SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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SALIENT 3 COMMUNICATIONS INC

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. - 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended June 29, 2001

Commission File No. 0-12588

SALIENT 3 COMMUNICATIONS, INC.
(Exact name of registrant as specified in its charter)

Delaware	23-2280922
(State of Incorporation)	(IRS Employer Identification No.)

P.O. Box 1498, Reading, Pennsylvania	19603
(Mailing address of principal executive offices)	(Zip Code)

(610) 856-5500

(Registrant's telephone number, including area code)

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

	Class A	Class B
Number of shares of each class of common stock outstanding as of June 29, 2001 (excluding 2,770,476 Class A treasury shares):	5,939,993	274,831

SALIENT 3 COMMUNICATIONS, INC. AND SUBSIDIARIES
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Part I. Financial Information

Salient 3 Communications, Inc. and Subsidiaries
Statements of Net Assets in Liquidation (Liquidation Basis)
June 29, 2001 (Unaudited) and December 29, 2000
(000's except for share and per share information)

	June 29, 2001	December 29, 2000
ASSETS		

Cash and cash equivalents	$ 11,636	$ 18,426
Investments in liquidation	15,155	14,837
Income tax refunds receivable	4,631	3,980
Other assets	4,036	4,198
Total Assets	35,458	41,441
LIABILITIES		
Accrued and other liabilities	$ 14,592	$ 20,661
Net assets in liquidation	$ 20,866	$ 20,780
Number of common shares outstanding	6,214,824	6,214,824
Net assets in liquidation per outstanding share	$ 3.36	$ 3.34

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

Salient 3 Communications, Inc. and Subsidiaries
Statements of Changes In Net Assets In Liquidation (Liquidation Basis)
Six Months Ended June 29, 2001 and Three Months Ended June 30, 2000 (Unaudited)
(000's)

	Six Months Ended June 29, 2001	Three Months Ended June 30, 2000
Net assets in liquidation, beginning of period	$ 20,780	$ 93,985
Changes in estimated liquidation values of assets and liabilities:		
Investments in subsidiaries	(607)	(935)
Other assets	442	2,220
Accrued and other liabilities	(405)	(1,126)
Income taxes	656	-

Net changes in estimated liquidation values	86	159
Liquidating distribution to stockholders	-	-
Net assets in liquidation, end of period	$ 20,866	$ 94,144

Supplemental Cash Information:

Changes in cash and cash equivalents		
Net payments related to sales of subsidiaries	(925)	-
Cash receipts for other assets	604	1,091
Payment of accrued liabilities	(6,469)	(954)
Net changes in cash and cash equivalents	$ (6,790)	$ 137

The accompanying notes are an integral part of this financial statement.

Salient 3 Communications, Inc. and Subsidiaries
Consolidated Condensed Statement of Operations (Going-Concern Basis)
Three Months Ended March 31, 2000
(000's except for share and per share information)

Sales	$ 25,015
Cost of goods sold	14,668
Gross profit	10,347
Selling, general and administration	9,616
Research and development	2,161
Goodwill amortization	507
Operating loss	(1,937)
Interest and other income	91
Interest expense	329
Pre-tax loss	(2,175)
Benefit for taxes on loss	(827)
Net loss	$ (1,348)

Net loss per share of common stock (basic and diluted)	$ (0.23)
Basic weighted average shares outstanding	5,989,073

The accompanying notes are an integral part of this financial statement.

Salient 3 Communications, Inc. and Subsidiaries
Consolidated Condensed Statement of Cash Flows (Going-Concern Basis)
Three Months Ended March 31, 2000
(000's)

Cash flows from operating activities:	
Net loss	$(1,348)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	2,026
Reserve provisions	711
Changes in current assets and current liabilities:	
Accounts receivable and unbilled revenue	3,696
Inventories	(1,196)
Other current assets	(843)
Accounts payable and salaries and wages	(2,142)
Other accrued liabilities	(572)
Income taxes, currently payable	(89)
Other, net	47
Net cash provided by operating activities	290
Cash flows from investing activities:	
Payments for acquisition, net of cash acquired	(351)
Payments for property, plant and equipment	(601)
Software development costs	(1,475)
Net cash used for investing activities	(2,427)
Cash flows from financing activities:	
Payments of long-term debt	(183)
Borrowings under note payable	2,995
Issuance of treasury stock in connection with stock purchase plan	32
Payments to acquire treasury stock	(103)
Other, net	(260)

