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ULTRADATA SYSTEMS INC
Form 10QSB
August 06, 2004

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(MARK ONE)

(X) QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 - FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2004

() TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 0-25380

ULTRADATA SYSTEMS, INCORPORATED

(Exact name of small business issuer as specified in its charter)

Delaware

43-1401158

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

1240 Dielman Industrial Court, St. Louis, MO

63132

(Address of principal executive offices)

(Zip Code)

Issuer's telephone number, including area code: (314) 997-2250

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 past 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 []

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

Class Outstanding as of August 3, 2004

Common, \$.01 par value

6,187,187

Transitional Small Business Disclosure Format Yes [] No [X]

File Number
0-25380

ULTRADATA SYSTEMS, INCORPORATED

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FORM 10-QSB
June 30, 2004
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ULTRADATA SYSTEMS, INCORPORATED

Condensed Balance Sheets
As of June 30, 2004 and December 31, 2003

	June 30, 2004	December 31, 2003
Assets	(Unaudited)	
Current assets:		
Cash	\$ 552,823	\$ 2,926
Trade accounts receivable, net of allowance for doubtful accounts of \$100 and \$14,703, respectively	631,843	627,490
Inventories, net	104,782	55,594
Prepaid expenses	12,681	5,166
	1,302,129	691,176
Total current assets	1,302,129	691,176
Property and equipment, net	27,248	25,958
Other assets	5,444	5,444
	\$ 1,334,821	\$ 722,578
	=====	=====

Liabilities and Stockholders' Equity (Deficiency)
Current liabilities:

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Accounts payable	369,560	460,701
Accrued liabilities	69,211	90,792
Notes payable - current	-	173,802
	-----	-----
Total current liabilities	438,771	725,295
Stockholders' equity (deficiency)		
Preferred Stock, \$0.01 par value, 4,996,680 shares authorized, none outstanding	-	-
Series A convertible preferred stock, 3,320 shares authorized with a stated value of \$1,000, none outstanding	-	-
Common stock, \$.01 par value; 10,000,000 shares authorized; 6,187,187 shares issued and outstanding June 30,2004; 5,783,840 shares issued and outstanding December 31, 2003	61,872	57,838
Additional paid-in capital	8,949,312	8,916,685
Accumulated deficit	(8,115,134)	(8,977,240)
	-----	-----
Total stockholders' equity (deficiency)	896,050	(2,717)
	-----	-----
Total liabilities and stockholders' equity (deficiency)	\$ 1,334,821	\$ 722,578
	=====	=====

See accompanying summary of accounting policies and notes to condensed financial statements.

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ULTRADATA SYSTEMS, INCORPORATED

Condensed Statements of Operations
For the three and six months ended June 30, 2004 and 2003
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
	-----		-----	
	(unaudited)		(unaudited)	
Net sales	\$ 1,454,556	\$ 445,857	\$3,208,055	\$ 797,813
Cost of sales	755,912	186,661	1,651,520	383,206
	-----	-----	-----	-----
Gross profit	698,644	259,196	1,556,535	414,607
Selling expense	108,272	26,991	156,865	52,027
General and administrative expenses	217,181	235,514	477,389	479,549
Research and development expense	35,315	13,077	54,984	35,505
	-----	-----	-----	-----
Total Operating Expenses	360,768	275,582	689,238	567,081
	-----	-----	-----	-----

