

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM SB-2

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

AMENDMENT NO. 3 (POST-EFFECTIVE) TO FORM S-1
REGISTRATION NO. 33-42146

June 27, 1996

GENTNER COMMUNICATIONS CORPORATION

(Name of small business issuer in its charter)

----- UTAH ----- (State or other juris- diction of incorporation or organization)	----- 3663 ----- (Primary Standard Industrial Classifi- cation Code Number)	----- 87-039887 ----- (I.R.S. Employer Identification Number)
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1825 RESEARCH WAY, SALT LAKE CITY, UTAH 84119 (801) 975-7200

(Address and telephone number of principal executive offices)

1825 RESEARCH WAY, SALT LAKE CITY, UTAH 84119

(Address of principal place of business or intended
principal place of business)

RUSSELL D. GENTNER, CHAIRMAN
1825 RESEARCH WAY, SALT LAKE CITY, UTAH 84119 (801) 975-7200

(Name, address and telephone number of agent for service)

PROSPECTUS

GENTNER COMMUNICATIONS CORPORATION
1825 Research Way
Salt Lake City, Utah 84119
(801) 975-7200

3,750,000 SHARES OF COMMON STOCK AND
2,500,000 REDEEMABLE COMMON STOCK PURCHASE WARRANTS

Each unit ("Unit") consists of three shares of common stock, \$.001 par value ("Common Stock") of Gentner Communications Corporation (the "Company"), and two redeemable Common Stock purchase warrants of the Company ("Warrants"). Each Warrant entitles the holder to purchase one share of Common Stock at an exercise price of \$1.50 per share until September 22, 1996. The Warrants are subject to redemption by the Company at any time at a price of \$.05 per Warrant on 30 days' prior written notice provided the closing bid price of the Common Stock (or the last sales price if listed on the National Market System of the National Association of Securities Dealers Automated Quotation System ("NASDAQ") or a national securities exchange) as reported by NASDAQ equals or exceeds \$2.50 per share for any 30 consecutive trading days ending within fifteen days of the notice of redemption. The Company's Common Stock is traded on NASDAQ under the symbol "GTNR".

THE SECURITIES OFFERED HEREBY INVOLVE A HIGH DEGREE OF RISK AND IMMEDIATE SUBSTANTIAL DILUTION. SEE "RISK FACTORS" AND "DILUTION" IN THIS AMENDMENT NO. 3 TO FORM S-1.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Underwriting Discounts and Commissions(1)	Proceeds to Company(2)
Per Unit	\$3.00	\$.30	\$2.70
Total	\$3,750,000	\$375,000	\$3,375,000

- (1) Does not reflect additional compensation received by the Underwriter in the form of (i) a non-accountable expense allowance of \$129,375, or \$.10 per Unit; (ii) an option, exercisable over a period of four years commencing one year from the date of this Prospectus, to purchase up to 125,000 Units at \$3.60 per Unit (the "Unit Purchase Option"); and (iii) a five-year preferential right of first refusal for future equity financings. In addition, the Company has agreed to indemnify the Underwriter against certain civil liabilities, including liabilities under the Securities Act of 1933, as amended.
- (2) Before deducting expenses of the offering paid by the Company, which aggregated \$500,808 (approximately \$.35 per Unit), including the Underwriter's non-accountable expense allowance. The Company granted the Underwriter an option which was exercised to purchase 187,500 additional Units on the same terms and conditions as set forth above to cover over-allotments. As the over-allotment option was exercised in full, the total Price to Public, Underwriting Discounts and Commissions, and Proceeds to Company increased to \$4,312,500, \$431,250, and \$3,880,442, respectively.

The date of this Prospectus is June 27, 1996

Available Information

The Company is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission") under File No. 017219. Such 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 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates, and at the following Regional Offices of the Commission: Midwest Regional Office, 500 West Madison Street, Chicago, Illinois 60661 and Northeast Regional Office, 7 World Trade Center, New York, New York 10048. The Company's stock is traded in the over-the-counter market on the NASDAQ System, and reports concerning the Company may also be obtained from the NASD.

Reports To Security Holders

The Company intends to furnish its stockholders with annual reports containing financial statements audited and reported upon by its independent accounting firm and such other periodic reports as the Company may determine to be appropriate or as may be required by law.

Incorporation By Reference

A copy of the documents incorporated by reference other than exhibits to such documents (unless such exhibits are specifically incorporated by reference in the information contained in this prospectus) will be provided without charge to each person, including any beneficial owner, to whom a copy

of this prospectus has been delivered upon the written or oral request of such person. Requests for such copies should be made to Gentner Communications Corporation, 1825 Research Way, Salt Lake City, Utah 84119, Attn: Secretary, telephone number (801) 975-7200.

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The following summary is qualified in its entirety by the more detailed information and financial statements (including the notes thereto) appearing elsewhere herein. Each prospective investor is urged to read this Prospectus in its entirety.

The Company

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 audioconferencing products and services, along with other products, primarily for the Broadcast market and the audio segment of the teleconferencing market. The audio segment of the Teleconferencing market is herein referred to as the "Audioconferencing market." Historically, the Company's primary business has been the sale of studio and transmitter-related equipment and accessories to broadcast facilities. The Company has applied its core digital technology gained in the Broadcast market to the development of products for the audioconferencing market. In addition, the Company offers a conference call service. With this combination of products and service, the Company's vision is to provide customers with the total audio solution for conferencing.

The Offering

Securities Offered 1,250,000 Units, each consisting of three shares of Common Stock and two Warrants. Each Warrant entitles the holder to purchase one share of Common Stock at any time until September 22, 1996 at an exercise price of \$1.50 per share. The exercise price and number of shares issuable upon exercise of the Warrants are subject to adjustment under certain circumstances. See "Description of Securities - Redeemable Warrants."

Common Stock Outstanding
Before Offering 2,979,400 shares
After Offering* 4,312,500 shares (including overallotment)

Use of Proceeds Proceeds from this offering have been and will continue to be used for expansion of marketing, advertising and customer service activities, purchase of inventory, reduction of indebtedness, research and development, and for other working capital and general corporate purposes (including the financing of potential acquisitions). See "Use of Proceeds".

Risk Factors The securities offered hereby involve a high degree of risk and immediate substantial dilution to public investors. See "Risk Factors" and "Dilution."

NASDAQ Symbols Common Stock - GTNR
Warrants - GTNRW

Address and Telephone Number Gentner Communications Corporation
1825 Research Way
Salt Lake City, Utah 84119
(801) 975-7200

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* Adjusted to give effect to the sale of the Units offered hereby. Does not give effect to the exercise of the Warrants. Unless otherwise indicated, the information in this Prospectus does not give effect to the exercise of: (i) the Warrants; (ii) the Unit Purchase Option; or (iii) options granted under the Company's 1990 Incentive Plan.

- ITEM 3: RISK FACTORS

The securities offered hereby are highly speculative and involve a high degree of risk. Prospective purchasers, prior to making an investment decision, should carefully consider, along with other matters referred to

herein, the following risk factors:

1. Experience in Marketing Audioconferencing Products

The Company has gained experience over the last several years in marketing its Audioconferencing products; however it is subject to all of the risks inherent in the sale and marketing of current and new products in an evolving market. The Company must effectively allocate its resources to the marketing and sale of these products through diverse channels of distribution.

The Company has limited experience marketing its Audioconferencing products internationally. The Company's strategy is to establish distribution channels in markets where it believes there is a growing need for its goods and services. The Company has pursued this strategy in conjunction with its international broadcast activities. There can be no assurance that this strategy will prove successful. See "Business - Distribution."

2. Competition; Rapid Technological Change

The Radio Broadcast and Audioconferencing 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 in these markets. The Company competes with businesses having substantial financial, research and development, manufacturing, marketing and other resources. Competitive pressures may necessitate price reductions which can adversely affect revenues and profits.

Furthermore, the Company has limited experience in developing, manufacturing and marketing its teleconferencing products and is subject to all of the risks inherent in the development, manufacture and sale of such products.

The markets in which the Company competes have historically involved the introduction of new and technologically advanced products that cost less or perform better than existing products. 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. See "Business - Competition."

3. Dependence on Distribution Network

The Company markets its products primarily through a network of representatives and dealers. One dealer accounted for approximately 18% of the Company's total sales in fiscal 1995 and 16% in 1994. 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 loss of a majority or all of such representatives or dealers could have a material adverse effect on the Company's business. See "Business - Distribution."

4. Limited Capitalization

As of March 31, 1996, the Company had \$196,590 in cash and \$3,035,756 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 31, 1996 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 \$1,125,382 on a \$1.75 million line of credit as of March 31, 1996.

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. See "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition and Liquidity."

5. 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. See "Management."

6. 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 so 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. See "Business - Manufacturing and Suppliers."

7. Lack of Patent Protection

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. See "Business - Patents and Proprietary Rights."

8. Substantial Dilution

Purchasers of the Units offered hereby (at an offering price of \$3.00 per Unit) incurred an immediate dilution of approximately \$.41 per share in net tangible book value from the public offering price (attributing no value to the Warrants included in the Units). See "Dilution."

9. Broad Discretion in Application of Warrant Proceeds

A substantial portion (approximately \$1,305,000 or 39%) of the net proceeds received by the Company in this offering were allocated to working capital. As a result, management has broad discretion in determining how a

substantial portion of the proceeds of this offering is utilized. See "Use of Proceeds."

10. 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. See "Dividend Policy" and "Description of Securities."

11. Non-Registration in Certain Jurisdictions of Shares Underlying the Warrants; Need for Current Prospectus

The Company previously registered or qualified the Units and components thereof for sale in Alabama, Colorado, Connecticut, Delaware, the District of Columbia, Florida, Georgia, Hawaii, Illinois, Kentucky, Louisiana, Maryland, Nevada, New Jersey, New York, Pennsylvania, Rhode Island, South Carolina, Utah, Virginia and West Virginia. The Warrants, constituting part of the Units offered hereby, have been detached from the Common Stock and are traded separately. Although the Units were not knowingly sold to purchasers in jurisdictions in which the Units are not registered or otherwise qualified for sale, purchasers may buy Units or the components thereof in the aftermarket in, or may move to, jurisdictions in which the shares underlying the Warrants are not so registered or qualified during the period in which the Warrants are exercisable. In this event, the Company will be unable to issue shares of Common Stock to those persons desiring to exercise their Warrants unless and until the shares are qualified for sale in jurisdictions in which such purchasers reside, or unless an exemption to such qualification exists in such jurisdiction. In addition, investors in this offering will not be able to exercise their Warrants, unless at the time of exercise the Company has a current prospectus covering the shares of Common Stock underlying the Warrants. Although the Company intends to maintain a current prospectus for the purpose of allowing the holders of the Warrants the ability to exercise the Warrants, no assurance can be given that the Company will be able to effect any required registration or qualification or maintain a current prospectus. See "Description of Securities - Redeemable Warrants."

12. Potential Adverse Effect of Redemption of Warrants

The Warrants may be redeemed by the Company at a redemption price of \$.05 per Warrant upon 30 days' notice provided the closing price (as defined in the Warrant Agreement) of the Common Stock equals or exceeds \$2.50 for 30 consecutive trading days ending within 15 days of the date of the notice of redemption. Redemption of the Warrants could force the holders to exercise the Warrants and pay the exercise price at a time when it may be disadvantageous for the holders to do so, to sell the Warrants at the then current market price when they might otherwise wish to hold the Warrants, or to accept the redemption price, which is likely to be substantially less than the market value of the Warrants at the time of redemption. See "Description of Securities - Redeemable Warrants."

13. Potential Dilutive Effect of Outstanding Options and Warrants and Possible Negative Effect on Future Financings

For the respective terms of the Warrants, the Unit Purchase Option and options to purchase up to 700,000 shares of Common Stock granted or available for grant under the Company's 1990 Incentive Plan, the holders thereof 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. See "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Description of Securities" and "Underwriting."

The net proceeds (after deducting underwriting discounts and commissions and other expenses of the offering payable by the Company) from the sale of the 1,437,500 Units offered hereby, which were \$3,380,442, after the Underwriter's over-allotment option was exercised in full, have been used for the following purposes and in the following order of priority:

Application	Approximate Amount of Net Proceeds
Expansion of marketing, advertising and customer service activities(1)	\$ 675,000
Purchase of inventory(2)	500,000
Reduction of debt(3)	450,000
Research and development(4)	450,000
Working capital	1,305,442

	\$ 3,380,442
	=====

(1) Represents expenses to expand marketing, advertising and customer service activities in the (i) Teleconferencing market of approximately \$375,000 in connection with advertising, establishment of possible marketing joint ventures, dealer support and training, attendance at trade shows and the salary of a customer support engineer, and (ii) Radio Broadcast market of approximately \$300,000 for the salaries of a sales manager and a customer support engineer, advertising, customer road shows, dealer support and training and increased international marketing activities.

(2) Includes initial start-up investment in additional inventory for the PeopleLink System One(TM) and the Digital Audio Workstation Network aggregating approximately \$300,000. Also includes inventory for anticipated growth and additional demonstration units of approximately \$200,000.

(3) Represents the repayment of approximately \$450,000 of the \$850,000 of principal indebtedness outstanding under the Company's revolving line of credit at the time the offering originally became effective (September 23, 1991).

(4) Represents expenses including the hiring of a Director of Research and Development, for the development of new teleconferencing and broadcast products and the improvement of the Company's existing product lines.

In addition, a portion of the proceeds designated for working capital and general corporate purposes was also used to enter into joint ventures or acquisitions of businesses engaged in the radio broadcast equipment, telecommunications equipment and/or professional sound equipment industries.

Prior to expenditure, the net proceeds were and will be invested in short-term interest bearing securities or money market funds. Any proceeds received upon exercise of the Unit Purchase Option, as well as income from investments, will be used to fund operations.

