

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**  
SEC Accession No. **0000040518-94-000005**

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### FILER

#### GENERAL DATACOMM INDUSTRIES INC

CIK: **40518** | IRS No.: **060853856** | State of Incorp.: **DE** | Fiscal Year End: **0930**  
Type: **10-Q** | Act: **34** | File No.: **001-08086** | Film No.: **94528086**  
SIC: **3661** Telephone & telegraph apparatus

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 1994

OR

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

Commission File Number 1-8086

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

Delaware 06-0853856  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

Middlebury, Connecticut 06762-1299  
(Address of principal executive offices) (Zip Code)

Registrant's phone number, including area code: (203) 574-1118

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

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

Title of Each Class	Number of Shares Outstanding at March 31, 1994
Common Stock, \$.10 par value	13,924,636
Class B Stock, \$.10 par value	2,371,038

Total Number of Pages  
in This Document is 21.

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GENERAL DATACOMM INDUSTRIES, INC.  
AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION  
 GENERAL DATACOMM INDUSTRIES, INC.  
 AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS  
 (Unaudited)  
 (In Thousands)

<TABLE>  
 <CAPTION>

	March 31, 1994	September 30, 1993
	-----	-----
<S>	<C>	<C>
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$2,406	\$2,594
Accounts receivable, less allowance for doubtful receivables of \$1,527 in March and \$1,575 in September	33,336	35,654
Inventories	40,889	34,522
Other current assets	8,759	6,711
	-----	-----
Total current assets	85,390	79,481
	-----	-----
Property, plant and equipment:		
Land	1,745	1,745
Buildings and improvements	24,841	24,307
Test equipment, fixtures and field spares	44,153	43,183
Machinery and equipment	36,708	35,390
	-----	-----
	107,447	104,625
Less: accumulated depreciation and amortization	68,675	67,384
	-----	-----
	38,772	37,241
Capitalized software development costs, net of accumulated amortization of \$10,275 in March and \$10,582 in September		
	21,533	19,333
Other assets	11,262	5,621
	-----	-----
	\$156,957	\$141,676
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>		
Current liabilities:		
Current portion of long-term debt-1)	\$13,764	\$3,489
Accounts payable, trade	9,591	10,563
Accrued payroll and payroll-related costs	5,484	6,962
Deferred income	7,311	5,672
Other current liabilities	13,572	14,550
	-----	-----
Total current liabilities	49,722	41,236
	-----	-----
Long-term debt, less current portion	36,909	28,402
Other liabilities	3,421	4,958
	-----	-----
Total liabilities	90,052	74,596
	-----	-----
Minority interest in consolidated subsidiary Stockholders' equity:	39	52
	-----	-----
Capital stock, par value \$.10 per share, issued: 17,196,610 shares in March and 16,980,581 shares in September		
	1,720	1,698
Capital in excess of par value	51,957	50,064
Earnings reinvested	21,002	23,805
Cumulative foreign currency translation adjustment	(1,579)	(1,077)
Common stock held in treasury, at cost: 900,936 shares in March and 1,082,058 shares in September	(6,234)	(7,462)
	-----	-----
Total stockholders' equity	66,866	67,028
	-----	-----
	\$156,957	\$141,676
	=====	=====

<FN>

(1 - Refer to Note 4 "Long-Term Debt" for subsequent event.

</TABLE>  
[TEXT]

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GENERAL DATACOMM INDUSTRIES, INC.  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME AND EARNINGS REINVESTED  
(Unaudited)  
(In Thousands, Except Per Share Data)