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Operating profit (loss)	337,876	(16,386)	867,297	(152,474)
Other income (expense):				
Interest and dividend income	338	115	338	6,351
Interest expense	(454)	(59,228)	(5,711)	(110,037)
Loss on early retirement of note receivable	-	(57,813)	-	(57,813)
Other, net	51	(11,496)	182	6,357
	-----		-----	
Total other expense, net	(65)	(128,422)	(5,191)	(155,142)
Income (loss) before income taxes	337,811	(144,808)	862,106	(307,616)
Income tax expense	-	-	-	-
	-----		-----	
Net income (loss)	\$ 337,811	\$ (144,808)	\$ 862,106	\$ (307,616)
	=====		=====	
Income (loss) per share:				
Basic	\$ 0.05	\$ (0.03)	\$ 0.14	\$ (0.07)
	=====		=====	
Income (loss) per share:				
Fully diluted	\$ 0.05	\$ (0.03)	\$ 0.14	\$ (0.07)
	=====		=====	
Weighted Average Shares				
Outstanding:				
Basic	6,172,209	4,637,850	6,114,567	4,562,854
	=====		=====	
Weighted Average Shares				
Outstanding:				
Fully diluted	6,438,901	4,637,850	6,381,259	4,562,854
	=====		=====	

See accompanying summary of accounting policies and notes to condensed financial statements.

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ULTRADATA SYSTEMS, INCORPORATED

Condensed Statements of Cash Flows
Six months ended June 30, 2004 and 2003 (unaudited)

	2004	2003
	-----	-----
	(unaudited)	(unaudited)
Cash flows from operating activities:		
Net income (loss)	\$ 862,106	\$ (307,616)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	6,916	17,654
Provision for doubtful accounts	143	106
Inventory reserved for obsolescence	-	15,193
Stock issued for services	-	4,500

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Loss on early settlement of notes receivable	-	57,813
Non-cash preferred stock dividends and interest payable	-	65,175
Non-cash accrued interest receivable	-	(12,397)
Increase (decrease) in cash due to changes in operating assets and liabilities:		
Trade accounts receivable	(4,496)	37,515
Inventories	(49,188)	(20,831)
Prepaid expenses and other current assets	(7,515)	(7,235)
Accounts payable	(91,140)	1,476
Accrued expenses	(21,582)	(51,339)
	-----	-----
Net cash provided by (used in) operating activities	695,244	(199,986)
	-----	-----
Cash flows from investing activities:		
Proceeds from early settlement of notes receivable	-	202,517
Capital expenditures	(8,206)	(10,150)
	-----	-----
Net cash (used in) provided by investing activities	(8,206)	192,367
	-----	-----
Cash flows from financing activities:		
Proceeds from stock issued for cash and options exercised	9,061	76,910
Proceeds from notes payable issued	-	91,600
Subscription payments	-	54,475
Note payable - Short term	165,000	-
Principal payments on notes payable	(311,202)	(68,357)
	-----	-----
Net cash provided by (used in) financing activities	(137,141)	154,628
	-----	-----
Net increase in cash and cash equivalents	549,897	147,009
Cash and cash equivalents at beginning of period	2,926	37,842
Cash and cash equivalents at end of period	\$ 552,823	\$ 184,851
	=====	=====

During the six months ended June 30, 2004, the Company issued 273,906 shares of common stock to satisfy convertible debt aggregating to \$27,600

See accompanying summary of accounting policies and notes to condensed financial statements.

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ULTRADATA SYSTEMS, INCORPORATED

Notes to Condensed Financial Statements
June 30, 2004 (Unaudited)

Basis of Presentation

The accompanying interim condensed financial statements included herein have been prepared by Ultradata Systems, Incorporated (the "Company"), without audit in accordance with generally accepted accounting principles and pursuant to the rules and regulations of the Securities and Exchange Commission for interim financial information. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures made are adequate to make the information presented not misleading.

In the opinion of management, the information furnished for the three-month and six-month periods ended June 30, 2004 and 2003, respectively, includes all adjustments, consisting solely of normal recurring accruals necessary for a fair presentation of the financial results for the respective interim periods and is not necessarily indicative of the results of operations to be expected for the entire fiscal year ending December 31, 2004. It is suggested that the interim financial statements be read in conjunction with the audited financial statements for the year ended December 31, 2003, as filed with the Securities and Exchange Commission on Form 10-KSB (Commission File Number 0-25380), from which these statements were derived.

