidenced by a promissory note or notes or other Instrument restating the obligation of Borrower to repay the Loan (collectively the Note). The Loan shall be repaid to First Security and shall accrue interest as set forth in the Note. All payments shall be made to First Security at the address specified in this Agreement in lawful money of the United States of America. All payment received by First Security shall be applied as follows: first, toward the satisfaction of commitment fees, origination fees, attorneys' fees and costs incidental thereto and to advances made and costs and expenses incurred by First Security or its agent to enforce Borrower's Obligations hereunder and under the Loan Documentation or to preserve the Collateral securing the Obligations; second, toward the reduction of any and all accrued and unpaid interest, including uncollected late charges; third, toward the reduction of unpaid principal; and fourth, to prepayment of Obligations which may arise from any outstanding letters of credit.

1.4 First Security shall provide periodic accountings to Borrower of all payments, collections, applications and borrowings. Borrower shall promptly examine such accountings and shall, after learning of any discrepancy, immediately notify First Security of any discrepancies. Fifteen days after the rendering of such accountings, in the absence of patent demonstrable error identified by Borrower in writing within said fifteen day period, the accounting shall be deemed to be conclusive as between First Security and Borrower.

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1.5 The Borrower shall pay the following fee: \$1,210.00 upon execution of this Agreement.

1.6 In addition to this Agreement, the Note and any applicable commitment letter, reference to "Loan Documentation" shall include all instruments, letter of credit agreements, trust deeds, mortgages, other assignments, other security agreements, other pledge agreements, lien instruments, guaranties, subordinations, financing statements, notices, lien waivers, certificates, certificates of title, applications for certificates of title, environmental indemnities, and all documents set forth in or contemplated by any applicable commitment letter or as otherwise required by

First Security as a condition to or in connection with the Loan, whether now or hereafter executed.

Guarantors of all indebtedness of Borrower to First Security, including without limitation the Loan, shall include the following: N/A

1.7 any one of the following persons is authorized to make a written or oral request to First Security to advance funds under this Agreement: Russ Gentner or David L. Harmon. First Security is under no obligation to verify the identity of an individual representing to be one of the foregoing persons. Any advance made pursuant to said written or oral request is irrebuttably presumed to be made for Borrower's benefit. First Security shall make disbursements on the Loan to Borrower or for the account of Borrower unless Borrower directs otherwise in writing.

1.8 The obligations, indebtedness, covenants and liabilities of Borrower set forth or contemplated in the Loan Documentations shall be referred to as the "Obligations," including without limitations any indebtedness resulting from any overdraft on any account with First Security (provided that nothing herein shall be a commitment by First Security to honor overdrafts).

1.9 Any and all fees, costs and expenses, of whatever kind or nature, including but not limited to attorneys' fees, filing fees, title insurance premiums, surveys, environmental audits and appraisal fees, incurred by First Security in connection with this Agreement (whether or not the Loan is advanced) shall be borne and paid by Borrower on demand by First Security and until so paid constitute part of the Obligations of Borrower secured by the Loan Documentation and the Collateral and shall accrue interest at the Note rate, or, if applicable, at the default rate. Borrower hereby authorizes First Security to make advances on the Loan, if available, to pay such costs and expenses if First Security, in its sole discretion, chooses to do so.

1.10 The real and/or personal property in which First Security is granted a lien or security interest pursuant to this Agreement and the other Loan Documentation shall be referred to as the "Collateral."

SECTION 2. SECURITY

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2.1 To secure repayment and performance of the Obligations, Borrower hereby grants, assigns and conveys to First Security a security interest in all of Borrower's right, title and interest, whether now owned or hereafter acquired, in and to those properties, interests and rights that are identified as part of the Collateral in those Schedules that are incorporated herein by Section 7.10. In addition, Borrower shall grant to First Security liens on any real property interests described in those Schedules.

2.2 As a precondition to the Loan and as security for the payment and performance by Borrower of all the Obligations, Borrower shall executed and delivered all Loan Documentation and shall take all actions that First Security may at any time deem appropriate to secure, perfect, protect and enforce the liens, security interests and rights of First Security granted under this Agreement and the other Loan Documentation.

SECTION 3. CONDITIONS

3.1 First Security shall not be required to advance funds under this Agreement unless First Security shall have received from Borrower the following:

(a) Current financial statements in such form as First Security may require;

(b) The fully executed Loan Documentation;

(c) Acceptable lien searches and title insurance commitments evidencing and insuring that the Loan Documentation creates first priority, perfected encumbrances against the Collateral, subject only to the permitted encumbrances listed on the Permitted Encumbrances Schedule attached hereto and incorporated herein by Section 7.10 (if the Permitted Encumbrances Schedule is not attached or no encumbrances are listed thereon, there shall be no permitted encumbrances);

(d) Evidence satisfactory to First Security that any real property constituting part of the Collateral (or surrounding real property) does not contain hazardous substances, hazardous waste, toxic substances, or other similar materials or substances;

(e) Corporate, partnership, limited liability company, or trust resolutions and documents, as applicable evidencing the valid existence and good standing of Borrower and the due and proper execution of the Loan Documentation by authorized representatives;

(f) Assurances, satisfactory to First Security, that all other conditions and requirements of any applicable commitment letter have been satisfied; and

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(g) Such other documentation and information that First Security or its counsel may request given the circumstances and terms of the Loan.

3.2 First Security shall not be required to make any advance under the Loan if a default or an event of default under the Loan Documentation exists or if an event has occurred that with the passage of time would constitute such a default or event of default.

SECTION 4. REPRESENTATIONS AND WARRANTIES OF BORROWER

To induce First Security to make the Loan, Borrower warrants and represents as follows:

(1) Borrower is in good standing under, and in full compliance with, all applicable laws, codes, rules and regulations under federal, state and municipal authority, including without limitation the proper use, storage, registration and disposal of any hazardous materials and any applicable provisions of "ERISA."

(2) Borrower has full power, authority and capacity to incur the indebtedness described herein and to execute the Loan Documentation. The person or persons executing this Agreement and the other Loan Documentation on behalf of Borrower are duly authorized to do so.

(3) The Loan Documentation is in all respects legal, valid, and binding according to its terms. The execution and performance of the Loan Documentation will not violate any applicable law, regulation, order, judgment or decree, partnership agreement, articles of incorporation, bylaw, articles of organization, operating agreement, indenture, contract or agreement that purports to be binding on the Borrower or its assets, and will not result in the creation of any encumbrance on the assets of Borrower except as contemplated by the Loan Documentation.

(4) Any financial statements of Borrower heretofore delivered to First Security are true and correct in all respects. The most recent statements given to First Security accurately represent the current financial condition of Borrower, and, since the date of such statements, the business, properties, assets, and liabilities of Borrower have not been adversely affected or changed in any material way.

(5) All written representations previously made and information previously given by Borrower or Borrower's agents to First Security or its agents remain true and correct.

(6) Borrower is not in default under any indebtedness, lease, contract, license, undertaking, or other agreement which will affect the ability of Borrower to perform under any of the Loan Documentation.

(7) There are not existing actions, suits, or proceedings pending or

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threatened against Borrower or relating to the business, properties, and assets of Borrower that may have an adverse effect upon the financial condition, the business, or the assets of Borrower or the Collateral, and no judgment, order, or decree has been rendered which has not been discharged, satisfied, or compiled with other than those disclosed to Bank in writing.

(8) Borrower has filed all federal and state income tax returns which are required to be filed (except returns for which extensions have been properly filed) and has paid all taxes, assessments and governmental charges or levels imposed upon Borrower or upon Borrower's income or profits, or upon any property belonging to Borrower, to the extent that such taxes and assessments have become due (except such taxes and assessments that are being contested in good faith by appropriate proceedings diligently prosecuted and that have been disclosed to First Security in writing).

(9) Borrower has good title to its assets, including the Collateral and including the properties and assets reflected in the most recent statements given to First Security and the title to the Collateral is free and clear of all liens and encumbrances except those in favor of First Security and those that may be identified as permitted encumbrances on the Permitted Encumbrances Schedule attached hereto. Borrower at its own expense shall defend First Security's interest in the Collateral.

SECTION 5. COVENANTS OF BORROWER.

5.1 Borrower shall promptly furnish First Security, during the term of the Loan, copies of such tax returns and financial reports and statements as requested by First Security, all prepared in a manner and form and at such times as are acceptable to First Security. Such statements shall be provided annually within 90 days after the end of each fiscal year. Interim statements shall be provided (check the applicable period):

monthly, X quarterly, semi-annually within 30 days
- - - - - - - - - - - - - - -

after the end of each such interim period. Borrower shall also furnish such information regarding the Borrower and the Collateral as may be requested by First Security. Upon request, Borrower shall provide to First Security a quarterly certification that Borrower is in compliance with this Agreement.

5.2 Borrower shall promptly give notice to First Security of (a) the occurrence of any default or event of default under any of the Loan Documentation; (b) any litigation, proceedings or event that may have an adverse effect upon the financial condition, the business or the assets of Borrower or the Collateral; (c) any dispute between Borrower and any governmental regulatory body or other party that may interfere with the normal business operation of Borrower or adversely affect the assets of Borrower; (d) any event that might adversely affect the Collateral; and (e) any adverse change in the financial condition of Borrower.

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5.3 Borrower will:

(a) duly observe and conform to all requirements of any governmental authorities relative to the conduct of Borrower's business or to Borrower's properties or assets, including without limitation the proper use, storage, registration and disposal of any hazardous materials and any applicable provisions of "ERISA";

(b) maintain and keep in full force and effect all licenses and permits necessary to the proper conduct of Borrower's business, including the continuance of Borrower's good standing; and

(c) pay all obligations and liabilities when due, including without limitation all taxes, assessments and governmental charges or levies imposed upon Borrower or upon Borrower's income or profits, or upon any property belonging to Borrower, and maintain appropriate reserves for the accrual of the same in accordance with generally accepted accounting principles.

5.4 Borrower will keep proper books and records in which full, true and correct entries (and in a manner acceptable to First security) will be made of all dealings or transactions relating to its business and activities.

5.5 Borrower will maintain with financially sound and responsible companies, hazard and liability insurance in such form and in such amounts and against such risks as is customarily carried by companies engaged in the same or a similar business and operating like properties or as requested by First Security and shall provide First Security evidence of such coverage. With respect to the Collateral, such policies shall cover at least the full

insurable value of the Collateral, and such policies shall identify First Security as an additional insured and shall include a standard mortgage clause and/or a lender's loss payable clause, as applicable, in favor of First Security. If Borrower fails to obtain such insurance coverage, First Security may obtain such insurance coverage, and any premiums for such insurance shall become part of the Obligations, shall be repaid to First Security on demand, and shall accrue interest at the Note rate or, if applicable, at the default rate.

5.6 Borrower will permit First Security or its agents to inspect the Collateral, corporate books and financial records of Borrower and to discuss the affairs, finances and assets of Borrower with Borrower, all at such reasonable times and as often as First Security may reasonably request.

5.7 Borrower will not create or suffer to exist any lien or encumbrance on any of the Collateral except (1) liens in favor of First Security; (2) liens for taxes or assessments not yet payable; (3) mechanic's or materialman's liens arising in the ordinary course of business that are not overdue; (4) deposits or pledges to secure the payment of worker's compensation, unemployment or other social security benefits, or to secure the performance of bids, tenders, contracts (other than for borrowed money),

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leases, public or statutory obligations, security or appeal bonds or other obligations of a similar nature incurred in the ordinary course of business; (5) liens that may be identified as permitted encumbrances on the Permitted Encumbrances Schedule attached hereto; or (6) liens to which First Security has previously consents in writing. Borrower shall notify First Security in writing immediately upon receipt of notice of the imposition of any lien, levy, attachment or execution on the business or assets of Borrower. Borrower shall cause such liens or other process not permitted by this Section to be satisfied immediately. First Security may discharge such unpermitted liens and encumbrances, and any such amounts shall become part of the Obligations, shall be repaid to First Security on demand, and shall accrue interest as set forth in the Note.

5.8 Borrower will not guarantee, endorse or otherwise become surety for the obligations of any other person or entity without the prior written consent of First Security, except with respect to consumer-related obligations and with respect to checks, drafts and similar instruments for deposit or collection in the ordinary course of Borrower's business. Without prior written consent of First Security, Borrower agrees that it will not loan to or provide credit accommodations to third parties, except as associated with transactions in the ordinary course of business.

5.9 Except for sales in the ordinary course of its business. Borrower will not transfer, sell, convey, grant or otherwise convey any right, title or interest in and to any of the Collateral, without the prior written consent of First Security.

5.10 Borrower shall immediately notify First Security in writing of any change in the location of Borrower's business or any change in Borrower's name, any change in the key management or ownership of Borrower or any change in the agreements affecting the structure of Borrower or the operation of its business. Without the prior written consent of First Security, Borrower will not become party to or involved in any merger, consolidation or change of form or structure or other like change or acquisition. Borrower shall not redeem or purchase its own stock. Furthermore, Borrower shall not commingle its funds with any other entity.

SECTION 6. DEFAULT AND REMEDIES

6.1 The occurrence of any of the following shall constitute an event of default under this Agreement (references to "Borrower" in this Section 6.1 shall include each obligor under any guaranty executed in connection with this Agreement and each other party to the Loan Documentation):

(a) Failure to pay when due any principal or interest or other monetary indebtedness under the Obligations;

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(b) Any representation or warranty made by Borrower in the Loan Documentation or in connection with any borrowing hereunder, or in any certificate, financial statement or other statement furnished by Borrower pursuant hereto is untrue in any respect at the time when made;

(c) Failure of Borrower to observe or perform any of the covenants or agreements contained in the Loan Documentation;

(d) Any material provisions of the Loan Documentation shall for any reason cease to be in full force and effect;

(e) Filing by or against Borrower or a petition in bankruptcy or for any other relief under the Bankruptcy Code, as amended, or under any other insolvency act or law, state or federal, now or hereafter existing, or any action by Borrower indicating Borrower's consent to, approval or acquiescence in, any such petition or proceeding; the application by Borrower, or the consent or acquiescence of Borrower to the appointment of receiver or trustee for Borrower or for all or a substantial part of Borrower's property; the making by Borrower of an assignment for the benefit of creditors under state law; or the admission of Borrower in writing of Borrower's inability to pay Borrower's debts as they mature;

(f) The involuntary appointment of a receiver or trustee for Borrower or for all or a substantial part of Borrower's property; or the issuance of a warrant of attachment, execution or similar process against any substantial part of the property of Borrower;

(g) All or any substantial part of the property of Borrower shall be sold, assigned, transferred, or shall be condemned, seized or otherwise appropriated, or custody or control of such property shall be assumed by any governmental agency or any court of competent jurisdiction at the instance of any governmental agency;

(h) The occurrence of any adverse change in the financial condition of Borrower or the status of Collateral deemed material by First Security;

(i) First Security shall for whatever reason cease to have the priority of liens and security interests in any item of collateral or any other lienholder commences to foreclose or take any other action against any item of Collateral.

6.2 If any event set forth in Section 6.1 occurs:

(a) First Security may (i) terminate any obligation to make further advances under the Loan; (ii) declare the entire Obligations outstanding hereunder to be immediately due and payable, whereupon the principal amount of the outstanding Loan, together with accrued interest thereon, shall become immediately due and payable without presentment, demand, protest or other

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notice of any kind, all of which are hereby expressly waived, anything contained herein or in the Note to the contrary notwithstanding; and (iii) proceed to enforce any of its remedies under the Loan Documentation, including this Agreement.

(b) First Security may, in its sole discretion and for its sole account, advance such sums and costs and take such other steps as it may deem necessary or advisable to protect the Collateral. All sums advanced or paid by First Security for such purposes shall accrue interest at the Note rate or, if applicable, at the default rate and shall be payable by the Borrower to First Security on demand, as loans from First Security to the Borrower under this Agreement, and shall be part of the Obligations.

(c) First Security may, at its sole option, without demand and upon such notice as may be required by law, and irrespective of negative consequences to Borrower or any other party to the Loan Documentation, do any one or more of the following: (ii) immediately take possession of the Collateral wherever it may be found using all necessary and lawful actions to do so, and Borrower waives all claims to damages due to or arising from or connected with any such taking; (iii) proceed in the foreclosure of this Agreement and sell all the Collateral in any manner permitted by law or provided for herein; (iv) sell the Collateral at public or private sale with or without having said Collateral at the place of sale and upon terms and in such manner as First

Security may determine, Borrower agreeing that if notice of such a sale is required by law, a ten day notice period shall be commercially reasonable unless a shorter time period is permitted by law or the Loan Documentation; (v) complete the processing of any of the Collateral or repair or recondition any of the Collateral to such extent as First Security may deem advisable, and any sums expended therefore by First Security shall be repaid by Borrower and be part of the Obligations; (vi) take possession of Borrower's premises to complete such processing, repairing and reconditioning, using the facilities and other property of Borrower to do so, to store any of the Collateral subject to First Security's security interest and to conduct any sale as provided for herein, all without compensation to Borrower; (vii) sell, in one or more sales, at public or private sale, for such price as it may deem fair, any or all of the Collateral; and (viii) be the purchaser of any of the Collateral so sold and hold the same thereafter in its own right, absolutely free from any claims or rights of Borrower.

The net proceeds of any sale as hereinbefore described shall be applied against the amount owed on the Obligations in such order as First Security may elect. Borrower shall forthwith pay to First Security any deficiency upon demand. Demand of performance, advertisement and presence of property at sale are hereby waived, and First Security is hereby authorized to sell hereunder any evidence of debt it may hold as security for the Obligations. All demands and presentments of any kind or nature are expressly waived by Borrower. Borrower hereby waives any right to require First Security to proceed against any Collateral. Borrower waives the right to require First Security to pursue any other remedy for the benefit of Borrower and agrees that First Security

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may proceed against Borrower for the amount of the obligations owed by Borrower to First Security without taking any action against any other party and without selling or otherwise proceeding against or applying any Collateral. Borrower authorizes First Security, at its option, to apply toward the payment of the Obligations all balances of any deposit account in the name of Borrower held by First Security.

(d) First Security may exercise and enforce with respect to the Collateral any and all other rights and remedies available on default to a secured party under the Loan Documentation, the Uniform Commercial Code or other applicable law.

No remedy given to First Security in the Loan Documentation is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given under the Loan Documentation or now or hereafter existing at law or in equity or by statute.

6.3 The Borrower agrees to cooperate with First Security in effectuating First Security's rights notwithstanding any subsequent inability of Borrower to pay the Loan or otherwise perform the Obligations.

SECTION 7. MISCELLANEOUS

7.1 Time is of the essence of this Agreement. No advance under the Loan shall constitute a waiver of any of the conditions to First Security's obligation to make further advances, nor, in the event Borrower is unable to satisfy any such condition, shall any waiver have the effect of precluding First Security from thereafter declaring such inability to be an event of default under this Agreement. No failure or delay on the part of First Security in exercising any right, power or privilege hereunder or under the Loan Documentation shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The consent or approval by First Security to or of any act by Borrower requiring further consent or approval shall not be deemed to waive or render unnecessary the consent or approval to or of any subsequent act. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by law.

7.2 Borrower shall pay all attorneys' fees, paralegal fees, costs, including without limitations costs of appraisals, environmental audits and evidences of title, and other expenses incurred before legal action, during the pendency of any such legal action, during the enforcement of First Security's rights in any bankruptcy or insolvency proceedings, and continuing to all such expenses in connection with any appeal to higher courts arising

out of matters associated herewith. Until so paid, all such fees, costs, and expenses shall constitute part of the Obligations of Borrower secured by the Loan Documentation and the Collateral and shall accrue interest at the Note

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rate or, if applicable, at the default rate.

7.3 Borrower hereby agrees to indemnify and hold harmless First Security, its directors, officers and employees from any and all liability, expense, costs, charges or assessments, including attorneys' fees and expenses, with respect to hazardous or toxic substances or waste handling, disposal, First Security, its directors, officers and employees from and against any and all liability, expense, damage, demands, claims and lawsuits, including attorneys' fees and expenses, arising out of this Agreement or the other Loan documentations or in connection therewith, unless arising from First Security's willful misconduct.

7.4 In addition to this Agreement and the other Loan Documentation, this finance transaction may include closing documentation such as resolutions, waivers, notices, acknowledgements, statements, closing or escrow instructions, loan purpose statements, and other documents that First Security may customarily use in closing such transactions. Such additional documents are incorporated herein by this reference. The Loan Documentation and closing documents to which this Section refers, as applicable, express, embody and supersede any previous understandings, agreements or promises (whether oral or written) with respect to this finance transaction, and said documents represent the final expression of the agreement between First Security and Borrower, the terms and conditions of which cannot hereafter be contradicted by any oral understanding not reduced to writing and identified above. This Section shall govern in the event it is inconsistent with any similar provision in any other Loan Documentation.

7.5 Any notice required by any Loan Documentation will be deemed effective if personally delivered to the party to which notice is being given, or, in the alternative, on the date such notice is placed, first-class mail, in the U.S. Mail addressed to the party to which notice is being given, at such address as is set forth below. In the event another agreement constituting part of the Loan Documentation sets forth a notice procedure, such procedure shall govern for purposes of that document and thus supersede the terms of this Section if inconsistent.

First Security	Borrower
15 East 100 South, 2nd Floor	1825 Research Way
Salt Lake City, UT 84111	Salt Lake City, UT 84119

7.6 All representations and warranties made in this Agreement and note and in any certificates delivered pursuant hereto and thereto shall survive the execution and delivery of this Agreement and the making of the Loan hereunder and shall survive payment of the Loan. This Agreement shall be binding upon and inure to the benefit of Borrower and First Security and their respective successors and assigns, except that the Borrower may not assign or transfer its rights hereunder without the written consent of First Security. It is understood that First Security may sell the Loan and its interests under the Loan Documentation without the need for Borrower's consent and may procure

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other lenders to participate in the Loan, and First Security may issue participation certificates to such other lenders.

7.7 Borrower agrees to execute any other documentation and provide such other information and documentation as First Security may reasonably require. Any provision of this Agreement or any other constituents of the Loan Documentation, which may be found to be invalid, shall be deemed separable and shall not invalidate the remainder of the provisions. No third party shall, under any circumstances, be deemed to be a beneficiary under the Loan Documentation or any condition set forth therein. Nothing in the Loan Documentation shall create a partnership or joint venture between First Security and Borrower.

7.8 This Agreement may be signed in any number of counterparts, each of which shall be deemed an original, and such counterparts together shall constitute one and the same instrument. This Agreement and the other Loan Documentation shall be governed by, and construed and interpreted in

accordance with, the laws of the State of Utah. If Borrower is not resident of the State of Utah, Borrower hereby consents to the jurisdiction of the courts of the State of Utah to enforce this Agreement and the other Loan Documentation.

7.9 The obligations of Borrower (if there is more than one Borrower) under the Loan Documentation, including warranties and representation, shall be joint and several.

