VERITEC INC
Form 10-Q
March 21, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM l0-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF1934

for the quarterly period ended December 31, 2014

OR

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

for the transition period from ________________ **to** ___________________**.**

Commission File Number. 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 No.)
2445 Winnetka Avenue N. Golden Valley, MN (Address of principal executive offices)	55427 (Zip Code)

Registrant's telephone number, including area code: (763) 253-2670

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule l2b-2 of the Exchange Act. (Check one):

Large accelerated filer	Accelerated filer	Non-accelerated filer (Do not check if a smaller reporting company)	Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of December 31, 2014, there were 16,520,088 shares of the issuer’s common stock outstanding.

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VERITEC, INC.

FORM 10-Q

FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2014

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Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 2 of Part I of this report include forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by forward-looking statements.

In some cases, you can identify forward-looking statements by terminology such as "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "proposed," "intended," or "continue" or the negative of these terms or other comparable terminology. You should read statements that contain these words carefully, because they discuss our expectations about our future operating results or our future financial condition or state other "forward-looking" information. There may be events in the future that we are not able to accurately predict or control. Before you invest in our securities, you should be aware that the occurrence of any of the events described in this Quarterly Report could substantially harm our business, results of operations and financial condition, and that upon the occurrence of any of these events, the trading price of our securities could decline and you could lose all or part of your investment. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, growth rates, levels of activity, performance or achievements. We are under no duty to update any of the forward-looking statements after the date of this Quarterly Report to conform these statements to actual results.

PART I

ITEM 1 FINANCIAL STATEMENTS

VERITEC, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2014 (Unaudited)	June 30, 2014
ASSETS		
Current Assets:		
Cash	$86,678	$24,665
Accounts receivables, net of allowance of $0 and $13,395, respectively	46,000	70,500
Inventories	13,370	7,829
Prepaid expenses	8,491	17,143
Total Current Assets	154,539	120,137
Restricted cash	55,480	51,957
Property and Equipment, net	788	994
Intangibles, net	176,458	—
Total Assets	$387,265	$173,088
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current Liabilities:		
Notes payable – in default	$507,300	$493,017
Notes payable, related party – in default	2,730,732	2,649,202
Accounts payable	623,196	540,794
Accounts payable, related party	87,610	78,753
Customer deposits	99,278	91,260
Deferred revenues	384,901	258,764
Payroll tax liabilities	511,076	539,218
Accrued expenses	6,061	104,168
Total Current Liabilities	4,950,154	4,755,176
Contingent earnout liability	155,000	—
Total Liabilities	5,105,154	4,755,176
Commitments and Contingencies	—	—
Stockholders' Deficiency:		
Convertible preferred stock, par value $1.00; authorized 10,000,000 shares, 276,000 shares of Series H authorized, 1,000 shares issued and outstanding as of December 31, 2014 and June 30, 2014, respectively.	1,000	1,000
	165,201	159,201

Common stock, par value $.01; authorized 50,000,000 shares, 16,520,088 and 15,920,088 shares issued and outstanding as of December 31, 2014 and June 30, 2014, respectively		
Common stock to be issued, 205,000 shares and 400,000 shares, respectively	18,096	39,596
Additional paid-in capital	14,757,506	14,594,181
Accumulated deficit	(19,659,892)	(19,376,066)
Total Stockholders' Deficiency	(4,717,889)	(4,582,088)
Total Liabilities and Stockholders' Deficiency	$387,265	$173,088

The accompanying notes are an integral part of these consolidated financial statements

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VERITEC, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2014 AND 2013
(UNAUDITED)

	Three Months Ended December 31,					
	2014			2013		
	(Unaudited)			(Unaudited)		
Revenue:						
Barcode technology revenue	$	194,170		$	305,653	
Mobile banking technology revenue		203,658			—	
Total revenue		397,828			305,653	
Cost of Sales		99,480			70,087	
Gross Profit		298,348			235,566	
Operating Expenses:						
General and administrative		252,326			124,334	
Sales and marketing		16,000			29,429	
Research and development		25,876			45,342	
Total operating expenses		294,202			199,106	
Income from Operations		4,146			36,460	
Other Expense:						
Interest income		—			27	
Interest expense, including $38,567 and $39,120, respectively, to related parties		(45,967	)		(46,080	)
Total other expense		(45,967	)		(46,053	)
Net Loss	$	(41,821	)	$	(9,593	)
Net Loss Per Common Share -						
Basic	$	(0.00	)	$	(0.00	)
Diluted	$	(0.00	)	$	(0.00	)
Weighted Average Number of Shares Outstanding -						

