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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2001

OR

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

For the transition period from _______________ to _______________

Commission file number: 0-17219

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

Utah	87-0398877
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
1825 Research Way, Salt Lake City, Utah	84119
(Address of principal executive offices)	(Zip Code)

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

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act 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.

[X] Yes [ ] No

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

Class of Common Stock	May 10, 2001
$0.001 par value	8,632,278 shares

GENTNER COMMUNICATIONS CORPORATION

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GENTNER COMMUNICATIONS CORPORATION

CONSOLIDATED BALANCE SHEETS

	(Unaudited) March 31, 2001	(Audited) June 30, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,041,617	$ 5,374,996
Accounts receivable	6,065,601	4,153,677
Inventory	5,175,898	3,484,992
Income tax receivable	--	987,912
Deferred taxes	136,000	136,000
Other current assets	548,368	678,744
Total current assets	17,967,484	14,816,321
Property and equipment, net	3,730,219	3,050,349
Related party note receivable	13,164	52,488
Goodwill, net	2,680,763	--
Other assets, net	262,969	1,373
Total assets	$ 24,654,599	$ 17,920,531
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 701,807	$ 767,095
Accrued compensation and other benefits	374,370	694,219
Income tax payable	356,498	--
Other accrued expenses	988,136	1,045,607
Current portion of capital lease obligations	219,931	249,859
Total current liabilities	2,640,742	2,756,780
Capital lease obligations	47,418	205,530
Deferred tax liability	205,000	205,000
Total liabilities	2,893,160	3,167,310
Shareholders' equity:		
Common stock, 50,000,000 shares authorized, par value $.001, 8,632,278 and 8,427,145 shares issued and outstanding at March 31, 2001 and June 30, 2000, respectively	8,632	8,427
Additional paid-in capital	9,034,321	6,697,090
Retained earnings	12,718,258	8,047,704
Cumulative foreign currency translation adjustment	228	--
Total shareholders' equity	21,761,439	14,753,221
Total liabilities and shareholders' equity	$ 24,654,599	$ 17,920,531

See accompanying notes

GENTNER COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

	(Unaudited) Three Months Ended March 31,			
	2001		2000	
Product sales	$ 7,665,910	70.0%	$ 6,161,804	78.3%
Service sales	3,277,781	30.0%	1,705,629	21.7%
Total net sales	10,943,691	100.0%	7,867,433	100.0%
Cost of goods sold - products	2,853,335	37.2%	2,152,928	34.9%
Cost of goods sold - services	1,730,268	52.8%	751,526	44.1%
Total cost of goods sold	4,583,603	41.9%	2,904,454	36.9%
Gross profit	6,360,088	58.1%	4,962,979	63.1%
Operating expenses:				
Marketing and selling	1,998,746	18.3%	1,808,549	23.0%
General and administrative	1,133,525	10.3%	779,953	9.9%
Product development	743,815	6.8%	436,582	5.6%
Total operating expenses	3,876,086	35.4%	3,025,084	38.5%
Operating income	2,484,002	22.7%	1,937,895	24.6%
Other income (expense):				
Interest income	100,360	0.9%	59,355	0.8%
Interest expense	(9,008)	(0.1)%	(15,689)	(0.2)%
Other, net	492	0.0%	(2,576)	(0.0)%
Loss on foreign currency transactions	(22,567)	(0.2)%	--	0.0%
Total other income	69,277	0.6%	41,090	0.6%
Income before income taxes	2,553,279	23.3%	1,978,985	25.2%
Provision for income taxes	952,266	8.7%	738,730	9.4%
Net income	$ 1,601,013	14.6%	$ 1,240,255	15.8%
Basic earnings per common share	$ 0.19		$ 0.15	
Diluted earnings per common share	$ 0.18		$ 0.14	

See accompanying notes

GENTNER COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

	(Unaudited) Nine Months Ended March 31,			
	2001		2000	
Product sales	$23,244,038	73.6%	$18,284,087	81.7%
Service sales	8,340,859	26.4%	4,083,458	18.3%
Total net sales	31,584,897	100.0%	22,367,545	100.0%
Cost of goods sold - products	8,545,473	36.8%	6,516,618	35.6%
Cost of goods sold - services	4,317,349	51.8%	2,062,123	50.5%
Total cost of goods sold	12,862,822	40.7%	8,578,741	38.4%
Gross profit	18,722,075	59.3%	13,788,804	61.6%
Operating expenses:				
Marketing and selling	5,994,077	19.0%	4,845,321	21.7%
General and administrative	3,630,578	11.5%	2,276,966	10.2%
Product development	1,863,459	5.9%	1,393,170	6.2%
Total operating expenses	11,488,114	36.4%	8,515,457	38.1%
Operating income	7,233,961	22.9%	5,273,347	23.5%
Other income (expense):				
Interest income	278,592	0.9%	160,484	0.7%
Interest expense	(32,442)	(0.1)%	(51,650)	(0.2)%
Other, net	17,950	0.0%	(4,034)	0.0%
Loss on foreign currency transactions	(12,017)	(0.0)%	--	0.0%
Total other income	252,083	0.8%	104,800	0.5%
Income before income taxes	7,486,044	23.7%	5,378,147	24.0%
Provision for income taxes	2,815,491	8.9%	2,005,730	8.9%
Net income	$ 4,670,553	14.8%	$ 3,372,417	15.1%
Basic earnings per common share	$ 0.54		$ 0.41	
Diluted earnings per common share	$ 0.52		$ 0.39	

