FORM 10KSB40/A

Annual and transition reports of small business issuers [Section 13 or 15(d), S-B Item 405] [amend]

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FILER

TELTRONICS INC

CIK:**97052**| IRS No.: **592937938** | State of Incorp.:**DE** | Fiscal Year End: **1231**
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SIC: **3663** Radio & tv broadcasting & communications equipment

Mailing Address
2150 WHITFIELD INDUSTRIAL WAY
SARASOTA FL 34243

Business Address
2150 WHITEFIELD INDUSTRIAL WAY
SARASOTA FL 34243
8137535000

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB/A-1

(Mark One)

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 (Fee Required)

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1993

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 (No Fee Required)

For the transition period from ________________________ to ______________________

Commission File Number 0-17893

TELTRONICS, INC.

(Name of small business issuer in its charter)

Delaware	59-2937938
(State or other jurisdiction of Incorporation or organization)	(IRS Employer Identification Number)

2150 Whitfield Industrial Way, Sarasota, Florida	34243
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number, including area code: (813) 753-5000

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

Common stock, $.001 par value

(Title of Class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the 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 ___

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S B is not contained in this form, and no disclosure will 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-KSB or any amendment to this Form 10-KSB, [X].

Issuer's revenues for its most recent fiscal year. $11,789,000

The aggregate market value (closing bid price) of the Registrant's common stock held by non-affiliates at March 29, 1994, was approximately $2,000,000. For purposes of computing such market value, the Registrant has assumed that affiliates include only its executive officers, directors and 5% stockholders. This determination of affiliate status has been made solely for the purpose of this Report, and the Registrant reserves the right to disclaim that any such individual is an affiliate of the Registrant for any other purposes.

Note: If determining whether a person is an market value of the common equity held by non-affiliate will involve an unreasonable effort and affiliates on the basis of reasonable assumptions, if expense, the issuer may calculate the aggregate the assumptions are stated.

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

As of March 29, 1994, 14,344,000 shares of the Registrant's common stock, par value $.001, were issued and outstanding.

Exhibit index appears on pages 24. Total pages 60.

PART 1

ITEM 1. BUSINESS

GENERAL

Teltronics, Inc. ("Company"), a Delaware corporation incorporated on February 15, 1989, and successor to Comnet Systems, Inc. ("Comnet"), designs, develops, manufactures and markets telecommunication equipment and software products. All reference herein to Teltronics or the Company shall include the operations of Comnet from its date of inception in June 1988 until its merger with Teltronics in February 1989. In November 1988, Comnet acquired substantially all the assets and certain liabilities of a division of BRIntec Systems Corporation known and operated as the Teltronics Division ("Teltronics Division").

On December 28, 1989, the Company entered into an Agreement of Sale ("Sale Agreement") with COM DEV, Inc., ("Com Dev"), a Florida corporation located in Sarasota, Florida. Pursuant to the Sale Agreement the Company agreed to purchase Com Dev. In the 1990 fiscal year, the Company acquired substantially all of the assets of Com Dev subject to certain assumed liabilities and caused TCT, Inc. ("TCT"), the Company's wholly-owned subsidiary, to acquire certain assets and assume certain liabilities of Com Dev's wholly-owned subsidiary, TC Telemanagement, Inc. Subsequent to TCT's acquisition of assets of TC Telemanagement, Inc., the Company caused TCT to change its name to TC Telemanagement, Inc. In January of 1993, TC Telemanagement, Inc. moved to Sarasota and its operations were integrated with Teltronics, Inc.

On August 24, 1991, the Company entered into a First Amendment to the Agreement and Plan of Reorganization ("Reorganization Agreement") with ComCentral Acquisition Corp. ("CCAC"), a newly formed wholly-owned subsidiary of the Company incorporated in the State of Delaware, Catalyst Communications Corporation, a Utah corporation now known as ComCentral Corp. ("ComCentral") and certain shareholders of ComCentral. ComCentral, and its wholly-owned subsidiary ComCentral, Inc. have been providing long distance telecommunication services since 1989. Pursuant to the Reorganization Agreement, the Company agreed with certain shareholders of ComCentral to exchange 3,650,000 shares of the Company's $.001 par value common stock ("Company Stock") for 80% of the total number of shares of all other classes of stock of ComCentral. The transaction was closed subject to an escrow agreement ("Escrow") under which the Company's stock was held by CCAC as escrow agent pending the successful offering of securities of ComCentral. In addition, 1,191,940 shares of the Company Stock remained in escrow for a period of one year commencing August 24, 1991 to secure the obligations of certain of the former ComCentral shareholders under the Reorganization Agreement.

ComCentral (File No. 33-42635) is a separate reporting company filing periodic reports pursuant to Section 12(9) under Securities Act of 1934 as amended. The Company will from time to time cross-reference to information more fully described in the ComCentral Form 10-K for the fiscal year ended December 31, 1993. A number of transactions as they relate to ComCentral have occurred which are more fully described in the notes to the financial statements (see page F-10, Note 3). At December 31, 1993, the Company owns 502,000 shares of ComCentral common stock (representing approximately 3% of the outstanding common stock) which are restricted for two years under Rule 144 of the Securities and Exchange Commission and are recorded at the amount of intercompany debt forgiven, which approximates the fair market value of the stock on the date of issuance.

The Company employs 200 people as of February 28, 1994.

In December 1992 the Company entered into an exclusive licensing agreement with Systems Reliability, Inc. (SRI) of Sarasota, Florida to sell and distribute System Reliability's ORBi-TEL line of Call Accounting products in North and South America.

INDUSTRY SEGMENTS

Financial Information Relating to Industry Segment

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1993		
	PRODUCT SEGMENT	SOFTWARE SEGMENT	CONSOLIDATED TOTALS
<S>	<C>	<C>	<C>
Total revenues	$10,341,189	$1,447,324	$11,788,513
Operating income (loss)	(1,332,098)	(370,825)	(1,702,923)
Identifiable assets	8,356,067	2,391,634	10,747,701
Depreciation and amortization	378,510	484,828	863,338
Capital expenditures	181,434	---	181,434

</TABLE>

The Software Segment relates wholly to the business of the Company, no revenue has been recorded in 1993 for the Service Segment (ComCentral).

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1992		
	PRODUCT SEGMENT	SERVICE SEGMENT	CONSOLIDATED TOTALS
<S>	<C>	<C>	<C>
Total revenues	$11,811,130	$8,205,215	$20,016,345
Operating income (loss)	400,689	143,070	543,759
Identifiable assets	7,508,711	286,939	$ 7,795,650
Depreciation and amortization	331,772	288,637	620,409
Capital expenditures	499,132	256,336	755,468

</TABLE>

The Service Segment detailed above relates to 8 months ended August 31, 1992 of ComCentral.

DESCRIPTION OF BUSINESS

PRODUCTS PRODUCED AND SERVICES PROVIDED

The Company designs, develops, manufactures, and markets electronic hardware and application software for the telecommunications marketplace, as well as engaging in contract manufacturing.

During the year ended December 31, 1993, sales to the Company's five largest customers (Telematic Communications, GTE, C&L Communications, BellSouth Communications, and Fujitsu Business Communications) accounted for approximately 50% of the total sales revenue. Two of these customers represented more than 10% of net sales however the Company does not believe it is dependent on any one customer.

In 1993, Teltronics, Inc. reorganized, consolidating the businesses of TC Telemanagement, Inc., Teltronics, Inc. and Systems Reliability, Inc. into one company. This resulted in reducing overhead and better focusing the Company on increasing sales through major distributors. The Company's product development strategy continues to be the enhancement of existing product lines and the completion of several new products.

The Company's key markets within the telecommunications industry include: Long Distance Management, Remote Maintenance, Call Accounting and Telecommunications Management, and ACD Information Management. External to telecommunications, but also considered a key market is Contract Manufacturing.

LONG DISTANCE MANAGEMENT ("LDM")

In today's largely deregulated telecommunications industry, there are many carriers. Some of the better known are AT&T, Sprint, and MCI, plus over 300 smaller companies who sell or re-sell long distance and intralata telephone service. These carriers compete to provide their customers with lower priced telephone call routing, and until recently, they were known as Interexchange Carriers (IXCs).

The advent of intralata competition changed the definition of these carriers, and added a new dimension to the market for the Company's LDM products. Additional regulatory changes are now being considered that will allow these carriers to compete in the area of local call traffic; this will further broaden the market for the Company's products.

The Company's LDM products assist their owners in creating revenue. These products are divided in two categories: the Network Manager products and the Automatic Call Processor products. Both categories have evolved in great part as a result of deregulation of the telecommunications industry in the United States.

The first category consists of the Network Manager products, which are purchased primarily by long distance and intralata telephone carriers. The Network Manager products analyze the digits dialed by a caller and determine which calls are best handled by the carrier. They translate the caller's dialed digits as required to access the carrier's facilities; this is done in such a way that it is totally transparent to the caller.

Automatic Call Processors, the second category of LDM products, are designed to address vertical market niches such as the lodging industry and correctional institutions, where resale of telephone services is permitted. These products provide a transaction based revenue stream for the owner of the product by producing a margin between what may legally be charged for calls and the price the owner pays to process the call through the telephone network.

Each time the regulations change, a niche opens for LDM products that can, in general, translate the old way of doing things to the new. The Company is now seeing continued regulatory changes in the United States, and an accelerated rate of deregulation in other parts of the world. As deregulation and competition increase, the Company is adapting its LDM products to take advantage of these domestic and international opportunities.

Management of the Company believes that the Company has established a strong competitive position in the Long Distance Management market. The Company's products competing in the Long Distance Management market include the Network Manager, Network Manager +, ACP PLUS, ACP+ONE, and the Confinement Series. A brief description of these products follows.

NETWORK MANAGER AND NETWORK MANAGER +. These two products are functionally identical but are available in different physical configurations to address varying market requirements.

The principle function of the Network Manager is to route calls from their originating point to the desired carrier. This is accomplished by analyzing the digits dialed by a caller and translating them to the necessary digit patterns to be dialed on the public telephone network. The Network Manager can route individual calls to the user's most cost-effective long distance carrier based on the telephone number dialed.

The Network Manager also provides cost-effective long distance calling and toll restriction for all tone and rotary dial telephones. The Network Manager screens calls and can block, a) calls without a proper authorization code, b) all or certain local calls based on the number dialed, and c) all or certain long distance calls based on the number dialed (including special access phone numbers such as those beginning with 950 and 976).

The design of the Network Manager is modular and allows the customer to purchase the exact number of lines required. This is often a competitive advantage in very small and very large applications. The Network Manager + is a value engineered, four line product that addresses a specific high volume application. It is designed for quick installation and simple programming through automated tools provided by the Company.

The Network Manager and Network Manager + are used primarily in businesses, schools, prisons and hospitals. The market for Network Managers is mature and stable. Teltronics has approximately a 30% market share in the United States.

AUTOMATED CALL PROCESSOR ("ACP") PRODUCTS. The ACP product family is designed to automatically process calls that would normally require an operator or would utilize the automated calling card functions provided by the telephone company. Typical examples are calls charged to a telephone company calling card or collect calls. In the industry, the calls are referred to as 0+ calls because they all start by dialing 0 plus the destination number.

ACP products process 0+ calls. When, for example, a caller dials 0+ a destination number to make a call charged to a telephone company calling card, the ACP intercepts the destination number before it is dialed onto the public telephone network. The ACP then presents the industry standard "bong" tone, and prompts the caller to enter the calling card number. Once completed, the ACP dials a 1+, direct-distance-dialed call to the destination and connects the caller. This 1+ call is placed over very low cost long distance facilities that have been contracted for by the owner of the ACP.

The destination number and the calling card number are stored in the ACP along with the duration of the call, and this transaction data is collected automatically, via teleprocessing, by host software marketed by the Company. The calls are priced at the permitted operator-assisted rates, sent to a clearing house to be processed and ultimately are placed on the caller's home telephone bill. Thus, by charging the permitted premium rates for these 0+ calls, but paying a lower charge to route the call via a low cost carrier, the owner of the ACP realizes a profit on each call.

ACP PLUS. The first member of the ACP product family is ACP PLUS. It provides the 0+ re-selling functions described previously.

ACP PLUS also provides a means of adhering to an industry regulation which does not permit a re-seller to knowingly bill for an unanswered call. Since the public telephone network does not provide any formal indication to the caller that a call has been answered, a significant technical

challenge is presented to the ACP. The ACP PLUS uses sophisticated hardware and software to "listen" for indications that a call has been answered.

