

Edgar Filing: VERITEC INC - Form 10QSB

VERITEC INC  
Form 10QSB  
May 20, 2003

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2003

TRANSITIONAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 (No Fee Required)

Commission file No. 0-15113

VERITEC INC.

-----  
(Exact name of registrant as specified in its charter)

NEVADA

-----  
(State or other jurisdiction of incorporation or organization)

95-3954373

-----  
(IRS Employer Identification Number)

1430 Orkla Drive, Golden Valley, MN 55427

-----  
(Address of principal executive offices, zip code)

763-253-2670

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date. As of May 15, 2003 the Company had:

Number of Shares of Common Stock

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6,946,849  
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VERITEC INC.

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## Item 1. Financial Statements

### VERITEC, INC. BALANCE SHEETS (Unaudited)

	31-Mar-03	30-Jun-02
<b>ASSETS</b>		
Current Assets		
Cash	\$23,645	\$1,260
Receivables	70,040	98,287
Prepays*	454	2,517
Total Current Assets	94,139	102,064
Fixed Assets (net)	5,629	11,234
Software Costs (net)	69,284	93,333
Investment -VIVI, Net of Valuation Allowance	7,363	76,588
Notes Receivable - VIVI, Net of Allowance	50,670	10,300
Total Assets	227,085	293,519
<b>LIABILITIES &amp; SHAREHOLDER'S EQUITY (DEFICIT)</b>		
Current Liabilities		
Notes Payable - related parties	\$280,000	\$100,000
Convertible Note - related party	397,374	397,374
Current Maturities of Long Term Debt	12,183	23,533
Bank Overdraft	-	35,523
Accounts Payable & Accrued Expenses	549,158	217,492
Total Current Liabilities	1,238,715	773,922
Long-term Debt	-	8,163
Prepayment on Stock & Subscription Receivable	290,289	381,956
Total Liabilities	1,529,004	1,164,041
Stockholders' Equity (Deficit)		
Preferred Stock, par value \$1.00, authorized 10,000,000 shares, 275,000 shares of Series H authorized	366,007	366,007
Common Stock, par value \$0.01, authorized 20,000,000 shares	69,468	69,469
Subscription Receivable	(893,813)	(989,417)
Additional Paid in Capital	11,866,172	11,795,109
Foreign currency translation adjustments	-	-
Accumulated Deficit	(12,709,753)	(12,111,690)
Stockholders' Equity (Deficit)	(1,301,919)	(870,522)
Total Liabilities & Shareholders' Equity (Deficit)	227,085	293,519

\* Redeem Pat Summerall, Credit to A/P until Status Determined.  
See Notes to financial statements

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(Unaudited)

	For the 9 Month Period 31-Mar-03	31-Mar-02	For the 3 M 31-Mar-03
Total Revenue	\$733,343	\$494,538	\$236,660
Operating Expenses:			
Sales & Marketing	56,593	9,455	13,818
Engineering/Research & Development	277,403	236,473	79,407
Administration	799,895	336,551	361,517
Amortization	29,999	30,000	10,000
Total Operating Expenses	1,163,890	612,479	464,741
Income (Loss) from Operations	(430,547)	(117,941)	(228,081)
Debt Forgiveness	-	188,417	-
Earnings (Loss) on Investment - VIVI	(61,863)	-	(42,464)
Impairment Loss - VIVI	(7,363)	-	(7,363)
Interest Income (Expense) net	(48,291)	(30,221)	(16,770)
Total Other Income (Expenses)	(167,517)	158,196	(116,596)
Net Income (Loss)	\$ (598,064)	\$40,255	\$ (344,678)
Earnings (Loss) per Share	\$ (0.09)	\$0.01	\$ (0.05)
STATEMENT OF COMPREHENSIVE INCOME			
Net Income	\$ (598,064)	\$40,255	\$ (344,678)
Foreign Currency Translation Adjustment	(995)	-	(1,095)
Comprehensive Income (Loss)	\$ (599,059)	\$40,255	\$ (345,773)
Allowance for Doubtful Accounts - VIVI	(50,000)	-	(50,000)

See Notes to financial statements

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### STATEMENT OF CASH FLOW (Unaudited)