See accompanying notes

GENTNER COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	(Unaudited) Nine Months Ended March 31,	
	2001	2000
Cash flows from operating activities:		
Net income	$ 4,670,553	$ 3,372,417
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	779,268	559,742
Amortization of other assets	201,471	18,224
Changes in operating assets and liabilities:		
Accounts receivable	(1,911,924)	(1,378,673)
Inventory	(1,391,820)	(600,379)
Other current assets	151,999	(204,041)
Accounts payable and other accrued expenses	901,802	508,929
Other	(22,497)	--
Net cash provided by operating activities	3,378,852	2,276,219
Cash flows from investing activities:		
Purchases of property and equipment	(1,142,854)	(1,006,440)
Purchase of business	(1,758,085)	--
Repayment of note receivable	39,324	30,994
Net cash used in investing activities	(2,861,615)	(975,446)
Cash flows from financing activities:		
Proceeds from issuance of common stock	15,095	23,820
Exercise of employee stock options	322,329	285,718
Principal payments on capital lease obligations	(188,040)	(159,704)
Net cash provided by financing activities	149,384	149,834
Net increase in cash	666,621	1,450,607
Cash at the beginning of the year	5,374,996	3,922,183
Cash at the end of the period	$ 6,041,617	$ 5,372,790
Supplemental disclosure of cash flow information:		
Income taxes paid	$(2,230,000)	$(1,856,000)
Interest paid	$ (32,442)	$ (51,650)
Consideration paid in stock for purchase of business	$(2,000,013)	$ --

See accompanying notes

GENTNER COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2001
(Unaudited)

1. Basis of Presentation

During October 2000, the Company established Gentner Communications EuMEA GmbH, a wholly owned subsidiary headquartered in Nuremberg, Germany. The subsidiary began operations during December 2000. Gentner EuMEA will focus on distribution, technical support, and training in Europe, the Middle East and northern Africa. The subsidiary conducts its sales and prepares its financial statements in German Deutsche Marks. Such financial statements are then translated into US Dollars for consolidated financial statement presentation.

The Company is now providing consolidated financial statements that include Gentner EuMEA. This practice commenced in the second quarter of fiscal 2001. All intercompany transactions have been eliminated.

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q of Regulation S-K. Accordingly, certain information and footnote disclosures normally included in complete financial statements have been condensed or omitted. These financial statements should be read in conjunction with the financial statements and footnotes thereto included in the Company's 2000 Annual Report on Form 10-KSB.

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

2. Earnings Per Common Share

The following table sets forth the computation of basic and diluted net income per share:

	Three months ended March 31, 2001	Three months ended March 31, 2000
Numerator:		
Net income	$1,601,013	$1,240,255
Denominator:		
Denominator for basic net income per share - weighted average shares	8,610,375	8,300,841
Effect of dilutive securities using treasury stock method	436,914	554,964
	9,047,289	8,855,805
Net income per share - basic	$ 0.19	$ 0.15
Net income per share - dilutive	$ 0.18	$ 0.14

	Nine months ended March 31, 2001	Nine months ended March 31, 2000
Numerator:		
Net income	$4,670,553	$3,372,417
Denominator:		
Denominator for basic net income per share - weighted average shares	8,581,738	8,230,546
Effect of dilutive securities using treasury stock method	444,444	502,735
	9,026,182	8,733,281

Net income per share - basic	$ 0.54	$ 0.41
Net income per share - dilutive	$ 0.52	$ 0.39

3. Comprehensive Income

As of July 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income." Comprehensive income for the nine-month periods ended March 31, 2001 and 2000 was $4,670,781 and $3,372,417, respectively.

4. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and these accompanying notes. Actual results could differ from those estimates.

5. Inventory

Inventory is summarized as follows:

	(Unaudited) March 31, 2001	(Audited) June 30, 2000
Raw Materials	$ 2,758,523	$ 1,559,210
Work in progress	80,120	437,112
Finished Goods	2,337,255	1,488,670
Total inventory	$ 5,175,898	$ 3,484,992

6. Stock Option Exercise

The following table shows the changes in stock options outstanding.

	Number of Shares	Weighted Average Exercise Price
Options outstanding as of June 30, 2000	1,508,548	$ 7.01
Options granted	106,000	$ 13.58
Options exercised	(5,650)	$ 2.66
Options expired & canceled	(44,250)	$ 9.02
Options outstanding as of September 30, 2000	1,564,648	$ 7.42
Options granted	360,000	$ 12.61
Options exercised	(31,050)	$ 5.38
Options expired & canceled	(3,000)	$ 2.66
Options outstanding as of December 31, 2000	1,890,598	$ 8.45
Options granted	59,000	$ 13.85
Options exercised	(37,425)	$ 3.75
Options expired & canceled	(215,625)	$ 11.62
Options outstanding as of March 31, 2001	1,696,548	$ 8.33

7. Purchase of Business

In May 2000, the Company entered into an agreement to purchase substantially all of the assets of ClearOne, Inc. ("ClearOne") for $3.4 million plus approximately $300,000 in inventory, with a combination of cash and restricted stock. Under the terms of the agreement, the Company issued 129,871 shares of common stock valued at $15.40 and cash of $1,758,085. Goodwill resulting from the difference between the purchase price plus acquisition costs and the net assets acquired, including a non-compete agreement of $240,000, totaled approximately $2.8 million and is being amortized on a straight-line basis over fifteen years. Gentner assumed the lease agreement on ClearOne office space in Woburn, Massachusetts beginning in July 2000. The base monthly rent for this office space is approximately $3,300 monthly. ClearOne was a privately held developer and manufacturer of multimedia group communications products. On July 5, 2000, the acquisition was consummated and was accounted for under the purchase method of accounting.