Net cash provided by financing activities	2,481
Net increase in cash and cash equivalents	344
Cash and cash equivalents at beginning of period	1,687
Cash and cash equivalents at end of period	$ 2,031
Supplemental cash flow disclosures:	
Interest paid	$ 321
Income taxes paid, net of refunds received	$ 150

The accompanying notes are an integral part of this financial statement.

SALIENT 3 COMMUNICATIONS, INC AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 29, 2001
(UNAUDITED)
(000's except for share and per share information)

1. GENERAL

The interim financial information furnished herein reflects all adjustments which are, in the opinion of management, necessary for a fair presentation of such financial information for the interim periods. Such adjustments are of a normal recurring nature. The accompanying financial statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all of the disclosures normally required by generally accepted accounting principles or those normally made in the Company's annual Form 10-K filing. Accordingly, the reader of this Form 10-Q should refer to the Company's annual report on Form 10-K for the year ended December 29, 2000 for further information.

LIQUIDATION BASIS STATEMENTS

2. PLAN OF DISSOLUTION AND LIQUIDATION AND BASIS OF ACCOUNTING

On April 17, 2000, the Board of Directors of Salient 3 Communications, Inc. (the Company) adopted a Plan of Dissolution and Liquidation (the Plan). Under the Plan, the Company will be liquidated by (i) the sale of its non-cash assets, (ii) the payment of or providing for all of its claims, obligations and expenses, (iii) the pro rata distribution of assets, primarily cash, to the stockholders, and (iv) if required, the distribution of assets to one or more liquidating trusts established for the benefit of the stockholders. The Plan was approved by stockholders on July 21, 2000.

On August 11, 2000, the Company filed a Certificate of Dissolution with the State of Delaware. Under Delaware law, the Company will continue to exist for a period of three years for the purpose of winding up its affairs. The Board of Directors and officers of the Company will continue to oversee the liquidation and dissolution.

Prior to June 30, 2000, seven stockholders, who together control more than 51% of the issued and outstanding Class B common stock, had agreed to vote their shares in favor of the Plan and in favor of the sales of SAFCO Technologies, Inc. (SAFCO) and GAI-Tronics Corporation (GTC). As a result, the Company adopted the liquidation basis of accounting for the second quarter of 2000. Under the liquidation basis of accounting, assets are stated at their estimated net realizable values and liabilities are stated at their anticipated settlement amounts.

The valuation of assets and liabilities at their estimated net realizable values and anticipated settlement amounts necessarily requires many estimates and assumptions and there are substantial uncertainties in carrying out the provisions of the Plan. The actual value of any liquidating distributions will depend upon a variety of factors including, but not limited to, (i) the actual proceeds realizable from the sale of the Company's subsidiaries and other assets, (ii) the ultimate settlement amounts of its liabilities and obligations, including indemnifications provided in connection with subsidiary sale transactions, (iii) actual costs incurred in connection with carrying out the Plan, including administrative costs during the liquidation period, and (iv) the actual timing of distributions. An initial liquidating distribution of $12.00 per share was paid on September 8, 2000.

The valuations presented in the Statement of Net Assets in Liquidation represent estimates, based on present facts and circumstances, of the net realizable values of assets and the anticipated settlement amounts for liabilities, including the costs associated with carrying out the provisions of the Plan, based on the assumptions set forth in the accompanying notes. The actual values and costs are expected to differ from the amounts shown herein and could be higher or lower than the amounts recorded. Such differences may be material. Accordingly, it is not possible to predict with certainty the aggregate net values ultimately distributable to stockholders and no assurance can be given that the amount to be received in liquidation will equal or exceed the price or prices at which the Class A common stock has generally traded or is expected to trade in the future.

The changes in estimated liquidation values of assets and liabilities in the Statement of Changes in Net Assets in Liquidation are the result of changes in the actual proceeds on the sales of assets and settlements made on outstanding obligations as well as changes in management estimates during the reporting period.