Should all the Warrants, which are now separated from the Units, be exercised the Company could receive as much as \$4,261,038 (1). The Company currently intends to use the proceeds for the following purposes and in the following order of priority:

Intended Application	Approximate Amount of Net Proceeds
Reduction of short-term debt(2)	\$ 1,125,382
Expansion of marketing, advertising and customer service activities(3)	2,000,000
Research and development(4)	500,000
Working capital	635,656

	\$ 4,261,038
	=====

(1) Amount calculated by taking the amount of the Warrants currently outstanding (2,874,025) and multiplying by the exercise price of \$1.50, less additional offering expenses associated with the anticipated exercise of the Warrants, estimated at \$50,000 (see "Plan of Distribution").

(2) Represents the amount payable on the Company's line of credit arrangement

as of March 31, 1996.

(3) Includes the hiring of at least four new sales and marketing managers specializing in the Company's various customer and distribution channels. Also includes increased amounts invested in market research and direct channel advertising (see "Business - Marketing and Sales" and "Business - Distribution").

(4) Includes the hiring of at least five to six engineers assigned to focus on the development of new products and enhancements to existing product lines.

- ITEM 5: DETERMINATION OF OFFERING PRICE

The offering price of the Units and the exercise price and other terms of the Warrants were determined by negotiation between the Company and the Underwriter. Factors considered in determining the offering price of the Units and the exercise price of the Warrants included the closing bid price for the Company's Common Stock immediately prior to the effectiveness of this offering, the business in which the Company engages, the Company's financial condition, an assessment of management and the general condition of the securities market.

- ITEM 6: DILUTION

Original Unit Offering

As of June 30, 1991, the Company had a net tangible book value of \$985,176, or approximately \$.33 per share of Common Stock. Net tangible book value per share represents the amount of the Company's total tangible assets, less liabilities, divided by the number of shares of Common Stock outstanding.

After giving effect to the sale of the 1,250,000 Units offered hereby, and using an offering price of \$3.00 per Unit and all estimated offering expenses, the net tangible book value at June 30, 1991 would have been \$3,947,676 or approximately \$.59 per share, representing an immediate increase in net tangible book value of approximately \$.26 per share to the present stockholders, and an immediate dilution of approximately \$.41 per share to new public investors from the public offering price. Dilution per share represents the difference between the public offering price and the pro forma net tangible book value per share after the offering.

The following table illustrates the per share dilution that was incurred by public investors from the public offering price, without regard to the Warrants:

Public offering price		\$1.00
Net tangible book value before offering	.33	
Increase attributable to new public investors	.26	
Net tangible book value after offering		.59

Dilution to new public investors		\$.41
		=====

The Underwriter's over-allotment option was exercised in full, resulting in a pro forma net tangible book value of \$4,437,051 or approximately \$.61 per share, the immediate increase in net tangible book value attributable to new public investors was \$.28 per share, and the immediate dilution to new public investors would be \$.39 per share. In addition, the above discussion and table allocate no value to the Warrants contained in the Units and assume no exercise of the Warrants, the Unit Purchase Option or any other outstanding options, the exercise of which will result in further dilution to new public investors. To the extent the shares of Common Stock are issued pursuant to the Unit Purchase Option or any other outstanding option, there may be further dilution to the new public investors.

Warrant Exercise

As of March 31, 1996, the Company had a net tangible book value of \$4,009,240, or approximately \$.52 per share of Common Stock. After giving effect to the exercise of the 2,874,025 Warrants currently outstanding, and using an exercise price of \$1.50 per Warrant and estimated additional offering expenses, the net tangible book value at March 31, 1996 would be \$8,320,278 or approximately \$.79 per share, representing an immediate increase in net tangible book value of approximately \$.27 per share to the present

shareholders, and an immediate dilution of approximately \$.71 per share to Warrant holders from the exercise price. Dilution per share represents the difference between the exercise price and the pro forma net tangible book value per share, assuming all outstanding Warrants are exercised.

The following table illustrates the per share dilution which would be incurred by holders of the Warrants from the exercise price:

Warrant exercise price		\$1.50
Net tangible book value before exercises	.52	
Increase attributable to warrant exercises	.27	
Net tangible book value after offering		\$.79

Dilution to Warrant holders		\$.71
		=====

- ITEM 7: SELLING SECURITY HOLDERS

None

- ITEM 8: PLAN OF DISTRIBUTION

The Company has confirmed that F.N. Wolf & Co., Inc., the original Underwriter for the offering, has filed for bankruptcy. The Company also understands that the Underwriter expects to emerge from bankruptcy, though not as a registered broker-dealer, as the SEC previously revoked its broker-dealer registration. Instead, the Underwriter intends to engage only in the business of financial planning. In addition, published reports indicate that Mr. Franklin Wolf has been fined by the NASD, and barred from the securities industry for life. The Company considers F.N. Wolf & Co. to have materially breached the Underwriting Agreement and to have no further rights thereunder.

Notwithstanding the Company's position in this regard, it is possible that the Company may continue to have certain contractual obligations to F.N. Wolf Co., including the Unit Purchase Option.

The Underwriter offered the Units to the public at the public offering price set forth on the cover page of this Prospectus and it allowed selected dealers who are members of the National Association of Securities Dealers, Inc. concessions of not in excess of \$0.12 per Unit, of which not more than \$0.06 per Unit were reallocated to certain other dealers. After the public offering of the Units, the public offering price, concessions and reallocations may be changed by the Underwriter.

The Underwriting Agreement provides for reciprocal indemnification between the Company and the Underwriter against certain liabilities in connection with this offering, including liabilities under the Securities Act of 1933 (the "Act").

The Company paid the Underwriter a non-accountable expense allowance equal to 3% of the aggregate offering price of the Units offered hereby (including any Units purchased pursuant to the over-allotment option), all of which (\$129,375) has been paid.

The Company granted an option to the Underwriter, exercisable during the 30-day period from the date of this Prospectus, to purchase up to 187,500 additional Units at the public offering price, less underwriting discounts and commissions, solely to cover over-allotments in the sale of the Units. The Underwriter exercised this option in full.

The Company agreed to sell to the Underwriter or its designees, for nominal consideration, the Unit Purchase Option to purchase up to 125,000 Units substantially identical to the Units offered hereby, except that the Warrants included therein were not subject to redemption by the Company. The Unit Purchase Option has an exercise price of \$3.60, subject to adjustment in certain events to protect against dilution, and are not transferable except to officers of the Underwriter. The Unit Purchase Option will expire September 22, 1996. The Company has agreed to register under the Act on two separate occasions upon request of the holder(s) of a majority of the Unit Purchase Option, the securities issuable upon exercise of the Unit Purchase Option, the initial such registration to be at the Company's expense and the second at the expense of the holders. The Company has also granted certain "piggyback" registration rights to the holder(s) of the Unit Purchase Option. To date, the Unit Purchase Option has not been exercised.

For the life of the Unit Purchase Option, the holders are given at nominal cost, the opportunity to profit from a rise in the market price of the Company's securities with a resulting dilution in the interest of other stockholders. Further, the holders may be expected to exercise the Unit Purchase Option at a time when the Company would in all likelihood be able to obtain equity capital on terms more favorable than those provided in the Unit Purchase Option.

The Company and its 5% stockholders ("Principal Stockholders") have granted the Underwriter a five-year preferential right of first refusal to purchase for its own account or to act as underwriter or placement agent for any subsequent public or private offering of the Company's securities by the Company or any successor to or subsidiary of the Company, or any of its principal stockholders. Due to the Underwriter's material breach of the Underwriting Agreement, the Company considers this right to be canceled.

The Company previously agreed to enter into a five-year agreement providing for the payment of a fee to the Underwriter in the event the Underwriter is responsible for a merger or other acquisition transaction to which the Company is a party. Due to the Underwriter's material breach of the Underwriting Agreement, the Company considers this right to be canceled.

Upon the exercise of the Warrants after the first anniversary of the date of this Prospectus, the Company previously agreed to pay the Underwriter a fee of 4% of the aggregate exercise price if: (i) the market price of the Common Stock on the date the Warrant is exercised is greater than the then exercise price of the Warrants; (ii) the exercise of the Warrant was solicited by a member of the NASD; (iii) the Warrant is not held in a discretionary account; (iv) disclosure of compensation arrangements was made both at the time of the offering and at the time of exercise of the Warrant; and (v) the solicitation of the Warrant was not in violation of Rule 10b-6 promulgated under the Securities Exchange Act of 1934. Due to the Underwriter's material breach of the Underwriting Agreement, the Company considers this right to be canceled.

- ITEM 9: LEGAL PROCEEDINGS

The Company knows of no material litigation or proceeding, pending or threatened, to which the Company is or may become a party.

- ITEM 10: DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

Directors and Executive Officers

The following individuals are currently directors or executives officers of the Company:

Name	Age	Principal Occupation	Director Since
Russell D. Gentner	40	Chairman of the Board of Directors, Chief Executive Officer, and President	1985
Edward Dallin Bagley*	57	Attorney	1994
Brad R. Baldwin	40	President and Chief Executive Officer of Bank One, Utah	1988
Edward N. Bagley*	83	Vice President of Smith Barney and Chairman of the Board of Mining Services International	1993
Dwight H. Egan	42	President and Chief Executive Officer of Broadcast International, Inc.	1994
K. Bradford Romney	39	President and Chief Executive Officer of Dayna Communications, Inc.	1994

* Edward N. Bagley and Edward Dallin Bagley are father

and son, respectively.

Russell D. Gentner is Chairman of the Board of Directors, Chief Executive Officer, and President of the Company. Mr. Gentner has served in the positions of Chairman and Chief Executive Officer since 1985, when the Company merged with its predecessor, Gentner Engineering Company, Inc. ("GEC"). GEC was founded by Mr. Gentner in 1981, and he served as its Chairman, Chief Executive Officer, and President from its inception until its merger with the Company. Mr. Gentner has served as President of the Company from 1985 to 1990 and from April 1994 to the present. Mr. Gentner earned his Bachelor of Science degree in Electrical Engineering in 1977 from the University of Utah and a Master of Business Administration degree from the University of Utah in 1990.

Edward Dallin Bagley has been a Director of the Company since April 1994. Previously, Mr. Bagley served as a Director of the Company from April 1987 to July 1991. Mr. Bagley began practicing law in 1965. He later founded Bagley Securities, Inc., a stock brokerage firm located in Salt Lake City, Utah. During the past five years, Mr. Bagley has served as vice president of National Financial, a computer back-up accounting firm for health clubs. Mr. Bagley is also currently a director of Mining Services International, a publicly-held developer of explosives technology and supplier of chemicals to the mining industry located in Salt Lake City, Utah, and Tunex International, a chain of automotive engine performance and service centers. Mr. Bagley received a Juris Doctorate in 1965 from the University of Utah College of Law.

Brad R. Baldwin has been a Director of the Company since October 1988. Since October 1, 1994, Mr. Baldwin has served as President and Chief Executive Officer of Bank One, Utah, a commercial bank headquartered in Salt Lake City, Utah. Mr. Baldwin served as Senior Vice President and General Counsel of Bank One from 1988 until his appointment as President and CEO. From 1981 to 1988, Mr. Baldwin was engaged in the general practice of law at the firm of Biele, Haslam & Hatch in Salt Lake City, Utah. Mr. Baldwin received a Juris Doctorate in 1980 from the University of Washington.

Edward N. Bagley has been a director of the Company since January 1993. Mr. Bagley is currently Vice President of Smith Barney, with whom he has been associated since 1971. Mr. Bagley has worked in the investment industry since 1934. Mr. Bagley is also Chairman of the Board of Directors of Mining Services International. He received a bachelors degree from Utah State University in 1933.

Dwight H. Egan has been a director of the Company since November 1994. Mr. Egan is currently the President, Chief Executive Officer, and Chairman of the Board of Broadcast International, Inc., a satellite communications and business information company located in Salt Lake City, Utah. Mr. Egan has served as an officer and director of Broadcast International since November 1985.

K. Bradford Romney has been a Director of the Company since November 1994. Since 1991, Mr. Romney has been the President and Chief Executive Officer of Dayna Communications, Inc., a computer networking company based in Salt Lake City, Utah. He has been a director of Dayna since 1990. He served as Executive Vice President of Dayna upon joining the company in 1986 until his appointment as President and Chief Executive Officer. From 1982 to 1986, Mr. Romney was Executive Vice President of Keith Romney & Associates. Mr. Romney is also a director of EFI Electronics, Inc. and Magellan Technology, Inc. Mr. Romney received a Juris Doctorate and a Master of Business Administration degree from Brigham Young University in 1982.

Board of Director Information and Committees

All directors serve until their successors are elected and have qualified. The Company currently pays each outside director \$650 per month for services provided as a director. Inside directors receive no additional compensation for serving on the Board. Officers are elected to serve, subject to the discretion of the Board, until their successors are appointed.

The Board of Directors has three committees, the Executive, Audit, and Compensation Committees. The Executive Committee is composed of Mr. Russell D. Gentner and has one vacancy. The Audit Committee is currently composed of

Mr. Brad R. Baldwin, Mr. Edward Dallin Bagley, and Mr. K. Bradford Romney. The Compensation Committee is currently composed of Mr. Brad R. Baldwin, Mr. Edward Dallin Bagley, and Mr. Dwight H. Egan. The Executive Committee exercises all the powers and authority of the Board of Directors in the management of the business and affairs of the Company except those which by statute, Certificate of Incorporation or By-laws are reserved to the Board of Directors. The Audit Committee is authorized to review proposals of the Company's auditors regarding annual audits, recommend the engagement or discharge of the Company's auditors, review recommendations of such auditors concerning accounting principles and the adequacy of internal controls and accounting procedures and practices, to review the scope of the annual audit, to approve or disapprove each professional service or type of service other than standard auditing services to be provided by the auditors, and to review and discuss the audited financial statements with the auditors. The Compensation Committee makes recommendations to the Board of Directors regarding remuneration of the executive officers and directors of the Company and administers the 1990 Incentive Plan for directors, officers, and key employees.