Basic	16,359,762	15,920,088
Diluted	16,359,762	15,920,088

The accompanying notes are an integral part of these consolidated financial statements

VERITEC, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2014 AND 2013
(UNAUDITED)

	Six Months Ended December 31, 2014 (Unaudited)	Six Months Ended December 31, 2013 (Unaudited)
Revenue:		
Barcode technology revenue	$263,407	$1,081,982
Mobile banking technology revenue	289,347	2,031
Total revenue	552,754	1,084,013
Cost of Sales	168,660	187,688
Gross Profit	384,094	896,325
Operating Expenses:		
General and administrative	374,959	258,344
Sales and marketing	45,196	46,800
Research and development	57,358	91,921
Total operating expenses	477,513	397,065
Income (Loss) from Operations	(93,419)	499,260
Other Expense:		
Interest income	—	28
Interest expense and finance costs, including $175,963 and $76,927, respectively, to related parties	(190,407)	(95,858)
Total other expense	(190,407)	(95,830)
Net Income (Loss)	$(283,826)	$403,430
Net Income (Loss) Per Common Share -		
Basic	$(0.02)	$0.03
Diluted	$(0.02)	$0.02
Weighted Average Number of Shares Outstanding -		
Basic	16,177,425	15,920,088
Diluted	16,177,425	19,232,093

The accompanying notes are an integral part of these consolidated financial statements

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VERITEC, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIENCY

FOR THE SIX MONTHS ENDED DECEMBER 31, 2014

	Preferred Stock		Common Stock					
	Shares	Amount	Shares	Amount	Common Stock to be Issued	Additional Paid-in Capital	Accumulated Deficit	Stockholders Deficiency
BALANCE, June 30, 2014	1,000	$1,000	15,920,088	$159,201	$39,596	$14,594,181	$(19,376,066)	$(4,582,088)
Shares issued for acquisition	—	—	250,000	2,500	—	35,000	—	37,500
Shares issued for services	—	—	125,000	1,250	3,750	6,650	—	11,650
Shares issued for common stock issuable	—	—	225,000	2,250	(25,250)	23,000	—	—
Beneficial conversion feature on issuance of convertible notes payable	—	—	—	—	—	98,875	—	98,875
Net loss	—	—	—	—			(283,826)	(283,826)
BALANCE, December 31, 2014 (Unaudited)	1,000	$1,000	16,520,088	$165,201	$18,096	$14,757,706	$(19,659,892)	$(4,717,889)

The accompanying notes are an integral part of these condensed consolidated financial statements

VERITEC, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended December 31, 2014 (Unaudited)	2013 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	$(283,826)	$403,430
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	206	34
Amortization	16,042	—
Shares issued for services	11,650	2,785
Beneficial conversion feature on issuance of convertible notes payable	98,875	—
Interest accrued on notes payable	91,313	85,336
Changes in operating assets and liabilities:		
Accounts receivable	24,500	285,368
Restricted cash	(3,523)	461,114
Inventories	(5,541)	(3,128)
Prepaid expenses	8,652	23,430
Deferred revenues	126,137	(655,952)
Payroll tax liabilities	(28,142)	(28,782)
Customer deposit	8,018	15,891
Accounts payables and accrued expenses	(6,848)	8,980
Net cash provided by operating activities	57,513	598,506
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	—	(1,234)
Net cash used in investing activities	—	(1,234)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of notes payable	—	(364,036)
Proceeds from notes payable, related party	148,000	—
Payment on notes payable, related party	(143,500)	—
Net cash provided by (used in) financing activities	4,500	(364,036)
NET INCREASE IN CASH	62,013	233,236
CASH AT BEGINNING OF YEAR	24,665	75,918
CASH AT END OF YEAR	$86,678	$309,154
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$—	$9,757

NON CASH INVESTING AND FINANCING ACTIVITIES		
Common stock issued for acquisition	$37,500	$—
Contingent earnout liability from acquisition	$155,000	$—

The accompanying notes are an integral part of these condensed consolidated financial statements

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VERITEC, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED DECEMBER 31, 2014 AND 2013
(UNAUDITED)

NOTE 1. NATURE OF BUSINESS

References to the “Company” in this Form 10-Q refer to Veritec, Inc. (“Veritec”) and its wholly owned subsidiaries Vcode Holdings, Inc. (Vcode®), and Veritec Financial Systems, Inc. (VTFS).