3. INVESTMENTS IN LIQUIDATION

Investments in liquidation include the estimated net realizable values of subsidiary sale proceeds collectible after June 29, 2001 and December 29, 2000, less related unpaid costs of the sales, and the estimated net realizable value of the building occupied by XEL.

On July 25, 2000, the Company completed the sale of SAFCO to Agilent Technologies, Inc. for $121,426 in cash, after consideration of certain closing balance sheet adjustments. The purchase price included $11,000 which has been placed into escrow for certain expenses and possible indemnification claims. On August 29, 2001, the Company is entitled to receive distribution of the balance remaining in the escrow account, after reduction for any indemnification claims made by the buyer before that date.

On July 26, 2000, the Company completed the sale of GTC to Hubbell Incorporated for cash of $36,246, after consideration of certain closing balance sheet adjustments.

The Company is providing certain indemnifications to the buyers of SAFCO and GTC under the representations and warranties sections of the purchase agreements. It is not possible to predict what claims could possibly be asserted by buyers or what values those potential claims could have. As of August 2, 2001, the Company has been informed that an indemnification claim will be submitted by Hubbell, but the amount of the claim is uncertain. The Company has purchased certain insurance to minimize its exposure on some, but not all, of the areas for which they are indemnifying the buyers.

On December 29, 2000, the Company completed the sale of XEL Communications, Inc. (XEL) to a company controlled by XEL's president, for $4,900 in the form of a promissory note bearing interest payable monthly at 8%, with the principal due after 24 months. In connection with the sale, the Company loaned XEL $359 under a working capital line of credit which expired on March 31, 2001. The working capital loan, plus interest at 5% per annum, is due December 29, 2002. In March 2001, XEL obtained a $1,000 bank line of credit and the Company provided a guaranty for a maximum of $500 of XEL debt. The guaranty expired May 31, 2001. As of May 31, 2001, no amounts were borrowed under the bank line of credit. If XEL is resold to another party prior to December 30, 2002, the Company would receive full payment on the note and working capital loan and 70% of all proceeds in excess of $5,000. If XEL is resold after December 29, 2002 but prior to December 30, 2003, the Company would receive 50% of all proceeds in excess of $5,000. If there is a default in payment of the principal or interest on the promissory note, the Company has the right to retake control of XEL. The note is valued at $1,900 in the statement of net assets in liquidation based on the estimated realizable values of XEL's net assets. The sale of XEL excluded the building it occupies in Aurora, Colorado. The Company is attempting to sell this building to unrelated third parties.

4. INCOME TAXES

All income tax accounts have been restated to reflect the liquidation basis of accounting. The estimated amount of income tax refunds receivable reflects federal and state income taxes, at statutory rates, which would become refundable if the assets are realized and liabilities settled at the amounts shown. The refunds primarily result from anticipated carrybacks of tax losses. Future tax losses will arise from tax deductible costs of carrying out the plan of liquidation and settling other accrued liabilities. The estimate is subject to significant variation if, among other things, the actual values of assets sold vary from current estimates, the amounts or timing of settlement of liabilities differ from current estimates, or there are potential adjustments related to the sales transactions.

5. ACCRUED AND OTHER LIABILITIES

Accrued and other liabilities include estimates of costs to be incurred in carrying out the Plan, provisions for known liabilities and provisions for certain asserted and unasserted claims at June 29, 2001. The accrued costs include salaries and related expenses of officers and employees assigned to effect the sales and carry out the Plan and legal and accounting fees expected to be incurred during the period of liquidation. Accrued liabilities also include the estimated future distributions to holders of limited stock appreciation rights.

The actual costs incurred could vary significantly from the related accrued expenses due to uncertainty related to the length of time required to complete the Plan and the outcome of certain contingencies.