Executive Officers

The executive officers of the Company are as follows:

NAME	AGE	POSITION
Russell D. Gentner	40	Chairman, President and Chief Executive Officer
Keldon A. Paxman	36	Chief Operating Officer and Vice President of Engineering
David L. Harmon	39	Vice President and Chief Financial Officer
William H. Gillman	37	Vice President of Operations

For the biography of Mr. Gentner, see "Directors."

Keldon A. Paxman became Chief Operating Officer of the Company in 1996. He has been Vice President of Engineering of the Company since 1995. He has been with the Company since 1985, working initially in product testing, product design, and technical customer service management. Beginning in 1990, he was Director of Manufacturing and in 1994 became Director of Engineering, where he coordinated new product development. He oversees all of the Company's research and product development activities. Prior to joining Gentner, Mr. Paxman worked as a Technical Specialist for National Semiconductor. He received an Associate of Applied Science degree in Electronic Technology from Utah Technical College in 1983, and a Bachelor of Science degree in Business Administration from the University of Phoenix in 1994.

David L. Harmon was elected Vice President and Chief Financial Officer of the Company in April 1994. From 1990 until his appointment as Chief Financial Officer, Mr. Harmon was the Company's Controller. He is responsible for all of the Company's accounting, tax planning, financial and management reporting, and SEC filings. He is a certified public accountant, having spent eight years in public accounting before joining Gentner. While a practicing CPA, Mr., Harmon specialized in audits and financial reporting of public companies, and was involved in tax return preparation for several types of businesses. He graduated from the University of Utah with a Bachelor of Science degree in Accounting.

William H. Gillman became a Vice President of Operations in 1995, in which capacity he oversees manufacturing, purchasing, quality control, and inventory processes. Mr. Gillman first joined the Company in 1983, was appointed Vice President of Engineering in 1984, and joined the Board of Directors in 1985. He was responsible for the design or redesign of a large portion of the Company's early products. In 1991, Mr. Gillman joined Novell as a Senior Engineer to design Novell's state-of-the-art, \$12.5 million software testing facility referred to as "Super Lab." He continued as a Director with the Company during his time at Novell until 1994. In 1994, he returned to the Company as a full-time employee and also resigned his position on the Board of Directors. Mr. Gillman received an Associate of Applied Science degree in Electronic Technology from Utah Technical College in 1980, and, until his first employment with the Company, worked as an engineer with several Utah radio stations. He is a member of the Aircraft Owners and Pilots Association, the American Radio Relay League, and the Society of Broadcast Engineers, where he holds a Senior Broadcast Engineering Certificate. He also

has an FCC General Radio/Telephone License.

- ITEM 11: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding ownership of the Common Stock of the Company as of March 31, 1996 by (i) each person known to the Company to be the beneficial owner of more than 5% of the outstanding Common Stock of the Company, (ii) each director of the Company, (iii) the Chief Executive Officer and each other executive officer of the Company as of March 31, 1996 whose salary and bonus for the year ended June 30, 1995 exceeded \$100,000, and (iv) all executive officers and directors of the Company as a group. Each person has sole investment and voting power with respect to the shares indicated, subject to community property laws where applicable, except as otherwise indicated below.

Names of Beneficial Owners -----	Amount of Beneficial Ownership -----	Percentage of Class -----
Russell D. Gentner	686,128 (1)	9.0%
Edward Dallin Bagley	411,207 (2)	5.4%
William H. Gillman	180,119 (3)	2.4%
Brad R. Baldwin	79,166 (4)	1.0%
Edward N. Bagley	269,833 (5)	3.5%
Dwight H. Egan	5,000 (6)	0.1%
K. Bradford Romney, Jr.	5,000 (6)	0.1%
Directors and Executive Officers as a Group (9 persons)	1,654,453 (1,2,3,4,5,6,7)	21.6%

(1) Includes: 595,928 shares owned directly; options to purchase 90,000 shares that are exercisable within 60 days; and 200 shares owned by Mr. Gentner's wife. Excludes: options to purchase 40,000 shares that are not exercisable within 60 days.

(2) Includes: 306,157 shares owned directly; 100,000 shares owned by a corporation controlled by Mr. Bagley; 50 shares owned by Mr. Bagley's wife as custodian for one of Mr. Bagley's daughters; and options to purchase 5,000 shares that are exercisable within 60 days. Excludes: 50 shares owned by another of Mr. Bagley's daughters; shares owned by the Bagley Family Revocable Trust, all of which Mr. Bagley disclaims beneficial ownership; and options to purchase 25,000 shares that are not exercisable within 60 days.

(3) Includes: 162,619 shares owned directly and options to purchase 17,500 shares that are exercisable within 60 days. Excludes: options to purchase 17,500 shares that are not exercisable within 60 days.

(4) Includes: 54,666 shares owned directly; options to purchase 17,500 shares that are exercisable within 60 days; 5,000 shares owned by Mr. Baldwin's wife; and warrants to purchase 2,000 shares that are currently exercisable. Excludes: options to purchase 17,500 shares that are not exercisable within 60 days.

(5) Includes: 257,333 shares owned by the Bagley Family Revocable Trust, of which Mr. Bagley is a co-trustee with his wife; and options to purchase 12,500 shares that are exercisable within 60 days. Excludes: shares held or controlled by Mr. Bagley's son (Edward Dallin Bagley) and granddaughters as described in footnote 2 above, all of which Mr. Edward N. Bagley disclaims beneficial ownership; and options to purchase 17,500 shares that are not exercisable within 60 days.

(6) Includes: options to acquire 5,000 shares that are exercisable within 60 days. Excludes: options to acquire 25,000 shares that are not exercisable within 60 days.

(7) Includes: 1,000 shares owned directly and options to acquire 17,000 shares by two other officers that are exercisable within 60 days. Excludes: options to acquire 23,000 shares by those officers that are not exercisable within 60 days.

- ITEM 12: DESCRIPTION OF SECURITIES

Units

Each Unit consists of three shares of Common Stock and two Warrants, each Warrant entitling the holder to purchase one share of Common Stock. The components of the Units became separately transferable one year following the date of the original Prospectus (the "Separation Date").

Common Stock

The Company has authorized 50,000,000 shares of Common Stock, par value \$.001 per share, 7,662,375 of which were issued and outstanding as of March 31, 1996. Each share of Common Stock is entitled to one vote on all matters on which stockholders may vote, including the election of directors. Holders of Common Stock are entitled to participate pro rata based on the number of shares held, in the payment of cash dividends and in the liquidation, dissolution or winding up of the Company. There are no preemptive, redemption, conversion or cumulative voting rights applicable to the Common Stock.

Redeemable Warrants

Each Warrant entitles the registered holder to purchase one share of Common Stock at an exercise price of \$1.50 at any time until 5:00 P.M., New York City time, on September 22, 1996. Since that date falls on a non-banking day, they may be exercised until 5:00 p.m. New York City Time on September 23, 1996. The Warrants are redeemable by the Company on thirty days prior written notice at a redemption price of \$.05 per Warrant if the "closing price" of the Company's Common Stock equals or exceeds \$2.50 per share for any 30 consecutive trading days ending within 15 days of the notice of redemption. "Closing price" shall mean the closing bid price if listed in the over-the-counter market or the closing sale price if listed on the National Market System of NASDAQ or a national securities exchange.

The Warrants provide for adjustment of the exercise price and for a change in the number of shares issuable upon exercise to protect holders against dilution in the event of a stock dividend, stock split, combination or reclassification of the Common Stock or upon issuance of shares of Common Stock at prices lower than the Warrant exercise price then in effect other than issuances upon exercise of options granted to employees, directors and consultants to the Company, or options to be granted under the Company's 1990 Incentive Plan.

Commencing on the Separation Date, a Warrant may be exercised upon surrender of the Warrant certificate on or prior to its expiration date (or earlier redemption date) at the offices of American Stock Transfer & Trust Company, New York, New York, the warrant agent, with the form of "Election to Purchase" on the reverse side of the Warrant certificate completed and executed as indicated, accompanied by payment of the full exercise price (by certified or bank check payable to the order of the Company) for the number of shares with respect to which the Warrant is being exercised. Shares issued upon exercise of Warrants and payment in accordance with the terms of the Warrants will be fully paid and nonassessable.

The Warrants do not confer upon the Warrant holder any voting or other rights of a stockholder of the Company. Upon notice to the Warrant holders, the Company has the right to reduce the exercise price or extend the expiration date of the Warrants.

Although the Units have not knowingly been sold to purchasers in the jurisdictions in which the Units are not registered or otherwise qualified for sale, purchasers may buy Units or the components thereof in the aftermarket in, or may move to, jurisdictions in which the shares underlying the Warrants are not so registered or qualified during the period that the Warrants are exercisable. In this event, the Company will be unable to issue shares of Common Stock to those persons desiring to exercise their Warrants unless and until the shares qualified for sale in jurisdictions in which such purchasers reside, or unless an exemption to such qualification exists in such jurisdiction. In addition, investors in this offering will not be able to exercise their Warrants, unless at the time of exercise the Company has a current prospectus covering the shares of Common Stock underlying the Warrants.

Transfer Agent and Warrant Agent

American Stock Transfer & Trust Company, New York, New York, will serve as transfer agent for the Common Stock and the Warrants.

- ITEM 13: INTEREST OF NAMED EXPERTS AND COUNSEL

None.

- ITEM 14: DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers and controlling persons of the Company pursuant to the provisions of its articles of incorporation and bylaws, of the Utah Revised Business Corporation Act, or otherwise, the Company has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Company of expenses incurred or paid by a director, officer or controlling person of the Company in the successful defense of any action, suit or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

- ITEM 15: ORGANIZATION WITHIN LAST FIVE YEARS

See Item 19 below.

- ITEM 16: DESCRIPTION OF BUSINESS

General

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 audioconferencing products and services, along with other products, primarily for the Broadcast market and the audio segment of the Teleconferencing market. The audio segment of the Teleconferencing market is herein referred to as the "Audioconferencing market." Historically, the Company's primary business has been the sale of studio and transmitter-related equipment and accessories to broadcast facilities. The Company has applied its core digital technology gained in the Broadcast market to the development of products for the Audioconferencing market. In addition, the Company offers a conference call service. With this combination of products and service, the Company's vision is to provide customers with the total audio solution for conferencing.

The Company currently sells four distinct product lines to the Broadcast market. The largest product line consists of telephone interface equipment, which is primarily used to facilitate audio teleconferences in which callers are put on-the-air for call-in talk shows. In fiscal 1995, sales of products to the Broadcast market accounted for 49% of the Company's total sales.

In 1991, using its technological expertise gained in the Broadcast market, the Company commenced marketing products specifically developed by it for the Audioconferencing market. The Company's audioconferencing 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 line comprises high-end audioconferencing systems installed in conference rooms, along with economical portable units. Sales of products to the Audioconferencing market accounted for 40% of the Company's total sales during fiscal 1995.

In fiscal 1993, the Company commenced a conference call service operation. This service is marketed to sales organizations, law firms, financial networks, and any business requiring conference calling.

In fiscal 1994, the Company made several difficult but essential reorganization decisions, including significant investment in research and development and marketing, consolidation of the Company's operations and sales

center to one location, the divestiture of the Audisk product line, and the implementation of other cost reduction measures. These reorganization efforts contributed to a significant increase in the Company's sales and a marked decrease in the Company's net loss during fiscal 1995. During fiscal 1995 as compared to fiscal 1994, sales of the Company's products and services increased to \$11.1 million from \$8.8 million. Fiscal 1995's net loss was \$116,063, or \$0.02 per share, compared to fiscal 1994's net loss of \$1,258,986, or \$0.17 per share. The significant 1994 loss included the disposal of a product line and other non-recurring charges (see "Management's Discussion and Analysis"). Although fiscal 1995 began with a first quarter loss, all succeeding quarters were profitable, and the fourth quarter's results were record-breaking in terms of both sales and profits.

Results of Recent Operations

Sales for the nine months ended March 31, 1996 increased 3% compared to the same period during the prior fiscal year. Shipments of new products during the first half of the fiscal year were the primary reason for the increase. Offsetting this sales growth during the third quarter were weather factors and the federal government shutdown.

Business Strategy

The Company plans to continue its efforts to develop and market new products for the Broadcast and Audioconferencing markets. Growth in broadcast product sales is expected to come through new equipment introductions, enhancements, and increased international distribution.

The Company believes that its largest growth potential is in the U.S. Audioconferencing market. According to industry sources, Audioconferencing sales are growing at an annual rate of 20%, with sales of both audio products and conferencing services at \$1.5 billion for calendar 1995. The Company plans to allocate a large portion of its resources to develop and market products and services for this market. Due to the larger market size and potentially greater competition, the marketing of Audioconferencing products will continue to require substantial marketing resources and research and development efforts. To this end, the Company will continue to seek out highly trained and experienced personnel. Additionally, the Company has aggressively focused on research and development to create a superior line of products. Because of its ability to combine sophisticated audioconferencing conference room systems and portable units with conference call services into a package available through a nationwide network of dealers and sales representatives, the Company plans to offer end users a "total solution" approach, which it believes will help it take advantage of the potential of this growing market.

Broadcast Products

The Company has four major product lines that it sells to the Broadcast market:

- Telephone Interface Products
- Transmitter Site Control Products
- Audio Routing and Distribution Products
- Audio Processing Products

With the exception of transmitter site control products, the Company's broadcast products are used in broadcast studios to assist in production and/or on-air programming. Each of these product lines is discussed in greater detail below.

