FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

UNITRONIX CORP

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SIC: **7373** Computer integrated systems design

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Form 10-K
Securities and Exchange Commission
Washington, DC 20549

ANNUAL REPORT PURSUANT TO SECTON 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 1999

Commission file number 0-17080

UNITRONIX CORPORATION

(Exact name of registrant as specified in its charter)

New Jersey	22-2086851
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Newbury Street, Peabody, MA 01960

(Address of principal executive offices)
(Zip Code)

(Registrant's telephone number, including area code)
(978) 535-3912

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, no par value

(Title of Class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.[X]

State the aggregate market value of the voting stock held by nonaffiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within 60 days prior to the date of filing. (See definition of affiliate in Rule 405.)

Based upon the last sale price of the stock on August 27, 1999, of $0.19 per share, the aggregate market value, as of September 8, 1999 of the shares of common stock held by non-affiliates was $576,440. "Non-affiliates" includes all share owners of the registrant other than its officers, directors and owners of more than ten percent of its outstanding stock.

APPLICABLE ONLY TO CORPORATE REGISTRANTS:

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

9,456,932 shares of common stock, no par value, as of September 8, 1999

DOCUMENTS INCORPORATED BY REFERENCE

NONE

PART I

Item 1. BUSINESS

This report contains statements of a forward-looking nature relating to future events or future financial results of the Company. Investors are cautioned that such statements are only predictions and that actual events or results may differ materially. In evaluating such statements, investors should specifically consider the various factors identified in this report which could cause actual events or results to differ from those indicated by such forward-looking statements.

GENERAL

Unitronix Corporation was founded and incorporated in 1975 in the State of New Jersey, and operated as a distributor of products manufactured by Digital Equipment Corporation (DEC, now a division of Compaq Computer Corporation) until 1986. In 1986 the Company purchased the PRAXA software package from Xerox Corporation and since that time has been in the business of marketing, installing and supporting turnkey computer systems incorporating PRAXA and equipment manufactured by DEC. The Company also separately licenses PRAXA software to existing users of DEC's VAX and Alpha lines of computers and to purchasers from other vendors of DEC computer equipment.

PRAXA is a Manufacturing Resource Planning (MRPII) system which integrates manufacturing, distribution and financial applications into one system that monitors and supports material requirements planning, capacity planning, factory order and cost control, inventory control, product sales and distribution and financial accounting.

MRPII systems were well accepted by manufacturing industries by the mid-1980's and were widely adopted by large and medium sized firms. Sub-sets of MRPII systems are employed by non-manufacturing firms to help manage specific segments of their businesses, e.g., wholesale distributors employ the sales, distribution and financial modules of MRPII systems in their firms while some service companies use only the financial modules.

PRODUCTS

The Company's software product, PRAXA, is a third generation MRPII system that was well accepted by the marketplace in the late 1980's and early 1990's. PRAXA consists of 29 modules that help manufacturing and distribution firms manage their sales, distribution, manufacturing and accounting functions. PRAXA is written in COBOL and operates exclusively on DEC's VAX and Alpha computer systems with the VMS operating system. PRAXA was licensed and installed by approximately 200 companies at 450 sites, including locations in Mexico and Canada.

PRAXA succeeded in the marketplace because of its rich functionality and adaptability to the customer's unique needs. The Company continually enhanced the product by incorporating new features and functions, such as the ability to schedule and control continuous manufacturing operations. New versions of the software were released annually.

Beginning in the early 1990's the users of commercial computer software began to demand products that were easier to use, more readily adaptable to their needs and less expensive to operate and maintain. Systems built around the client-server paradigm were thought to fulfill those needs, and most existing and some new suppliers of manufacturing software mounted major development projects to bring client-server Enterprise Resource Planning (ERP) systems to market. The demand for conventional MRPII systems fell dramatically to the point where sales of PRAXA to new customers amounted to only four systems from 1992 to 1999. Since 1991, the Company's revenues have been generated primarily from the sale of hardware and PRAXA license upgrades, software support, consulting services and additional PRAXA modules, to existing customers.

COMPUTER EQUIPMENT

Until 1998, the Company was a reseller of computer systems and operating system software manufactured by Digital Equipment Corporation. All of the sales of such equipment and software made between 1992 and 1998 were to users of the PRAXA MRPII system. The Company purchased the equipment and software from one of the major national distributors of DEC equipment. The distributor that was supplying the Company with computer equipment declined to renew its agreement with the Company for 1998 due to the small volume of sales that the Company was achieving. The Company no longer resells computer equipment and operating system software.

CUSTOMER SUPPORT

The Company provides "hot-line" support to PRAXA users from its office in Westmont, New Jersey. This support is in the nature of resolving specific problems that users encounter in using the PRAXA software. The support group also develops enhanced versions of PRAXA that are released periodically. The newest version, release 11.0, has been in full production release since the Fall of 1997. This release contains the changes needed to handle dates in the next century, i.e., it is year 2000 (Y2K) compliant.

PROFESSIONAL SERVICES

The Company provides consulting and training services to PRAXA users. Since the Company no longer employs any pre-sales or post-sales consultants, all consulting and training services are being provided by the Company's customer support and management personnel. This group also provides custom programming for PRAXA users.

SALES AND MARKETING

The National Director of Sales is currently the only full-time sales person employed by the Company. Located in the Chicago area, this individual is responsible for all sales activity for the Company. The primary focus of the Director of Sales during the past five years has been to sell PRAXA software upgrades and add-ons and computer system upgrades to existing PRAXA customers. Since 1998, PRAXA users that are not eligible to receive the latest version of PRAXA because they are not covered by support agreements have been targeted to purchase this version because of its capabilities to handle dates in the twenty-first century. As of September 8, 1999, six customers that are not covered by support agreements have purchased the year 2000 compliant version of PRAXA.

PRODUCT DEVELOPMENT

Unitronix started a project in 1993 to create a client-server Enterprise Resource Planning system to sell into the midmarket. A small staff of software developers and testers was hired, and information systems contractors were employed to develop some portions of the new system. From mid 1993 through early 1997, the Company spent approximately $1.6 million on the development of the new system. This effort resulted in completion of approximately one-half of the software that was needed for the initial release of the product.

By early 1997 it was evident that new technologies were gaining momentum in the information systems field. Information systems developed with languages and tools that were used for developing internet applications held out the promise to the users of the system of lower development costs, lower deployment and operating expenses and easier adaptability to the users particular needs. At approximately the same time, a software consulting firm that had been contracted by the Company to develop major sections of the software for the new system defaulted on its contracts, which substantially delayed the project. The Company subsequently filed suit against the software consulting firm for breach of three contracts that were effected.

Faced with the prospect of spending another year and significantly more funds to complete the development of the client-server system that the Company was working on, management elected during the last quarter of fiscal 1997 to curtail the client-server development effort and embark upon a project to convert what had been accomplished to date into an intranet-based product.

All of the software development work was outsourced to a software developer who planned to utilize a proprietary software development tool. The Company was responsible for defining the functional requirements of the system and for testing the final product prior to installing it at customer sites. A contract was negotiated with the development firm that would have resulted in a finished product by the end of calendar year 1998.

As early in the project as December, 1997, the software development firm began to miss the delivery dates that were established in the contract. Upon investigation, is was revealed that the proprietary software development tool that the developer was using was not capable of producing the software that was needed to meet the functional specifications that the Company had produced. Attempts were made to get the project "on track", but to no avail. In June, 1998, the Company initiated action to recover the funds that had been advanced to the developer as well as other expenses incurred during the course of the failed project. As required by the development contract, this action was to be in the form of a hearing by an arbitrator.