6. OPTIONS AND WARRANTS

In April 2000, the Board of Directors authorized immediate vesting of all outstanding restricted stock, and, effective with the first subsidiary sale, vesting of stock options granted under the 1989 Stock Option Plan and the 1996 Long Term Incentive Plan and extension of the exercise period to the record date of the initial liquidating distribution. The Board also added a provision to convert all unexercised options at the record date of the initial liquidating distribution into Limited Stock Appreciation Rights (LSAR's). In addition, all warrant holders were given the opportunity to convert their warrants into LSAR's. These rights entitle the holder to receive cash payments for each share equal to the difference between the aggregate per share liquidating distribution payable to stockholders upon liquidation and the per share exercise price applicable to each converted option or warrant. In August, 2000, 1,097,200 options and 705,555 warrants were converted into LSAR's. Holders of LSAR's were paid $1,866 in connection with the initial liquidating distribution on September 8, 2000. The estimated remaining liability for settlement of the LSAR's at June 29, 2001 is $3,071 and is included in accrued and other liabilities in the statement of net assets in liquidation.

7. CONTINGENCIES

The Company has received notice of a complaint filed in Delaware Chancery Court on August 29, 2000, and amended on February 26, 2001, by a group of former employees and current Class A stockholders, challenging the compensation packages granted by the Company to its senior management in connection with the dissolution of the Company. The Company intends to vigorously defend against the complaint and believes that the Company's Board acted appropriately and within its discretion in structuring the benefits provided to management.

Before distributing assets to its stockholders, the Company is required by Delaware law to make provision for all known claims and obligations and any unasserted claims that are reasonably likely to arise after the certificate of dissolution became effective. The accrual for asserted and unasserted claims represents management's judgment as to the estimated amounts required to settle such claims, should they arise and should they have merit. Ultimate settlement amounts for such claims are expected to differ from estimates recorded as of June 29, 2001. Accordingly, it is not possible to predict with certainty the amount required for such claims. However, management believes that the outcome will not have a material adverse effect on the Company's net assets in liquidation.

GOING-CONCERN BASIS STATEMENTS

8. EARNINGS PER SHARE

Net loss per share of common stock was determined using the average number of Class A and Class B shares outstanding. No preferred stock was outstanding as of March 31, 2000.

Dilutive shares outstanding were determined on the assumption that all outstanding options, warrants and shares of restricted stock with a strike price below the average stock price for the period would be exercised and the related shares issued. Dilutive shares outstanding for the first quarter of 2000 were 6,083,780. Due to the reported loss for the quarter ended March 31, 2000, these additional shares had an anti-dilutive effect on the Company's earnings per share calculation.

9. SPECIAL ADJUSTMENTS

In connection with the Company's actions to sell its subsidiaries, various members of management and key employees were offered incentives to continue employment through the completion of the sale process. Portions of these incentives are guaranteed to the employees subject to continued employment through December 15, 2000, and the cost will be recognized over the related service period. Other incentives, including sale bonuses and severance, are dependent on completion of sale transactions and will be recognized if and when there is a triggering event.

In the first quarter of 2000, the Company accrued for retention bonuses of $266 and severance costs of $100. The Company also eliminated reserves of $326 due to collection of a note receivable and receipt of credits from an insurance company in connection with its conversion to a stock company. The net effect of these adjustments was a $40 increase in selling, general and administration expense.

10. SOFTWARE DEVELOPMENT COSTS

The Company capitalized costs associated with the development of software for external use in accordance with Statement of Financial Accounting Standards No. 86 "Accounting for Cost of Computer Software to be Sold, Leased, or Otherwise Marketed." Costs were being amortized in relation to revenue from the products, but no less than on a straight line basis over 2 to 3 years. Amortization expense for capitalized software development costs was $435 in the quarter ended March 31, 2000.

11. SEGMENT INFORMATION

The Company had three reportable segments: Industrial, Access Products and Wireless. The Industrial Segment developed, assembled and marketed communication systems for industrial operations. Industrial communication products were designed to operate under extraordinary plant conditions and provide emergency notification. In addition, the segment included land mobile radio communications devices. The Access Products Segment designed and marketed voice and data transmission system products. The access products provided access to telecommunications services and automated monitoring and maintenance of telecommunications network performance. The Wireless Segment's products and services focused on the measurement and analysis of signal strength, data communications and radio frequency transmitted between the wireless phone and cellsites. The Wireless Segment also provided radio frequency engineering design services.