<TABLE>  
<CAPTION>

	Three Months Ended March 31,		Six Months Ended March 31,	
	1994	1993	1994	1993
<S>	<C>	<C>	<C>	<C>
Revenues				
Net product sales	\$38,177	\$43,799	\$76,154	\$88,186
Service revenue	8,282	8,453	16,536	16,665
Lease revenue	1,573	2,043	3,392	3,716
	-----	-----	-----	-----
	48,032	54,295	96,082	108,567
Costs and expenses				
Cost of product sales	17,242	20,574	34,569	41,578
Amortization of capitalized software development costs	2,300	2,200	4,500	4,300
Cost of services	5,463	5,619	10,951	11,344
Cost of lease revenue	225	296	454	523
Selling, general and administrative	19,512	17,827	38,880	35,820
Research and product development	4,892	5,055	9,181	9,965
	-----	-----	-----	-----
	49,634	51,571	98,535	103,530
Operating income (loss)	(1,602)	2,724	(2,453)	5,037
	-----	-----	-----	-----
Other income (expense)				
Interest	(893)	(496)	(1,788)	(1,006)
Other, net	86	101	102	(37)
	-----	-----	-----	-----
	(807)	(395)	(1,686)	(1,043)
	-----	-----	-----	-----
Income (loss) before income taxes, minority interest and cumulative effect of accounting change	(2,409)	2,329	(4,139)	3,994
Income tax provision (benefit)	(1,590)	369	(1,445)	519
Minority interest in consolidated subsidiary	(9)	42	(8)	6
	-----	-----	-----	-----
Income (loss) before cumulative effect of accounting change	(810)	1,918	(2,686)	3,469
Cumulative effect of change in accounting for post-retirement benefits	-	-	(117)	-
	-----	-----	-----	-----
Net income (loss)	(810)	1,918	(2,803)	3,469
Earnings reinvested at beginning of period	21,812	19,240	23,805	17,689
Earnings reinvested at end of period	\$21,002	\$21,158	\$21,002	\$21,158
	=====	=====	=====	=====
Earnings (loss) per share:				
Income (loss) before cumulative effect of accounting change	(\$0.05)	\$0.11	(\$0.16)	\$0.21
Cumulative effect of change in accounting for post-retirement benefits	-	-	(0.01)	-
	-----	-----	-----	-----
Earnings (loss) per share	(\$0.05)	\$0.11	(\$0.17)	\$0.21
	=====	=====	=====	=====
Average number of common and common equivalent shares outstanding	16,186	16,792	16,081	16,330
	=====	=====	=====	=====

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

</TABLE>  
[TEXT]

GENERAL DATACOMM INDUSTRIES, INC.  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)  
(In Thousands)

<TABLE>  
<CAPTION>

	Increase (Decrease) in Cash and Cash Equivalents	
	Six Months Ended	
	March 31, 1994	March 31, 1993
<S>	<C>	<C>
Cash flows from operating activities:		
Net income (loss) before cumulative effect of accounting change	(\$2,686)	\$3,469
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	9,437	8,694
Deferred income amortization	-	(705)
(Increase) decrease in accounts receivable	2,534	(2,290)
(Increase) decrease in inventories	(5,576)	3,899
(Decrease) in accounts payable and accrued expenses	(4,216)	(2,480)
Decrease in other net current assets	1,634	2,255
(Increase) in other net long-term assets	(2,009)	(1,492)
Net cash provided (used) by operating activities	(882)	11,350
Cash flows from investing activities:		
Acquisition of property, plant & equipment	(4,619)	(3,719)
Capitalized software development costs	(6,700)	(4,850)
Purchase of companies acquired-1)	(5,852)	(24)
Net cash (used for) investing activities	(17,171)	(8,593)
Cash flows provided (used) by financing activities:		
Revolver borrowings, net	17,850	(3,654)
Proceeds from notes payable	2,278	1,792
Principal payments on notes and mortgages	(1,991)	(1,503)
Proceeds from issuing common stock-1)	1,286	1,194
Payments of escrow deposits	(1,484)	(500)
Net cash provided (used) by financing activities	17,939	(2,671)
Effect of exchange rates on cash	(74)	(234)
Net (decrease) in cash and cash equivalents	(188)	(148)
Cash and cash equivalents at beginning of period-2)	2,594	2,018
Cash and cash equivalents at end of period-2)	\$2,406	\$1,870

<FN>

(1 - Excluded from the fiscal 1994 Consolidated Statement of Cash Flow is the issuance of common stock in the amount of \$1,846 related to the acquisition of a company.

