ULTRADATA SYSTEMS INC
Form 10QSB
November 06, 2003

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 SEPTEMBER 30, 2003

( ) 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 November 3, 2003
Common, $.01 par value	5,394,645

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

File Number
0-25380

ULTRADATA SYSTEMS, INCORPORATED
FORM 10-QSB
September 30, 2003
INDEX

PART I - FINANCIAL INFORMATION PAGE

ULTRADATA SYSTEMS, INCORPORATED

Balance Sheets
As of September 30, 2003 and December 31, 2002

	September 30, 2003	December 31, 2002
Assets	(Unaudited)	
Current assets:		
Cash	$ 23,295	$ 37,842
Trade accounts receivable, net of allowance for doubtful accounts of $16,103	131,922	141,599
Inventories, net	159,603	102,486
Prepaid expenses	13,507	4,562
Total current assets	328,327	286,489
Property and equipment, net	30,310	45,432
Notes receivable - long term	-	247,933
Other assets	5,444	5,444
Total assets	$ 364,081	$ 585,298

Liabilities and Stockholders' Deficiency		
Current liabilities:		
Accounts payable	$ 220,207	$ 277,828
Accrued liabilities	149,353	188,825
Notes payable - current	519,389	126,064
Total current liabilities	888,949	592,717
Long term liabilities:		
Notes payable - long term	-	434,202
Total liabilities	888,949	1,026,919
Stockholders' 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 and 16 shares outstanding	-	16,000
Common stock, $.01 par value; 10,000,000 shares authorized; 5,153,281 and 4,224,456 shares issued and outstanding	51,533	42,244
Additional paid-in capital	8,857,770	9,631,750
Accumulated deficit	(9,415,612)	(9,086,935)
Treasury stock (326,171 shares at cost)	-	(942,311)
Notes receivable issued for purchase of common stock	(18,559)	(102,369)
Total stockholders' deficiency	(524,868)	(441,621)
Total liabilities and stockholders' deficiency	$ 364,081	$ 585,298

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

ULTRADATA SYSTEMS, INCORPORATED

Condensed Statements of Operations
For the three and nine months ended September 30, 2003 and 2002 (unaudited)

	Three months ended September 30,		Nine months ended September 30	
	2003	2002	2003	2002
	(unaudited)		(unaudited)	
Net sales	$ 314,763	$ 354,123	$1,112,576	$1,428,526
Cost of sales	193,499	333,326	576,705	1,116,611

Gross profit	121,264	20,797	535,871	311,915
Operating Expenses:				
Selling expense	48,557	32,840	100,584	93,076
General and administrative expenses	186,235	208,183	665,784	817,976
Research and development expense	6,561	55,365	42,066	168,734
Total operating expenses	241,353	296,388	808,434	1,079,786
Operating loss	(120,089)	(275,591)	(272,563)	(767,871)
Other income (expense):				
Interest and dividend income	39	810	6,390	8,031
Interest expense	(28,048)	(18,220)	(138,085)	(57,038)
Loss on early retirement of note receivable	-	-	(57,813)	-
Settlement of legal dispute	127,012	-	127,012	-
Other, net	25	(6,834)	6,382	(6,690)
Total other income (expense), net	99,028	(24,244)	(56,114)	(55,697)
Loss before income taxes	(21,061)	(299,835)	(328,677)	(823,568)
Income tax	-	-	-	-
Net loss	(21,061)	(299,835)	(328,677)	(823,568)
Less preferred stock dividends	(8,790)	-	(8,790)	-
Net loss available to common shareholders	$ (29,851)	$ (299,835)	$ (337,467)	$ (823,568)
Loss per share-basic and diluted	$ (0.01)	$ (0.09)	$ (0.07)	$ (0.24)
Weighted Average Shares Outstanding:				
Basic and diluted	4,865,974	3,432,591	4,665,004	3,409,719

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

ULTRADATA SYSTEMS, INCORPORATED

Condensed Statements of Cash Flows
Nine months ended September 30, 2003 and 2002 (unaudited)