The Company as primarily engaged in the development, marketing, sales and licensing of products and rendering of professional services related thereto in the following two fields of technology: (1) proprietary two-dimensional matrix symbology (also commonly referred to as “two-dimensional barcodes” or “2D barcodes”), and (2) mobile banking solutions. Subsequent to June 30, 2015, the Company began to focus exclusively on mobile banking technology, and sold its barcode technology.

Barcode Technology

The Company’s Barcode Technology was originally invented by the founders of Veritec under United States patents 4,924,078, 5,331,176, 5,612,524 and 7,159,780. Our principal licensed product to date that contains our VeriCode ® Barcode Technology has been a product identification system for identification and tracking of manufactured parts, components and products mostly in the liquid crystal display (LCD) markets. The VeriCode® symbol is a two-dimensional high data density machine-readable symbol that can contain up to approximately 500 bytes of data. The Company’s VSCode® Barcode Technology is a derivative of the VeriCode® symbol with the ability to encrypt a greater amount of data by increasing data density. The VSCode ® is a data storage “container” that offers a high degree of security and which can also be tailored to the application requirements of the user. The VSCode ® symbol can hold any form of binary information that can be digitized, including numbers, letters, images, photos, graphics, and the minutia for biometric information, including fingerprints and facial image data, to the extent of its data storage capacity, that are likewise limited by the resolution of the marking and reading devices employed by the user. VSCode ® is ideal for secure identification documents (such as national identification cards, driver’s licenses, and voter registration cards), financial cards, medical records and other high security applications. In its PhoneCodes™ product platform, Veritec developed software to send, store, display, and read a VeriCode® Barcode Technology symbol on the LCD screen of a mobile phone. With the electronic media that provide the ease of transferring information over the web, Veritec’s PhoneCodes™ technology enables individuals and companies to receive or distribute gift certificates, tickets, coupons, receipts, or engage in banking transactions using the VeriCode ® technology via wireless phone or PDA.

On September 30, 2015, the Company sold all of its assets of its Barcode Technology, which was comprised solely of its intellectual property. The sale allows the Company to focus its efforts solely on its growing Mobile Banking Technology (See Note 11).

Mobile Banking Solutions

In January 12, 2009, Veritec formed VTFS, a Delaware corporation, to bring its Mobile Banking Technology, products and related professional services to market. In May 2009 Veritec was registered by Security First Bank in Visa's Third Party Registration Program as a Cardholder Independent Sales Organization and Third-Party Servicer. As a Cardholder Independent Sales Organization, Veritec was able to promote and sell Visa branded card programs. As a Third-Party Servicer, Veritec provided back-end cardholder transaction processing services for Visa branded card programs on behalf of Security First Bank. As of October 2010 the Company's registration with Security First Bank terminated. As of April 2011 the Company signed an ISO and processor agreement with Palm Desert National Bank (which was later assigned to First California Bank) to market and processes the Company's Visa branded card program on behalf of the bank. First California Bank was sold to Pacific Western Bank and June 2013 Pacific Western Bank closed its entire debit card division and transferred its contract with VTFS to Central Bank of Kansas City Bank. On February 5th, 2014 the entire relationship between Veritec and Pacific Western Bank ended and the new relationship with Central Bank of Kansas City began.

On September 30, 2014, Veritec and Tangible Payments LLC, a Maryland Limited Liability Company, entered into an Asset Purchase Agreement pursuant to which Veritec acquired certain assets and liabilities of the Tangible Payments LLC (See Note 6).

The Company has a portfolio of five United States and eight foreign patents. In addition, we have seven U.S. and twenty-eight foreign pending patent applications.

NOTE 2. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States of America generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q. Accordingly, the condensed consolidated financial statements do not include all of the information and footnotes required 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 three and six month periods ended December 31, 2014 are not necessarily indicative of the results that may be expected for the year ending June 30, 2015. The Condensed Consolidated Balance Sheet as of December 31, 2014 was derived from the unaudited consolidated financial statements as of such date, but does not include all of the information and footnotes required by GAAP. For further information, refer to the Consolidated Financial Statements and footnotes thereto included in our Form 10-K as of and for the year ended June 30, 2014.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Those estimates and assumptions include estimates for reserves of uncollectible accounts, analysis of impairments of long lived assets, accruals for potential liabilities and assumptions made in valuing stock instruments issued for services.