(2 - The Corporation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

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

</TABLE>  
[TEXT]

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GENERAL DATACOMM INDUSTRIES, INC.  
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NOTE 1. BASIS OF PRESENTATION

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to fairly present the financial position of General DataComm Industries, Inc. and subsidiaries (the "Corporation") as of March 31, 1994, the results of operations for the three and six months ended March 31, the cash flows for the six months ended March 31, 1994 and 1993. Such adjustments are generally of a normal recurring nature, but include adjustments to reduce certain expense accruals and asset reserves to appropriate levels.

The consolidated financial statements contained herein should be read in conjunction with the consolidated financial statements and related notes thereto filed with Form 10-K for the year ended September 30, 1993.

Certain reclassifications were made to the prior year's financial statements to conform to the current year's presentation.

NOTE 2. BUSINESS ACQUISITION

Effective November 24, 1993, the Corporation acquired Netcomm Limited, a leader in Asynchronous Transfer Mode (ATM) technology, located in England. Under the terms of the acquisition, the Corporation issued 184,647 shares of common stock valued at \$1.8 million and committed to pay cash of \$5.5 million in return for all the outstanding common stock of Netcomm. The acquisition was accounted for as a purchase and, accordingly, the results of operations of the acquired business have been included in the Corporation's consolidated financial statements commencing on November 24, 1993. Approximately \$6.5 million of the purchase price was allocated to goodwill, which is being amortized on a straight-line basis over fifteen years.

NOTE 3. INVENTORIES

Inventories consist of (in thousands):

	March 31, 1994	September 30, 1993
Raw materials	\$18,926	\$13,024
Work-in-process	5,285	5,033
Finished goods	16,678	16,465
Total	\$40,889	\$34,522

</TABLE>  
[TEXT]

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GENERAL DATACOMM INDUSTRIES, INC.  
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NOTE 4. LONG-TERM DEBT

Long-term debt consists of the following (in thousands):

	March 31, 1994	September 30, 1993
Revolving credit loan	\$ 18,300	\$ 450
Notes payable	19,191	18,283
Mortgages payable	11,998	11,825
Capital lease obligations	1,184	1,333
	50,673	31,891
Less: current portion	13,764	3,489
	\$ 36,909	\$28,402

</TABLE>  
[TEXT]

Revolving Credit Loan

On November 30, 1993, the Corporation entered into a new agreement with The Bank of New York, as lender and agent for other institutions that become lenders, to provide a revolving credit facility maturing on November 30, 1996 in the amount of \$25,000,000. The agreement provides for interest on outstanding borrowings to be charged at 2.625% over selected LIBOR terms ranging from one month to six months, or at the Corporation's election, at .75% over the prime rate (on 1994, one-month LIBOR

was 3.56% and the prime rate was 6.25%).

For discussion of the increase in the revolving credit loan balance in the current fiscal year, see Management's Discussion and Analysis of Financial Condition and Results of Operations, elsewhere in this document.

Notes Payable - Subsequent Event

On May 5, 1994, the Corporation received and, thereafter, accepted a commitment from The Bank of New York as agent to refinance, subject to the satisfaction of certain conditions, \$8,000,000 of a current note payable, on a long-term basis. Quarterly principal payments of \$250,000, \$375,000 and \$500,000 are required in the first, second and third (partial) years, respectively, with the final payment due November 30, 1996. Interest is payable either at 3.25% over selected LIBOR terms or at 1.25% over the prime rate, at the Corporation's election.

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GENERAL DATACOMM INDUSTRIES, INC.  
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NOTE 5. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

<TABLE>  
<CAPTION>

	Six months ended March 31,	
	1994	1993
<S>	<C>	<C>
(in thousands)		
Cash paid (received) during the period for:		
Interest	\$1,276	\$710
Income taxes, net	\$ (30)	\$232

</TABLE>  
[TEXT]

NOTE 6. INCOME TAXES

In the quarter ended March 31, 1994, the Corporation recorded a net income tax benefit of \$1,590,000, comprised of tax provisions for state and foreign income taxes of \$110,000, offset by an income tax benefit of \$1,700,000 resulting from the settlement of a foreign tax issue.