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 unit, which it began selling in fiscal 1995. Many telephone interface products function as broadcast-oriented audioconferencing components used by broadcasters to put callers on-the-air as part of an audio teleconference. This product line also includes the Company's remote broadcast products. These products allow a station to conduct broadcasts from a location away from the station using telephone lines instead of more expensive satellite transmissions. A sportscaster, for example, can broadcast a basketball game from the arena, being linked to the studio by telephone.

Transmitter 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 via computer or telephone. The Company's transmitter site control products utilize a digitally synthesized voice which reports conditions over a telephone line. In April of 1996, the Company introduced the new GSC-3000 product series at the National Association of Broadcasters Trade Show in Las Vegas. The 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 PC-based networked systems.

Audio Routing and Distribution Products. These products are used to distribute audio signals from studio to studio, and are also widely used in the Professional Audio market (see "Description of Business - Other Markets"). These types of products are a necessary part of every audio installation in a broadcast facility. The Company has been manufacturing and selling this product line since its inception.

Audio Processing Products. Broadcasters use these products to tailor the sound of their stations to suit the tastes of specific audiences. For example, a radio station with an "Urban Contemporary" format could use these products to significantly increase the amount of bass response in their signal, whereas a "Light Jazz" station would use softer processing for a uniform sound across the audio frequency spectrum. These digital products provide a greater amount of flexibility for broadcasters who want more control over the quality and character of the sound of their broadcasts. In addition, they help preserve the broadcast clarity of compact disc recordings.

Audioconferencing Products

The Company's internal research into the needs of the business community, coupled with its digital capabilities developed in the Broadcast market, led to its development of products for the Audioconferencing market. This market is experiencing rapid growth. Companies that conduct lengthy meetings over the telephone have expressed dissatisfaction with the speakerphones traditionally used in these meetings. The problems noted with traditional speakerphones include poor audio quality, low volume levels, echoes, noise, distortion, and speech cut-offs. The Company believes that it has substantially addressed these problems through the development of digitally-processed audioconferencing products.

In 1991, the Company began shipping several competitively priced audioconferencing products and systems. The systems permit users to communicate via professional quality microphones and speakers which, combined with the Company's digital technology, result in higher audio quality. The systems permit fully interactive conversations, allowing users to talk normally (as if all participants were in the same room), without cut-offs.

The Company began shipping a new audioconferencing product in fiscal 1995. This product, the ET100, is a highly advanced, portable audioconferencing unit that provides high quality sound, without delays, cut-offs, or echoes, and that is designed to hook-up with virtually any phone system. This unique capability allows users to utilize all of their telephone functions such as hold, conference, transfer, multiple line access, etc. The ET100 turns the existing digital PBX or analog telephone into a two-way hands free audioconferencing device. In February 1996, the Company began shipping a new audioconferencer, the ET-10, which is a smaller and less expensive version of the ET-100. The ET-10 has all the features of the ET-100, but is intended to be used in an office or cubicle with a desk telephone instead of in a conference room.

Conference Call Service

In February 1993, the Company launched its new conference call service operation so as to be able to provide customers with a complete offering of audioconferencing solutions. This service can connect telephone callers worldwide with state-of-the-art volume and clarity. Although this operation is experiencing steady growth, it is not currently producing significant revenues.

Assistive Listening Products

In March 1993, the Company began shipping its new Assistive Listening System ("ALS") products. These products provide amplification for the hearing impaired in such places as sport stadiums, museums, libraries, theme parks, zoos, auditoriums, convention centers, and tour buses. The demand for ALS products is strong due to the enactment of the Americans with Disabilities Act, which requires such aid to the hearing disabled. 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. ALS products and accessories currently are one of the Company's fastest growing product lines.

Broadcast Market

For fiscal 1995, and so far during fiscal 1996, the Broadcast market was still the Company's largest revenue source, generating approximately 49% of the Company's total sales. The Company's products are targeted and sold to radio and television stations, broadcast networks, and other broadcast-related customers.

Based on statistics provided by the Company's wholesalers, the Company estimates that the potential annual U.S. Broadcast market size is approximately \$100 million for all types of equipment, including the type the Company provides. The Company's current market share is approximately 5% of this market.

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 enjoy growth in the Broadcast market as product innovations allow broadcast stations to upgrade their existing equipment.

The Company has traditionally concentrated its efforts in 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 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 countries around the world (see "Description of Business - Distribution"). Such Broadcast sales overseas now account 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 fiscal 1995 sales, and have accounted for 12% of total sales during the first three quarters of fiscal 1996.

Audioconferencing Market

The audioconferencing market is currently the Company's fastest growing market, representing approximately 40% of total Company sales in fiscal 1995 and to-date in fiscal 1996, compared to 36% of total Company sales in fiscal 1994. The Audioconferencing market is a segment of the total Teleconferencing market, which also includes the Videoconferencing market segment. Although it designs and manufactures audio equipment that works in connection with the Videoconferencing segment, the Company specializes in the Audioconferencing segment.

Products and services sold by all companies to the Audioconferencing 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 categories. According to estimates compiled by the International Teleconferencing Association, the calendar 1995 U.S. market for these specific types of Audioconferencing

products and services exceeded \$1.5 billion, growing 20% over the previous calendar year.

The Company believes that the most significant sales growth in the near future will come through the continued sale of Audioconferencing equipment. The Company also expects further growth in its conference call service business.

Other Markets

In addition to the Broadcast and Audioconferencing 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 Audioconferencing market. The products sold to this market are primarily audio routing and distribution products, telephone interface products, and ALS products.

Marketing and Sales

Broadcast sales efforts have traditionally focused on domestic and international sales of broadcast products through a worldwide network of dealers. Such efforts included a combination of product catalogs, telephone telemarketing, direct mail, trade advertising and direct selling. 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 has also focused more on end user interaction efforts such as customer focus groups and proactive surveys. The Company also exhibits at selected high profile industry trade shows to ensure that the Company's products remain highly visible to dealers and broadcasters.

Audioconferencing and ALS product sales efforts are primarily aimed at, respectively, domestic businesses and organizations required to offer their patrons equipment designed to assist the hearing impaired. The Company has been reaching these customers through a representative and dealer network that regularly interacts with potential end users in the target market. However, since digital audioconferencing products and services are relatively new concepts in a growing new industry, the Company intends to devote significantly more marketing efforts toward end users. Although the Company has begun actively participating, alongside its representatives and dealers, in communication forums, trade shows, and industry promotions, the Company has begun researching the audioconferencing market in depth so as to establish new, direct sales and distribution channels (see "Description of Business - Distribution").

Customer support, which is generally provided over the telephone, provides timely, interactive help to customers needing operational or technical assistance with their products. The customer 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.

Distribution

Broadcast Products. The Company's broadcast products are generally sold in the United States through non-exclusive independent broadcast equipment dealers. Customers 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 then 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, Harris/Allied, a division of Harris Corporation, is also a manufacturer of communications systems and equipment. Harris/Allied 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 Harris/Allied represent a significant portion of Company sales, accounting for approximately 7% of the Company's total sales so far in fiscal

1996, and 18% and 16% of sales during fiscal 1995 and fiscal 1994, respectively. However, the Company believes that if it were to lose Harris/Allied as a 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, of which several are located in Europe, two are in Canada, and several are located throughout Asia, the South Pacific, and Latin America.

Audioconferencing and ALS Products and Services. The Company sells its Audioconferencing and ALS products, along with conference call services through independent representatives and dealers. The Company also telemarkets customers directly with respect to its conference calling service. Currently, most of the Company's Audioconferencing and ALS sales are in the United States. The Company's primary strategy for foreign expansion is to establish distribution channels in markets where it believes there is a growing need for products and services of the type offered by the Company. The Company has pursued this strategy in conjunction with its international broadcast activities and has established dealerships in the same geographic locations. The Company has recently announced the introduction of a new portable audioconferencer that will likely appeal to a mass market. Accordingly, in the near future, the Company intends to establish retail sales channels for this product, through stores or catalogs or otherwise.

Competition

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

In the Broadcast market, the Company has several competitors in each of its four 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 and can therefore devote their resources to products that are directly competitive with, and which may adversely impact sales of, the Company's products. However, the Company possesses a high name-recognition factor with respect to its Broadcast products, particularly with its telephone interface equipment. This advantage, coupled with the Company's size, enables it to preserve and enhance its efforts in increasing Broadcast market share.

The Company believes that its ability to successfully compete in the Audioconferencing market is essential to the Company's growth and market development. The Company knows that 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 capitalized on, and enhanced its core acoustic digital technology developed for the Broadcast market into what it believes are conference room installed Audioconferencing systems and equipment of superior performance. It also believes its new line of portable audioconferencers have significant competitive advantages (see "Description of Business - Audioconferencing Products"). By offering both these types of products, combined in various types of packages with conference calling services, the Company feels it can uniquely position itself in this rapidly expanding Audioconferencing market.

Research and Development

The Company is highly committed to research and development. The Company views its investment in research and development as the key to long-term business success. The Company expended \$802,062 and \$920,079 on research and development in fiscal years ended June 30, 1995 and 1994, respectively. During the first nine months of fiscal 1996, the Company expended \$718,819.

The Company is continually working on developing new products and services. Current new research and development efforts are focused on the broadcast telephone interface and Audioconferencing product lines. 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.

The Company's core technological competencies include many areas of

telecommunications and audio processing. The Company has developed the ability to interface many types of products to the public telephone network. 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 also has a U.S. trademark registration for "PeopleLink," the name used on one of the Company's telephone interface products.

Government Regulation

The Company designs and manufactures its equipment in accordance with the technical design standards of Federal Communications Commission ("FCC") Rules Part 15, Class A and Part 68. Part 15 governs the levels of electromagnetic radiation emanating from commercial computing equipment. The Company endeavors to conform all of its products covered by Rule 15 with the Rule 15 standards based on internal testing. Part 68 sets forth certain standards for telephone equipment that is to be used within the United States telecommunications system, such as line isolation and surge protection standards. The Company's applicable telecommunications products are each certified by independent inspectors to meet the Part 68 standards.

The Company also designs and manufactures its equipment pursuant to Underwriters Laboratories and industry product 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 in each of the foreign countries in which its products are sold.

Manufacturing and Supplies

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. If sales increase substantially, the Company would 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 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 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. Both the equipment and the software are covered under maintenance contracts. The Company has developed an extensive software back-up system that provides for daily back-ups housed in a fire-proof safe.

Warranty and Service

The Company provides one and two-year warranties on its products which cover 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 are required outside the warranty period are not covered by the Company's warranty.

In cases of defective products, the customer typically returns them to the Company's facility in Salt Lake City, Utah. The Company's service personnel then replace or repair the defective items and ship them back to the customer. Generally, all servicing is done at the Company's plant, and it 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.

Backlog

As of March 31, 1996, the Company's backlog was approximately \$450,000, all of which is scheduled to be delivered throughout fiscal 1996 and the first half of fiscal 1997. Backlog figures include signed purchase orders. All orders are subject to cancellation without penalty. On most orders, payment is due within 30 days of shipment. The Company has occasionally experienced some cancellations or postponements of a minor sort regarding its backlog. The backlog is not seasonal in nature.

Employees

As of March 31, 1996, the Company had 93 employees, all of which were full-time employees. None of the Company's employees are subject to a collective bargaining agreement.

- ITEM 17: MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of Operations

Nine Months Ended March 31, 1996 Compared to Nine Months Ended March 31, 1995

Sales for the nine months ended March 31, 1996 increased 3% compared to the same period during the prior fiscal year. 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 nine months end March 31, 1996 were up 6% over the same comparable period during 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 it introduced during the last three months. 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 fiscal year were tempered by severe winter weather conditions in the Northeastern United States. The Company distributes a significant amount of its broadcast products through dealers located in this area, and during the month of January, weather conditions affected several of these businesses 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 were then interrupted by the temporary shutdown of the Federal Communications Commission. The Company feels that these circumstances resulted in a temporary slowdown, and feels that Broadcast sales will be higher in the future. Sales during the coming fiscal year are also anticipated to increase as a result of the new GSC-3000 product series that was unveiled at the April National Association of Broadcasters trade show in Las Vegas. The new hardware and software products are designed to augment the Company's existing transmitter site control products by allowing station managers to monitor several different sites using PC-based networked systems.

Sales to the audio segment of the Teleconferencing market (the "Audioconferencing" market) remained comparatively the same during the first nine months as compared to the same period during the previous fiscal year. The Company experienced higher sales during the first six months of the current fiscal year 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 Audioconferencing sales throughout the current fiscal year were shipments of the ET100 portable audioconferencer. The Company spent time earlier in the 1996 fiscal year making design modifications and improvements to the ET100, and released version 2.0 during the second fiscal quarter. During the current fiscal year's third quarter, weather conditions caused similar problems with customers in this market as were caused in the broadcast market. However, these sales decreases were affected more by the federal government shutdown. A significant number of the Company's audioconferencing systems are utilized in distance learning applications located at higher education 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 dealers to prepare new bid packages. The Company expects sales of its audioconferencing products to increase, particularly its portable audioconferencers such as its recently announced ET10 portable audioconferencer. 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.

The Company's gross profit margin percentage increased from 42% to 47% during the nine months ended March 31, 1996, as compared to the same period during 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. During the three months ended March 31, 1995, the Company made several improvements in manufacturing processes. Included therein were extensive revisions and updates made to the standard costs of several products and product subassemblies. These adjustments resulted in a devaluation of the total recorded inventory cost by approximately \$160,000. Accordingly, the Company reflected the change as additional cost of goods sold during that quarter. The revised product costs, coupled with the price increase, resulted in improved margins over the next three quarters ended June 30, September 30, and December 31, 1995, when gross profit margins were 46%, 48%, and 47%, respectively. These improvements have resulted in the current fiscal year-to-date profit margin improvement. As anticipated, slightly lower profit margins of new products introduced during the quarter ended March 31, 1996, along with the aforementioned lower sales of other audioconferencing products resulted in a 45% gross profit margin experienced during that quarter. The Company believes that margins experienced during the rest of the 1996 calendar year will be at approximately this same level or slightly lower as sales of these new products become more significant. However, the Company also anticipates higher gross profits resulting from the overall increase in sales.