ACP + ONE. For the reasons previously stated, a PABX in a hotel cannot determine when a direct-distance-dialed call (i.e. 1+) from a guest room is answered. This often leads to erroneous billing of unanswered calls, a front desk argument, and an unhappy hotel guest. In addition, PABXs are often configured to ignore calls of short duration, and such call records are discarded as "probably not answered." This results in lost revenue for the hotel which may be significant, even on local calls, since permitted per-call surcharges are not collected.

ACP + ONE provides a solution to these billing problems. It has all of the features of ACP PLUS, but also detects when 1+ calls have been answered. The record of these calls is corrected to show the proper duration and then sent to the hotel's billing system. In this way, all answered calls may be billed regardless of duration, and calls that were not answered will not be billed.

THE CONFINEMENT SERIES. The Confinement Series, introduced in 1990, is a special adaptation of the ACP product line that addresses the unique requirements of correctional institutions.

Correctional institutions are permitted to re-sell calls placed by inmates; most frequently the inmates are allowed to place only collect calls. The Confinement Series provides a revenue stream by again allowing calls to be charged at a permitted premium rate and processed at a much lower cost. This product is also used to prevent fraudulent calling that is common in these institutions.

REMOTE MAINTENANCE

Emphasis on service as a product (the maintenance and repair of systems), caused a market for automated fault/alarms management systems to emerge in the 1980's. The market is based on the need to monitor a population of remotely located, computer based systems from a Technical Assistance Center (TAC.) This capability is extremely important in the telecommunications industry as well as in other service environments. To effectively address this market, service providers need state of the art technology to manage and maintain their equipment, and to project a proactive service image to their customers.

Management of the Company believes that it has established a strong competitive position in the Remote Maintenance market through sales of the following products: Dispatcher, Site Event Buffer-II, and IRIS.

DISPATCHER. The Dispatcher is a microprocessor based monitoring system that is co-located with the remote system to be monitored for faults. These remote systems are often referred to as Network Elements.

Most Network Elements, such as PABXs or voice mail systems, generate maintenance information as events occur; they may also be queried for this information. The Dispatcher constantly evaluates the maintenance data stream from the Network Element. Once a problem has been identified, the Dispatcher automatically calls the Technical Assistance Center (TAC) responsible for servicing the Network Elements and reports the specific location and the associated problem. The Dispatcher also provides secure access to the Network Element enabling the TAC to remotely perform scheduled or emergency maintenance while hackers and other unauthorized users are blocked from access.

GTE, PacTel Meridian Systems, NYNEX Meridian Systems, Southwestern Bell, and the Puerto Rican Telephone Company (PRTC) use the Dispatcher as part of an integrated system to provide enhanced maintenance services to their customer bases.

SITE EVEN BUFFER-II ("SEB-II"). Like the Dispatcher, the SEB-II monitors remotely located Network Elements, but is a much more sophisticated system.

The SEB-II may simultaneously monitor up to four Network Elements. In addition to fault/alarm reporting and security functionality that exceeds that of the Dispatcher, the SEB-II also has data storage and retrieval capabilities. Its multi-port configuration allows the SEB-II to concurrently collect and store various forms of data, such as Station Message Detail Records (SMDR), Automatic Call Distribution (ACD) data, and PABX traffic information. By using one of the Company's Management Information Systems (MIS), this data may be retrieved and processed into useful reports.

The SEB-II is a multi-application product whose architecture permits its operational characteristics to be completely changed by remotely downloading new software. Introduced in mid-1991, the SEB-II replaces the original Site Event Buffer-I (SEB-I) with a product that offers increased functionality, twice the data storage capacity, and support for additional Network Elements.

In late 1993, development efforts were initiated which provided for scripts, written in a high-level language, that may be used to create a dialogue between the SEB-II and the Network Element. This dialogue will allow the SEB-II to clear fault conditions present in the Network Element and to perform more complex analysis of maintenance data. Included in these development activities is the design of high speed internal modems required for more demanding applications and for international markets. These developments are scheduled to be completed in 1994.

BellSouth, GTE, PacTel Meridian Systems, NYNEX Meridian Systems, Bell Atlantic Meridian Systems, British Columbia Telephone, Mitel, NEC, ROLM, and Critical Services Management use SEBs and SEB-IIs as part of an integrated system to provide enhanced maintenance services to their customer bases.

IRIS. The IRIS system is a UNIX-based software package that is used by service providers in Technical Assistance Centers to monitor alarms and to process data collected from the Network Elements.

In operation, Dispatchers and SEBs associated with remote Network Elements report events to IRIS. These events may represent alarm conditions in the Network Elements, or may simply be status information to indicate that everything is working properly. Using IRIS, the service provider often resolves problems before the customer is aware of them. IRIS is also used to collect data stored in SEBs and direct the data to the proper software application for processing. The software also provides the tools required to manage remotely located SEBs and to access Network Elements for routine maintenance.

The status of Network Element alarms is maintained in IRIS, and the service provider may obtain reports on alarm status at any time. Comprehensive reports that provide statistical analysis of received alarms are also available. Service personnel use them to isolate faulty components, identify trends, and track the historical performance of Network Elements.

IRIS is currently available on a personal computer platform for the medium sized service provider, and on the IBM RS/6000 family of RISC-based super-minicomputers for those customers with a large population of Network Elements and associated Dispatchers or SEBs.

IRIS is used by BellSouth, GTE, PacTel Meridian Systems, NYNEX Meridian Systems, Bell Atlantic Meridian Systems, British Columbia Telephone, Mitel, NEC, ROLM, and Critical Services Management as the Management Information System that is the heart of their service offerings.

IRIS TRAFFIC. This optional IRIS software module is a traffic analysis system that allows service providers to perform traffic studies on Northern Telecom SL-1 and Meridian-1 PABX systems. The information created by this application assists the service provider in "fine tuning" their customer's PABX to operate at peak efficiency. The IRIS Traffic system has proven to be a very effective revenue generator for service providers by allowing them to identify PABX upgrades to sell to their customers and provide enhanced performance or new features.

TELECOMMUNICATION MANAGEMENT

Telemanagement and Call Accounting are very competitive markets in North America with over 150 companies battling for market share. Management believes that four factors ensure that the Company will compete favorably in these markets.

These competitive advantages are a) the securing of the exclusive North and South American distribution license for the ORBi-TEL/UNIX product line, b) introduction of major improvements in the ORBi-TEL/UNIX product offering, c) the negotiation of a favorable distribution agreement with the software developer (MDR Telemanagement Limited) for an OEM version of their DOS/Windows product.

The products with which the Company competes in the Telemanagement and Call Accounting markets are CallQuest-IV, ORBi-TEL/DOS, ORBi-TEL/Windows, ORBi-TEL/UNIX, and ORBi-TEL/CO. A brief description of these products follows.

CALLQUEST IV. CallQuest IV is a Call Accounting software package that runs under DOS on a personal computer. It is a highly effective Call Accounting system that meets the needs of both the hospitality industry and the general business environment.

CallQuest IV is simple to use and has great flexibility in call pricing and support of various long distance tariffs. The system is targeted at single site telephone systems with 75 to 1000 stations, and is marketed primarily through distributors who sell and service PABXs and key systems.

ORBI-TEL/DOS AND ORBI-TEL/WINDOWS. ORBi-TEL/DOS and ORBi-TEL/Windows are Telemanagement software packages that run on a personal computer under DOS and Windows respectively. While functionally very similar, ORBi-TEL DOS and ORBi-TEL Windows coexist because Windows, while popular, is not always the customer's first choice for an operating system.

The ORBi-TEL family of products provides comprehensive Call Accounting as well as several other Telemanagement modules: Inventory, Work Order, and Directory Look-up. Both DOS and Windows versions support multiple PABX sites by polling data from collection devices associated with remote PABXs.

ORBi-TEL/DOS and ORBi-TEL/Windows are targeted at users with PABXs ranging in size from 100 stations to 10,000 stations and multiple sites are supported. These products are marketed directly to end-users and through distributors who sell and service PABXs and key systems.

ORBI-TEL/UNIX. ORBi-TEL/UNIX is a high end Telemanagement software package. It has modular architecture and is designed to accommodate moderate sized to extremely large single site users, as well as large multi-site networks. It is comprised of ten integrated modules which are added to the core system as required to address the specific application.

ORBi-TEL/UNIX is built around the UNIX operating system and the INFORMIX relational database management system. These building blocks provide for simultaneous access by multiple users and for efficient access to, and correlation of, data in the various modules. The integrated modules available are; a) Call Accounting, b) Traffic Analysis, c) Inventory, d) Work Order, e) Trouble Ticket, f) Directory Services, g) Fault/Alarms Management, h) Billing, i) Cable & Wire Management, and j) PABX Management. An ad hoc report writer is also available to provide users with flexibility in generating meaningful reports from the various modules.

The product has been enhanced by the Company to support the Site Event Buffer-II (SEB-II) described previously as the data collection device in all multi-site applications. The SEB-II is also used to monitor and report alarm conditions to ORBi-TEL's Fault/Alarms Management module.

ORBi-TEL/UNIX is marketed directly to end users throughout North and South America, and is available through selected premium distributors that demonstrate an ability to sell and support sophisticated software systems.

ORBI-TEL/CO. A longstanding rivalry for the business telephone market has existed between the operating telephone companies (Telcos) and interconnect companies. In recent years, the Telcos have enhanced their central office based offering (Centrex) to be very competitive in price and feature content with PABX systems. Because the most requested value-added feature in the business telephone market today is Call Accounting, the Telcos must be able to offer PABX-like Call Accounting features to their Centrex customers. ORBi-TEL/CO provides Telcos with a central office based platform for Call Accounting services.

ORBi-TEL/CO was derived from the standard ORBi-TEL/UNIX system, and provides two different feature sets which may be selected on a per customer basis. First, the system may be configured to deliver call detail records, or SMDR, to the Centrex customer's location so that a Call Accounting system such as ORBi-TEL/Windows may be used to further process the data. Alternatively, the ORBi-TEL system may be configured to provide complete Call Accounting processing and reporting to the Centrex customer. These reports are available through teleprocessing or may be provided by the Telco on a service bureau basis.

ACD INFORMATION MANAGEMENT

The market for software packages that provide information management tools for telecommunication users is expanding. This is a result of the evolution of intelligent switching systems that have the capability to generate various types of statistical information.

One of the enhanced telecommunication features is Automatic Call Distribution (ACD). The ACD feature in the switching system provides the orderly distribution of incoming call traffic to agents manning a call center's phones, along with messages and music to the calling customer. ACD features are offered by many switch manufacturers and have created a market for software applications that help the call center manager to make quick decisions and gain a historical perspective of call center activity.

Information desired by ACD managers includes a) the number of calls and duration of calls that were holding for an agent to answer, b) the number of calls per agent per hour, c) the number of calls received over a particular set of telephone lines, and d) other productivity information. The Company markets ACD Management Information Systems (ACD/MIS) that provide this data for several telephone systems.

SL-1 ACD MANAGEMENT SYSTEM. This ACD/MIS product enhances the Northern Telecom SL-1 and Meridian-1 family of customer location telephone systems that offer an embedded ACD function.

This ACD/MIS takes the raw ACD information records generated by the PABX, and produces reports to manage ACD call activity and ensure optimum performance of the ACD group's resources. This product is marketed as a software package and runs on a PC under DOS. The SEB-II is used as the data collection device for this product.

ACD-100. Northern Telecom's central office system is the DMS100. It is used by most of the Regional Bell Operating Companies (RBOCs), and other Telcos to offer regulated telephone services to both residential and business users. The DMS100 offers ACD functions for the business user as an alternative to purchasing an ACD system.

The Company's ACD/MIS software for the DMS100 is called ACD-100, and was developed under contract with BellSouth; it is jointly owned by both companies. This product uses a real-time, graphical representation to show ACD agent activity and performance parameters of the ACD system. Comprehensive reports are available which may be used to identify proper agent staffing for the desired levels of customer response. The ACD-100 system also offers a Load Management feature set which allows the call center manager to dynamically alter DMS100 parameters in response to changing calling loads or traffic patterns.

ACD-100 is marketed as a software package and is designed to run on a high-end PC under UNIX. BellSouth sells the product to their central office ACD customers, and uses the product internally. Other than in the BellSouth seven-state territory, the Company has complete rights to market the product to other RBOCs and independent telephone companies.

Management of the Company believes that the demand for this product will increase as the rivalry between Telcos and the interconnect companies for central office ACD solutions versus customer owned ACD equipment continues to intensify in the marketplace.

CONTRACT MANUFACTURING

The size of the Contract Manufacturing industry is currently in excess of $3 billion annually worldwide, and is growing at 20% per year. Management recognized that the Company's

manufacturing costs (particularly labor) were significantly lower than those of most competitors in the United States and decided to make a trial entry into the market in 1992.

