

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

FORM 10-QSB

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 1995

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-17219

GENTNER COMMUNICATIONS CORPORATION  
(Exact name of registrant as specified in its charter)

Utah  
(State or other jurisdiction of  
incorporation or organization)

87-0398877  
(IRS Employer  
Identification No.)

1825 Research Way, Salt Lake City, Utah  
(Address of principal executive offices)

84119  
(Zip Code)

Registrant's telephone number, including area code: (801) 975-7200

NOT APPLICABLE  
(Former name, former address and former fiscal year,  
if changed since last report.)

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

Yes       No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class of Common Stock	November 10, 1995
\$0.001 par value	7,662,375 shares

GENTNER COMMUNICATIONS CORPORATION

BALANCE SHEETS

(Unaudited)	
September 30,	June 30,
1995	1995
-----	-----

ASSETS

Current assets:

Cash and cash equivalents. . . . .	\$ 100,359	\$ 119,238
Accounts receivable. . . . .	1,446,121	1,644,376
Inventory. . . . .	3,743,475	3,324,866
Other current assets. . . . .	201,918	140,088
	-----	-----
Total current assets. . . . .	5,491,873	5,228,568
Property and equipment, net. . . . .	1,732,735	1,829,161
Other assets, net. . . . .	133,934	140,731
	-----	-----
Total assets. . . . .	\$ 7,358,542	\$ 7,198,460
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Notes payable. . . . .	\$ 853,750	\$ 1,508,687
Accounts payable. . . . .	1,208,026	943,723
Accrued expenses. . . . .	215,225	297,426
Current portion of long-term debt. . . . .	156,718	93,506
Current portion of capital lease obligations. . . . .	133,047	128,486
	-----	-----
Total current liabilities. . . . .	2,566,766	2,971,828
Long-term debt. . . . .	545,380	229,372
Capital lease obligations. . . . .	243,810	283,799
	-----	-----
Total liabilities. . . . .	3,355,956	3,484,999

Shareholders' equity:

Common stock, 50,000,000 shares authorized, par value \$.001, 7,655,375 and 7,455,375 shares issued and outstanding at September 30, 1995 and June 30, 1995. . . . .	7,655	7,455
Additional paid-in capital. . . . .	4,381,941	4,244,641
Accumulated deficit . . . . .	(387,010)	(538,635)
	-----	-----
Total shareholders' equity. . . . .	4,002,586	3,713,461
	-----	-----
Total liabilities and shareholders' equity.\$	\$ 7,358,542	\$ 7,198,460
	=====	=====

GENTNER COMMUNICATIONS CORPORATION

STATEMENTS OF OPERATIONS

	(Unaudited)	
	Three Months Ended	
	September 30,	
	1995	1994
	-----	-----
Net sales . . . . .	\$ 2,787,149	\$ 2,274,913
Cost of goods sold . . . . .	1,440,326	1,270,886
	-----	-----
Gross profit . . . . .	1,346,823	1,004,027
Operating expenses:		
Marketing and selling . . . . .	564,881	614,588
General and administrative . . . . .	336,284	475,969
Product development . . . . .	217,991	286,190
	-----	-----
Total operating expenses . . . . .	1,119,156	1,376,747
	-----	-----
Operating income (loss) . . . . .	227,667	(372,720)

Other income (expense):		
Interest income . . . . .	862	6,514
Interest expense . . . . .	(50,147)	(28,388)
Other, net . . . . .	-	14,886
	-----	-----
Total other income (expense) . . . . .	(49,285)	(6,988)
	-----	-----
Income (loss) before income taxes . . . . .	178,382	(379,708)
Provision (benefit) for income taxes . . . . .	26,757	-
	-----	-----
Net income (loss) . . . . .	\$ 151,625	\$ (379,708)
	=====	=====
Net earnings (loss) per common share . . . . .	\$ 0.02	\$ (0.05)
	=====	=====

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GENTNER COMMUNICATIONS CORPORATION  
CONDENSED STATEMENTS OF CASH FLOWS