For the nine-month period ended March 31, 1996 operating expenses overall were down by 3% compared to the same period a year earlier, mainly as a result of a 21% decrease in general and administrative costs. Such expenses were lower 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 year-to-date, which were up 26%. 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. Had such costs been expensed, product development expenses would have

increased by only 13%. Marketing and selling expenses remained virtually flat year-to-date.

The difference in interest expense incurred during the nine-month period ended March 31, 1996 compared to the same period during fiscal 1995 stemmed from differences in usage of the Company's line of credit facility. In addition, 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.

Year Ended June 30, 1995 Compared to Year Ended June 30, 1994.

The Company experienced a 26% increase in total sales during the year ended June 30, 1995 ("fiscal 1995"), compared to the year ended June 30, 1994 ("fiscal 1994"). Sales to the Company's two major markets, the Broadcast and Audioconferencing markets, grew significantly during the year. The increases in both markets were primarily due to the Company shipping two new products that had been announced during the previous fiscal year.

Sales to the Broadcast market increased 26% over the previous fiscal year. The principal factor contributing to the growth was sales of the Company's new TS612 multiline telephone system. Created specifically for broadcast talk shows and satellite business video conferencing, the product has won trade show awards and wide customer acceptance. The Company plans on introducing new TS612 enhancements and accessories during the next fiscal year. Sales of other broadcast products also grew as a result of increased marketing and product availability. Some of these increases, however, were offset by the absence of any fiscal 1995 sales of its Audisk product line which was sold during fiscal 1994. The Company plans on introducing more Broadcast products during the coming fiscal year.

Audioconferencing market sales grew as a result of product sale increases across the board, most notably of the new portable ET100 Audioconferencing unit. The increases resulted from improved product availability and better results achieved by the Company's distribution network of sales reps and dealers. Together with increases in GT300, GT700, and TI7200 equipment and system sales, the ET100 contributed to fiscal 1995's 40% increase in all Audioconferencing sales compared to fiscal 1994. Although sales of the ET100 did not meet management's original fiscal 1995 internal forecasts, the Company remains optimistic about its future potential and believes it will achieve improved sales as a result of continued emphasis and fine tuning. The Company believes total Audioconferencing sales will increase further as a result of new product service introductions anticipated during the coming fiscal year. Higher product sales, along with steady increases in the Gentner Conference Call teleconferencing service, resulted in Audioconferencing sales representing a record 40% of all of the Company's fiscal 1995 sales. This compares to 36% of total sales in fiscal 1994, and 21% in fiscal 1993.

The Company's gross profit margin percentage increased from 42% in fiscal 1994, to 43% in fiscal 1995. The slight increase in gross profit was due primarily to a different sales mix in effect during the period, as described above. Additionally, during fiscal 1995 the Company no longer sold Audisk products which had earned lower profit margins than most of the Company's other Broadcast and Audioconferencing products.

Fiscal 1995 operating expenses decreased by 7% compared to fiscal 1994. However, the prior year's results included a loss on the disposal of the Audisk product line totaling \$754,424. In addition, the Company incurred approximately \$450,000 of certain nonrecurring costs in fiscal 1994's fourth quarter which were associated with unique organizational and structural changes accomplished at that time. These costs were virtually all included in general and administrative expenses. Exclusive of these two amounts, total operating expenses in fiscal 1995 as compared to fiscal 1994 actually increased by 22%. The increases resulted from the following factors:

Marketing and sales expenses rose 46% over the prior year. The higher expenses, which include sales commissions, are due mainly to the significant sales increases experienced during the year and also because of increased activities directed to promoting new products, primarily the TS612 and ET100.

Product development costs decreased 13 % compared to fiscal 1994. Contributing to the decrease, however, was the capitalization of certain costs related to software development. Had these costs been included in expenses,

product development costs would have experienced a decline of only 5 % during fiscal 1995 over fiscal 1994. The decrease reflects reduced outside development costs, primarily during the latter part of fiscal 1995, as opposed to the previous year when the Company had devoted significant resources to the development of the two aforementioned products.

During the first half of fiscal 1995, general and administrative expenses were higher than during the first half of fiscal 1994 as the Company's efforts to restructure took effect. This process, begun during fiscal 1994's third and fourth quarters, was intended to allow the Company better capacity to manage an increasing focus on customer relations and overall business development. In addition, certain cost saving measures were initiated, such as moving out of the Company's Salt Lake downtown facility. During the latter half of fiscal 1995, this cost reduction effort began to yield results, with the net effect that general and administrative expenses, exclusive of the non-recurring items mentioned above, decreased 2% during the entire fiscal 1995 year compared to fiscal 1994.

Interest income during fiscal 1995 declined 80% when compared to fiscal 1994 due to reduced cash investment balances maintained by the Company in fiscal 1995. During fiscal 1995, the Company utilized much of its excess cash pursuant to the sales growth activities described above. In connection therewith, the Company also tapped into its line of credit significantly more during fiscal 1995, also in part to finance higher levels of inventory to accommodate the higher sales, resulting in a 157% increase in interest expense over the previous year.

The Company's statutory minimum provision for state income taxes was calculated using the rate of 0.8%. The rate was different than that which would normally have been applied (34%) to derive a tax benefit from the loss incurred, primarily as a result of the accounting limitations imposed by FASB Statement No. 109, "Accounting for Income Taxes." The Company adopted the new accounting standard at the beginning of fiscal 1994. In the Company's case, the new rules allow the Company to currently recognize a tax benefit only to the extent of the Company's ability to carry back a portion of the loss in order to recover taxes paid in previous years. All recoverable taxes were already collected by the Company during fiscal 1995. The fiscal 1995 taxable loss of approximately \$700,000 is available to be carried forward to future years and recognized as a benefit against future taxable income. In addition, the Company also has approximately \$180,000 in research and development tax credit carryforwards. Both carryforward amounts will fully expire by the year 2010.

Year Ended June 30, 1994 Compared to Year Ended June 30, 1993.

Sales for the fiscal year ended June 30, 1994 increased 1% to \$8.78 million from \$8.71 million for the year ended June 30, 1993 ("fiscal 1993"). Although the total sales level did not materially change during the year, the Company's overall sales mix shifted dramatically. Sales to the Audioconferencing market increased during fiscal 1994, while Broadcast market sales declined. In addition, sales increased significantly to the Professional Audio market, traditionally a minor portion of total Company sales in the past.

Audioconferencing market sales rose during the year as a result of several new products introduced just prior to the beginning of fiscal 1994. The Company's GT300, GT700, and TI7200 lines of Audioconferencing equipment and systems began shipping in May 1993, and in June 1994 the products won an award for Special Recognition from the International Teleconferencing Association. Sales of these products were the main reason Audioconferencing market sales grew 79% over the prior year's sales. The Company's service department, Gentner Conference Call ("GCC"), also showed steady growth in fiscal 1994, though sales were not yet as significant as product sales. Sales to the Audioconferencing market were 36% of all fiscal 1994 sales, compared to 21% for fiscal 1993. The Company plans on increasing Audioconferencing sales further by shipping new Audioconferencing products during fiscal 1995. In November 1993, the Company unveiled its new ET100, an economical, portable Audioconferencing unit. This new product does not require the use of a separate, dedicated phone line, and the Company began shipments during the fall of 1994. The Company believes that the Audioconferencing market offers the highest potential for increased overall sales.

In years prior to fiscal 1994, sales to the Professional Audio market usually comprised approximately 9% of total Company sales. During fiscal 1994, however, this number increased to 17% as a result of a 94% increase in Professional Audio sales. Most of the increase was attributable to sales of the Company's new Assistive Listening System ("ALS") products. Introduced during the late spring of 1993, the products are designed to help organizations comply with the Americans with Disabilities Act, specifically as it relates to the hearing impaired. The Company expects that improved product designs, new product offerings, and significant new focus in sales and marketing efforts will contribute to ALS sales increases during fiscal 1995.

During fiscal 1994, the Company reviewed its position in the Broadcast market with respect to its Audisk product line. Management concluded that the Company could better utilize its core technological competencies in areas other than computer network-type systems such as Audisk. Accordingly, the Company sold the product line to the Audisk system's hardware component manufacturer, who desired to continue selling the systems and support existing customers. As a result of this decision, Audisk sales were eventually reduced to zero, beginning in the second quarter of the fiscal year, from total sales in fiscal 1993 of \$1,750,575. The sale of the Audisk product line is the primary reason why sales to the Broadcast market declined 34% during fiscal 1994 compared to the previous year. The Audisk product line was acquired in 1992 at a cost to the Company of \$229,000.

Sales to the Broadcast market in the future are expected to be strengthened by the introduction of a recently announced new telephone interface product, the TS612 telephone system. Created specifically for broadcast talk shows and satellite business video conferencing, the TS612 won two awards for excellence at the March National Association of Broadcasters trade show in Las Vegas. The Company began shipments in the fall of 1994.

The Company's gross profit margin percentage increased from 38% in fiscal 1993 to 42% in fiscal 1994. The increase in gross profit was due to a shift in sales mix during fiscal 1994, primarily away from the lower margin Audisk products. Offsetting the Audisk sales decline was the increase in sales to the Audioconferencing market of the new Audioconferencing products that carry higher profit margins.

As a result of the aforementioned sale of the Audisk product line, the Company wrote off certain capitalized costs formerly included in accounts receivable, inventory, and other assets. Furthermore, the Company incurred certain expenses associated with terminating the employment agreement of the individual from whom the Audisk product was originally acquired. The aggregate amount of these costs totaled \$754,424, shown as a separate line item on the accompanying 1994 Statement of Operations.

Operating expenses, not including those associated with the Audisk disposal, increased during fiscal 1994 in the aggregate by 35% when compared to fiscal 1993. The increases comprised a number of factors as follows:

Product development costs increased 40%, stemming from the introduction of new products, most notably the ET100 Audioconferencer and the TS612 telephone system. These two products represent an improvement in the Company's traditional product structure. Rather than in the usual, rack-mount metal boxes, significant components are housed in molded plastic casings and have been designed utilizing newer, surface mount circuit board technology. Although more expensive to design, the Company believes these changes will result in improved performance and greater customer acceptance of the products. The latter is particularly important with respect to the ET100, as it is targeted to a much more end user-oriented segment of the Audioconferencing market.

Operating expenses also rose during fiscal 1994 over fiscal 1993 as a result of hiring additional administrative employees needed to manage increases in domestic and international orders and to improve customer service. In addition, the Company incurred higher rent and utility costs associated with the Company's downtown Salt Lake City facility. In April 1994, the Company determined it was in its best long-term interest to move out of the downtown offices and bring all sales and administrative groups

together at the Research Way location. This move is expected to allow the Company to focus more on customer needs and satisfaction, while saving on occupancy costs in the long run.

The Company also incurred some singular costs during the fourth quarter associated with certain organizational and structural changes. Including the office move referred to above, these changes were made to improve the Company's ability to accommodate future growth and improve its operational efficiency. In addition, the Company incurred certain costs associated with the separation of the Company's former President, Chief Financial Officer and Chief Operating Officer, William V. Trowbridge. The total of all these significant reorganization, moving, and severance expenses totaled approximately \$450,000.

The Company incurred additional product development and marketing expenses during the first part of fiscal 1995, primarily associated with the ET100 and the TS612.

During the year ended June 30, 1994, interest income declined 27% when compared to the prior fiscal year due to lower interest rates on lower investment balances. Interest expense decreased 10% from a combination of two factors. First, the Company increased its long-term capital leases and notes since the previous year. These arrangements were entered into principally to finance the Company's conference call service department. Second, the increased interest expense incurred by these obligations was more than offset by a decrease in interest expense on the short-term line of credit, which the Company did not utilize as much during fiscal 1994.

The Company's effective income tax rate (i.e., a benefit of 12%) used to calculate the tax benefit derived from fiscal 1994's operating loss, was different than the expected federal statutory income tax rate of 34%, again primarily as a result of the accounting limitations imposed by FASB Statement No. 109.

Financial Condition and Liquidity

The Company's current ratio increased from 1.8:1 to 2.3:1 during the nine months since June 30, 1995. The factor contributing most to the change was an adjustment of short-term debt which occurred during fiscal 1996's first quarter. The Company obtained permanent long-term financing for several items of furniture and equipment acquired over the previous two years, and applied the proceeds towards the short-term line of credit. This enabled the Company during the second quarter of fiscal 1996 to significantly reduce the amounts owing to vendors, thus reducing the accounts payable balance by 18% by December 31, 1995. Accounts payable balances were then reduced by another 21% during this last third quarter in part by using funds collected from customers, thereby reducing the balance in accounts receivable. Inventory has increased 8% during the nine-month period as a result of the Company continuing its efforts of providing adequate finished product availability to satisfy current and expected customer demand. Yet the Company also expects to continue benefiting from ongoing inventory management programs started during fiscal 1995. Such efforts, intended to improve raw material purchasing efficiencies and reduced inventory size overall, began yielding results during the second quarter of fiscal 1996, and served to reduce raw materials 21% during the three months ended March 31, 1996. Unfortunately, the sales decline during the same period resulted in finished goods inventory levels rising during the quarter by 35%, a rate faster than anticipated. As a result, the Company adjusted purchasing and manufacturing schedules in an effort to temporarily reduce the production of finished goods until sales decreased the stock on hand. The 16% decline in work in progress inventory reflects these efforts.

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. There was \$1.13 million payable at March 31, 1996.