The following pro forma combined financial information reflects operations as if the acquisition of ClearOne had occurred as of July 1, 1999. The pro forma combined financial information is presented for illustrative purposes only, does not purport to be indicative of the Company's results of operations as of the date hereof and is not indicative necessarily of what the Company's actual results of operations would have been had the acquisition been consummated on such date.

	Three months ended March 31, 2001	Three months ended March 31, 2000
Net revenue	$10,943,691	$ 7,912,848
Net income	$ 1,601,013	$ 1,060,390
Net income per share - basic	$ 0.19	$ 0.13
Net income per share - dilutive	$ 0.18	$ 0.12

	Nine months ended March 31, 2001	Nine months ended March 31, 2000
Net revenue	$31,584,897	$22,791,418
Net income	$ 4,670,553	$ 2,979,517
Net income per share - basic	$ 0.54	$ 0.36
Net income per share - dilutive	$ 0.52	$ 0.34

8. Segment Reporting

The Company reports four different segments - Remote Facilities Management (RFM)/Broadcast, Conferencing Products, Conferencing Services and Other. The RFM/Broadcast segment consists of remote site control products which are designed to monitor and control processes and equipment from a single source to many locations. This segment also consists of telephone interface products which are designed to facilitate the interface between regular telephone lines and the broadcast world, allowing callers to speak live on radio and TV airwaves to millions of listeners. The Conferencing Products segment consists of a full line of room system conferencing products including installed and portable audio- and videoconferencing products. The Conferencing Services segment includes conference calling services, audio bridging, document conferencing services and the addition of the professional services group, which provides consultation services, meeting facilitation and web presentation services.

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies included within the Company's Form 10-KSB for the year ended June 30, 2000. The Company evaluates the performance of these business segments based upon a measure of gross profit since general and administrative costs are not allocated to each segment.

The Company's reportable segments are strategic business units that offer products and services to meet different customer needs. They are managed separately because each segment requires focus and attention on their market and distribution channel.

8. Segment Reporting - (continued)

The following table summarizes the segment information:

	RFM/ Broadcast	Conferencing Products	Conferencing Services	All Other	Company Totals
Quarter Ended March 31, 2001:					
Net sales	$ 1,728,828	$ 5,921,941	$ 3,232,004	$ 60,918	$ 10,943,691
Cost of goods sold	699,046	2,168,394	1,697,645	18,518	4,583,603
Gross profit	1,029,782	3,753,547	1,534,359	42,400	6,360,088
Marketing and selling	136,473	1,213,282	648,147	844	1,998,746
Product development	53,304	690,511			743,815
General and administrative					1,133,525
Total operating expenses					3,876,086
Operating profit					2,484,002
Other income (expense)					69,277
Income before income taxes					2,553,279
Provision for income taxes					952,266
Net income					$ 1,601,013
Quarter Ended March 31, 2000:					
Net sales	$ 1,802,155	$ 4,340,422	$ 1,667,139	$ 57,717	$ 7,867,433
Cost of goods sold	661,195	1,490,867	730,854	21,538	2,904,454
Gross profit	1,140,960	2,849,555	936,285	36,179	4,962,979
Marketing and selling	261,973	1,032,111	514,472	(7)	1,808,549
Product development	154,816	281,766			436,582
General and administrative					779,953
Total operating expenses					3,025,084
Operating profit					1,937,895
Other income (expense)					41,090
Income before income taxes					1,978,985
Provision for income taxes					738,730
Net income					$ 1,240,255

	RFM/ Broadcast	Conferencing Products	Conferencing Services	All Other	Company Totals
Year-to-Date At March 31, 2001:					
Net sales	$ 5,423,322	$ 17,718,710	$ 8,186,667	$ 256,198	$ 31,584,897
Cost of goods sold	2,176,416	6,401,860	4,204,162	80,384	12,862,822
Gross profit	3,246,906	11,316,850	3,982,505	175,814	18,722,075
Marketing and selling	463,338	3,636,993	1,890,698	3,048	5,994,077
Product development	201,147	1,662,312			1,863,459
General and administrative					3,630,578
Total operating expenses					11,488,114
Operating profit					7,233,961
Other income (expense)					252,083
Income before income taxes					7,486,044
Provision for income taxes					2,815,491

Net income	$ 4,670,553
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8. Segment Reporting - (continued)

Year-to-Date At March 31, 2000:

