

Edgar Filing: ULTRADATA SYSTEMS INC - Form 10QSB

ULTRADATA SYSTEMS INC
Form 10QSB
May 22, 2006

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 MARCH 31, 2006

() 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 []

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) 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 May 18, 2006
Common, \$.01 par value	15,998,278

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

File Number
0-25380

ULTRADATA SYSTEMS, INCORPORATED
FORM 10-QSB
March 31, 2006
INDEX

Edgar Filing: ULTRADATA SYSTEMS INC - Form 10QSB

PART I - FINANCIAL INFORMATION	PAGE
Item 1. Condensed Financial Statements	
Condensed Balance Sheets as of March 31, 2006 (unaudited) and December 31, 2005	3.
Condensed Statements of Operations for the three months ended March 31, 2006 and 2005 (unaudited)	4.
Condensed Statements of Cash Flows for the three months ended March 31, 2006 and 2005 (unaudited)	5.
Notes to Condensed Financial Statements (unaudited)	6.
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	8.
PART II - OTHER INFORMATION	11.
Signatures	11.

ULTRADATA SYSTEMS, INCORPORATED

Condensed Balance Sheets

As of March 31, 2006 (unaudited) and December 31, 2005

	March 31, 2006 ----- (Unaudited)	December 31, 2005 -----
Assets		
Current assets:		
Cash	\$ 21,028	\$ 133,524
Trade accounts receivable, net of allowance for doubtful accounts of \$100	15,597	96,910
Inventories, net	68,945	86,314
Prepaid expenses	42,900	39,144
	-----	-----
Total current assets	148,470	355,892
Property and equipment, net	29,069	33,251
Notes receivable - long term	-	-
Other assets	5,444	5,444
	-----	-----
Total assets	\$ 182,983 =====	\$ 394,587 =====
Liabilities and Stockholders' Deficiency		
Current liabilities:		
Accounts payable	\$ 128,113	\$ 200,172
Accrued liabilities	242,519	177,687
Notes payable	154,332	119,993
Derivative and warrant liability	3,571,073	4,816,193
	-----	-----
Total current liabilities	4,096,037 -----	5,314,045 -----

Edgar Filing: ULTRADATA SYSTEMS INC - Form 10QSB

Total liabilities	4,096,037	5,314,045
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 outstanding	-	-
Common stock, \$.01 par value; 50,000,000 shares authorized; 8,341,343 and 11,530,164 shares issued and outstanding	115,301	83,413
Additional paid-in capital	10,813,597	9,528,366
Accumulated deficit	(14,841,952)	(14,531,237)
	-----	-----
Total stockholders' deficiency	(3,913,054)	(4,919,458)
	-----	-----
Total liabilities and stockholders' deficiency	\$ 182,983	\$ 394,587
	=====	=====

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

-3-

ULTRADATA SYSTEMS, INCORPORATED

Condensed Statements of Operations

For the three months ended March 31, 2006 and 2005
(unaudited)

	2006	2005
	-----	-----
Net sales	\$ 85,326	\$ 83,825
Cost of sales	50,394	43,902
	-----	-----
Gross profit	34,932	39,923
Selling expense	17,303	22,410
General and administrative expenses	175,764	99,584
Research and development expense	43,263	35,201
	-----	-----
Total operating expenses	236,330	157,195
	-----	-----
Operating loss	(201,398)	(117,272)
	-----	-----
Other income (expense):		
Interest and dividend income	130	379
Interest expense	(109,447)	(6,758)
Other, net	-	50
	-----	-----
Total other expense	(109,317)	(6,329)
	-----	-----
Loss before income tax expense	(310,715)	(123,601)
Income tax expense	-	-
	-----	-----

Edgar Filing: ULTRADATA SYSTEMS INC - Form 10QSB

Net loss	\$ (310,715)	\$ (123,601)
	=====	=====
Loss per share:		
Basic and fully diluted	\$ (0.03)	\$ (0.02)
	=====	=====
Weighted Average Shares Outstanding:		
Basic	8,930,617	6,410,187
	=====	=====