NOTE 7. ADOPTION OF FINANCIAL ACCOUNTING STANDARDS NO. 106

Effective October 1, 1993, the Corporation adopted the provisions of Statement of Financial Accounting Standards No. 106, "Employer's Accounting for Post-Retirement Benefits Other Than Pensions," requiring the use of an accrual method of accounting for post-retirement health care benefits. The cumulative effect of adoption was a charge of \$117,000, or \$(.01) per share. The increase in annual expense for retiree health care is immaterial.

NOTE 8. ADOPTION OF FINANCIAL ACCOUNTING STANDARDS NO. 109

Effective October 1, 1993, the Corporation adopted the provisions of Statement of Financial Accounting Standards No. 109 (FAS 109), "Accounting for Income Taxes." FAS 109 is an asset and liability approach that requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Corporation's financial statements or tax returns. In estimating future tax consequences, FAS 109 generally considers all expected future events other than enactments of changes in the tax law or rates. Previously, the Corporation used the FAS 96 asset and liability approach that gave no recognition to future events other than the recovery of assets and settlement of liabilities at their carrying amounts. The cumulative effect of adoption was not material.

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GENERAL DATACOMM INDUSTRIES, INC.  
AND SUBSIDIARIES

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

GENERAL DISCUSSION

The Corporation recorded a net loss of (\$2,803,000), or (\$.17) per share, in the six-month period ended March 31, 1994, as compared to net income of \$3,469,000, or \$.21 per share, in the prior fiscal year. The financial results for fiscal 1994 continue to be negatively impacted by a decline in product revenue combined with higher investments in international selling organizations and product development costs, particularly in Asynchronous Transfer Mode (ATM) technology. Operating losses combined with a growth in new product inventory levels contributed to negative operating cash flow in the six-month period of fiscal 1994.

Despite these disappointing results, the Corporation believes it is strategically positioned to benefit from a growing demand for communication products. In particular, the acquisition of Netcomm Limited, a leader in ATM technology, earlier this fiscal year has positioned the Corporation to capitalize on increasing demand for this new sophisticated networking technology.

RESULTS OF OPERATIONS

Total revenues for the quarter ended March 31, 1994 decreased by \$6,263,000 to \$48,032,000, an 11.5% decline from the same period one year ago, primarily due to lower product shipments and a related decline in service and leasing revenues. These declines in North American markets occurred as the Corporation's products are in a period of transition. New products, such as ATM and high-speed analog (V.fast), and state-of-the-art digital products are gaining sales momentum but were not a the anticipated reduction in traditional analog modem shipments. New products have been shipped to customer sites for evaluation and may result in future sales. Similarly, total revenues for the six months ended March 31, 1994 decreased by \$12,485,000, or 11.5%, as compared to the corresponding period of fiscal 1993.

Gross margins improved from 47.2% to 47.5% in the March quarter comparison and from 46.8% to 47.5% in the six-month comparison. Improvements in both periods were a result of continuing productivity improvements in manufacturing and service operations.

Selling, general and administrative expenses for the three months ended March 31, 1994 rose \$1,685,000, or 9.5%, over the comparable prior year's quarter primarily due to strategic investments made in international selling organizations and domestic ATM marketing operations. The growth in selling, general and administrative expenses, combined with the decline in revenues, resulted in such expenses rising to 40.6% of fiscal 1994 revenue from 32.8% of fiscal 1993 revenue. On a six-month basis, selling, general and administrative expenses for fiscal 1994 increased \$3,060,000, or 8.5%.

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GENERAL DATACOMM INDUSTRIES, INC.  
AND SUBSIDIARIES

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

The higher spending levels reflected the impact of additions to headcount, especially in international operations and domestic marketing operations, and increased costs associated with the launch of new products. As a percentage of six-month revenue, selling, general and administrative expenses rose to 40.5% of fiscal 1994 revenue as compared to 33.0% of revenue in fiscal 1993.