Net sales	$ 5,660,327	$ 12,517,172	$ 3,921,480	$ 268,566	$ 22,367,545
Cost of goods sold	2,232,133	4,250,208	2,003,204	93,196	8,578,741
Gross profit	3,428,194	8,266,964	1,918,276	175,370	13,788,804
Marketing and selling	904,835	2,729,298	1,208,604	2,584	4,845,321
Product development	664,488	728,682			1,393,170
General and administrative					2,276,966
Total operating expenses					8,515,457
Operating profit					5,273,347
Other income (expense)					104,800
Income before income taxes					5,378,147
Provision for income taxes					2,005,730
Net income					$ 3,372,417

9. Subsequent Events

On April 12, 2001, the Company sold the assets of the remote control portion of the RFM/Broadcast division to Burk Technology of Littleton, MA ("Burk"). Burk is a privately-held developer and manufacturer of broadcast facility control systems products. The Company retained the accounts payable of the remote control portion of the RFM/Broadcast division. Burk assumed obligations for (i) unfilled customer orders, and (ii) satisfying warranty obligations to both existing customers of the Company, and for inventory sold to Burk.

The assets of the remote control portion of the RFM/Broadcast division were sold to Burk for $3.2 million, including $750,000 at closing, and $1.75 million in the form of a seven (7) year promissory note, with interest at the rate of nine percent (9%), secured by a subordinate security interest in the personal property of Burk. In addition, up to $700,000 is payable as a commission over a period of up to seven years. The Company will account for the sale of these assets under the purchase method of accounting, realizing a gain on the sale of approximately $2.9 million.

During April 2001, the Company announced that its board of directors had approved a stock repurchase program to purchase up to 500,000 shares of the Company's common stock over the next six months. Purchases will be made on the open market or in private transactions.

Item 2. Management's Discussion and Analysis of Plan of Operation

General

The Company develops, manufactures, markets, and distributes products and services for the broadcast and conferencing markets. The Company reports four different segments - Remote Facilities Management (RFM)/Broadcast, Conferencing Products, Conferencing Services and Other. The Company has applied its core digital technology to the development of products for small, medium and large conferencing venues, as well as assistive listening markets. The following discussion should be read in conjunction with financial statements included in this Form 10-Q as well as the Management's Discussion and Analysis of Plan of Operation and the financial statements contained in the Company's Form 10-KSB for fiscal year ended June 30, 2000.

Results of Operations

Sales for the three-month period ended March 31, 2001 increased 39 percent to $10.9 million from $7.9 million compared to the three-month period ended March 31, 2000. For the nine-month period ended March 31, 2001, sales increased 41 percent to $31.6 million from $22.4 million compared to the nine-month period ended March 31, 2000. This increase is mainly due to the strong growth in sales of conferencing products and conferencing services, as discussed below.

Conferencing Products experienced a 36 percent sales growth when comparing the third quarter of fiscal 2001 to the same quarter of fiscal 2000, from $4.3 million to $5.9 million. Sales in Conferencing Products increased 42 percent, from $12.5 million to $17.7 million, comparing the first nine months of this fiscal year to the first nine months of last fiscal year. This increase was mainly due to the continued success of the Audio Perfect(R) product line, as well as the introduction of new products, including the GT1524. The Audio Perfect(R) product line, which began shipping in April of 1998, includes the AP800, the AP10, the AP400, AP Tools, the AP IR Remote, and the APV200 IP. The Company also realized more revenue associated with a room installation as a result of the expanded product lines. During the third quarter of fiscal 2000, the Company started shipping the PA870 power amplifier. During the second quarter of fiscal 2001, the Company began shipping the PSR1212 digital matrix mixer.

Conferencing Services, the conference calling portion which is known as 1-800 LETS MEET(R), experienced sales growth of 94 percent in the third quarter, with $3.2 million in revenues for the third quarter of fiscal 2001 compared to $1.7 million for the same quarter of fiscal 2000. Conferencing Services increased 109 percent for this fiscal year-to-date with $8.2 million in revenues for the first nine months of fiscal 2001 compared to $3.9 million for the first nine months of fiscal 2000. Over the past year, the Company has expanded its service offerings to include on-demand, reservationless conference calling, and Webconferencing. The Company attributes this growth in sales to an increased customer base due in part to the Company's increase in sales staff for marketing conference calling services as well as the overall market growth over the last year for such services. The Company's conference calling service is being marketed not only to corporate clients but also to long distance telephone service providers for resale.

RFM/Broadcast sales decreased four percent in the third quarter of this fiscal year to $1.7 million from $1.8 million in the same quarter of last fiscal year. RFM/Broadcast sales decreased four percent in the first nine months of fiscal 2001 to $5.4 million from $5.7 million in the same period of last fiscal year. RFM/Broadcast consists of two product lines, Telephone Interface and Remote Facilities Management (RFM, formerly known as Remote Site Control). Sales of the Telephone Interface line decreased three percent during the third quarter of this fiscal year compared to the same quarter of last year and decreased 11 percent during the first nine months of this fiscal year compared to the same period of last fiscal year. RFM decreased five percent in the third quarter of this fiscal year when compared to the same quarter last year and increased seven percent in the first nine months of this fiscal year when compared to the same period of last fiscal year, mainly due to increased sales of the GSC3000 during second quarter of fiscal 2001. Also contributing to this increase is sales of the VRC2500, which began shipping in the first quarter of fiscal 2001. Following the fiscal 2001 third quarter, the Company sold the assets comprising the Company's remote control portion of the RFM/Broadcast operations, as described in footnote 9 of the financial statements filed with this Form 10-Q. The Company retained the assets of the Telephone Interface portion of this division.