The accompanying condensed consolidated financial statements include the accounts of Veritec, VCode, and VTFS. All inter-company transactions and balances were eliminated in consolidation.

NOTE 3. GOING CONCERN

The accompanying condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern. Such assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business. During the six months ended December 31, 2014, the Company incurred a net loss of $283,826. At December 31, 2014, the Company had a working capital deficit of $4,795,615 and a stockholders' deficiency of $4,717,889. In addition, as of December 31, 2014, the Company is delinquent in payment of $3,238,032 of its notes payable obligations and is also delinquent in payment of $511,077 in payroll taxes and accrued interest and penalties.

These factors, among others, raise substantial doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon its ability to develop additional sources of capital and to ultimately achieve profitable operations. The Company’s independent registered public accounting firm, in their report on the Company’s financial statements for the year ending June 30, 2014, expressed substantial doubt about the Company’s ability to continue as a going concern. The Company’s financial statements do not include any adjustments that might result from the outcome of these uncertainties.

The Company believes its cash and forecasted cash flow from operations will not be sufficient to continue operations through fiscal 2015 without continued external investment. The Company will require additional funds to continue its operations through fiscal 2015 and to continue to develop its existing projects and plans to raise such funds by finding additional investors to purchase the Company’s securities, generating sufficient sales revenue, implementing dramatic cost reductions or any combination thereof. There is no assurance that the Company can be successful in raising such funds, generating the necessary sales or reducing major costs. Further, if the Company is successful in raising such funds from sales of equity securities, the terms of these sales may cause significant dilution to existing holders of common stock.

NOTE 4. SIGNIFICANT ACCOUNTING POLICIES

Net Loss per Common Share:

Basic earnings (loss) per share is computed by dividing the net income (loss) applicable to Common Stockholders by the weighted average number of shares of Common Stock outstanding during the year. Diluted earnings (loss) per share is computed by dividing the net income (loss) applicable to Common Stockholders by the weighted average number of common shares outstanding plus the number of additional common shares that would have been outstanding if all dilutive potential common shares had been issued, using the treasury stock method. Potential common shares are excluded from the computation as their effect is antidilutive.

For the three and six months ended December 31, 2014 and the three months ended December 31, 2013, the calculations of basic and diluted loss per share are the same because potential dilutive securities would have an anti-dilutive effect. For the six months ended December 31, 2013 the calculation of diluted earnings per share included stock options and warrants, calculated under the treasury stock method, and excluded preferred stock, certain warrants and stock options and convertible notes payable since the effect was antidilutive.

The following table sets forth the computation of basic and diluted income per common share for the six months period ended December 31, 2014 and 2013.

	Six Months Ended December 31, 2014	2013
Net Income (Loss)	$(278,826)	$403,430
Weighted average common shares – basic	16,177,425	15,920,088
Dilutive effect of outstanding stock options	—	2,500,000
Dilutive effect of convertible notes payable	—	812,005
Weighted average shares outstanding – diluted	16,177,425	19,232,093

As of December 31, 2014 and 2013, we excluded the outstanding securities summarized below, which entitle the holders thereof to acquire shares of common stock, from our calculation of earnings per share, as their effect would have been anti-dilutive.

	December 31, 2014	2013

Series H preferred stock	$10,000	$10,000
Warrants	—	275,000
Convertible notes payable	15,630,841	7,326,220
Options	2,602,500	631,500
Total	18,243,341	8,242,720

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Concentrations

During the three months ended December 31, 2014 and 2013, the Company had four customers that accounted for approximately 19%, 15%, 11% and 10% of sales in 2014 and three customers that accounted for approximately 30%, 19% and 17% of sales in 2013, respectively. No other customers accounted for more than 10% of sales in either period.

During the six months ended December 31, 2014 and 2013, the Company had three customers that accounted for approximately 21%, 11% and 10% of sales in 2014 and two customers that accounted for approximately 21% and 18% of sales in 2013, respectively. No other customers accounted for more than 10% of sales in either period.

As of December 31, 2014, the Company had approximately $11,000 (24%), $10,050 (22%), $6,500 (14%) and $5,000 (11%) respectively, of accounts receivable due from its major customers As of June 30, 2014, the Company had approximately $86,361 (69%) and $23,250 (19%), respectively, of accounts receivable due from its major customers.