Gross engineering, research and product development expenditures for the quarter ended March 31, 1994 rose to \$8,092,000 from \$7,555,000, an increase of 7.1% from the same period one year ago. As a percentage of total revenue, gross research and development spending rose to 16.8% of fiscal 1994 revenue from 13.9% of fiscal 1993 revenue. The increase in research and development spending, including the effect of additions to engineering headcount, was related to the development of new products for future release with emphasis on the new ATM product line. On a six-month basis, gross engineering, research and product development expenditures increased \$1,066,000, or 7.2%, from the same period in fiscal 1993. As a percentage of total revenues, gross research and development



spending for the six months of fiscal 1994 was 16.5% as compared to 13.6% in the same period one year ago. Net research and product development expense decreased 3.2% in the three-month and 7.9% in the six-month periods compared to the prior year. This represented 10.2% and 9.6% of sales respectively, compared to 9.3% and 9.2%, respectively, three- and six-month periods.

Interest expense in the quarter ended March 31, 1994 increased \$397,000, or 80%, from the comparable period one year ago. For the six-month period, interest expense increased \$782,000, from \$1,006,000 in fiscal 1993 to \$1,788,000 in fiscal 1994. The higher interest levels reflected an increase in the Corporation's level of borrowings which was attributable to the costs associated with the acquisition of Netcomm Limited and to growth in inventory levels.

In the quarter ended March 31, 1994, the Corporation recorded an income tax benefit of \$1,590,000 as compared to an income tax provision of \$369,000 in the same quarter one year ago. The benefit resulted from the resolution of a foreign tax issue in the amount of \$1,700,000. On a six-month basis, the income tax benefit of \$1,445,000 in fiscal 1994 compared to an income tax provision of \$519,000 in fiscal 1993.

The Corporation adopted Financial Accounting Standards No. 106, "Employers' Accounting for Post-Retirement Benefits Other Than Pensions," as of October 1, 1993. The cumulative effect of the accounting change in fiscal 1994 was \$117,000, or \$.01 per share. The Corporation also adopted Financial Accounting Standards No. 109, "Accounting for Income Taxes," as of October 1, 1993, the effect of which was not material.

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GENERAL DATACOMM INDUSTRIES, INC.  
AND SUBSIDIARIES

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

LIQUIDITY AND CAPITAL RESOURCES

Cash balances, excluding escrow security deposits, decreased \$188,000 in the six-month period ended March 31, 1994. During this same period, escrow security deposits increased by \$1,484,000 to a total of \$2,984,000. Total debt increased by \$18,782,000 to \$50,673,000. Of this increase, \$5,000,000 is related directly to the acquisition of Netcomm Limited.

The Corporation believes that available financing under its revolving credit loan combined with cash to be generated from operations will be sufficient to meet its cash requirements. The Corporation is, however, exploring alternative funding sources in the event that cash requirements to sponsor new product developments and introductions out-pace operating cash receipts. Subsequent to March 31, 1994, the Corporation received and accepted a commitment from The Bank of New York to refinance \$8,000,000 of a note payable, previously maturing January 2, 1995, on a long-term basis.

OPERATIONS

During the six months ended March 31, 1994, the Corporation's operating activities resulted in a net use of cash of \$882,000. Contributing to this operating cash outflow were a net loss of (\$2,803,000), an increase in new product inventories of \$5,576,000, a decrease in accounts payable and accrued expenses of \$4,216,000 due to, among other items, the timing of payrolls and incentive compensation payments, the cost of carrying a vacant facility and payments made for purchase of inventory parts.

Offsetting these negative operating cash flows was the favorable impact of accelerated collection of accounts receivable of \$2,534,000 and certain costs and expenses (depreciation and amortization) that did not require an outlay of cash in the current fiscal year of \$9,437,000.

INVESTING

Investments in capitalized software development rose 38.1% to \$6,700,000 from \$4,850,000 in the prior fiscal year. Spending on property, plant and equipment for the fiscal 1994 period increased \$900,000 to \$4,619,000 from \$3,719,000 in the prior fiscal year's period, principally for equipment to improve manufacturing and engineering processes.