Other sales increased six percent in the third quarter of this fiscal year with revenues of $60,918 compared to $57,717 for the same quarter of last fiscal year. Other sales decreased five percent for the first nine months of this fiscal year with revenues of $256,198 compared to $268,566 for the same period of fiscal 2000. In general, the Company is not promoting Other Products, and those sales are expected to continue to decrease.

During the third quarter of fiscal 2001, the Company implemented a blanket purchase order program for the Company's dealers and premier dealers. This program offers higher discounts for orders placed by these dealers for their product needs over a twelve-month period. This program may allow the Company to better predict its manufacturing schedule, expense levels and net revenues.

The Company's gross profit margin percentage was 58.1 percent for the third quarter of fiscal 2001 and 63.1 percent for the same quarter last year. Gross profit margin percentage was 59.3 percent for the first nine months of fiscal 2001 and 61.6 percent for the same nine-month period last year. This decrease was primarily due to the increase in the pricing of select core components used in Company products and the increase in service revenues which generally have lower margins. Also contributing to the decrease is greater dealer margins offered under the new blanket purchase order program.

The Company believes that most of the key components required for the production of its products are currently available in sufficient quantities. The Company has experienced long component lead times in the past, but is starting to see moderating lead times on many products. Even though the Company has purchased more of these "longer-lead-time" parts to ensure continued delivery of products, reduction in these inventories will track the reduction of lead times with an undetermined lag time. The Company also continues to focus on locating other sources for raw materials and enhancing vendor relationships to further ensure adequate materials.

The Company's operating expenses increased 28.1 percent when comparing the third quarter of this fiscal year compared to the same quarter of last fiscal year and 34.9 percent when comparing the first nine months of this fiscal year compared to the same period of last fiscal year. The most significant portion of these increases came in general and administrative expenses, as discussed below.

Marketing and selling expenses for the third quarter of fiscal 2001 increased 11 percent from the third quarter of last fiscal year. Marketing and selling expenses decreased as a percent of revenue from 23.0 percent in the third quarter of fiscal 2000 to 18.3 percent in the third quarter of fiscal 2001. Year-to-date marketing and selling expenses increased 24 percent compared to the same period last fiscal year, although market and selling expenses decreased as a percentage of revenue from 21.7 percent for the first nine months of fiscal 2000 to 19.0 percent for the same period of fiscal 2001 as a percent of revenue. The increase in dollars was primarily due to higher commission expense resulting from the increase in sales. Also contributing to the increase was shelving expenses with respect to the retail market.

Product development costs increased 70 percent in the third quarter of fiscal 2001 as compared to the third quarter of fiscal 2000, and increased as a percent of revenue from 5.6 percent in the third quarter of fiscal 2000 to 6.8 percent in the third quarter of fiscal 2001. Year-to-date product development expenses increased 34 percent for the nine months ended March 31, 2001 as compared to the same period of fiscal 2000, but decreased as a percent of revenue from 6.2 percent in the first nine months of fiscal 2000 to 5.9 percent in the first nine months of fiscal 2001. The increase in absolute dollars was primarily due to new product development and higher salary expenses.

General and administrative expenses increased 45 percent in the third quarter of fiscal 2001 as compared to the third quarter in the previous fiscal year, while expenses increased as a percent of revenue from 9.9 percent in the third quarter of fiscal 2000 to 10.3 percent in the third quarter of fiscal 2001. Year-to-date general and administrative expenses increased 59 percent in the first nine months of fiscal 2001 as compared to the first nine months of the previous fiscal year, while expenses increased as of percent of revenue from 10.2 percent in the first nine months of fiscal 2000 to 11.5 percent in the first nine months of fiscal 2001. This increase in absolute dollars was mainly due to a one-time bad debt write off of $398,453 with respect to a single customer who filed bankruptcy during the second quarter. Also associated with this increase were the costs incurred in hiring personnel to support increased sales volume and the infrastructure costs associated with the hiring of such new personnel, as well as costs associated with the Company's Woburn, MA office and the amortization expense associated with the goodwill purchased in the ClearOne acquisition.

Interest income increased 69 percent when comparing the third quarter of fiscal 2001 to the third quarter of fiscal 2000. Interest income increased 74 percent when comparing the first nine months of 2001 to the same period of fiscal 2000. The increase is due to the increase in cash and cash equivalents.

Interest expense decreased 43 percent when comparing the third quarter of fiscal 2001 to the third quarter of fiscal 2000. Interest expense decreased 37 percent when comparing the first nine months of fiscal 2001 to the first nine months of fiscal 2000 due to the maturing of certain of the Company's leases.

During the third quarter of fiscal 2001, income tax expense was calculated at a combined federal and state tax rate of 37.3 percent, resulting in a tax expense of $952,300, compared to 37.3 percent and $738,700 in the third quarter of fiscal 2000. Year-to-date income tax expense was calculated at a combined federal and state tax rate of 37.6 percent, resulting in a tax expense of

$2,815,500, compared to 37.3 percent and $2,005,700 in the first nine months of fiscal 2000.