7.10 This Agreement incorporates by reference all additional terms set forth in the following Schedule(s) attached hereto (check the applicable boxes):

<input type="checkbox"/> / <input type="checkbox"/>	Additional Terms Schedule	<input type="checkbox"/> / <input type="checkbox"/>	Real Property Schedule
<input type="checkbox"/> / <input type="checkbox"/>	Pledged Assets Schedule	<input checked="" type="checkbox"/> / <input type="checkbox"/>	Permitted Encumbrances Schedule
<input type="checkbox"/> / <input type="checkbox"/>	Inventory and Receivables Schedule	<input type="checkbox"/> / <input type="checkbox"/>	Schedule of Collateral Granted by Other Parties, together with references to related Schedules
<input type="checkbox"/> / <input type="checkbox"/>	Borrowing Base Schedule	<input type="checkbox"/> / <input type="checkbox"/>	-----
<input checked="" type="checkbox"/> / <input type="checkbox"/>	Equipment Schedule	<input type="checkbox"/> / <input type="checkbox"/>	-----

Unless the context otherwise requires, the terms in the Schedules shall have the meanings set forth in this Agreement and other terms which are defined in

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the Uniform Commercial Code shall have the meanings set forth therein.

DATED January 23, 1997

FIRST SECURITY:

First Security Bank, N.A.

D. Kevin Imlay, Vice President

BORROWER:

GENTNER COMMUNICATIONS CORPORATION

David L. Harmon, Vice President

EQUIPMENT SCHEDULE TO COMMERCIAL CREDIT AND SECURITY AGREEMENT

(a) The term "Collateral" shall include without limitation all Equipment (as defined below), whether now owned or hereafter acquired, together with all products and proceeds therefrom including without limitation proceeds of insurance policies insuring any Collateral against loss by theft (casualty or otherwise). Collateral shall also include any substitutions for, accessions and modifications to and other additions and replacements for accountings, reports, appears and documents relating to any of the Collateral, including all computer records, data programs, software, disks, etc., relating to or arising out of or used in connection with any of the Collateral.

(b) [Select either box (1) or (2) for definition of "Equipment". If neither box is checked, the term "Equipment" shall be defined as set forth in (1)]:

(1) The term "Equipment" shall have the meaning specified in the Uniform Commercial Code and shall also include without limitation any and all equipment, (as defined in the Uniform Commercial Code), machinery, computers, furniture, furnishings, tools, supplies, motor vehicles, rolling stock,

aircraft, farm products (as defined in the Uniform Commercial Code), parts, manuals, instructional materials and warranties, whether now owned or hereafter acquired or created and wherever located, and including without limitation the following identified items.

"Equipment" shall also include all General Intangibles related to or arising from the ownership, operation, installation, servicing or use of any of the foregoing.

// (2) The term "Equipment" shall include the following identified items, together with all parts, manuals, instructional materials and warranties related thereto:

ADDITIONAL TERMS SCHEDULE TO COMMERCIAL CREDIT
AND SECURITY AGREEMENT

FINANCIAL COVENANTS. Through the course of the Loan, and until it is fully paid, Borrower agrees to maintain the following:

A. DEBT TO WORTH. Ratio of total liabilities to net worth at a level not to exceed 1.75:1.00.

B. DEBT SERVICE COVERAGE RATIO. "Debt Service Coverage Ratio" means, as of the last day of each fiscal quarter, the ratio of (a) EBITDA for the fiscal period consisting of that fiscal quarter and the three immediately prior fiscal quarters to (b) to the sum of (i) Interest Expense for such fiscal

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quarter and the three previous quarters plus (ii) the scheduled long term debt reductions for the four fiscal quarters ending with the current period quarter.

EBITDA
----- 1.00:1:00
Int. Exp. + Current Maturities

C. EBITDA. "EBITDA" means, for any period, for the Borrower, determined in accordance with GAAP, the sum of (a) the net income (or net loss) PLUS (b) all amounts treated as expenses for depreciation and interest and the amortization of intangibles of any kind to the extent included in the determination of such net income (or loss), PLUS (c) all accrued taxes on or measured by income to the extent included in the determination of such net income (or loss); PROVIDED, HOWEVER, that net income (or loss) shall be computed for these purposes without giving effect to extraordinary losses or extraordinary gains.

D. CROSS-COLLATERALIZATION. BORROWER agrees that all security agreements and security interests which First Security has acquired in relation to certain loans dated 10/24/96 represented by an Accounts Revolving Note, Inventory Revolving Note, and Commercial Credit and Security Agreement dated of even date, shall also have applicability and shall serve as collateral for the payment and performance of this Loan represented by the Note and this Agreement, and all the provisions contained in the earlier Credit Agreement as amended with regards to the collateral securing the earlier Loan shall also apply to this Loan.

A. PREPAYMENT FEE. For purposes of the Note, "prepayment" shall mean any instance in which the principal debt evidenced hereby is fully or partially satisfied in any manner, whether voluntarily or involuntarily (excluding scheduled payments required hereunder), prior to the maturity date or any extension thereof. If prepayment occurs, the following payment shall also be required (as liquidated damages for loss of a bargain and not as a penalty):

- (a) Four percent (4%) of the amount prepaid during the first year of the Note.
- (b) Three percent (3%) of the amount prepaid during the second year of the Note.
- (c) Two percent (2%) of the amount prepaid during the third year of the Note.
- (d) One percent (1%) of the amount prepaid during the fourth year of

the Note, and thereafter.

These prepayment fees shall be due and payable upon prepayment. Prepayment made during the last six (65) months of the Note may be made without a prepayment fee being required. The term "year" as used herein means each succeeding twelve (12) month period from the date of the Note.

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Prepayment shall be first applied to attorneys' fees and other expenses incurred by the holder of the Note, as provided in this Agreement, second to accrued interest on the unpaid principal amount of the Note to the date of prepayment, third to the prepayment charge required herein, and then to the unpaid principal amount of the Note. Any reduction in principal resulting from the prepayment shall not excuse or defer any scheduled payments under the Note when due.

[FIRST SECURITY BANK LOGO] Nonrevolving Promissory Note
Loan No.: 00223791-9003

PRINCIPAL AMOUNT: \$ 322,716.15 Date: January 23, 1997

BORROWER: GENTNER COMMUNICATIONS CORPORATION

ADDRESS: 1825 RESEARCH WAY, SALT LAKE CITY, UT 84119

For value received, the undersigned Borrower promises to pay to First Security Bank N.A. ("First Security"), or to its order, the total principal amount outstanding on this Nonrevolving Promissory Note ("Note") together with interest as stated below, in lawful money of the United States of America.

INTEREST: Interest on the outstanding principal balance shall be calculated on the following basis until paid:

Fixed Rate: 9.250 per cent per annum until paid in full.

The actual interest to be charged under this Note shall be calculated daily on the outstanding balance on a 360-day year. Should the rate of interest as calculated, exceed that allowed by law, the applicable rate of interest will be the maximum rate of interest lawfully allowed. The principal amount outstanding on which the interest rate shall be charged shall be determined from First Security's records, which shall at all times be conclusive.

PAYMENT SCHEDULE: This Note shall be paid in equal installments of principal and interest in the amount of \$8,087.69 each, beginning on February 23, 1997 and continuing on the 17th day of each month thereafter until January 23, 2001 when the entire balance of outstanding principal and accrued but unpaid interest shall be due and payable, If the interest rate selected above is a Variable Rate, First Security shall have the right, in its sole discretion, to recalculate at any time the amortized payment to reflect any change in the interest rate. The changed amortized payment shall be effective on the first payment date after written notice is given to Borrower of such recalculation. Payments shall be made at First Security's Commercial Loan Accounting Center at P.O. Box 7666, Boise, Idaho 83707-1666, or at such other place as the holder or assignee of this Note may designate. Payments will be applied first to accrue interest with the remainder (if any) applied to principal.

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ADVANCES: Borrower agrees that any and all advances made hereunder shall be for Borrower's benefit whether or not said advances are deposited to Borrower's account, and that persons other than the undersigned Borrower may have authority to draw against such account. Advances may be made hereunder at the oral or written request of Russ Gentner or David L. Harmon who is (are) hereby authorized to request advances until written notice of revocation of this authority is received by First Security from Borrower. Advances shall be made to Borrower or for the account of Borrower unless Borrower directs otherwise in writing.

If Borrower fails to make any scheduled payment on this Note when due, or otherwise defaults in any other obligations imposed by this Note [deleted text], any document securing this Note, or any other document executed in connection with this Note, First Security, at its option, may declare

immediately due and payable all amounts then outstanding on this Note.
[deleted text] Borrower shall pay all costs and expenses incurred by First Security or by any other holder of this Note incurred in connection with any failure to pay or other default of Borrower, including[*] attorneys, fees, collection costs, costs incurred to protect any collateral, court costs and costs on appeal, including, without limitation, all such fees and[*] costs incurred before the commencement of a proceeding to collect this Note, during any such proceeding, during any bankruptcy or insolvency proceeding, and during any appeal.

[*]Reasonable

If First Security has not received the full amount of an payment by the end of fifteen (15) calendar days after the date due, including the balance due at maturity, Borrower will pay a late charge to First Security in the amount of five percent (5%) of the overdue payment of principal and interest or \$1000.00, whichever is less. Borrower hereby agrees to pay the late charge promptly, but only once on each late payment. In addition to any late charges that may be assessed as herein provided, the outstanding balance of this Note after a default in payment of principal and/or interest or any part thereof, including but not limited to a default in making the final payment due at maturity, [deleted text] any document securing this Note, or any other document executed in connection with this Note, shall accrue interest from the date of the default at the rate equal to four (4) percentage points per annum in excess of the interest rate charged if this Note were not in default. If First Security shall waive in writing or permit a cure of such default, the interest rate shall revert to the non-default rate from and after such waiver or completion of such cure.

This Note is secured by A Commercial Credit and Security Agreement of even date of such herewith, covering the property described or referenced therein.

This Note is to be construed under the laws of the State of Utah.

The makers, sureties, guarantors, and endorsers of this Note jointly and

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severally waive presentment for payment, notice of protest, notice of protest, and notice of nonpayment of this Note, and consent that this Note or any payment due under this Note may be extended or renewed without prior demand or notice, and further consent to the release of any collateral or part thereof or any surety or guarantor, with or without substitution.

For all terms hereunder and as dictated by the actual signatory or signatories hereto, references to the singular shall include the plural and references to the male gender shall include the female gender as well as the neuter. In particular, "Borrower" shall include "Borrowers" if the undersigned is more than one party or entity. In the event that there are multiple signatories, all obligations hereunder are joint and several.

BORROWER:

GENTNER COMMUNICATIONS CORPORATION

/s/ DAVID L. HARMON, VICE PRESIDENT

Exhibit 10.5

VALLEY AMERICAN INVESTMENT
VALLEY BUSINESS CENTER AT
DECKER LAKE
WEST VALLEY CITY, UTAH

This Lease is made and entered into this 26 day of February, 1996, by and between VALLEY AMERICAN INVESTMENT COMPANY of P.O. Box 186, Midvale, Utah 84047, as Landlord and GENTNER COMMUNICATIONS CORPORATION of 1825 W. Research Way, West Valley City, Utah 84119, as Tenant.

WHEREAS, this Lease is made and entered into with regard to certain real property located in West Valley City, County of Salt Lake, State of Utah, more particularly described on the attached site plan labeled as Exhibit "A" and Exhibit "F" which is incorporated herein by reference (Hereinafter referred to as the Real Property).

WHEREAS, there is attached hereto and marked Exhibit "A" a site plan for the Real Property. The site plan discloses the location of and the certain specifications for the building and other improvements which are presently

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existing and which are to be constructed by Landlord pursuant to the terms of this Lease. Said site plan is incorporated herein by reference.

WHEREAS, Landlord is desirous of leasing said building and improvements to Tenant and Tenant is desirous of leasing the same from Landlord upon the terms and conditions hereafter set forth.

THEREFORE, in consideration of the foregoing promises and each and all of the mutual and reciprocal covenants, terms, provisions, conditions and agreements hereinafter set forth, Landlord does hereby lease, let and demise unto Tenant and Tenant does hereby accept, take and hire from Landlord, upon the terms and conditions set forth herein the Real Property, together with the improvements to be constructed thereon by Landlord as described on the attached Exhibit "A".

1. BUILDING

1.1 Building:

Landlord hereby agrees that, subject to the terms and conditions hereinafter provided, it will cause to be constructed upon the Real Property a 65,902 square foot building addition from which Tenant will lease a total of 40,250 square feet of space consisting of 23,202 square feet of office space and 17,048 square feet of warehouse space and other improvements as described on the site plan, specifications and a floor plan attached hereto as Exhibit "B" which were prepared by Kenny Nichols of A.S.W.N. and bear the date February 1, 1996.

1.2 Architect:

Upon the parties execution of this Lease, Landlord shall direct Allred, Soffe, Wilkinson and Nichols to prepare construction drawings and specifications for the improvements. The construction drawings and specifications shall be submitted to the Lessee for approval prior to their submission to West Valley City. Lessee agrees that it will promptly, but not later than fourteen (14) days from receipt, make any necessary or appropriate corrections to the construction drawings and specifications and make the same available to the Landlord for its approval. The plans and specifications for the improvements to be constructed are subject to the approval of both the Landlord and the Tenant. The construction drawings and specifications in final form and as approved by the parties shall be incorporated herein and attached hereto as Exhibit "C" as though they were fully set forth at length herein and shall constitute the plans and specifications in accordance with which Landlord shall construct the improvements.

1.3 Costs:

The total cost of construction, subject to the limitations described in

Section 1.5 and 1.7, of the improvements, including, but not limited to, architectural, engineering and supervision fees, including all plans, specifications, etc., all permits of whatever nature, cost of construction, cost of clearing the premises, cost of preparing the site for construction, materials, supervision, contractor's fees, or profit, labor, sub-contracting prices, all fees such as sewer hook-up, bonded sewer charges, landscape costs, performance and lien bonds, construction interest, insurance and financing charges and any and all other charges incurred in the course of and during construction and all other necessary or incidental expenses connected with the development of the improvements, shall be borne by the Landlord. It shall be the duty of the Landlord to file any and all applications and obtain any consents or authorizations as may be required of Landlords, owners, builders by any governmental agency or authority upon a full and fair disclosure of the facts to it; the liability of the Tenant shall not accrue until the Landlord has fully complied with all terms and conditions of such consents and authorizations.

1.4 Occupancy:

Occupancy by the Tenant shall be deemed to be that of a Tenant under all of the terms, covenants and conditions of this Lease and Tenant's liability for rent, taxes, insurance and common area maintenance obligations shall commence and become payable on the date Tenant takes possession of the premises. As used herein, the phrase "the day Tenant takes possession" shall mean the day that Landlord has provided the Tenant with written notice that the improvements have been substantially completed in accordance with the plans and specifications, which notice shall have attached a certificate of occupancy or a photocopy thereof issued by the proper governmental authority or project architect. Should the occupancy date occur on any day other than the first day of the month, rent, taxes, insurance and maintenance charges for the month shall be prorated and the initial ten (10) year term of this Lease shall commence on the first day of the month following the occupancy date.

1.4(a) It is the intent of both Landlord and Tenant to have the new space ready for occupancy within seven (7) months after receipt of building permit. If the Leased Premises are not substantially completed (as hereinafter defined) within ten (10) months after receipt of building permit, then Landlord agrees to reimburse Tenant all reasonable costs of securing, moving to and from, and renting temporary alternative facilities. If the Leased Premises are not substantially completed (as hereinafter defined) within sixteen (16) months after receipt of building permit, then Tenant shall have the option to terminate this Lease as well as the lease dated January 15, 1988. Provided the cause of the delay was not due to the actions or negligence of Tenant, or through acts of "Force Majeure" as described in Article 36. Tenant's right to terminate said Leases for failure of Landlord to "Substantially Complete" the leased premises within said time period will be Tenant's sole remedy. Promptly after the Lease Commencement Date is ascertained, Landlord and Tenant shall execute an amendment affirming the Lease Commencement Date and the Lease Expiration Date.

1.5 Change Orders:

Tenant, without invalidating this Lease, may order changes in the work as contemplated by the construction drawings and specifications attached hereto as Exhibit "C", provided that any such changes shall be subject to the approval of the Landlord which approval shall not be unreasonably withheld, and that any additional cost to Landlord from a change in the work shall be paid for by Tenant to Landlord in cash or in equal monthly installments over the first ten years of the initial Lease term which shall be payable at the same times and in the same manner as the monthly installments of rent. The amount of the monthly installments shall be determined by amortizing the additional costs over a period of one hundred twenty (120) months utilizing an interest rate equal to eleven percent (11%) per annum. All such changes in the work shall be authorized by a written change order signed by Landlord and Tenant. The cost to Tenant for a change in the work shall be determined by mutual agreement between Landlord and Tenant in writing, before the Landlord shall be responsible for executing such change.

1.6 Existing Lease:

Tenant's current lease expires on August 30, 1998. Landlord and Tenant mutually agree to terminate the existing lease and amendments by and between Dell S. Nichols as Landlord (which was assumed by Valley American Investment as Landlord) and Tenant dated January 15, 1988. Landlord and Tenant will have no further obligations to each other at the termination of the existing lease with the exception of real property taxes and real property tax refunds which will be pro rated and charged or credited to the new Lease. The termination date of the existing lease will be the commencement date of the new lease as described above in Section 1.4.

1.7 Tenant Improvement Allowance:

Tenant shall receive a Tenant Improvement Allowance equal to \$19.00 per rentable square feet of newly constructed interior office space, plus a remodel allowance of thirty thousand (\$30,000) dollars. (For example, if Tenant lease 5,000 square feet of office space then the Tenant Improvement Allowance will be 5,000 square feet @ \$19.00 per square foot which is equal to \$95,000 plus the \$30,000 remodel allowance for a total allowance of \$125,000).

The Tenant Improvement Allowance shall be used for all necessary interior office improvements desired by Tenant, including but not limited to painting, plumbing, electrical, heating, ventilating and cooling, drywall, carpet, architectural and space planning fees, wiring, cabling, security system, consulting engineers, etc. Any expenses over and above the allowance or any additional improvement desired by Tenant shall be paid for by the Tenant. Any actual expense under and below the amount allowed for Tenant Improvements shall be used at Tenant's discretion.

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1.8 Substantial Completion:

The term "Substantially Completed" shall mean the completion of Landlord's Work in accordance with Exhibits A, B and C, except for minor details of construction, mechanical adjustments or decorations or other punch list items which do not adversely affect Tenant's use or occupancy of the Leased Premises. Landlord agrees to complete such punch list items within thirty (30) days of Landlord's receipt of such punch list items from Tenant. The Leased Premises shall not be deemed Substantially Completed if certain portions of the Building or Project are not completed, and said lack of completion interferes with the efficient conduct of Tenant's business in the Leased Premises.

2. TERM

2. Term:

The term of this Lease shall be for a period of ten (10) years to commence as provided for in Section 1.4 herein. It is understood and agreed that the date for the commencement of the Lease term may be modified as herein provided. However, the term of this Lease shall at all times be for a period of ten (10) years from and after the date of commencement of said term.

2.1 Termination Option:

Tenant shall have a one time option to terminate this Lease at the end of the 84th month of the original ten (10) year Lease term. Said option to terminate must be exercised by Tenant on or before the end of the 78th month of the original ten (10) year Lease term by providing Landlord with written notice of its intention to so terminate.

2.2 Termination Penalty:

Should Tenant exercise its right to terminate the Lease as described in Section 2.1 above, then Tenant shall pay Landlord a termination fee equal to six (6) months of rental payments plus a applicable common area expenses, property taxes and insurance. In addition to the termination penalty, Tenant agrees to pay Landlord the unamortized portion of Tenant's Improvement Allowance as defined in Section 1.7 above. The straight line amortization shall be based on ten years at 12% with a tenant improvement allowance of \$300,750.00. The Lease termination shall not become effective until Landlord

receives the termination penalties described above and Landlord and Tenant mutually execute a Lease termination document. Landlord agrees to waive all such penalties in the event that Tenant secures a new tenant financially acceptable to Landlord, with no additional out of pocket expenses to Landlord.

Should any out of pocket expenses to Landlord be nonetheless necessary to secure the next tenant, Tenant shall reimburse Landlord up to the amount of

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the Termination penalty.

2.3 Options:

Providing that Tenant is not in default under the terms of this Lease, Tenant shall have the option to extend the Lease term for two additional periods of five (5) years each beyond the original ten (10) year Lease term. The first option must be exercised by Tenant no later than the end of the 14th month of the original ten (10) year Lease term by providing Landlord with written notice of its election. During the first option period Tenant shall give Landlord written notice of Tenant's desire to exercise their second option no later than the 54th month of the option period. During the option periods, all terms, conditions and provisions of this Lease shall remain in full force and effect with all time periods extended accordingly with the exception of Section three (3) and six (6) dealing with the amount of rent, periodic rent adjustments and the availability of incentive monies payable by the West Valley City Redevelopment Agency. The amount of rent due Landlord during the option period shall be:

	Monthly Rent:	Annual Rent:
	-----	-----
Option #1:	\$30,282.00	\$363,382.00
Option #2:	\$32,704.00	\$392,453.00

3. RENT

3. Minimum Base Rent:

Tenant shall pay Landlord an annual base rent of \$247,312 in equal monthly installments of \$20,609.00 each due on the first day of each month during the term hereof, said rent being payable without notice or demand. The minimum base rent for the first twenty four (24) months of the original ten (10) year Lease term shall be based upon the following rent schedule:

Existing Space:	20,000 s.f. @ \$6.00 per s.f. per year, triple net
New Office Space:	14,250 s.f. @ \$7.25 per s.f. per year, triple net
New Warehouse Space:	6,000 s.f. @ \$4.00 per s.f. per year, triple net

3.1 Adjustment to Minimum Base Rent:

The annual minimum base rent of (\$247,312) provided for herein shall be

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paid as follows during the initial ten (10) year term hereof.

	Monthly Rent:	Annual Rent:
	-----	-----
Months 1 - 24	\$20,609.00	\$247,312.00
Months 25 - 48	\$22,258.00	\$267,097.00
Months 49 - 72	\$24,039.00	\$288,465.00
Months 73 - 96	\$25,962.00	\$311,542.00
Months 97 - 120	\$28,039.00	\$336,465.00

3.1.a If any installment of rent, additional rent or any other sum due from Tenant shall not be received by Landlord within fifteen (15) days after said amount is due, then Tenant shall also pay to Landlord a late charge equal to five (5%) per cent of any such overdue amount.

3.2 Security Deposit:

Tenant has paid a security deposit on behalf of Landlord in the amount of \$8,236.00 which shall be held by Landlord as security for the faithful performance by Tenant of all terms, covenants and conditions of the Lease to be kept and performed by Tenant during the term hereof. If Tenant defaults with respect to any provision of this Lease, including, but not limited to the provisions relating to the payment of rent, Landlord may (but shall not be required to) use, apply or retain all or any part of this security deposit for the payment of any rent or any other sum in default, or for the payment of any amount which Landlord may spend or become obligated to spend by reason of Tenant's default, or to compensate Landlord for any other loss or damage which Landlord suffers by reason of Tenant's default. If any portion of said deposit is so used or applied Tenant shall, within five (5) days after written demand therefore, deposit cash with Landlord in an amount sufficient to restore the security deposit to its original amount and Tenant's failure to do so shall be a default under this Lease. Landlord shall not be required to keep this security deposit separate from its general funds, and Tenant shall not be entitled to interest on such deposit. If Tenant shall fully and faithfully perform every provision of this Lease to be performed by it, the security deposit or any balance thereof shall be returned to Tenant (or at Landlord's option, to the last assignee of Tenant's interest hereunder) within ten (10) days following expiration of Lease term. In the event of termination of Landlord's interest in this Lease, Landlord shall transfer said deposit to Landlord's successor in interest.