Each reportable segment operated as a separate, standalone business unit with its own management.

The Company evaluated segment performance based on profit or loss from continuing operations before income tax, goodwill amortization and corporate overhead allocation. Profit or loss was determined in accordance with generally accepted accounting principles described in the summary of significant accounting policies. Intersegment sales were not significant.

	Three Months Ended March 31, 2000
Sales	
Industrial	$ 13,614
Access Products	3,392
Wireless	8,009
	25,015
Segment Profit (Loss)	
Industrial	(24)
Access Products	(612)

Wireless	214
General interest expense	(294)
General corporate expenses	(1,043)
Goodwill amortization	(507)
Interest income and other	91
Pre-tax loss	$ (2,175)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(000's except for share and per share information)

LIQUIDATION BASIS

Introduction

On April 17, 2000, the Company's Board of Directors adopted a Plan of Dissolution and Liquidation ("the Plan"). Under the Plan, the Company will be liquidated by (i) the sale of its non-cash assets, (ii) the payment of or providing for all of its claims, obligations and expenses, (iii) the pro rata distribution of assets, primarily cash, to the stockholders, and (iv) if required, the distribution of assets to one or more liquidating trusts established for the benefit of the stockholders. The Plan was approved by stockholders on July 21, 2000.

On August 11, 2000, the Company filed a Certificate of Dissolution with the State of Delaware. Under Delaware law, the Company will continue to exist for a period of three years for the purpose of winding up its affairs. The Board of Directors and officers of the Company will continue to oversee the liquidation and dissolution.

The Company adopted the liquidation basis of accounting for the second quarter of 2000. Under the liquidation basis of accounting, assets are stated at their estimated net realizable values and liabilities are stated at their anticipated settlement amounts.

The valuation of assets and liabilities at their estimated net realizable values and anticipated settlement amounts necessarily requires many estimates and assumptions and there are substantial uncertainties in carrying out the provisions of the Plan. The actual value of any liquidating distributions will depend upon a variety of factors including, but not limited to, (i) the actual proceeds realizable from the sale of the Company's subsidiaries and other assets, (ii) the ultimate settlement amounts of its liabilities and obligations, including indemnifications provided in connection with subsidiary sale transactions, (iii) actual costs incurred in connection with carrying out the Plan, including administrative costs during the liquidation period, and (iv) the actual timing of distributions. An initial liquidating distribution of $12.00 per share was paid on September 8, 2000 to holders of Class A (nonvoting) and Class B (voting) common stock.

Sale of Assets

On July 25, 2000, the Company completed the sale of SAFCO to Agilent Technologies, Inc. for $121,426 in cash, after consideration of certain closing balance sheet adjustments. The purchase price included $11,000 which has been placed into escrow for certain expenses and possible indemnification claims. On August 29, 2001, the Company will be entitled to receive distribution of the balance remaining in the escrow account, after reduction for any indemnification claims made by the buyer before that date.

On July 26, 2000, the Company completed the sale of GTC to Hubbell Incorporated for cash of $36,246, after consideration of certain closing balance sheet adjustments.

The Company is providing certain indemnifications to the buyers of SAFCO and GTC under the representations and warranties sections of the purchase agreements. It is not possible to predict what claims could possibly be asserted by buyers or what values those potential claims could have. As of August 2, 2001, the Company has been informed that an indemnification claim will be submitted by Hubbell, but the amount of the claim is uncertain. The Company has purchased certain insurance to minimize its exposure on some, but not all, of the areas for which they are indemnifying the buyers.

On December 29, 2000, the Company completed the sale of XEL Communications, Inc. (XEL) to a company controlled by XEL's president, for $4,900 in the form of a promissory note bearing interest payable monthly at 8%, with the principal due after 24 months. In connection with the sale, the Company loaned XEL $359 under a working capital line of credit which expired on March 31, 2001. The loan, plus interest at 5%, is due 24 months after the sale of XEL. If XEL is resold to another party within 24 months, the Company would receive full payment on the note and working capital loan and 70% of all proceeds in excess of $5,000. If XEL is resold after 24 months but within 36 months, the Company would receive 50% of all proceeds over $5,000. If there is a default in payment of principal or interest on the promissory note, the Company has the right to retake control of XEL. The sale of XEL excluded the building it occupies in Aurora, Colorado. The Company is attempting to sell this building to unrelated third parties.