Net income increased 29 percent the third quarter of this fiscal year as compared to the third quarter in the previous year. Net income increased 38 percent the first nine months of this fiscal year as compared to the nine months in the previous year. These increases reflect the favorable operating results offset by the increase in certain expenses, all as described above.

Financial Condition and Liquidity

The Company had cash and cash equivalents of $6.0 million and $5.4 million at March 31, 2001 and June 30, 2000, respectively, an increase of $670,000. Net operating activities provided cash of $3.4 million in the first nine months of fiscal 2001, primarily due to profitable operations, as well as increased amortization and depreciation expense which was offset by increased inventory as discussed above. Net investing activities used cash of $2.9 million primarily due to the purchase of the assets of ClearOne and the purchase of assets for development of the Company's infrastructure. Net cash provided by financing activities was $149,000.

The Company has an available revolving line of credit of $5.0 million, which is secured by the Company's accounts receivable and inventory. The interest rate on the line of credit is variable (250 basis points over the London Interbank Offered Rate (LIBOR) or prime less 0.25 percent, whichever the Company chooses). The borrowing rate was 7.0 percent at March 31, 2001. There was no outstanding balance on March 31, 2001. The line of credit was renewed as of December 22, 2000 and will expire on December 22, 2001. Borrowings under the line of credit are subject to certain financial and operating covenants. The Company was in compliance with the covenants at March 31, 2001.

During April 2001, the Company announced that its board of directors had approved a stock repurchase program to purchase up to 500,000 shares of the Company's common stock over the next six months. Purchases will be made on the open market or in private transactions.

Management believes that the Company's working capital, bank line of credit and cash flow from operating activities will be sufficient to meet the Company's operating and capital expenditures requirements for the next twelve months. In the longer term, or if the Company experiences a decline in revenue, or in the event of other unforeseen events, the Company may require additional funds and may seek to raise such funds through public or private equity or debt financing, bank lines of credit, or other sources. No assurance can be given that additional financing will be available or, if available will be on terms favorable to the Company. See "Factors that May Affect Future Results - Limited Capitalization."

Factors that May Affect Future Results

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended. Forward-looking statements relate to the Company's future plans, objectives, expectations, and intentions. These statements may be recognized by the use of words such as "believes," "expects," "may," "will," "intends," "plans," "should," "seeks," "anticipates," and similar expressions. In particular, statements regarding the Company's markets and market share, demand for its products and services, FCC actions, manufacturing capacity and component availability, and the development and introduction of new products and services are forward-looking statements and subject to material risks. Actual results could differ markedly from those projected in the forward-looking statements as a result of the factors set forth below and the matters set forth in the report generally, as well as the factors set forth in the Company's reports filed with the Securities and Exchange Commission including the Form 10-KSB filed for the year ended June 30, 2000. The Company cautions the reader, however, that this list of factors may not be exhaustive, particularly with respect to future factors. Any forward-looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made.

Rapid Technological Change

The RFM/Broadcast, conferencing products, conferencing services, and other product markets are highly competitive and characterized by rapid technological change. The Company's future performance will depend in large part upon its ability to remain competitive and to develop and market new products and services in these markets in a timely fashion that responds to customers' needs and incorporates new technology and standards.

The Company may not be able to design and manufacture products that address customer needs or achieve market acceptance. Any significant failure to design, manufacture, and successfully introduce new products could materially harm the Company's business.

The markets in which the Company competes have historically involved the introduction of new and technologically advanced products and services that cost less or perform better. If the Company is not competitive in its research and development efforts, its products may become obsolete or be priced above competitive levels.

Although management believes that, based on their performance and price, its products are currently 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.

Competition

The markets for the Company's products and services are highly competitive. These markets include the Company's traditional dealer channel, the market for its conferencing services, and the retail channel. The Company competes with businesses having substantially greater financial, research and development, manufacturing, marketing, and other resources. If the Company fails to maintain or enhance its competitive position, it could experience pricing pressures and reduced sales, margin, profits, and market share, each of which could materially harm the Company.

Marketing

The Company is subject to the risks inherent in the marketing and sale of current and new products and services in an evolving marketplace. The Company must effectively allocate its resources to the marketing and sale of these products through diverse channels of distribution. The Company's current strategy is to establish distribution channels and direct selling efforts in markets where it believes there is a growing need for its products and services. For example, with the acquisition of the ClearOne assets the Company has expanded its products to include the retail market. There can be no assurance that this strategy will prove successful.

Difficulties in Managing Growth

The Company is experiencing a period of significant expansion in personnel, facilities and infrastructure, and management anticipates that further expansion will be required to address potential growth in our customer base and market opportunities. This expansion will require continued application of management, operational and financial resources

To manage the expected growth of operations and personnel, the Company may need to improve its transaction processing, operational and financial systems, procedures and controls. The Company's current and planned personnel, systems, procedures and controls may not be adequate to support our future operations. Difficulties in managing these challenges could adversely affect the Company's financial performance.

Difficulties in Estimating Customer Demand Could Harm Our Operating Results

Orders from our resellers are based on demand from end-users. Prospective end-user demand is difficult to measure. This means that any period could be adversely impacted by lower end-user demand, which could in turn negatively affect orders we receive from our resellers. Our expectations for both short- and long-term future net revenues are based on our own estimate of future demand as well as backlog based on the blanket purchase order program, as discussed above. We also base expense levels on those revenue estimates.