	Nine Months Ended	
	31-Mar-03	31-Mar-02
	-----	-----
Cash Flow from Operating Activities		
Net Income (Loss)	\$ (598,064)	\$ 40,255
Adjustments to Reconcile Net Income (Loss) to Net Cash from operating activities:		
Debt Forgiveness	-	(188,417)
Depreciation & Amortization	35,604	35,756
Earnings (Loss) on Investment - VIVI	61,863	-
Allowance for Doubtful Accounts - VIVI	50,000	-
Impairment Allowance - VIVI	7,363	
(Increase) Decrease in Assets:		
Receivables	28,247	(177,658)
Prepays	18,349	9,792
Increase (Decrease) in Liabilities:		
Accounts Payable & Accrued Expenses	315,380	(143,872)
Net Cash Used by Operating Activities	(81,258)	(424,144)
Cash Flows from Investing Activities:		
Notes Receivable - VIVI	(90,370)	-
Capital Purchases	(5,950)	-
Net Cash Flows from Investing Activities	(96,320)	-
Cash Flows from Financing Activities:		
Bank Overdraft	(35,523)	40,722
Proceeds of Notes Payable - Related Parties	180,000	12,362
Payments on Notes Payable - Related Parties	-	-
Prepayment on Subscription Receivable	(91,667)	152,333
Payments on Subscription Receivable	95,604	101,541
Payments on Long Term Debt	(19,513)	-
Issuance of Stock	(1)	249
Additional Paid in Capital	71,063	106,669
Net Cash Provided by Financing Activities	199,963	413,876
Increase (Decrease) in Cash Position	22,385	(10,268)
Cash at Beginning of Period	1,260	10,268
Cash at End of Period	\$ 23,645	\$-
	=====	=====

See Notes to financial statements.

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### A. BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine-month period ended March 31, 2003 are not necessarily indicative of the results that may be expected for the year ended June 30, 2003. For further information, refer to the financial statements and footnotes thereto included in our Form 10-KSB/A for the year ended June 30, 2002, as amended.

#### Nature of Business

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Our company was incorporated in Nevada on September 8, 1982. We design, manufacture and sell software related to our patented, proprietary VeriCode(R) two-dimensional barcode. VeriCode(R)-writing software enables an identifying symbol to be placed on an item, and VeriCode(R)-reading software enables the symbol to be read, permitting identification of the item at a later time.

For example, our software is used to help automate the computer screen (LCD) manufacturing process. We sell software that can read VeriCode(R) symbols that are covered by "chrome," a material that makes the VeriCode symbol almost invisible to the naked eye.

The VeriCode(R) symbol is able to store a large amount of data in a small space. We are developing a product that encodes biometric data into a two-dimensional bar code, the VeriSecure(TM) symbol. After this symbol is printed onto an identification card, our software can be used to read the data off the card, and compare that data to the fingerprint of the person who is presenting the card. In this way the VeriSecure(TM) symbol can be used to confirm that the person who possesses the identification card is the person to whom the card was issued.

#### Critical Accounting Policies and Estimates

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

The majority of our income is generated from foreign customers and is earned in a foreign currency. However, we record this income as U.S. dollars at the exchange rate in effect on the date of remittance, so we are not susceptible to translation gains or losses.

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#### Cash

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Cash balances are maintained in a single financial institution. The balances from time to time exceed the federally insured limits of \$100,000. We have experienced no losses in these accounts and believe that we are not exposed to

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any significant risk of loss on our cash balances. The cost and fair market value of any financial instruments held are approximately equal.

### Accounts Receivable

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We sell to domestic and foreign companies. We grant uncollateralized credit to customers, but require deposits on unique orders. Management deemed all accounts receivable collectible and did not provide for an allowance for doubtful accounts at March 31, 2003 and June 30, 2002. Management did provide a reserve of \$50,000 to offset the current balance of a \$100,000 recorded as a Note Receivable from VIVI.

### Revenues

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We account for revenue recognition in accordance with Staff Accounting Bulletin (SAB) 101 "Revenue Recognition in Financial Statements." Revenues from software sales, product sales and engineering are recognized when products are shipped or services performed. License fees are recognized upon completion of all required terms under the agreement. The process typically begins with a customer purchase order detailing the customer's hardware specifications, which allows us to customize our software to the customer's hardware. Once customization is completed, we typically transmit the software to the customer via the Internet, at which point we recognize revenue. Upon transmittal of the software, the customer has no right of refusal or return. Under some agreements, the customers remit payment prior to our completion of customization or other required services. In such instances, we delay revenue recognition and reflect the prepayments as deferred revenue in the financial statements.

