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

FORM 10-QSB

(Mark One)

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

For the quarterly period ended September 30, 1998

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.)

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

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

CLASS OF COMMON STOCK	NOVEMBER 13, 1998
$0.001 PAR VALUE	8,122,616 SHARES

Transitional Small Business Disclosure Format (check one)

[ ] Yes [X] No

GENTNER COMMUNICATIONS CORPORATION

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GENTNER COMMUNICATIONS CORPORATION

BALANCE SHEETS

	(Unaudited) September 30, 1998	(Audited) June 30, 1998
ASSETS		
Current assets:		
Cash and cash equivalents	$2,059,947	$ 715,325
Accounts receivable	2,199,339	1,743,390
Inventory	2,523,053	3,154,983
Deferred taxes	40,000	40,000
Other current assets	144,467	174,667
Total current assets	6,966,806	5,828,365
Property and equipment, net	2,152,268	2,320,336
Related party note receivable	122,846	126,505
Other assets, net	31,076	36,534
Total assets	$9,272,996	$8,311,740
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 669,127	$ 537,202
Accrued compensation and other benefits	562,332	486,658
Other accrued expenses	422,187	372,823
Current portion of long-term debt	294,274	285,630
Current portion of capital lease obligations	238,927	237,109
Total current liabilities	2,186,847	1,919,422
Long-term debt	325,472	402,584
Capital lease obligations	696,854	752,728
Total liabilities	3,209,173	3,074,734
Shareholders' equity:		
Common stock, 50,000,000 shares authorized, par value $.001, 8,122,095 and 7,698,523 shares issued and outstanding at September 30, 1998 and June 30, 1998	8,122	7,699
Additional paid-in capital	4,772,004	4,454,407
Retained earnings	1,283,697	774,900
Total shareholders' equity	6,063,823	5,237,006
Total liabilities and shareholders' equity	$9,272,996	$8,311,740

See accompanying notes

GENTNER COMMUNICATIONS CORPORATION

STATEMENTS OF OPERATIONS

	(Unaudited) Three Months Ended September 30, 1998	1997
Net sales	$ 5,497,943	$ 3,724,979
Cost of goods sold	2,517,362	1,827,190
Gross profit	2,980,581	1,897,789
Operating Expenses:		
Marketing and selling	1,129,179	736,780
General and administrative	635,632	599,522
Product development	363,529	296,489
Total operating expense	2,128,340	1,632,791
Operating income	852,241	264,998
Other income (expense):		
Interest income	8,825	3,717
Interest expense	(34,460)	(64,554)
Other, net	(9,809)	4,018
Total other income (expense)	(35,444)	(56,819)
Income before income taxes	816,797	208,179
Provision for income taxes	308,000	--
Net income	$ 508,797	$ 208,179
Basic earnings (loss) per common share	$ 0.06	$ 0.03
Diluted earnings (loss) per common share	$ 0.06	$ 0.03

See accompanying notes

GENTNER COMMUNICATIONS CORPORATION

STATEMENTS OF CASH FLOWS

	(Unaudited) Three Months Ended September 30, 1998	1997
Cash flows from operating activities:		
Net income	$ 508,797	$ 208,179
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	216,106	159,483
Amortization of other assets	5,458	14,147
Changes in operating assets and liabilities:		
Accounts receivable	(455,949)	(263,391)
Inventory	631,930	(24,337)
Other current assets	30,200	4,591
Accounts payable and other accrued expenses	256,964	(5,967)
Net cash provided by operating activities	1,193,506	92,705
Cash flows from investing activities:		
Purchases of property and equipment	(48,038)	(74,309)
Repayment of note receivable	3,659	--
Increase in other assets	--	(1,061)
Net cash used in investing activities	(44,379)	(75,370)
Cash flows from financing activities:		
Proceeds from issuance of common stock	1,064	811
Exercise of employee stock options	316,955	7,719
Net borrowings under line of credit	--	44,040
Principal payments of capital lease obligations	(54,056)	(65,916)
Principal payments of long-term debt	(68,468)	(60,894)
Net cash provided by (used in) financing activities	195,495	(74,240)
Net increase (decrease) in cash	1,344,622	(56,905)
Cash at the beginning of the year	715,325	63,992
Cash at the end of the year	$ 2,059,947	$ 7,087
Supplemental disclosure of cash flow information:		
Property and equipment financed by capital leases	$ --	$ 11,545
Income taxes paid	$ 53,500	$ (900)
Interest paid	$ 33,638	$ (67,947)