On November 24, 1993, the Corporation acquired all of the outstanding stock of Netcomm Limited for a cash commitment of \$5.5 million and the issuance of

184,627 shares of common stock valued at \$1.8 million. The cash payment was financed through the Corporation's revolving credit agreement.

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GENERAL DATACOMM INDUSTRIES, INC.  
AND SUBSIDIARIES

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

Working capital decreased from \$38,245,000 at September 30, 1993, to \$35,668,000 at March 31, 1994, primarily due to \$8,000,000 in long-term debt moving from a long-term to a current liability category in March. The Corporation has received a commitment letter from a bank to refinance this debt on a long-term basis and is proceeding to conclude this financing. Excluding the effect of this item, working capital otherwise would have shown an increase of \$5,423,000 primarily due to increased inventory and accounts receivable levels. The Corporation's current ratio is 1.7:1 at March 31, 1994, as compared to 1.9:1 at September 30, 1993.

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GENERAL DATACOMM INDUSTRIES, INC.  
AND SUBSIDIARIES

Part II. Other Information

Item 4. Submission of Matters to a Vote of Security Holders

On February 3, 1994, at the Annual Meeting of Stockholders of the Corporation, the stockholders voted on the following matters:

1. Elected one director, Lee M. Paschall, to a term expiring in 1997.  
  
Number of votes cast for: 13,557,224  
Number of votes cast against: 304,484
2. Approved the proposal to adopt an amendment to the 1991 Stock Option Plan by which an additional 650,000 shares of the Corporation's Common Stock, \$.10 par value, were reserved for issuance thereunder.  
  
Number of votes cast for: 11,057,532  
Number of votes cast against: 2,760,860

Item 6. Exhibits and Reports on Form 8-K

(a) Index of Exhibits

11. Calculation of Earnings Per Share for the three- and six-month periods ended March 31, 1994 and 1993.
- 28.1 Amendment No. 1 to Amended and Restated Revolving Credit and Security Agreement between General DataComm Industries, Inc. et al., and The Bank of New York et al.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter for which this report is filed.

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GENERAL DATACOMM INDUSTRIES, INC.  
AND SUBSIDIARIES

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

GENERAL DATACOMM INDUSTRIES, INC.  
(Registrant)

---

William S. Lawrence  
Vice President and Principal Financial Officer

Dated: May 13, 1994

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General DataComm Industries, Inc. and Subsidiaries  
 Calculation of Earnings per Share  
 (In thousands except per share data)

Exhibit 11

<TABLE>  
 <CAPTION>

	Three months ended March 31,		Six months ended March 31,	
	1994	1993	1994	1993
<S>	<C>	<C>	<C>	<C>
Primary earnings per share:				
Weighted average number of common shares outstanding	16,186	15,519	16,081	15,471
Assumed exercise of certain stock options	-	1,273	-	859
	16,186	16,792	16,081	16,330
Income (loss) before cumulative effect of accounting change	(\$810)	\$1,918	(\$2,686)	\$3,469
Cumulative effect of change in accounting for post-retirement benefits	-	-	(117)	-
Net income (loss)	(\$810)	\$1,918	(\$2,803)	\$3,469
Earnings (loss) per share:				
Income (loss) before cumulative effect of accounting change	(\$0.05)	\$0.11	(\$0.16)	\$0.21
Cumulative effect of change in accounting for post-retirement benefits	-	-	(\$0.01)	-
Earnings (loss) per share	(\$0.05)	\$0.11	(\$0.17)	\$0.21
Fully diluted earnings per share:				
Weighted average number of common shares outstanding	16,186	15,519	16,081	15,471
Assumed exercise of certain stock options	-	1,550	-	1,448
	16,186	17,069	16,081	16,919
Income (loss) before cumulative effect of accounting change	(\$810)	\$1,918	(\$2,686)	\$3,469
Cumulative effect of change in accounting for post-retirement benefits	-	-	(117)	-
Net income (loss)	(\$810)	\$1,918	(\$2,803)	\$3,469
Earnings (loss) per share:				
Income (loss) before cumulative effect of accounting change	(\$0.05)	\$0.11	(\$0.16)	\$0.21
Cumulative effect of change in accounting for post-retirement benefits	-	-	(0.01)	-
Earnings (loss) per share	(\$0.05)	\$0.11	(\$0.17)	\$0.21