Use of Estimates

The financial statements have been prepared in conformity with generally accepted accounting principles and, as such, include amounts based on informed estimates and adjustments by management, with consideration given to materiality. Actual results could vary from those estimates.

Note 1. Inventories

Inventories consist of the following:

	June 30, 2004	December 31, 2003
Raw Materials, net of obsolete	\$ 95,445	\$ 3,738
Finished Goods, net of obsolete	9,337	51,856
Total	\$ 104,782	\$ 55,594
	=====	=====
Obsolete inventory on hand	\$ 747,967	\$ 816,150

Note 2. Prepaid Expenses

Prepaid expenses consist of the following:

	June 30, 2004	December 31, 2003
Prepaid insurance	\$ 12,681	\$ 5,166

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 \$ 12,681 \$ 5,166

Note 3. Convertible Notes Payable

At December 31, 2003 the Company had outstanding convertible debt in the principal amount of \$173,802. A portion of the notes payable in the amount of \$27,600 was converted to 273,906 shares of common stock during the first week of January 2004. Subsequently, during the quarter ending March 31, 2004, the convertible debt was retired by payment in full of the outstanding balance of \$146,202 plus all accrued interest.

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Note 4. Income (Loss) Per Share

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
	-----		-----	
	(unaudited)		(unaudited)	
Basic				
Numerator:				
Net income (loss)	\$ 337,811	\$ (144,808)	\$ 862,106	\$ (307,616)
Numerator for basic income (loss) per share	\$ 337,811	(144,808)	\$ 862,106	\$ (307,616)
	=====	=====	=====	=====
Denominator:				
Weighted average common shares	6,172,209	4,637,850	6,114,567	4,562,854
Denominator for basic income (loss) per share	6,172,209	4,637,850	6,114,567	4,562,854
Basic income (loss) per share	\$ 0.05	\$ (0.03)	\$ 0.14	\$ (0.07)
Fully Diluted				
Numerator:				
Net income (loss)	\$ 337,811	\$ (144,808)	\$ 862,106	\$ (307,616)
Numerator for fully diluted income (loss) per share	\$ 337,811	\$ (144,808)	\$ 862,106	\$ (307,616)
	=====	=====	=====	=====
Denominator:				
Weighted average common shares	6,172,209	4,637,850	6,114,567	4,562,854
Common stock equivalents	266,692	-	266,692	-
Denominator for fully diluted income (loss) per share	6,438,901	4,637,850	6,381,259	4,562,854
Fully diluted income (loss) per share	\$ 0.05	\$ (0.03)	\$ 0.14	\$ (0.07)

Note 5. Notes Payable

During 2004, the Company sold a nine-month note payable in the amount of \$150,000 to a shareholder of the Company. The note earned interest at 12% APR and was unsecured. The unpaid balance at March 31, 2004, was \$100,000. During April 2004, the Company paid off the remainder of the note payable.

Note 6. Loans Payable - Related Parties

During 2004, the Company received a loan of \$15,000 from its Chief Executive Officer to fund operations. The outstanding balance of the loan was paid in full as of March 31, 2004.

Note 7. Common Stock

A. Employee Stock Options

During the six-month period ended June 30, 2004, employees exercised stock options to purchase 100,441 shares of common stock for \$7,031.

B. Director Stock Options

During the six-month period ended June 30, 2004, directors exercised stock options to purchase 29,000 shares of common stock for \$2,030.

Note 8. AAA Agreements

In January 2004, the Company reached an agreement with AAA National to terminate the existing agreement for private branding of the AAA Talking Road Navigator™ as of March 27, 2004. This termination occurred at the request of AAA National for internal business reasons and not for cause or non-performance by the Company, in accordance with the terms for cancellation of the agreement by either party.