See accompanying notes

GENTNER COMMUNICATIONS CORPORATION

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1998
(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB of Regulation S-B. Accordingly, certain information and footnote disclosures normally included in complete financial statements have been condensed or omitted. These financial statements should be read in conjunction with the financial statements and footnotes thereto included in the Company's 1998 Annual Report and 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 September 30, 1998	Three months ended September 30, 1997
Numerator:		
Net income	$ 508,798	$ 208,179
Denominator:		
Denominator for basic net income per share -- weighted average shares	7,948,358	7,666,409
Effect of dilutive securities using treasury stock method	174,082	97,608
	$8,122,440	$7,764,017
Net income per share -- basic	$ 0.06	$ 0.03
Net income per share - dilutive	$ 0.06	$ 0.03

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 three-month periods ended September 30, 1998 and 1997 was equal to net income.

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) September 30, 1998	(Audited) June 30, 1998
Raw Materials	$ 847,147	$ 1,014,732
Work in progress	403,296	524,313
Finished Goods	1,272,610	1,615,938

Total inventory	$ 2,523,053	$ 3,154,983

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

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, 1998	1,853,080	$1.61
Options expired & canceled	(4,500)	$0.75
Options exercised	(423,202)	$0.75
Options outstanding as of September 30, 1998	1,425,378	$1.86

7. COMMITMENTS

The Company has entered into an agreement to purchase 300 units of RSI video conference engines over the next year.

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

Results of Operations

Sales for the three months ended September 30, 1998 increased 48% compared to the same three-month period last year.

Sales in Teleconferencing operations increased 95% comparing the first quarter of this fiscal year to the same quarter last year. This increase is due to increased sales of the Company's teleconferencing products. Teleconferencing products experienced a 96% sales growth, driven by the Audio Perfect(TM) product line. The Audio Perfect(TM) product line began shipping in April of 1998. These products use a new digital technology called Distributed Echo Cancellation(TM) and incorporate several functional devices including automatic microphone mixing, echo cancellation, audio routing, audio equalization and audio processing into a single device. Instead of just getting the revenue from the sale of an echo cancellation unit, the Company will get more of the revenue associated with a room installation as a result of the expanded applications. Continuing strong sales in teleconferencing services also contributed to Teleconferencing growth. The Company's conference calling service experienced a 90% sales growth over the same quarter last fiscal year. This increase is the result of the Company expanding its sales staff, who are aggressively marketing its conference calling service.

Broadcast sales increased 22% in the first quarter of this fiscal year as compared to the first quarter of last fiscal year. In this market, Remote Facilities Management (formerly known as Remote Site Control) grew 46%, mainly due to increased sales of the GSC3000. The GSC3000 allows broadcasters to monitor and control many transmitter sites from one location. Sales to the television market and the introduction of the Voice Interface also contributed to the increased sales of the GSC3000. The Voice Interface allows an engineer to call the remote equipment from any telephone, check on its status, and make adjustments using only the telephone. The Telephone Interface line of products also contributed to the broadcast sales growth, primarily due to the Company's line of new telephone hybrids. Telephone hybrids are used to connect telephone line audio to professional audio equipment.

All other sales decreased 13% in the first quarter of this fiscal year as compared to the first quarter of last fiscal year. This was caused by the drop in Assistive Listening Systems (ALS) product sales. ALS sales were higher in the first quarter of fiscal 1998 than in the first quarter of fiscal 1999 due to a large backlog of orders for ALS products, including the then new PTX portable transmitter.

The Company's gross profit margin percentage was 54% for the first quarter of this year, compared to 51% for the same quarter last year. This increase is primarily due to a critical focus on improving manufacturing processes, aggressive vendor pricing, new products with higher gross profit margins, and a different product mix. The Company's conference calling service has a lower gross profit margin than its manufacturing operations. As conference calling becomes a higher percentage of total sales, this could negatively impact the Company's overall gross profit margin.

Operating expenses for the quarter increased 30% when comparing the first quarters of this fiscal year and last fiscal year. The most significant portion of this increase came in Sales & Marketing expenses, which increased 53%, comparing first quarters of this year and last year.

Sales and Marketing expenses increased 53%. This was mainly due to increased commission expense resulting from the increase in sales. This increase is also due to the hiring of additional personnel to more aggressively market the Company's products and service. An expanded co-op program for the Company's dealers also contributed to increased Sales and Marketing expenses.