	2003	2002
	(unaudited)	
Cash flows from operating activities:		
Net loss	$ (328,677)	$ (823,568)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation and amortization	25,272	128,784
Provision for doubtful accounts	225	-
Inventory reserved for obsolescence	17,018	186,510
Stock issued for services	4,500	-
Loss on disposal of fixed asset	-	6,873
Loss on early settlement of notes receivable	57,813	-
Non-cash accrued interest receivable	(12,397)	-
Increase (decrease) in cash due to changes in operating assets and liabilities:		
Trade accounts receivable	9,452	282,253
Inventories	(74,135)	393,646
Prepaid expenses and other current assets	(8,945)	(365)
Accounts payable	(57,621)	(34,179)
Accrued expenses	(39,472)	(125,931)
Net cash (used in) provided by operating activities	(406,967)	14,023
Cash flows from investing activities:		
Proceeds from early settlement of notes receivable	202,517	-
Capital expenditures	(10,150)	(5,622)
Net cash provided by (used in) investing activities	192,367	(5,622)
Cash flows from financing activities:		
Proceeds from stock issued for cash and options exercised	91,910	-
Proceeds from notes payable issued	91,600	-
Preferred dividends paid	(8,790)	-
Subscription payments	83,810	59,187
Principal payments on notes payable	(58,477)	(82,030)
Net cash provided by (used in) financing activities	200,053	(22,843)
Net decrease in cash and cash equivalents	(14,547)	(14,442)
Cash and cash equivalents at beginning of period	37,842	164,682
Cash and cash equivalents at end of period	$ 23,295	$ 150,240

Non-Cash Investing and Financing Activities:

During the nine months ended September 30, 2003, the Company issued 683,076 shares of common stock to satisfy convertible debt aggregating to $90,000

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

ULTRADATA SYSTEMS, INCORPORATED

September 30, 2003

Summary of Significant Accounting Policies

Note 1. Basis of Presentation and Significant Accounting Policies

(A) Basis of Presentation

The accompanying unaudited condensed financial statements of Ultradata Systems, Incorporated (the "Company") have been prepared pursuant to the rules of the Securities and Exchange Commission (the ?SEC?) for quarterly reports on Form 10-QSB and do not include all of the information and note disclosures required by generally accepted accounting principles. These condensed financial statements and notes herein are unaudited, but in the opinion of management, include all the adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the Company?s financial position, results of operations, and cash flows for the periods presented. These financial statements should be read in conjunction with the Company's audited financial statements and notes thereto included in the Company's Form 10-KSB for the year ended December 31, 2002 as filed with the SEC on March 28, 2003. Interim operating results are not necessarily indicative of operating results for any future interim period or for the full year.

(B) Revenue Recognition

During 2003, the Company began performing consulting services for another company that operates in a different field. The consulting services are being performed by a few of the Company's personnel in order to generate additional revenue and amounted to approximately $80,000 for the nine months ended September 30, 2003. The Company recognizes revenue from these services as the services are performed. Segment information has not been provided because it is not practical at this early stage and the consulting revenue is less that that required for segment reporting.

(C) Concentrations

During the nine months ended September 30, 2003, the Company relied on two customers for approximately 61% of sales.

Note 2. Inventories

Inventories consist of the following:

	September 30, 2003	December 31, 2002
	(Unaudited)	
Raw Materials, net of obsolete inventory	$ 38,758	$ 46,015
Finished Goods, net of obsolete inventory	20,844	56,471
Total inventory	$ 159,602	$ 102,486
Obsolete inventory on hand	$ 867,216	$1,110,684

Note 3. Notes Payable

In January 2003, the Company authorized a private debt offering of secured 12% promissory notes limited to $200,000 with a due date of July 31, 2003. For each dollar loaned to the Company, the lender was also entitled to purchase two shares of the Company?s common stock for $.01 per share. These shares are restricted for one year from the date of issue. In January 2003, the Company issued an aggregate of $165,000 of promissory notes and received $3,300 from the sale of 330,000 common shares for aggregate proceeds of $168,300. The shares were treated as a discount to the private offering, and the shares were valued at $76,700 based on the market price on the dates the funds were received (See Note 4 (B)). Accordingly, $91,600 is deemed to have been received for the promissory notes. The $73,400 discount from the face value of the promissory notes is being amortized over the life of the promissory notes as additional interest expense.

All of the proceeds raised under the offering are to be maintained in an escrow account maintained by the Company's attorney. Once the Company receives a purchase order from either of two specified customers, the Company can draw down 70% of the purchase-order amount from the escrow account in order to purchase the product from a vendor. Once the revenue from the sale is received, the "draw down" funds are to be returned to the escrow account and the Company retains the balance of the sales proceeds.