Royalties are recognized as earned. To date these royalties have been earned in a foreign currency. We record these revenues in U.S. dollars at the exchange rate in effect at the date of remittance. Accordingly, we have historically not been susceptible to translation gains or losses.

### Research and Development

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Research and development costs are charged to expense as incurred.

### Intangible Asset

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On October 12, 1999, we purchased certain software, source code, documentation, manuals and other written material for \$50,000 and 187,500 shares of restricted common stock valued at \$.80 per share, the stated value of our restricted common stock per our bankruptcy plan of reorganization for which a final decree was issued on October 21, 1999. We have recorded this purchased software at cost, \$200,000, and are amortizing it over five years using the straight-line method.

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### Stock-Based Consideration

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We have applied the fair value-based method of accounting for employee and nonemployee stock-based consideration and/or compensation in accordance with FASB Statement 123 (based on reported market prices at the date of issuance and/or as earned).

### Going Concern

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The accompanying financial statements have been prepared assuming we will continue as a going concern. As shown in accompanying financial statements, we incurred a net loss of \$344,678 during the quarter ended March 31, 2003, \$598,064 during the nine months period ended March 31, 2003, and have lost \$12,709,753 from inception to March 31, 2003. At March 31, 2003, we had a \$1,144,576 working capital deficiency and a stockholders' deficit of \$1,301,919. Those conditions raise substantial doubt about our ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Investment: Veritec Iconix Ventures, Inc.  
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In June 2001, we entered into a tentative agreement to merge with Iconix, Inc., a Japanese company we had partnered with in the past. We could not complete this merger on our own, so we formed a new corporation with The Matthews Group to complete this acquisition. On February 25, 2002, Veritec Iconix Ventures, Inc. (VIVI) was incorporated under the laws of the State of Delaware. In April 2002, we and The Matthews Group each contributed \$50,000 and 150,000 shares of Veritec Inc. common stock for fifty percent ownership in VIVI. The 150,000 shares of our common stock contributed by The Matthews Group was previously owned by it.

Investment: Veritec Iconix Ventures, Inc. (Continued)  
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In April 2002, VIVI completed the acquisition of Iconix, Inc. for consideration of \$100,000 and 300,000 shares of Veritec Inc. common stock. Iconix, Inc. was formed in 1995 and is located in Osaka, Japan. Iconix, Inc. is a system integrator and developer of two dimensional identification software, hardware and solutions. We believe synergies with VIVI made the acquisition of a fifty percent interest in VIVI desirable. We hold key patents in Europe and the United States relating to two-dimensional barcode technology, and VIVI is currently the sole licensee of the CP code patents in Asia.

The investment in VIVI is recorded under the equity method. No fair value information exists relating to this investment. Business activities of VIVI are concentrated in Asia, primarily Japan, and all assets of VIVI are in Japan. Our ability to realize the value of our investment is dependent on future operating successes for VIVI. This investment is further subject to foreign currency exchange rate changes.

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Although VIVI has incurred losses since its acquisition in April 2002, VIVI has established a presence in the Asian market, filed patents in Asian countries, assisted in the development of new software and supported Veritec in several engineering projects.

Reduction of expenditures by VIVI for the fourth quarter has been accomplished by downsizing the operations and focusing on the development of software and the development of Asian sales.

Summarized Financial Information for VIVI is as follows:  
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	31-Mar-03	30-Jun-02*
Balance Sheet:	-----	-----
Current Assets	\$ 543,424	\$ 498,739
Fixed Assets	5,934	7,526
Other Assets	146,184	126,521
	-----	-----
Total Assets	\$ 695,542	\$ 632,786
	=====	=====
Current Liabilities	\$ 229,476	\$ 242,921
Long-Term Liabilities	464,786	236,689
Equity	230,756	153,176
	-----	-----
Total Liabilities and Equity	\$ 695,542	\$ 632,786
	=====	=====
Operating Results (1-Apr-02 to 30-Jun-02*)	31-Mar-03	30-Jun-02*
	-----	-----
Revenue	\$ 1,102,399	\$ 309,324
Costs of Goods Sold	(642,688)	(159,282)
Selling, general and administrative	(561,818)	(166,516)
Other Income (Expense)	63,336	1,079
Other Tax Expense	(1,116)	(429)
	-----	-----
Net Loss	\$ (39,887)	\$ (15,824)
	=====	=====

\*The VIVI investment was made on April 1, 2002. Therefore, the June 30, 2002 column represents only three months of results.