Product Development expenses increased 23% in the first quarter of this year compared to last year. The Product Development team is aggressively working on new product development, which the Company anticipates will enhance future revenue growth. Part of this product development requires hiring additional personnel and investment in technical research.

First quarter General and Administrative expenses are up 6% compared to the same period last year. This increase is mainly due to consulting fees related to assessing internal needs for various information systems. The Company is currently evaluating its customer contact information systems. Plans are underway to implement a new contact management database in the second fiscal quarter of this fiscal year. Additionally, the Company is obtaining training to better utilize its financial information systems.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- (CONTINUED)

Results of Operations -- (continued)

Interest expense for the quarter is down 47% compared to the same quarter last year. In the past three months, the Company has not used its line of credit. Since there was no outstanding balance, there was no interest expense associated with the line of credit. Also contributing to this decrease in interest expense was the maturing of some of the Company's leases.

Due to tax loss carryforwards, the Company paid no income taxes in the first quarter of fiscal 1998. During the first quarter of fiscal 1999, income tax expense was calculated at a combined federal and state tax rate of about 38%, resulting in a tax expense of $308,000.

Financial Condition and Liquidity

The Company's current ratio increased from 3.04:1 on June 30, 1998 to 3.19:1 on September 30, 1998. This increase in current ratio was caused primarily by an increase in the amount of cash on hand, offsetting the increase in accounts payable and accrued expenses. Also affecting the current ratio is the increase in the Accounts Receivable due to increased sales.

The Company continues to experience strong operating cash flows. The reduction of inventory has been a significant factor in operating cash flows. Inventory has been reduced due to improvements made to the manufacturing process. The length of time that a job is open has been reduced from an average of 60 days to 5 to 7 days. Increasing sales and profitability have also contributed to positive operating cash flows.

The Company has an available revolving line of credit of $2.0 million, which is secured by the Company's accounts receivable. The interest rate on the line of credit is a variable interest rate (anywhere from three to five percentage points over the London Interbank Offered Rate (LIBOR)). There was no outstanding balance on September 30, 1998. The line of credit expires in December of 1998. The Company intends to renew a line of credit.

As sales continue to increase, the Company expects to achieve its business plan through a combination of internally generated funds and short-term or long-term borrowings, if necessary.

Forward Looking Statements and Risk Factors

To the extent any statement presented herein deals with information that is not historical, such statement is necessarily forward looking. As such, it is subject to occurrence of many events outside of the Company's control that could cause the Company's results to differ materially from predicted results. Please see a detailed list of the risk factors that are outlined in the Company's Form 10-KSB for the fiscal year ended June 30, 1998, incorporated herein by reference.

Year 2000

The Company is continuing to assess the impact of the Year 2000 issue* on its information technology ("IT") and non-IT systems and believes that certain software and hardware currently in use will have to be upgraded. To date, the Company has assessed approximately 100% of its existing IT systems and 80% of its existing non-IT systems. $49,860 has been incurred to upgrade existing systems so that they are Year 2000 compatible. The Company does not foresee any other expense to upgrade. To date, the Company has identified two of its systems that will have to be upgraded. One upgrade has taken place, and the other is scheduled for completion by November 30, 1998. There should be no significant interruptions to the business caused by the upgrade process. However, if these upgrades are not completed in a timely manner, the impact on the operations of the Company could be material. The Company plans to finance these upgrades with operating income.

The Company has purchased the software and hardware to upgrade the internal phone system, including the voice mail system. The system was upgraded, and associates were trained how to use the new system by the end of October of 1998. The cost of this software and hardware was $49,860. The second system identified to date is the conference calling bridge. This system is essential to the Company's conference calling service. It is scheduled for upgrading in November of 1998. The manufacturer is furnishing the software to the Company at no cost.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS -- (CONTINUED)

Forward Looking Statements and Risk Factors -- (continued)

The Company is in the process of determining through direct contacts whether its material vendors and suppliers, and its larger customers are Year 2000 compliant. To date, no major customer or supplier that the Company contacted has any Year 2000 compliance problems that would significantly impact the operations of the Company.

At the present time, the company believes that a reasonably likely worst case scenario involving a Year 2000 event would be in a non-IT system affecting the Company's manufacturing process. Such an event could result in the suspension of the affected portion of the manufacturing process until such a problem is corrected. However, the Company believes that as it continues its Year 2000 assessment the risk of such an event will decrease.

The Company currently is in the process of developing contingency plans for dealing with Year 2000 issues, including the worst case scenario just described. Those plans are scheduled to be complete and in place by the end of fiscal 1999.