In August, 1999, the Company settled with the developer and the demand for arbitration was withdrawn. The settlement requires the developer to return to the Company, over a two year period, all of the funds that were advanced, with interest.

PRODUCT PROTECTION : TRADEMARKS

As is typical in the software industry, in order to protect its right in the software, the Company does not "sell" its PRAXA software products, but instead provides customers with perpetual, fully-paid licenses to use one or more copies of the software on specifically identified computer systems. The Company also

seeks to protect its proprietary interest in PRAXA through a combination of copyright laws, trade secret laws, and contractual agreements (including nondisclosure obligations) with customers, consultants, employees and others.

Existing United States copyright laws provide only limited protection and even less protection may be available under foreign laws. While the enforceability of contractual provisions governing confidentiality cannot be assured in all cases, the Company believes that they tend to deter unauthorized use of the Company's proprietary information. "PRAXA" and "Unitronix" are registered federal trademarks of the Company which will expire, unless renewed, on January 14, 2005 and September 20, 2002, respectively.

EQUIPMENT RESALE

The Company was named a Distributor Affiliated Value Added Reseller (DVAR) for Pioneer-Standard Electronics, Inc. in May, 1996. This relationship provided the Company with a source of computer equipment manufactured by Digital Equipment Corporation for resale to its customers. This relationship, which was for a one year period, was not renewed by Pioneer-Standard in May, 1997, due to the low volume of equipment sales that had been achieved by the Company during the one year period of the agreement. The Company currently has no reseller relationships with providers of computer equipment.

CUSTOMER DEPENDENCE

One customer accounted for $130,000 or 15.2% of the Company's total revenue in the year ended June 30, 1999. Since the revenue derived from this customer was for the year 2000 compliant version of PRAXA and related services, the Company does not anticipate sales to this customer at comparable levels in future years. No other single customer accounted for more than 10% of total revenue for the year.

HISTORY OF LOSSES

The Company incurred net losses of $802,947 in fiscal 1997, $251,647 in fiscal 1998 and $19,914 in fiscal 1999. As of June 30, 1999, the Company had an accumulated deficit of $5,108,500. There can be no assurance that the Company will be profitable in the future.

COMPETITION

The manufacturing applications software market is intensely competitive and changing rapidly. It is estimated that there are more than three hundred vendors of ERP and/or MRP II software in the United States, supplying packages of varying degrees of sophistication to operate on various hardware and operating system platforms. The majority of the dollar volume of sales of such software has been generated by a few vendors of ERP packages that have until recently sold almost exclusively to large manufacturing and distribution firms.

A number of suppliers of ERP and MRP II software packages have been selling to mid-market companies, which is the Company's target market, for several years. Many of these vendors have been selling and installing client-server products for several years, and are now offering web-enabled products that allow their users to utilize intranets and the internet as computing platforms. The vendors that formerly sold almost exclusively to large companies, such as SAP, Baan and Oracle, now sell their products to mid-market companies. The features and

functionality of the products of these suppliers are well developed since most have been enhancing their original products for a number of years. The Company cannot successfully compete for new customers with its existing PRAXA software product.

CONTROL BY EXISTING STOCKHOLDERS

The Company's directors and their families together own approximately 78.1% of the outstanding shares of the common stock of the Company. As a result, these stockholders are able to exercise control over matters requiring stockholder approval, including the election of directors, and mergers, consolidations and sales of the assets of the Company.

EMPLOYEES

At September 8, 1999, the Company employed 7 persons, including 1 in sales, 3 in customer support, 1 in product management, 1 in finance and administration and one clerical support person. Management believes that the Company's employee relations are satisfactory.

ITEM 2 PROPERTIES

The Company's executive offices occupy 1600 square feet of rented office space in Peabody, Massachusetts, at a rental rate of $1,735 per month. The Company is a tenant at will in this space.

The Company has less than two years remaining on a three year lease for 1,339 square feet of office space in Westmont, New Jersey, for the use of its customer support and technical services operation. The monthly rent for this facility is $1,753 through April 30, 2000, and $1,805 from May 1, 2000 through April 30, 2001, at which time the lease expires.

ITEM 3 LEGAL PROCEEDINGS

The Company filed suit against Computer Management Sciences, Inc. (CMSI) in the United States District Court for the District of Massachusetts in Boston, Massachusetts on October 25, 1996. The suit seeks damages resulting from the breach of three contracts by CMSI to develop portions of the client-server ERP software, such contracts having been entered into in 1995 and 1996. The Company is seeking an amount in excess of $150,503, which is the amount that the Company paid to CMSI during the course of the contracts, plus costs, interest and such other relief that the Court deems just and equitable. On January, 17, 1997, CMSI filed a counterclaim in the same Court alleging that the Company is liable to CMSI in an amount exceeding $200,000 on account of the Company's alleged breaches of the same contracts. Management believes that the CMSI counterclaim is without merit and is defending this counterclaim vigorously. The case has not yet been scheduled to go to trial.

On June 30, 1998, the Company filed for arbitration against InterObjects, a software development firm, for breach of contract and failure to meet milestones in the development of a new version of PRAXA. The Company had made an initial prepayment of $300,000 to InterObjects in September, 1997. In January, 1998, the Company requested that InterObjects cease work on the system because of InterObjects nonperformance against the contract.

In August, 1999, the Company settled with the developer and the demand for arbitration was withdrawn. The settlement requires the developer to return to the Company, over a two year period, all of the funds that were advanced, with interest on the unpaid balance. An initial payment of $50,000 was received by the Company in August, 1999.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company did not submit any matters to a vote of the shareholders during the last quarter of fiscal year 1998.

PART II

Item 5 MARKET FOR THE COMPANY'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

The Company's Common Stock is currently listed on the over the counter bulletin board.

The following table sets forth, for the calendar quarters indicated, the high and low bid prices reported for the Company's Common Stock, by the indicated source. There were 142 record holders of the Company's Common Stock on September 9, 1999. The Company believes that there are approximately 450 beneficial shareholders.

Calendar Year Ended December 31,	OTC Bulletin Board	
	Bid Prices	
	High	Low
1997		
Third Quarter	0.1875	0.0600
Fourth Quarter	0.2500	0.09375
1998		

First Quarter	0.1875	0.09375
Second Quarter	0.1875	0.09375
Third Quarter	0.1250	0.0625
Fourth Quarter	0.0938	0.0200
1999		
First Quarter	0.0938	0.0200
Second Quarter	0.1000	0.0100

DIVIDEND POLICY

No dividends have been declared by the Board of Directors. The Board of Directors currently plans to retain any future earnings for use in the Company's business.

Item 6 SELECTED FINANCIAL DATA

Summary Consolidated Financial Information
(in thousands, except per share data)
For fiscal year ending June 30,

CONSOLIDATED INCOME STATEMENT DATA:	1999	1998	1997	1996	1995
Revenue from Operations	$856	$1,076	$940	$1,353	$1,496
Gain (Loss) from Operations	16	(15)	(737)	(451)	(227)
Net Loss	(20)	(252)	(803)	(464)	(242)
Per Share Data:					
Basic and Diluted net Loss Per Share	(.00)	(.03)	(.08)	(.05)	(.03)

Shares Used in Computing Per Share Data	9,456,932	9,456,932	9,456,932	9,456,932	9,456,932

CONSOLIDATED BALANCE SHEET DATA:

Working Capital/(Deficit)	$(615)	$(629)	$(1,369)	$(600)	$(318)
Total Assets	82	213	222	272	569
Short term debt, including current maturities of long-term debt	500	545	889	344	124
Long-term debt, less current maturities	-	-	7	13	19
Shareholder's equity (deficit)	(1,616)	(1,545)	(1,294)	(491)	(27)

Item 7.