Dependence on Distribution Network

The Company markets its products primarily through a network of representatives, dealers, and master distributors. All of the Company's agreements retaining such representatives and dealers are non-exclusive and terminable at will by either party. Although the Company believes that its relationships with such representatives and dealers are good, there can be no assurance that any or all such representatives or dealers will continue to offer the Company's products.

Price discounts to the Company's distribution market are based on performance. However, 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. There are no prohibitions on dealers offering products that are competitive with those of the Company. Most dealers do offer competitive products. The Company reserves the right to maintain house accounts which are for products sold directly to customers. The loss of representatives or dealers could have a material adverse effect on the Company's business.

Limited Capitalization

As of March 31, 2001, the Company had $6.0 million in cash and $15.3 million 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 $5 million revolving line of credit matures in December of 2001 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 no outstanding balance payable on the line of credit as of March 31, 2001. To the extent the line of credit is not extended or replaced and cash from operations is insufficient to fund operations, the Company may be required to seek additional financing.

Telecommunications and Information Systems Network

The Company is highly reliant on its network equipment, telecommunications providers, data, and software, to support all functions of the Company. The Company's conference calling service relies 100 percent on the network for its revenues. While the Company endeavors to provide for failures in the network by providing back-up systems and procedures, there is no guarantee that these back-up systems and procedures will operate satisfactorily in an emergency. Should the Company experience such a failure, it could seriously jeopardize its ability to continue operations. In particular, should the Company's conference calling service experience even a short term interruption of its network or telecommunication providers, its ongoing customers may choose a different provider, and its reputation may be damaged, reducing its attractiveness to new customers.

Dependence on Supplier and Single Source of Supply

The Company does not typically have written contracts with any of its suppliers. Furthermore, certain electronic components used in connection with the Company's products can only be obtained from single manufacturers and the Company is dependent upon the ability of these manufacturers to deliver such components to the Company's suppliers so that they can meet the Company's delivery schedules. The Company does not have a written commitment from such suppliers to fulfill the Company's future requirements. The Company's suppliers maintain an inventory of such components, but there can be no assurance that such components will always be readily available, available at reasonable prices, available in sufficient quantities, or deliverable in a timely fashion. If such 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.

The Company believes that most of the key components required for the production of its products are currently available in sufficient quantities. The Company has experienced long component lead times in the past, but is starting to see moderating lead times on many products. Even though the Company has purchased more of these "longer-lead-time" parts to ensure continued delivery of products, reduction in these inventories will track the reduction of lead times with an undetermined lag time. 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 may be adversely affected.

Software Risks

The Company has developed custom software for its products and has licensed additional software from third parties. This software may contain undetected errors, defects or bugs. Although the Company has not suffered significant harm from any errors or defects to date, the Company may discover significant errors or defects in the future that the Company may or may not be able to fix or fix in a timely or cost effective manner. The Company's inability to do so could harm its business.

Manufacturing Process Risks

While the Company has substantial experience in designing and manufacturing its products, the Company may still experience technical difficulties and delays with the manufacturing of our products. Potential difficulties in the design and manufacturing process that could be experienced by us include difficulty in meeting required specifications, difficulty in achieving necessary manufacturing efficiencies, and difficulties in obtaining materials on a timely basis.

Reliance on Efficiency of Distribution and Third Parties

The Company's financial performance is dependent in part on its ability to provide prompt, accurate, and complete services to customers on a timely and competitive basis. Delays in distribution in the Company's day-to-day operations or material increases in the Company's costs of procuring and delivering products could have an adverse effect on the Company's results of operations. Any failure of either the Company's computer operating systems, the Internet or the Company's telephone system could adversely affect the Company's ability to receive and process customers' orders and ship products on a timely basis. Strikes or other service interruptions affecting Federal Express Corporation, United Parcel Service of America, Inc., or other common carriers used by the

Company to receive necessary components or other materials or to ship the Company's products also could impair its ability to deliver products on a timely and cost-effective basis.

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. 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. Such claims could divert management's attention and be expensive, regardless of their merit. The Company might be required to license third party technology or redesign its products, which may not be possible or economically feasible.

Government Funding and Regulation

In the conferencing market, the Company is dependent on government funding to place its distance learning sales and courtroom equipment sales. In the event government funding was stopped, these sales would be negatively impacted. Additionally, many of the Company's products are subject to governmental regulations. New regulations could significantly adversely impact sales.

Dividends Unlikely

The Company has never paid cash dividends on its securities and does not intend to declare or pay cash dividends in the foreseeable future. Earnings are expected to be retained to finance and expand its business. Furthermore, the Company's revolving line of credit prohibits the payment of dividends on its Common Stock.

Potential Dilutive Effect of Outstanding Options and Possible Negative Effect of Future Financing

The Company has outstanding options issued under the Company's 1990 Incentive Plan and the 1998 Stock Option Plan, which include options to purchase up to 3,200,000 shares of Common Stock granted or available for grant. As of March 31, 2001, the Plans have 1,696,548 options outstanding. Holders of these options are given an opportunity to profit from a rise in the market price of the Company's Common Stock with a resulting dilution in the interests of the other stockholders. The holders of the 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.