The Company is continuing to maximize its efforts to maintain stable cash flows during an overall period of sales growth and ongoing product development. By reducing its short-term debt, the Company has been able to

increase available cash reserves. The Company believes that its cash flows will also improve if the Company can achieve its projected level of profitability following last fiscal 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 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.

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 obligations on these commitments were \$240,251 in fiscal 1995 and will be \$265,664 in fiscal 1996.

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 or to the various risk factors included elsewhere in this prospectus that could cause the Company's results to differ materially from those anticipated.

- ITEM 18: DESCRIPTION OF PROPERTY

All of the Company's operations, including its executive offices, Audioconferencing call service, product sales, research and development, and manufacturing, are conducted in a 20,000 square foot facility located south of Salt Lake City (the "Research Way facility"). The Research Way facility currently is a modern building leased by the Company. The base annual rent for this facility currently is approximately \$11,000. The facility is in good condition and the Company believes the facility will be reasonably adequate to meet its immediate needs. The Company has negotiated with the landlord of the Research Way facility to build an expansion to the existing building. Construction on the new addition began May 23, 1996, and the Company expects to occupy the new space by the end of the calendar year. Monthly rent on the entire 40,000 sq. ft. space at that time will be approximately \$20,500. The new facilities will allow the Company to grow steadily through the next 10 years, because the landlord has granted certain expansion options to the Company with respect to adjacent building space.

- ITEM 19: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Gentner Research Ltd. ("GRL"), is a related limited partnership, formed in August 1985, in which the Company is the general partner and Russell Gentner, Edward Dallin Bagley and, among other unrelated parties, and certain members of their families, are the limited partners. In 1987 and 1988, GRL sold to the Company proprietary interests in the VRC-1000 (now VRC-2000), VRC-1000 Modem (now VRC-2000), and Digital Hybrid in exchange for royalty payments. Royalty expense with GRL for the years ending June 30, 1995 and 1994 was \$17,900 and \$21,300 respectively. The following directors and/or executive officers and members of their immediate families have purchased the following interests in GRL:

Russell D. Gentner (Pres/CEO/Director)	5.21%
Edward Dallin Bagley (Director)	10.42%
Edward N. Bagley (Director)	5.21%
Hyrum S. Gentner (father of Russell Gentner)	5.21%
Robert O. Baldwin (father of Brad Baldwin)	10.42%

The Company also formed a second related limited partnership, Gentner Research II, Ltd. ("GR2L"), also in which it acts as general partner. New products are nearing completion, and once shipments begin, the Company intends to enter into royalty agreements similar to those entered into with GRL. GR2L received approximately \$150,000 in investment capital. The following directors and/or executive officers and members of their immediate families have purchased the following interests in GR2L:

William H. Gillman (Vice President)	6.39%
Brad R. Baldwin (Director)	3.19%
Robert O. Baldwin (father of Brad Baldwin)	9.58%
Hyrum S. Gentner (father of Russell Gentner)	3.19%
Edward D. Bagley (Director)	6.39%

Edward N. Bagley (father of Edward D. Bagley) 6.39%

On June 30, 1995, the Company issued 117,000 shares of the Company's common stock to four related parties in a private stock issuance. Two of the investors were directors, Edward D. Bagley and Brad R. Baldwin, the third was the son of Edward D. Bagley, and the fourth was a family trust of another director, Edward N. Bagley. The shares were sold at \$0.625 per share, for a total offering of \$73,125. The price represented the fair market value for such restricted stock. The funds were used to partially pay down the outstanding balance of a line of credit.

- ITEM 20: MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDERS 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.

Fiscal 1996	High	Low
-----	----	-----
First Quarter	\$1.94	\$0.78
Second Quarter	1.63	0.88
Third Quarter	1.31	0.94
Fiscal 1995		

First Quarter	\$0.84	\$0.59
Second Quarter	0.81	0.56
Third Quarter	1.22	0.72
Fourth Quarter	1.03	0.69
Fiscal 1994		

First Quarter	\$2.06	\$1.56
Second Quarter	2.06	1.31
Third Quarter	1.68	0.94
Fourth Quarter	1.06	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 arrangement prohibits the payment of dividends.

As of March 31, 1996 there were approximately 3,500 holders of common stock of the Company.

- ITEM 21: EXECUTIVE COMPENSATION

Summary Compensation

The following table sets forth the compensation of the Chief Executive Officer of the Company and the other most highly compensated executive officers of the Company for each of the Company's last three fiscal years ended June 30, 1995, whose total salary and bonus for the year exceeded \$100,000 for services rendered in all capacities to the Company during such fiscal years.

SUMMARY COMPENSATION TABLE

Name and Position	Annual Compensation			Other Annual Compensation
	Fiscal Year	Salary	Bonus	
-----	-----	-----	-----	-----
Russell D. Gentner	1994-95	\$150,000	\$15,000	none
Chairman,	1993-94	\$150,000	\$15,000	none
CEO, President	1992-93	\$150,000	\$35,000	none

William H. Gillman	1994-95	\$100,000	none	none
Vice-President	1993-94	\$ 12,827	none	none
of Operations	1992-93	-	-	-

Long Term Compensation

Name and Position	Restricted Stock Awards	Options /SARS	LTIP Payouts	Other Annual Compensation*
Russell D. Gentner	1994-95	none	none	\$890
Chairman,	1993-94	none	none	\$890
CEO, President	1992-93	\$100,000	none	\$890
William H. Gillman	1994-95	none	none	\$538
Vice-President	1993-94	none	none	none
of Operations	1992-93	-	-	-

*These amounts reflect the Company's contributions to the deferred compensation plan (401(k) plan).

Stock Options/SARS

The following table sets forth the stock option and SAR grants to the named executive officers in the last fiscal year:

OPTION/SAR GRANTS IN FISCAL YEAR ENDED JUNE 30, 1995
(INDIVIDUAL GRANTS)

Name and Position	Options/SARS Granted (Number)	Percent of total options/SARS granted to employees in fiscal year	Exercise or base price (\$/share)	Expiration Date
Russell D. Gentner Chairman, CEO, President	-0-	--	--	--
William H. Gillman Vice-President of Operations	-0-	--	--	--

Aggregated Stock Option/SAR Exercises

The following table sets forth the aggregated stock options and SARs exercised by the named executive officers in the last fiscal year and the year-end value of unexercised options and SARs:

AGGREGATED OPTION/SAR EXERCISES IN FISCAL YEAR ENDED JUNE 30, 1995
AND FISCAL YEAR-END OPTION/SAR VALUES

Name and Position	Shares acquired on exercise # exercisable/unexercisable	Value realized (\$)	Number of unexercised options/SARs at FY-end (#) exercisable/unexercisable	Value of unexercised in-the-money options/SARs at FY-end
Russell D. Gentner Chairman, CEO, President	-0-	--	90,000/40,000	\$11,250/ \$5,000
William H. Gillman Vice-President of Operations	-0-	--	17,500/7,500	\$ 2,187/ \$938

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Annual Financial Statements

Report of Independent Auditors

Balance Sheets for June 30, 1995 and 1994.

Statements of Operations for fiscal years ended June 30, 1995, 1994, and 1993.

Statements of Cash Flows for fiscal years ended June 30, 1995, 1994, and 1993.

Statements of Shareholders' Equity for fiscal years ended June 30, 1995, 1994, and 1993.

Notes to Financial Statements

Interim Financial Statements

Balance Sheets for March 31, 1996 (unaudited) and June 30, 1995.

Statements of Operations for the nine months ended March 31, 1996 and 1995 (unaudited).

Condensed Statements of Cash Flows for the nine months ended March 31, 1996 and 1995 (unaudited).

Notes to Financial Statements

ANNUAL FINANCIAL STATEMENTS

[Ernst & Young letterhead]

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, 1995 and 1994, and the related statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended June 30, 1995. 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, 1995 and 1994, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 1995, in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP
/s/

Salt Lake City, Utah

August 4, 1995

GENTNER COMMUNICATIONS CORPORATION
BALANCE SHEETS

	June 30,	
	1995	1994
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 119,238	\$ 433,824
Accounts receivable, less allowances of \$130,000 in 1995 and \$320,000 in 1994	1,644,376	1,337,118
Refundable income taxes	-	245,343
Inventory	3,324,866	2,443,444
Other current assets	140,088	99,372
	-----	-----
Total current assets	5,228,568	4,559,101
Property and equipment, net	1,829,161	1,498,641
Other assets, net	140,731	139,479
	-----	-----
Total assets	\$7,198,460	\$6,197,221
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable	\$1,508,687	\$ -
Accounts payable	943,723	1,288,007
Accrued expenses	297,426	574,361
Current portion of long-term debt	93,506	39,343
Current portion of capital lease obligations	128,486	155,434
	-----	-----
Total current liabilities	2,971,828	2,057,145
Long-term debt	229,372	81,385
Capital lease obligations	283,799	302,292
	-----	-----
Total liabilities	3,484,999	2,440,822
Commitments		
Shareholders' equity:		
Common stock, 50,000,000 shares authorized, par value \$.001, 7,455,375 and 7,338,375 shares issued and outstanding at June 30, 1995 and 1994	7,455	7,338
Additional paid-in capital	4,244,641	4,171,633
Accumulated deficit	(538,635)	(422,572)
	-----	-----
Total shareholders' equity	3,713,461	3,756,399
	-----	-----
Total liabilities and shareholders' equity	\$7,198,460	\$6,197,221
	=====	=====

See accompanying notes

GENTNER COMMUNICATIONS CORPORATION
STATEMENTS OF OPERATIONS

Years ended June 30,

	1995	1994	1993
Net sales	\$11,106,078	\$ 8,779,522	\$ 8,711,827
Cost of goods sold.	6,346,348	5,074,926	5,394,508
Gross profit	4,759,730	3,704,596	3,317,319
Operating expenses:			
Marketing and selling.	2,355,900	1,618,887	1,582,624
General and administrative	1,539,291	1,766,082	945,220
Product development.	802,062	920,079	656,957
Loss on disposal of Audisk product line.	-	754,424	-
Total operating expenses.	4,697,253	5,059,472	3,184,801
Operating income (loss)	62,477	(1,354,876)	132,518
Other income (expense):			
Interest income.	11,479	56,577	77,867
Interest expense	(183,790)	(71,497)	(79,143)
Other, net	(5,329)	(54,190)	(107,835)
Total other income (expense).	(177,640)	(69,110)	(109,111)
Income (loss) before taxes.	(115,163)	(1,423,986)	23,407
Provision (benefit) for income taxes	900	(165,000)	661
Net income (loss)	\$ (116,063)	\$ (1,258,986)	\$ 22,746
Earnings (loss) per common share	\$ (0.02)	\$ (0.17)	\$ -

See accompanying notes

GENTNER COMMUNICATIONS CORPORATION
STATEMENTS OF CASH FLOWS

	Years ended June 30,		
	1995	1994	1993
Cash flows from operating activities:			
Cash received from customers	\$10,624,914	\$ 8,506,138	\$ 8,088,101
Cash paid to suppliers and employees	(11,937,537)	(8,657,630)	(8,396,825)
Interest received.	10,229	55,952	78,537
Interest paid.	(176,075)	(72,675)	(78,821)
Income taxes (paid) refunded	243,643	5,421	(140,097)
Net cash used in operating activities	(1,234,826)	(162,794)	(449,105)
Cash flows from investing activities:			
Purchases of investment securities	-	-	(57,275)
Conversion of investment fund to money market fund - cash equivalent	-	-	1,135,544
Purchases of property and equipment	(632,397)	(337,308)	(216,052)
Increase in capitalized software development and purchased software costs.	(95,700)	-	-
Proceeds from the sale of equipment and other assets.	-	304	1,000

Issuance of notes receivable	(45,320)	(34,115)	-
Repayment of notes receivable	6,665	21,384	-
Decrease (increase) in other assets	75,584	(26,633)	(13,851)
	-----	-----	-----
Net cash provided by (used in) investing activities	(691,168)	(376,368)	849,366
	-----	-----	-----
Cash flows from financing activities:			
Proceeds from issuance of common stock	73,125	-	-
Exercise of warrants and employee stock options	-	19,180	-
Net (repayment) borrowing under line of credit	1,225,000	-	(350,000)
Net financing of trade payables with short-term notes	283,687	-	-
Proceeds from issuance of long-term debt	282,500	-	162,606
Principal payments of capital lease obligations	(172,554)	(219,948)	(192,951)
Principal payments of long-term debt	(80,350)	(86,191)	(40,541)
	-----	-----	-----
Net cash provided by (used in) financing activities	1,611,408	(286,959)	(420,886)
	-----	-----	-----
Net decrease in cash and cash equivalents	(314,586)	(826,121)	(20,625)
Cash and cash equivalents at the the beginning of the year	433,824	1,259,945	1,280,570
	-----	-----	-----
Cash and cash equivalents at the end of the year	\$ 119,238	\$ 433,824	\$ 1,259,945
	=====	=====	=====
Reconciliation of net income (loss) to net cash used in operating activities:			
Net income (loss)	\$ (116,063)	\$ (1,258,986)	\$ 22,746
Adjustments net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization of property and equipment	427,355	283,266	260,462
Amortization of other assets	23,265	60,505	45,946
Loss on investments	-	-	15,905
Loss on disposal of Audisk product line	-	754,424	-
Other	1,635	24,739	20,361
Changes in operating assets and liabilities, exclusive of Audisk-related amounts:			
Accounts receivable	(307,258)	(260,617)	(504,843)
Refundable income taxes	245,343	(157,136)	(88,207)
Inventory	(881,422)	(274,432)	(691,149)
Prepaid expenses	(6,462)	10,736	101,756
Accounts payable and accrued expenses	(621,219)	657,150	373,210
Deferred income taxes	-	(2,443)	(5,292)
	-----	-----	-----
Net cash used in operating operating activities	\$ (1,234,826)	\$ (162,794)	\$ (449,105)
	=====	=====	=====

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

Years ended June 30,

-----	-----	-----
1995	1994	1993
-----	-----	-----

Property and equipment financed by capital leases	\$ 127,113	\$62,094	\$489,986
	=====	=====	=====

See accompanying notes

GENTNER COMMUNICATIONS CORPORATION
STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock		Additional	Retained	Investment
	Shares	Amount	Paid-In	Earnings	Valuation
	-----	-----	Capital	(Accumulated	Allowance
	-----	-----	-----	Deficit)	-----
Balances at June 30, 1992	7,313,900	\$7,314	\$4,152,477	\$813,668	\$(29,541)
Market valuation adjustment for long-term securities	-	-	-	-	29,541
Net income	-	-	-	22,746	-
	-----	-----	-----	-----	-----
Balances at June 30, 1993	7,313,900	7,314	4,152,477	836,414	-
Exercise of warrants and employee stock options	24,475	24	19,156	-	-
Net loss	-	-	-	(1,258,986)	-
	-----	-----	-----	-----	-----
Balances at June 30, 1994	7,338,375	7,338	4,171,633	(422,572)	-
Issuance of common stock (no offering costs incurred)	117,000	117	73,008	-	-
Net loss	-	-	-	(116,063)	-
	-----	-----	-----	-----	-----
Balances at June 30, 1995	7,455,375	\$7,455	\$4,244,641	\$(538,635)	\$ -
	=====	=====	=====	=====	=====

See accompanying notes

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 Broadcast, Audioconferencing, and Professional Audio 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 by the Company to its customers, including distributors, all of which are unaffiliated, and net of allowances for returns and 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.