4. COMMON AREA MAINTENANCE EXPENSE

4. It is the intent of both parties that the minimum rentals herein specified shall be absolutely net to Landlord throughout the term of this Lease, and that Tenant shall pay its proportionate share of all costs, expenses, and obligations of every kind relating to the maintenance, management and general up-keep of the Common Areas and the exterior premises

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(more fully described below) which may arise or become due during the term hereof. Landlord shall be indemnified by Tenant against such proportionate costs, expenses, and obligations. In furtherance thereof, Tenant shall pay as additional rent, without demand therefore and without set off or deduction, its proportionate share of expenses and charges as set forth in Section 4.1 below.

4.1 Tenant shall pay to Landlord its Proportionate Share of the Project's operating cost. The "Project's Operating Cost" means the total cost and expense incurred in operating and maintaining the common areas, hereinafter defined, actually used or available for use by Tenant and the employees, agents, servants, customers, and other invitees of Tenant excluding only items of expense commonly known and designated as carrying charges, but specifically including without limitation, utility expenses for lighting and or watering the landscaping, personal property taxes and assessments on the common area improvements and equipment, premiums on fire and extended insurance coverage, vandalism, insurance and plate-glass insurance for the common areas; maintenance, repair and cleaning of common area pavement and mechanical equipment repair, maintenance, and cleaning of the common area structure including floors, ceiling, roof, sky lights, gardening and landscaping repairs, traffic and parking line painting, fighting, sanitary control, removal of snow, common area trash, rubbish, garbage, and other refuse, depreciation on machinery and equipment used in such maintenance, the cost of personnel to implement such services, to direct parking, and to police the common areas, and ten percent (10%) of all the foregoing costs to cover administrative and overhead costs.

As part of the Common Area Expenses described in Section 4.1 above, Landlord agrees to keep all buildings and improvements and equipment on, in or appurtenant to the property including all alterations and additions insured against loss or damage by fire and all extended coverage casualties in such companies as the Landlord may select, for the full, fair insurable value thereof The policies for such insurance shall be made and taken in the name of the Landlord as an additional insured party with loss thereunder payable to the Landlord and/or Mortgagee. Such policy or policies shall be deemed to be and remain in the possession of the Landlord or Mortgagee.

4.2 Tenant's Proportionate Share:

Tenant's Proportionate Share of the Project's operating cost, based on Tenant's proportionate square footage of rentable space within the project, shall be computed on the basis of a period of twelve consecutive calendar months as designated by Landlord and estimated payments toward the same shall be made by Tenant in twelve equal installments in advance on the first day of each calendar month in an amount to be established by the Landlord. Within sixty (60) days after the end of each twelve (12) month period, Landlord shall furnish to Tenant a C.P.A. prepared statement showing the Project's operating cost for the preceding period and any adjustments to be made as a result thereof. In the case of a deficiency, Tenant shall promptly remit the amount of such deficiency to Landlord. In the case of a surplus, Landlord shall apply

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said surplus to payments next falling due from Tenant under this Section 4.2.

4.3 Annual Common Area Maintenance (C.A.M.) Budget:

The annual C.A.M. budget for the leased premises is \$22,942.50. Tenant agrees to pay to Landlord monthly installments of \$1,911.88 towards the C.A.M. budget. Tenant further agrees to pay any C.A.M. shortages as described in Section 4.2 above.

"Common Areas" means all areas, space, equipment, and special services provided for the common or joint use and benefit of the tenants or occupants of the Project, or portions thereof, their employees, agents, servants, customers, and other invitees, including without limitation, parking areas, access roads, driveways, retaining walls, landscaped areas, truck service bays or tunnels, loading docks, pedestrian malls, courts, stairs, ramps and sidewalks, comfort and first-aid stations, washrooms and parcel pick-up stations.

5. USE

5. Use:

The premises shall be used only for the purposes of light manufacturing, assembly, warehousing, receiving, storing, shipping and selling products, materials and merchandise made and/or distributed by Tenant and for such other lawful purposes as may be incidental thereto. Tenant shall, at its own cost and expense, obtain any and all license and permits necessary for such use. Notwithstanding the foregoing, the premises shall not be used for any purpose which would violate local zoning restrictions or declarations or covenants affecting the premises.

5.1 Restrictive Covenants:

Landlord will prepare restrictive covenants for filing against the real property prior to commencement of construction. Prior to recording, the restrictive covenants will be submitted to the Tenant for its review and approval which shall not be unreasonably withheld. Tenant agrees that the real property, the improvements and its interest in this Lease shall be subject to the restrictive covenants upon their recordation and further agrees to execute whatever documents are reasonably necessary to effectuate the subordination of this Lease to the restrictive covenants.

6. TAXES

6. Taxes:

Tenant agrees to pay, as additional rent and before they become delinquent, all real and personal taxes (both general and special), water and

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sewage rents, assessments or governmental charges (hereinafter collectively referred to as "taxes") lawfully levied or assessed against the premises or any part thereof, provided, however, Tenant may, at its sole cost and expense, dispute and contest the same, and in such case, such disputed items need not be paid until finally adjudged to be valid so long as the validity or the amount thereof is contested by Tenant in good faith and in accordance with Utah State law. At the conclusion of such contest, Tenant shall pay the items contested to the extent that they are held valid, together with all liens,

court costs, interest and penalties relating thereto. Proration of said payments by Tenant shall be made when necessary for the first and last years of the lease term or any extensions thereof This covenant shall survive the expiration of this Lease, for a period not greater than one year.

6.1 Tax Notices:

Landlord shall provide Tenant copies of the "property valuation and tax notice" covering the premises each year as they are issued by the Salt Lake County Treasurer and of any other tax notices immediately upon their receipt by Landlord. Tenant shall notify Landlord of any proposed contest by Tenant of the valuation, amount of the tax or legality thereof prior to the deadline for filing the necessary protest, appeal or petition. Any such contest by Tenant must be timely made and may be made in the name of Landlord or Tenant, or both, but if the name of the Landlord is used therein, Landlord shall be notified thereof at least five (5) days prior to the commencement of the proceeding. If requested by Tenant, Landlord shall actively participate in any such contest, but Tenant shall be entitled to any refund of any tax, penalty, or interest thereon which may have been paid by Tenant or by Landlord, and reimbursed by Tenant to Landlord. Landlord is to be notified in advance in writing of the intention of Tenant to make such contest.

6.2 Personal Property Tax:

Tenant shall be liable for all taxes levied against Tenant's personal property and trade fixtures on or about the premises, including, but without prejudice to the generality of the foregoing, shelves, counters, vaults, vault doors, partitions, fixtures, machinery, plant equipment, and if any such taxes on Tenant's property or trade fixtures are levied against Landlord, and if Landlord pays the same, Tenant, upon demand, shall repay to Landlord the taxes so levied against Landlord.

6.3 Other Taxes:

Nothing herein contained shall be construed as requiring Tenant to pay any franchise, excise, corporate, estate, inheritance, successorship, capitol levy or transfer tax of Landlord growing out of, or connected with, this Lease, or Landlord's right in the building, or any income, excess profits, or revenue tax upon the income of the Landlord. Provided, however, that in any case where a tax (other than an income tax) may be levied, assessed or imposed upon Landlord for the privilege of renting or leasing the demised premises or which

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is based upon the rental revenue derived therefrom, Tenant shall pay to Landlord as additional rent hereunder the amount of said tax, but in no event shall the Tenant be obligated to pay an amount greater than that which would be payable if the demised premises were the only asset of the Landlord.

6.4 The Redevelopment Agency of West Valley City has agreed to make certain incentives available to the Landlord and Tenant in order to induce the Landlord to construct the improvements within the West Valley City redevelopment area and to induce the Tenant to locate its business within said improvements. The inducements will likely be in the form of rebates on personal and real property taxes assessed against the premises and the personal property of Tenant as set forth in the letter of the Redevelopment Agency dated January 14, 1988 which is attached hereto as Exhibit "D" and which is by reference incorporated herein (hereinafter referred to as the "Letter").

6.4.a As between Landlord and Tenant it is understood and agreed that the total amount of the incentives provided by the Redevelopment Agency shall be the property of Tenant and shall be assigned to Tenant as long as Tenant is in possession of the premises under the terms of this Lease and is not in default of any of the terms, conditions or agreements contained herein. Both parties agree to use their best efforts to pursue the Redevelopment Agency of West Valley City for the incentives. This Lease and the obligations of Landlord and Tenant hereunder shall in no way be subject to or conditioned upon the performance of the Redevelopment Agency in delivering the inducements agreed upon in the Agreement for Disposition of Land nor upon the amount of the inducements actually delivered by the Redevelopment Agency.

7. MAINTENANCE AND REPAIR

7. Tenant's Responsibilities:

Any and all improvements which may be erected or placed on the Real Property at any time during the term of this Lease shall be kept and maintained in good order and repair and replaced where necessary by Tenant at its sole cost and expense. The Tenant's maintenance obligation shall include, but not be limited to, HVAC systems, interior plumbing and interior electrical systems, windows, glass, doors, interior walls, finish work, floors, floor coverings, fixtures and appliances. Tenant shall also comply at its sole cost and expense with all laws, ordinances, orders, regulations, rules and requirements of every kind and nature whether they relate to ordinary or extra-ordinary, structural or nonstructural additions, changes, repairs or alterations to the premises made necessary by Tenant's use. Notwithstanding the items described above, Landlord will maintain the common areas of the property as described in Section 4 and will bill Tenant for its proportionate share.

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7.1 Landlord's Responsibilities:

Notwithstanding the provisions of the immediately preceding paragraph, Landlord shall be responsible for the maintenance of the building's structural integrity and structural components including brickwork, exterior sewage systems and drains, exterior plumbing and exterior electrical at its sole cost and expense. In addition, Landlord shall be responsible for replacement of the roof, asphalt parking surfaces, concrete pavements and driveways in the event that repairs and maintenance can no longer reasonably maintain their integrity and their utility. However, "Tenant's Proportionate Share" of those items of routine maintenance required by the roof, the exterior walls, the asphalt parking surfaces and the driveways (i.e. re-striping, sealing, patching, snow removal, sweeping) shall continue to be the responsibility of the Tenant as described in Section 4. 1.

7.2 Rights to Enter:

Upon prior notice the Landlord and its agents shall have the right to enter into and upon the Real Property or any part thereof at all reasonable hours for the purpose of examining the same or making such repairs or alterations therein as may be necessary for the safety and preservation thereof. In case of the neglect or default of the Tenant in making the same, the Landlord may do so after written notice to the Tenant (except that no notice shall be required in case of emergencies) during said term or after its expiration and all the costs and expenses incurred thereon, together with interest shall be repaid by the Tenant to the Landlord according to the provisions of Section 19.

7.3 Warranties:

Landlord shall assign a new construction warranties to Tenant upon Tenant's occupancy of the premises. Said assignment shall include the general contractor's one year guarantee and the roof warranty and/or guaranty.

7.4 Preventative Maintenance:

Tenant shall enter into a regularly scheduled preventative maintenance/service contract with a maintenance contractor for servicing all heating and air conditioning systems and equipment within the premises. The service contract must include a services suggested by the equipment manufacturers within the operation/maintenance manual and must become effective within thirty (30) days of the date Tenant takes possession of the premises. All guarantees/warranties provided with the heating and air conditioning systems will be recognized by Landlord within this program.

8. NET LEASE; NO ABATEMENT

8. This Lease is intended, and is hereby declared, to be a "net" lease, it being the intention of the parties hereto that the Landlord shall have and

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enjoy the rent herein reserved to it without deduction therefrom. Nothing herein contained shall be construed so as to require the Tenant to pay or be

liable for any gift, inheritance, estate, franchise, income, profit, capital, or similar tax, or any other tax in lieu of any of the foregoing, imposed upon the Landlord, or the successor or assigns of the Landlord, unless such tax shall be imposed or levied upon or with respect to rents payable to the Landlord hereunder in lieu of real estate taxes upon the premises.

8.1 No abatement, diminution, or reduction of the fixed rental or other charges payable by the Tenant under this Lease shall be claimed by or allowed to the Tenant for any inconvenience, interruption, cessation, or loss of business, or otherwise caused directly or indirectly by any present or future laws, rules, requirements, orders, directions, ordinances, or regulations of the United States of American or of the State, County, or City government or any other municipal, government, or lawful authority whatsoever or by priorities, rationing, or curtailment of labor or materials or by war or any matter or things resulting therefrom or by any other cause or causes; except if otherwise specifically provided in this Lease. It is understood that the Landlord is not entitled to retain rent by the Tenant and also to retain the proceeds of any rent insurance that it might receive where both cover the same periods of time.

9. UTILITIES

9. Not including its proportionate share of the Project's operating costs as described in Section 4.1, Tenant shall also pay for its own water, gas, heat, light, power, telephone and other utilities and services supplied to the property together with taxes thereon. Throughout the term of this Lease, the Tenant shall, at its own cost and expense hire and provide for its own trash removal. The arrangements made shall comply with local ordinances for refuse pick-up as to frequency and time, and shall not, to the best of Tenant's knowledge, result in any violation of environmental standards.

10. INDEMNIFICATION

10. Landlord shall not be liable to Tenant or Tenant's employees, agents, patrons or visitors, or to any other person whomsoever, for any injury to person or damage to property on or about the premises, caused by the negligence or affirmative acts of Tenant, its agents, servants or employees, or of any other persons entering upon the premises under express or implied invitation of Tenant, or caused by the building and improvements becoming out of repair; or caused by leakage of gas, oil, water or steam or by electricity emanating from the building, or due to any cause whatsoever, and Tenant agrees to indemnify Landlord and hold it harmless from any loss, expense or claims, including attorney's fees arising out of such damage or injury; except that any injury to person or damage to property caused by the negligence or affirmative acts including required repairs of Landlord shall be the liability

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of Landlord and not of Tenant, and Landlord agrees to indemnify Tenant and hold it harmless from any and all loss, expense or claims, including attorney's fees, arising out of such damage or injury.

10.1 Landlord's Indemnification of Hazardous Waste:

Landlord, as of the date of this Lease, agrees to hold Tenant harmless for any current or present environmentally hazardous materials (EHM). Landlord further represents that as of the date of this Lease, there are no known EHM. However if during the term of this lease or any time after the expiration of this Lease, if Landlord determines that Tenant has violated the hazardous waste covenants described in Section 10.2, then Landlord has the right to have Tenant remedy any damage caused by Tenant's negligence.

10.2 Hazardous Waste:

In addition to the provisions of Section 10 Landlord and Tenant agree not to cause or permit any hazardous material to be brought upon, kept or used in or about the Project including the Leased Premises. As used herein, the term "hazardous material" is defined as any hazardous or toxic substance, material or waste which now is or becomes regulated or restricted by any governmental authority, the State of Utah, or the United States Government. The term hazardous material includes, without limitation, any petroleum products or by products, asbestos, (in any form), chemicals, gases or any other material or substance which upon exposure or ingestion may reasonably be anticipated to

cause a hazard to the health or safety of the anticipated occupation of, or visitor to the premises or adjacent property. In the event Tenant, in the normal course of the operation of its business at the premises, as stated herein, is required to use certain substances which may be considered hazardous material, Tenant may in such event and notwithstanding the foregoing provision, use such substances in its business operations. Provided, however, Tenant shall be solely responsible for the proper use and disposal of such in compliance with all applicable laws and regulations and Tenant hereby agrees to indemnify, defend and hold harmless Landlord and the premises with respect to the use and disposal of such substances (both during and after the term of the Lease).

11. INSURANCE

11. During the term of this Lease, Tenant, at its sole cost and expense, and as additional rent shall provide:

a. Public Liability Insurance:

Provide and keep in force in such form as the Landlord shall direct, public liability insurance policies protecting the Landlord and Tenant against all insurable risks in the amounts of not less than One Million (\$1,000,000.00) Dollars in respect to any one accident or disaster and in the

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amount of not less than Five Hundred Thousand (\$500,000.00) Dollars, in respect to injuries to any one person.

b. Premiums to be Paid by Lessee:

All premiums and charges for all of said policies shall be paid by the Tenant and if the Tenant shall fail to make any such payment when due, or carry any such policy, the Landlord may, but shall not be obligated to, make such payment or carry such policy, and the amount paid by the Landlord, with interest thereon, shall be repaid to the Landlord by the Tenant on demand, and all such amounts so repayable together with such interest, shall be considered as additional rent payable hereunder, for the collection of which the Landlord shall have all of the remedies in Section 26 herein or by law provided for the collection of rent. Payment by the Landlord of any such premium or carrying by the Landlord of any such policy shall not be deemed to waive or release the default of the Tenant with respect thereto.

c. Renewal of Insurance:

Thirty (30) days prior to the expiration of such policy, the Tenant shall deliver a binder renewing such policy which binder shall provide that at least thirty (30) days written notice of any change in or cancellation thereof shall be given by the insurance company to the Landlord and Mortgagee. The Tenant shall promptly pay the premiums for renewal and deliver to the Landlord upon request, a copy of the original policy, and if requested, a photo copy of a canceled check evidencing payment thereof.

d. Compliance with Insurance Company Requirements:

The Tenant shall not violate or permit to be violated any of the conditions or provisions of any such policy, and the Tenant shall so perform and satisfy the requirements of the companies writing such policies that at all times companies of good standing satisfactory to the Landlord within reason shall be willing to write and/or continue such insurance.

e. Collection of Insurance Monies:

The Tenant and the Landlord shall cooperate with each other in connection with any insurance monies that may be due in the event of loss and the Tenant shall execute and deliver to the Landlord such proofs of loss and other instruments which may be required for the purpose of obtaining the recovery of any such insurance monies.

f. Liability Policies - Coverage:

Liability policies specified in subsection "a." of this Section shall cover that portion of the building and premises occupied by Tenant as well as the sidewalks in front of or adjacent thereto. A liability policy or policies

covering the Landlord and the Tenant as their interest may appear, but

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otherwise in the form hereinbefore provided, shall be deemed a compliance with this covenant.

g. Waiver of Subrogation:

Tenant shall at all times during the term hereof and at its cost and expense, maintain in effect policies of insurance covering its trade fixtures, merchandise and other personal property from, in, on, or upon the premises, in an amount equal to their full replacement value, providing protection against any peril included within the classification "Fire and Extended Coverage". Landlord shall not be liable to Tenant for any damage to any such property from any cause, unless (1) such damage is due to Landlord's negligence or wilful misconduct, and (2) such damage is caused by an occurrence which is not an insurable hazard under the standard fire and broad form coverage insurance which is required to be maintained by Tenant under the terms of this Section; it being understood that it is not the intention of the parties that Landlord be relieved from liability to Tenant for negligence contrary to any statute of public policy of the State of Utah, but rather that Tenant avail itself of available insurance coverage without subjecting Landlord to liability for losses that are insurable by policies required under the terms of this Section, and without subjecting Landlord to subrogation claims of any insurer.

12. ALTERATIONS

12. Tenant shall have the right, within the premises, at its own cost and expense and in a good and workmanlike manner, to make alterations, additions or improvements or erect, remove or alter partitions, or erect shelves, bins, machinery and trade fixtures as it may deem advisable and to mark, paint, drill into any surface, bore, cut, string wires, lay floor coverings and install locks or bolts, provided (1) such acts do not adversely affect the structure of the building, (2) Tenant restores the premises to their prior condition (reasonable wear and tear excepted), (3) Tenant complies with all applicable laws and governmental rules and regulations and (4) Tenant obtains prior written approval of Landlord to any proposed alterations or additions which approval shall not be unreasonably withheld.

12.1 Notwithstanding anything to the contrary in this Lease (1) Tenant is not required to remove any fixtures or other items installed by Landlord on Tenant's behalf, and (2) Tenant shall have the right, unless in default under the provisions of the Lease to remove any fixtures or other items installed by Tenant (including any flat wire cable and carpet tile), provided Tenant restores the premises to their condition prior to such installation, reasonable wear and tear excepted.

13. INSPECTION

13. Landlord shall have the right to enter and inspect the premises at

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any time, on reasonable notice to Tenant, during normal business hours. During the period that is six (6) months prior to the end of the term hereof, Landlord and Landlord's agents and representatives shall have the right to enter the premises at any time during reasonable business hours on reasonable notice to Tenant and at reasonable intervals for the purpose of showing the premises to prospective purchasers or Tenants and shall have the right to erect on the premises a suitable sign indicating the premises are available.

14. ASSIGNMENT AND SUBLETTING

14. Tenant shall not have the right to assign this Lease or to sublet the whole or any part of the premises without the prior written consent of Landlord which consent shall not be unreasonably withheld. Notwithstanding the aforesaid, Tenant may assign this Lease or sublet the whole or any part of the premises to any of its affiliates or subsidiaries (as defined in the Internal Revenue Code of 1954, as amended) during the term hereof or any extension hereof without the consent of the Landlord, provided Tenant notifies Landlord of such assignment or subletting. Notwithstanding any permitted

assignment or subletting, Tenant shall at all times remain fully responsible and liable for the payment of the rent and additional rent specified herein and for compliance with all of its other obligations under the terms, provisions and covenants of the Lease unless otherwise agreed to in writing. Upon the occurrence of an "event of default" as hereinafter defined, if the premises or any part hereof are then assigned or sublet, Landlord, in addition to any other remedies herein provided, or provided by law, may, at its option, collect directly from such assignee or subtenant all rents becoming due to Tenant under such assignment or sublease and apply such rent against any sums due to it by Tenant hereunder, and no such collection shall be construed to constitute a novation or a release of Tenant from the further performance of its obligations hereunder.

15. FIRE AND CASUALTY DAMAGE

15. If the premises should be destroyed or damaged by fire, tornado or other casualty, Tenant shall give immediate written notice thereof to Landlord.

15.1 If the premises should be totally destroyed by fire, tornado or other casualty, or if they should be so damaged that rebuilding or repairs cannot be completed within one hundred eighty (180) days after the date upon which Landlord is notified by Tenant of such damage, this Lease shall terminate and the rent shall be abated during the unexpired portion of this Lease, effective upon the date of the occurrence of such damage. The determination as to whether or not the premises can be reconstructed within one hundred eighty (180) days of the date of the notice of the casualty to Landlord shall be made by an architect selected by Landlord who shall certify to the parties within fifteen (15) days of the casualty whether or not the

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premises can be repaired within one hundred eighty (180) days of the date of notice of such casualty to Landlord.

15.2 If the premises should be damaged by fire, tornado or other casualty, but only to such extent that rebuilding or repairs can be completed within one hundred eighty (180) days after the date upon which Landlord is notified by Tenant of such damage, this Lease shall not terminate, but Landlord shall, at its sole cost and expense, proceed with reasonable diligence to rebuild and repair the building and improvements to substantially the same condition in which they existed prior to such damage, except that Landlord shall not be required to rebuild, repair or replace any part of the partitions, fixtures and other improvement which may have been placed in the building by Tenant. During the reconstruction period, there shall be an abatement of rent and additional rent due Landlord. Additional time for completion of said repairs shall be added equal to any delays in the repairs caused by acts of God, inclement weather, strikes, boycotts or any other causes beyond the control of Landlord and not due to any act or omission on its part. In the event that Landlord should fail to complete such repairs and rebuilding within one hundred eighty (180) days after the date upon which Landlord is notified by Tenant of such damage (plus any additional time due to delays caused by acts of God, etc.) Tenant may, at its option, terminate this Lease by giving Landlord no less than thirty (30) days written notice of termination.