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

-4-

ULTRADATA SYSTEMS, INCORPORATED

Condensed Statements of Cash Flows

For the three months ended March 31, 2006 and 2005
(unaudited)

	2006	2005
	-----	-----
Cash flows from operating activities:		
Net (loss) income	\$ (310,715)	\$ (123,601)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,182	4,461
Provision for doubtful accounts	25	(176,282)
Stock issued for services	-	43,485
Reserve for inventory impairment	4,138	3,489
Non-cash Amortization of note payable discount	106,338	6,164
Increase (decrease) in cash due to changes in operating assets and liabilities:		
Trade accounts receivable, net	81,288	33,768
Inventories	13,231	(26,850)
Prepaid expenses and other current assets	(3,756)	(91,103)
Accounts payable	(72,059)	(69,492)
Accrued expenses and other liabilities	64,831	24,929
	-----	-----
Net cash used in operating activities	(112,496)	(371,032)
	-----	-----
Cash flows from investing activities:		
Capital expenditures	-	(1,366)
	-----	-----
Net cash used in investing activities	-	(1,366)
	-----	-----
Cash flows from financing activities:		
Common stock	-	100,000
	-----	-----
Net cash provided by financing activities	-	100,000
	-----	-----
Net decrease in cash	(112,496)	(272,398)
Cash at beginning of period	133,524	385,966
	-----	-----
Cash at end of period	\$ 21,028	\$ 113,568
	=====	=====

Edgar Filing: ULTRADATA SYSTEMS INC - Form 10QSB

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

Non-cash Investing and Financing:

During 2006, note payable holders converted \$72,000 of notes payable and Derivative Liability of \$1,245,120 into 3,188,821 shares of common stock.

-5-

ULTRADATA SYSTEMS, INCORPORATED
Notes to Condensed Financial Statements
March 31, 2006 (Unaudited)

Summary of Significant Accounting Policies

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 periods ended March 31, 2006 and 2005, 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, 2006. It is suggested that the interim financial statements be read in conjunction with the audited financial statements for the year ended December 31, 2005, 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:

	March 31, 2006	December 31, 2005
	-----	-----
	(Unaudited)	
Raw Materials, net of obsolete	\$ 5,402	\$ 9,664
Finished Goods, net of obsolete	63,543	76,649
	-----	-----

Edgar Filing: ULTRADATA SYSTEMS INC - Form 10QSB

Total	\$ 68,945	\$ 86,313
	=====	=====

-6-

Obsolete inventory on hand	\$ 697,539	\$ 712,062
----------------------------	------------	------------

Note 2. Accrued Expenses

Accrued expenses consist of the following:

	March 31, 2006	December 31, 2005
	-----	-----
	(Unaudited)	
Payroll and payroll- related liabilities	\$ 203,414	\$ 141,001
Accrued vacations	29,698	20,797
Accrued expenses	8,494	15,889
Other	913	-
	-----	-----
Total	\$ 242,519	\$ 177,687
	=====	=====

The large payroll-related accrual is due to management deferring most of its salaries in order to preserve cash.

Note 3. (Loss) Per Share

	For the three months ended March 31,	
	2006	2005
	-----	-----
Basic		
Numerator:		
Net loss	\$ (310,715)	\$ (123,601)
Numerator for basic (loss) per share	\$ (310,715)	\$ (123,601)
	=====	=====
Denominator:		
Weighted average common shares	8,930,617	6,410,187
Denominator for basic (loss) per share	8,930,617	6,410,187
Basic loss per share	\$ (0.03)	\$ (0.02)
Fully Diluted		
Numerator:		
Net loss	\$ (310,715)	\$ (123,601)
Numerator for fully diluted loss per share	\$ (310,715)	\$ (123,601)
	=====	=====
Denominator:		
Weighted average common shares	8,930,617	6,410,187
Common stock equivalents	-	-
	-----	-----
Denominator for fully diluted loss		

-7-

Edgar Filing: ULTRADATA SYSTEMS INC - Form 10QSB

per share	8,930,617 =====	6,410,187 =====
Fully diluted loss per share	\$ (0.03)	\$ (0.02)

Note 4. Convertible Debentures

To obtain funding for ongoing operations, the Company entered into a Securities Purchase Agreement (the SPA) and various amendments to the SPA with Golden Gate Investors, Inc. (GGI) on February 14, 2005 for the sale of (i) \$300,000 in unsecured convertible debentures (the Notes) and (ii) warrants to purchase 300,000 shares of the Company's common stock.