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.

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 7,338,697, 7,330,488, and 7,313,900, for the years ended June 30, 1995, 1994, and 1993. 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 of current and anticipated future revenue, whichever is greater. 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. Capitalizable costs in prior periods were immaterial. Amortization expense recorded during that same year was \$13,292. Unamortized costs are stated at the lower of cost or net realizable value and are included in other assets for 1995 net of accumulated amortization.

Income Taxes - Effective July 1, 1993, the Company changed its method of accounting for income taxes from the deferred method to the liability method required by FASB Statement No. 109, "Accounting for Income Taxes." As permitted under the new rules, prior years' financial statements have not been restated. The cumulative effect of adopting Statement 109 was not significant.

Reclassifications - Certain reclassifications have been made to prior years' amounts to conform with the current year presentation.

2. SIGNIFICANT CUSTOMER

The Company sells a substantial portion of its products to a major distributor in the Broadcast market. For the fiscal years ended June 30, 1995, 1994, and 1993, sales to this distributor aggregated \$1,946,775 (18%), \$1,385,110 (16%), and \$2,478,140 (28%), respectively. At the end of those years amounts due from this customer were \$239,976, \$83,014, and \$292,713, respectively.

3. INVENTORY

Inventory is summarized as follows:

	June 30,	
	----- 1995 -----	1994 ----- -----
Raw materials.	\$ 959,478	\$ 882,388
Work in progress	1,380,393	849,949
Finished goods	984,995	711,107
	-----	-----
Total inventory.	\$3,324,866	\$2,443,444
	=====	=====

4. PROPERTY AND EQUIPMENT

Major classifications of property and equipment and estimated useful lives are as follows:

June 30,

	1995	1994
Office furniture and equipment -		
5 to 10 years	\$2,175,283	\$1,893,890
Manufacturing and test equipment -		
5 to 10 years	1,051,043	800,529
Telephone bridging equipment -		
10 years.	417,434	205,855
Vehicles - 3 to 5 years.	16,753	16,753
	3,660,513	2,917,027
Accumulated depreciation and amortization	(1,831,352)	(1,418,386)
Net property and equipment	\$1,829,161	\$1,498,641

5. OTHER ASSETS

Other assets consist principally of deposits, officer notes receivable, insurance policy cash values, capitalized software costs, and purchased technology. Amortization is computed on a straight-line basis over three to ten years for those assets with limited useful lives. Accumulated amortization was \$74,331 and \$52,720 at June 30, 1995 and 1994, respectively.

6. LINE OF CREDIT

The Company maintains a line of credit (\$1,225,000 outstanding and \$1,750,000 available at June 30, 1995, none outstanding and \$1,500,000 available at June 30, 1994) with a commercial bank, which expires October 31, 1995 and which the Company anticipates renewing beyond that date. Any borrowings accrued interest at the rate of 1% over prime (10% as of June 30, 1995). 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.

7. LONG-TERM DEBT

Long-term debt consists of the following:

	June 30,	
	1995	1994
8.5% note due to a financial institution, with monthly payments of \$4,008, due April 1997, secured by manufacturing and test equipment with a book value of \$62,157.	\$ 81,395	\$ 120,728
1.5% over prime note due to a financial institution, with monthly payments of \$5,846, due July 1999, secured by manufacturing and test equipment with a book value of \$225,543	241,483	-
	322,878	120,728
Less current portion	(93,506)	(39,343)
Total long-term debt	\$ 229,372	\$ 81,385

Annual principal installments of long-term debt are \$93,506, \$94,470, \$60,999, \$66,556, and \$7,347 for the years ending June 30, 1996, 1997, 1998, 1999, and 2000, respectively.

8. 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,	
	----- 1995	----- 1994
Office furniture and equipment	\$ 353,217	\$ 353,746
Manufacturing equipment	92,582	92,582
Telephone bridging equipment	320,050	192,937
	-----	-----
	765,849	639,265
Accumulated amortization	(279,155)	(163,281)
	-----	-----
Net property and equipment under capital leases	\$ 486,694	\$ 475,984
	=====	=====

Future minimum lease payments under capital leases and noncancelable operating leases with initial terms of one year or more are as follows:

	Capital	Operating
	-----	-----
For years ending June 30:		
1996	\$ 172,158	\$ 283,642
1997	160,828	273,688
1998	117,263	241,202
1999	34,932	33,304
2000	7,885	7,799
Thereafter	-	-
	-----	-----
Total minimum lease payments.	493,066	\$ 839,635
		=====
Less use taxes	(29,004)	

Net minimum lease payments.	464,062	
Less amount representing interest.	(51,777)	

Present value of net minimum lease payments	412,285	
Less current portion	(128,486)	

Capital lease obligations	283,799	
	=====	

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 \$146,755, \$223,139, and \$192,012, for the years ended June 30, 1995, 1994, and 1993, respectively. The Company's operating lease on its facility, which expires August 31, 1998, provides for a renewal option extending the terms an additional two years. Rates charged would be at prevailing market rates at the time of renewal.

9. ROYALTY AGREEMENTS

The Company is the general partner of 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, 1995, 1994, and 1993, was \$17,900, \$21,300, and \$31,200, respectively. Once new product is developed, the Company plans on entering into similar arrangements with GR2L, which is now in the development stage. At June 30, 1995, GR2L owed the Company \$27,970 in start-up and other incidental expenses.

10. 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,

	1995	1994
	-----	-----
Deferred tax liabilities:		
Tax over book depreciation	\$ 126,000	\$ 164,000
Unamortized software costs	32,000	-
	-----	-----
Total deferred tax liabilities . . .	158,000	164,000
	-----	-----
Deferred tax assets:		
Accounts receivable and other reserves	34,000	98,000
Capital loss carryforward.	-	19,000
UNICAP inventory costs	-	12,000
Inventory reserves	41,000	78,000
Product warranty accruals.	4,000	4,000
Net operating loss carryforwards . . .	413,000	136,000
Tax credit carryforwards	186,000	240,000
	-----	-----
Total deferred tax assets.	678,000	587,000
Valuation allowance for deferred tax assets.	(520,000)	(423,000)
	-----	-----
Net deferred tax assets.	158,000	164,000
	-----	-----
Net deferred taxes	\$ -	\$ -
	=====	=====

Significant components of the provision (benefit) for income taxes for the fiscal years ended June 30 are as follows:

	Liability Method		Deferred Method
	-----	-----	-----
	1995	1994	1993
	-----	-----	-----
Current:			
Federal.	\$ -	\$ (140,000)	\$ 3,754
State.	900	(25,000)	2,199
	-----	-----	-----
Total current.	900	(165,000)	5,953
	-----	-----	-----
Deferred:			
Federal.	-	-	(3,013)
State.	-	-	(2,279)
	-----	-----	-----
Total deferred	-	-	(5,292)
	-----	-----	-----
	\$ 900	\$ (165,000)	\$ 661
	=====	=====	=====

The components of the benefit for deferred income taxes for the year ended June 30, 1993 are as follows:

Depreciation expense deducted for tax returns in periods different than for financial reporting.	\$ 2,739
Reserves deducted for tax returns in periods different than for financial reporting	(7,588)
Inventory costs deducted for tax returns in periods different than for financial reporting	(959)
Tax credits utilized.	-
Other, net.	516

Benefit for deferred income taxes	\$ (5,292)
	=====

The reconciliation of income tax computed at the U.S. federal statutory tax rate to income tax expense (benefit) for the years ended June 30 is:

	Liability Method		Deferred Method
	-----	-----	-----
	1995	1994	1993
	-----	-----	-----
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)	(3.5)	(.4)
Valuation allowance	20.0	28.5	-
Nondeductible expenses applicable to R & D tax credit	12.1	.8	-
Statutory tax disallowance of entertainment expenses	3.4	.1	9.6
Nondeductible life insurance premiums8	.1	7.0
Write-off of certain intangible assets	-	-	(41.6)
Nondeductible intangible asset amortization and other	2.0	.2	25.0
R & D tax credit	-	-	(15.0)
Income taxed at other than the statutory rate	-	(3.8)	(15.8)
	-----	-----	-----
	0.8%	(11.6)%	2.8%
	=====	=====	=====

At June 30, 1995, for income tax purposes the Company had net operating loss and research and development tax credit carryforwards of approximately \$1,120,000 and \$180,000, respectively, that expire in 2010.

11. STOCK OPTIONS

The Company's 1990 Incentive Plan has available 700,000 shares of common stock for issuance to employees and directors, including the grant of stock options. Changes in the number of stock options under the Plan are as follows:

	Shares	Price Range Per Share
	-----	-----
Year ended June 30,		
1995:		
Granted	25,000	\$0.81
Exercised	-	-
Expired and canceled	(11,000)	\$0.81 to \$0.88
Outstanding	490,000	\$0.69 to \$1.81
Exercisable	396,500	\$0.69 to \$1.81
1994:		
Granted	60,000	\$1.81
Exercised	(23,500)	\$0.69 to \$1.00
Expired and canceled	(153,000)	\$0.69 to \$1.81
Outstanding	476,000	\$0.69 to \$1.81
Exercisable	332,000	\$0.69 to \$1.81
1993:		
Granted	320,000	\$0.69
Exercised	-	-
Expired and canceled	(48,000)	\$0.69 to \$1.25
Outstanding	592,500	\$0.69 to \$1.25
Exercisable	252,000	\$0.69 to \$1.25

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.

12. RESTRICTED STOCK OFFERING

On June 30, 1995, the Company issued 117,000 shares of common stock to certain members of the Company's Board of Directors and a family member of one Director. The shares were sold at \$0.625 per share, with proceeds from the sale aggregating \$73,125. The price reflected the fair market value of the shares, which are restricted in terms of their resale under Rule 144 of the Securities Act of 1933. The funds were used to pay down the Company's line of credit.

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, 1995, there were 2,874,025 warrants outstanding. No warrants were exercised during fiscal 1995, and 975 were exercised during fiscal 1994.

Each warrant entitles the registered holder to purchase one share of the Company's common stock at an exercise price of \$1.50 until September 22, 1996. The warrants are redeemable by the Company on 30 days prior written notice at a redemption price of \$.05 per warrant if the NASDAQ closing 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 shares of common stock. The option expires September 22, 1996. 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, would not be redeemable, and would expire on September 22, 1996.

14. INTERNATIONAL SALES

The Company operates substantially in one business segment and product area - electronic audio processing and conferencing communications equipment - which is sold in the Broadcast, Audioconferencing, and Professional Audio markets. These products are all marketed, distributed from, designed, and manufactured at the Company's facilities in Salt Lake City.

The Company ships products to unaffiliated distributors in worldwide markets. In fiscal 1995, 1994 and 1993, respectively, such international sales were \$1,420,000, \$1,189,000, and \$1,697,000, and accounted for 13%, 14%, and 19% of total sales. During those years the Company shipped the following amounts, respectively, to the following areas: Canada - \$341,900, \$272,800, and \$390,630; Asia - \$579,800, \$355,390, and \$466,000; Europe - \$197,900, \$227,720, and \$501,890; Latin America - \$78,800, \$115,500, and \$196,150; Other areas - \$221,600, \$217,590, and \$142,330.

15. RETIREMENT SAVINGS AND PROFIT SHARING PLAN

The Company has a 401(k) retirement savings and profit sharing plan in which it makes discretionary matching contributions, 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 1995, 1994, and 1993 fiscal years totaled \$10,375, \$10,851, and \$10,018, respectively.

16. AUDISK PRODUCT LINE

In 1992, the Company acquired all products, product rights, and related technology of MacroMedia, Inc. ("MacroMedia") of Northfield, Minnesota. These assets were collectively represented by a product line known as Audisk, a digital audio storage system used in AM and FM radio systems. The transaction also included the execution of a four-year employment agreement with the president of MacroMedia, which provided for 2% royalty payments based on certain Audisk sales.

During fiscal 1994, the Company sold its Audisk product line and, as a result, wrote off certain capitalized amounts included in accounts receivable, inventory, and other assets. Furthermore, the Company incurred certain expenses associated with terminating the aforementioned employment agreement. Accordingly, the Company wrote off \$754,424, representing the aggregate amount of these costs.