16. CONDEMNATION

16. If the whole or any substantial part of the building or the land should be taken for any public or quasi-public use under governmental law, ordinance or regulation, or by right of eminent domain, or by private purchase in lieu thereof, this Lease shall terminate and the rent shall be abated during the unexpired portion of this Lease, calculated as of the date when the Tenant must surrender possession of the premises. Tenant waives all rights to exercise any and all options to extend the lease term and specifically agrees to make no claims against condemnation or purchase proceeds payable to Landlord

16.1 If less than a substantial part of the building or the land shall be taken for any public or quasi-public use under any governmental law, ordinance or regulation, or by right of eminent domain, or by private purchase in lieu thereof, this Lease shall not terminate, but the rent payable hereunder during the unexpired portion of the Lease shall be reduced to such extent as may be fair and reasonable under all of the circumstances.

16.2 In the event of any such taking or private purchase in lieu thereof, Tenant shall be entitled to recover only with respect to its trade fixtures, personal property and moving expenses. Tenant waives all rights to exercise any and all options to extend the lease term and specifically agrees to make no claim against condemnation or purchase proceeds payable to Landlord.

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16.3 Tenant shall have the right to make a separate claim to the condemning authority for any and all damages Tenant incurred as a result of such taking.

17. HOLDING OVER

17. Should Tenant, or any of its successors in interest, hold over the premises or any part thereof, after the expiration of the term of the Lease, unless otherwise agreed in writing, such holding over shall constitute and be construed as tenancy from month to month only, at a rental rate equal to the last month's rent of the term for the first thirty (30) days of holdover, thereafter the holdover rent shall be 150% of the rental payable for the last month of the term of this Lease. The inclusion of the preceding sentence shall not be construed as Landlord's permission for Tenant to hold over.

18. QUIET ENJOYMENT

18. Landlord covenants that it now has, or will acquire before Tenant takes possession of the premises, good title to the land. Landlord represents and warrants that it has full right and authority to enter into this Lease and that Tenant, upon paying the rental herein set forth and performing its other covenants and agreements herein set forth, shall reasonably and quietly have, hold and enjoy the premises for the term hereof without hindrance or molestation.

19. PERFORMANCE OF OBLIGATIONS BY TENANT AND LANDLORD

19. In any case where either party shall pay or be compelled to pay any sum of money or do any act which shall require the expenditure or payment of any sum by reason of the failure of the other party to perform any one or more of the terms, covenants, conditions or agreements herein contained, the failing party shall immediately repay the same to the other party upon demand, provided the failing party is notified in writing prior to making such payment, and in default thereof then the sums so paid, together with all interest, reasonable costs and damages, shall or may be added or deducted as additional or decreased rent on the next installment of rent becoming due on the next rent day, or on any subsequent rent day fixed by this Lease, and shall for all purposes whatsoever be deemed to be rent due and payable or deductible on such rent day, or on any subsequent rent day, and shall be payable or deductible as such, but it is expressly covenanted and agreed hereby that payment by the Landlord of any such sums of money or the doing of any such acts shall not be deemed to waive or release the default in the payment or doing thereof by Tenant of the right of the Landlord to recover possession, at Landlord's election, of the premises by reason of Tenant's default with respect to any such payment or act, in accordance with Section

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26.

20. LANDLORD'S LIEN

20. In the event of a default under this Lease, Landlord shall have, in addition to any other remedies herein or by law, all rights and remedies available under applicable Utah law. Any statutory lien for rent is not hereby waived.

21. MORTGAGES

21. If the land is subject to any mortgage prior to the commencement date, then Landlord shall procure a non-disturbance agreement from the Mortgagee in standard form which provides that so long as Tenant is not in default hereunder, its possession shall not be disturbed by mortgagee and the mortgagee shall not name Tenant as a defendant in a foreclosure suit. Tenant shall at any time after the commencement date execute an instrument required by any mortgagee for the purpose of subordinating this Lease to the lien of a mortgage in consideration for a non-disturbance agreement from the mortgagee in standard form which provides that so long as Tenant is not in default hereunder, its possession will not be disturbed by the mortgagee and the mortgagee will not name Tenant as a defendant in a foreclosure suit. For the purposes of this paragraph the word mortgage and/or mortgagee shall include any other equivalent designations including, but not limited to, Deed of Trust, Trustee, etc. Upon request, Tenant will execute an estoppel certificate and subordination agreement in a form suitable to Landlord's lender.

22. MECHANIC'S LIENS

22. Landlord shall have no authority, express or implied, to create or place any lien or encumbrance of any kind or nature whatsoever upon, or in any manner to bind, the interest of Landlord in the premises or to charge the rental payable hereunder for any claim in favor of any person dealing with Tenant, including those who may furnish materials or perform labor for any construction or repairs, and each such claim shall affect and each such Hen shall attach, if at all, only to the leasehold interest granted to Tenant by this instrument. Tenant covenants and agrees that it will pay or cause to be paid all sums legally due and payable by it on account of any labor performed or materials furnished in connection with any work performed on the premises, on which any lien is or can be validly and legally asserted against its leasehold interest in the premises or the improvements thereon and that it will save and hold Landlord harmless from any and all loss, cost or expense based on or arising out of asserted claims or liens against the leasehold estate or against the rights, titles and interest of the Landlord in the premises or under the terms of this Lease based upon Tenant's failure to pay

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such sums. If Tenant disputes an amount charged by such a lienor but admits that it authorized the work to be done, Tenant may dispute the claim provided that it posts the requisite bond necessary to remove the lien.

23. NOTICES

23. Each provision of this instrument or of any applicable governmental law, ordinance, regulation and other requirements with reference to the sending, mailing or delivery of any notice or the making of any payment by Landlord to Tenant or with reference to the sending, mailing or delivery of any notice or the making of any payments by Tenant to Landlord shall be deemed to be complied with when and if the following steps are taken:

a. All rent and other payments required to be made by Tenant to Landlord hereunder shall be payable to Landlord at the address hereinbelow set forth or at such other address as Landlord may specify from time to time by written notice delivered in accordance herewith.

b. Any notice or document required or permitted to be delivered hereunder shall be deemed to be delivered whether actually received or not when deposited in the United States Mail, postage prepaid, Certified or Registered Mail, Return Receipt Requested, addressed to the parties hereto at the respective addresses set out opposite their names below, or at such other address as they have theretofore specified by written notice delivered in accordance herewith:

Landlord: Valley American Investment Company
Attn: William C. Roderick
P.O. Box 186 Midvale, UT 84047

Tenant: Gentner Communications Corporation
Attn: Russell D. Gentner
1825 Research Way
West Valley City, UT 84119

With Copies To: Mr. Jeff Fillmore, Esq.
Parsons, Behle, & Latimer
201 South Main Street # 1800
Salt Lake City, UT 84111

23.1 If and when included within the term "Landlord", as used in this instrument, there are more than one person, firm or corporation, all shall jointly arrange among themselves for their joint execution of such a notice specifying some individual at some specific address for the receipt of notices and payments to Landlord. All parties included within the term "Landlord" shall be bound by notices given in accordance with the provisions of this paragraph to the same effect as if each had received such notice.

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24. SURRENDER OF PREMISES

24. The Tenant shall, on or before the last day of the lease term hereof or upon the sooner termination of such term, peaceably and quietly leave, surrender and yield up unto the Landlord the land and the improvements in good order, condition and state of repair, reasonable wear and tear excepted, together with all alterations, additions and improvements, including air conditioning equipment, machinery and ducts which may have been made upon the premises, except movable furniture, movable personal property or movable trade fixtures at the expense of the Tenant. All property removable pursuant to the provisions of this Section shall be removed by the Tenant on or before the date hereinabove in this Section indicated and all property not so removed shall be deemed abandoned by the Tenant to the Landlord. Where any personal property is removed, any damage to the premises will be repaired by the Tenant.

24.1 All buildings, additions, improvements, equipment and appurtenances on or in the premises at the date hereof and which may be erected on or in the premises during the term hereof including all alterations, changes, additions, and improvement at any time placed upon the premises by the Tenant, as well as all fixtures and articles of personal property attached to or used in connection with the premises, are and shall be deemed to be and become part of the realty and the sole and absolute property of the Landlord at the end or other termination of this Lease and shall be surrendered to the Landlord; provided, however, that movable furniture, movable personal property and movable trade fixtures put in at the expense of the Tenant or any subtenant, which pursuant to the provisions of this Section may be removed by the Tenant, shall not be deemed to be attached to the leasehold nor the property of, nor surrendered to, the Landlord.

25. EVENTS OF DEFAULT

25. The following events shall be deemed to be events of default by Tenant under this Lease:

- a. Tenant shall fail to pay any installment of rent or additional rent when due.
- b. Tenant shall become insolvent, or shall make a transfer in fraud of creditors, or shall make an assignment for the benefit of creditors.
- c. Tenant shall file a petition under any section or chapter of the Federal Bankruptcy Code, as amended, or under any similar law or statute of the United States or any State thereof, or Tenant shall be adjudged bankrupt or insolvent in proceedings filed against Tenant thereunder.
- d. A receiver or trustee shall be appointed for all or substantially all

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of the assets of Tenant.

- e. Tenant shall desert or vacate the premises; provided, however, desertion or vacation of the premises shall not be deemed to be an event of default if Tenant is not in arrears in the payment of rent and Landlord can obtain fire and liability insurance covering the premises.

f. Tenant shall fail to comply with any term, provision or covenant of this Lease, and shall not cure such failure within thirty (30) days after written notice thereof to Tenant or in the case of non-payment of rent or additional rent, 15 days after written notice to Tenant.

25.1 With respect to curing any default listed in this Section or elsewhere herein, it is understood that if a cure cannot be completed with the time period for cure referred to herein, despite best efforts of the Tenant, using all possible speed, then it will be deemed sufficient if Tenant has begun to cure within said time period; provided, however, that Tenant shall continue to use its best efforts and all possible speed to cure such default and does, in fact, effect a cure within a reasonable period of time.

26. REMEDIES

26. Upon the occurrence of any such events of default described in Section 25 hereof and following the written notice to Tenant to cure said events of default, Landlord shall have the option to pursue any one or more of the following remedies without any notice or demand whatsoever:

a. Terminate this Lease, in which event Tenant shall immediately surrender the premises to Landlord, and if Tenant fails so to do, Landlord may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the premises and expel or remove Tenant and any other person who may be occupying such premises or any part thereof, and Tenant agrees to pay to Landlord on demand the amount of all loss and damage which Landlord may suffer by reason of such termination, whether through inability to relet the premises on satisfactory terms or otherwise.

b. Enter upon and take possession of the premises and expel or remove Tenant and any other who may be occupying such premises or any part thereof, and relet the premises and receive the rents therefor; and Tenant agrees to pay to Landlord on demand any deficiency and reasonable expenses that may arise by reason of such reletting.

c. Enter upon the premises and do whatever Tenant is obligated to do under the terms of this Lease, and Tenant agrees to reimburse Landlord on demand for any reasonable expenses which Landlord may incur in effecting compliance with Tenant's obligations under the Lease, and Tenant further agrees that Landlord shall not be liable for any damages resulting to the

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Tenant from such action, unless caused by the gross negligence of Landlord.

d. In case suit shall be brought for recovery of possession of the premises, for the recovery of rent or any other amount due under the provisions of this Lease, or because of the breach of any other covenant herein contained on the part of Tenant to be kept or performed, and a breach shall be established, Tenant shall pay to the Landlord all other reasonable expenses incurred therefor, including attorney fees and costs of Court.

Pursuit of any of the foregoing remedies shall not preclude pursuit of any of the other remedies herein provided or any other remedies provided by law, nor shall pursuit of any remedy herein provided constitute a forfeiture or waiver of any rent due to Landlord or of any damages accruing to Landlord by reason of the violation of any of the terms, provisions and covenants herein contained. No waiver by Landlord of any violation or breach of any of the terms, provisions and covenants herein contained shall be deemed or construed to constitute a waiver of any other violation or breach of any of the terms, provisions and covenants herein contained. Landlord's acceptance of the payment of rental or other payments hereunder after the occurrence of an event of default shall not be construed as a waiver of such default. Forbearance by Landlord to enforce one or more of the remedies herein provided upon an event of default shall not be deemed or construed to constitute a waiver of such default.

27. GOVERNING LAW

27. This Lease and Building shall be governed by and construed in accordance with the laws of the State of Utah, and the building shall be constructed to meet all applicable laws, codes and regulations whether local

or national in origin.

28. BROKERAGE

28. Each party hereto represents that no agent or finder, other than Consolidated Realty Group, who represents Tenant and Roderick Realty Services who represents Landlord (hereinafter referred to as Agents) negotiated or arranged this Lease, and that, apart from those due to agents no fees or commissions are due anyone for the procurement hereof, and each party agrees to indemnify and hold the other harmless from and against any other expenses which the party so indemnified may incur by reason of claims of any other person, firm or corporation claiming any brokerage commission, finder's fee or similar compensation based upon any alleged negotiations or dealing with such indemnifying party, contrary to the foregoing representation.

Landlord and Tenant agrees to pay Consolidated Realty Group a real estate advisory fee of \$10,000 payable 50% upon lease execution and 50% upon Tenant's occupancy of the building. The fee is be split \$5,000 payable by Landlord and

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\$5,000 payable by Tenant as previously agreed.

29. RECORDING

29. The parties undertake, at the request of either of them, to execute a memorandum of this Lease in recordable form. If either party shall record this Lease or a memorandum of this Lease, the party so recording shall be liable for the entire cost thereof.

30. PRE-OCCUPANCY EXPANSION/CONTRACTION

30.1 Pre-Occupancy Expansion/Contraction:

Provided that Tenant is not in default on their current Lease and only if space is available in the new addition, Tenant shall have the one time option to expand or reduce their initial space requirement by up to 3,000 square feet.

31. EXPANSION SPACE

31. Expansion Space Options:

Landlord hereby grants Tenant a right of first refusal on the 5,760 square feet immediately contiguous to Tenant's current and added location, as highlighted as Space "A" on Exhibit "E". Landlord may lease such space to other tenants for any time increment, provided that such increment be no more than four (4) years. Landlord also grants Tenant a right of first refusal on all other second generation space in the project as it becomes available, and during the term of this Lease agrees to lease all other building space in increments of no more than seven (7) years. (Second Generation Space is defined as any vacant space that becomes available after the initial newly constructed space.)

31.1 Expansion Space Terms:

All rights of first refusal shall be offered to Tenant no earlier than six and no later than four months prior to the date the expansion space is available for Tenant's occupancy. Tenant may, at its sole option, waive this timing requirement. Tenant shall have ten (10) calendar days to exercise their rights of first refusal on any such space. All notices between the parties shall be in writing. The rental rates for all expansion space shall be offered at prevailing fair market values and shall be negotiated between the parties.

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31.2 Expansion Space Tenant Improvement Allowance:

Landlord agrees that it will not name the building or the project after any of Tenant's competitors.

34.2 Tenant shall not place or suffer to be placed or maintained on any exterior door, wall, or window of the Premises, or elsewhere in the Project, any sign, awning, or canopy, or advertising matter or other thing of any kind, and will not place or maintain any decoration lettering, or advertising matter on the glass or window or door of the Premise; without first obtaining Landlord's written approval. Tenant further agrees to maintain such sign, awning, canopy, decoration, lettering, advertising matter, or other things as may be approved in good condition and repair at all times. Landlord, may, at Tenant's cost, remove any item erected in violation of this Section.

35. MISCELLANEOUS

35. Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires.

35.1 The terms, provisions, covenants and conditions contained in this Lease shall apply to, inure to the benefit of, and be binding upon, the parties hereto and upon their respective heirs, legal representatives, successors and permitted assigns, except as otherwise herein expressly

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provided.

35.2 The captions are inserted in this Lease for convenience only and in no way to define, limit, or describe the scope or intent of this Lease, or any provision hereof, nor in any way affect the interpretation of this Lease.

35.3 Whenever this Lease refers to the prior consent or approval (written or oral) by Landlord or Tenant, Landlord and Tenant, respectively, agree that such consent or approval shall not be unreasonably withheld or delayed.

35.4 This Lease may not be altered, changed or amended except by an instrument in writing signed by Landlord and Tenant.

35.5 If this Lease is terminated for any reason other than default of the Tenant, all liabilities of the parties shall be adjusted as of the effective date of the termination. Any termination hereof by reason of a default of Tenant shall not affect any obligation or liability of Tenant under this Lease which accrued prior or subsequent to the effective date of termination, and all such obligations and liabilities of Tenant shall survive such termination.

35.6 The terms and conditions contained herein are not independent covenants, but are mutually dependent upon each other.

35.7 If any of the terms of this Lease, or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby and each term of this Lease shall be valid and enforceable to the fullest extent permitted by law.

35.8 The parties signing this lease have obtained corporate, partnership or individual authority to execute the lease on behalf of the entity. Furthermore, the individuals are deemed to be officers of the appropriate entities with proper authority.

35.9 Landlord hereby reserves the right at any time to make changes, alterations or additions, including the building and leasing of additional commercial space, in or on the building in which the Premises are contained, anywhere in the Project, except in the space occupied by the Tenant, unless prior approval is obtained by Tenant. Tenant shall not, in such event, be allowed the right to terminate this Lease for injury or inconvenience occasioned thereby. However, Tenant shall be allowed to claim damages for injury or unreasonable inconvenience occasioned by Landlord's negligence in connection therewith.

35.10 All common areas in the Project which Tenant may be permitted to use and occupy are to be used and occupied under a revocable license, and if

any such license be reasonably revoked or if the amount of such areas be reasonably changed or diminished, Landlord shall not be subject to any

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liability nor shall Tenant be entitled to any compensation or diminution or abatement of rent nor shall reasonable revocation or diminution of such areas be deemed constructive or actual eviction. All common areas and other facilities in or about the Project shall be subject to the exclusive control and management of Landlord. Landlord shall have the right to construct, maintain, and operate fighting and other facilities on all said areas and improvements; to police the same; to change the arc, level, location, and arrangement of parking areas and other facilities; to restrict parking by Tenants, their officers, agents, and employees; to close all or any portion of said areas or facilities to such extent as may be legally sufficient to prevent a dedication thereof or the accrual of any right to any person or the public therein; and to close temporarily all or any portion of the parking areas or facilities to discourage non-customer parking. However, in no event will Landlord restrict the number of parking spaces to a number less than provided for in Section 32, nor will any parking space ever be located on a site non-contiguous to the building described in Section I.O. Landlord shall operate and maintain the common areas in such a manner as Landlord in its discretion shall determine, shall have full right and authority to employ and discharge all personnel with respect thereto, and shall have the right, through reasonable rules, regulations, and/or restrictive covenant promulgated by it from time to time, to control use and operation of the common areas in order that the same may occur in a proper and orderly fashion.

36. FORCE MAJEURE

36. If either party hereto shall be delayed or hindered in or prevented from the performance of any act required hereunder by reason of strikes, lockouts, labor troubles, inability to procure materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, war or other reason of a like nature beyond the reasonable control of the party delayed in performing work or doing acts required under the terms of this Lease, then performance of such act shall be excused for the period of the delay and the period for the performance of such act shall be extended for a period equivalent to the period of such delay.

IN WITNESS WHEREOF, Landlord and Tenant have respectively signed and sealed this Lease on the dates set forth below.

LANDLORD:

VALLEY AMERICAN

BY: /s/ William C. Roderick

ITS: Vice President

DATE: March 18, 1996

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TENANT:

GENTNER COMMUNICATIONS CORPORATION

BY: /s/ David L. Harmon

ITS: Chief Financial Officer

DATE: February 26, 1996

STATE OF UTAH)
County of Salt Lake)

On the 18 day of March, 199[6], personally appeared before me WILLIAM C. RODERICK, the signer of the foregoing lease who duly acknowledged to me that he executed the same.

/s/ Notary Public

[S E A L]

STATE OF UTAH)
County of Salt Lake)

On the 26th day of February, 199[6], personally appeared before me David L. Harmon, the signer of the foregoing lease who duly acknowledged to me that he executed the same.

 /s/ Notary Public

[S E A L]

EXHIBIT A

SITE PLAN

 [Graphic Entitled
"Overall Development & Landscape Plan"
Depicting Site Plan]

EXHIBIT B

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FLOOR PLAN - 1

 [Graphic Entitled
"Phase One Floor Plan"
Depicting Floor Plan]

EXHIBIT B

FLOOR PLAN - 2

 [Untitled Graphic
Depicting Floor Plan]

EXHIBIT C

CONSTRUCTION DRAWINGS AND SPECIFICATIONS

TO BE ATTACHED AT A LATER DATE

EXHIBIT D

REDEVELOPMENT LETTER
JANUARY 14, 1988

[West Valley City Letterhead]

[REDEVELOPMENT AGENCY]

HAND-DELIVERED

January 14, 1988

Dell S. Nichols
2444 S. Progress Drive
West Valley City, Utah 84119

Dear Dell,

Pursuant to your request, the following is the understanding we have reached with regard to the financial assistance provided by the Redevelopment Agency of West Valley City for the project called "Gentner Electronics".

The agreement for the disposal of land (ADL), as yet unsigned by the parties, provides that the Agency will allocate to Dell S. Nichols 75% of the tax increment accruing to the Agency from the "Gentner Electronics" project.

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The term of that allocation from the Agency to Dell S. Nichols shall be 10 years. In years one through five, the Agency is entitled to 100% of the tax increment for the aforementioned project. Dell S. Nichols will receive 75% of that 100% allocation. In years six through ten, the Agency is entitled to 80% of the tax increment. In those years Dell S. Nichols will receive 75% of that 80% figure.

It is the further understanding of the Agency that Dell Nichols will assign the tax increment amount to Gentner Electronics Corp. pursuant to a lease agreement between the parties.

If you have any questions with regard to this understanding, I am anxious to be advised. Thank you for your assistance in making the Redwood Neighborhood Development Project area a viable and vital industrial park project in West Valley City.

Sincerely,

/s/ Larry Catten

Redevelopment Agency Administrator

LC:jm

cc: Joseph L. Moore, Deputy Executive Director

2470 South Redwood Road West Valley City, Utah 84119
Phone: (801) 974-5501

EXHIBIT E

EXPANSION SPACE, R.O.F.R.

[Graphic Entitled
"Overall Development & Landscape Plan"
Depicting Site Plan]

EXHIBIT F

LEGAL DESCRIPTION

TO BE SUPPLIED AT A LATER DATE

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FIRST ADDENDUM TO LEASE

This addendum is entered into this, 31st day of January, 1997, by and between VALLEY AMERICAN INVESTMENT COMPANY, P.O. Box 186, Midvale, Utah 84047, as Landlord; and GENTNER COMMUNICATIONS CORPORATION, of 1825 West Research Way, West Valley City, UT 84119, as Tenant.

Whereas, both Tenant and Landlord have executed a uniform lease agreement dated the 26th day of February, 1996.

In accordance with Section 2 of the uniform lease agreement, the term of the lease shall be ten years. This Addendum shall ratify the commencement

date of the original lease term as November 1, 1996. The lease shall expire on October 31, 2006.