The Notes bear interest at 4.75% per annum, mature three years from the date of issuance and are convertible into the number of shares of the Company's common stock equal to the dollar amount of the Notes being converted multiplied by 11, less the product of the conversion formula multiplied by 10 times the dollar amount of the Notes being converted, which is divided by the conversion formula. The conversion formula is the lesser of (a) \$1.25, (b) eighty percent of the average of the three lowest volume weighted average prices during the twenty trading days prior to the conversion. Accordingly, there is no limit on the number of shares into which the Notes may be converted. The Company has agreed to register the shares that may be issued upon conversion of the Notes and exercise of the related warrants.

Beginning in the first full calendar month after the registration statement is declared effective, GGI has agreed to convert at least 3%, but no more than 10% of the face value of the Notes into shares of the Company's common stock. If GGI converts more than 3% of the Notes in any calendar month, the excess over 3% shall be credited against the subsequent month's minimum conversion amount. If GGI fails to convert at least 3% of the face amount of the Notes in any given calendar month, GGI will not be entitled to collect interest on the Notes for that month. If the volume weighted average price of the Company's common stock is below \$0.50, the Company shall have the right to prepay that portion of the Notes that GGI is required to convert, plus any accrued but unpaid interest at 125% of such amount. If at any time during the calendar month, the volume weighted average price is below \$0.20, GGI shall not be obligated to convert any portion of the Notes during that month.

-8-

The Notes include certain features that are considered embedded derivative financial instruments, such as the conversion feature, events of default and a variable liquidated damages clause. These features are described below, as follows:

- * The Notes' conversion feature is identified as an embedded derivative and has been bifurcated and recorded on the Company's balance sheet at its fair value;
- * The SPA includes a penalty provision based on any failure to meet registration requirements for shares issuable under the conversion of the Notes or exercise of the warrants, which represents an embedded derivative, but such derivative has a de minimus value and has not been recorded in the accompanying financial statements; and
- * The SPA contains certain events of default including not having adequate shares registered to effectuate allowable conversions; in

Edgar Filing: ULTRADATA SYSTEMS INC - Form 10QSB

that event, the Company is required to pay a conversion default payment at 125% of the then outstanding principal balance on the Notes, which is identified as an embedded derivative, but such derivative has a de minimus value and has not been recorded in the accompanying consolidated financial statements.

In conjunction with the Notes, the Company issued warrants to purchase 300,000 shares of common stock. The accounting treatment of the derivatives and warrants requires that the Company record the warrants at their fair values as of the inception date of the agreement, which totaled \$600.

The initial fair value assigned to the embedded derivatives and warrants was \$5,957,188. The Company recorded the first \$300,000 of fair value of the derivatives and warrants to debt discount which will be amortized to interest expense over the term of the Notes. The Company recorded an amortization expense for the three months ended March 31, 2006 of \$34,339.

The market price of the Company's common stock significantly impacts the extent to which the Company may be required or may be permitted to convert the unrestricted and restricted portions of the Notes into shares of the Company's common stock. The lower the market price of the Company's common stock at the respective times of conversion, the more shares the Company will need to issue to convert the principal and interest payments then due on the Notes. If the market price of the Company's common stock falls below certain thresholds, the Company will be unable to convert any such repayments of principal and interest into equity, and the Company will be forced to make such repayments in cash. The Company's operations could be materially adversely impacted if the Company is forced to make repeated cash payments on the Notes.