The Company has performed a Year 2000 compliance review of its product line. To date, the company has addressed all existing Year 2000 compliance issues on products.

The costs of the projects and the dates on which the Company believes it will complete the Year 2000 upgrades are based on management's best estimates at this time, which were derived utilizing numerous assumptions of future events, including the continued availability of certain resources and other factors. However, there can be no guarantees that these estimates will be achieved, that personnel trained in this area will be available at a reasonable cost, or that we will locate and correct all relevant computer codes and similar uncertainties.

* The "Year 2000 Problem" has arisen because many computer programs were written using only the last two digits to refer to a year (i.e. "98" for 1998). Therefore, these computer programs may not properly recognize the year 2000. If not corrected, many computer applications could fail or create erroneous results.

PART II -- OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

Exhibits Required by Item 601 of Regulation S-B

The following exhibits are hereby incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1989. The exhibit numbers shown are those in the 1989 Form 10-K as originally filed.

EXHIBIT NUMBER	DESCRIPTION
3.1(1)(2)	Articles of Incorporation and all amendments thereto through March 1, 1988. (Page 10)
10.4(1)(2)	VRC-1000 Purchase Agreement between Gentner Engineering Company, Inc. (a former subsidiary of the Company which was merged into the Company) and Gentner Research Ltd., dated January 1, 1987. (Page 71)

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

EXHIBIT NUMBER	DESCRIPTION
3.1(1)(2)	Amendment to Articles of Incorporation, dated July 1, 1991. (Page 65)
10.1(1)(2)	Internal Modem Purchase Agreement between Gentner Engineering Company, Inc. and Gentner Research, Ltd., dated October 12, 1987. (Page 69)
10.2(1)(2)	Digital Hybrid Purchase Agreement between Gentner Engineering, Inc. and Gentner Research, Ltd., dated September 8, 1988. (Page 74)

The following documents are hereby incorporated by reference from the Company's Form 10-KSB for the fiscal year ended June 30, 1993. The exhibit numbers shown are those in the 1993 Form 10-KSB as originally filed.

EXHIBIT NUMBER	DESCRIPTION
3(1)(2)	Bylaws, as amended on August 24, 1993. (Page 16)

The following documents are hereby incorporated by reference from the Company's Form 10-KSB for the fiscal year ended June 30, 1996. The exhibit numbers shown are those in the 1996 Form 10-KSB as originally filed.

EXHIBIT NUMBER	DESCRIPTION

10(1)(2)(3)   1990 Incentive Plan, as amended August 7, 1996 (Page 40)

The following documents are hereby incorporated by reference from the Company's Form 10-KSB for the fiscal year ended June 30, 1997. The exhibit numbers shown are those in the 1997 Form 10-KSB as originally filed.

EXHIBIT NUMBER	DESCRIPTION
10.1(1)(2)	Commercial Credit and Security Agreement, and Promissory Note, between Company and First Security Bank, N.A. (original aggregate amount of $2,500,000) (Page 7)
10.2(1)(2)(3)	1997 Employee Stock Purchase Plan (Page 37)
10.3(1)(2)	Promissory Note in favor of Safeco Credit Company ($419,000) (Page 52)
10.4(1)(2)	Commercial Credit and Security Agreement, and Promissory Note, between Company and First Security Bank ($322,716.55) (Page 53)
10.5(1)(2)	Lease between Company and Valley American Investment Company (Page 71)

The following documents are hereby incorporated by reference from the Company's Form 10-KSB for the fiscal year ended June 30, 1998. The exhibit numbers shown are those in the 1998 Form 10-KSB as originally filed.

EXHIBIT NUMBER	DESCRIPTION
10.1(3)	1998 Stock Option Plan and Form of Grant
10.2	Modification Agreement dated as of December 24, 1997, between First Security Bank, N.A. and the Company

(1) Denotes exhibits specifically incorporated into this Form 10-KSB by reference to other filings pursuant to the provisions of Rule 12B-32 under the Securities Exchange Act of 1934.

(2) Denotes exhibits specifically incorporated into this Form 10-KSB by reference, pursuant to Regulation S-B, Item 10(f)(2). 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.

(3) Identifies management or compensatory plans, contracts or arrangements.

(b) Reports on Form 8-K

The Company filed no reports on Form 8-K during the latest fiscal quarter.

SIGNATURES

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

GENTNER COMMUNICATIONS CORPORATION

/s/ Susie Strohm

Susie Strohm
Vice President, Finance

Date: November 13, 1998

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JUN-30-1999
SEP-30-1998
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