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

RESULTS OF OPERATIONS

FISCAL YEAR ENDED JUNE 30, 1999 VS. FISCAL YEAR ENDED JUNE 30, 1998

Total revenue for the year decreased by 20% from the year ended June 30, 1998 to the year ended June 30, 1999. Revenue from the sale of computer systems and software licenses decreased by 35%, primarily due to a $200,000 sale of a corporate-wide PRAXA license in 1998 that was not repeated in 1999. Revenue from services decreased by 8%, due to a 12% reduction in support revenue that was partially offset by a 28% increase in consulting revenue. The reduction in support revenue was due to some customers refusing to renew their PRAXA support agreements, a condition that management anticipates will continue in future periods as additional customers convert to other software or elect to support PRAXA themselves. The increase in consulting revenue was primarily due to the sale of training services to a new PRAXA customer and to a customer that purchased the latest release of PRAXA. Management feels that the prospects of selling additional PRAXA licenses to new customers or to existing users that may need the year 2000 compliant version of the system are very limited.

The cost of computer systems and software licenses increased by 25% from the year ended June 20, 1998, to the year ended June 30, 1999, due to the purchase of Xentis software that is resold by the Company. The purchases of Xentis were made to resell the product to two customers that upgraded their computer hardware, and to two others that purchased the year 2000 compliant version of PRAXA.

The cost of services decreased by 14% from the period ended June 30, 1998, to the period ended June 30, 1999, because there were fewer customers that were covered by support agreements. No product development costs were incurred in the year ended June 30, 1999, because the Company curtailed all product development in the prior year. Selling expenses decreased by 18% from the year ended June 30, 1998, to the year ended June 30, 1999, because of lower sales commissions. The 38% increase in general and administrative expenses from fiscal 1998 to fiscal 1999 was due to the salary and expenses for the Company's Director of Product Development, who is assigned to work with a Consultant to the Board of Directors to locate business opportunities for the Company. The fees and expenses for the consultant also contributed to the increase in general and administrative expenses.

The 23% decrease in total costs and expenses from the year ended June 30, 1998, to the year ended June 30, 1999, resulted in a profit from operations of approximately $16,000 in fiscal 1999 as compared with a loss of approximately $13,500 in fiscal 1998.

Interest expense decreased by 48% from 1998 to 1999 due to the higher amount of notes outstanding during 1998. The conversion of notes payable to certain shareholders to preferred stock during the final quarter of fiscal 1998 is discussed below. The Company realized a gain of $14,551 due to the forgiveness of debt by certain creditors. The net loss decreased by 92% from fiscal 1998 to fiscal 1999.

FISCAL YEAR ENDED JUNE 30, 1998 VS. FISCAL YEAR ENDED JUNE 30, 1997

Total revenue for the year increased by 15% from the year ended June 30, 1997 to the year ended June 30, 1998. Revenue from the sale of computer systems and software licenses increased by 81% to $491,300. Of this amount, $200,000 was for a corporate-wide license for one customer and $170,000 came from three customers that were not covered by support agreements for copies of the latest release of PRAXA. The 12% decrease in services revenue was due to lower support revenue, as customers continue to refuse to renew their PRAXA support agreements. Management expects support revenue to continue to decline during the next fiscal year as more customers convert to other software or elect to support PRAXA themselves. Management also believes that it will be successful in selling upgrades to the year 2000 compliant version of PRAXA to additional users that are not covered by software support contracts, but is unable to estimate the number or dollar value of these sales.

The cost of computer systems and software licenses declined by 76% from the year ended June 30, 1997, to the year ended June 30, 1998. A decrease in the purchase of Xentis software that is resold by Unitronix under the name of PRAXVU accounted for the decline. The cost of services decreased by 19% from fiscal 1997 to fiscal 1998 since there were fewer customers that were covered by support agreements.

Product development costs decreased by 66% to approximately $310,000 in fiscal 1998 because the entire development staff was released in June, 1997. The $310,000 includes $150,000 of the amount that was advanced to InterObjects for development of a new ERP product for the Company. The other $150,000 of the advance is treated as other expense on the statement of operations because the development of the software ceased in January, 1998.

Selling expenses did not change significantly from fiscal 1997 to fiscal 1998. General and administrative expenses increased by 55% or approximately $119,000 primarily due to increased legal and accounting expenses and additional personnel costs and expenses associated with relocating the New Jersey support office. Total costs and expenses decreased by 35% from 1997 to 1998 which, along with a 15% increase in total revenue, resulted in a 98% decrease in the loss from operations to $(14,671).

Interest expense increased by 53% from 1997 to 1998 due to the higher amount of notes outstanding during fiscal 1998. As is discussed below, approximately $676,000 of notes payable to shareholders was converted to preferred stock during the last quarter of the fiscal year. The Company realized a $10,000 gain due to forgiveness of debt by a certain creditor, which has been classified as other income. The net loss decreased from approximately $(803,000) for the year ended June 30, 1997, to approximately $(252,000) for the year ended June 30, 1998.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 1999, the working capital deficit was $615,000 as compared to deficits of $629,000 and $1,369,000 at June 30, 1998 and 1997, respectively.

The conversion of approximately $957,000 of debt to preferred stock in fiscal 1998, along with increased revenue and decreased expenses, was responsible for the reduction in the working capital deficit from June 30, 1997 to June 30, 1998.

In August, 1997, the Company pledged all of its tangible and intangible assets to the Carolina First Bank as collateral for a $200,000 loan that was used for a down payment to a software development firm for developing a new ERP product for the Company. This loan was also guaranteed by the Company's principal shareholder. As previously discussed, the Company is currently attempting to recover these funds from the development firm through arbitration because of contractual nonperformance. The loan was renewed with the Carolina First Bank for $199,000 on July 28, 1999, for a period of one year.

Management projects that funds from sources other than the sale of existing products and related services will be needed if the Company is to continue to operate. The Company is searching for software products that will allow it to continue in the business of software sales. There can be no assurance that the needed products or other sources of funds can be obtained, in which case the Company may be forced to cease operations.

Year 2000 Readiness

As of June 30, 1999, the year 2000 compliant version of the Company's PRAXA software had been shipped to all customers that are covered by support agreements and that don't intend to convert to other systems by the end of 1999. Additionally, the Company has sold the Y2K version of PRAXA to six customers that are not covered by support agreements.

The Company has tested the DEC computers and the personal computers that it utilizes for software development, customer support and internal administration for Y2K compliance. With the exception of two of the DEC computers that the Company uses, all of the systems were found to be Y2K compliant. The Company upgraded the operating system on one of the DEC computers to make the system Y2K compliant, and plans to discontinue using the other noncompliant system before the end of 1999.

Impact of Recently Issued Accounting Pronouncements

The Financial Accounting Standards Board recently issued Statement No. 130 ("SFAS 130"), "Reporting Comprehensive Income". This statement requires changes in comprehensive income to be shown in a financial statement that is displayed with the same prominence as other financial statements. While not mandating a specific financial statement format, the Statement requires that an amount representing total comprehensive income be reported. The Statement is effective for fiscal years beginning after December 15, 1997. Reclassification of financial statements for earlier periods is required for comparitive purposes. There were no other items of comprehensive income in the years reported on.