	(Unaudited) Three Months Ended September 30,	
	-----	-----
	1995	1994
	-----	-----
Cash flows from operating activities:		
Cash received from customers . . . . .	\$ 3,016,895	\$ 2,254,803
Cash paid to suppliers and employees . . . . .	(2,792,477)	(3,365,501)
Interest received . . . . .	862	6,139
Interest paid . . . . .	(50,425)	(28,388)
Income taxes paid . . . . .	(5,900)	-
	-----	-----
Net cash provided by (used in) operating activities . . . . .	168,955	(1,132,947)
	-----	-----
Cash flows from investing activities:		
Purchases of property and equipment . . . . .	(28,640)	(262,931)
Decrease in other assets . . . . .	14,451	2,893
	-----	-----
Net cash used in investing activities . . . . .	(14,189)	(260,038)
	-----	-----
Cash flows from financing activities:		
Proceeds from employee stock option exercises . . . . .	137,500	-
Net borrowings (repayments) under line of credit . . . . .	(398,000)	1,100,000
Principal payments of short-term notes to vendors . . . . .	(256,937)	-
Proceeds from issuance of long-term debt . . . . .	400,000	282,500
Principal payments of capital lease obligations . . . . .	(35,428)	(40,515)
Principal payments of long-term debt . . . . .	(20,780)	(6,328)
	-----	-----
Net cash provided by (used in) financing activities . . . . .	(173,645)	1,335,657
	-----	-----
Net decrease in cash and cash equivalents . . . . .	(18,879)	(57,328)
Cash and cash equivalents at the beginning of the year . . . . .	119,238	433,824
	-----	-----
Cash and cash equivalents at the end of the period . . . . .	\$ 100,359	\$ 376,496
	=====	=====

## GENTNER COMMUNICATIONS CORPORATION

NOTES TO FINANCIAL STATEMENTS  
September 30, 1995  
(Unaudited)

## 1. Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB of Regulation S-B. Accordingly, certain information and footnote disclosures normally included in complete financial statements have been condensed or omitted. These financial statements should be read in conjunction with the financial statements and footnotes thereto included in the Company's 1995 Annual Report on Form 10-KSB.

In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The results of operations for interim periods are not necessarily indicative of the results of operations to be expected for the full year.

## 2. Earnings (Loss) Per Common Share

Earnings (loss) per common share was calculated using the modified treasury stock method (see the accompanying exhibit, "Statement re: Computation of Per Share Earnings"). Stock options and warrants to purchase common stock have been excluded from the presented computation of per share amounts in periods when the effect was antidilutive.

## 3. Inventory

Inventory is summarized as follows:

	(Unaudited) September 30, 1995	June 30, 1995
	-----	-----
Raw materials. . . . .	\$ 1,262,243	\$ 959,478
Work in progress. . . . .	1,449,531	1,380,393
Finished goods. . . . .	1,031,701	984,995
	-----	-----
Total inventory. . . . .	\$ 3,743,475	\$ 3,324,866
	=====	=====

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

## RESULTS OF OPERATIONS

Sales for the three months ended September 30, 1995 increased 23% compared to the three months ended September 30, 1994. The increase was attributable primarily to new products which began shipping since last fall.

Broadcast market sales increased 36% during the first quarter of fiscal 1996, compared to the same period during fiscal 1995. The main reason for the increase was sales of the Company's new TS612 talk show telephone system. The Company has received very favorable customer response to this product, and is currently working on new system enhancements which it anticipates introducing later during the current fiscal year. Increased sales also resulted from another new product, the Company's recently introduced Telehybrid telephone interface unit. The new product allows broadcasters to make easy connections to either digital or analog phone lines in various "on-air" broadcast applications. It can also be used in situations involving audioconferencing.

Sales to the audio segment of the Teleconferencing market (the "Audioconferencing" market) increased 14% during the quarter ended September 30, 1995 as compared to the same period a year ago. The increase was due primarily to shipments of the new AVT line of products. These units were designed specifically for use in conjunction with videoconferencing and distance learning applications. Audioconferencing sales were also higher than last year due to shipments of the ET100 portable audioconferencer. The Company spent time during this last quarter making design modifications and improvements to the ET100, and plans to release version 2.0 during fiscal 1996's second quarter. The Company expects this to grow sales further, and expects more Audioconferencing sales resulting from new product introductions later during this fiscal year.

The Company's gross profit margin percentage increased from 44% during last year's first quarter, to 48% during the same period this year. Although the Company did experience some variations in its sales mix during the quarter, most of the difference was due to moderate price increases which took effect July 1, 1995. The Company believes that gross margins experienced during the rest of the 1996 fiscal year will be slightly lower due to small decreases in profit margins of new products scheduled to be introduced. However, the Company also anticipates higher gross profits resulting from an overall increase in sales.

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#### RESULTS OF OPERATIONS - (Continued)

Operating expenses for the first quarter decreased 19% compared to last year. The Company lowered costs in all areas, primarily those of product development and general and administration. Product development costs came down as a result of less resources being expended in engineering new products. During the prior year's first quarter, the Company was focused on getting the TS612 and ET100 products ready to ship. Part of that process required important outside developmental efforts unique to those two units. The Company was also involved in more promotional activities last year, again related to the new products. As a result, marketing and selling expenses decreased 8% during this year's first quarter compared to last year. General and administrative expenses were lower by 29% compared to last year, due mainly as a result of cost saving efforts and efficiencies gained in modifying the organizational structure.