Whereas this addendum shall also verify that during the course of construction Landlord incurred expenses over and above the tenant improvement allowance in the amount of \$35,470. In accordance to Section 1.7 of the lease agreement, Tenant shall pay for any improvements above the allowance.

Whereas, Landlord and Tenant have agreed to amortize the tenant improvement cost over-runs over the term of the lease. Tenant agrees to pay to Landlord \$35,470.00 at 11% over ten years, which equates to a monthly payment of \$488.60.

The monthly rent payment for November 1, 1996 through October 31, 1998 shall be as follows:

Base Rent per Lease:	\$20,609.00
Amortized Cost Over-runs:	\$ 488.60
C.A.M. Budget:	\$ 1,912.00

Total Monthly Payment:	\$23,009.60
	=====

In accordance with Section 3 of the lease, the Base Rent shall be adjusted on November 1, 1998, November 1, 2000, November 1, 2002, and November 1, 2004.

Except as modified by the provisions of this Addendum, all terms, conditions and provisions of the Lease shall remain unchanged and in full force and effect.

SECOND ADDENDUM TO LEASE

This addendum is entered into this, 30 day of April, 1997, by and between VALLEY AMERICAN INVESTMENT COMPANY, P.O. Box 186, Midvale, Utah 84047, as Landlord; and GENTNER COMMUNICATIONS CORPORATION, of 1825 West Research Way,

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West Valley City, UT 84119, as Tenant.

Whereas, both Tenant and Landlord have executed a uniform lease agreement dated the 26th day of February, 1996, and a First Addendum to Lease dated the 31st day of January, 1997.

Whereas, this addendum shall also verify that during the course of construction Landlord incurred expenses over and above the tenant; improvement allowance in the amount of \$74,357.

In accordance with Section 2 of the uniform lease agreement, the term of the lease shall be ten years. This Addendum shall ratify the commencement date of the original lease term as November 1, 1996. The lease shall expire on October 31, 2006.

Whereas this addendum shall also verify that during the course of construction Landlord incurred expenses over and above the tenant improvement allowance in the amount of \$35,470. In accordance to Section 1.7 of the lease agreement, Tenant shall pay for any improvements above the allowance.

Whereas, Landlord and Tenant have agreed to amortize the tenant improvement cost over-runs over the term of the lease. Tenant agrees to pay to Landlord \$35,470.00 at 11% over ten years, which equates to a monthly payment of \$488.60.

Whereas, Landlord and Tenant have agreed to amortize the tenant improvement cost over-runs over the term of the lease. Tenant agrees to pay to Landlord \$74,357.00 at 11% over 115 months, which equates to a monthly payment of \$1,049.00.

The monthly rent payment for April 1, 1997 through October 31, 1998 shall be as follows:

Base Rent per Lease:	\$20,609.00
Amortized Cost Over-runs per First Addendum:	\$ 488.60

Amortized Cost Over-runs per Second Addendum:	\$ 1,049.00
C.A.M. Budget:	\$ 1,912.40

Total Monthly Payment:	\$24,059.00

In accordance with Section 3 of the lease, the Base Rent shall be adjusted on November 1, 1998, November 1, 2000, November 1, 2002, and November 1, 2004.

Except as modified by the provisions of this Addendum, all terms, conditions and provisions of the Lease shall remain unchanged and in full force and effect.

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Executed by the parties on the day and year first written above in Salt Lake City, Utah.

Exhibit 13.1
Annual Report

Gentner Communications Corporation
1997 Annual Report

Harnessing the momentum of change

(Butterfly Graphic)
(overleaf of front cover)

Contents

Report to Stockholders

1997 - The Year in Review

Description of Business

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Properties

Market for Common Equity and Related Stockholder Matters

Management's Discussion and Analysis of Financial Condition and Results
of Operations

Financial Statements

Single page with Words (CHANGE)

Single page with Words (CHANGE)

To the owners of Gentner Communications Corporation:

Fiscal 1997 represented a year of change for Gentner Communications. We restructured our organization, adding strength to our executive management team. This fine tuning enabled us to take a fresh look at our organization, offer a different perspective and provide a diverse approach to running our business.

Our culture is transitioning from a boutique manufacturing organization to a highly specialized service provider and an innovative technology company. More than ever, we are focused on our customers, our markets, our bottom line and what Gentner will look like in the new millennia.

Since our inception, our primary focus was on the broadcast market. Utilizing the same technology, in the late 1980's we expanded our concentration on quality audio products into the teleconferencing arena.

When our reputation in the teleconferencing product area grew, many of our product clients requested that Gentner provide conference calling services, hence 1-800-LETS MEET(TM) was created. Now, it is the fastest growing division of our corporation.

Gentner is a company that is squarely focused on its core markets. As the Broadcast industry continues to evolve and experience convergence, Gentner has adapted well to this new environment. We have positioned ourselves to capture a fair share of the explosive teleconferencing market with both products and service. We continually challenge ourselves to carefully consider all of our product offerings to ensure we are placing our energy and resources on those things that have the greatest growth potential and rate of return. These strategies are clearly taking effect as our broadcast sales increased 20% and teleconferencing sales grew 29% during the past fiscal year over the prior year. Revenue from other product sales decreased by 10% during the same period - clearly reflecting a shift in focus.

While we will retain the agility and responsiveness of our entrepreneurial roots,

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we are honing in on our core lines of business - teleconferencing products and services, remote site control and telephone interface for broadcast. This focus enable us to effectively leverage our reputation, intellectual property and distribution channels.

As an organization that has acquired an enviable list of prestigious clients as represented throughout this document, we recognize that Gentner has been a best kept secret in the marketplace. It is now time to let the market know the power of our solutions.

Going forward, each new venture at Gentner must pass our return on investment model to ensure we are continually focused on consistent profitability. Every new product and service will be developed as a result of research validating consumer demand. This new discipline was put into effect in early calendar year 1997, with our market research for the Audio Perfect(TM) product line. As a result of our study, we developed products which were designed by our end user dealers and consultants.

Our business plan for last fiscal year called for a sizable investment in sales, marketing, facility expansion and returning to profitability by fourth quarter. We recognized the need to develop an infrastructure that would enable us to support growth going forward. We made a short term investment aimed at creating long term growth and profitability.

As you read through this annual report, you will discover that we have effectively accomplished our plan for 1997, with fourth quarter profitability of \$119,000 and annual sales growth of 17% compared to fiscal 1996. Our investment in sales and marketing has begun to provide a return and the new facilities enables us to gain efficiencies while accommodating our anticipated growth.

There have been many successful initiatives in fiscal 1997. The restructuring of our senior management team and recruitment of new talent. The introduction of several new products and expansion of our international distribution. All of these efforts will inevitably fuel Gentner's success in fiscal 1998.

The most significant accomplishment for fiscal 1997, however, was perhaps our ability to establish a plan, accomplish it and make the hard changes that Gentner had to make in order to move forward.

With record sales and a keen eye on managing operating expense, we have been able to navigate Gentner into profitability. The task to achieve sustained profitability and growth has begun. Our newly added strength and clearly defined strategies will enable us to accomplish our corporation's purpose: to provide a fair rate of return on investment to our shareholders.

Our plan for fiscal year 1998 has been developed and is underway. We are projecting \$15.4 million in sales and \$850,000 (\$.11/share) in net profit. We will engage our total commitment and energy to realize these goals.

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Gentner Communications Corporation is a great organization that is getting even better. We are focused on clear goals, and we have instilled in all of our associates a passion to accomplish them. Never before has this organization been more poised to harness the momentum of change.

Russell Gentner
Chairman of the Board, President
and Chief Executive Officer

September 26, 1997

1997 THE YEAR IN REVIEW

As a communications company that focuses on audio solutions, Gentner has developed a core line of products and services which connect organizations that are geographically separated. This connection enables organizations to communicate more efficiently, timely and cost effectively. Our core lines of business enable us to leverage our technological expertise and the sales channels which distribute them.

Teleconferencing Products and Services

VISION: Position the Gentner brand name as synonymous with mission critical audio teleconferencing products and services. [Picture of teleconference]

According to a recent article which appeared in USA Today, nearly one-third of corporations in the United States are utilizing audio teleconferencing as a new communication tool.

The teleconferencing products and services market is burgeoning. The International Teleconferencing Association (ITCA) reports that sales in calendar year 1996 were over \$5 billion for teleconferencing products and services. In North America alone, over five million teleconferencing calls took place. In addition, the ITCA estimates that revenue for 1997 should increase to nearly \$7 billion in both product and service sales. While video conferencing is on the rise, audio conferencing continues to increase at a greater growth rate.

As organizations continue to search for greater cost and time efficiencies, teleconferencing will continue to be utilized as one of the available solutions. However, to be accepted as a viable solution, the quality of the audio must be good and the delivery of the conference calling service must be excellent.

In the late 1980's, utilizing the same technology platform as our broadcast products, Gentner expanded into the teleconferencing product environment. Over the past several years, we have built a strong reputation for enabling quality

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audio in mission critical applications such as boardrooms, courtrooms and distance learning facilities. Mission critical means, when the quality of audio must be absolutely flawless. This recognition for high quality audio enabled Gentner to advance as one of the premier providers of mission critical audio products.

In fiscal 1997, our sales for teleconferencing products increased by 29%. We anticipate that sales growth for our teleconferencing products will continue to increase as the demand for high end installed products grows. High end installations are defined as boardrooms, hotel conference rooms, court rooms, telemedicine environments, long distances learning applications and rooms with complex audio systems. Our distribution channel of over 600 dealers, integrators and consultants select Gentner equipment for these mission critical installations.

Text Box Identifying Specific Clients:

- - - - -
A&M Records . America West Airlines . American Airlines . Bell Atlantic . Boeing
. Bristol Meyers . Burlington Northern . Coca Cola Corporation . Columbia Gas
Company . Cummins Engine . Davis, Polk, Wardwell . Gitano Jeans . Goldman Sachs
. Hamilton . Honeywell . IBM . Intel . LDS Church . Marshalls Department Stores

. Mayo Clinic . Morgan Stanley Capital Group . USAA . U.S. Bankruptcy Courts .
U.S. West Communications

As a result of our reputation for providing quality teleconferencing products,
many of our clients turned to Gentner to provide conference calling service.
Four years ago, we installed a conference calling service unit to accommodate ou
our customer's needs. After extensive research, we realized the potential of
this service sector and established what we believe to be a "best in class"
conference calling division under the brand name 1-800-LETS MEET(TM).

Our 1-800-LETS MEET(TM) conference calling service has grown quarter over
quarter, with sales up by 94% from 1996. Because of our reputation as a quality
audio company, Gentner has been recognized as a highly specialized conference
call provider. When the call must be absolutely perfect and requires more hands
on attention, Gentner is often the provider of choice. Our conference calling
expertise has been used in many of the same environments where our products have
been installed.

An example of this synergy is our program with the Federal Bankruptcy Court
System. Almost four years ago, the Honorable James R. Grube of the U.S.
Bankruptcy Court of Northern District of California pioneered a new way for
attorneys to meet with judges to handle bankruptcy cases. By enabling attorneys
and their respective clients to appear telephonically in the courtroom, Judge
Grube's visionary, new media of communication has saved the government literally
thousands of dollars in hard cost and time savings. Under his guidance, Gentner
Court Conferencing(TM) was established to facilitate these telephonic

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appearances. Today, attorneys, clients and judges conduct court sessions
through Gentner's service. We continue to see strong sales growth in this
service sector and will build the commensurate infrastructure to support this
core business.

Perhaps the most synergistic sales opportunity for Gentner is our ability to use
our existing dealer distribution channel to cross sell conference calling
service. When our products are specified, many times they are used to
accommodate conference calls or augment the audio of video conferencing. This
represents a great opportunity to cross sell our services. We have established
an incentive program for our dealers to identify these opportunities to sell our
service. The ability to provide both technology and service is a key
differentiation for Gentner in the audio manufacturing market.

As a result of our extensive experience in teleconferencing products, education
and service, several organizations have asked us to assist them in exploring
teleconferencing as an alternative communication media. Through our
Communications Audit Process(TM), we work with organizations to explore ways of
improving overall communications and evaluate how they may save the travel time
and expense associated with face to face meetings. In the later part of fiscal
1997, we established a team of communication consultants and have sent them to
organizations around the country to explore the feasibility of this service.
Preliminary results hold promise for 1998.

In mid fiscal 1998, we will introduce a new line of products - the Audio
Perfect(TM) series. This product is being developed based on feedback from the
end user audience to provide a series of solutions in one box, eliminating the
need to integrate multiple manufacturers.

Text Box Identifying Specific Clients:

Amoco . Arthur Anderson . Ball State University . Bank of America . Capitol
Group . Chevron . Chicago Board of Trade . Citicorp . Egleston Children's
Hospital . Federal Express . GTE . General Electric . Jones, Day, Reavis & Poque
. Jones, Waldo, Holbrook & McDonough . Kaiser Permanente . Capitol Group .
Pacific Gas and Electric . Santa Fe Railroad . TRW . Texaco . Time Warner .
University of North Carolina . University of Iowa . University of Oklahoma

The Audio Perfect(TM) Series provides a breakthrough technology with its eight
channel Distributed Echo Cancellation, microphone and matrix mixing
capabilities.
This product series is a one-box solution that was designed and requested by our
distributors and customers.

As Gentner Communications continues to seek real growth opportunities, we see the niche markets of our teleconferencing products and services as the greatest potential for our organization. Gentner is in an excellent position to provide products, education and service solutions to this growing multi-billion dollar consumer base.

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Broadcast: Telephone Interface & Site Control

Vision: Make Gentner the dominant world-wide brand of radio and television products that connect to a telephone line.

[Picture of broadcaster using Gentner Equipment]

Broadcast sales increased by 20% last fiscal year. We continue to introduce innovative products that meet the needs of this changing industry and leverage our name brand recognition while expanding our distribution worldwide.

Telephone Interface

For nearly twenty years, Gentner has served the broadcast market with telephone interface products that bring callers live "on-air" to millions of listeners. The Gentner name in the broadcast industry is synonymous with telephone interface products. Our prestigious clientele includes: CNN, WGN and the major networks, to name a few.

Our focus during fiscal 1997 was to develop a new line of CE compliant digital telephone hybrids, enabling worldwide distribution. This new product family was introduced at the National Association for Broadcasters (NAB) Trade Show in April, 1997 - the largest worldwide forum for this industry. The new digital hybrid products began shipping in June, 1997 -with orders far exceeding our expectations.

This new product line is used for radio and television shows, allowing the audience to call in and talk with the talk show host.

The changing worldwide broadcast environment is ripe for opportunities. By understanding the dynamics of the industry, we have positioned ourselves to seize international growth by establishing a network of dealers throughout Europe, Asia, Australia, Latin America, Africa and new markets in North America. In late calendar year 1997, we will be conducting marketing research in the broadcast market to garner closer intelligence of this industry, its changing dynamics and identify future opportunities for Gentner Communications.

Remote Site Control:

In November 1996, Gentner began to ship its GSC3000 Remote Site Control product family. This Product resides at the remote transmitter site for radio and television stations. It serves as an off site engineer that can, for example, turn the generator on in the event of a power failure, adjust settings and let the engineers know there is a problem at a specific site.

Text Box Identifying Specific Clients:

Aim International, Nampa, ID . Arbor Radio, Ann Arbor, MI . Christian TV
Network, Largo, FL . EMI/FEMA/NETC, Emmitsburg, MD . Imagine Publishing/Radio,
\Brisbane,

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CA . Jones Radio Network, Englewood, CO . KCXL Radio, Liberty, MO . KPDX TV,
Portland, OR .

This new product is easy to install, simple to use and is scaleable to meet the specific size of sites involved - whether one or twenty one.

In April 1997, the GSC3000 was also a featured product at the NAB trade show. While the predecessor product, the VRC2000, was sold almost exclusively to the radio market, this new product received a great deal of attention from the television group. This exposure to a broader buying audience has increased sales, and we anticipate that sales for fiscal 1998 will continue at a strong pace. Additionally, the GSC3000 has been well received by the international

community.

By fall 1997, Gentner will ship the voice interface feature of the GSC 3000, which enables the end user to interact with the system via the telephone. This feature, has been much awaited for by the broadcast community and should boost sales of this product even further.

While our fiscal 1997 sales goals were fairly aggressive, the results eclipsed our expectations. We sold more than three times the sales volume over the prior fiscal year. Broadcast remains a profitable foundation for our growth.

Other Markets

Over the years, Gentner has established a full line of products that were either tangential to our core competencies or profitable in their own right. More recently, Gentner has made a strategic decision to eliminate those products which are no longer key to the organization's core competencies or whose growth potential is no longer congruent with our financial model. As a result, several products have been eliminated and several others have been placed under consideration.

As a result of this strategy, we have seen a reduction of 10% in our other income category from fiscal 1996. Through a very methodical process, we have been slowly eliminating our dependence on other income revenue streams and transitioning to greater growth from our core lines of business. This is evidenced by our continued sales revenue growth in Broadcast by 20% and Teleconferencing by 29%, respectively, compared to fiscal 1996. Our projections for fiscal 1998 are to see a continued decrease in our other income category and a continuing increase in our core competencies.

Included in the other income category is our Assistive Listening Systems product line. With the American with Disabilities Act and the aging baby boomer population, sales of our Assistive Listening Systems increased 40% as compared to fiscal 1996.

The enactment of the Americans with Disabilities Act, which requires four percent

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of public seating to have assistive listening devices, is creating a large market for Gentner's Assistive Listening Systems product line.

Text Box Identifying Specific Clients:

Four Corners Broadcasting, LLC, Durango, CO . KPTV-TV, Portland, OR . KPWR
Radio, Burbank CA . Paxson Communications of Milwaukee, WI . Salt Lake City
Department of Transportation . WJJA TV, Oakcreek, WI . WKOW TV, Madison, WI.
WPTA, Mechanicsburg, PA . WRAW/WRFY Radio, Reading, PA . WRTK the Radio Center,
Youngstown, OH . WTGI TV, Philadelphia, PA . WTWB TV, Morroeville, PA . WXTV
Channel 41, Secaucus, NJ

During fiscal 1997, we focused our attention on providing OEM customers with this product line, thus increasing the sales channels beyond our traditional dealer network. The Company's sales to the OEM market for this product have grown as evidenced by our addition of two new alliances during fiscal 1997.

With the installation of our teleconferencing products in many public settings, the sale of Assistive Listening Systems is a natural progression to ensure the conference room is complete with quality audio and equal access to those who are hearing impaired.

Operational Highlights

Fiscal year 1997 was a year for building an infrastructure that would support our future operations and growth at Gentner Communication Corporation. We expanded our facility, invested in factory automation, and streamlined many of our operating procedures to create greater efficiency.

During the third quarter, Gentner completed a facilities expansion with the addition of 20,400 square feet, bringing the total facility to 40,400 square feet. Utilizing modular office furniture, we created an open environment for greater team participation. Additionally, we integrated modern telephony and

computing tools to improve our communication responsiveness to customers. All of these enhancements were implemented to create effectiveness in our production, communications and teamwork.

The building expansion created needed space for sales & marketing, research and development, finance team resources, a communications center, a conference call center, training rooms, and the manufacturing facility.

We made many changes to our production factory during the year as well. We installed a complete Surface Mount Technology (SMT) production line, designed and implemented automated product test and quality control processes, and focused on improving our shop floor layout and material flow. Each enhancement was designed to increase quality and improve our overall gross profit margin.

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The installation of our SMT production line rewarded Gentner by reducing inventory, increasing product reliability and enhancing production velocity. This tool added the needed capacity to produce the latest SMT- based Gentner products, enabling us to produce products in minutes that once took us hours to manufacture.

Gentner's technology resources invented new processes to improve product testing. Many automated systems are now in place, also adding to our production velocity and product quality. We reorganized the production floor to improve material flow. New raw material and finished goods stockrooms have also been brought on line. These changes have also increased our production efficiencies. Our product distribution center was also redesigned to improve customer responsiveness and increase capacity.

Gentner continues to focus on driving our factory inputs, using an advanced, computerized Manufacturing Resource Planning (MRP) system. This tool, together with increased focus on vendor relations, has contributed to our successful inventory management. Our goal is to constantly challenge the model of what we produce and how we produce it to optimize every efficiency possible.

(Picture of Company Facility)

On the Horizon

Our corporation has undergone many positive changes during fiscal 1997. While we restructured our organization to eliminate specific positions, we also recruited new talent to our team. The addition of new senior management team members brings over sixty years of collective experience across a diverse group of industries and geographic areas. This experience is serving Gentner exceptionally well in our determination to advance our organization to the next level.

(Picture of Senior Management Team)

We have actively recruited additional key personnel to build a more diverse organization - thus broadening our perspective and adding new disciplines to our team.

(Pictures of teleconferencing products, 800 Lets Meet Sales and Operations Team, Broadcast team and products)

Our core businesses grew over 25.5% during fiscal 1997. Our ancillary lines of products are now under careful consideration to ensure they are providing the maximum results in both sales and profits.

(Pictures of a sampling of Gentner ad campaigns and literature)

We have established a professional, internal ad agency to heighten the quality of our marketing campaigns, research and image advertisement.

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(Pictures of Ticker Tape Gentner Trading Symbol)

To encourage associate (employee) ownership, we have established an employee stock purchase program. This allows our associates to purchase shares of stock through payroll deduction, with the Company making a matching contribution of ten percent.

(Picture of employee on the phone)

We have introduced sales and client retention incentive programs to our associates to ensure that they are focused on client satisfaction.

(Picture of classroom setting)

In early fiscal 1998, the doors to Gentner University will open to educate our associates and our dealers on all products and services.

(Picture of Gentner employees)

We have established a profit sharing program for all employees through our matching 401(k) contributions.

DESCRIPTION OF BUSINESS

OVERVIEW

Gentner Communications Corporation (the "Company") is a corporation organized under the laws of the State of Utah in 1983. The Company develops, markets, and distributes technologically advanced products and services, for the teleconferencing and broadcast markets. Up to 1991, the Company's primary business was the sale of studio and transmitter related equipment and accessories to broadcast facilities. Since then, the Company has applied its core digital technology gained in the broadcast telephone interface market to the development of products for the teleconferencing market. In addition, the Company offers a conference calling service. The Company now sees an opportunity to position itself as the supplier of premium, mission critical audio teleconferencing products and services used in conference rooms, distance learning facilities and court rooms and is engaged in expanding its infrastructure, marketing, selling and product development capabilities to pursue this vision.

In 1991, using the technological expertise gained in the Broadcast market, the Company commenced marketing products specifically developed for the Teleconferencing market. The Company's teleconferencing products, which are used to conduct audio teleconferences, allow users to speak into microphones and listen through speakers without the cut-offs, distortion, and noise associated with traditional speakerphones, providing for a more natural, two-way conversation among participants. The Company's product lines consist of high-end

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teleconferencing systems installed in conference rooms, distance learning facilities, and court rooms. In fiscal 1993, the Company commenced a conference calling service operation, branded 1-800 LETS MEET(TM). This service is marketed to geographically separated corporations, and organizations requiring mission critical conference calling services. Sales of products and services to the Teleconferencing market accounted for 39% of the Company's total sales during fiscal 1997.