In May 2004, AAA notified the Company that it does not intend to renew the marketing agreement on the AAA TripWizard. The Company, per terms of the agreement, can continue to market the product and divest itself of its inventory well into 2005.

Note 9. Sales Concentrations

For the six-month period ended June 30, 2004, the Company had a concentration of sales with two customers of 68.2% and 17.5%, respectively.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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YOU SHOULD NOT RELY ON FORWARD LOOKING STATEMENTS

This quarterly report contains a number of forward-looking statements regarding our future prospects. Among the forward-looking statements are descriptions of our plans to introduce new products to the market, to expand our customer base, to develop products based on a GPS/Internet technology, and to continue the Company's profitability. These forward-looking statements are a true statement of our present intentions, but are neither predictions of the future nor assurances that any of our intentions will be fulfilled. Many factors beyond our control could act against Ultradata in its efforts to develop and market its products. Among these factors are:

- * The fact that our financial resources are limited and will likely not sustain us for more than one year without continued success of the Talking Road Whiz™ product line;
- * The fact that our lack of capital severely limits our ability to market our products. As a result, the loss of a significant customer could imperil the marketing of an entire product line;
- * The difficulty of attracting mass-market retailers to a seasonal product like the Talking Road Whiz(tm).

There may also be factors that we have not foreseen which could interfere with our plans. In addition, changing circumstances may cause us to determine that a change in plans will be in the best interests of Ultradata. For the reasons given, there is a significant risk that we will not be able to fulfill our expectations for Ultradata.

OVERVIEW

The Company mission is to aid the road traveler with useful information with products easy to use and affordable in price. Since 1987 we have been engaged in the business of manufacturing and marketing handheld computers that provide travel information. The products are based upon a data compression technology that we developed, portions of which we have patented. Recent developments in communications and speech technology have opened up new opportunities for us to integrate our technology and create new products merging these technologies with our own. The Company is completing development of several new products which are based on adding significant features to the successful Talking Road Navigator such as a Spanish-speaking unit and a voice-recognition unit which allows for hands-free operation. These new products are consistent with our goal of improved ease of use by the consumer. We expect to complete development in the third quarter, and our goal is to reach the marketplace by the end of the year.

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The Company has sold over 3 million of its low-cost handheld travel computers, demonstrating that there is a market for travel information products.

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To re-awaken that market with an improved product that speaks, the Company has developed a Talking Road Whiz™. Significant deliveries of this product began in September of 2003 and, the Company received significant revenue in the last four months of 2003 from sales of this new addition to its product line. Company earnings in the fourth quarter of 2003 were sufficient to offset losses in the first three quarters of 2003. This success continued in the first two quarters of 2004, which have traditionally been weak quarters for Ultradata. At the present time, our backlog of orders is not significantly greater than it was at the same time in 2003. However, because we have already exceeded last year's sales, we expect results for all of 2004 to be a significant improvement on 2003.

Each of our consumer products is designed to allow the consumer to access useful information stored in a convenient manner. Our handheld computers generally sell at retail prices between \$19.95 and \$49.95 per unit. The products have been in retail mass-market chains plus many other locations. The new TRAVEL*STAR 24 is expected to be offered at retail for under \$300, which should make it very competitive in the auto aftermarket. Its portability and the fact that it requires no elaborate installation offer advantages over the more expensive in-car systems.

The goals of the Company's research and development investments are targeted at attaining the right product at the right price. There are over 125 million drivers in the U. S., and there is a great demand for useful, easy-to-access information for convenience and safety on the road. Low-cost products that achieve these benefits have a significant niche in the marketplace. Thus far, Management feels the Company has barely penetrated this huge, largely untapped market. The Company expects to continue to exploit this niche over the next few years by bringing the results of merged technologies to bear on the goals stated above with significant impact on Company sales and profits.