Prepayment On Subscription Receivable

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The Matthews Group has made prepayments against its Subscription Payable to us. These prepayments are unsecured and non-interest bearing. The prepayments as of March 31, 2003 were applied against the subscription receivable.

Subscription Receivable

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In September 1999, we accepted a commitment from The Matthews Group, LLC to fund the \$2,000,000 required under our bankruptcy plan of reorganization. This funding is in the form of a promissory note that calls for 108 monthly payments to us of \$18,518.52. These payments are non-interest bearing and were to be secured by a pledge of properties controlled by principals of The Matthews Group. In July 2001, the principals of The Matthews Group granted to us a security interest in certain California and Minnesota properties to partially collateralize the subscription. Imputed interest on the subscription is excluded from operating results and is instead credited directly to additional paid-in capital.

At March 31, 2003, The Matthews Group had made prepayments of \$290,289 towards scheduled payments due on the subscription receivable. The Matthews Group could use this prepayment to satisfy the next fifteen scheduled payments due on the subscription receivable at March 31, 2003. The Matthews Group has indicated an

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intent to continue to make the scheduled payments due under the subscription receivable, but there can be no assurances it will honor this commitment and there is no contractual obligation for it to do so as long as prepayments exist to satisfy its scheduled payments. We also have no assurance of The Matthews Group's ability to continue to provide this funding. Failure of The Matthews Group to continue to make scheduled payments on the subscription receivable could negatively impact our ability to meet our cash flow requirements.

### Other Information

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None.

### Item 2. Management's Discussion and Analysis

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

##### Liquidity and Capital Resources

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Our working capital is shown below.

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	31-Mar-03 (Unaudited)	31-Mar-02 (Unaudited)
Working Capital (deficit)	\$(1,144,575)	\$(474,180)
	=====	=====

Debt owed by us at March 31, 2003 was as follows:

	31-Mar-03 (Unaudited)	31-Mar-02 (Unaudited)	Increase (Decrease)
Notes Payable - Related Parties	\$ 280,000	\$ 37,363	\$ 242,637
Convertible Note - Related Parties	397,374	397,374	-
Bank Overdraft	-	46,584	(46,584)
Accounts Payable & Accrued Expenses	532,872	183,741	349,131
	-----	-----	-----
Total Current Liabilities	\$1,210,246	\$ 665,062	\$ 545,184
	=====	=====	=====

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A number of uncertainties exist that may affect our future operating results. These uncertainties include the uncertain economic conditions, market acceptance of our products and our ability to manage expense growth. We have sustained significant losses and expect the losses will continue through the end of fiscal year 2003. Our cash on hand is not sufficient to fund current operating needs. Therefore, the continued operation of our company will continue to be dependent on cash payments from The Matthews Group pursuant to the Stock Subscription Agreement. While The Matthews Group has made payments to us in excess of the required monthly payments, there is no assurance that The Matthews Group will complete its obligations or that the payment required to be made by The Matthews Group will be adequate. We are seeking additional debt or equity financing, but there is no assurance that additional financing will be obtained, or that any such financing will be sufficient for our needs.

Because of our reduced reliance on selling hardware, we believe our primary exposure to the risk of inflation is through wages. We do not believe that wage

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inflation will play a material role in our expense.

Continued competition may drive down the price at which we can sell our products, and reduced capital expenditures by our customers may also have a negative impact.

### Financial and Operational Outlook

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Revenues for the nine months ended March 31, 2003, and March 31, 2002, were \$733,343, and \$494,538, respectively. The increased revenue for 2003 is a result of increased software sales, primarily overseas. Royalty income from Mitsubishi has stopped as a result of the arbitration proceedings (See Part II, Item 1 - "Legal Proceedings").

### Results of Operations

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The quarter's revenue of \$236,660 represents a 100% increase from \$117,897 in the same quarter in 2002. Purchases in this industry fluctuate, as new factories are opened, so significant quarterly fluctuations can be expected. Negotiations are still in progress to establish additional distributors for product sales. Although we cannot provide any assurance, we have seen our current distributor business increase and we believe that additional distributors will be able to market Veritec products more effectively, and hope that the price discounts we are providing to the distributors will be offset by increased sales volume. We will also be requiring each distributor to pay an upfront fee for the right to purchase our software at the lower price, but there is no assurance that distributors will be willing to pay us this fee.