The Company's initial efforts to gain a foothold in contract manufacturing were modest in scale and limited to a few select customers. Encouraged by the success indicators of acceptable profits and high quality results on smaller projects, and in the belief that a relevant share of the market could be captured, the Company entered the Contract Manufacturing market full scale in mid-1993. Results thus far are promising.

The current manufacturing capacity allows for considerable growth of existing product lines, and will also accommodate a doubling of Contract Manufacturing activities. Contract Manufacturing enables the Company to profit from economies of scale through increased purchasing power and utilization of excess plant capacity, thus reducing direct material costs and overhead on the Company's baseline products. This will make those products more profitable and competitive in their respective markets.

PATENTS, COPYRIGHTS AND TRADEMARKS

The Company has no patent or copyright registrations protecting its existing products. While the Company may in the future apply for patent or copyright protection for new products, the Company is unlikely to do so because telecommunications technology changes so rapidly. The Company seeks to protect its confidential and proprietary information through the enforcement of confidentiality/non-compete agreements presently being executed by key employees.

WARRANTY AND SERVICE

The Company provides a limited warranty on its products, for a period of from 3 to 36 months (depending on the product), under which the Company agrees to repair or replace, in the Company's sole discretion, units defective in material or workmanship, provided the equipment has not been subjected to alteration or abuse. The Company's technical service and engineering staff provide support services over the telephone to customers with installation or operational questions. Warranty and other repair services are provided by the Company at its facility in Sarasota, Florida. To date, warranty expenses have been insignificant in proportion to the Company's gross revenues.

COMPONENT PROCUREMENT

The Company assembles all of its products at its facility in Sarasota, Florida. All components used in the assembly of the Company's products are purchased from distributors and component manufacturers. Purchase orders for components are placed from one (1) month to six (6) months in advance, depending on the supply sensitivity of a particular component. All of the necessary components are available from one of several sources, based upon current price quotations. The Company believes that several suppliers for its product components are available. If these suppliers should stop carrying our manufacturing components for the Company, the Company's operations could, however, be adversely affected until alternative sources are located and increased operating costs could result from product re-engineering required to use such substitute components. Certain electronic components used in the Company's products are purchased through American distributors from sources outside of the United States. The costs of such components increase as the value of the United States dollar decreases in relation to foreign currencies. In addition, the availability of such components may be affected by factors external to the United States, including war, civil strife, embargo and export or import restrictions. Although there can be no assurance, the Company has not experienced and does not anticipate experiencing any significant difficulty in obtaining components other than the "COD Requirements". Effective in the second quarter of 1993, many of the Company's suppliers began requiring the Company to pay cash on delivery of component shipments to the Company ("COD Requirements"). Some of those suppliers still require the Company to purchase on a COD basis.

BACKLOG

The Company's backlog at December 31, 1993 and 1992 was $3,319,000 and $480,000 respectively. At February 28, 1994 and 1993 the Company's backlog was $2,297,100 and $720,000 respectively.

The Company entered into a software development agreement whereby the Company will develop certain software for $1,275,000. The Company has billed $450,000 under this Contract at December 31, 1993. The contract can be terminated by either party with 60 days notice.

COMPETITION

The Company has one significant competitor in its Long Distance Management product group (Mitel). There are no significant competitors in the Alarm Management marketplace. The Call Accounting and ACD Information Management Markets are saturated with numerous competitors and no one company dominates the market. Management of the Company believes that the Company's products are competitive in price, product performance, warranty, technology and service. The Company continues to spend significant funds to enhance already technologically complex equipment and develop or acquire new products, including new technology and/or products for its Call Accounting product group, as well as development of application software for its products in the Remote Maintenance and ACD Information Management Markets.

RESEARCH AND PRODUCT DEVELOPMENT

The Company maintains a continuing research and development program directed toward enhancement of its existing product lines and development of new products. The Company's research and development expenditures during the fiscal years ended December 31, 1993, 1992 and 1991 were $1,371,000 (after capitalization of software development costs), $828,000 (after capitalization of software development costs), and $1,583,000 respectively.

REGULATION

Part 68 of the Federal Communications Commission ("FCC") Rules ("Part 68") contains the majority of the technical requirements with which telephone systems must comply to qualify for FCC registration for interconnection to the public telephone network. Part 68 registration represents a determination by the FCC that telecommunication equipment interfacing with the public telephone network complies with certain interference parameters and other technical specifications. FCC registration for the Company's products has been granted and the Company intends to apply for FCC registration for all of its new products.

Certain of the Company's products are also subject to and comply with regulation under Part 15 of the FCC Rules ("Part 15") which requires equipment classified as containing a Class A computing device to meet certain radio and television signal interference requirement. Notwithstanding this minimum compliance, however, Part 15 provides that operators of equipment containing Class A computing devices may be required to take whatever steps are necessary to correct radio and television interference caused by operation of such equipment in a residential area.

ITEM 2. PROPERTIES

TELTRONICS, INC. - HEADQUARTERS AND PLANT

The Company's main facility consists of approximately 72,000 square feet, located in a two story concrete and steel building leased from ARE Sarasota Limited Partnership ("ARE"), a limited partnership ("ARE Lease"). Approximately 36,000 square feet are used for laboratories and offices. The plant is located at 2150 Whitfield Industrial Way, Sarasota, Florida.

The monthly ARE Lease payment is $42,000. The ARE Lease expires in August 2005, and may be extended by the Company for two additional five year periods.

The Company also leases from ARE approximately 7,500 square feet of warehouse space at 2240 Whitfield Industrial Way, Sarasota, Florida. The monthly lease payment and terms are included as a part of the ARE Lease.

TC TELEMANAGEMENT, INC. - OFFICES

TCT's office facility consists of 8,500 square feet and is located at 13830 58th Street N., Suite 404, Clearwater, Florida 34620. The space is leased from Rubin Icot Center Limited ("ICOT lease"). TCT moved into the Teltronics facility in February 1993.

The monthly ICOT lease payment was $5,200 and increased to $8,100 on May 1, 1993. The ICOT lease expires on April 30, 1996. These premises have been sublet to a non-affiliated company.

ITEM 3. LEGAL PROCEEDINGS

The Company is a codefendant in a lawsuit by a former customer of ComCentral alleging damages in excess of $140,000. The Company disputes the allegations, however, outside counsel for the Company has advised that no discovery has been conducted and they cannot offer an opinion as to the potential liability to the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's security holders during the year ended December 31, 1993.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCK HOLDER MATTERS

On April 3, 1989 the Company filed with the Atlanta Regional Office of the Securities and Exchange Commission, Registration Statement No. 33-27957-A on Form S-18 ("S-18 Registration Statement") relating to a public offering of Units ("Units"), each Unit consisting of four shares of the Company's common stock, $.001 value per share ("Common Stock"), and two Warrants ("Warrants"), each Warrant entitling the holder thereof to purchase one share of Common Stock for $1.75. The S-18 Registration Statement was declared effective on July 21, 1989. The Company closed the offering on August 4, 1989, and sold 600,000 Units, receiving therefrom $3,240,000 prior to deduction of various expenses of the offering. The Common Stock and Warrants were immediately detachable and tradable upon the closing. The Company extended the period within which to exercise the Warrants from January 17, 1990 to April 22, 1991, and reduced the exercise price to $1.00. On April 22, 1991 the Warrants expired.

The Company's common stock is traded in the over-the-counter market. As of August 1, 1989, the Company listed its Common Stock for trading on the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ"). The following table sets forth for the fiscal periods indicated the high and low closing bid quotations in the over-the-counter market for the Company's common stock as reported on NASDAQ. These quotations represent inter-dealer prices, without adjustment for retail markups, markdowns or commissions, and may not represent actual transactions.

COMMON STOCK

<TABLE>
<CAPTION>

	1993 Closing Bid		1992 Closing Bid		1991 Closing Bid		1990 Closing Bid	
	High	Low	High	Low	High	Low	High	Low
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
PERIOD								
1st Quarter	.63	.44	1.44	.94	1.00	.31	1.47	.88
2nd Quarter	1.06	.63	.94	.53	1.19	.88	1.47	.88
3rd Quarter	1.44	1.22	.69	.31	1.16	.82	.78	.25
4th Quarter	1.28	.88	1.22	.25	1.28	.75	.63	.31

</TABLE>

On March 29, 1994, the closing bid quotation for the Company's common stock as reported on NASDAQ was $.53. As of March 29, 1994, there were in excess of 600 shareholders of the Company's common stock. The Company has not paid cash dividends to holders of its common stock and does not plan to pay such dividends in the foreseeable future.

ITEM 6 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL OVERVIEW

At December 1992 the Company consisted of TC Telemanagement, Inc., Teltronics and the business of Systems Reliability, all operating as separate entities from different locations. In order to achieve better communications and direction, the Company reorganized into one business unit at Teltronics, under new management. This enabled the restructuring of the Sales and Marketing departments under a new Vice President. This strategy has resulted in an increase of sales as demonstrated by the Company's current backlog. At the same time, Senior Management changes were made in Finance, Engineering, Manufacturing and Technical Services. This reorganization took place over the first three quarters of 1993.

In 1993 the Company reported sales of $11.8 million, which were comparable to the product segment sales of $11.8 million for 1992. The 1992 income statement includes eight (8) months of fully consolidated ComCentral results. (See Page F-10, Note 3).

The gross margin for the current year was 49.7% compared to 34% in 1992. This improvement was a direct result of ComCentral not being a part of the 1993 financial statements.

RESULTS OF OPERATIONS

Net sales for 1993 were $11.8 million compared to $20 million for 1992. However, the 1992 income statement included eight (8) months of fully consolidated ComCentral results, which included $8.2 million in sales. Effective September 1, 1992 the Company changed the method of accounting for ComCentral from a consolidated presentation to an equity method presentation. The decline in sales between 1992 and 1993 is a direct result of the change in the method of accounting for ComCentral.

Operating Income (Loss) fell to $(1,703,000) in 1993 from $544,000 in 1992. This decrease was primarily the result of reorganizational activities during the 1st three quarters along with increased spending in the selling and research and development areas in preparation for increased sales, product development and market penetration. Positive results from these efforts were seen in the 4th quarter. The pretax loss for 1993 was $(198,000). In 1992 pretax (loss) was $(3,307,000) primarily as a result of losses incurred by ComCentral.

The increase in earnings was primarily the result of a gain realized on the sale of ComCentral stock. In 1993 the Company reported a net income of $11,000, compared to a net loss of $(2,018,000) in 1992.

General and administrative expenses decreased to $2,520,000 from $2,880,000 in 1992. This was primarily a direct result of the reorganizational activity and administrative cost cutting measures implemented during the first 3 quarters. Selling expenses increased to $3,673,000 from $2,585,000 in 1992. This increase was primarily the direct result of the reorganization of the sales and marketing areas so as to improve and expand the channels of distribution.

Positive results of this effort are evidenced by the $5 million backlog as of March 25, 1994.

Research and development expense increased to $1,371,000 from $828,000 in 1992. This increase was the result of a continued effort to develop new and enhanced products which will contribute substantially to the growth of the Company's business. The Company capitalizes costs of internally developed software to be sold after the product is determined to be technologically and economically feasible. (See Page F-9, Note 2).

Other income (expense) of $1,505,000 in 1993 was comprised of gain on sale of ComCentral stock, miscellaneous income and the recovery of advances from ComCentral which were offset by interest expense, sales commission to H&N Management Co., and equity in loss of unconsolidated subsidiary. In the opinion of management these items do not reflect recurring future operating results. Other expenses, net of $3,851,000 in 1992 was comprised of bad debts, a valuation allowance, management fees of ComCentral, miscellaneous income, royalties, fees, sublease revenues and other non-recurring items.

Effective January 1, 1993 the Company changed its method of accounting for income taxes from the deferred method to the liability method. (See Page F-8, Note 2).

Other Assets - Other assets reflects an increase of approximately $2.5 million over 1992 primarily as a result of capitalized software licensing rights of $1,281,000 (see Page F-15, Note 8), an increase in the investment in ComCentral of $365,000 (See Page F-10, Note 3) and an advance to H&N of $716,000 (See Page F-18, Note 10)

Debt - Debt increased approximately $2 million over 1992 primarily a result of a royalty obligation under the acquisition of software licensing rights of approximately $1.2 million and convertible notes payable to various individuals for approximately $705,000 (See Page F-13, Note 6).