-9-

During the 3-month period ending March 31, 2006, conversions of \$72,000 of the debenture resulted in reducing the Fair Value liability taken in 2005 by \$1,245,120 in accordance with guidance provided in EITF 00-19:

Note payable as of 12/31/2005	\$ 278,500
Conversions during the quarter	72,000
Note payable balance at 3/31/2006	206,500
Discount on note payable	(52,168)
Note payable - net	154,332
Amortized amount charged to interest	34,339
Initial (non-cash) fair-value charge	-----
	\$4,816,193
Reduction in liability due to first quarter conversions	1,245,120 -----
Remaining fair-value expense	\$3,571,073 =====

Future minimum principal payments are as follows under the Debentures and Notes for the years ending December 31:

2006	\$ -
2007	\$ 206,500
2008	-

Note 5. Equity

During 2006 note holders converted \$72,000 of notes payable into 3,188,821 shares of common stock in accordance with the conversion terms

Edgar Filing: ULTRADATA SYSTEMS INC - Form 10QSB

of the notes.

Note 6. Going Concern

As reflected in the accompanying financial statements, for the three months ended March 31, 2006 the Company has an operating loss of \$201,338 and a negative cash flow from operations of \$112,496. At March 31, 2006 it had a working capital deficiency of \$3,947,567, and a stockholders' deficiency of \$3,913,054. The ability of the Company to continue as a going concern is dependent on the Company's ability to further implement its business plan, raise capital and generate revenues. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

The Company has continued its product design and development efforts to introduce new products in 2006. The Road Genie, introduced in 2005, will be continued in new outlets in 2006. The Company has also developed a low-cost voice-activated digital recorder for use in the automobile. The Company is also opening a new source of revenue by developing the cell-phone Road Whiz application. These products afford the possibility of enhancing sales in 2006.

-10-

Note 7. Subsequent Event - Conversion of Debt into Common Stock

During the period from April 1, 2006 through May 8, 2006 Golden Gate Investors, Inc. converted \$80,000 of the principal amount of its Debenture into 4,468,114 shares of the Company's common stock.

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 for ease of travel, 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 without significantly improved sales of the Talking Road Whiz™ and Road Genie™ 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 this reason, you should not place undue reliance on any of the forward-looking statements in this report, as there is a significant

Edgar Filing: ULTRADATA SYSTEMS INC - Form 10QSB

risk that we will not be able to fulfill our expectations for Ultradata.

-11-

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. These new products are consistent with our goal of improved ease of use by the consumer. In 2005, development of the Road Genie Audio Navigation System was accomplished and represents a quantum jump in user convenience. We also have developed a low-cost voice-controlled audio recorder for automobile use using the same voice-recognition technology. Production of this unit was initiated in the first quarter of 2006. Availability for sale depends on obtaining funds sufficient to complete production.

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™. 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. This success continued in the first two quarters of 2004, which have traditionally been weak quarters for Ultradata. Our growth was stalled, however, in the second half of 2004, when our primary distributor and one significant customer both ceased placing orders. We engaged in efforts to replace those sales lost in 2005 but without success. More broadly, the Company is completing development of a Cellular Road Whiz application using our proprietary database and enabling access via a cell phone rather through separate hardware. Users who subscribe to our service can get not only information about services along their route with directions and distance from their location but, in addition, can obtain fuel prices in real time and select their stop on that basis. We expect full-scale tests of the system to start in the second quarter of 2006.

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 \$59.95 per unit. The products have been available in retail mass-market chains, catalogs, credit-card inserts, and other channels.

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 by bringing the results of merged technologies to bear on the goals stated above with significant impact on Company sales and profits. Ease of use and low cost are major considerations. The introduction of expensive GPS navigation systems has brought more awareness to this category. However, most consumers do not

Edgar Filing: ULTRADATA SYSTEMS INC - Form 10QSB

wish to pay over \$200 or monthly fees for directions. Our low-cost user-friendly products offer an affordable alternative.

-12-

RESULTS OF OPERATIONS

Three Months Ended March 31, 2006 Compared to Three Months Ended March 31, 2005

Operating results for the first quarter of 2006 were about the same as for the first quarter of 2005.

Sales. During the first three months of 2006, net sales totaled \$85,326, as compared with \$83,825 in sales recorded in the first quarter of 2005.

Gross Profit. Gross profit margin for the current quarter was \$34,932, or 40.9% of sales compared to \$39,923, or 47.6% of sales, for the first quarter of 2005. Gross profit as a percent of sales was lower in 2006 because of selling at low mark-up in order to move inventory.