The FASB also issued Statement No. 131 ("SFAS 131"), "Disclosures about Segments of an Enterprise and Related Information". This Statement, which supersedes Statement No. 14, "Financial Reporting for Segments of a Business Enterprise," changes the way public companies report information about segments. The Statement, which is based on the management approach to segment reporting, includes requirements to report segment information quarterly and entity-wide disclosures about products and services, major customers, and the material countries in which the entity holds assets and reports revenues. The Statement is effective for periods beginning after December 15, 1997. Restatement for earlier years is required for comparative purposes unless impracticable. The Company adopted SFAS 131 in the year ended June 30, 1999.

In June, 1998, the FASB issued Statement No. 133 ("SFAS 133"), Accounting for Derivative Instruments and Hedging Activities" which is effective for fiscal years beginning after June 15, 1999. The statement establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability, measured at its fair value. SFAS No. 133 also requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Adoption of this standard is not expected to have a material impact on the financial position or results of operations of the Company.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is submitted as a separate section of this report commencing on page 1 attached hereto.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The Company dismissed the accounting firm of PricewaterhouseCoopers LLP on May 13, 1999, and engaged the firm of Dan Clasby & Company as it's independent certified public accountants on the same date. The engagement of Dan Clasby & Company was approved by the Board of Directors of the Company on May 13, 1999. There had been no disagreements with the former accounting firm during the two most recent fiscal years ended June 30, 1998, and the interim period up to May 13, 1999, on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure or any reportable events. The former accountant's report on the Company's financial statements for 1998 and 1997 contained no adverse opinion or disclaimer of opinion, and were not qualified or modified as to audit scope or accounting principle. The reports included a paragraph addressing substantial doubt about the Company's ability to continue as a going concern. The reports were not qualified or modified as to any other uncertainties.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers and directors of Unitronix are as follows:

NAME	AGE	CURRENT POSITION
Jack E. Shaw	65	Chairman of the Board, Chief Executive Officer, Director
Robert C. Crawford	72	Treasurer, Secretary, Director
Dr. Howard L. Morgan	53	Director
Robert G. Sable	59	Director
William C. Wimer	62,	Chief Financial Officer, Vice President of Operations

BACKGROUND OF EXECUTIVE OFFICERS AND DIRECTORS

JACK E. SHAW is Chairman of the Board and Chief Executive Officer of the Company. He is also Chairman and CEO of Shaw Resources, Inc., a Greenville, South Carolina-based investment company and real estate developer. Mr. Shaw is also Chairman of Piedmont Software, Inc., President of Carolina Rentals, Inc., and owner of Resort Golf, which operates premier miniature golf courses in Myrtle Beach, South Carolina. Mr. Shaw is also the largest shareholder of Unitronix Corporation, holding approximately 52% of the outstanding common shares.

ROBERT C. CRAWFORD was elected to the Board of Directors in January, 1993. He was appointed Treasurer and Secretary on July 1, 1993. Mr. Crawford was formerly President, Chief Executive Officer and a Director of Dan River, Inc., Floor Coverings Division. He is presently Chairman of the Board of Greenville Technical College in Greenville, South Carolina.

DR. HOWARD L. MORGAN was named a Director in January, 1993. Dr. Morgan is President of the Arca Group, Inc., a consulting and investment management firm. He previously directed Renaissance Technologies Corporation's venture capital activities. He also serves as a Director of Franklin Electronic Publishers, Neoware Systems, Infonautics Corp., Quarterdeck Inc., Cylink Corporation, Kentek Information Systems, MetaCreations, Inc. and Segue Software.

ROBERT G. SABLE, ESQ. has been a Director of the Company since February, 1994. For more than the past five years he has been Chief Executive Officer of Sable, Makaroff & Gusky, P.C., a law firm located in Pittsburgh that specializes in commercial law.

WILLIAM C. WIMER was named Vice President of Operations in March, 1992, with responsibility for Customer Support and Professional Services activities. He assumed responsibility for all accounting activities in 1993, was named Assistant Treasurer in July, 1994, and Chief Financial Officer in June, 1997.

COMPLIANCE WITH SECTION 16 (a) OF THE EXCHANGE ACT

During the 1999 fiscal year none of the directors, officers or beneficial owners of more than 10 percent of the Company's common stock failed to file on a timely basis reports required by Section 16 (a) of the Exchange Act.

Item 11. EXECUTIVE COMPENSATION

The following table sets forth all compensation awarded to, earned by, or paid by the Company to the following persons for services rendered in all capacities to the Company during each of the fiscal years ended June 30, 1999, 1998 and 1997 to: (1)the Company's Chief Executive Officer, and (2) each of the other officers whose total compensation for the fiscal year ended June 30, 1999, required to be disclosed in column (c) below exceeded $100,000.

SUMMARY COMPENSATION TABLE

		Annual Compensation			
(a)	(b)	(c)	(d)	(e)	(f)
Name and Principal Position	Year	Salary	Other Annual Compensation	Options	All Other Compensation
Jack E. Shaw	1999	(1)	-	-	-
Chief Executive	1998	(1)	-	-	-
Officer	1997	(1)	-	-	-

(1) The Company has not paid Mr. Shaw any compensation for his services to date.

COMPENSATION OF DIRECTORS

The Company currently does not compensate directors for their services; it does reimburse them for reasonable expenses incurred in performing their duties as directors.

1993 STOCK OPTION PLAN

At June 30, 1999, 1,000,000 shares of common stock were reserved for issuance or grant under the Unitronix Corporation 1993 Stock Option Plan. The options

are granted to employees, officers, directors and consultants to the Company. The exercise price for incentive options must be at least 100% of the fair market value of the common stock as determined by the Option Committee of the Board of Directors on the date of the grant, as are the rate of exercisability and the expiration date of the grant. There were no options granted and no outstanding options expired during the year ended June 30, 1999. At June 30, 1999, there were options for 465,000 shares of common stock outstanding.

SAVINGS AND PROFIT SHARING PLAN

The Company has in effect the Unitronix Corporation Savings and Profit Sharing Plan (the "Savings Plan"). All employees of the Company who complete one year of service in which they are credited with at least 1,000 hours of service, and who have attained the age of 21, are eligible to participate in the profit sharing portion of the Savings Plan. Any employee who completes one month of service with the Company and is at least 21 is eligible to contribute under the 401(k) feature of the Plan. If any employee elects to reduce his salary to contribute to the Plan, the Company may elect to make a matching contribution to the Savings Plan equal to fifty percent of the amount of such employee's salary reduction contribution up to six percent of an employee's salary, resulting in a maximum Company matching contribution of three percent.

On February 1, 1991, the Savings Plan was amended to make the Company's matching contribution discretionary. Since February 1, 1991 the Company has made no matching contributions.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of the Company's common stock as of September 1, 1999, by those persons owning beneficially 5% or more of such shares, by each director, and by all executive officers and directors as a group. The persons named in the table have sole voting and investment power with respect to all shares of common stock which they own of record.

NAME AND ADDRESS OF BENEFICIAL OWNER(1)	SHARES OF COMMON STOCK	PERCENTAGE OF COMMON STOCK
Jack E. Shaw (2)	4,873,673	51.5%
Robert C. Crawford	199.391	2.1%
Howard L. Morgan (3)	1,350,000	14.3%
All Directors and Officers as a Group (5 persons)	6,423,064	67.9%
Samuel H. Jones, Jr. US Route 40 Woodstown, NJ 08098	500,000	5.3%
Jane Shaw (4) 2320 E. North Street Greenville, SC 29607	500,000	5.3%

(1)The address of each officer and director of the Company listed in the table is in care of the Company, One Newbury Street, Peabody, MA 01960

(2)Does not include 500,000 shares owned by Jane Shaw, his wife, and a total of 500,000 shares owned by Ronald Shaw and Donald Shaw, his and her adult children.