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In February 1992, the FASB adopted FAS No. 109, Accounting for Income Taxes. FAS No. 109 requires the use of the liability method of accounting and reporting for income taxes for fiscal years beginning on or after December 15, 1992. The Company adopted, effective January 1, 1993, the Statement of Financial Accounting Standard (SFAS) No. 109, issued in February 1992. This change did not have a significant impact on income before the cumulative effect of the change in accounting for income taxes for the year ended December 31, 1993.

The Company will be required to adopt Statement of Financial Accounting Standards ("FAS") No. 115 "Accounting for Certain Investments in Debt and Equity Securities" during 1994. The Company does not anticipate that the adoption will have any affect on net income.

CAPITAL RESOURCES AND LIQUIDITY

Cash requirements are met by borrowings from the Barnett Bank of Manatee County, N.A. under its credit facility. ("Barnett Line of Credit"). The credit line with Barnett Bank is due on demand. (See page F-13, Note 6) The Company was in violation of certain financial ratio and other covenants at December 31, 1993, under the terms of the agreement, the bank may call the loan if the Company is in violation of any restrictive covenant. As of March 24, 1994, the Company has not received a waiver of the violation of this covenant from the bank, however, the bank has not instituted collection procedures. During the year, capital expenditures grew mainly through lease financing to conserve operating capital.

Net cash used in operations was $(1,900,000) in 1993 compared to $7,500 provided in 1992. Investing activities, which included fixed asset acquisitions generated $645,000 in cash compared to utilizing $2.6 million in 1992. Cash provided by financing activities including the Barnett Credit line, proceeds from notes payable and proceeds from stock offering was a net of $1,187,000 compared to $550,000 for 1992. The Company entered into agreements with clients of Joseph Roberts and Co., Bernstein and Future Financial to provide short term funding as more fully described in the Financial Statements (Page F-13, Note 7).

The Company's working capital ratio at December 31, 1993 was 1.07:1. Net working capital was $357,000 at the end of the year.

Short term cash requirements are expected to be met through cash flows from operations augmented by credit line facilities. The Company is currently working to secure alternative financing for the Barnett Line of Credit and believes that such financing will be secured during 1994. Long term capital needs will be financed through traditional methods of capital markets, operations and bank borrowings. Management believes that cash available from operations, and borrowings from banks, will be sufficient to meet current cash requirements for normal operations. The Company has no material commitments for capital expenditures as of December 31, 1993.

CURRENT OUTLOOK

The Company has now completed most of the management changes and focused its sales team. This has resulted in strong sales growth of its core product. New sales made in the last quarter of 1993 of its IRIS software will ensure more sales of the SEB II product in 1994. Deregulation of the Australian telecommunications market has created a new market for the Long Distance Management products of the Company. The Australian telecommunications market was very similar to that of the US market in the mid 1980's. The telecommunications market was serviced by one carrier in a monopolistic situation, Australian Telecom. The Australian government decided to introduce competition into this marketplace and allow a number of carriers to come into the market, similar to the USA. As a result, there was an immediate need for a dialer to allow access to these competitive carriers. During 1993 the Company secured one of the alternate carriers to Telecom Australia, AAP, through the Company's distributor, Telematic of Melbourne, Australia. However, as this market is still volatile, there can be no guarantees of significant numbers being provided this year. Teltronics, however, enjoys the position through Telematic of being the major source of dialers for this marketplace. Management believes that the relationship with its major distributors has improved and is showing better acceptance of its core products.

ITEM 7. FINANCIAL STATEMENTS

INDEX TO FINANCIAL STATEMENTS

FINANCIAL STATEMENTS:
<TABLE>
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</TABLE>

Financial statement schedules not included in this Annual Report on Form 10-K have been omitted, because they are not applicable or the required information is shown in the financial statements or notes thereto.

ITEM 8. CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS IN ACCOUNTING AND FINANCIAL DISCLOSURE

No change or disagreements with accountants in any accounting and financial disclosures during the year ended December 31, 1993. There was a change in accountants for ComCentral as more fully described in the Form 8-K amended filed February 19, 1992, and there was a change in accountants for Teltronics as more fully described in the amended form 8-K filed May 17, 1992.

PART III

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the names, ages and positions of all directors and executive officers of the Company.

NAME	AGE	POSITION
Ewen R. Cameron	41	President and Chief Executive Officer
Gregory L. Deringer	40	Senior Vice President, Sales and Marketing
Peter G. Tuckerman	47	Vice President, Business Development
Pierre P. Forestier	48	Vice President, Technical Services
Paul D. Shrader	46	Controller and Principal Financial Officer
Matthew A. Veal	36	Secretary
Norman R. Dobiesz	46	Director
Carl S. Levine	47	Director
James F. Williams	36	Director
James H. Williams	62	Director

The Company's directors will serve until the annual meeting of stockholders or until their successors are elected and qualified.

EWEN R. CAMERON has served as President and Chief Executive Officer since July, 1993 and as a consultant to the Company and acting President since January, 1993. Prior to that, Mr. Cameron served as Managing Director of SRH plc, a European telecommunications company from 1989 to 1992. From January 1978 to December 1989 Mr. Cameron served as Managing Director of Systems Reliability Europe SA/NV, a wholly owned subsidiary of SRH plc based in Brussels, Belgium. Mr. Cameron has spent the last 21 years in the computer and telecommunications industry.

GREGORY L. DERINGER joined Teltronics in March 1993, as Vice President - Sales. Prior to this, Mr. Deringer was with Boole & Babbage Network Systems, a software development and sales company, from May 1991 to March 1993 as Vice President - Sales; he was Vice President of Sales and Marketing with Westinghouse Communications Software, Inc. a communication software development and sales company, from March 1990 to April 1991; served in the positions of Director/Systems Integration and Regional Sales Manager from January 1988 to February 1990; and had various Area

to National Sales functions with Teltone Corporation from June 1981 to December 1987. Mr. Deringer earned his BS in 1978 from the University of Wisconsin.

PETER G. TUCKERMAN became Vice President of Business Development for the Company in January of 1994 after serving as Vice President of Product Management from March of 1993. Mr. Tuckerman has also served Vice President of Engineering from March of 1991 to March of 1992 and as Vice President of Product Management for TCT from August of 1990 to March of 1991. Prior to this, Mr. Tuckerman has held various management positions at Com Dev including

Vice President of Product Development (1986-1990), Director of Product Management (1982-1986) and Product Manager (1978-1985).

PIERRE P. FORESTIER joined Teltronics in July of 1993 as Vice President, Technical Services. Prior to this Mr. Forestier owned and ran his own independent consulting group for two years. Mr. Forestier served as Vice President, Services for JWP/Businessland Information Systems, a business PC and network distributor, from 1990 to 1992. From 1974 to 1989 while employed by Perkin-Elmer Data Systems, Mr. Forestier held diverse positions including, Regional Sales Manager, Director of European Service Operations, Subsidiary General Manager, Director, North American Service Operations. Mr Forestier has been in the computer and data communications industry for 26 years.

PAUL D. SHRADER joined Teltronics in June 1993 as Accounting Manager. Prior to this, Mr. Shrader was with Mote Marine Laboratory, Inc., a marine research laboratory, from 1989 as Business Manager and Director of Administration. He was Controller for TrailMate, Inc. from 1984 to 1989. Prior to this Mr. Shrader held Controller positions with other local firms including the Ophthalmic Group of Milton Roy Company for seven years. Mr. Shrader earned his B.S. degree with a major in Accounting in 1970 from Concord College, Athens, WV.

MATTHEW A. VEAL was appointed as Secretary to board in January 1993 after having served as Controller of the Company since 1991. Mr. Veal has been a certified public accountant since 1983 and is also the Vice President of Finance for ComCentral Corp. From 1982 through 1990, Mr. Veal was an accountant with James Moore & Co., beginning as a staff accountant and subsequently being promoted to a manger in 1987. From 1980 to 1982, Mr. Veal was an accountant with the State of Florida. Mr. Veal is a member of the American Institute of Certified Public Accountants and the Florida Institute of Certified Public Accountants and has been a member of numerous professional and civic organizations. Mr. Veal received his B.S. in Business Administration from the University of Florida in 1980.

JAMES H. WILLIAMS served as Chairman of the Company until June 1990 and continues to serve as a Director of the Company. Mr. Williams developed substantial financial, production and general management experience as a principal stockholder and executive officer of the Williams Group of companies which he founded in 1965. This group of heavy construction, waste disposal and recycling, and transportation companies grew from 0 to $90,000,000 in annual sales prior to its sale in 1983. Mr. Williams is presently Chairman of the Board of Integrated Waste Services, Inc., a publicly held non-hazardous waste management company. Mr. Williams is also a private investor with interests in real estate development and various retail, wholesale, manufacturing and service businesses. James H. Williams is the uncle of James F. Williams, who, while no longer serving as President, remains a Director of the Company. Mr. Williams is also a principal of Welch Energy Fuel Supply, Inc., Mid-Eastern States Leasing Corp., and Opti-Net, Inc. Mr. Williams is Chairman, Director and a principal of H&N Management Co., Inc. which entered into a management consulting agreement with the Company in March 1989 and an acquisition consulting agreement in October 1990.

JAMES F. WILLIAMS was active in the planning and negotiations leading to the Company's acquisition of the Teltronics Division and was appointed President shortly after completion of the acquisition in November 1988. Mr. Williams served as President of the Company until September 1989 and continues to serve the Company as a Director. Mr. Williams is currently Vice President, and

Director of Integrated Waste Services, Inc., a publicly held non-hazardous waste management company and Chief Financial Officer for a group of diversified, closely held real estate development, retail, wholesale, manufacturing, and service businesses. He holds a B.S. in Accounting from St. John Fisher College and an M.B.A. from the Rochester Institute of Technology. James F. Williams is the nephew of James H. Williams, a former Chairman of the Company's Board of Directors who still serves as Director.

CARL S. LEVINE has served as a Director of the Company since July 27, 1988. Mr. Levine is an attorney who has been engaged in private practice in New York, New York from 1977 to 1981, and in Garden City, New York from 1981 to June 1985. Mr. Levine is presently the senior partner in the law firm of Levine, Robinson & Algios, P.C., Mitchel Field, New York. He specializes primarily in the practice of energy, environmental and tax law. Prior to entering private practice, Mr. Levine was employed as counsel for New York

Regional Office of the United States Department of Energy.

NORMAN R. DOBIESZ has served as a Director of the Company since October 25, 1991. He currently is President of H&N Management Co., Inc. which entered into a management consulting agreement with the Company in March 1989 and an acquisition consulting agreement in October 1990. Mr. Dobiesz has developed substantial financial and general management experience as a principal stockholder and executive of a group of privately held companies controlled by Mr. Dobiesz. Mr. Dobiesz is a major shareholder of Welch Energy Fuel Supply, Inc., Sado Gas Sales, Inc., H&N Management Co., Inc. and several other companies. Mr. Dobiesz has passive investments in both real estate as well as other operating companies.

JOHN W. PRIEST resigned his position as CEO and Chairman of the Board in July 1993.

ITEM 10. EXECUTIVE COMPENSATION

The following table sets forth certain information relating to the compensation received and to be received by certain persons who are presently, or were executive officers of the Company during the fiscal year ended December 31, 1993.

NAME OF INDIVIDUAL	CAPACITIES IN WHICH SERVED	Cash Compensation: CASH RECEIVED IN FISCAL YEAR ENDING 12/31/93
Ewen R. Cameron	President & C.E.O.	$168,940
Gregory L. Deringer	V.P. Sales & Service	*
Peter G. Tuckerman	V.P. Business Development	*
Pierre P. Forestier	V.P. Technical Services	*
Paul D. Shrader	Controller & Principal Financial Officer	*
Matthew A. Veal	Secretary	**
All Executive Officers as a group		$403,782

These amounts consist of salaries. They exclude certain personal benefits that aggregate less than the lesser of $25,000 or ten percent (10%) of the total cash compensation of any of the executive officers or which cannot be readily ascertained. They do not include $96,101 paid to Mr. John W. Priest who served as Chairman and CEO from January 1 to June 30, 1993.

* These salaries are less than $100,000 per annum.

** Mr. Veal serves as Secretary for the Company without salary.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information with respect to the beneficial ownership of all of the Company's outstanding Common Stock by each person owning five percent (5%) or more of such shares, by each director, and by all directors and officers as a group as of March 31, 1993. Unless otherwise indicated, it is assumed that all shares are directly owned and that the holders thereof have sole voting and investment power with respect thereto.