Operating expenses increased for the quarter ended March 31, 2003, to \$464,741 compared to \$278,717 in 2002. This represents a 67% increase from the same quarter in 2002. Sales and marketing, engineering and development and amortization remained relatively constant between years. Administrative expenses increased in the three-month period from March 31, 2003 over March 31, 2002 by \$176,751. The majority of this increase related to legal fees incurred in the

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Mitsubishi arbitration and costs associated with complying with the Company's public reporting requirements. The company is in the final stages of completion of required public reporting changes and thus should have all cost completed before the end of the fourth quarter. Given the limited funds available, management continually evaluates personnel needs and other related costs. During the quarter one new position was created.

Non-operating income for the nine months ended March 31, 2003 shows an income from investment in VIVI, our Japanese operation, of (\$61,863). In addition, valuation allowances were taken against VIVI as follows:

o	Investments	50%	\$ (7,363)
o	Notes Receivable	50%	\$ (50,000)

Operating Expenses for the 3 months ended March 31, 2003:

Increase

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Expense Category	2003	2002	(Decrease)
Sales and Marketing	\$ 13,818	\$ 2,050	\$ 11,768
Engineering/ Research & Development	79,407	81,901	(2,494)
Administration	361,517	184,766	176,751
Amortization	10,000	10,000	-
	-----	-----	-----
	\$ 464,741	\$ 278,717	\$ 186,024
	=====	=====	=====

Capital

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Expenditures and Future Commitments

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Capital expenditures for patents made during the quarter ended March 31, 2003 totaled \$5,950.

On January 30, 2002, Veritec Inc. and The Matthews Group LLC formed VIVI, a Delaware corporation. Each company owns 50% of the outstanding shares of common stock of VIVI. In April 2002, The Matthews Group loaned Veritec \$100,000, \$50,000 of which Veritec subsequently used to make its initial capital contribution to VIVI. The promissory note to The Matthews Group bears interest at a rate of 10% per annum and is due in one year (April, 2003). However as of May 15, 2003 the promissory note has not been paid. Additionally, the promissory note is convertible into our common stock at a price of \$0.25 per share.

As of March 31, 2003, we recorded an allowance of \$50,000 to offset the VIVI Note Receivable. Because of VIVI's poor performance, we are unsure whether the company will continue. We are in the process of downsizing VIVI and reducing

it's expenses to allow VIVI to continue its operations; therefore, we have only established a partial allowance for the current receivable.

Although we continue to minimize spending for capital expenditures, we believe our need for additional capital equipment will continue because of the need to develop and expand our business. The amount of such additional capital is uncertain and will be beyond that generated from operations.

Liquidity and Factors That May Affect Future Results

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A number of uncertainties exist that may affect our future operating results. These uncertainties include the uncertain general economic conditions, market acceptance of our products and our ability to manage expense growth. We have sustained significant losses and expect the losses will continue through fiscal year 2003. Our cash on hand is not sufficient to fund current operating needs. Therefore, our continued operation will be dependent on cash payments from The Matthews Group. The Matthews Group continues to make payments to us of \$18,518.52 per month as required by its subscription agreement. The Matthews Group has, from time to time, advanced amounts in addition to the required monthly payment as needed to finance our continued operations, and we rely on these advances.

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At March 31, 2003 The Matthews Group had made prepayments of \$290,289 towards scheduled payments due on the subscription receivable. The Matthews Group could use this prepayment to satisfy the next fifteen scheduled payments due on the subscription receivable at March 31, 2003. The Matthews Group has indicated an intent to continue to make the scheduled payments due under the subscription receivable, but there can be no assurances it will honor this commitment and there is no contractual obligation for it to do so as long as prepayments exist to satisfy its scheduled payments. We also have no assurance of The Matthews Group's ability to continue to provide this funding. Failure of The Matthews Group to continue to make scheduled payments on the subscription receivable could negatively impact our ability to meet our cash flow requirements.

We are seeking additional debt or equity financing, but there is no assurance that additional financing will be obtained, or that any such financing will be sufficient for our needs.