During the first quarter, the Company earned little interest income compared to the same period last year, due to lower cash investment balances. Interest expense increased 77% during the three-month period ended March 31, 1995, as a result of increased usage of the Company's line of credit facility.

#### FINANCIAL CONDITION AND LIQUIDITY

The Company's current ratio increased from 1.8:1 to 2.1:1 during the three months since June 30, 1995. The factor contributing most to the change was an adjustment of short-term debt which occurred during the quarter. The Company obtained permanent long-term financing for several items of furniture and equipment acquired over the last eighteen months, and applied the proceeds towards the short-term line of credit. Another working capital change was the 12% decline in accounts receivable due to lower sales during the quarter than in the quarter ended June 30, 1995. Inventory increased 13% during the quarter because the Company is continuing its efforts of providing adequate finished product availability to satisfy current and expected customer demand. Yet it also intends to fully implement ongoing inventory management programs started during fiscal 1995. Such efforts are intended to improve raw material purchasing efficiencies and reduce inventory size overall. The 28% increase in accounts payable coincides with the increase in inventory.

During the first quarter of fiscal 1996, the Company renewed its line of credit arrangement with a commercial bank. The terms of the arrangement remained the same as before, with \$1.75 million available at 1% over prime, maturing on October 31, 1996.

The Company is continuing to maximize its efforts to maintain stable cash flows during a time of sales growth and ongoing product development. Changing its short-term debt position helped to increase available cash reserves. However, the Company believes that ongoing cash flows will improve more as a result of continuing management's focus on maintaining satisfactory profitability following last year's period of operational expansion and intense product promotion. Already the Company has seen the positive operational cash flow results from this course of action. As sales continue to increase and profits are achieved, the Company is confident that it can achieve its business plan through a combination of internally generated funds, and short-term and/or long-term borrowing, if necessary.

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PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- (11) Statement re Computation of Per Share Earnings
- (27) Financial Data Schedule

(b) Reports on Form 8-K

There were no reports on Form 8-K filed during the quarter.

SIGNATURES

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

GENTNER COMMUNICATIONS CORPORATION

/s/ David L. Harmon

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David L. Harmon  
Chief Financial Officer

Date: November 10, 1995

## GENTNER COMMUNICATIONS CORPORATION

## STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

	Three Months Ended September 30, 1995 -----	Three Months Ended September 30, 1994 -----
Primary:		
Earnings (loss):		
Net income (loss) . . . . .	\$ 151,625	\$ (379,708)
Assumed interest expense reduction on retirement of acquirable long-term liabilities . . . . .	-	-
Assumed interest income increase on purchase of investments . . . . .	-	-
	-----	-----
Adjusted net income (loss) . . . . .	\$ 151,625	\$ (379,708)
	=====	=====
Shares:		
Weighted average number of common shares outstanding . . . . .	7,574,179	7,338,375
Assumed exercise of weighted average number of options and warrants outstanding . . . . .	-	-
Assumed repurchase of common shares . . . .	-	-
	-----	-----
Adjusted weighted average of common shares outstanding . . . . .	7,574,179	7,338,375
	=====	=====
Primary Earnings (Loss) Per Share . . . . .	\$0.02	(\$0.05)
	=====	=====
Fully Diluted:		
Earnings (loss):		
Net income (loss) . . . . .	\$ 151,625	\$ (379,708)
Assumed interest expense reduction on retirement of acquirable long-term liabilities . . . . .	37,052	-
Assumed interest income increase on purchase of investments . . . . .	10,012	-
	-----	-----
Adjusted net income (loss) . . . . .	\$ 198,689	\$ (379,708)
	=====	=====
Shares:		
Weighted average number of common shares outstanding . . . . .	7,574,179	7,338,375
Assumed exercise of weighted average number of options and warrants outstanding . . . . .	3,963,742	-
Assumed repurchase of common shares . . . . . (1,531,075)	-	-
	-----	-----
Adjusted weighted average of common shares outstanding . . . . .	10,006,846	7,338,375
	=====	=====
Fully Diluted Earnings (Loss) Per Share . .	\$0.02	(\$0.05)
	=====	=====

<ARTICLE> 5  
<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM  
FINANCIAL STATEMENTS AND FOOTNOTES INCLUDED IN FORM 10-QSB FOR THE QUARTER  
ENDED SEPTEMBER 30, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO  
SUCH FINANCIAL STATEMENTS.

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