The Company initially began selling its products to the telephone interface portion of the Broadcast market. This product line is primarily used to put callers on the air for call-in talk shows. Additionally, the Company sells remote site control products that help engineers monitor and control remote transmitter sites for the broadcast market. During fiscal year 1997, the broadcast market accounted for 44% of the Company's total sales.

The Company also has other products and services that account for the remaining 17% of sales which include assistive listening products, product repair and other products.

BUSINESS STRATEGY

The Company's teleconferencing strategy is to provide teleconferencing solutions that help businesses facilitate group communication, avoid wasted travel time, solve problems through group input, and get faster results. In addition to growing its conference calling service, the Company plans to continue developing and manufacturing teleconferencing equipment for conference rooms, distance learning facilities and courtrooms. Sales growth is expected to come through

growth in conference calling service and new equipment introductions, enhancements, and increased international distribution. During fiscal 1997 the Company made a significant investment in the sales and marketing area, hiring a Vice President of Sales and Marketing, expanding its marketing efforts, and hiring additional sales people in order to pursue this market. In addition, the Company has been developing a new line of products under the brand name Audio Perfect(TM) that it plans to begin shipping in the second quarter of fiscal year 1998.

The Company believes that there is a significant growth potential in the U.S. Teleconferencing market. According to statistics published by the International Teleconferencing Association, Teleconferencing sales grew 24% during calendar year 1996, with sales of both teleconferencing equipment and conferencing services at \$1.95 billion for calendar 1996. While the past is at best only an indicator of what the future might hold, the Company plans to allocate a large portion of its resources to develop and market teleconferencing products and services to this market. Due to the larger market size and potentially greater competition, the marketing of Teleconferencing products and services will continue to require substantial marketing resources and research and development efforts. To this end, the Company will continue to seek highly trained and experienced personnel. Additionally, the Company has aggressively focused on research and development to create an expanded and technologically superior line

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of products. The Company's strategy continues to be to sell its teleconferencing products through national and international dealers who focus on integrating teleconferencing facilities for organizations.

The Company is building a direct sales staff to sell the Company's conference calling service directly to end users through telemarketing. The Company believes that it has the potential to market and sell both its products and services by partnering with key dealers in the selling process. The Company believes its strategic differentiation is that it can provide higher quality products and services as a package for organizations who require premium, mission critical solutions.

BROADCAST PRODUCTS

In Broadcast, the Company continues to market and develop new products and enhancements for telephone interface and remote site control product lines. The Company has developed a strong brand awareness in this market, and has experienced continued sales growth. However, growth in this market is limited by the small size of the market. Thus, the Company's strategy is to use the broadcast portion of its business as a foundation to grow its share of the larger teleconferencing market.

The Company feels it is critical to stay focused on its core competencies by concentrating on the teleconferencing and broadcast markets by eliminating any product line that does not fit strategically. The Company has stopped selling audio processing equipment, and will evaluate each product offering that does not fit in its core competency.

TELECONFERENCING PRODUCTS

In 1991 the Company developed a line of audio teleconferencing products that is used in conference rooms, distance learning facilities and court rooms by applying the digital technology developed in its broadcast telephone products. These products are used to provide high quality audio teleconferencing, replacing and improving audio quality as compared to a speakerphone or in conjunction with video teleconferencing products and sound systems. Gentner products are used, for example, by the North Carolina school system as the audio portion of their video teleconferencing system in distance learning classes. Another example is the Federal Bankruptcy Courts in San Jose which use Gentner products for audio teleconferencing and sound reinforcement. Gentner has become well known for these types of products.

Recently the Company has introduced a new line of products under the brand name of Audio Perfect(TM) that the Company plans to begin shipping during the second quarter of fiscal 1998. These new products use a new digital technology called Distributed Echo Cancellation(TM) and incorporate several functional devices including automatic microphone mixing, echo cancellation, audio routing, audio equalization, audio processing and remote control into a single device. Here-to fore, these functions required a separate electronic device to perform each

function. The Company believes that its Audio Perfect(TM) product line will provide its customers with significantly better performance with less equipment and complexity. The Company believes there is a much larger market for its new line of teleconferencing products.

When these products are used with Gentner's conference calling service, the Company can deliver its customers a total audio teleconferencing solution. The Company believes that by providing both product and services to its customers, it can provide a significantly better solution than its competitors.

CONFERENCE CALL SERVICE

In February 1993, the Company launched its new conference call service to provide customers with a complete offering of teleconferencing solutions. This service can connect many different telephone callers worldwide with superior service and excellent clarity. While not a significant part of the Company's overall sales in the past, the Company saw significant growth from this segment during the last fiscal year as a result of hiring a dedicated sales force to target businesses that need mission critical conference calling services. The Company believes a significant opportunity exists in pursuing vertical markets for its products and services in conference rooms, distance learning facilities and courtrooms. By providing premium mission critical products and services, the Company believes these vertical markets will be highly responsive to a higher level of quality and service.

TELEPHONE INTERFACE PRODUCTS

The Company's telephone interface product line offers a full selection of products ranging from simple single line couplers to computerized multiple line systems used in talk show programs. An example of the computerized multi-line system is the Company's TS612 product, which it began selling in fiscal 1995. Using the TS612, broadcast talk show hosts can screen calls, transfer calls to on-air, conference several callers together, or monitor which callers are on hold and which are talking to the show's producer. The Company has recently introduced a new line of digital hybrids that replace other products. These new products offer improved performance, and the Company has experienced excellent market acceptance of these new products.

REMOTE SITE CONTROL PRODUCTS

These products help broadcasters fulfill legal requirements for monitoring and controlling their transmitters, which are often located in remote areas such as on mountain tops. The Company's products provide monitoring of conditions at the transmitter site and permit users to make adjustments to transmitters by remote control. The components offer users the option of monitoring and making such adjustments either via desktop computer or via touch tone telephones. In fiscal year 1997, the Company began shipping the new GSC3000 product series. These new hardware and software products are designed to augment the Company's existing transmitter site control products by permitting station managers to monitor

several different sites using the same equipment. The GSC3000 has enjoyed better than expected sales performance.

ASSISTIVE LISTENING PRODUCTS

In March 1993, the Company began shipping its new Assistive Listening System ("ALS") products. These products provide a specially-processed audio signal for the hearing impaired in such facilities as houses of worship, schools, theaters, cinemas, etc. The equipment processes the program's audio for maximum clarity. Then the audio is transmitted over a limited range to small, portable receivers provided by the facility to patrons to listen to the program. Since introducing the ALS line, the Company has seen demand for its ALS products steadily increase as a result of additional products and increased emphasis in distribution and marketing. In fiscal 1995, the Company expanded its ALS product line with the introduction of an additional multi-channel receiver, a battery charger and other accessories. During fiscal 1996, the new PTX portable transmitter was introduced, and in fiscal 1997 both the TX37 transmitter and the RX1 receiver were re-engineered for better performance. ALS products and accessories currently are one of the Company's fastest growing product lines.

TELECONFERENCING MARKET

Sales to the audio segment of the teleconferencing market represented approximately 39% of total Company sales in fiscal 1997. The audioconferencing segment is a part of the total teleconferencing market, which also includes the Videoconferencing market segment. Although the Company designs and manufactures audio equipment that works in connection with the videoconferencing segment, it specializes in the audio portion of the teleconferencing market.

Products and services sold by all companies to the teleconferencing market include terminal equipment, telephone bridge equipment, conference calling services, and transmission services. The Company's primary focus is in the terminal equipment and conference calling service categories. According to industry sources, the calendar 1996 U.S. market for all teleconferencing products and services exceeded \$5.1 billion. Industry sources also reported that this market has been growing at an average rate of 27% over the past three years, and is expected to grow to \$6.4 billion in calendar 1997.

The Company believes that the audioconferencing segment of the teleconferencing market provides its most significant sales growth potential for the future, and plans to continue providing solutions to businesses and other end users through the sale of teleconferencing equipment and services.

BROADCAST MARKET

For fiscal 1997, the Broadcast market, which is served by telephone interface and remote site control products, was still the Company's largest revenue source, generating 44% of the Company's total sales. The Company's products are targeted and sold to radio and television stations, broadcast networks, and other

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professional audio customers.

The Company believes that the worldwide market for its telephone interface and site control products is approximately \$40 million. The Company believes it has a worldwide market share of approximately 15%.

The United States is considered to be the predominant segment of the worldwide Broadcast market, with over 12,000 radio and television stations in operation. The Company estimates that this market will grow at an average annual rate of approximately 5%. The Company's products are sold mainly to renovate older studios and/or replace obsolete equipment. Although little new broadcast station construction has taken place in the past several years in the United States (due to the limited number of frequencies that become available at any given time), the Company believes that it will continue to experience growth in the Broadcast market as product innovations allow broadcast stations to upgrade their existing equipment and reduce operating costs. Furthermore, the Company has noted a recent organizational shift in the Broadcast industry, as an increasing number of stations have come under consolidated ownership and/or management control. The Company expects this trend to continue over the next few years. Due to its newer telephone interface and site control products' features that provide centralized monitoring and control of several facilities, the Company believes its broadcast products are especially well-suited to provide sales growth during this industry trend.

The Company has traditionally concentrated its efforts on selling its products in the United States. However, while the United States is considered to be the largest single Broadcast market segment in the world, it is believed to represent only 20% of the total worldwide Broadcast market. The international Broadcast market is expanding due largely to government deregulation and privatization of stations and due to an expansion in the number of frequencies available for commercial use. In 1991, the Company began focusing efforts on expanding its international market share and has appointed dealers located in key areas around the world (see "Description of Business -Distribution"). Such overseas Broadcast sales accounted for 19% of all sales by the Company to the Broadcast market. Sales of all products to all foreign markets, which includes both export sales and sales intended for overseas installation, principally in Canada, Europe, and Asia, accounted for 13% of total sales in both fiscal 1996 and 1995.

OTHER MARKETS

In addition to the Broadcast and Teleconferencing markets, the Company's products are sold into other markets, particularly the Professional Audio market. The Professional Audio market includes sound contractors who install audio and other equipment in churches, schools, auditoriums and other large facilities. The Company sells its products into this market generally through the same manufacturers' representatives and dealers that represent the Company in the

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Teleconferencing market. The products sold to this market are primarily the telephone interface products, teleconferencing products and ALS products.

MARKETING AND SALES

Teleconferencing systems sales efforts are primarily aimed at audio/visual equipment dealers and consultants. These companies in turn provide audio solutions to end users in applications such as corporate board room audio and video systems, distance learning classrooms and facilities, telemedicine examination and diagnosing systems, court rooms, etc. The Company reaches these end users through a sales representative and dealer network that regularly interacts with potential end users in the target market. The Company actively participates alongside this network at communication forums, trade shows, and industry promotions. The Company intends to reinforce those efforts and increase sales by remaining involved in the distribution network and to offer training through Gentner University (an educational setting where dealers can obtain training on Gentner products).

Historically, the Company relied on its existing sales force and outside representative network to sell its conference calling service. During the past fiscal year, the Company hired a direct sales staff in an effort to increase sales. In addition, the Company is beginning to conduct its Communication Audit Process(TM) to help organizations determine if they are using conference calling as effectively and efficiently as possible.

The Company's Telephone Interface and Remote Site Control product sales efforts focus on domestic and international sales of these products through a worldwide network of dealers. Such efforts have included a combination of product catalogs, trade shows, telemarketing, direct mail, trade advertising, fax on demand, an Internet world wide web page, direct selling, and the creating of Gentner University. The Company will continue to support dealers with product information, brochures, and data sheets, and has been increasing its activities aimed at garnering the attention of end users. The Company will continue to sponsor sales promotions to encourage dealers to feature the Company's products, and will also focus more on end user interaction efforts. The Company will also continue to exhibit its products at selected high profile industry trade shows to ensure that the Company's products remain highly visible to dealers and broadcasters.

TECHNICAL SUPPORT

Technical support, which is generally provided over the telephone, provides timely, interactive help to customers needing operational or technical assistance with their products. The Company's technical support team regularly communicates with the Company's engineering and manufacturing groups to ensure up-to-date information is being given to the customers and to provide feedback to the Company that can be useful in initiating product improvements. The technical support team provides a vital role in solving customer problems and building customer confidence. The Company has focused its resources to ensure that strong

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technical support to its customers remains a competitive advantage. In addition, the technical support team generated approximately \$133,000 in revenue for the Company for repairs not covered under warranty.

WARRANTY AND SERVICE

The Company provides a one year warranty on its products which covers both parts and labor. The Company, at its option, repairs or replaces products that are defective during the warranty period if the proper preventative maintenance procedures have been followed by customers. Repairs that are necessitated by misuse of such products or that are required outside the warranty period are not

covered by the Company's warranty.

In case of a defective product, the customer typically returns it to the Company's facility in Salt Lake City, Utah. The Company's service personnel then replaces or repairs the defective item and ships it back to the customer. Generally, all servicing is done at the Company's plant, and the Company charges its customers a fee for those service items that are not covered by warranty. The Company does not offer its customers any formal written service contracts.

DISTRIBUTION

Teleconferencing Products.

The Company sells its teleconferencing systems and components through independent audio/visual equipment dealers and consultants. The Company also uses a national network of independent sales representatives. Currently, most of the Company's teleconferencing system sales are in the United States. The Company's primary strategy for foreign expansion is to establish dealers and master distributors in markets where it believes there is a growing need for products and services of the type offered by the Company.

The Company distributes products to the Professional Audio market via this same network of sales representatives and to independent sound contractors. These products include the Company's assistive listening system product line and other audio processing and routing equipment.

Teleconferencing Service.

The Company primarily sells its conference calling service through telemarketing, and has recently expanded its activities and the number of employees in this area. The Company also plans to utilize this sales force in selling certain teleconferencing products directly to end users. The Company also sells services through its product dealers and independent representatives and provides wholesale conference calling services to two long distance companies.

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Telephone Interface and Remote Site Control Products.

The Company's telephone interface and remote site control products are generally sold in the United States through non-exclusive independent broadcast equipment dealers. End users generally place orders with a dealer by calling a toll free number. The market is highly competitive, and it is not unusual for a customer to call several dealers to get the best possible price. Once a customer orders equipment, a dealer either ships the product to the customer from the dealer's inventory or orders the product from the Company to be shipped directly to the customer. Only the Company's largest dealer is also a manufacturer of communications systems and equipment. This customer is the Company's predominant dealer in the Broadcast market and is believed by the Company to be the dominant supplier of equipment for radio stations in the United States. Sales to this dealer represent a significant portion of Company sales, accounting for approximately 12% of the Company's total sales in fiscal 1997, and 11% and 18% during fiscal 1996 and fiscal 1995, respectively. However, the Company believes that if it were to lose this dealer, it could sell its products to customers either directly or through other dealers. With respect to international sales, the Company has established international relationships with dealers for its broadcast products in Europe, Canada, Asia, the South Pacific, and Latin America.

COMPETITION

The principal competitive factors in the Company's markets include innovative product design, product quality, established customer relationships, name recognition, distribution, and price.

The Company believes that its ability to successfully compete in the Teleconferencing market is essential to the Company's growth and development. There are other companies with substantial financial, technical, manufacturing

and marketing resources currently engaged in the development and marketing of similar products and services. Some of these companies have launched products competitive with those being developed and manufactured by the Company. However, the Company has used its core digital technology to produce what it believes are audio teleconferencing systems and equipment of superior performance. The Company believes it is the only provider of both high end teleconferencing products and mission critical conference calling services, and feels it can uniquely position itself in the rapidly expanding Teleconferencing market.

In the Telephone Interface and Remote Site Control markets, the Company has several competitors in each of its product lines. There is not, however, any single competitor who directly competes with the Company in all such product lines. Although some of the Company's competitors are smaller in terms of annual revenues and capitalization, such competitors are usually focused on a single product line. They can therefore devote their resources to products that are directly competitive with, and may adversely impact sales of the Company's

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products. However, the Company's name is well known with respect to its products. This advantage, coupled with the Company's size, will likely enable it to preserve and increase its market share.

RESEARCH AND DEVELOPMENT

The Company is highly committed to research and development. The Company views its investment in research and development as a key ingredient to long-term business success. The Company expended \$1,046,757 and \$929,132 on research and development in the fiscal years ended June 30, 1997 and 1996, respectively.

The Company is continually developing new products and services. Current new research and development efforts are focused on the teleconferencing system products, broadcast telephone interface products and enhancements to the remote site control product family. The Company also heavily invests resources in technically sustaining and refining existing products. Moreover, the Company continues to allocate resources to obtain and maintain product regulatory compliance, both domestic and international, and has three full time employees dedicated to this effort.

The Company's core technological competencies include many areas of telecommunications and telephone acoustic echo cancellation. The Company's capability to use Digital Signal Processing ("DSP") technology to perform audio processing operations is also a core competence. This technology is critical to the performance of the Company's products. The Company maintains an internal computer aided design ("CAD") team. This team creates the necessary electrical schematics, printed circuit board designs, mechanical designs, and manufacturing documentation to support the research and development efforts. The Company's CAD and product design teams use networked computing systems and sophisticated software programs to facilitate all aspects of product development.

The Company believes that ongoing development of its core technological competencies is vitally important to future sales.

PATENTS AND PROPRIETARY RIGHTS

Trade secrets, proprietary information, and technical know-how are important to the Company's scientific and commercial success. The Company currently relies on a combination of trade secrets and nondisclosure agreements to establish and protect its proprietary rights in its products. The Company is in the process of obtaining trademark registration for "1-800 LETS MEET" for its conference calling service, "Distributed Echo Canceling" to describe the Audio Perfect products, "Gentner Court Conferencing" for the service the Company provides to the courts, and "Communications Audit Process" to describe the consulting service it offers to businesses.

GOVERNMENT REGULATION

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The Company designs and manufactures its equipment in accordance with the technical design standards of the Federal Communications Commission ("FCC") Part 15 and Part 68. Part 15 of the FCC Rules governs the levels of electromagnetic

radiation emanating from commercial computing equipment. The Company endeavors to conform all of its products covered by Part 15 of the FCC Rules based on testing performed at a FCC approved testing facility. Part 68 of the FCC Rules sets forth standards for telephone equipment that is intended to be connected to the Public Switch Telephone Network ("PSTN") used within the United States. The Company's applicable telecommunications products are tested by an independent testing laboratory and are registered with the FCC.

The Company also designs and manufactures its equipment pursuant to industry product safety standards. The Canadian Standards Association ("CSA"), an approved Nationally Recognized Testing Laboratory ("NRTL") under direction of the Occupational Safety and Health Administration ("OSHA"), tests all products and performs quarterly audits for continuing compliance to applicable safety standards.

Several of the Company's products are currently registered for sale in various international markets. The Company must conform with design standards similar to those of the FCC and CSA in each of the foreign countries in which the products are sold.

MANUFACTURING

The Company currently manufactures and/or assembles its products using purchased or leased manufacturing equipment. Most of the equipment presently being used will continue to be utilized for several years. The Company's manufacturing facility incorporates modern, modular assembly work stations and work accessories that enhance the efficiency and quality of the manufacturing process. In July 1996, the Company installed a new surface-mount assembly line. Most new sophisticated electronic equipment designs now utilize surface-mount technology, which incorporates smaller, more powerful electronic components and computer chips than used on "through-hole" circuit boards in the past. This new manufacturing capability has reduced manufacturing costs, and increased production efficiencies and capacity. If sales increase substantially, the Company may be required to invest in additional manufacturing equipment. Subject to financial considerations, the Company does not believe it would experience any difficulty in obtaining any additional equipment that might be needed as a result of any substantial sales increase (see "Management's Discussion and Analysis --Financial Condition and Liquidity").

The Company generally purchases its assembly components from distributors, but also buys a limited amount directly from manufacturers. Printed circuit boards and metal work are purchased directly from local suppliers. Its principal suppliers are Hamilton Hallmark, Arrow Electronics, Bell Industries, Standard Supply Company, Precise Metal Products Company, and Precision Technology. Of these principal suppliers, only Precise Metal Products, which does all of the Company's metal stamping work, is single source. Precise Metal Products could

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be replaced by at least three local and eight regional metal stamping companies with little disruption in the manufacturing process. The Company's general policy is to have a minimum of two vendor sources. Many of the components utilized are bonded by certain distributors and manufacturers. This bonding process places ordered products on the distributors' shelves until the product is required by the Company. This allows the Company to reduce its inventory while maintaining available stock.

The Company's assistive listening systems products are manufactured in Taiwan and shipped to its facility to complete the packaging before shipping to its customers.

The Company uses a real time computer system to monitor its manufacturing process, which allows the Company to utilize cost accounting for each product and to monitor profitability in each phase of the manufacturing process. The software is covered under a maintenance contract which allows for new version upgrades. The Company has developed an extensive software back-up system that provides for daily back-ups housed in a fire-proof safe.

TELECOMMUNICATIONS AND INFORMATION SYSTEMS

The Company has become heavily reliant on its telecommunications and information systems (network) in order to conduct its day-to-day operations. Failure of the network for an extended amount of time could be detrimental to the Company's ongoing business (see "Risk Factors"). As such, the Company endeavored in the last year and will continue to develop an appropriate infrastructure that could

support and enhance growth, reduce down time and improve operational efficiencies. The Company has contracted with outside consultants and companies to develop what it believes is a state-of-the-art network facility. Network features aimed at these objectives include rewiring of the Company's building for ease of changes and new installations; several different backup power sources to guard against power failure; redundant equipment and circuit cards for some equipment; alarm systems and monitoring equipment; and temperature controlled network room. In addition, the Company endeavors to fully back up its electronic data in case of catastrophic failure.

The Company is now focused on making its network fully scaleable to accommodate expected growth. Especially noteworthy is that as conference calling service revenues grow, the network structure must expand at the same rate. Last year, the Company's conference calling services grew 93%. As such, the Company is engaged in developing network expansion plan that can accommodate this fast growth. In addition, the Company is also developing plans to overhaul its information database. Currently, the Company utilizes several different databases and software tools. However, the Company plans to develop a single database system that all employees will utilize.

EMPLOYEES

As of June 30, 1997, the Company had 113 employees, all of which were full time

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employees. None of the Company's employees are subject to a collective bargaining agreement.

PROPERTIES

All of the Company's operations, including its executive offices, conference call service, product sales, research and development, and manufacturing, are conducted in a 40,000 square feet facility located south of Salt Lake City (the "Research Way facility"). The Research Way facility is a modern building leased by the Company. The base monthly rent for this facility currently is approximately \$22,400. The facility is in good condition and the Company believes the facility will be reasonably adequate to meet its foreseeable growth in the future. Monthly rents are scheduled to increase ratably over the next ten years. The new facilities will allow the Company to grow steadily during this time, as the landlord has granted certain expansion options to the Company with respect to adjacent building space.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock is traded in the over-the-counter market on the NASDAQ System under the symbol "GTNR." Warrants are traded under the symbol "GTNRW". The following table sets forth quotations for the common stock for the last two fiscal years.

1997 -----	High -----	Low -----
First Quarter	\$ 1.06	\$ 0.75
Second Quarter	0.94	0.69
Third Quarter	0.97	0.66
Fourth Quarter	0.78	0.59
1996 -----		
First Quarter	\$ 1.94	\$ 0.78
Second Quarter	1.63	0.88
Third Quarter	1.31	0.94
Fourth Quarter	1.28	0.75

The above inter-dealer quotations were obtained from the National Association of Securities Dealers (NASD), do not reflect markups, markdowns, or commissions, and may not represent actual transactions.