Dependence Upon Key Employees

The Company is substantially dependent upon certain of its employees, including Frances M. Flood, President and Chief Executive Officer and a director and shareholder of the Company. The loss of Ms. Flood by the Company could have a material adverse effect on the Company. The Company currently has in place a key person life insurance policy on the life of Ms. Flood in the amount of $3,000,000.

Possible Control by Officers and Directors

The officers and directors of the Company together had beneficial ownership of approximately 26.4 percent of the Company's Common Stock (including options that are currently exercisable or exercisable within sixty (60) days) as of May 1, 2001. This significant holding in the aggregate places the officers and directors in a position, when acting together, to effectively control the Company and could delay or prevent a change in control.

Collectability of Outstanding Receivables

The Company grants credit without requiring collateral to substantially all of its customers. Although the possibility of a large percentage of customers defaulting exists, the Company believes this scenario to be highly unlikely.

International Sales and Related Risks

International sales represent a significant portion of the Company's total revenue. For example, international sales represented 13 percent of the Company's total sales for the third quarter of fiscal 2001 and 15 percent for the first nine months of fiscal 2001. If the Company is unable to maintain international market demand, its results of operations could be materially harmed. The Company's international business is subject to the financial and operating risks of conducting business internationally, including: unexpected changes in, or imposition of, legislative or regulatory requirements; fluctuating exchange rates, tariffs and other barriers; difficulties in staffing and managing foreign subsidiary operations; export restrictions; greater difficulties in accounts receivable collection and longer payment cycles; potentially adverse tax consequences; and potential hostilities and changes in diplomatic and trade relationships.

During October 2000, the Company established Gentner Communications EuMEA GmbH, a wholly owned subsidiary headquartered in Nuremberg, Germany. The subsidiary began operations during December 2000. Gentner EuMEA will focus on distribution, technical support, and training in Europe, the Middle East and northern Africa.

Except for sales by Gentner EuMEA, which are denominated in German Deutsche Marks, the Company's sales in the international market are denominated in U.S. Dollars. Consolidation of Gentner EuMEA's financial statements with those of the Company requires translation to U.S. Dollars. That translation is subject to exchange rate risks.

Integration of Acquired Business

The Company has dedicated and will continue to dedicate, substantial management resources in order to achieve the anticipated operating efficiencies from integrating ClearOne. Difficulties encountered in integrating ClearOne's operations could adversely impact the business, results of operations or financial condition of the Company. Also, the Company intends to pursue acquisition opportunities in the future. The integration of acquired businesses could require substantial management resources. There can be no assurance that any such integration will be accomplished without having a short or potentially long-term adverse impact on the business, results of operations or financial condition of the Company or that the benefits expected from any such integration will be fully realized.

New Accounting Pronouncements

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) 101, "Revenue Recognition in Financial Statements." The effective date of SAB 101 is the fourth quarter of fiscal years beginning after December 15, 1999. This SAB clarifies proper methods of revenue recognition given certain circumstances surrounding sales transactions. The Company continues to evaluate the impact of SAB 101, but believes it is in compliance with the provisions of the SAB and accordingly, does not expect SAB 101 to have a material effect on its financial statements.

In 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which was subsequently amended by SFAS No. 137 "Accounting for Derivative Financial Instruments and Hedging Activities - Deferral of the Effective Date of SFAS No. 133" and SFAS No. 138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities." SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument, including certain derivative instruments embedded in other contracts, be recorded in the balance sheet as either an asset or liability measured at its fair value. The statement also requires that changes in the derivative's fair value be recognized in earnings unless specific hedge accounting criteria are met. SFAS No. 133, as amended by SFAS No. 137 and SFAS No. 138, is effective for all fiscal years beginning after June 15, 2000. The Company does not expect the adoption of SFAS No. 133 to have a material impact on the Company's financial condition or results of operations.

Item 3. Qualitative and Quantitative Disclosures About Market Risk

In 1997, the SEC issued new rules (Item 305 of Regulation S-K) which require disclosure of material risks as defined by Item 305, related to market risk sensitive financial instruments. As defined, the Company currently has only limited market risk sensitive instruments related to interest rates. The Company has outstanding capital leases of $267,000 at March 31, 2001.

The Company does not have significant exposure to changing interest rates on these capital leases because interest rates for the majority of the capital leases are fixed. The Company has not undertaken any additional actions to cover interest rate market risk and is not a party to any other interest rate market risk management activities.

A hypothetical 10 percent change in market interest rates over the next year would not impact the Company's earnings or cash flows as the interest rates on the majority of the capital leases are fixed.

The Company does not purchase or hold any derivative financial instruments for trading purposes.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 10-Q

(a) Exhibits

EXHIBIT NUMBER	DESCRIPTION
3.1 1	Articles of Incorporation and all amendments thereto through March 1, 1988. (Page 10) (incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1989)
3.2 1	Amendment to Articles of Incorporation, dated July 1, 1991. (Page 65) (incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1991)
3.3 1	Bylaws, as amended on August 24, 1993. (Page 16) (incorporated by reference from the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 1993)

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

(b) Reports on Form 8-K

There were no reports on Form 8-K filed during the period covered by this report.

SIGNATURES

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

GENTNER COMMUNICATIONS CORPORATION

/s/ Susie Strohm

Susie Strohm
Vice President, Finance

Date: May 10, 2001