GENTNER COMMUNICATIONS CORPORATION
BALANCE SHEETS

	(Unaudited)	
	March 31, 1996	June 30, 1995
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 196,590	\$ 119,238
Accounts receivable	1,316,678	1,644,376
Inventory	3,596,578	3,324,866
Other current assets	192,763	140,088
	-----	-----
Total current assets	5,302,609	5,228,568
Property and equipment, net	1,577,123	1,829,161
Other assets, net	129,486	140,731
	-----	-----
Total assets	\$ 7,009,218	\$ 7,198,460
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable	\$ 1,125,382	\$ 1,508,687
Accounts payable	614,266	943,723
Accrued expenses	223,247	297,426
Current portion of long-term debt	167,829	93,506
Current portion of capital lease obligations	136,129	128,486
	-----	-----
Total current liabilities	2,266,853	2,971,828
Long-term debt	459,231	229,372
Capital lease obligations	198,104	283,799
	-----	-----
Total liabilities	2,924,188	3,484,999
Shareholders' equity:		
Common stock, 50,000,000 shares authorized, par value \$.001, 7,662,375 and 7,455,375 shares issued and outstanding at March 31, 1996 and June 30, 1995	7,662	7,455
Additional paid-in capital	4,386,747	4,244,641
Accumulated deficit	(309,379)	(538,635)
	-----	-----
Total shareholders' equity	4,085,030	3,713,461
	-----	-----
Total liabilities and shareholders' equity \$	7,009,218	\$ 7,198,460
	=====	=====

GENTNER COMMUNICATIONS CORPORATION
STATEMENTS OF OPERATIONS

	(Unaudited)	
	Nine Months Ended	
	March 31,	
	-----	-----
	1996	1995
	-----	-----
Net sales	\$ 8,228,662	\$ 7,985,150
Cost of goods sold	4,388,948	4,651,902
	-----	-----
Gross profit	3,839,714	3,333,248
Operating expenses:		
Marketing and selling	1,706,118	1,707,853
General and administrative	1,026,936	1,291,859
Product development	718,819	570,856
	-----	-----
Total operating expenses	3,451,873	3,570,568
	-----	-----
Operating income (loss)	387,841	(237,320)

Other income (expense):		
Interest income	1,987	11,495
Interest expense	(135,882)	(116,861)
Other, net	(24,690)	2,509
	-----	-----
Total other income (expense)	(158,585)	(102,857)
	-----	-----
Income (loss) before income taxes	229,256	(340,177)
Provision (benefit) for income taxes	-	-
	-----	-----
Net income (loss)	\$ 229,256	\$ (340,177)
	=====	=====
Net earnings (loss) per common share	\$ 0.03	\$ (0.05)
	=====	=====

GENTNER COMMUNICATIONS CORPORATION
CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)
Nine Months Ended
March 31,

	1996	1995
	-----	-----
Cash flows from operating activities:		
Cash received from customers	\$ 8,518,852	\$ 7,547,888
Cash paid to suppliers and employees . . .	(8,150,951)	(9,523,333)
Interest received	3,862	10,370
Interest paid	(144,178)	(111,873)
Income taxes refunded (paid)	(25,900)	243,743
	-----	-----
Net cash provided by (used in) operating activities	201,685	(1,833,205)
	-----	-----
Cash flows from investing activities:		
Purchases of property and equipment . . .	(109,925)	(592,584)
Increase in capitalized software development and purchased software costs	-	(95,700)
Decrease (increase) in other assets . . .	25,944	(17,697)
	-----	-----
Net cash used in investing activities . .	(83,981)	(705,981)
	-----	-----
Cash flows from financing activities:		
Proceeds from employee stock option exercises	142,313	-
Net borrowings (repayments) under line of credit	(99,618)	1,450,000
Issuance of short-term notes to vendors . .	-	602,902
Principal payments of short-term notes to vendor	(283,687)	-
Proceeds from issuance of long-term debt .	400,000	282,500
Principal payments of capital lease obligations	(103,542)	(130,049)
Principal payments of long-term debt . . .	(95,818)	(59,149)
	-----	-----
Net cash provided by (used in) financing activities	(40,352)	2,146,204
	-----	-----
Net increase (decrease) in cash	77,352	(392,982)
Cash at the beginning of the year	119,238	433,824
	-----	-----
Cash at the end of the period	\$ 196,590	\$ 40,842
	=====	=====

Supplemental disclosure of cash flow information:

Property and equipment financed by capital leases	\$ 25,490	\$ 127,113
	=====	=====

GENTNER COMMUNICATIONS CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 March 31, 1996
 (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 for interim financial statements contained in 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 annual financial statements and footnotes thereto included elsewhere in this prospectus.

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. The weighted average number of common shares outstanding for the nine months ended March 31, 1996 and 1995 was 7,632,139 and 7,338,375, respectively. Stock options and warrants to purchase common stock have been excluded from the presented per share amounts for both periods inasmuch as the effects were antidilutive.

3. Inventory

Inventory is summarized as follows:

	(Unaudited)	
	March 31, 1996	June 30, 1995
	-----	-----
Raw materials	\$ 987,496	\$ 959,478
Work in progress	971,578	1,380,393
Finished goods	1,637,504	984,995
	-----	-----
Total inventory	\$ 3,596,578	\$ 3,324,866
	=====	=====

- ITEM 23: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None

PART II - INFORMATION NOT REQUIRED IN PROSPECTUS

- ITEM 24: INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 16-10a-841 of the Utah Revised Business Corporation Act ("URBCA") provides, in general, that a corporation may eliminate or limit, with certain exceptions, the liability of the directors to the corporation or its shareholders for money damages.

Sections 16-10a-902 of the URBCA provides, in general, that a corporation may indemnify a director who is a party to a proceeding if the director's

conduct was in good faith and not opposed to the corporation's best interests.

Section 16-10a-904 of the URBCA provides, in general, that a corporation may advance expenses to a director who is made a party to a proceeding if the corporation concludes based on facts then known to it that the director qualifies for indemnification under Section 16-10a-902. Section 16-10a-903 provides, in general, that a corporation must indemnify a director for his expenses if the director has been successful, on the merits or otherwise, in the defense of any proceedings.

Section 16-10a-907 of the URBCA provides, in general, that officers who are directors shall have no less indemnification protection than is provided to directors and that non-director officers may have even broader indemnification so long as it is consistent with law.

Section 16-10a-908 of the URBCA provides, in general, that a corporation may purchase and maintain insurance on behalf of directors and officers, among others, against liabilities imposed on them by reason of actions in their official capacity or arising from service performed on behalf of the corporation.

Article Thirteenth of the Company's Articles of Incorporation, as amended, gives a director or officer the right to be indemnified by the Company to the fullest extent permitted under Utah law.

Article Fourteenth of the Company's Articles of Incorporation, as amended, provides that a director of the Company shall not be personally liable to the Company or its shareholders for money damages for breach of fiduciary duty as a director, except for (a) any breach of the director's duty of loyalty to the Company or its shareholders, (b) acts or omissions which are not in good faith or which involve intentional misconduct or a knowing violation of law, (c) authorizing the unlawful payment of a dividend or other distribution on the Company's capital stock or the unlawful purchase of its capital stock, and (d) any transaction from which the director derived an improper personal benefit.

- ITEM 25: OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The original expenses of this offering, all of which have been paid by the Company in connection with the issuance and distribution of the securities being registered, were approximately as follows:

SEC Registration Fee	\$ 2,800
NASD Filing Fee	1,600
Printing and Engraving Expenses	70,000
Accounting Fees and Expenses	60,000
Legal Fees and Expenses	90,000
Blue Sky Fees and Expenses	35,000
Transfer Agent's Fees and Expenses	5,000
Miscellaneous Expenses	36,000

Total	\$300,400
	=====

Pursuant to the amendment of this prospectus, the Company anticipates additional expenses of approximately \$50,000 in legal, accounting, and Blue Sky fees in connection with the filing of the registration statement, exercise of the warrants, and the related issuance of shares of common stock.

- ITEM 26: RECENT SALES OF UNREGISTERED SECURITIES

On June 30, 1995, the Company issued 117,000 shares of common stock to certain members of the Company's Board of Directors and a family member of one Director. The shares were sold at \$0.625 per share, with proceeds from the sale aggregating \$73,125. The price reflected the fair market value of the shares. The shares were sold pursuant to the exemption contained in Section 4(2) of the Securities Act and are restricted in terms of their resale under Rule 144 of the Securities Act of 1933.

- ITEM 27: INDEX TO EXHIBITS

The following exhibits are hereby incorporated by reference to 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.
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.
10.6	Commercial Lease between the Company and Dell S. Nichols, dated January 15, 1988.
10.8	Form of Split-Dollar Insurance Agreement.

The following exhibit is hereby incorporated by reference to 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.

EXHIBIT NUMBER - - - - -	DESCRIPTION - - - - -
10.1	Dealer Agreement between the Company and Allied Broadcast Equipment, dated January 19, 1990.

The following exhibits are hereby incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1991. The exhibit number shown is the one in the 1990 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 incorporated by reference to the Company's Form 10-KSB for the fiscal year ended June 30, 1992. The exhibit numbers shown are those in the 1992 Form 10-KSB as originally filed.

EXHIBIT NUMBER - - - - -	DESCRIPTION - - - - -
10.1	Revolving Credit Agreement with West One Bank, dated December 5, 1991.
10.2	Asset Purchase Agreement with MacroMedia, Inc., dated March 16, 1992.

The following exhibits are incorporated by reference to 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.
10.1	1990 Incentive Plan, as amended on June 30, 1993.
10.2	Employment Agreement with Russell D. Gentner, dated December

20, 1992.

The following exhibits are incorporated by reference to the Company's Form 10-KSB for the fiscal year ended June 30, 1994. The exhibit numbers shown are those in the 1994 Form 10-KSB as originally filed.

EXHIBIT NUMBER	DESCRIPTION
10.1	Business Loan Agreement, as amended, and Promissory Note with West One Bank, dated October 29, 1993.

The following exhibits are incorporated by reference to the Company's Form 10-KSB for the fiscal year ended June 30, 1995. The exhibit numbers shown are those in the 1995 10-KSB as originally filed:

EXHIBIT NUMBER	DESCRIPTION
11	Statement re computation of per share earnings
23	Consent of Ernst & Young LLP, Independent Auditors

- ITEM 28: UNDERTAKINGS
NONE

SIGNATURES

In accordance with the requirements of the Act, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements of filing on Form SB-2 and authorized this registration statement to be signed on its behalf by the undersigned, in Salt Lake City, State of Utah, on June 27, 1996.

GENTNER COMMUNICATIONS CORPORATION

By: /s/ Russell D. Gentner

Russell D. Gentner
Chief Executive Officer

In accordance with the requirements of the Act, this registration statement was signed by the following persons in the capacities and on the dates stated.

Signature	Title	Date
/s/ Russell D. Gentner ----- Russell D. Gentner	Director, Chairman of the Board of Directors, Chief Executive Officer	June 27, 1996
/s/ David L. Harmon ----- David L. Harmon	Chief Financial Officer (Principal Accounting Officer)	June 27, 1996
/s/ Brad R. Baldwin ----- Brad R. Baldwin	Director	June 27, 1996
/s/ Edward Dallin Bagley ----- Edward Dallin Bagley	Director	June 27, 1996

/s/ Edward N. Bagley
----- Director June 27, 1996
Edward N. Bagley

/s/ Dwight H. Egan
----- Director June 27, 1996
Dwight H. Egan

/s/ K. Bradford Romney
----- Director June 27, 1996
K. Bradford Romney

GENTNER COMMUNICATIONS CORPORATION
COMPUTATION OF PER SHARE EARNINGS (LOSS)

Years ended June 30,

	1995	1994	1993
Primary Earnings (loss):			
Net income (loss)	\$ (116,063)	\$ (1,258,986)	\$ 22,746
Assumed interest expense reduction on retirement of acquirable long-term liabilities	-	27,314	-
Assumed interest income increase on purchase of investments	-	65,251	-
Adjusted net income (loss)	\$ (116,063)	\$ (1,166,421)	\$ 22,746

Shares:

Weighted average number of common shares outstanding . .	7,338,697	7,330,488	7,313,900
Assumed exercise of weighted average number of options and warrants outstanding. . .	-	2,044,750	-
Assumed repurchase of common shares.	-	(732,814)	-
Adjusted weighted average number of common shares outstanding.	7,338,697	8,642,424	7,313,900

Primary Earnings (Loss) Per Share	\$ (0.02)	\$ (0.13)	\$ -
--	-----------	-----------	------

Fully Diluted:

Earnings (loss):			
Net income (loss)	\$ (116,063)	\$ (1,258,986)	\$ 22,746
Assumed interest expense reduction on retirement of acquirable long-term liabilities	-	47,581	51,183
Assumed interest income increase on purchase of investments	-	102,283	63,974
Adjusted net income (loss)	\$ (116,063)	\$ (1,109,122)	\$ 137,903

Shares:

Weighted average number of common shares outstanding . .	7,338,697	7,330,488	7,313,900
Assumed exercise of weighted average number of options and warrants outstanding. . .	-	4,062,403	3,486,786
Assumed repurchase of common shares.	-	(1,466,652)	(1,462,780)
Adjusted weighted average number of common shares outstanding	7,338,697	9,926,239	9,337,906

Fully Diluted Earnings (Loss) Per share	\$ (0.02)	\$ (0.11)	\$ 0.01
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CONSENT OF INDEPENDENT AUDITORS

We consent to the use of our report dated August 4, 1995, in the Registration Statement (Form SB-2 Amendment No. 3 to Form S-1 No. 33-42146) and related prospectus of Gentner Communications Corporation for the registration of 3,750,000 shares of common stock and 2,500,000 redeemable common stock purchase warrants.

ERNST & YOUNG LLP
/s/

Salt Lake City, Utah
June 25, 1996