On July 31, the notes were retired or extended at the option of the lender. Accordingly, $15,000 of principal was repaid and all accrued interest was paid in cash to lenders. The balance of $150,000 was extended for 3 months at the same interest rate (12% per annum) and an additional share of stock at a price of $.01 per dollar loaned. Accordingly, $136,500 is deemed to have been received for the promissory notes. The $13,500 discount from the face value of the promissory notes is being amortized over the life of the promissory notes as additional interest expense. During the nine months ended September 30, 2003, the Company recognized interest expense of $84,011.

Note 4. Stockholder's Deficiency

(A) Preferred Stock

The preferred shares, including accumulated dividends, were eligible for conversion into common shares on or before May 13, 2003 at 75% of the 5-day average closing bid price. As of that date, the preferred shares had accumulated dividends of $8,790. Per an agreement with the sole preferred stockholder, the conversion right was exchanged for a note payable in the amount of $24,790 and was paid in full by September 30, 2003 in order to avoid the burden to the share price from the further dilution of approximately 400,000 shares.

(B) Common Stock

During the nine months ended September 30, 2003, the Company issued 30,000 shares of common stock for services having a fair market value of $4,500.

During the nine months ended September 30, 2003, convertible debt holders converted $90,000 of convertible notes payable into 741,996 shares of common stock.

During the nine months ended September 30, 2003, options were exercised to purchase 3,000 shares of common stock for gross proceeds of $210.

During the nine months ended September 30, 2003, the Company issued 480,000 shares of common stock having a fair market value of $91,700 based on the closing market price on the date the shares were issued. The shares were issued as part of a private debt offering (See Note 3).

(C) Subscriptions Receivable

During the nine months ended September 30, 2003, the Company received $83,810 towards subscription receivables due from employees of the Company.

(D) Treasury Stock

During the nine months ended September 30, 2003, the Company retired all 326,171 shares of its treasury stock having a cost of $942,311. Accordingly, the amount has been reclassified to Additional paid-in capital.

Note 5. Going Concern

As shown in the accompanying condensed financial statements, the Company has a net loss of $328,677, a negative cash flow from operations of $406,967, a working capital deficiency of $561,622 and a stockholders' deficiency of $524,868 as of and for the nine months ended September 30, 2003. These factors raise substantial doubt about the Company?s ability to continue as a going concern.

The Company has continued its product design and development efforts to introduce new products in 2003 and introduced its Talking Road Whiz in March 2003 and the AAA Talking Road Navigator in August 2003. The Company also c ontinues its efforts to expand into new markets. In addition, the Company has obtained short-term loans from investors to fund operations during the launching of this new product until revenues from its sales are received (See Note 3 of the accompanying condensed financial statements). Management believes that actions presently taken to obtain additional funding provide the opportunity for the Company to continue as a going concern.

Note 6. Subsequent Events

A. On October 1, 2003 the Company amended the terms of outstanding convertible notes by agreement with the note holders. The Company agreed to pay a lump sum of $100,000 by January 6, 2004 and another by February 15, 2004 and to retire the entire balance by June 30, 2004. In exchange for that commitment, the note holders agreed to waive the 10% prepayment penalty in the notes. The amendment was made to facilitate the Company's plan, which is to retire the notes at the earliest opportunity in order to avoid further dilution of the common stock and reduce interest expense.

B. Since September 30, 2003, convertible debt holders converted $25,120 of convertible notes payable into 241,364 shares of common stock.

C. Since September 30, 2003, the Company has paid off the notes payable (See Note 3 above) in the amount of $154,700, including all principal and interest.

-7-

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

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 return our company to 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 minimal and will not sustain us past this year unless our new products are successful;
* 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 seasonal products like the Road Whiz(tm) product line; and
* The breadth and depth of competition in the GPS market, which will make introduction of our product with a limited marketing budget difficult.

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 this reason, you should not place undue reliance on any of the forward-looking statements in this report, as there is a significant risk that we will not be able to fulfill our expectations for Ultradata.

OVERVIEW

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 technology have opened up new opportunities for us to use our technology. The following paragraphs outline the scope of our operations:

* The Company has sold over 3 million of its low-cost handheld travel computers, demonstrating that there is a market for travel information products. To re-awaken that market with an improved product that speaks, the Company has developed a Talking Road Whiz. Deliveries of this product began in March of 2003, and the Company expects to receive significant revenue in 2003 from sales of this new addition to its product line. It has a contract with a major distributor providing exclusivity in certain channels if 300,000 units are purchased and delivered by March 31, 2004. Fulfillment of this agreement with delivery of 300,000 units would ensure good profitability for the Company and sufficient cash and earnings to solve our liquidity issues.