The Company does not pay a cash dividend and does not anticipate doing so in the foreseeable future. Currently, the Company's line of credit prohibits the payment of dividends.

As of September 1, 1997, there were approximately 2,800 holders of common stock of the Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Year Ended June 30, 1997 Compared to Year Ended June 30, 1996.

Sales for the year ended June 30, 1997 ("fiscal 1997") increased 17% compared to the prior fiscal year ended June 30, 1996. This increase is due to the Company focusing on its core businesses: teleconferencing products and services, remote site control and telephone interface products.

Product and conference calling service revenues from the teleconferencing market increased 29% during fiscal year 1997 as compared to fiscal year 1996. Product sales increased 20% primarily due to sales of the GT724 audio teleconferencing system. The Company started shipping this product in the beginning of the fiscal year, and sales have remained strong during the entire year. The GT724 system is used in conference rooms, distance learning facilities and court rooms. The Company's conference calling service increased 93% in fiscal year 1997 over fiscal 1996. This significant increase is due to the Company hiring a dedicated, direct sales force and due to aggressive marketing campaigns during the year. The Company is focused on providing premium, mission critical conference calling services for conference rooms, distance learning facilities and courtrooms.

Sales in the broadcast market grew 20% in fiscal year 1997 as compared to fiscal year 1996. In the telephone interface segment, the Company introduced a new product line late in the fiscal year, unveiling the new digital hybrid line at the National Association of Broadcasters show in April 1997. Shipments began in June 1997. Remote site control sales grew significantly when the Company began shipping the GSC3000 remote site control product line in November 1996. The GSC3000 monitors and adjusts settings at one or more remote transmitter sites, or an engineer can adjust the settings via a personal computer. Historically, the Company's remote site control products have sold primarily in the radio market, but the GSC3000 has been accepted in the television market, resulting in increased sales.

During fiscal 1997, other product sales experienced a 37% decrease as compared to fiscal 1996 as the Company's primary focus was on its core business lines. The Company stopped selling Audio Processing products and has seen decreased

sales in the audio routing and distribution and portable teleconferencing products. The Company believes these product lines have taken focus and resources away from its core businesses, and expects to see these continue to decline.

The Company's gross profit margin increased to 48% in fiscal 1997 as compared to 45% in fiscal 1996. This improvement in gross profit margin can be attributed to higher margin product mix, product pricing and the in-house surface mount manufacturing technology the Company began using in fiscal 1997. The Company continues to work towards increasing its gross profit margin. For products, the Company has recently increased prices and is working to reduce actual manufacturing costs. However, the Company's conference calling service has a lower gross profit margin, which, as it becomes a higher percentage of total sales, could negatively impact the Company's overall gross profit margin.

For the year ending June 30, 1997, the Company's operating expenses increased 40% compared to the previous fiscal year. As previously reported, the Company invested significantly in its infrastructure during fiscal 1997 in an effort to prepare for future growth. Sales and Marketing expenses increased 49%, General

and Administrative expenses increased 43% and Product Development expenses increased 13% from fiscal year 1996 to fiscal year 1997.

The Company underwent some significant changes in its Sales and Marketing area in fiscal 1997. It hired its first Vice President of Sales and Marketing to focus specifically on increasing sales. The Company also hired a direct sales force to sell its conference calling service, incurred one time marketing expenses regarding its conference calling service, hired internal marketing people and invested significantly in market research prior to developing new products. All these events contributed to the increase in sales and marketing expenses, and the Company believes these initiatives will help sustain long-term sales growth.

General and Administrative expenses increased 43% in fiscal 1997 as compared to fiscal 1996. Most of this increase is due to the Company expanding its facility, doubling the square footage. Occupancy costs also increased significantly, as well as other costs associated with expanding operations (human resources and information systems management). The Company feels this investment in the infrastructure will sustain long term growth as the Company moves forward.

During fiscal 1997, Product Development expenses increased 13% as compared to fiscal 1996. This increase is a result of hiring additional engineers to focus on specific product areas. The Company also expended significant resources in developing new teleconferencing and site control products.

Interest expense increased 6% when comparing fiscal 1997 to fiscal 1996 due to increased borrowing requirements to fund growth. This increased borrowing occurred towards the end of the fiscal year when the Company finalized the financing required for the facility expansion.

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Year Ended June 30, 1996 Compared to Year Ended June 30, 1995.

Sales for the year ended June 30, 1996 ("fiscal 1996") increased 3% compared to the prior fiscal year ended June 30, 1995 ("fiscal 1995"). Shipments of new products during the first half of the fiscal year were the primary reasons for the increase. Offsetting this sales growth during the third quarter were weather factors and the federal government shutdown.

Broadcast market sales for the year ended June 30, 1996 were up 3% over fiscal 1995. Increased sales from earlier in the fiscal year were due to the Company's new TS612 talk show telephone system. The Company has received favorable customer response to this product, and has finalized new enhancements which were introduced during the third quarter. Increased sales also resulted from another new product, the Company's recently introduced Telehybrid telephone interface unit. This new product allows broadcasters to make easy connections to either digital or analog phone lines in various "on-air" broadcast applications. These sales increases during the first half of the year were offset somewhat by circumstances which occurred during the third quarter. Severe winter weather conditions experienced in the Northeastern part of the United States affected several of the Company's broadcast dealers and their customers who postponed orders. In addition, capital investment plans by broadcast customers were uncertain due to anticipated changes in station ownership provisions included in the then pending Telecommunications Act of 1996. After the Telecommunications legislation passed, the approval of any such ownership changes was then interrupted by the temporary shutdown of the Federal Communications Commission. The Company feels that these circumstances resulted in a temporary slowdown, and noted that Broadcast sales during the fourth quarter of fiscal 1996 were at approximately the same level as during the second quarter.

Sales to the Teleconferencing market rose by 4% during the 1996 fiscal year as compared to the previous fiscal year. The Company experienced higher sales during the first six months of fiscal 1996 primarily due to shipments of the new AVT line of products. These units were designed specifically for use in conjunction with videoconferencing and distance learning. Also contributing to Teleconferencing sales throughout fiscal 1996 were shipments of the ET100 and ET10 portable teleconferencing units. The Company spent time earlier in the year making design modifications and improvements to the ET100, and released version 2.0 during the second fiscal quarter. The ET10 is the first full-duplex conferencing product designed for use in an individual office or cubicle, and the Company began shipments during February of 1996.

In offsetting these sales increases to the Teleconferencing market, the federal government shutdown during the third quarter affected the Company's sales to this market as well. A significant number of the Company's teleconferencing systems are utilized in distance learning applications located at educational facilities. The Company's dealers bid many of these systems to universities and colleges who purchase the equipment using federal grants. While grant approvals at federal agencies were temporarily suspended, time-sensitive bids expired, requiring

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dealers to prepare new bid packages. During the following quarter ended June 30, 1996, sales of those types of teleconferencing systems resumed to a level slightly higher than that experienced during fiscal 1996's second quarter.

The Company's gross profit margin percentage increased from 43% to 45% during the year ended June 30, 1996, as compared to the prior fiscal year. Some of the difference stems from a moderate sales price increase of the Company's products which took effect on July 1, 1995. In addition, the prior year's third quarter gross profit margin was lower than normal. Included therein were extensive revisions and updates made to the standard costs of several products and product subassemblies. Accordingly, the Company reflected the change as additional cost of goods sold during that quarter ended March 31, 1995. The revised product costs, coupled with the price increase, resulted in improved quarterly margins during the first half of fiscal 1996 over fiscal year 1995. As anticipated however, the Company experienced slightly lower profit margins of new products introduced during the quarter ended March 31, 1996, which also affected the full quarter ended June 30, 1996. The gross profit margin percentage during the fourth quarter was 42%.

For the year ended June 30, 1996, operating expenses overall went up 0.7% compared to fiscal 1995, mainly as a result of a 9% decrease in general and administrative costs. Such expenses were lower primarily as a result of cost saving efforts and efficiencies gained by modifying the organizational structure, a process which began yielding results during the latter half of fiscal 1995. Offsetting these savings, however, were increases in product development costs, which were up 16%. This was due primarily to expenses incurred during the current fiscal year's second and third quarters associated with new product and product enhancements, and also as a result of lower product development costs during the third quarter of fiscal 1995. The reason for the decrease during that period was the approximately \$75,000 of software development costs that were capitalized. Marketing and selling expenses were up 2% during the year over fiscal 1995, due mostly to increased activities and customer research conducted during the quarter ended June 30, 1996.

Total interest expense for fiscal 1996 did not vary significantly from that of fiscal 1995, increasing by only 1%. Changes in the interest expense amounts stemmed primarily from differences in usage of the Company's line of credit facility. Interest expense for the last half of fiscal 1996 was 31% lower than during the same period for fiscal 1995, mainly as a result of short-term debt payoffs using cash generated from operations. Due to utilizing much of its excess cash beginning in fiscal 1995, the Company earned significantly less interest income during the first half of fiscal 1996.

The Company's statutory minimum provision for state income taxes was calculated using the rate of 0.3%. The federal rate was different than that which would normally have been applied, 34%, primarily as a result of changes to the valuation allowance for deferred tax assets.

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FINANCIAL CONDITION AND LIQUIDITY

The Company's financial condition remained strong in fiscal year 1997. The Company's current ratio was 2.2 at the end of fiscal 1997 as compared to 2.5 at the end of fiscal 1996. While inventories decreased 17% during fiscal 1997, accounts receivable increased 9% and accounts payable decreased 6%. These changes all contribute to the financial strength of the Company. During fiscal 1997, the Company obtained permanent long-term financing for some furniture and equipment it purchased during the year. Because some of the financed equipment was originally purchased with cash, this enabled the Company to reduce its short term borrowings against its line of credit.

During fiscal year 1997 the Company continued with efforts to reduce inventory levels. Raw material levels decreased 7%, work in progress decreased 25% and finished goods decreased 20% when comparing fiscal year 1997 to fiscal year 1996. The Company has been able to reduce inventory levels, and yet maintain a supply sufficient to meet customer demand. The Company continues to focus on improving inventory levels and turns.

In the first quarter of fiscal 1997, the Company renewed its line of credit with a commercial bank. The total available on the line of credit is \$2.5 million. The interest rate on the line is a variable interest rate (anywhere from three to five basis points over the London Interbank Offered Rate (LIBOR)). As of June 30, 1997 the outstanding balance was \$723,000 with an interest rate of 10.7%.

As described in the footnotes to the financial statements, the Company has certain commitments relating to capital expenditures. These commitments are in the form of obligations classified as long-term debt and capital leases, both related to the financing of furniture and equipment. Together, the current obligation on these commitments was \$331,178 in fiscal year 1997 and will be \$627,750 in fiscal year 1998.

The Company continued to experience positive cash flows despite its losses for the fiscal year. The increased sales and decreased inventory levels provided positive operational cash flows for the Company. As sales continue to increase and inventory levels continue to improve, the Company anticipates that it can achieve its business plan through a combination of internally generated funds and short-term and/or long-term borrowing, if necessary.

FORWARD LOOKING STATEMENTS AND RISK FACTORS

To the extent any statement presented herein deals with information that is not historical, such statement is necessarily forward looking. As such, it is subject to the occurrence of many events outside of the Company's control. These occurrences could cause the Company's results to differ materially from those anticipated. A sample listing of such occurrences follows:

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Competition - Rapid Technological Change

The Broadcast, Teleconferencing and ALS markets are highly competitive and characterized by rapid technological change. The Company's future performance will depend in large part upon its ability to remain competitive and to develop and market new products and services in these markets. The Company competes with businesses having substantial financial, research and development, manufacturing, marketing and other resources.

The markets in which the Company competes have historically involved the introduction of new and technologically advanced products and services that cost less or perform better. If the Company is not competitive in its research and development efforts, its products may become obsolete or priced above competitive levels.

Although management believes that, based on their performance and price, its products are attractive to customers there can be no assurance that competitors will not introduce comparable or technologically superior products which are priced more favorably than the Company's products.

Marketing

The Company has gained experience over the last several years in marketing its products; however it is subject to all of the risks inherent in the sale and marketing of current and new products and services in an evolving marketplace. The Company must effectively allocate its resources to the marketing and sale of these products through diverse channels of distribution. The Company's strategy is to establish distribution channels and direct selling efforts in markets where it believes there is a growing need for its goods and services. There can be no assurance that this strategy will prove successful.

Dependence on Distribution Network

The Company markets its products primarily through a network of representatives, dealers and master distributors. All of the Company's agreements retaining such representatives and dealers are non-exclusive and terminable at will by either party. Although the Company believes that its relationship with such representatives and dealers is good, there can be no assurance that any of such representatives or dealers will continue to offer the Company's products.

Furthermore, there are no obligations on the part of such representatives and dealers to provide any specified level of support to the Company's products or to devote any specific time, resources or efforts to the marketing of the Company's products, nor are there any prohibitions on dealers offering products that are competitive with those of the Company. Most dealers do offer competitive products. The Company reserves the right to maintain house accounts

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which are sold direct, however, the loss of a majority or all representatives or dealers could have a material adverse effect on the Company's business.

Limited Capitalization

As of June 30, 1997, the Company had \$63,992 in cash and \$2,488,555 in working capital. The Company may be required to seek additional financing if anticipated levels of revenue are not realized, if higher than anticipated costs are incurred in the development, manufacture or marketing of the Company's products, or if product demand exceeds expected levels. There can be no assurance that any additional financing thereby necessitated will be available on acceptable terms, or at all.

In addition, the Company's revolving line of credit matures on October 24, 1997 and there can be no assurance that the Company will be able to extend the maturity date of the line of credit or obtain a replacement line of credit from another commercial institution. The Company had an outstanding balance payable of \$723,000 on a \$2.5 million line of credit as of June 30, 1997. To the extent the line of credit is not extended or replaced and cash from operations is unavailable to pay the indebtedness then outstanding under the line of credit, the Company may be required to seek additional financing.

Telecommunications and Information Systems (Network)

The Company is highly reliant on its network equipment, data and software to support all functions of the Company. The Company's conference calling service relies 100% on the network for its revenues. While the Company endeavors to provide for failures in the network by providing back up systems and procedures, there is no guarantee that these back up systems and procedures will operate satisfactorily in an emergency. Should the Company experience such a failure, it could seriously jeopardize its ability to continue operations. In particular, should the Company's conference calling service experience even a short term interruption of its network, its ongoing customers may choose a different provider.

Dependence Upon Officers

The Company is substantially dependent upon certain of its officers, including Russell D. Gentner, its Chairman, President and Chief Executive Officer and a principal stockholder of the Company. The loss of Mr. Gentner by the Company could have a material adverse effect on the Company. The Company currently has in place a key man life insurance policy on the life of Mr. Gentner in the amount of \$2,000,000.

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Dependence on Supplier and Single Source of Supply

The Company does not have written agreements with any suppliers. Furthermore,

certain digital microprocessor chips used in connection with the Company's products can only be obtained from a single supplier and the Company is dependent upon the ability of this supplier to deliver such chips in accordance with the Company's specifications and delivery schedules. The Company does not have a written commitment from such sole supplier to fulfill the Company's future requirements. Although the Company maintains an inventory of such chips in an amount which it believes is sufficient to cover its requirements for three months and is attempting to develop alternate sources of supply, there can be no assurance that such chips will always be readily available, or if at all available, available at reasonable prices or in sufficient quantities, or deliverable in a timely fashion. If such chips or other key components become unavailable, it is likely that the Company will experience delays, which could be significant, in production and delivery of its products unless and until the Company can otherwise procure the required component or components at competitive prices, if at all. The lack of availability of these components could have a materially adverse effect on the Company.

Although the Company believes that most of the key components required for the production of its products are currently available in sufficient production quantities, there can be no assurance that they will remain available. Furthermore, suppliers of some of these components are currently or may become competitors of the Company, which might also affect the availability of key components to the Company. It is possible that other components required in the future may necessitate custom fabrication in accordance with specifications developed or to be developed by the Company. Also, in the event the Company, or any of the manufacturers whose products the Company expects to utilize in the manufacture of its products, is unable to develop or acquire components in a timely fashion, the Company's ability to achieve production yields, revenues and net income will be adversely affected.

Lack of Patent Protection

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The Company currently relies on a combination of trade secret and nondisclosure agreements to establish and protect its proprietary rights in its products. There can be no assurance that others will not independently develop similar technologies, or duplicate or design around aspects of the Company's technology. In addition, several of the Company's employees have not signed confidentiality agreements regarding the Company's proprietary information. The Company believes that its products and other proprietary rights do not infringe any proprietary rights of third parties. There can be no assurance, however, that third parties will not assert infringement claims in the future.

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Government Funding and Regulation

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In the teleconferencing market, the Company is dependent on government funding to place its distance learning sales and courtroom equipment. In the event government funding were stopped, these sales would be negatively impacted. Additionally, many of the Company's products are regulated by governmental regulations. New regulations could significantly impact sales.

Dividends Unlikely

- - - - -

The Company has never paid cash dividends on its securities and does not intend to declare or pay cash dividends in the foreseeable future. Earnings are expected to be retained to finance and expand its business. Furthermore, the Company's revolving line of credit prohibits the payment of dividends on its Common Stock.

Potential Dilutive Effect of Outstanding Options and Warrants and Possible Negative Effect of Future Financing

- - - - -

The Company has outstanding Options, Warrants and a Unit Purchase Option. The outstanding options are issued under the Company's 1990 Incentive plan which includes options to purchase up to 1,500,000 shares of Common Stock granted or available for grant. The Company issued Warrants that allow the holder to purchase one share of Common Stock at an exercise price of \$1.50. There

currently are 2,875,000 Warrants outstanding which expired September 22, 1997. The Company also granted the underwriter of the warrants an option to purchase a total of 125,000 units (a unit consists of three shares of common stock and warrants to purchase two shares of common stock) at \$3.60 per unit. Holders of these Options, Warrants and Unit Purchase Options are given an opportunity to profit from a rise in the market price of the Company's Common Stock with a resulting dilution in the interests of the other stockholders. Further, the terms on which the Company may obtain additional financing during such periods may be adversely affected by the existence of the Warrants, the Unit Purchase Option and such other options. The holders of the Warrants, the Unit Purchase Option and such other options may exercise them at a time when the Company might be able to obtain additional capital through a new offering of securities on terms more favorable than those provided therein. In addition, holders of the Unit Purchase Option have registration rights with respect to such option and the underlying securities, the exercise of which may involve substantial expense to the Company.

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FINANCIAL STATEMENTS

Index to Financial Statements

Report of Independent Auditors

Balance Sheets for June 30, 1997 and 1996.

Statements of Operations for fiscal years ended June 30, 1997, 1996, and 1995.

Statements of Cash Flows for fiscal years ended June 30, 1997, 1996, and 1995.

Statements of Shareholders' Equity for fiscal years ended June 30, 1997, 1996, and 1995.

Notes to Financial Statements

Report of Independent Auditors

The Board of Directors and Shareholders
GENTNER COMMUNICATIONS CORPORATION

We have audited the accompanying balance sheets of Gentner Communications Corporation as of June 30, 1997 and 1996, and the related statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended June 30, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in

all material respects, the financial position of Gentner Communications Corporation at June 30, 1997 and 1996, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 1997, in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

/s/

Salt Lake City, Utah

August 1, 1997 except for Note 13, as to which the date is September 22, 1997

GENTNER COMMUNICATIONS CORPORATION
BALANCE SHEETS

	June 30,	
	----- 1997 -----	----- 1996 -----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 63,992	\$ 213,763
Accounts receivable, less allowances of \$115,000 in 1997 and \$94,000 in 1996.	1,682,254	1,556,436
Inventory	2,668,761	3,229,765
Other current assets	136,177	111,743
	-----	-----
Total current assets	4,551,184	5,111,707
Property and equipment, net	2,493,287	1,514,629
Related Party Note Receivable	139,000	-
Other assets, net	152,383	153,874

Total assets	\$7,335,854	\$6,780,210
	=====	=====

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LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Notes payable	\$ 722,997	\$ 916,041
Accounts payable	471,072	503,168
Accrued expenses	356,446	294,729
Current portion of long-term debt	257,164	163,314
Current portion of capital lease obligations.	254,951	138,787
	-----	-----
Total current liabilities	2,062,630	2,016,039
Long-term debt	687,274	427,250
Capital lease obligations	784,354	163,163
	-----	-----
Total liabilities	3,534,258	2,606,452
Commitments		
Shareholders' equity:		
Common stock, 50,000,000 shares authorized, par value \$.001, 7,663,405 and 7,662,375 shares issued and outstanding at		
June 30, 1997 and 1996	7,663	7,662
Additional paid-in capital	4,423,482	4,422,747
Accumulated deficit	(629,549)	(256,651)
	-----	-----
Total shareholders' equity	3,801,596	4,173,758
	-----	-----
Total liabilities and shareholders' equity.	\$7,335,854	\$6,780,210
	=====	=====

See accompanying notes

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GENTNER COMMUNICATIONS CORPORATION

STATEMENTS OF OPERATIONS

Years ended June 30,

	----- 1997 -----	----- 1996 -----	----- 1995 -----
Net sales	\$13,371,851	\$11,469,155	\$11,106,078
Cost of goods sold	6,874,590	6,279,775	6,346,348
	-----	-----	-----
Gross profit	6,497,261	5,189,380	4,759,730

Operating expenses:			
Marketing and selling	3,572,882	2,394,415	2,355,900
General and administrative	2,006,998	1,406,786	1,539,291
Product development	1,046,757	929,132	802,062
	-----	-----	-----
Total operating expenses	6,626,637	4,730,333	4,697,253
	-----	-----	-----
Operating income (loss)	(129,376)	459,047	62,477
Other income (expense):			
Interest income	7,836	1,988	11,479
Interest expense	(196,176)	(185,676)	(183,790)
Other, net	(18,282)	7,525	(5,329)
	-----	-----	-----
Total other income (expense)	(206,622)	(176,163)	(177,640)
	-----	-----	-----
Income (loss) before taxes	(335,998)	282,884	(115,163)
Provision for income taxes	36,900	900	900
	-----	-----	-----
Net income (loss)	\$ (372,898)	\$ 281,984	\$ (116,063)
	=====	=====	=====
Earnings (loss) per common share	\$ (0.05)	\$ 0.04	\$ (0.02)
	=====	=====	=====

See accompanying notes

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GENTNER COMMUNICATIONS CORPORATION
STATEMENTS OF CASH FLOWS

	Years ended June 30,		
	1997	1996	1995
	----	----	----
Cash flows from			
operating activities:			
Cash received from			
customers	\$13,150,200	\$ 11,569,740	\$ 10,624,914
Cash paid to suppliers			
and employees	(12,153,205)	(10,824,274)	(11,937,537)
Interest received	7,836	3,863	10,229
Interest paid	(193,500)	(194,148)	(176,075)
Income taxes (paid)			
refunded	(12,800)	(25,900)	243,643
	-----	-----	-----
Net cash provided by (used in)			
operating activities	798,531	529,281	(1,234,826)
Cash flows from investing activities:			
Purchases of property and equipment	(623,949)	(176,743)	(632,397)
Increase in capitalized software			
development and purchased software			
costs	-	-	(95,700)
Issuance of notes receivable	(147,327)	-	(45,320)
Repayment of notes receivable	8,327	60,320	6,665
Decrease (increase) in other assets	(108,541)	139	75,584
	-----	-----	-----
Net cash used in investing			
activities	(871,490)	(116,284)	(691,168)