NAME OF BENEFICIAL OWNER AND ADDRESS	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	PERCENTAGE OF CLASS (1)
Norman R. Dobiesz (2) (4) 995 Monte Cristo Blvd. Tierra Verde, Florida 33715	3,069,159	21.40%
James H. Williams (2) (3) 1640 Twelve Oaks Way N. Palm Beach, Florida 33408	2,867,100	19.99%
All Directors and Officers (6) (5) as a Group (12 persons)	6,770,459	47.20%

(1) Includes the possible exercise of 240,000 warrants, entitling the holders thereof to purchase an aggregate of up to 240,000 shares of Common Stock.

(2) Director of the Company.

(3) Includes 700,000 shares owned by virtue of 50% ownership of H&N, 112,000 shares held by a trust over which James H. Williams, a director of the Company, exercises sole voting and investment power, and 120,000 shares that could be acquired upon exercise of warrants.

(4) Includes 700,000 shares owned by virtue of 50% ownership of H&N, and 83,109 shares owned by virtue of 33% ownership of Whitfield Capital of Sarasota, and 120,000 shares that could be acquired upon exercise of warrants.

(5) Does not include options granted John W. Priest to purchase up to 100,000 shares of the Company's common stock. Fifty thousand shares are available at an exercise price of $0.344 per share. These options expire November 5, 2000.

(6) Under a five year employment contract, Ewen Cameron is granted a President stock option to purchase 125,000 shares of common stock at $0.40 per share for each year of employment for a total of 625,000 shares.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During 1993, H&N Management Co., Inc. ("H&N"), a management and consulting company as more fully described in the notes to the financial statements (Page F-17, Note 10), owned and operated by James H. Williams and Norman R. Dobiesz, Directors and principal stockholders of the Company, waived all fees but not expenses required to be paid by the Company to H&N under a management consulting agreement for the quarters ended March 31, June 30, September 30, and December 31, 1993.

The Company entered into the management consulting agreement with H&N in March 1989. H&N is jointly owned by two major shareholders of the Company. The initial term of the management agreement is ten years and is renewable automatically for successive terms of five years each. The agreement requires H&N to provide the Company advice with respect to executive, managerial, financial, business and sales matters. For the performance of these services, H&N is entitled to a fee, payable quarterly and determined as a percent of the Company's gross annual sales. The stated percentage is 3% of the first $10 million of sales; 2% of the next $10 million in sales; and 1% of any sales in excess of $20. H&N waived the fee for 1993 and 1992 as no such services were performed under this agreement. H&N is also entitled to be reimbursed for expenses incurred in the performance of its duties under the agreement. The Company may terminate the management agreement for cause by giving 30 days prior written notice if H&N defaults in the performance of its obligations under the agreement. In addition, the two stockholders of H&N, who are also major shareholders and directors of the Company have agreed with the Company to abstain with respect to any vote at any meeting or action of the stockholders and/or directors of the Company with respect to the interpretation, enforcement, amendment, modification and/or waiver of the provisions of the management agreement.

ITEM 13. EXHIBITS, FINANCIAL STATEMENTS, AND REPORTS ON FORM 8-K

(a) The following documents are filed as a part of this report:

<TABLE>
<CAPTION>

		Page
<S>	<C>	<C>
	(1) Financial Statements:	
	Independent Auditor's Reports	F-1
	Balance Sheets - December 31, 1993	F-2/3
	Statements of Income for Years Ended December 31, 1993 and 1992	F-4
	Statements of Stockholders' Equity for the Years Ended December 31, 1993 and 1992	F-5
	Statements of Cash Flows for the Years Ended December 31, 1993 and 1992	F-6/7
	Notes to Financial Statements	F-8/23

(b) Reports on Form 8-K
(c) Exhibits:

10.112	Letter of waiver of Management Consulting Fees by H&N Management Co., for quarter ended March 31, 1993	(a)*
10.113	Letter of waiver of Management Consulting Fees by H&N Management Co. Inc. for quarter ended June 30, 1993	(b)
10.114	July 1993 Employee/Consultant Benefit Plan	(b)
10.115	Consulting Agreement dated July, 1993 between the Company and John W. Priest	(b)
10.116	Employment Agreement between the Company and Ewen Cameron dated June 30, 1993	(b)
10.117	Inter-Company Agreement between the Company and ComCentral Corp	(a)*
10.118	Divestiture Management Agreement between the Company and H&N Management Co., Inc.	(a)*
10.119	Equipment Leases with Eastman Kodak dated May 28, 1993	(a)*
10.120	Private Placement Memorandum, $360,000 Principal Amount, due March 31, 1994	(a)*
10.121	Private Placement Memorandum, $500,000 Principal Amount, due October 31, 1994	(a)*

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</TABLE>

(a) Filed as an Exhibit to this Report on Form 10-K.
(b) Filed as an Exhibit to Form S-8 and incorporated hereon by reference.

* Filed as an Exhibit to Report on Form 10-KSB filed March 31, 1994

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly cause this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

TELTRONICS, INC.

By: /s/Ewen Cameron

Ewen Cameron
President and Chief Executive Officer
and Director

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

SIGNATURES	TITLE	DATE
/s/Ewen Cameron Ewen Cameron	President, Chief Executive Officer and Director	June 30, 1995
/s/Paul D. Shrader Paul D. Shrader	Vice President Finance, Secretary and Treasurer	June 30, 1995
/s/Norman R. Dobiesz Norman R. Dobiesz	Vice President Mergers and Acquisitions and Director	June 30, 1995
/s/Carl S. Levine Carl S. Levine	Director	June 30, 1995

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Teltronics, Inc.:

We have audited the accompanying balance sheet of Teltronics, Inc. as of December 31, 1993, and the related statements of operations, shareholder's equity and cash flows for the years ended December 31, 1993 and 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Teltronics, Inc. as of December 31, 1993, and the results of its operations and its cash flows for the years ended December 31, 1993 and 1992, in conformity with generally accepted accounting principles.

As discussed in Note 16, the 1993 financial statements have been restated to reduce the amount capitalized as software licensing rights. As discussed in Note 2 to the financial statements, in 1993 the Company changed its method of accounting for income taxes to conform with Statement of Financial Accounting Standards No. 109.

Gainesville, Florida
March 24, 1994

TELTRONICS, INC.
BALANCE SHEET
DECEMBER 31, 1993

ASSETS

<TABLE>
<CAPTION>

<S>	1993 <C>
CURRENT ASSETS:	
Cash and cash equivalents	$ 10,332
Accounts receivable, net of allowance for doubtful accounts of $120,000	2,038,447
Inventories	2,430,284
Due from Whitfield Capital of Sarasota, Inc.	212,000
Due from Receivable Dynamics, Inc.	44,879
Income taxes receivable	378,780
Deferred income taxes	150,900
Other current assets	141,939
Total current assets	5,407,561
PROPERTY AND EQUIPMENT, net	1,225,110
OTHER ASSETS:	
Prepaid loan guarantee, net	326,676
Advances to H&N Management Co., Inc.	716,176
Marketable equity securities	652,000
Software development costs, net	999,130
Software licensing rights, net	1,280,504
Other	140,544
Total other assets	4,115,030
TOTAL ASSETS	$10,747,701

</TABLE>

See accompanying notes.

TELTRONICS, INC.
BALANCE SHEET
DECEMBER 31, 1993
(CONTINUED)

LIABILITIES AND SHAREHOLDERS' EQUITY

<TABLE>
<CAPTION>

<S>	1993 <C>
CURRENT LIABILITIES:	
Note payable on line of credit	$ 1,610,989
Current portion of long-term debt	1,361,065
Bank overdraft	87,800
Accounts payable	1,176,435
Accrued liablilities	731,646
Deferred income	82,766
Total current liabilities	5,050,701

LONG-TERM LIABILITIES:	
Long-term debt, less current portion	946,210
Deferred income taxes	421,450
Total long-term liabilities	1,367,660
COMMITMENTS AND CONTINGENCIES (Notes 6 and 8)	
SHAREHOLDERS' EQUITY:	
Common stock, $.001 par, 50,000,000 shares authorized, 14,344,000 issued and outstanding	14,344
Additional paid-in capital	7,886,349
Shares issued for future services	(1,605,873)
Accumulated deficit	(1,965,480)
Total shareholders' equity	4,329,340
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$10,747,701

</TABLE>

See accompanying notes.

TELETRONICS, INC.

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 1993 AND 1992

<TABLE>
<CAPTION>

<S>	1993 <C>	1992 <C>
NET SALES	$11,788,513	$20,016,345
COSTS AND EXPENSES		
Cost of goods sold	5,926,892	13,178,605
General and administrative	2,520,055	2,880,416
Selling	3,673,265	2,585,426
Research and development	1,371,224	828,139
	13,491,436	19,472,586
Operating income (loss)	(1,702,923)	543,759
OTHER INCOME (EXPENSE)		
Interest expense	(280,692)	(193,576)
Miscellaneous	89,223	234,110
Gain on sale of ComCentral stock	1,252,000	-
Sales commission to H&N Management Co., Inc.	(300,000)	-
Recovery of advances from ComCentral	852,000	-
Sale of customer accounts and equipment to Tampa Bay Financial, Inc.	-	(87,069)
Valuation adjustment of cross-license agreement	-	(710,292)
Bad debts - related parties	-	(2,498,125)
Management fees to International Petroleum	-	(600,000)
Management fees from American Telecommunications Corp.	-	125,000
Equity in loss of unconsolidated subsidiary	(107,737)	(120,919)
	1,504,794	(3,850,871)
Loss before income taxes	(198,129)	(3,307,112)
Provision (benefit) for income taxes	(124,000)	255,400
Loss before minority interest	(74,129)	3,562,512
Minority interest in net loss of consolidated subsidiary	-	1,544,707
Net loss before cumulative		

effect of accounting change	(74,129)	(2,017,805)
Cumulative effect of change in accounting for income taxes	85,081	-
NET INCOME (LOSS)	$ 10,952	$(2,017,805)
NET INCOME (LOSS) PER SHARE	$ -	$ (.18)
Average number of common shares outstanding	12,251,534	11,377,630

</TABLE>

See accompanying notes.

TELTRONICS, INC.
STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1993 AND 1992

<TABLE>
<CAPTION>

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	SHARES ISSUED FOR FUTURE SERVICES
	SHARES	AMOUNT		
<S>	<C>	<C>	<C>	<C>
BALANCE, December 31, 1991	11,269,000	$ 11,594	$ 5,493,460	$ -
Gain on issuance of stock by subsidiary	-	-	210,062	-
Effect of Deconsolidation of subsidiary	325,000	-	(104,000)	-
Net loss as restated	-	-	-	-
BALANCE, DECEMBER 31, 1992	11,594,000	11,594	5,599,522	-
Issuance of shares to employees and consultants for future services	2,750,000	2,750	2,286,827	(2,289,577)
Compensation earned	-	-	-	683,704
Net income as restated	-	-	-	-
BALANCE, DECEMBER 31, 1993	14,344,000	$ 14,344	$ 7,886,349	$ (1,605,873)

<CAPTION>

	RETAINED EARNINGS (ACCUMULATED DEFICIT)	TREASURY STOCK AT COST	TOTAL
<S>	<C>	<C>	<C>
BALANCE, December 31, 1991	$ 41,373	$ (264,063)	$ 5,282,364
Gain on issuance of stock by subsidiary	-	-	210,062
Effect of Deconsolidation of subsidiary	-	264,063	160,063
Net loss as restated	(2,017,805)	-	(2,017,805)
BALANCE, DECEMBER 31, 1992	(1,976,432)	-	3,634,684
Issuance of shares to employees and consultants for future services	-	-	683,704
Compensation earned	-	-	-
Net income as restated	10,952	-	10,952
BALANCE, DECEMBER 31, 1993	$ (1,965,480)	$ -	$ 4,329,340

</TABLE>

See accompanying notes.

TELTRONICS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1993 AND 1992

	1993	1992
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 10,952	$(2,017,805)
Adjustments to reconcile net income (loss) to net cash flows from (used in) operating activities:		
Depreciation and amortization	863,338	620,409
Deferred income taxes	68,263	353,187
Gain on sale of ComCentral stock	(1,252,000)	-
Recovery of advances to ComCentral	(852,000)	-
Minority interest in loss of consolidated subsidiary	-	(1,544,707)
Loss on sale to related parties	-	87,069
Equity in loss of unconsolidated subsidiary	107,737	120,919
Bad debts - related parties	-	1,217,760
Valuation adjustment to cross-license agreement	-	210,292
Changes in assets and liabilities:		
Accounts receivable and other assets	193,202	(114,976)
Inventories	(498,842)	106,903
Due to affiliates	-	79,097
Deferred income taxes	(38,794)	(17,583)
Income tax receivable	(327,576)	(51,204)
Other assets	(45,037)	-
Accounts payable and accrued liabilities	(126,128)	1,183,683
Income taxes payable	-	(183,665)
Increase in deferred revenue	40,880	(41,886)
Net cash flows from (used in) operating activities	(1,856,005)	7,493
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(67,934)	(638,832)
Proceeds from sale of ComCentral stock	951,567	-
Advances to ComCentral	-	(1,140,702)
Payments from ComCentral	565,061	646,723
Advances to H & N Management	(335,444)	(405,795)
Advances to Receivable Dynamics, Inc.	(19,816)	-
Deferred acquisition and other costs	-	(94,932)
Investment in customer accounts	-	(300,000)
Effect of deconsolidation of ComCentral	-	(159,954)
Profit on intercompany sale to ComCentral eliminated in consolidation	-	280,000
Capitalized software development costs	(448,810)	(822,958)
Net cash flows from (used in) investing activities	644,624	(2,636,450)

See accompanying notes.