(3)Includes 30,000 shares held in trusts for the benefit of his three children, Kimberly Morgan, Elizabeth Morgan and Danielle Morgan.

(4)Does not include 4,873,673 shares owned by Jack E. Shaw, her husband, and a total of 500,000 shares owned by Ronald Shaw and Donald Shaw, his and her adult children.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is set forth under Notes to Financial Statements "Related Party Transactions", page 10 attached hereto.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULE, AND REPORTS ON FORM 8-K

A. The following documents are filed as a part of this report:

1.Financial Statements

2.Schedules

Schedules not listed above have been omitted because they are not applicable or are not required or the information required to be set forth therein is included in the Financial Statements or notes thereto.

3.EXHIBITS (numbers below reference the Exhibit Table of Item 601 of Regulation S-K)

(3)Articles of Incorporation and By-Laws	*
(4)Specimen Common Stock Certificates	*
(10)Material Contracts:	
10.1 1993 Stock Option Plan	**
(27)Financial Data Schedule	

*Previously filed with the Securities and Exchange Commission on August 12, 1988, as an exhibit to the Company's S-18 registration statement (File Number 33-22494-NY), such previously filed exhibits incorporated herein by reference.

**Previously filed with the Securities and Exchange Commission on August 29, 1994 as an exhibit to the Company's S-8 registration statement, such previously filed exhibits incorporated herein by reference.

B. Reports on Form 8-K

The Company filed a report on Form 8-K on May 17, 1999, that dismissed the Company's previous accountants and appointed Dan Clasby & Company as the Company's independent certified public accountants.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) 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.

UNITRONIX CORPORATION

BY:/s/William C. Wimer

William C. Wimer
Chief Financial Officer and
Vice President, Operations

DATED: September 10, 1999

Pursuant to the requirements of the Securities and Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	POSITION	DATE
/s/Jack E. Shaw Jack E. Shaw	Chairman of the Board and Chief Executive Officer	September 10, 1999
/s/Robert C. Crawford Robert C. Crawford	Secretary/Treasurer and Director	September 10, 1999
Howard L. Morgan	Director	

/s/Robert G. Sable --------------------- Robert G. Sable, Esq.	Director	September 9, 1999

UNITRONIX CORPORATION

FINANCIAL STATEMENTS

JUNE 30, 1999, 1998 AND 1997

UNITRONIX CORPORATION

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
Unitronix Corporation:

In our opinion, the accompanying financial statements listed in the index appearing under Item 14(a)(1) on page 18 present fairly, in all material respects, the financial position of Unitronix Corporation at June 30, 1999, and the results of its operations and its cash flows for the year ended June 30, 1999, in conformity with generally accepted accounting principles. The financial statements of Unitronix Corporation as of June 30, 1998 and 1997 were audited by other auditors whose report, dated August 14, 1998, expressed a qualified opinion on those statements. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 14(a)(2) on page 18, presents fairly, in all material respects, the information set forth therein when read in conjunction with the related financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Dan Clasby & Company
August 22, 1999

UNITRONIX CORPORATION

BALANCE SHEETS

June 30, 1999 and 1998

ASSETS	1999	1998
Current assets:		
Cash	$14,328	$75,466
Accounts receivable, net of allowance for doubtful accounts of $8,402 and $3,526 at June 30, 1999 and 1998, respectively	50,658	78,941
Prepaid expenses and other current assets	7,713	21,379
Total current assets	72,699	175,786
Property and equipment, at cost less accumulated depreciation of $429,296 and $535,070 at June 30, 1999 and 1998, respectively	6,653	33,894
Other assets	2,895	3,201
Total assets	$82,247	$212,881
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Note payable - related party	300,000	300,000
Notes payable	199,527	245,455
Accounts payable	12,842	50,367
Accrued expenses	77,808	93,888
Accrued interest - related party	7,500	14,250
Deferred revenue	89,736	100,703
Total current liabilities	687,413	804,663
Note payable	-	490
Commitments and contingencies		
Series A preferred stock, $1 par value, 6% cumulative convertible nonvoting; authorized 1,000,000 shares; 956,728 issued and outstanding at June 30, 1999, and 1998, net of issuance costs of $3,300 at June 30, 1999, and $4,400 at June 30, 1998, plus undeclared accumulated dividends of $57,404 at June 30, 1999, and $0 at June 30, 1998	1,010,832	952,328
Stockholders' deficit:		
Undesignated capital shares; authorized 2,000,000 shares at June 30, 1999,and 1998; none outstanding	-	-
Common stock, no par value; authorized 12,000,000 shares; 9,456,932 issued and outstanding at June 30, 1999 and 1998	3,485,412	3,485,412
Additional paid-in capital	7,090	1,170
Accumulated deficit	(5,108,500)	(5,031,182)
Total stockholders' deficit	(1,615,998)	(1,544,600)
Total liabilities and stockholders' deficit	$82,247	$212,881

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See accompanying notes to financial statements.

UNITRONIX CORPORATION

STATEMENTS OF OPERATIONS

Years Ended June 30, 1999, 1998 and 1997

	1999	1998	1997
Revenue:			
Computer systems and software licenses	$318,550	$491,300	$272,173
Services	537,920	584,799	667,484
Total revenue	856,470	1,076,099	939,657
Costs and expenses:			
Cost of computer systems and software licenses	12,216	9,797	41,548
Cost of services	212,797	247,840	304,502
Product development	-	310,331	918,603
Selling and marketing	151,655	185,925	194,414
General and administrative	463,511	336,877	217,771
Total expenses	840,179	1,090,770	1,676,838
Income (loss) from operations	16,291	(14,671)	(737,181)
Interest income (expense), net	(50,756)	(96,976)	(63,412)
Other income (expense), net	14,551	(140,000)	(2,354)
Loss before income taxes	(19,914)	(251,647)	(802,947)
Provision for income taxes	-	-	-
Net loss	$(19,914)	$(251,647)	$(802,947)
Basic and diluted net loss per share	($0.00)	($0.03)	($0.08)
Weighted average number of common shares outstanding	9,456,932	9,456,932	9,456,932

See accompanying notes to financial statements.

UNITRONIX CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT

Years Ended June 30, 1999, 1998 and 1997

	Common Stock Shares Issued	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Deficit
Balance, June 30, 1996	9,456,932	$3,485,412		$(3,976,588)	$(491,176)
Net loss				(802,947)	(802,947)
Balance, June 30, 1997	9,456,932	3,485,412		(4,779,535)	(1,294,123)
Issuance of stock options to consultant			$1,170	-	1,170
Net loss				(251,647)	(251,647)
Balance, June 30, 1998	9,456,932	3,485,412	1,170	(5,031,182)	(1,544,600)
Net loss				(19,914)	(19,914)
Unpaid accumulated preferred dividends				(57,404)	(57,404)
Expense of issuance of stock options to					

consultant			7,020	-	7,020
Amortization of preferred stock issuance costs			(1,100)		(1,100)
	---------	----------	-------	---------	---------
Balance, June 30, 1999	$9,456,932	$3,485,412	$7,090	$(5,108,500)	$(1,615,998)
	==========	==========	======	===========	============

See accompanying notes to financial statements.