For the three months ended December 31, 2014 and 2013, foreign revenues accounted for 34% (17% Taiwan, 9% China, and and 8% other) and 53% (30% Korea, and 23% Taiwan) of the Company’s total revenues, respectively.

For the six months ended December 31, 2014 and 2013, foreign revenues accounted for 39% (17% Taiwan, 10% Korea, 8% China, and - 4% other) and 68% (47% Korea and 21% Taiwan) of the Company’s total revenues, respectively.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers. ASU 2014-09 is a comprehensive revenue recognition standard that will supersede nearly all existing revenue recognition guidance under current U.S. GAAP and replace it with a principle based approach for determining revenue recognition. ASU 2014-09 will require that companies recognize revenue based on the value of transferred goods or services as they occur in the contract. The ASU also will require additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted only in annual reporting periods beginning after December 15, 2016, including interim periods therein. Entities will be able to transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. The Company is in the process of evaluating the impact of ASU 2014-09 on the Company's financial statements and disclosures.

In June 2014, the FASB issued Accounting Standards Update No. 2014-12, Compensation – Stock Compensation (Topic 718). The pronouncement was issued to clarify the accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The pronouncement is effective for reporting periods beginning after December 15, 2015. The adoption of ASU 2014-12 is not expected to have a significant impact on the Company's consolidated financial position or results of operations.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, which provides guidance on determining when and how to disclose going-concern uncertainties in the financial statements. ASU 2014-15 requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued. An entity must provide certain disclosures if conditions or events raise substantial doubt about the entity's ability to continue as a going concern. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and interim periods thereafter, with early adoption permitted. The Company is currently evaluating the impact of the adoption of ASU 2014-15 on the Company's financial statements and disclosures.

In November 2014, the FASB issued Accounting Standards Update No. 2014-16 (ASU 2014-16), Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity. The amendments in this ASU do not change the current criteria in U.S. GAAP for determining when separation of certain embedded derivative features in a hybrid financial instrument is required. The amendments clarify that an entity should consider all relevant terms and features, including the embedded derivative feature being evaluated for bifurcation, in evaluating the nature of the host contract. The ASU applies to all entities that are issuers of, or investors in, hybrid financial instruments that are issued in the form of a share and is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. The Company is in the process of evaluating the impact of 2014-16 on the Company's financial statements and disclosures.

In July 2015, the FASB issued Accounting Standards Update 2015-11, Simplifying the Measurement of Inventory, which requires that inventory within the scope of ASU 2015-11 be measured at the lower of cost and net realizable value. Inventory measured using last-in, first-out (LIFO) and the retail inventory method are not impacted by the new guidance. ASU 2015-11 applies to all other inventory, which includes inventory that is measured using first-in, first-out (FIFO) or average cost. An entity should measure inventory within the scope of ASU 2015-11 at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. ASU 2015-11 is effective for public business entities in fiscal years, and interim periods within those years, beginning after December 15, 2016. Early adoption is permitted. The Company is currently evaluating the impact the adoption of ASU 2015-11 on the Company's financial statements and disclosures.

Other recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statements.

NOTE 5. RESTRICTED CASH

The Company entered into Store Value Prepaid Card Sponsorship Agreements (the "Agreement") with certain banks whereas the Company markets and sells store value prepaid card programs (the "Programs"). The Programs are marketed and managed daily at the direction of the Bank, for which the Company receives a transaction fee. In connection with the agreements the Company is required to establish a Reserve Account controlled by the Bank. At December 31, 2014 and June 30, 2014, the restricted cash totaled $55,480 and $51,957, respectively. Since this amount is restricted for the purposes related to the Programs, it is classified as restricted cash on the consolidated balance sheets.

NOTE 6. ACQUISITION

On September 30, 2014, the Company and Tangible Payments LLC, a Maryland Limited Liability Company, entered into an Asset Purchase Agreement pursuant to which the Company acquired certain assets and liabilities of Tangible Payments LLC. Tangible Payments LLC is a combined-solution software package that incorporates features the market is currently purchasing as an individual-solutions product that requires integrated services at an additional cost. With a one-stop package, Tangible's Payments LLC solution eliminates costs and reduces deployment time.

The purchase price for the acquisition was comprised of 250,000 shares of restricted common stock of Veritec valued at $37,500, issued on closing, and an earnout payment of $155,000 for an aggregate purchase price of $192,500. The earnout payment is payable on a monthly basis from the net profits derived from the acquired assets commencing three months after the closing. The earnout payment is accelerated and the balance of the earnout payment shall be due in full at such time as Veritec receives equity investments aggregating $1.3 million.