Although no certainties exist, we feel that cash flows from operations will continue to partially fund cash needs in 2003. Due to the long sales cycle related to our products, it was anticipated that cash from these new sales would be weighted toward the latter part of 2003. It now appears that the anticipated cash from sales will at best be seen early in the next fiscal year. For 2003, we enlisted distributors to help market our products. Additional distributors have shown interest in representing our products. We already have and hope to continue generating cash by requiring distributors to pay a \$200,000 license fee in exchange for allowing the distributors to sell at discounted software prices. However, there is no assurance that new distributors will agree to pay this license fee. The balance of our cash requirements is expected to be provided by The Matthews Group as stated in the previous paragraph.

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We have begun an arbitration process with Mitsubishi regarding underpayment of royalties. An adverse outcome to this arbitration proceeding could ultimately lower our royalty receipts. Mitsubishi has suspended the royalty payments pending the outcome of the arbitration proceeding.

### Item 3. Controls and Procedures

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We currently employ 5 employees. All of our employees report directly to the CEO. We have regular meetings to review our business and operations. Our CEO and CFO have reviewed our disclosure controls and procedures and, given the simplicity of our business, they have concluded our current system is adequate to report all material events and information necessary to ensure compliance with our disclosure requirements.

## PART II OTHER INFORMATION

### Item 1. Legal Proceedings.

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We were named in a suit brought by a stockholder and former director of the company, Wolodymyr M. Starosolsky. The plaintiff originally filed suit in the Central District of California claiming that we failed to act pursuant to our plan of reorganization approved by the bankruptcy court. No monetary damages were sought; rather, the plaintiff requested that any actions we took in

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violation of the bankruptcy plan, or without proper board approval, be rescinded. In December 2000, that court granted our motion to transfer venue, and the case was subsequently transferred to the District of Minnesota. Since that time, the only action the plaintiff has taken to prosecute the case in Minnesota was to serve the company with written discovery requests in April 2003. Because of the early stage of this case, and because the only relief sought in the case is equitable, we believe the likelihood is remote that this litigation will have any material adverse impact on us.

We are in arbitration with Mitsubishi Corporation. We believe that Mitsubishi failed to pay past royalties due to us and failed to honor a letter of intent the parties executed. In the event we prevail in this arbitration, we will receive additional royalty payments from Mitsubishi. However, because we have not received an accounting from Mitsubishi, we are unable to estimate the royalties that may be due. We have not recorded a receivable for these claimed royalties. Mitsubishi also raised a counterclaim against us, alleging that we misused confidential information belonging to Mitsubishi. This counterclaim asserts unspecified damages; therefore, we are unable to estimate the effect an adverse decision regarding this claim may have on us. We are in negotiations with Mitsubishi to settle this matter, and we hope to finalize a settlement in the fourth quarter of 2003.

We filed a lawsuit against Robotic Vision Systems, Inc. on March 20, 2003, in the United States District Court for the District of Massachusetts for breach of contract and seeking damages in excess of \$75,000.00. We are unsure whether we will be successful in this litigation, and we have not recorded any receivables or made any other accounting adjustments with respect to any potential recovery.

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### Item 2. Changes in Securities and Use of Proceeds.

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None.

### Item 3. Defaults Upon Senior Securities.

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None.

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

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No matters were submitted to a vote of security holders during the period covered by this report.

### Item 5. Other Information.

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None.

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

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On January 21, 2003, we filed a current report on Form 8-K to report the resignation of Gerald Okerman from our Board of Directors.

On February 6, 2003, we filed a current report on Form 8-K to report that Dean Westberg joined our Board of Directors on January 15, 2003.

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## SIGNATURES

In accordance with requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Veritec Inc.

Date: May 20, 2003

/s/ Van Thuy Tran

-----  
Van Thuy Tran  
Chief Executive Officer and  
Chief Financial Officer

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I, Van Thuy Tran, certify that:

1. I have reviewed this quarterly report on Form 10-QSB for the quarter ended March 31, 2003 of Veritec Inc.;

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

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

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

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

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of the date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 20, 2003

/s/ Van Thuy Tran

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Van Thuy Tran  
Chief Executive Officer and Chief Financial Officer

Exhibit Index

Exhibit 99.1 Certificate pursuant to Section 906 of the  
Sarbanes-Oxley Act of 2002