Liquidity and Capital Resources

On June 29, 2001, the Company had cash and cash equivalents of $11,636. The future cash needs of the Company will be dependent on the continuing implementation of the Plan. The Company believes that its cash and cash equivalents, its collection of deferred payments on sales of subsidiaries and its conversion of other assets to cash will be sufficient to fund its working capital requirements through the completion of the Plan.

Pursuant to the Plan, after payment or provision for payment of the Company's indebtedness and other obligations, the cash proceeds of any asset sales, together with other available cash, will be distributed from time to time pro rata to the holders of the common stock. The record dates with respect to each distribution will be selected by the Board of Directors. An initial liquidating distribution of $12.00 per share was paid on September 8, 2000.

Before distributing assets to its stockholders, the Company is required by Delaware law to make provision for all known claims and obligations and any unasserted claims that are reasonably likely to arise after the certificate of dissolution became effective. The accrual for asserted and unasserted claims represents management's judgment as to the estimated amounts required to settle such claims, should they arise and should they have merit. Ultimate settlement amounts for such claims are expected to differ from estimates recorded as of June 29, 2001. Accordingly, it is not possible to predict with certainty the amount required for such claims.

Other

In April 2000, the Board of Directors authorized immediate vesting of all outstanding restricted stock, and, effective with the first subsidiary sale, vesting of stock options granted under the 1989 Stock Option Plan and the 1996 Long Term Incentive Plan and extension of the exercise period to the record date of the initial liquidating dividend. The Board also added a provision to convert all unexercised options at the record date of the initial liquidating dividend into Limited Stock Appreciation Rights. These rights entitle the holder to receive cash payments for each share equal to the difference between the aggregate per share liquidating distribution payable to stockholders upon liquidation and the per share exercise price applicable to each converted option. In August, 2000, 1,097,200 options and 705,555 warrants were converted into LSAR's. Holders of LSAR's were paid $1,866 in connection with the initial liquidating distribution on September 8, 2000. The estimated remaining liability for settlement of the LSAR's at June 29, 2001 is $3,071 and is included in accrued and other liabilities in the statement of net assets in liquidation.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains certain statements of a forward-looking nature relating to future events or the future financial performance of the Company, including statements regarding the timing and outcome of the sale of the Company's assets, its dissolution and liquidation and the expected distribution therefrom. Such statements are only predictions and involve risks and uncertainties, and actual events or performance may differ materially from that expressed in any such forward-looking statements. Potential risks and uncertainties include, without limitation: ultimate values realizable for unsold assets, adjustments to subsidiary sale prices, collection of deferred payments on sales of assets, post-closing indemnification obligations relating to subsidiary sales, costs and expenses relating to the dissolution, including income taxes, and the nature and amount of any unknown contingent liabilities. Further information on factors that could affect the Company's future financial performance can be found in the Company's other filings with the Securities and Exchange Commission. Words such as "estimates", "positioned", "yields", "should generate", "appears", "viewed", "could", "would position", "expected", "does not expect" and "should allow" indicate the presence of forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company's only financial instruments with market risk exposure are short-term cash investments which total $11,615 at June 29, 2001. Based on this balance, a change of one percent in the interest rate would cause a change in interest income for the period of approximately $116. This interest amount, less a related tax effect, would have no effect on the net assets in liquidation per outstanding share since interest income on cash investments is not accrued in the statement of net assets in liquidation.

These financial instruments are non-trading (not entered into for trading purposes) and carry interest at a market rate. The Company's objective in maintaining these variable rate investments is the flexibility obtained in having cash available for payment of accrued liabilities and distributions to stockholders without penalties

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits
None.

(b) Reports on Form 8-K
None.

SIGNATURES

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

Salient 3 Communications, Inc.

/s/Paul H. Snyder

Paul H. Snyder
Senior Vice President and
Chief Financial Officer

Date: August 3, 2001