&lt;/TABLE&gt;

## AMENDMENT NO. 1

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TO

AMENDED AND RESTATED  
REVOLVING CREDIT AND SECURITY AGREEMENT

THIS AMENDMENT NO. 1 ("Amendment") is entered into as of February 27, 1994, by and among GENERAL DATACOMM INDUSTRIES, INC., GENERAL DATACOMM, INC., GDC NAUGATUCK, INC., DATACOMM SERVICE CORPORATION, GDC REALTY, INC., GENERAL DATACOMM INTERNATIONAL CORP., and GENERAL DATACOMM SYSTEMS, INC., (each a "Borrower" and jointly and severally, "Borrowers"), THE BANK OF NEW YORK ("BNY"), IBJ SCHRODER BANK & TRUST COMPANY ("IBJS") and BNY as agent for Lenders (as defined below) (in such capacity, "Agent").

## BACKGROUND

Borrowers have entered into an Amended and Restated Revolving Credit and Security Agreement dated as of November 30, 1993 with BNY, IBJS and the various financial institutions which hereafter become a party thereto (each a "Lender" and collectively, "Lenders") and Agent (as amended, supplemented or otherwise modified from time to time, the "Loan Agreement") pursuant to which certain financial accommodations are provided to Borrowers.

Borrowers have requested that Agent and Lenders amend various financial covenants under the existing credit facility and Agent and Lenders are willing to do so on the terms and conditions hereafter set forth.

NOW, THEREFORE, in consideration of any loan or advance or grant of credit heretofore or hereafter made to or for the account of Borrowers by Agent and each Lender, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Definitions. All capitalized terms not otherwise defined herein shall have the meanings given to them in the Loan Agreement.

2. Amendment to Loan Agreement. Subject to satisfaction of the conditions precedent set forth in Section 3 below, the

(a) The following defined term in Section 1.2 of the Loan Agreement is hereby amended in its entirety to provide as follows:

"Tangible Net Worth" at a particular date shall mean Net Worth at such date minus the goodwill of GDC and its Subsidiaries on a consolidated basis at such date as determined in accordance with GAAP as of the Closing Date minus all other intangible assets of GDC and its Subsidiaries on a consolidated basis at such date as determined in accordance with GAAP as of the Closing Date, plus software license fees associated with CrossComm Corporation.

(b) Section 6.5 of the Loan Agreement is hereby amended in its entirety to provide as follows:

"6.5. Tangible Net Worth. Cause to be maintained at the end of each fiscal quarter a Tangible Net Worth in an amount not less than the amount set opposite such fiscal quarter end below:

FISCAL QUARTER ENDING	MINIMUM TANGIBLE NET WORTH
March 31, 1994	\$35,500,000
June 30, 1994	\$33,500,000
September 30, 1994	\$36,000,000
December 31, 1994 and at the end of each fiscal quarter thereafter	the sum of (i) the minimum Tangible Net Worth required at the end of the immediately preceding fiscal quarter plus (ii) the product of (x) 50% times (y) Net Income (if positive) during the fiscal quarter then ended (excluding net additions to capitalized software) plus (iii) the product of (x) 50% times (y) the sum of additional cash equity contributed to GDC (excluding stock options and stock purchase plan payments) and the amount of subordinated debt proceeds received by GDC and its Subsidiaries on a consolidated

(c) Section 6.6 of the Loan Agreement is hereby amended in its entirety to provide as follows:

"6.6. Total Liabilities to Tangible Net Worth. Cause to be maintained as of the end of each fiscal quarter a ratio of Total Liabilities to Tangible Net Worth of not greater than the ratio set opposite such fiscal quarter end below:

FISCAL QUARTER END	RATIO OF TOTAL LIABILITIES TO TANGIBLE NET WORTH
March 31, 1994	2.50 to 1.0
June 30, 1994	2.90 to 1.0
September 30, 1994	2.80 to 1.0
December 31, 1994	2.75 to 1.0
March 31, 1995	2.70 to 1.0
June 30, 1995	2.50 to 1.0
September 30, 1995 and at the end of each fiscal quarter thereafter	2.30 to 1.0"

(d) Section 6.8 of the Loan Agreement is hereby amended in its entirety to provide as follows:

"6.8. Current Ratio. Cause to be maintained as of the end of each fiscal quarter a ratio of Current Assets to Current Liabilities of not less than 1.25 to 1.0."