RESULTS OF OPERATIONS

Three and Six Months Ended June 30, 2004 Compared to Three and Six Months Ended June 30, 2003

Operating results for the six-month period ended June 30, 2004, as compared the same period in 2003, differed primarily due to the fact that the Talking Road Whiz was available for sale in 2004, and was still under development in 2003.

Sales. During the three and six months ended June 30, 2004, net sales totaled \$1,454,556 and \$3,208,055, respectively, compared with \$445,857 and \$797,813, respectively for the same periods in 2003. These figures represent an increase of 226.2% for the three-month period and an increase of 302.1% for the six-month period.

Our sales revenue continues to come, primarily, from a small number of mass market retailers. For example, in the first six months of 2004 over 85% of our revenue came from two customers. This concentration of our business among a few customers means that our historical results are not a reliable predictor of future results. Until we develop a broader customer base, our quarter-to-quarter operating results are likely to vary considerably, depending on when our customers choose to place their orders. In view of the fact that none of these major customers have placed significant orders for delivery in the third quarter, we anticipate low sales in that period.

Backlog. As of June 30, 2004, the Company had a backlog of \$520,447. This backlog was for purchase orders to be fulfilled in the fourth quarter of 2004. On June 30, 2003 we had a backlog of \$469,801 for shipment through

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the remainder of 2003.

Gross Profit. Gross profit margin for the three- and six-month periods ending June 30, 2004 were 48.0% and 48.5%, respectively, representing a slight reduction over gross margin in corresponding periods of 2003 of 58.1% and 51.9%, respectively. Gross profit in 2004 was slightly lower due to the pricing that applies to the high-volume sales contracts that were fulfilled in 2004.

S,G&A Expense. Selling expenses for the three- and six-month periods ended June 30, 2004 were \$108,272, or 7.4% of sales, and \$156,865, or 4.9% of sales, respectively, compared with \$26,991, or 5.9% of sales, and \$52,027, or 6.5% of sales, respectively, for the corresponding periods in 2003. These figures mirror the sales levels of the respective periods. General and administrative expenses for the three- and six-month periods ended June 30, 2004 were \$217,181 and \$477,389, respectively, compared with \$235,514 and \$479,549, respectively, for the corresponding periods in 2003. These figures are comparable for the respective periods and reflect continued success in our on-going effort to maintain efficiency in our control of overhead costs.

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R&D Expense. Research and development expenses in the three- and six-month periods ended June 30, 2004 were \$35,315 and \$54,984, respectively, as compared to \$13,077 and \$35,505, respectively, for the same periods in 2003. These increases reflect a step-up in new-product development involving the voice-technology devices incorporated in our newest products.

The Company recognized a profit from operations of \$337,876 and \$867,297 for the three- and six-month periods ended June 30, 2004, respectively, compared to a loss from operations of (\$16,386) and (\$152,474) or the corresponding periods in 2003.

Other Expense. Other expense for the three- and six-month periods ended June 30, 2004 totaled (\$65) and (\$5,191), respectively, compared with (\$128,422) and (\$155,142), respectively, for the corresponding periods of 2003. The 2003 numbers represented significant interest expense due to the necessity of securing short-term loans at high interest and taking a loss on the sale of our share of Talon ownership in order to raise needed cash in 2003. These debts are now paid off, and our interest expenses in 2004 have been virtually eliminated.

As a result of the foregoing, the Company realized a net income of \$337,811, or \$0.05 per basic common and diluted share, for the three-month period ended June 30, 2003, compared to a net loss of (\$144,808), or (\$0.03) per basic and diluted common share, for the three-month period ended June 30, 2003. The Company realized a net income of \$862,106, or \$0.14 per basic common and diluted share, for the six-month period ended June 30, 2004, compared to a net loss of (\$307,616), or (\$0.07) per basic and diluted common share, for the six-month period ended June 30, 2003.

FINANCIAL CONDITION AND LIQUIDITY

At June 30, 2004, the Company had \$552,823 in cash, compared to \$2,926 at December 31, 2003. The Company's operating activities in the six months ended June 30, 2004, provided cash totaling \$695,244 primarily from sales of Talking Road Whiz.