UNITRONIX CORPORATION

STATEMENTS OF CASH FLOWS

Years Ended June 30, 1999, 1998 and 1997

	1999	1998	1997
Cash flows from operating activities:			
Net loss	$(19,914)	$(251,647)	$(802,947)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:			
Depreciation and amortization	27,241	45,668	73,462
Provision for bad debts	4,876	1,638	4,740
Non cash income recognized on exchange of preferred stock for accounts payable	-	(10,000)	-
Non cash expense on issuance of stock options to consultant	7,020	1,170	-
Decreases (increases) in operating assets:			
Accounts receivable	23,407	2,733	(3,404)
Prepaid expenses and other current assets	13,666	1,671	29,589
Other assets	306	(935)	2,584
Increases (decreases) in operating liabilities:			
Accounts payable	(37,525)	(34,561)	185,279
Accounts payable-related party	-	(2,550)	(8,745)
Accrued expenses	(16,080)	(35,025)	1,146
Accrued interest	(6,750)	79,836	62,338
Deferred revenue	(10,967)	9,409	(26,337)

Net cash used by operating activities	(14,720)	(192,593)	(482,295)
Cash flows for investing activities:			
Purchase of equipment	-	(420)	(36,263)
Net cash used by investing activities	-	(420)	(36,263)
Cash flows from financing activities:			
Proceeds from borrowings	-	535,500	545,000
Repayments of borrowings	(46,418)	(296,649)	(5,796)
Issuance costs of preferred stock financing	-	(4,400)	-
Net cash provided (used) by financing act.	(46,418)	234,451	539,204
Net increase (decrease) in cash	(61,138)	41,438	20,646
Cash at beginning of year	75,466	34,028	13,382
Cash at end of year	$14,328	$75,466	$34,028
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$53,942	$17,140	$1,078
Taxes	2,631	1,831	1,706
Noncash financing activities:			
Preferred stock issued for notes payable	-	$675,924	-
Pref. stock issued for accrued interest	-	161,279	-
Pref. stock issued for accounts payable	-	119,525	-
Notes payable issued for accounts payable	-	87,421	-

See accompanying notes to financial statements.

UNITRONIX CORPORATION

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies:

Basis of Presentation and Business

Unitronix Corporation (the "Company") operates in two business segments and licenses PRAXA software which operates on Digital Equipment Corporation ("DEC"), a division of Compaq Computer Corporation, VAX and Alpha computer equipment.

The Company's current business is the sale and maintenance of PRAXA software.

The Company has continued to incur losses from operations and has a working capital deficit as of June 30, 1999 of approximately $(615,000), notes payable to its principal shareholder of $300,000 and other notes payable of approximately $200,000. As a result, management anticipates that new products as well as additional financing will be required in the foreseeable future to sustain the Company's operations and to repay the notes. Management's plans in continuing their operations and to repay the notes include acquiring new software products to sell, raising additional funds from new and existing investors and generating revenues from the sale of existing products and services. The Company is searching for software products in order to continue the existing business of software sales. There can be no assurance that the Company will obtain new products to sell, the financing or the product revenues needed to continue its operations and to repay the notes. The financial statements do not include any adjustments that might result from these uncertainties.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

Risks and Uncertainties

The Company is subject to risks common to companies in the high technology industry including, but not limited to, development by the Company or its competitors of new technological innovations, dependence on key personnel, and protection of proprietary technology.

The Company is subject to a dispute with a software consulting firm vendor. Although no assurances can be given, in the opinion of management the results of this dispute will not have a material adverse effect on the Company's financial condition or results of operations.

1. continued

Economic Dependence

The Company's PRAXA software runs exclusively on VAX and Alpha computers manufactured by DEC. Therefore, the Company's PRAXA System business is dependent upon the continued competitiveness and market acceptance of DEC computer products.

In the fiscal year ended June 30, 1999, one customer accounted for approximately 15% of total revenue. In the year ended June 30, 1998, one customer accounted for approximately 20% of total revenue, and in the year ended June 30, 1997, one customer accounted for approximately 14% of total revenue.

Revenue Recognition

Effective December 31, 1997, the Company adopted Statement of Position 97-2 (Software Revenue Recognition) issued by the American Institute of Certified Public Accountants. This statement provides guidance on when revenue should be recognized, and in what amounts for licensing, selling, leasing or otherwise marketing computer software. Software revenue and computer system revenue are generally recognized upon product shipment, provided that no significant vendor obligation exists and collection of the related receivable is deemed probable by management. Revenue from software maintenance contracts is recognized ratably over the contractual period, and other service revenue is generally recognized as the services are provided.

Software Costs

The Company capitalizes certain software costs after technological feasibility of the product has been established and ceases capitalization when the product is available for general release to customers. Costs incurred prior to the establishment of technological feasibility are charged to product development costs. Such costs are amortized on a straight-line basis over the estimated useful life of three years or the ratio of current revenue to the total of current and anticipated future revenue, whichever is greater. The Company did not capitalize any software costs for the years ended June 30, 1999, 1998 and 1997. Amortization of these costs amounted to $0, $0, and $28,328, for fiscal years ended June 30, 1999, 1998, and 1997, respectively, and is included in the cost of computer systems and software licenses.

Income Taxes

The Company follows the liability method for accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized based on temporary differences between the financial statement and tax bases of assets and liabilities using current statutory tax rates. A valuation allowance is required to offset any net deferred assets if, based upon weighted available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

1. continued

Loss per Common Share

Effective December 31, 1997, the Company adopted Statement of Financial Accounting Standards No. 128 ("SFAS 128"), Earnings per Share, which requires disclosure of basic earnings per common share and diluted earnings per common share for all periods presented. The computation of basic and diluted earnings per share is presented below.

Basic and diluted net loss per share:

	For the Years Ended June 30,		
	1999	1998	1997
Numerator:			
Net loss	$(19,914)	$(251,647)	$(802,947)
Preferred dividends	-	-	-
Income available to common shareholders	$(19,914)	$(251,647)	$(802,947)
Denominator:			
Weighted average number of shares issued and outstanding	9,456,932	9,456,932	9,456,932
Assumed exercise of options reduced by the number of shares which could have been purchased with the proceeds of those options	-	-	-
Assumed conversion of preferred stock	-	-	-
Total shares	9,456,932	9,456,932	9,456,932
Basic and diluted net loss per share	$ (.00)	$ (.03)	$ (.08)

As a result of a net loss for all periods presented, common stock equivalents are not included in the calculation of weighted average shares since their effect would be antidilutive.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally three to five years, for financial reporting and accelerated methods for income taxes. Expenditures for repairs and maintenance which do not increase the useful life of the related assets are expensed as incurred. Upon retirement or sale, the cost of the assets disposed of and the related accumulated depreciation are removed from the accounts; any resulting gain or loss is credited or charged to income.

1. continued

Reclassification of Prior Year Balances

Certain reclassifications have been made to prior years' financial statements to conform to the current presentation.

Recently Issued Accounting Pronouncements

The Financial Accounting Standards Board has issued Statement No. 130 ("SFAS 130"), "Reporting Comprehensive Income". This statement requires changes in comprehensive income to be shown in a financial statement that is displayed with the same prominence as other financial statements. While not mandating a specific financial statement format, the Statement requires that an amount representing total comprehensive income be reported. The Statement is effective for fiscal years beginning after December 15, 1997. Reclassification of financial statements for earlier periods is required for comparative purposes. There were no other items of comprehensive income in the years reported on.