	1993	1992
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	$ 11,951,756	$ 15,743,475
Repayments on line of credit	(11,732,174)	(15,050,459)
Proceeds from notes payable	817,851	180,000
Repayment of notes payable and other long-term debt	(348,939)	(786,172)
Cash paid for future offering costs	(25,000)	-
Cash paid for bridge loan costs	(110,385)	-
Repayment of due to affiliates and related party debt	-	(1,006,366)
Proceeds from stock offering	546,278	1,602,350
Cash paid for offering costs	-	(132,911)
Net change in bank overdraft	87,800	-
Net cash flows from financing activities	1,187,187	549,917
NET DECREASE IN CASH AND CASH EQUIVALENTS	(24,194)	(2,079,040)
CASH AND CASH EQUIVALENTS, beginning of year	34,526	2,113,566
CASH AND CASH EQUIVALENTS, end of year	$ 10,332	$ 34,526
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Purchase of equipment under capital lease	$ 113,500	$ 495,790
Acquisition of software licensing rights	1,384,500	-
Equipment acquired under capital lease for assumption of liability of $550,000	-	550,000
Purchase of customer accounts in exchange for 50,000 shares of common stock	-	153,500
Note receivable from related party for 100,000 shares of common stock	-	307,000
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	$ 274,000	$ 216,000
Income taxes	-	190,000

See accompanying notes.

TELTRONICS, INC.
NOTES TO FINANCIAL STATEMENTS

(1) ORGANIZATION:

Teltronics, Inc., (the Company) was incorporated in Delaware in February 1989 and is the successor, by merger, to Comnet Systems, Inc., which was organized on June 16, 1988. The Company is engaged in product research, design and manufacturing of electrical components, equipment and software, primarily relating to the telecommunications industry and long distance and telephone operator services.

In August 1991, in a transaction discussed in Note 3, the Company temporarily acquired a controlling interest in the issued and outstanding common stock of ComCentral Corp., and entity engaged in the business of marketing and providing long distance telecommunication and operator services.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

PRINCIPLES OF CONSOLIDATION--The financial statements include the accounts of Teltronics, Inc. The financial statements also include the accounts of ComCentral Corp. and subsidiaries ("ComCentral") until August 31, 1992, at which time the Company's investment in ComCentral is presented using the equity method of accounting (See Note 3). All significant intercompany balances and transactions have been eliminated, as applicable.

INVENTORIES--Inventories are stated at the lower of cost or market. Cost is determined principally on the weighted average method.

PROPERTY AND EQUIPMENT--Property and equipment are carried at cost. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method for financial reporting purposes and accelerated methods for income tax purposes. Maintenance, repairs and minor renewals are charged to expense as incurred while expenditures that materially increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of property and equipment, the cost and the related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in operations.

INCOME TAXES--The Company adopted, effective January 1, 1993, the Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes", issued in February 1992. Under the liability method specified by SFAS 109, the deferred tax liability is determined based on the difference between the financial statements and tax bases of assets and liabilities as measured by the enacted tax rates which will be in effect when these differences reverse. Deferred tax expense is the result of changes in the liability for deferred taxes. The principal types of differences between assets and liabilities for financial statement and tax return purposes are accumulated depreciation resulting from use of accelerated methods for tax purposes, the timing of recognition of accrued compensated absences and capitalization of software development costs and certain inventory costs.

The deferred method, used in years prior to January 1, 1993, required the Company to provide for deferred tax expense based on certain items of income and expense which were reported in different years in the financial statements and the tax returns as measured by the tax rate in effect for the year the difference occurred. Net operating loss carry forwards are recognized to the extent of the net deferred income tax credits in the balance sheet reversing during the carryforward period.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Net income for the year ended December 31, 1993, was increased by approximately $85,000 by the cumulative effect of the change in accounting for income taxes related to years prior to January 1, 1993, which were not restated. This change did not have a significant impact on income before the cumulative effect of the change in accounting for income taxes for the year ended December 31, 1993.

CASH AND CASH EQUIVALENTS--For the purposes of the Statement of Cash Flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

INCOME (LOSS) PER SHARE--Net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during each period presented. Common stock equivalents outstanding during each period presented were either anti-dilutive or not sufficiently dilutive to be included in the computation of income (loss) per share. Included in the Company's calculation of weighted average shares outstanding in 1992 are the effects of 325,000 shares of treasury stock owned by ComCentral during the period in which ComCentral was consolidated with the Company.

REVENUE RECOGNITION--Revenues from product sales are recognized when the product is shipped. Revenue from software development contracts is recognized using the percentage of completion method. Software license fees are recognized upon customer acceptance and delivery of the software product. Revenue from software maintenance contracts is recognized ratably over the contract period and other service revenue is recognized upon performance. Revenues for operator services provided by ComCentral during the period in 1992 in which ComCentral was consolidated with the Company, were recognized in the period when the customer placed the related call, net of unverifiable calls and rejects based on historical estimates.

ISSUANCE OF STOCK BY SUBSIDIARIES--Issuance of stock by the Company's subsidiaries which cause a change in the Company's ownership percentage in a subsidiary are accounted for in results of operations unless subsequent capital transactions are contemplated at the time of issuance or other factors are present which may affect realization (see Note 3).

SOFTWARE DEVELOPMENT COSTS--The Company capitalizes production costs of internally developed software to be sold after the product is determined to be both technologically and economically feasible. The costs are amortized on a product-by-product basis once the product is available for general release to customers, using the greater of the amount computed using (a) the ration that current gross revenues for a product bear to the total current and anticipated future gross revenues for that product or (b) the straight-line method over the remaining estimated economic life of the product which range from 18 months to 7 years. Accumulated amortization at December 31, 1993 was $407,485. Amortization charged to expense was $342,550 and $65,000 for the years ended December 31, 1993 and 1992, respectively. Research and development costs which do not meet the capitalization requirements are expensed when incurred.

SOFTWARE LICENSING RIGHTS--The Company entered into a software license agreement to develop and market certain software in North and South America. The Company is required to pay royalties equal to 30% of the gross sales of the software up to $1.6 million in royalties. Upon payment of the $1.6 million in royalties, the software will become the property of the Company. The Company capitalized $1,422,782 under this agreement and is amortizing the costs over a ten year period, which is the estimated economic life of the rights. Amortization

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

expense and accumulated amortization as of and for the year ended December 31, 1993, was $142,278 (see (Note 16).

WARRANTY EXPENSE--The Company provides currently for the estimated cost which may be incurred under product warranties.

MARKETABLE EQUITY SECURITIES--Marketable equity securities are comprised of 502,000 shares of ComCentral stock which are stated at their lower of aggregate cost or market.

(3) INVESTMENT IN COMCENTRAL CORP.:

In August 1991, the Company acquired 80% of the issued and outstanding shares of common stock of ComCentral Corp., a Tampa, Florida based provider of long distance telecommunication and operator services. The acquisition was consummated through the issuance of 3,650,000 shares of the Company's common stock to certain ComCentral common shareholders in exchange for the ComCentral common shares acquired.

The cost of the acquisition and the fair value assigned to the shares issued and issuable was $1,779,375. The amount was determined based on the quoted market price of the Company's common shares as adjusted to give effect to price fluctuations, quantities traded, and lack of marketability of restricted or non-publicly traded shares.

Effective September 1, 1992, the Company changed its method of accounting for ComCentral from a consolidation presentation to an equity method presentation. This change was made because the Company's ownership interest in ComCentral voting common stock was expected to be diluted upon the closing of a pending business combination and reorganization of ComCentral. This business combination and reorganization was agreed to in principle on August 31, 1992, by the parties involved in this transaction and it was determined to be highly probable that the expected dilution in the Company's ownership interest in ComCentral voting common stock would occur reasonably soon. Based on this determination, the Company's controlling interest in the voting common stock of ComCentral was considered to be temporary as of August 31, 1992. Accordingly, ComCentral is no longer consolidated in the Company's financial statements as of that date.

Summarized income statement information for ComCentral for the unconsolidated period September 1, 1992 through December 31, 1992, as restated (see Note 16) is as follows:

Sales	$1,791,898
Gross profit	108,539
Net loss	(178,106)

The Company recognized a loss of $120,919 during the period September 1, 1992 to December 31, 1992, reflecting its equity in the loss of ComCentral after deducting preferred stock dividends in arrears of $29,393. In 1992, the effect of recording the Company's share of losses of ComCentral of $2,119,000 reduced unamortized goodwill (the difference between the carrying value of its investment in ComCentral common stock and its interest in the underlying net equity) to zero at December 31, 1992.

(3) INVESTMENT IN COMCENTRAL CORP.: (Continued)

During the eight months ended August 31, 1992, ComCentral acquired certain customer accounts and equipment under the cross license and lease agreement from American Telecommunications Corp. ("American") for $622,925 including the assumption of a $550,000 liability owed to Teltronics by American for equipment purchased from Teltronics in 1992. ComCentral subsequently paid Teltronics $550,000 in satisfaction of this liability. The profit on this sale of $280,000 was eliminated in consolidation.

Upon the issuance by ComCentral of 150,000 shares of its common stock in 1992, discussed above, the Company's proportionate interest in ComCentral's common equity increased by $210,062. This increase was accounted for as an equity transaction in consolidation and is reflected as additional paid-in capital in the accompanying financial statements.

During 1991, ComCentral issued 250,000 shares of Series A, non-voting, non-participating preferred stock to the Company to repay amounts previously advanced by the Company to ComCentral. The preferred stock is entitled to a preference in the amount of $1.00 per share in the event of liquidation or dissolution or the sale of substantially all of the assets of ComCentral Corp. and bears cumulative dividends at an annual rate of 10%. Dividends in arrears on the Series A 10% cumulative preferred stock totaled approximately $64,600 and $39,600 at December 31, 1993 and 1992, respectively. No dividends on Series A preferred stock have been paid. The preferred stock is convertible at the option of the holder into common stock at a conversion price equal to the fair market value of the common stock based on an average bid price for the ten day period prior to conversion.

On February 26, 1993, the Company sold 1,300,000 shares of its ComCentral stock for $130,000 cash and $1,820,000 in notes receivable due December 31, 1993. The Company's ownership percentage of ComCentral was reduced to approximately 20% as a result of this sale. The Company deferred the gain on this sale due to uncertainties as to collectibility of the notes receivable. The Company recorded a $130,000 gain for the cash received in exchange for 86,667 shares. The Company received no payments on the notes receivable. It was the opinion of management, if the Company increased its position in ComCentral at that time by reacquiring the remaining 1,213,333 shares, the Company's ownership position would have a negative effect on ComCentral's ability to sell additional shares through its investment banker. Therefore, effective December 31, 1993, the Company assigned its rights to collect on the defaulted notes receivable or to reclaim the ComCentral shares, to ComCentral with an escrow agreement in exchange for a $1,000,000 contingent receivable from ComCentral to be paid from the proceeds of a proposed offering by ComCentral of previously unissued ComCentral shares. The Company recorded any amounts due under this escrow agreement at zero due to uncertainties regarding collectibility. The Company has no recourse to reclaim 1,213,333 shares of ComCentral stock underlying the $1,820,000 notes receivable in the event of nonpayment of the $1,000,000 by ComCentral.

Effective April 1, 1993, the Company suspended the equity method of accounting for its investment in ComCentral when the Company's share of losses equaled the carrying amount of its investment including advances. The Company recorded $107,737 as its equity in loss of ComCentral for 1993. The Company's unrecorded share of ComCentral's losses through June 30, 1993, was $49,383.

TELTRONICS, INC.
NOTES TO FINANCIAL STATEMENTS

(3) INVESTMENT IN COMCENTRAL CORP.: (Continued)

During May through July 1993, the Company sold its remaining 700,000 shares of ComCentral stock for cash and realized a gain of $1,110,000. The Company recorded an expense of $300,000 to H&N Management as a commission on the sale. The Company changed its method of accounting for ComCentral from the equity to the cost method effective July 1, 1993, because its ownership percentage declined significantly below 20%.