The Company assigned $192,500 of the purchase price to contract commitments which will be amortized over a three year period.

The following table presents our unaudited pro forma combined historical results of operations for the six months December 31, 2014 and 2013, respectively, as if we had consummated the acquisition as of July 1, 2013.

	December 31,	
	2014	2013
	(Unaudited)	(Unaudited)
Revenues	$614,879	$1,224,923
Net income (loss)	$(291,126)	$320,661

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NOTE 7. RELATED PARTY TRANSACTIONS

During the six months ended December 31, 2014, the Company received various unsecured, non-interest bearing, due on demand advances from its CEO Ms. Van Tran, a related party. The balances due Ms. Tran as of December 31, 2014 and June 30, 2014 were $87,610 and $78,753, respectively. These advances have been classified as accounts payable, related party on the accompanying consolidated balance sheets.

The Company has relied on The Matthews Group, LLC (TMG), owned 50% by Ms. Van Tran, the Company's CEO/Executive Chair and a director, and 50% by Larry Johanns, a significant stockholder of the Company, for funding (see Note 7). The Company also leases its office facilities from Ms. Van Tran (see Note 11).

NOTE 8. NOTES PAYABLE

Notes payable includes accrued interest and consists of the following as of December 31, 2014 and June 30, 2014:

	December 31, 2014	June 30, 2014
Convertible Notes Payable		
Convertible notes payable (includes $134,521 and $130,898, respectively, to non-related parties), unsecured, interest at 8%, due September 2010 through November 2010. The principal and accrued interest is convertible at a conversion price of $0.30. The principal and interest is due immediately on the event of default or change of control. The notes are currently in default.	$740,044	$720,302
Convertible notes payable to related parties, unsecured, principal and interest are convertible into common stock at $0.30 to $0.33 per share, interest at 8% to 10%, due on demand to November 2010. The notes are currently in default.	1,149,322	1,107,435
Convertible note payable to related party, secured by the Company's intellectual property, principal and interest are convertible into common stock at $0.25 per share subject to board of directors' approval, interest at 8%. The note was due November 2010 and is now in default.	282,871	274,871
Notes payable, secured by the Company's certificate of deposit with a financial institution and classified on the balance sheet as restricted cash, interest at 5%, convertible into common stock at $0.08 per share, due on demand	32,945	32,215

Convertible note payable, unsecured, principal and interest are convertible into common stock at $0.30 to $0.40 per share subject to board of directors' approval, interest at 5% to 8%, due January 2011 to March 2013 and is now in default.	13,987	13,586
Convertible note payable, unsecured, principal and interest are convertible into common stock at $1.00 per share subject to board of directors' approval, interest at 8%. The note was paid in full.	—	1,766
Subtotal convertible notes	2,219,169	2,150,175
<u>Promissory Notes</u>		
Note payable to related party, secured by the Company's intellectual property, interest at 8% due August 2010 and is now in default.	548,688	533,318
Notes payable to related parties, unsecured, interest at 0% to 8%, due on demand.	146,430	142,430
Note payable, unsecured, interest at 10%. The note was due in January 2010 and is now in default.	30,167	29,167
Note payable, secured by the Company's intellectual property, interest at variable rates starting September 1, 2012, due December 2012 and is now in default.	293,578	287,129
Subtotal notes payable	1,018,863	992,044
Total	$3,238,032	$3,142,219

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During the six months ended December 30, 2014, the Company issued $126,500 of convertible notes payable that could be converted at a price of $0.08 per share. The market price on the date the convertible notes payable were issued was in excess of the conversion price. The difference between the conversion price of $0.08 per share and the market price was recognized as an expense of $98,875 and was included in interest expense in the Condensed Consolidated Statements of Operations for the six months ended December 31, 2014. No similar activity occurred during the same period of the prior year.

For the purposes of Balance Sheet presentation notes payable have been presented as follows:

	December 31, 2014	**June 30, 2014**
Notes payable	$507,300	$493,017
Notes payable, related party	2,730,732	2,649,202
Total	$3,238,032	$3,142,219

NOTE 9 - STOCKHOLDERS' DEFICIENCY

Preferred Stock

The articles of incorporation of Veritec authorize 10,000,000 shares of preferred stock with a par value of $1.00 per share. The Board of Directors is authorized to determine any number of series into which shares of preferred stock may be divided and to determine the rights, preferences, privileges and restrictions granted to any series of the preferred stock.