The FASB has also issued Statement No. 131 ("SFAS 131"), "Disclosures about Segments of an Enterprise and Related Information". This Statement, which supersedes Statement No. 14, "Financial Reporting for Segments of a Business Enterprise," changes the way public companies report information about segments. The Statement, which is based on the management approach to segment reporting, includes requirements to report segment information quarterly and entity-wide disclosures about products and services, major customers, and the material countries in which the entity holds assets and reports revenues. The Statement is effective for periods beginning after December 15, 1997. Restatement for earlier years is required for comparative purposes unless impracticable. Additional information pertaining to segment reporting is provided in Note 11.

In June, 1998, the FASB issued Statement No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities", which is effective for fiscal years beginning after June 15, 1999. The statement establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability, measured at its fair value. SFAS N0. 133 also requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Adoption of this standard is not expected to have a material impact on the financial position or results of operations of the Company.

2. Related Party Transactions:

During fiscal 1997, the Company's principal shareholder loaned the Company $63,000 under a $400,000 line of credit agreement which bears interest at the time the funds are loaned at the greater of either 10% or the bank's prime interest rate plus 2%. The line of credit has been fully drawn down and was not renewed by the principal shareholder on September 1, 1996. In addition, the Company's principal shareholder loaned the Company $335,500 during 1998 in the form of demand notes. These notes bear interest at the rate of 10% per annum. Interest expense related to the aforementioned debt amounted to $30,000 and $23,750 in 1999 and 1998, respectively. Although no assurances can be given, management believes that this shareholder does not intend to demand repayment of the outstanding debt and interest in the foreseeable future.

On June 30, 1998, the Company entered into an agreement to exchange $675,924 of demand notes outstanding and $152,679 in accrued interest to the principal shareholder and two other shareholders for 828,603 preferred shares (see Note 9).

On June 30, 1998, the Company entered into an agreement to exchange $16,125 in accounts payable to an entity controlled by a director of the Company for 16,125 shares of preferred stock (see Note 9).

3. Property and Equipment:

The major classes of property and equipment are as follows:

June 30,

	1999	1998
Computer equipment	$387,129	$495,187
Office furniture and fixtures	48,820	73,777
	435,949	568,964
Less: accumulated depreciation	(429,296)	(535,070)
	$ 6,653	$ 33,894

Depreciation expense for the years ended June 30, 1999, 1998 and 1997 was $27,242, $45,668, and $45,134 respectively.

4. Income Taxes:

The components of the deferred tax assets and liabilities as of June 30, 1999 and 1998 were as follows:

	1999	1998
Deferred tax assets:		
Net operating loss carryforwards	$ 2,570,501	$2,566,879
Tax credits	197,252	197,252
Other	7,189	7,189
Subtotal	2,774,942	2,771,320
Deferred tax liabilities:		
Capitalized software costs	-	-
Net fixed assets	-	2,396
Subtotal	-	2,396

Valuation allowance	(2,774,942)	(2,768,924)
Net deferred tax assets	-	-

The Company has established a valuation allowance for its net deferred tax assets due to the uncertainty surrounding their realization.

As of June 30, 1999, the Company has net operating loss carry forwards for federal income tax purposes of approximately $6,391,000 which expire from the years 2006 through 2019. The Company also has research and development credits for federal income tax purposes in the amount of $153,243 available to offset future income taxes. These credits expire from the years 2007 through 2012. Due to the Company's issuance of stock, the Company's use of its existing net operating loss carryforwards may be restricted under Section 382 of the Internal Revenue Code.

A reconciliation of the provision for income taxes at the federal statutory income tax rate of 15% for the year ended June 30, 1999, and 34% for the years ended June 30, 1998 and 1997, with the provision reflected in the financial statements is as follows:

	1999	1998	1997
Tax expense (benefit) at federal statutory income tax rate	$ (2,987)	$(85,162)	$(273,002)
State income taxes, net of federal benefit	(1,235)	(15,705)	(50,345)
Nondeductible business expenses	700	678	647
Other	-	(582)	95,949
Credits	-	(19,110)	(39,200)
Change in valuation allowance	3,522	119,881	265,951
Total tax provision	-	-	-

5. Profit Sharing Plan:

The Company has a qualified profit-sharing plan covering substantially all full-time Company employees. The plan was amended effective July 1, 1986 to incorporate a "savings" feature under Section 401(k) of the Internal Revenue Code (IRC), which allows participants to make contributions by salary reduction subject to annual compensation limits as defined by the IRC. Certain distributions may be rolled over to a retirement account. The Company may make matching contributions at a percentage rate determined at its discretion. Employees vest immediately in their contributions and vest in the Company contributions over a seven-year period of service. Contributions under the profit-sharing feature of the plan are discretionary and determined annually by management. No contributions have been made to this plan for the years ended June 30, 1999, 1998 and 1997.

6. Notes Payable:

On August 1, 1993, the Company incurred a $37,937 note payable bearing interest at 8% due to the Illinois Department of Revenue for settlement of revenue taxes owed to the State of Illinois. The note was payable in monthly installments of $527 and expired on July 1, 1999. The note payable balance as of June 30, 1999 and 1998 is $527 and $6,813, respectively.

On July 14, 1997, the Carolina First Bank loaned the Company $200,000 in the form of a demand note that was secured by all of the assets of the Company and the guarantee of the Company's principal shareholder. The note bears an annual interest rate of 9% and was due on June 30, 1998. The note was renewed on June 30, 1998, in the amount of $199,000, bearing interest at the prime rate, and was renewed again on July 28, 1999, for $199,000 and bearing interest at the prime rate. The renewed note is due on July 28, 2000.

On January 1, 1998, the Company entered into an agreement with Peabody Office Associates to settle all outstanding unpaid rent due Peabody Office Associates in exchange for a $18,706 note payable bearing interest at 8% per annum. The note was payable in monthly installments of $1,560, and expired on January 1, 1999. The note payable balance was $0 and $9,132 at June 30, 1999, and June 30, 1998, respectively.

On January 15, 1998, the Company entered into an agreement with The Registry, Inc. to settle all outstanding accounts payable due to The Registry in exchange for a $60,000 note payable bearing interest at 8% per annum. The note was payable in monthly installments of $5,000 plus interest, and expired on December 15, 1998. The note payable balance was $0 and $30,000 at June 30, 1999, and June 30, 1998, respectively.

7. Commitments and Contingencies:

On May 1, 1998 the Company entered into a lease agreement for its Westmont, New Jersey office for a period of three years. Rent is payable in monthly installments of $1,702 during the first year of the lease, $1,753 during the second year of the lease, and $1,805 during the third and final year of the lease. The Company occupies the Peabody, Massachusetts location without a lease, paying monthly rent of $1,735.

At June 30, 1999, the Company's future minimum payments under noncancelable leases were as follows:

Fiscal year 2000	$ 21,140
Fiscal year 2001	$ 18,050

Total rental expense was $41,346, $50,160, and $79,989 for the years ended June 30, 1999, 1998 and 1997, respectively.

8. Legal Proceedings:

The Company filed suit against Computer Management Sciences, Inc. (CMSI) in the United States District Court for the District of Massachusetts on October 25, 1996. The suit seeks damages resulting from the breach of three contracts by CMSI to develop part of a client-server ERP software product, which contracts having been entered into in 1995 and 1996. The Company is seeking an amount in excess of $150,503, which is the amount that the Company paid to CMSI during the course of the contracts, plus costs, interest and such other relief that the Court deems just and equitable. On January 17, 1997, CMSI filed a counterclaim in the same Court alleging that the Company is liable to CMSI in an amount exceeding $200,000 on account of the Company's alleged breaches of the same contracts. Management believes that the CMSI counterclaim is without merit and is defending this counterclaim vigorously. There can be no assurance that a negative outcome will not result in an adverse effect on the Company's financial position or results of its operations.