During the six months ended June 30, 1993, the Company sold $404,000 in equipment to ComCentral. The Company eliminated $144,000 profit net of deferred taxes on this sale under the equity method.

In November and December 1993, the Company received 602,000 shares of ComCentral common stock from ComCentral in satisfaction of approximately $852,000 of intercompany debt between the companies. The Company recorded a gain of $852,000 in 1993 as recovery of intercompany advances previously reduced to zero under the equity method in recording losses of ComCentral. The Company sold 100,000 shares in December 1993 and recorded a gain of $12,000.

At December 31, 1993, the Company owns 502,000 shares of ComCentral common stock (representing approximately 3% of the outstanding common stock) which are restricted for two years under Rule 144 of the Securities and Exchange Commission and are recorded at the amount of intercompany debt forgiven, which approximates the fair market value of the stock on the date of issuance.

(4) PROPERTY AND EQUIPMENT:

The major classifications and estimated useful lives of property and equipment at December 31, 1993, are as follows:

<TABLE>
<CAPTION>

DESCRIPTION	ESTIMATED USEFUL LIVES	COST
<S>	<C>	<C>
Machinery and equipment	3 - 10 years	$ 947,021
Furniture and fixtures	3 - 10 years	713,855
Equipment under capital lease	5 - 10 years	485,983
Leasehold improvements	3 - 5 years	139,991
		2,286,850
Accumulated depreciation		(1,061,740)
		$ 1,225,110

</TABLE>

Depreciation expense was approximately $360,000 and $220,000 in 1993 and 1992, respectively.

Accumulated depreciation on equipment under capital lease at December 31, 1993 was approximately $130,000.

TELTRONICS, INC.
NOTES TO FINANCIAL STATEMENTS

(5) INVENTORIES:

The major classes of inventories at December 31, 1993, are as follows:

Raw materials	$1,091,625
Work-in-progress	567,546
Finished goods	771,113

	$2,430,284
	==========

The Company allocates a portion of general and administrative costs to inventory. The Company allocated approximately $600,000 and $540,000 for 1993 and 1992, respectively, of general and administrative costs of which approximately $250,000 remained in inventory at December 31, 1993.

(6) NOTE PAYABLE ON LINE OF CREDIT:

At December 31, 1993, the Company has a $2,000,000 line of credit which is due in full sixty days after demand by the bank. Interest is payable monthly at a rate equal to the prime rate plus 2.0% (prime rate was 6% at December 31, 1993). Accounts receivable, inventory and fixed assets are pledged as collateral on the line of credit. In addition, the line of credit is guaranteed by two principal shareholders.

The line of credit agreement subjects the Company to several restrictive covenants related to, among others, certain financial ratios and net worth requirements and requires the Company adhere to certain operational restrictions relating primarily to equipment purchases, additional debt and business acquisitions. Under the most restrictive covenant, the Company's tangible net worth may not be less than $3 million. The Company was in violation of certain financial ratio and other covenants at December 31, 1993. Under the terms of the agreement, the bank may call the loan if the Company is in violation of any restrictive covenant. As of March 24, 1994, the Company has not received a waiver of the violation of this covenant from the bank, however, the bank has not instituted collection procedures.

Bank deposits of approximately $5,000 are held in a collateral account at December 31, 1993. These amounts are restricted for repayment of amounts borrowed and have been applied against the outstanding loan balances in the accompanying financial statements.

(7) LONG-TERM DEBT:

Long-term debt at December 31, 1993, consists of the following:

Capital lease payable, interest imputed at 10.15%, payments of $1,325 including interest due monthly	$ 8,566
Capital lease payable, interest imputed at 9.28%, payments of $2,189 including interest due monthly	$ 79,829

TELTRONICS, INC.
NOTES TO FINANCIAL STATEMENTS

(7) LONG-TERM DEBT: (Continued)

Capital lease payable, interest imputed at 11.23% payments of $6,371 including interest due monthly	141,425
Capital lease payable, interest imputed at 10.51% payments of $2,107 including interest due monthly	92,949
Capital lease payable, interest imputed at 8.96% payments of $711 including interest due monthly	15,568
Convertible notes payable to various individuals, principal and interest at 8% due on February 1, 1994 (these notes have not been repaid, converted or extended as of March 24, 1994)	350,000

Convertible notes payable to various individuals, principal and interest at 8% due on October 31, 1994	354,623
Obligation under acquisition of software licensing rights, interest imputed at 8%, royalty payments based on sales projected over the next three years	1,151,087
Unsecured advance by the President of Company, due on demand	113,228
Total long-term debt	2,307,275
Less current portion	1,361,065
Long-term debt, less current portion	$ 946,210

</TABLE>

Maturities on long-term debt for the fiscal years subsequent to 1993 are as follows:

<TABLE>
<CAPTION>

YEARS ENDING DECEMBER 31,	
<S>	<C>
1994	$1,361,065
1995	737,678
1996	155,154
1997	37,167
1998	16,211

</TABLE>

Future minimum lease payments under capital leases (included in long-term debt) as of December 31, 1993, are as follows:

(7) LONG-TERM DEBT: (Continued)

<TABLE>
<CAPTION>

YEAR ENDING DECEMBER 31,	
<S>	<C>
1994	$145,798
1995	136,524
1996	57,922
1997	40,624
1998	16,856
Thereafter	-
	397,724
Less amount representing interest	(59,387)
	$338,337

</TABLE>

(8) COMMITMENTS AND CONTINGENCIES:

EMPLOYMENT CONTRACTS--The Company has an employment contract with its president with a remaining term of five years. This agreement may be terminated by the president. If the Company terminates the president without cause, the president shall receive a separation payment equal to his annual salary which is $175,000. All other rights and benefits shall immediately cease upon termination. The agreement also includes a covenant not to compete with the Company extending for a period of two years after termination for any reason. The contract grants the president stock options to purchase 125,000 shares of common stock at $.40 per share for each year of employment for a total of 625,000 shares.

SOFTWARE LICENSE AGREEMENT--The Company entered into a software license agreement effective January 1, 1993, that allows Teltronics to market and sell certain software in North and South America. The Company is required to pay royalties equal to 30% of the gross sales of the software. After the Company pays $1.6 million in royalties, the software will become property of the Company for the markets specified.

The Company has capitalized the costs at the present value of the royalty payments plus additional costs related to the agreement and has recorded an obligation for the payment of the royalties at the present value of the projected royalty payments (see Note 7). During the year ended December 31, 1993, the Company capitalized $1,422,782 of costs related to the agreement which is being amortized over the expected economic life of the agreement (10 years). Accumulated amortization of these costs at December 31, 1993, and amortization expense for the year was $142,278 (see Note 16).

SOFTWARE DEVELOPMENT AGREEMENT--The Company entered into a software development agreement whereby the Company will develop certain software for $1,275,000. Revenue is recognized using the percentage of completion method. The Company is entitled to receive payment upon completion and acceptance of specified phases contained in the agreement. The Company has billed $450,000 under this contract at December 31, 1993. The contract is for a three-year period beginning July 23, 1993, and can be terminated by either party with 60 days notice.

OPERATING LEASES--The Company leases its manufacturing facilities including land and building under the terms of a 15 year operating lease expiring August 31, 2005.

TELTRONICS, INC.
NOTES TO FINANCIAL STATEMENTS

(8) COMMITMENTS AND CONTINGENCIES: (Continued)

The terms of the operating lease for manufacturing facilities provide the Company with an option at any time during the lease term to purchase the property at the greater of its fair market value or $4,320,000. The Company also has the option at the end of the lease term to renew the lease for up to two additional five-year periods. In addition, the Company is responsible for paying all taxes, insurance and maintenance cost relating to the leased property. The lease also provides for an adjustment in the annual rent beginning in 1993 based on changes in the Consumer Price Index. However, the lease provides that, in no event shall the annual rents payable during the adjustment period be less than the previous year's rent or increase annually by more than 6%.

The Company also leases various equipment under operating leases expiring in one to two years.

Future minimum lease payments for all noncancelable operating leases at December 31, 1993, are as follows:

YEAR ENDING DECEMBER 31,	
1994	$ 696,613
1995	638,333
1996	511,496
1997	476,513
1998	476,513
Thereafter	3,176,754
	$5,976,222

</TABLE>

Rental expense for operating leases totaled approximately $829,000 and $608,000 in 1993 and 1992, respectively.

LITIGATION--The Company is a codefendant in a lawsuit by a former customer of ComCentral alleging damages in excess of $140,000. The Company disputes the allegations, however, outside counsel for the Company has advised that no discovery has been conducted and they cannot offer an opinion as to the potential liability to the Company.

(9) COMMON STOCK:

In connection with a public offering completed in 1989 the Company issued warrants to the underwriter to purchase up to 240,000 shares of common stock for the aggregate price of $100. The underwriter's warrants are exercisable at $1.80 per share for a period of five years beginning July 1989. The warrants contain an anti-dilutive clause whereby the number of shares under the option has been increased to approximately 350,000 based upon subsequent issuances of the Company's common stock. In October 1990, H & N Management Co., Inc. (H&N), a management consulting company owned by two major shareholders of the Company, acquired the rights to the underwriter's warrants, and the Company's Board of Directors voted to reduce the warrant exercise price to $0.30.

The Company has reserved 280,000 shares of common stock for future issuance to key personnel and 280,000 shares of common stock for issuance upon exercise of options if an employee stock option plan is approved. In November 1990, the Company granted an option to purchase 50,000 shares of common stock with an option price of 34.4 cents per share, exercisable for a period of ten

(9) COMMON STOCK: (Continued)

years beginning November 5, 1990, to the Company's former Chairman and CEO under the terms of a long-term employment contract. As of December 31, 1993, 50,000 shares of common stock are under option under their terms of this contract.

The Company has also reserved 860,000 shares of common stock for issuance to the holders of the bridge loans issued during the year ended December 31, 1993, for the conversion of the loans.

During 1993, the Company issued 1,500,000 of its common stock to its employees and certain officers for future services. The Company holds the shares under an escrow agreement. As the shares are sold, the proceeds are placed in an escrow account and used to fund the Company's normal payroll. The Company has recorded $626,326 is deferred compensation at December 31, 1993, for the amount attributable to future periods. The Company recorded in $683,704 expense for the year ended December 31, 1993, under this arrangement.

During 1993, the Company issued 1,250,000 shares of the its commons stock under various agreements to the following consultants: Norman Dobiesz 250,000 shares; Harry Williams 250,000 shares; Michael Zambouros 250,000 shares; Future Financial, Inc. 300,000 shares; FGP Consultants, Inc. 200,000 shares. Norman Dobiesz and Harry Williams are directors of the Company. The Company has recorded $979,547 in deferred compensation under these agreements at December 31, 1993. These amounts will be expenses based on the performance of the services required under the agreements.

(10) RELATED PARTY TRANSACTIONS:

ComCentral and its subsidiaries are related by common control and significant financial relationships to various individuals, stockholders, and companies. The following is a summary of transactions with these parties:

MANAGEMENT AGREEMENTS--The Company entered into a management consulting agreement with H & N Management Co., Inc. (H&N) in March 1989. H&N is jointly owned by two major shareholders of the Company. The initial term of the management agreement is ten years and is renewable automatically for successive terms of five years each. The agreement requires H&N to provide the Company advice with respect to executive, managerial, financial business and sales matters. For the performance of these services, H&N is entitled to a fee, payable quarterly and determined as a percent of the Company's gross annual sales. The stated percentage is 3% of the first $10 million of sales; 2% of the next $10 million in sales; and 1% of any sales in excess of $20 million. H&N waived the fee for 1993 and 1992 as no such services were performed under this agreement. H&N is also entitled to be reimbursed for expenses incurred in the performance of its duties under the agreement. The Company may terminate the management agreement for cause by giving 30 days prior written notice if H&N defaults in the performance of its obligations under the agreement. In addition, the two stockholders of H&N, who are also major shareholders and directors of the Company have agreed with the Company to abstain with respect to any vote at any meeting or action of the stockholders and/or directors of the Company with respect to the interpretation, enforcement, amendment, modification and/or waiver of the provisions of the management agreement.

TELTRONICS, INC.
NOTES TO FINANCIAL STATEMENTS

(10) RELATED PARTY TRANSACTIONS: (Continued)

ComCentral paid $600,000 to International Petroleum ("IP") under an acquisition services agreement which is classified as a management fee expense in 1992. IP is principally owned by a major shareholder of the Company. IP has agreed to repay the $600,000 and has given a note receivable to ComCentral. No value was assigned to the note by ComCentral (see Note 16).