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Net cash used in investing activities for the six-month period ended June 30, 2004 totaled (\$8,206) for capital equipment, compared to cash provided of \$192,367 due to the early pay-off of the notes receivable acquired in the sale of the Company's interest in Talon in the same period in 2003.

Net cash used in financing activities for the six-month period ended June 30, 2004 was (\$137,141) compared to cash provided of \$154,628 in the same period in 2003. The 2004 amount resulted from paying off debt with proceeds of sales in the last quarter of 2003 (see Note 5 of the accompanying condensed financial statements), and the 2003 amount resulted from short-term loans secured in the first quarter of 2003.

The Company's current ratio at June 30, 2004 was 2.97:1 and its working capital was \$863,358.

ITEM 3. Controls and Procedures

Monte Ross, our Chief Executive Officer, and Ernest Clarke, our Chief Financial Officer, performed an evaluation of the Company's disclosure controls and procedures as of June 30, 2004. Based on their evaluation, they concluded that the controls and procedures in place are sufficient to assure that material information concerning the Company which could affect the disclosures in the Company's quarterly and annual reports is made known to them by the other officers and employees of the Company, and that the communications occur with promptness sufficient to assure the inclusion of the information in the then-current report.

There have been no significant changes in the Company's internal controls or in other factors that could significantly affect those controls subsequent to the date on which Messrs. Ross and Clarke performed their evaluation.

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ULTRADATA SYSTEMS, INCORPORATED
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PART II - OTHER INFORMATION

Item 1. Legal Proceedings:

None

Item 2. Changes in Securities and Small Business Issuer Purchases of Equity Securities:

From January 2004 through June 2004 the Company employees and directors exercised a total of 129,441 stock options for 129,441 shares of common stock. The shares were sold for \$9,061 cash, upon the exercise of options previously granted to the individuals. The sales were exempt pursuant to Section 4(2) of the Act since the sales were not made in a public offering and were made to individuals who had access to detailed information about the Company and who were acquiring the shares for their own accounts. There were no underwriters.

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Item 3. Defaults upon Senior Securities:

None

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

None

Item 5. Other Information:

None

Item 6. Exhibits and Reports on Form 8-K:

Exhibits:

31 Rule 13a-14(a) Certification.

32 Rule 13a-14(b) Certification.

Reports on Form 8-K:

Report dated May 10, 2004 - reporting online broadcast of interview by the Company's Chairman.

SIGNATURES

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

August 5, 2004

/s/ Monte Ross

Monte Ross, CEO
(Chief executive officer)

/s/ Ernest S. Clarke

Ernest S. Clarke, President
(Principal financial and accounting officer)

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* * * * *

EXHIBIT 31: Rule 13a-14(a) CERTIFICATION

I, Monte Ross, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Ultradata Systems, Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to

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make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The small business issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting.

5. The small business issuer's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal controls over financial reporting.

Date: August 5, 2004

/s/ Monte Ross

Monte Ross, Chief Executive Officer

I, Ernest Clarke, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Ultradata Systems, Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The small business issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting.

5. The small business issuer's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal controls over financial reporting.

Date: August 5, 2004

/s/ Ernest S. Clarke

Ernest Clarke, Chief Financial Officer

EXHIBIT 32: Rule 13a-14(b) CERTIFICATION

The undersigned officers certify that this report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and that the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Ultradata Systems Incorporated.

A signed original of this written statement required by Section 906 has been provided to Ultradata Systems, Incorporated and will be retained by Ultradata Systems, Incorporated and furnished to the Securities and Exchange Commission or

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its staff upon request.

August 5, 2004

/s/ Monte Ross

Monte Ross
(Chief executive officer)

/s/ Ernest S. Clarke

Ernest S. Clarke
(Chief financial officer)