* In 2002 we shipped the reprogrammed beta-test units of our Travel*Star 24(tm), which combines our travel information with a GPS antenna to enable a driver to obtain his location and directions to his destination while he drives. Improved performance was obtained, but the tests revealed several software problems that have to date prevented marketing of the product. The software issues have been addressed, and the Company plans to test the market acceptability of the product prior to year end.

* The Company continues to sell its line of both branded and private-labeled, low-cost travel computers. In the third quarter of 2003, the Company launched its new AAA Talking Road Navigator that adds a voice to its traditional unit for prompting the user and for providing the data. The marketing agreement with AAA for this branded product was signed in August 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 $400, 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.

RESULTS OF OPERATIONS

Three and Nine Months Ended September 30, 2003 Compared to Three and

Nine Months Ended September 30, 2002

Operating results for the third quarter of 2003 were comparable to the third quarter of 2002.

Sales. During the three and nine months ended September 30,2003, net sales totaled $314,763 and $1,112,576, respectively, compared with $354,123 and $1,428,526, respectively for the same periods in 2002. These figures represent decreases of 11.1% and 22.1% for the three- and nine-month periods, respectively. The decrease is primarily due to the delay in introducing the AAA Talking Road Navigator, resulting in lower-than expected third-quarter sales in 2003 for that new product.

Backlog. As of September 30,2003, the backlog for delivery in the fourth quarter 2003 was $692,730, as compared with $5,087 as of September 30, 2002.

Gross Profit. Gross profit for the three- and nine-month periods ending September 30, 2003 were 38.5% and 48.2%, respectively as compared to 5.9% and 21.8%, respectively, for the corresponding periods in 2002. There was a September 2002 write-off of obsolete inventory of $90,000, which affected both numbers adversely for 2002. Without the September write-down, gross margins would have been 31.3% and 28.1% for the three- and nine-month period, respectively. The 2003 numbers reflect improvements due to the introduction of a new product and continuing reductions in component prices.

SG&A Expense. Selling expenses for the three- and nine-month periods ended September 30, 2003 were $48,557 and $100,584, respectively, compared with $32,840 and $93,076, respectively, for the corresponding periods in 2002. These figures represent increases of 47.9% and 25.0%, respectively, for the three- and nine-month periods in 2003 versus 2002. As a percent of sales, selling expenses for the periods in 2003 were 15.4% and 9.0%, respectively as compared to 9.3% and 6.5% for the same periods in 2002. The primary reason for the increase is the expense of designing new packaging materials for the new products, AAA Talking Road Navigator and Talking Road Whiz. General and administrative expenses for the three- and nine-month periods ended September 30, 2003 were $186,235 and $665,784, respectively, compared with $208,183 and $817,976, respectively, for the corresponding periods in 2002. These figures represent decreases of 10.5% and 21.30%, respectively, for the three- and nine-month periods in 2003 versus 2002. The Company has been continuing its effort to reduce expenses. Success in reducing these costs is important to the continuing survival of the Company.

R&D Expense. Research and development expense in the three-month period ended September 30,2003 decreased 88.1%, and for the nine-month period they decreased 75.1% compared with corresponding periods in 2002. These reductions reflect a continuing effort to reduce expenses and the completion in 2002 of the amortization of the TRAVEL*STAR 24? capitalized software tools and the completion of the AAA Talking Road Navigator development.

The Company posted a net loss from operations of ($120,089) and ($272,563) for the three- and nine-month periods ended September 30, 2003, respectively, compared to a net loss from operations of ($275,591) and ($767,871) for the corresponding periods in 2002, illustrating our progress toward profitability.

Other Income. Other income (expense) for the three- and nine-month periods ended September 30, 2003 totaled $99,028 and ($56,114), respectively, compared with ($24,244) and ($55,697), respectively, for the corresponding periods of 2002. The large improvement in the current quarter is due to a one-time arbitration settlement received from auditors who withdrew in 2001.

As a result of the foregoing, the Company posted a net loss available to common stockholders of ($29,851), or ($0.01) per basic and diluted common share, for the three-month period ended September 30, 2003, compared to a net loss available to common stockholders of ($299,835), or ($0.09) per basic and diluted common share, for the three-month period ended September 30, 2002. The Company posted a net loss available to common stockholders of ($337,467), or ($0.07) per basic and diluted common share, for the nine-month period ended September 30, 2003, compared to a net loss available to common stockholders of ($823,568), or ($0.24) per basic and diluted common share, for the nine-month period ended September 30, 2002.