On June 30, 1998, the Company filed for arbitration against InterObjects, a software development firm, for breach of contract and failure to meet milestones in the development of a new Praxa/OMS system. The Company made a prepayment of $300,000 in September of 1997 related to this contract, all of which was charged to operating expenses in the year ended June 30, 1998. Development of the new system by InterObjects ceased in January, 1998, and the contract was subsequently terminated. In August, 1999, the Company settled with InterObjects for the return of the $300,000 prepayment to the Company, with $50,000 being repaid in August, 1999, and $10,000 plus interest on the unpaid balance to be repaid monthly through September, 2001.

9. Preferred Stock:

On June 30, 1998, the Company converted $675,924 in notes payable, $119,525 in accounts payable and $161,279 in accrued interest into 956,728 shares of mandatory redeemable, convertible, Series A preferred stock $1.00 per share par value("preferred stock"). The preferred stock has a 6% cumulative dividend feature and has no voting rights. The Company incurred $4,400 in issuance costs associated with the preferred stock offering and has netted

UNITRONIX CORPORATION

NOTES TO FINANCIAL STATEMENTS

them against the preferred stock carrying amount on the balance sheet. These costs are being accreted from the date of issue until the date of the mandatory redemption.

The preferred stock is convertible at the option of the holder into common stock of the Company. The number of shares of common stock into which each share of preferred stock may be converted is determined by dividing $1.00 by the preferred stock conversion price as indicated below:

$1.00 per share of common stock for the period from June 30, 1998 through June 30, 2000
$1.50 per share of common stock for the period from June 30, 2000 through June 30, 2001
$2.00 per share of common stock for the period from June 30, 2001 through June 30, 2002

The Company is required to redeem, within 30 days after June 30, 2002, each share of preferred stock outstanding as of June 30, 2002 for an amount equal to the sum of $1.00 per share, plus dividends payable as of June 30, 2002.

In the event of any voluntary or involuntary liquidation, dissolution, or winding up of the Company, the holders of the preferred stock are entitled to be paid an amount equal to the greater of (a) $1.00 per share plus all accrued but unpaid preferred dividends or (b) the amount that would be distributable to the shareholders of the preferred stock if those holders converted the preferred stock as indicated above.

10. Stock Option Plan:

During fiscal 1994 the Company adopted the 1993 Stock Option Plan (the "Plan"), and reserved 1,000,000 shares of common stock for issuance under the Plan. Under the Company's incentive and nonqualified stock option plan, incentive stock options can be granted to employees entitling them to purchase shares of common stock within one to ten years from the date of grant at option prices equal to or above the fair market value at the date of grant. Nonqualified stock options are generally granted under the same terms. The exercise price for incentive stock options may not be less than the fair market value of the common stock on the date of the grant (or 110% of fair market value in the case of employees or officers holding 10% or more of the total combined voting power of all classes of stock of the Company). The vesting period for the options is determined by the option committee at the time of the grant.

In October 1995, the FASB issued SFAS NO. 123, "Accounting for Stock-Based Compensation." SFAS NO. 123 is effective for periods beginning after December 15, 1995. SFAS NO. 123 requires that companies either recognize compensation expense for grants of stock, stock options, and other equity instruments based on fair value, or provide pro forma disclosure of net income and earnings per share in the notes to the financial statements. The Company adopted the disclosure provisions of SFAS NO. 123 in 1996 and has

applied APB Opinion 25 and related interpretations in accounting for its plans. Had compensation costs for the Company's stock-based compensation plan been determined and recognized based on the fair value at the grant dates as calculated in accordance with SFAS NO. 123, the Company's net loss for the years ended June 30, 1998 and 1997 would have been as follows:

	1999 Net Loss	1998 Net Loss	1997 Net Loss
Reported	$(19,914)	$(251,647)	$(802,947)
Pro forma	$(20,034)	(253,207)	(803,266)

During fiscal 1998, the Company granted 210,000 options of which 90,000 were granted to an outside consultant. The cost associated with these 90,000 options amounted to $8,190,of which $7,020 and $1,170 were charged to expense in 1999 and 1998, respectively, in accordance with SFAS NO. 123.

The fair value of each stock option was estimated on the date of grant using the Black-Scholes option- pricing model. The following weighted-average assumptions were used in the valuation of the options:

	June 30, 1999	June 30, 1998	June 30, 1997
Expected life	2 years	2 years	6 years
Expected volatility	150%	150%	200%
Dividend yield	0%	0%	0%
Risk-free interest rate	5.60%	5.58%	6.49%

The weighted average grant date fair value per share of the options granted during 1999 and 1998 was $.091.

A summary of the status of the Company's stock option plan as of June 30, 1999, 1998, and 1997, and changes during each of the years then ended, is presented below:

UNITRONIX CORPORATION

NOTES TO FINANCIAL STATEMENTS

	Number of Shares	Weighted Average Exercise Price per Share
Options outstanding at June 30, 1996	413,000	. 125
Options granted		. 125
Options exercised		. 125
Options canceled	(155,000)	. 125
Options outstanding at June 30, 1997	258,000	. 125
Options granted	210,000	. 125
Options exercised		. 125
Options canceled	(3,000)	. 125
Options outstanding at June 30, 1998	465,000	. 125
Options granted	0	-
Options exercised	0	-
Options canceled	0	-
Options outstanding at June 30, 1999	465,000	. 125

There were 465,000 options exercisable as of June 30, 1999.

The following table summarizes information about stock options outstanding at June 30, 1999

Options Outstanding				Options Exercisable	
Exercise Price	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$.125	465,000	6.81 years	$.125	465,000	$.125

There are 535,000 options available for grant as of June 30, 1999.

The effects of applying SFAS NO. 123 in this disclosure are not indicative of future amounts. SFAS NO. 123 does not apply to awards made prior to 1995. Additional awards in future years are anticipated.

11. Operating Segments

The Company organizes its business units into two reportable segments: computer systems and software licenses, and computer services. The segments' accounting policies are the same as those described in the summary of significant accounting policies except that interest expense is not allocated to the individual operating segments when determining segment profit or loss. The Company evaluates performance based on profit or loss from operations before interest and income taxes not including nonrecurring gains and losses.

Reconciliation of Segment Information

	1999	1998	1997
Computer systems and			

software licenses:

Revenue	$318,550	$491,300	$272,173
Costs and expenses	409,407	617,209	1,172,779
Income (loss) for segment	(90,857)	(125,909)	(900,606)

Services:

Revenue	537,920	584,799	667,484
Costs and expenses	430,772	473,561	504,059
Income (loss) for segment	107,148	111,238	163,425
Total income (loss) for segments	$16,291	$(14,671)	$(737,181)

UNITRONIX CORPORATION

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

Col. A	Col. B	Col. E	Col. D	Col. E
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions*	Balance at End of Period
Year ended June 30, 1999:				

Allowance for doubtful accounts	$3,526	$4,876	$0	$8,402
Year ended June 30, 1998:				
Allowance for doubtful accounts	4,996	1,638	3,108	3,526
Year ended June 30, 1997:				
Allowance for doubtful accounts	10,401	4,740	10,145	4,996

*Write-off of bad debts

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