ACQUISITION CONSULTING AGREEMENT--In October 1990, the Company entered into an Acquisition Consulting Agreement with H&N effective September 1, 1989, and remaining in effect for five (5) years. This agreement engages H&N to perform evaluation, negotiation, and advisory functions with respect to any and all prospective acquisitions the Company may seek. Compensation for such services is to be determined as follows. a five percent (5%) fee will be paid on the purchase price of any acquisition up to $5,000,000, four percent (4%) on the next $5,000,000, three percent (3%) on the next $5,000,000, two percent (2%) on the next $5,000,000, and one percent (1%) on the amount in excess thereof. The Company shall also reimburse H&N for any out-of-pocket expenses incurred in performance of their obligations under the agreement. The Agreement may be terminated by the Company with a ninety-day written notice to H&N if H&N fails to perform its obligations, and fails to cure such failure prior to the effective date of the termination. If terminated, H&N shall be entitled to receive compensation for a period of two years relative to any acquisition on which it rendered services.

DIVESTITURE MANAGEMENT AGREEMENT--During 1993, the Company entered into a Divestiture Management Agreement with H&N to assist in the divestiture of its common stock investment in ComCentral. H&N was paid a fee of $300,000 as specified in the agreement and it was charged to expense in 1993.

ADVANCES TO H&N--The agreements referred to above grant H&N the right to receive advances from the Company from time to time, in amounts to be determined by the Board of Directors of the Company based upon the Company's financial needs and financial condition at the time. The Company advanced H&N $335,444 and $380,732 during the years ended December 31, 1993 and 1992, for pending acquisition projects. The balance outstanding at December 31, 1993, of $716,176 is non interest bearing, unsecured, and may be offset against future management fees.

PREPAID LOAN GUARANTEE--In connection with the lease of its manufacturing facilities discussed in Note 8, the Company's two principal shareholders personally guaranteed the Company's obligations to the lessor over the term of the lease. The Company agreed to pay each of the two shareholders 3% of the total future value of the lease payments, excluding executory costs, as consideration for the personal guarantee. This amount was paid during 1991. The cost of the guarantee to the Company, 6% of $7 million, or $420,000 has been deferred as a financing cost (prepaid loan guarantee) in the accompanying financial statements and is amortized on a straight line basis over the term of the lease. Accumulated amortization of this amount at December 31, 1993, was approximately $84,000.

COMCENTRAL SALE OF CUSTOMER ACCOUNTS AND EQUIPMENT--In 1992, ComCentral sold certain customer accounts and tangible personal property to Tampa Bay Financial ("TBF") in exchange for a promissory note in the principal amount of $980,000. The note received was recorded by ComCentral at zero value and the basis of the assets sold ($130,865) was recorded as a bad debt of $1,358,268 for the year ended December 31, 1992, which also included other amounts due from TBF due to uncertainties as to collectibility (see Note 16). The goodwill expensed by Teletronics attributable to the assets sold, is reflected as a loss on the sale of contracts

(10) RELATED PARTY TRANSACTIONS: (Continued)

and equipment in the amount of $87,069 in the accompanying consolidated income statement. The Company has also agreed to sell TBF additional equipment at predetermined prices in exchange for TBF's agreement to pay ComCentral 30% of the net revenues from any related business. ComCentral has also agreed to grant TBF the right to book traffic under certain agreements with long distance carriers in exchange for TBF's agreement to pay ComCentral 30% of the net revenues from any related business.

DUE FROM WHITFIELD CAPITAL OF SARASOTA, INC.--Whitfield is owned by a major shareholder of the Company and serves as an escrow agent for the Company. The amount due from Whitfield Capital of Sarasota, Inc. ("Whitfield") at December 31, 1993, represents proceeds from the sale of approximately 200,000 shares of ComCentral common stock which took place in December 1993.

DUE FROM RECEIVABLE DYNAMICS INC.--The Company has subleased building space to Receivable Dynamics, Inc. (RDI) which is owned by a major shareholder. The Company has continued to pay the rent and record an amount due from RDI of $44,879 at December 31, 1993.

(11) INDUSTRY SEGMENT INFORMATION:

The Company operated principally in two industry segments during 1993, telecommunications products and telecommunications software development. During 1992, the Company operated principally in the telecommunications products segment and telecommunications and operator services. Teltronics operates in the telecommunications products segment ("product segment") which includes design, manufacture and sale of telecommunications related hardware and software products including long distance management, remote maintenance, ACD information management and call accounting products and the development of telecommunications software ("software segment"). ComCentral operates in the telecommunications and operator services segment ("service segment") which includes marketing and providing long distance telecommunication and operator services to the hospitality industry, hospitals, universities and pay telephone owners. The 1992 information provided below includes ComCentral (service segment) for the eight months ended August 31, 1992 (see Note 3). Business segment information is as follows:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1993		
	PRODUCT SEGMENT	SOFTWARE SEGMENT	TOTALS
<S>	<C>	<C>	<C>
Total revenues	$10,341,189	$1,447,324	$11,788,513
Operating loss	(1,332,098)	(370,825)	(1,702,923)
Identifiable assets	8,356,067	2,391,634	10,747,701
Depreciation and amortization	378,510	484,828	863,338
Capital expenditures	181,434	-	181,434

</TABLE>

TELTRONICS, INC.
NOTES TO FINANCIAL STATEMENTS

(11) INDUSTRY SEGMENT INFORMATION: (Continued)

	YEAR ENDED DECEMBER 31, 1992		
	PRODUCT SEGMENT	SERVICE SEGMENT	TOTALS
Total revenues	$11,811,130	$8,205,215	$20,016,345
Operating income	400,689	143,070	543,759
Identifiable assets	7,508,711	286,939	7,795,650
Depreciation and amortization	331,772	288,637	620,409
Capital expenditures	499,132	256,336	755,468

The Company eliminated $144,000 and $280,000 of profit on sales of $404,000 and $550,000 in the product segment in 1993 and 1992, respectively.

Sales to certain customers representing more than 10% of net sales were as follows:

	1993	1992
Customer #1	$1,868,000	$1,927,000
Customer #2	1,300,000	-

All of these sales were to customers within the product segment.

(12) INCOME TAXES:

Effective January 1, 1993, the Company changed its method of accounting for income taxes from the deferred method to the liability method (see Note 2). The 1992 income tax provision has not been restated to reflect the liability method.

The provision (benefit) for income taxes consists of the following:

	1993		
	STATE	FEDERAL	TOTAL
Current	$ -	$(336,000)	$(336,000)
Deferred	-	212,000	212,000
Total	$ -	$(124,000)	$(124,000)

	1992		
	STATE	FEDERAL	TOTAL
Current	$ -	$ (51,000)	$ (51,000)
Deferred	37,400	269,000	306,000
Total	$37,400	$ 218,000	$ 255,400

(12) INCOME TAXES: (Continued)

Deferred income tax components at December 31, 1993, are as follows:

Inventory	$ 123,700
Accelerated depreciation	(168,300)
Bad debt allowance	48,600
Accrued vacation	105,000
Software costs	(404,000)
Deferred revenue	24,450
	$(270,550)

A reconciliation of the provision for income taxes to the amount calculated using the statutory federal rate (34%) in 1993 and 1992 is as follows:

	1993	1992
Income tax benefit at federal statutory rate	$ (66,600)	$1,124,400)
Equity accounting adjustments	(120,100)	-
State income taxes, net of federal benefit	-	24,700
Purchase accounting adjustments	-	70,800
Loss of consolidated subsidiary not consolidated for tax purposes	-	1,187,800
Elimination of related party sale	50,400	95,200
Other, net	12,300	1,300
Income tax provision (benefit)	$(124,000)	$ 255,400

The tax effect of timing differences giving rise to deferred income tax provisions (benefits) at December 31, 1992, are summarized as follows:

	1992
Depreciation	$ 31,000
Provision for doubtful accounts	10,000
Inventory	(4,000)
Accrued vacation	(7,000)
Software development costs	272,900
Other accrued expenses	3,500
	$306,400

(13) ACCRUED LIABILITIES:

The balance of accrued liabilities includes accrued compensated absences totaling $260,000 at December 31, 1993.

(14) CONCENTRATIONS OF CREDIT RISK:

The Company extends credit to its customers resulting in a significant concentration of credit risk from groups of counter-parties engaged in similar activities or having similar economic characteristics. The Company's principal customers include regional Bell operating companies, independent telephone companies and alternate operator service providers located throughout the U.S. The Company has no policy requiring collateral or other security to support accounts receivable from these customers which are subject to credit risk.

(15) COMPUTATION OF INCOME (LOSS) PER SHARE:

Dividends in arrears of approximately $25,000 at December 31, 1993, on the Company's investment in ComCentral preferred shares discussed in Note 3 are included in the Company's earnings (loss) per share and are deducted from the earnings available to common shareholders of ComCentral to the extent applicable to the period included in consolidation.

The Company's proportionate interest in ComCentral's earnings attributable to common stock included in consolidated earnings per share in 1992 is based on ComCentral's reported net loss of $3,750,410 (net loss per common share of $1.11) and a weighted average number of common shares outstanding of 4,822,000 for the period included in consolidation.

(16) RESTATEMENT OF 1992 AND 1993 FINANCIAL STATEMENTS:

The financial statements as of and for the year ended December 31, 1992 and 1993, have been restated from those originally presented to reflect certain adjustments as described below:

DECEMBER 31, 1992

WRITE-OFF OF RELATED PARTY RECEIVABLES--The Company has revised the financial statements for the year ended December 31, 1992, to reflect the write-off of receivables owed to ComCentral together with related accrued interest from certain related parties due to doubtful collectibility. ComCentral is related to these entities by common ownership and/or common control. These amounts were written off by ComCentral in various periods in 1992, both before and after deconsolidation (see Note 3). The amounts are summarized as follows:

RECEIVABLE FROM	
Southnet Corporation	$ 273,705
Tampa Bay Financial	630,865
KL Communications	1,240,000
American	500,000
Total bad debt	$2,644,570

VALUATION ADJUSTMENTS RELATED TO CROSS-LICENSE AGREEMENT--The value of the assets (goodwill and equipment) acquired under the cross-license agreement with American (see Note 3) was reduced to zero during the year ended December 31, 1992, due to doubt as to the future benefit to ComCentral. The adjustment reduces ComCentral's originally reported assets by the following amounts:

(16) RESTATEMENT OF 1992 AND 1993 FINANCIAL STATEMENTS: (Continued)

<TABLE>

<S>	<C>
Valuation adjustment to goodwill	$(210,292)
Valuation adjustment to equipment	(500,000)

Total restatement effect	$(710,292)
	=========

</TABLE>

ELIMINATION OF GAIN ON SALE TO RELATED PARTY--The Company has revised the financial statements for the year ended December 31, 1992, to eliminate the $675,529 gain previously reported on the sale of certain contracts to Tampa Bay Financial (see Note 10).

MANAGEMENT FEE TO INTERNATIONAL PETROLEUM--The financial statements for the year ended December 31, 1992, have been revised to expense a $600,000 management fee to International Petroleum by ComCentral rather than record a note receivable based on International Petroleum's agreement to repay the management fee to ComCentral as was previously reported (see Note 10). ComCentral has not assigned any value to the note receivable due to uncertainties concerning its collectibility.

The effect of these changes on the Company's 1992 statement of operations was to reduce the net income previously reported by $2,363,682 with a related deduction in net income per share of $.20 for the year ended December 31, 1992. The income tax provision for 1992 decreased $394,000 and the related extraordinary item decreased $69,600 for the changes related to ComCentral as previously described.

DECEMBER 31, 1993

ADJUSTMENT TO SOFTWARE LICENSING RIGHTS--The value of the software licensing rights was reduced by $368,407 during the year ended December 31, 1993, to restate the costs originally capitalized for amounts not deemed to have future value.

The effect of this change on the Company's 1993 statement of operations was to reduce the net income previously reported by $219,566 with a related reduction in net income per share of $.02 for the year ended December 31, 1993. The income tax benefit for 1993 increased $112,000 for the change described above.

(17) SIGNIFICANT FOURTH QUARTER ADJUSTMENTS:

The Company recorded an acquisition of software licensing rights effective January 1, 1993, and an obligation to pay royalties under the agreement. This resulted in an increase in software licensing rights of $1,422,782 and an increase in long-term debt of $1,384,518. At December 31, 1993, the unamortized portion of the related software licensing rights was $1,280,504 and the balance of the long-term obligation was $1,151,087 (see Notes 2 and 7).