S,G&A Expense. Selling expenses amounted to \$17,303, or 20.3% of sales, for the first quarter of 2006 as compared with \$22,410, or 26.7% of sales for the first quarter of 2005. The percentage was lower in 2006 because of a higher portion of sales from direct marketing.

General and administrative expenses were \$175,764 for the first quarter of 2006 as compared with \$99,584 for the same quarter in 2005, representing an increase of 78.6%. This dramatic increase was due to the settlement of a large outstanding bad debt that had been fully reserved in 2004 of \$176,475 and was paid in 2005. The 2006 numbers are low by historical standards for expenditures in this category. For example, without this settlement, general and administrative expenses would have been \$276,059 in the first quarter of 2005.

R&D Expense. Research and development expense in the first quarter of 2006 was \$43,263 as compared to \$35,201 for the same quarter of 2005. The 22.9% increase in 2006 reflects primarily the increased development activities associated with the cell-phone application of our Road Whiz product in 2006.

The Company posted a net loss from operations of (\$201,398) for the quarter ended March 31, 2006 compared to (\$117,272) for the quarter ended March 31, 2005.

Other Income (Expense). Other expense for the first quarter of 2006 amounted to interest expense and amortization of the note payable discount of \$107,335 compared with other expense of (\$6,758) for the same period in 2005. The notes were issued late in the 2005 quarter and therefore interest expense was not incurred for the entire period.

As a result of the foregoing, the Company posted net loss of \$(310,715), or \$(0.03) per basic and fully diluted common share, for the three-month period ended March 31, 2006, compared to a net loss of (\$123,601), or (\$0.02) per basic and diluted common share, for the three-month period ended March 31, 2005.

-13-

FINANCIAL CONDITION AND LIQUIDITY

The Company cash position experienced continued erosion during the

Edgar Filing: ULTRADATA SYSTEMS INC - Form 10QSB

first quarter of 2006 by virtue of its operating losses. Cash used in operations was \$112,496 as compared to \$317,032 in the same period in 2005. No cash flow occurred from investing or financing activities during the period. Our cash at the end of the period stood at \$21,028.

At the present time we lack sufficient working capital to fund our business at its current operating level. As a result of this situation, our recent net losses and our negative cash flow, our auditor has expressed substantial doubt in its opinion on our December 31, 2005 financial statements regarding our ability to continue as a going concern. In order to conserve cash, we have reduced the working hours of our employees. This reduction, however, reduces our productivity and exacerbates our primary problem - that our sales are insufficient to cover our costs. Unless sales increase significantly in the coming months or we receive additional capital, it appears doubtful that our business will continue for the next twelve months.

ITEM 3. Controls and Procedures

Evaluation of Disclosure Controls and Procedures: As of March 31, 2006, the Company's management carried out an evaluation, under the supervision of the Company's Chief Executive Officer and the Chief Financial Officer of the effectiveness of the design and operation of the Company's system of disclosure controls and procedures pursuant to the Securities and Exchange Act, Rule 13a-15(e) and 15d-15(e) under the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective, as of the date of their evaluation, for the purposes of recording, processing, summarizing and timely reporting material information required to be disclosed in reports filed by the Company under the Securities Exchange Act of 1934.

Changes in internal controls: There were no changes in internal controls over financial reporting, known to the Chief Executive Officer or Chief Financial Officer that occurred during the period covered by this report that has materially affected, or is likely to materially effect, the Company's internal control over financial reporting.

-14-

ULTRADATA SYSTEMS, INCORPORATED
10QSB

PART II - OTHER INFORMATION

Item 1. Legal Proceedings:

None

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

None

Item 3. Defaults upon Senior Securities:

None

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

None

Edgar Filing: ULTRADATA SYSTEMS INC - Form 10QSB

Item 5. Other Information:

None

Item 6. Exhibits

Exhibits:

- 31. Rule 13a-14(a) Certification
- 32. Rule 13a-14(b) Certification

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.

May 19, 2006

/s/ Monte Ross

Monte Ross, CEO
(Chief executive officer)

/s/ Ernest S. Clarke

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