Cash flows from financing activities:

Proceeds from issuance of common stock	736	-	73,125
Exercise of warrants and employee stock options	-	142,313	-
Net (repayment) borrowing under line of credit	(193,044)	(308,959)	1,225,000
Net financing of trade payables with short-term notes	-	(283,687)	283,687
Proceeds from issuance of long-term debt	566,906	400,000	282,500
Principal payments of capital lease obligations	(238,378)	(135,825)	(172,554)
Principal payments of long-term debt	(213,032)	(132,314)	(80,350)
	-----	-----	-----
Net cash provided by (used in) financing activities	(76,812)	(318,472)	1,611,408

Years ended June 30,

	1997	1996	1995
	----	----	----
Net increase (decrease) in cash and cash equivalents	(149,771)	94,525	(314,586)
Cash and cash equivalents at the beginning of the year	213,763	119,238	433,824
	-----	-----	-----
Cash and cash equivalents at the end of the year	\$ 63,992	\$ 213,763	\$ 119,238
	=====	=====	=====

Reconciliation of net income (loss) to net cash provided by (used in) operating activities:

Net income (loss)	\$ (372,898)	\$ 281,984	\$ (116,063)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			

Depreciation and amortization of property an equipment	621,024	513,781	427,355
Amortization of other assets	52,654	41,258	23,265
Gain on investments	21,378	(36,895)	-
Other	36,000	21,339	1,635
Changes in operating assets and liabilities,			
Accounts receivable	(125,818)	87,940	(307,258)
Refundable income taxes	-	-	245,343
Inventory	561,004	95,101	(881,422)
Other current assets	(24,434)	(31,975)	(6,462)
Accounts payable and accrued expenses	29,621	(443,252)	(621,219)
	-----	-----	-----
Net cash provided by (used in) operating activities	\$ 798,531	\$ 529,281	\$ (1,234,826)
	=====	=====	=====

See Accompanying Notes

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	Years ended June 30,		
	-----	-----	-----
	1997	1996	1995
	----	----	----
Property and equipment financed by capital leases	\$ 975,732	\$ 25,490	\$ 127,113
	=====	=====	=====

See accompanying notes

GENTNER COMMUNICATIONS CORPORATION

STATEMENTS OF SHAREHOLDERS' EQUITY

	Common	Stock	Additional	Retained	Total
	Shares	Amount	Paid-In	Earnings	Shareholders'
	-----	-----	Capital	(Accumulated	Shareholders'
	-----	-----	-----	Deficit)	Equity
	-----	-----	-----	-----	-----
Balances at June 30, 1994	7,338,375	7,338	4,171,633	(422,572)	3,756,399
Issuance of common stock	117,000	117	73,008	-	73,125
Net loss	-	-	-	(116,063)	(116,063)
	-----	-----	-----	-----	-----
Balances at June 30, 1995	7,455,375	7,455	4,244,641	(538,635)	3,713,461
Exercise of employee stock options	207,000	207	142,106	-	142,313
Tax benefits allocated to contributed capital	-	-	36,000	-	36,000
Net income	-	-	-	281,984	281,984

Balances at June 30, 1996	7,662,375	\$7,662	\$4,422,747	\$ (256,651)	\$4,173,758
Issuance of common stock	1,030	1	735	-	736
Net loss	-	-	-	(372,898)	(372,898)
Balances at June 30, 1997	7,663,405	\$7,663	\$4,423,482	\$ (629,549)	\$3,801,596

See accompanying notes

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GENTNER COMMUNICATIONS CORPORATION

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Gentner Communications Corporation (the "Company"), designs and manufactures high-technology electronic equipment for the Teleconferencing, Telephone Interface, and Remote Site Control markets. The Company also provides domestic and international conference calling services. The Company grants credit without requiring collateral to substantially all its customers within these markets.

Summary of Significant Accounting Policies

Cash Equivalents - The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventory - Inventories are stated at the lower of cost (first-in, first-out) or market.

Revenue Recognition - Revenue from product sales is recognized at the time product is shipped, net of allowances for returns and uncollectible accounts. Revenue from service sales is recognized at the time the service is rendered, net of allowances for uncollectible accounts.

Property and Equipment - Property and equipment are stated at cost. Depreciation and amortization are provided over the estimated useful lives of the respective assets using the straight-line method. In fiscal 1997, the Company adopted the provisions of Statement of Financial Accounting Standards (FAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" without a significant impact to operating results, financial position or cash flow.

Other Assets - Other assets consist primarily of intangible assets, which are stated at cost less accumulated amortization. The Company amortizes these costs on a straight-line basis over three to ten years. The Company performs an evaluation of these amounts on a periodic basis to determine that the recorded costs are not in excess of their net realizable value.

Earnings (Loss) Per Common Share - Earnings (loss) per common share was calculated using the modified treasury stock method, and was based on weighted average equivalent shares outstanding of 7,662,494, 7,639,698, and 7,338,697 for the years ended June 30, 1997, 1996, and 1995. Stock options and warrants to purchase common stock have been excluded from the computation of per share amounts in years when the effect was antidilutive.

Research and Development Costs - Research and development costs are expensed as incurred.

Software Development Costs - The Company capitalizes a portion of its software development costs. Both capitalized software development costs and purchased software costs are amortized on a straight-line basis over the estimated useful life of three years or the ratio of current revenue to the total current and anticipated future revenue, whichever provides for greater amortization. Amortization generally commences when the related products begin shipping. The total of purchased software costs and software development costs capitalized during the year ended June 30, 1995 was \$95,700. Amortization expense recorded during the respective years ended June 30, 1997, 1996 and 1995 was \$31,900, \$31,900 and \$13,292. Unamortized costs are stated at the lower of cost or net realizable value and are included in other assets net of accumulated amortization of \$77,092 in 1997 and \$45,192 in 1996.

Income Taxes - The Company provides for income taxes based on the liability method which requires the recognition of deferred tax assets and liabilities based on differences between financial reporting and tax bases of assets and liabilities measured using enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and these accompanying notes. Actual results could differ from those estimates.

Stock Based Compensation - The Company adopted FAS 123 "Accounting for Stock Based Compensation" effective July 1, 1996. FAS 123 defines a fair value-based method of accounting for and measuring compensation expense related to stock options and encourages adoption of the new standard. However, the statement allows entities to continue to measure compensation expense for stock-based plans using the intrinsic value-based method prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees". The Company has elected to continue to account for stock-based compensation plans using the provisions of APB Opinion No. 25. Pro forma footnote disclosure of net income has been made as if the fair value based method of accounting defined in the statement had been applied.

Advertising Expenses- Advertising expenses are expensed as incurred. Advertising expense for fiscal year 1997 was \$598,500, \$331,300 in fiscal 1996, and \$362,300 in fiscal 1995.

2. Significant Customer

The Company sells a substantial portion of its products to a major distributor in the Telephone Interface and Remote Site Control product areas. For the fiscal years ended June 30, 1997, 1996, and 1995, sales to this distributor aggregated to \$1,551,811 (12%) , \$1,223,438 (11%), and \$1,946,775 (18%), respectively. At the

end of those years amounts due from this customer were \$77,920, \$80,983, and \$239,973, respectively.

3. Financial Instruments

The carrying values of cash and cash equivalents, the note receivable, accounts receivable and payable, the Company's line of credit, and accrued liabilities all approximate fair value due to the short-term maturities of these assets and liabilities. The carrying values of virtually all long-term notes payable also approximate fair value due to the fact that applicable interest rates fluctuate based on market conditions.

4. Inventory

Inventory is summarized as follows:

June 30,

	1997	1996
	-----	-----
Raw Materials	\$ 897,481	\$ 962,504
Work in progress	648,712	866,279
Finished goods	1,122,568	1,400,982
	-----	-----
Total Inventory	\$ 2,668,761	\$ 3,229,765
	-----	-----

5. Property and Equipment

Major classifications of property and equipment and estimated useful lives are as follows:

Office furniture and equipment - 5 to 10 years	\$ 3,174,708	\$ 2,169,500
Manufacturing and test equipment - 5 to 10 years	1,616,125	1,195,637
Telephone bridging equipment - 10 years	593,070	443,347
Vehicles - 3 to 5 years	22,318	22,318
	-----	-----
Accumulated depreciation and amortization	(2,912,934)	(2,316,173)
	-----	-----
Net property and equipment	\$ 2,493,287	\$ 1,514,629

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6. Other Assets

Other assets consist principally of deposits, insurance policy cash values, capitalized software costs, purchased technology, and deferred taxes. Amortization is computed on a straight-line basis over three to ten years for those assets with limited useful lives. Accumulated amortization was \$168,243 and \$115,588 at June 30, 1997 and 1996, respectively.

7. Line of Credit

The Company maintains a line of credit (\$722,997 outstanding, \$2.5 million available at June 30, 1997 and \$916,041 outstanding, on \$1,750,000 available at June 30, 1996) with a commercial bank that expires October 24, 1997 and which the Company anticipates renewing beyond that date. Borrowings accrue interest at a rate of anywhere from three to five basis points over the London Interbank Offered Rate (LIBOR) (10.7% as of June 30, 1997). The weighted average interest rate as of June 30, 1997 and 1996, respectively, was 11.00 %, 9.8% and 9.6%. The terms of the line of credit prohibit the payment of dividends and require the Company to maintain other defined financial ratios and restrictive covenants. No compensating balance arrangements are required.

8. Long Term Debt

Long-term debt consists of the following:

	1997	1996
	-----	-----
8.5% note due to a financial institution, with monthly payments of \$4,008, due April 1997, secured by manufacturing and test equipment	\$ -	\$ 38,565

1.5% over prime note due to a financial institution, with monthly payments of \$5,486 due July 1999, secured by

manufacturing and test equipment	140,983	194,917
1.5% over prime note due to a financial institution, with monthly payments of \$8,579, due September 2000, secured generally by equipment, furniture, and other intangible assets	-	357,082

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9.25% note due to a financial institution, with monthly payments of \$8,069, due February 2001, secured generally by equipment, furniture and other assets	292,849	
11.50 note due to a financial institution with monthly payments of 14,851, due December 2000, secured by furniture	510,606	-
	-----	-----
	944,438	590,564
Less current portion	(257,164)	(163,314)
	-----	-----
Total long term debt	\$ 687,274	\$ 427,250
	-----	-----

Annual principal installments of long-term debt are \$257,164, \$285,627, \$263,698, \$137,949 and \$0 for the years ending June 30, 1998, 1999, 2000, 2001, and 2002, respectively.

9. Leases

The Company has entered into capital leases with finance companies to finance the purchase of certain furniture and equipment. Property and equipment under capital leases are as follows:

	June 30,	
	-----	-----
	1997	1996
	----	----
Office furniture and equipment	\$ 842,238	\$ 352,877
Manufacturing equipment	496,718	92,582
Telephone and bridging equipment	477,042	327,520
Vehicles	22,318	22,318
	-----	-----
	1,838,316	795,297
Accumulated Amortization	(810,477)	(606,886)
	-----	-----
Net property and equipment under capital leases	\$ 1,027,839	\$ 188,411
	-----	-----

Future minimum lease payments under capital leases and noncancelable operating

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leases with initial terms of one year or more are as follows:

	Capital	Operating
	-----	-----
For years ending June 30:		
1998	\$ 370,586	\$ 288,703
1999	314,570	308,488
2000	281,362	308,488
2001	265,202	329,856
2002	130,787	329,856
Thereafter	-	813,607

Total minimum lease payments	1,362,507	2,378,998
		=====
Less use taxes	(78,637)	

Net minimum lease payments	1,283,870	
Less amount representing interest	(244,566)	

Present value of net minimum lease payments	1,039,304	
Less current portion	(254,950)	

Capital lease obligation	\$ 784,354	
	=====	

Certain operating leases contain escalation clauses based on the consumer price index. Rental expense, which was composed of minimum rentals under operating lease obligations, was \$245,996, \$144,877, and \$146,755 for the years ended June 30, 1997, 1996, and 1995, respectively. The Company's operating lease on its facility, which expires 2007, provides for renewal options extending the terms an additional ten years. Rates charged would be at prevailing market rates at the time of renewal.

10. Royalty Agreements

The Company is a general partner in two limited partnerships, Gentner Research Ltd. ("GRL"), and Gentner Research II, Ltd. ("GR2L"), both related parties. GRL sold the proprietary interest in a remote control product line to the Company in exchange for royalty agreements in 1987 and 1988. Royalty expense under the agreements with GRL for the years ended June 30, 1997, 1996, and 1995, was \$45,100, \$29,400, and \$17,900, respectively. In fiscal year 1997, GR2L sold the proprietary interest in a new remote site control product to the Company in exchange for a royalty agreement. Royalty expense under this agreement with GR2L for the year ended June 30, 1997 was \$36,588. As of June 30, 1997 GR2L owed the Company \$139,000 which is a note receivable from the partnership to the Company.

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The terms of the note are such that 50% of all the royalty proceeds will be applied to the note first. The note is payable in full on April 30, 2001, and the interest rate on the note is equal to the Company's cost of short term funds. As of June 30, 1996, GR2L owed the Company \$24,379 which was reimbursement for expenses the Company incurred on behalf of the partnership.

11. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets are as follows:

	June 30,	
	1997	1996
	----	----
Deferred tax liabilities:		
Tax over book depreciation	\$ 164,000	\$ 149,000
Unamortized software costs	7,000	19,000
	-----	-----
Total deferred tax liabilities	171,000	168,000
Deferred tax assets:		
Accounts receivable and other reserves	29,000	21,000
Capital loss carryforward	-	4,000
Inventory reserves	34,000	20,000
Product warranty accruals	8,000	4,000
Net operating loss carryforwards	504,000	388,000
Tax credit carryforwards	245,000	245,000
	-----	-----
Total deferred tax assets	820,000	682,000

Valuation allowance for deferred tax assets	(649,000)	(478,000)
Net deferred tax assets	171,000	204,000
Net deferred taxes	\$ -	\$ 36,000

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Significant components of the provision for income taxes are as follows:

	Years Ended June 30		
	1997	1996	1995
Current:			
Federal	\$ -	\$ -	\$ -
State	900	900	900
Tax benefits allocated to contributed capital	-	36,000	-
Total current	900	36,900	900
Deferred:			
Federal	33,000	(33,000)	-
State	3,000	(3,000)	-
Total deferred	36,000	(36,000)	-
	\$ 36,900	\$ 900	\$ 900

The reconciliation of income tax computed at the U.S. federal statutory tax rates to income tax expense is as follows:

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	Years Ended June 30		
	1997	1996	1995
Tax at federal statutory rate	(34.0) %	(34.0) %	(34.0) %
Increase (reduction) in			

computed tax rate resulting from:

State income tax, net of federal effect	(3.5)	3.2	(3.5)
Valuation allowance	45.8	(14.9)	20.0
Nondeductible expenses applicable to R & D tax credit	-	-	12.1
Federal income tax credits generated	-	(20.9)	-
Statutory tax disallowance of entertainment expenses	1.0	0.8	3.4
Nondeductible life insurance premiums	-	0.3	0.8
Utilization of capital loss carryforward	-	(2.1)	-
Nondeductible intangible asset amortization and other	0.6	(0.1)	2.0
	-----	-----	-----
	9.9 %	0.3 %	0.8 %
	-----	-----	-----

At June 30, 1997, for income tax purposes the Company had net operating loss and research and development tax credit carryforwards of approximately \$1,344,000 and \$234,000 respectively, that expire beginning in 2009.

12. Stock Options

The Company's 1990 Incentive Plan has shares of common stock available for issuance to employees and directors. Provisions of the Plan include the granting of stock options. Stock options vest over a five year period at 10%, 15%, 20%, 25% and 30% per year over years one through five. On August 7, 1996 the Board of Directors approved an increase in the number of shares available under the Plan from 700,000 to 1.5 million. The Plan expires June 30, 2010. Changes in

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the number of stock options granted under the Plan are as follows:

	Shares	Price Range Per Share	Weighted Average Exercise Price
	-----	-----	-----
Year ended June 30,			
1997:			
Granted.	595,000	\$0.071 to \$0.081	\$0.79
Exercised.	-	-	-
Expired and canceled	(55,000)	\$0.69 to \$0.84	\$0.72
Outstanding.	920,000	\$0.69 to \$0.84	\$0.78
Outstanding.	20,000	\$1.81	\$1.81
Exercisable.	271,500	\$0.69 to \$0.84	\$0.73
Exercisable.	12,500	\$1.81	\$1.81
1996:			
Granted.	140,000	\$0.84	\$0.84
Exercised.	(207,000)	\$0.69	\$0.69
Expired and canceled	(23,000)	\$0.69 to \$0.84	\$0.82
Outstanding.	400,000	\$0.69 to \$1.81	\$0.80
Exercisable.	209,500	\$0.69 to \$1.81	\$0.78
1995:			
Granted.	25,000	\$0.81	\$0.81
Exercised.	-	-	-
Expired and canceled	(11,000)	\$0.69 to \$0.88	\$0.85

Outstanding.	490,000	\$0.69 to \$1.81	\$0.74
Exercisable.	396,500	\$0.69 to \$1.81	\$0.70

There were 279,500 options available for future grant at June 30, 1997.

On June 30, 1993 the Company registered with the Securities and Exchange Commission all shares of common stock previously issued or issuable under the Plan.

The Company has applied Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" and related interpretations in accounting for its plan. No compensation expense has been recognized for the stock option plan because the exercise price of the options equals the market price of the underlying stock on the date of the grant. If compensation expense for the Company's stock based compensation plan had been determined consistent with FAS 123 "Accounting and Disclosure of Stock-based Compensation", the Company's net

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income (loss) would have been the pro forma amount indicated below:

	Fiscal Year	
	1997	1996

As reported:		
Net Income	\$ (372,898)	\$281,984
Earnings per share	\$ (0.05)	\$ 0.04
Pro Forma:		
Net Income	\$ (460,116)	\$264,941
Earnings per share	\$ (0.06)	\$ 0.03

The pro forma results above are not likely to be representative of the effects of applying FAS 123 on reported net income (loss) for future years as these amounts only reflect the expense from two years.

The weighted-average grant-date fair value of options granted during Fiscal 1997 and Fiscal 1996 was \$0.50 and \$0.36, respectively. The fair value of each option grant is estimated on the date of the grant using the minimum value as defined by FAS 123 using the Black-Scholes model and the following assumptions for Fiscal 1997 and Fiscal 1996: expected dividend yield, 0%; risk-free interest rate, 6.0%; expected price volatility, 55.1%; and average expected life of options, 5 years. The weighted average remaining contractual life of options outstanding at June 30, 1997 was 5.27 years, excluding the 20,000 options with an exercise price of \$1.81, for which the weighted average remaining contractual life is 3 years.

13. Warrants

During 1991, the Company filed a registration statement with the Securities and Exchange Commission in connection with a secondary public offering of 1,437,500 units. Each unit consisted of three shares of common stock and two redeemable common stock purchase warrants. As of June 30, 1997 there were 2,874,025 warrants outstanding. No warrants were exercised during fiscal 1997, 1996, or 1995.

Each warrant entitled the registered holder to purchase one share of the Company's common stock at an exercise price of \$1.50. The warrants expired on September 22, 1997. The warrants were redeemable by the Company on 30 days prior written notice at a redemption price of \$.05 per warrant if the NASDAQ closing

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bid price of the common stock equals or exceeds \$2.50 per share for any 30 consecutive trading days ending within 15 days of the redemption notice.

The Company also granted the underwriter an option to purchase a total of 125,000 units at \$3.60 per unit, each unit consisting of three shares of common stock and warrants to purchase two shares of common stock. The option expired September 22, 1997. On exercise of all or a portion of the option, these particular warrants would carry an exercise price of \$3.60 per share of common stock, and would not be redeemable.

14. International Sales

The Company provides products to the Telephone Interface, Remote Site Control markets, and products and services to the Teleconferencing markets. These products and services are all marketed and distributed from, designed and manufactured, and service provided at the Company's facilities in Salt Lake City, Utah.

The Company ships products to unaffiliated distributors in worldwide markets. In fiscal 1997, 1996 and 1995, respectively, such international sales were \$2,183,000, \$1,454,000 and \$1,420,000, and accounted for 15%, 13%, and 13% of total sales. During those years the Company shipped the following amounts, respectively, to the following areas: Canada - \$724,000, \$357,900, and \$341,000; Asia - \$451,400, \$519,000 and \$579,800; Europe - \$580,600, \$361,000, and \$197,900; Latin America - \$158,800, \$31,300 and \$78,700; Other Areas - \$268,200, \$183,900, and \$221,600.

15. Retirement Savings and Profit Sharing Plan, and Employee Stock Purchase Plan

The Company has a 401(k) retirement savings and profit sharing plan in which it makes discretionary matching contribution, as authorized by the Board of Directors. All full-time employees who are at least 21 years of age and have a minimum of six months of service with the Company at the plan date are eligible to participate in the plan. Matching contributions, if made, are based upon amounts participating employees contribute to the plan. The Company's retirement plan contributions for the 1997, 1996, and 1995 fiscal years totaled \$0, \$16,148, and \$10,375, respectively.

During 1997, the Company implemented an employee stock purchase plan (the "Plan"), which Plan is scheduled for submission to the shareholders of the Company for their approval at the 1997 Annual Shareholders Meeting. Under the Plan, employees may purchase shares of common stock at the quoted market price of the Company's common stock by the NASDAQ National Market System as of the purchase date. In addition, the Company contributes to the account of each participant, one share for every nine shares purchased by the participant. Employees are eligible to participate in the Plan after 90 days continuous

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employment. The maximum number of shares to be issued under the Plan is 500,000 shares. Employee purchases and employer contributions under the Plan were not significant during fiscal 1997.

Annual Report on Form 10-KSB

The Company will provide, at the written request of any record beneficial shareholder of record as of September 30, 1997, a copy of the Company's Annual Report on Form 10-KSB. Requests for copies of the Company's Form 10-KSB should be mailed to:

Gentner Communications
1825 Research Way
Salt Lake City, UT 84119
Attention: Susie Strohm

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-KSB) of Gentner Communications Corporation of our report dated August 1, 1997 (except Note 13, as to which the date is September 22, 1997), included in the 1997 Annual Report to Shareholders of Gentner Communications Corporation.

ERNST & YOUNG LLP
/s/

Salt Lake City, Utah
September 29, 1997

EXHIBIT 23.2

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-65848) pertaining to the 1990 Incentive Plan of Gentner Communications Corporation of our report dated August 1, 1997 (except Note 13, as to which the date is September 22, 1997), with respect to the financial statements of Gentner Communications Corporation included in the Annual Report for the year ended June 30, 1997.

ERNST & YOUNG LLP
/s/

Salt Lake City, Utah
September 29, 1997

EXHIBIT 23.3

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8) pertaining to the 1997 Employee Stock Purchase Plan of Gentner Communications Corporation of our report dated August 1, 1997 (except Note 13, as to which the date is September 22, 1997), with respect to the financial statements of Gentner Communications Corporation included in the Annual Report for the year ended June 30, 1997.

ERNST & YOUNG LLP
/s/

Salt Lake City, Utah
September 29, 1997

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