(e) Section 6.9 of the Loan Agreement is hereby amended in its entirety to provide as follows:

"6.9. Working Capital. Cause to be maintained as of the end of each fiscal quarter Working Capital in an amount not less than the amount set opposite such fiscal quarter end below:

FISCAL QUARTER ENDING	MINIMUM WORKING CAPITAL
March 31, 1994	\$21,000,000
June 30, 1994	\$20,000,000
September 30, 1994 and at the end of each fiscal	\$21,000,000"

3. Conditions of Effectiveness. This Amendment shall become effective upon satisfaction of the following conditions precedent: Agent shall have received (i) six (6) copies of this Amendment executed by Borrowers, and (ii) such other certificates, instruments, documents, agreements and opinions of counsel as may be reasonably required by Agent or its counsel, each of which shall be in form and substance satisfactory to Agent and its counsel.

4. Consents. Subject to the satisfaction of the conditions set forth in Section 3 hereof and notwithstanding the provisions of Section 7.12 of the Loan Agreement, Agent and Lenders hereby agree and consent that GDC may form the following Subsidiaries:

(i) a Subsidiary in Germany to be known as General DataComm Industries GmbH and (ii) a Subsidiary in Russia to be known as General DataComm CIS.

5. Representations and Warranties. Borrower hereby represents and warrants as follows:

(a) This Amendment and the Loan Agreement, as amended hereby, constitute legal, valid and binding obligations of each Borrower, are enforceable against each Borrower in accordance with their respective terms and have been approved by the Board of Directors of each Borrower.

(b) No Event of Default has occurred and is continuing, or would exist after giving effect to this Amendment.

(c) Each Borrower has no defense, counterclaim or offset with respect to the Loan Agreement.

6. Effect on the Loan Agreement.

(a) Upon the effectiveness of Section 2 hereof, each reference in the Loan Agreement to "this Agreement," "hereunder," "hereof," "herein" or words of like import shall mean and be a reference to the Loan Agreement as amended hereby.

(b) Except as specifically amended herein, the Loan



Agreement, and all other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect, and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided in Section 4 hereof, operate as a waiver of any right, power or remedy of Agent or Lenders, nor constitute a waiver of any provision of the

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Loan Agreement, or any other documents, instruments or agreements executed and/or delivered under or in connection therewith.

7. Governing Law. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and shall be governed by and construed in accordance with the laws of the State of New York.

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

9. Counterparts. This Amendment may be executed by the parties hereto in one or more counterparts, each of which taken together shall be deemed to constitute one and the same instrument.

IN WITNESS WHEREOF, this Amendment No. 1 has been duly executed as of the day and year first written above.

GENERAL DATACOMM INDUSTRIES, INC.  
GENERAL DATACOMM, INC.  
GDC NAUGATUCK, INC.  
DATACOMM SERVICE CORPORATION  
GDC REALTY, INC.  
GENERAL DATACOMM INTERNATIONAL CORP.  
GENERAL DATACOMM SYSTEMS, INC.

By: \_\_\_\_\_  
William S. Lawrence, the Vice-  
President of each of the foregoing  
corporations

1579 Straits Turnpike  
Middlebury, Connecticut 06762-1299

THE BANK OF NEW YORK, as Lender

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

123 Main Street  
White Plains, New York 10602

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IBJ SCHRODER BANK & TRUST COMPANY,  
as Lender

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

One State Street  
New York, New York 10004

THE BANK OF NEW YORK, as Agent

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

Name: \_\_\_\_\_