FINANCIAL CONDITION AND LIQUIDITY

At September 30, 2003, the Company had $23,295 in cash, compared to $37,842 at December 31, 2002. The Company's operating activities in the nine months ended September 30, 2003, used cash totaling $406,967. Losses for the first nine months of the year of $328,677 included non-cash items for depreciation and amortization amounting to $25,272, loss on early retirement of notes receivable from Talon of $57,813, and in inventory reserve for obsolescense of $17,018. Losses were offset by reductions in accounts receivable of $9,452. Inventory increases of $74,135, reductions in accounts payable of $57,621, increases in accrued expenses of 39,471 and in prepaids of $8,945 added to the cash used in the period.

Net cash provided by investing activities included $202,517 from early pay-off of the Talon notes offset by $10,150 in capital expenditures.

Net cash provided by financing activities for the nine-month period ended September 30, 2003, was $200,053 compared with ($22,843) used in the same period of 2002. During 2003, proceeds from the sale of stock and exercise of options amounted to $91,910, $91,600 from short- term notes and $83,810 in payments from employees for loans to buy company stock. These payments are offset by payments against notes payable of $58,477.

Our operating losses over the past four years have eliminated our working capital. In the first quarter of 2003 we completed a private offering of debt and equity, and obtained $168,300 in proceeds. These funds are held in escrow pending receipt of purchase orders from certain of the Company's customers. Up to 70% of the value of these purchase orders is available for use by the Company, and funds must be placed back in escrow upon receipt by the Company in payment for the orders. Management expects these funds to be sufficient to support operations until sales of the Talking Road Whiz begin producing significant cash flow in the latter half of the year. The notes were due and payable July 31, 2003. The Company offered the note holders the opportunity to extend their loans to October 31, 2003 with the same interest terms and the right to purchase an additional share per dollar loaned for $.01. Over 90% of the value of the notes has been extended. These notes were repaid in full on October 31, as planned, from proceeds of fourth-quarter sales.

Because the Company has reduced its costs of doing business and expects significant sales in the fourth quarter, Management expects the financial picture to continue to improve greatly over the course of 2003. However, if the anticipated sales for the rest of 2003 fail to materialize, we will not have sufficient financial resources to carry the Company into

2004.

As shown in the accompanying condensed financial statements, the Company has a net loss available to common stockholders of $337,467, a negative cash flow from operations of $406,967, a working capital deficiency of $561,622 and a stockholders' deficiency of $524,868 as of and for the nine months ended September 30, 2003. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company has continued its product design and development efforts to introduce new products in 2003 and introduced its Talking Road Whiz in March 2003 and the AAA Talking Road Navigator in August 2003. The Company also continues its efforts to expand into new markets. In addition, the Company has obtained short-term loans from investors to fund operations during the launching of this new product until revenues from its sales are received (See Note 3 of the accompanying condensed financial statements). Management believes that actions presently taken to obtain additional funding provide the opportunity for the Company to continue as a going concern.

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 September 30, 2003. 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.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings:

None

Item 2. Changes in Securities and Use of Proceeds:

On July 31, 2003, the Company sold 150,000 shares of common stock to eleven individuals who hold promissory notes issued by the Company. The shares were sold for $.01 per share and the agreement of the note holders to extend the maturity date of their notes from July 31, 2003 to October 31, 2003. The shares were sold in reliance on Section 4(2) and Section 4(6) of the Securities Act, since the note holders were accredited investors and the offer was made privately to them.

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:

None

SIGNATURES

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

November 1, 2003

/s/ Monte Ross

Monte Ross, CEO
(Chief executive officer)

/s/ Ernest S. Clarke

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

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 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 small business issuer 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 small business issuer 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 small business issuer, 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

5. The small business issuer's other certifying officers and I have disclosed, based on our most recent evaluation of internal controls 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 p erforming 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: November 1, 2003 /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;

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 small business issuer 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 small business issuer 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 small business issuer, 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

5. The small business issuer's other certifying officers and I have isclosed, based on our most recent evaluation of internal controls 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: November 1, 2003

/s/ Ernest S. Clarke

Ernest Clarke, President and 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 Ultradata Systems, Incorporated and will be retained by Ultradata Systems, Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.

November 1, 2003

/s/Monte Ross

Monte Ross
(Chief executive officer)

/s/ Ernest S. Clarke

(President and Chief financial officer)

-12-