In 1999, a new Series H convertible preferred stock was authorized. Each share of Series H convertible preferred stock is convertible into 10 shares of the Veritec's common stock at the option of the holder. As of September 30, 2014 and June 30, 2014, there were 1,000 shares of Series H convertible preferred stock issued and outstanding.

Common Stock

Shares issued for acquisition

On September 30, 2014, the Company issued 250,000 shares of common stock as partial consideration for an acquisition (See Note 6).

Shares issued to consultants for services

During the six months ended December 31, 2014, the Company granted and issued 125,000 shares of common stock for services received. The common shares, based on the fair value on the dates granted, were valued at $0.05 to $0.51 per share, for an aggregate of $11,650.

Shares issued to directors for services

During the six months ended December 31, 2014, the Company issued an aggregate of 225,000 shares of common stock to four of the Company’s directors. These shares were for services rendered during the fiscal year ended June 30, 2014 valued at $25,250 which had been included in the Company’s common shares to be issued balance as of June 30, 2014.

Common Stock to be Issued

Shares to be issued to consultants for services rendered

On July 15, 2014, the Company entered into a "Consulting Agreement" with a consultant to be a general advisor on technical issues to both the Company's President and its subsidiary, Veritec Financial Systems, Inc. Per the payment terms of the Consulting Agreement, the consultant is to receive both monthly cash compensation and 5,000 shares of common stock. During the six months ended December 31, 2014, the Company recorded an obligation to issue 25,000 shares of common stock with an aggregate fair value of $3,200 or $0.13 per share. As of December 31, 2014, the 20,000 shares of common stock have not been issued and have been reflected as common shares to be issued in the accompanying condensed consolidated balance sheet.

On June 23, 2014, the Company entered into an "Advisory Agreement" with a consultant to be an executive advisor to the Company's President. Per the payment terms of the Advisory Agreement, the consultant is to receive both monthly cash compensation and 5,000 shares of common stock. The Advisory Agreement was terminated in January 2015. During the six months ended December 31, 2014, the Company recorded an obligation to issue 30,000 shares of common stock with an aggregate fair value of $3,450 or $0.12 per share. As of December 31, 2014, the 10,000 shares of common stock have not been issued and have been reflected as common shares to be issued in the accompanying condensed consolidated balance sheet.

NOTE 10 – STOCK OPTIONS

Stock Options

A summary of stock options for the six months ended December 31, 2014 is as follows:

	Number of Shares	Weighted - Average Exercise Price
Outstanding at June 30, 2014	3,056,500	$0.42
Granted	—	$0.00
Forfeited	(454,000)	$0.42

Outstanding at December 31, 2014	2,602,500	$0.42
Exercisable at December 31, 2014	2,602,500	$0.42

The Company has agreements with certain employees that provide for five years of annual grants of options, on each employment anniversary date, to purchase shares of the Company's common stock. The option price is determined based on the market price on the date of grant, the options vest one year from the date of grant, and the options expire five years after vesting. The Company granted 2,500,000 options under this arrangement during fiscal year 2013. There were no options granted in fiscal year 2014 or during the six months ended December 31, 2014 under this agreement. The Company recognized no stock-based compensation expense related to stock options during the three and six months ended December 31, 2014 and 2013, respectively. As of December 31, 2014, there was no remaining unrecognized compensation costs related to stock options. Based upon the trading value of the common shares, there was no intrinsic value of these options as of December 31, 2014.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model that uses the weighted-average assumptions noted in the following table. The risk-free rate for periods within the contractual life of the options is based on the U. S. Treasury yield in effect at the time of the grant. Volatility was based on the historical volatility of the Company's common stock. The Company estimated the expected life of options based on historical experience and other averaging methods.

Additional information regarding options outstanding as of December 31, 2014 is as follows:

Options Outstanding at December 31, 2014				Options Exercisable at December 31, 2014	
Range of Exercise	Number of Shares Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Shares Exercisable	Weighted Average Exercise Price
$0.13 - $1.45	2,602,500	4.14	$ 0.42	2,602,500	$ 0.42
	2,602,500			2,602,500	

The weighted-average remaining contractual life of stock options outstanding and exercisable at December 31, 2014 is 4.14 years.

NOTE 11. SUBSEQUENT EVENTS

These unaudited condensed consolidated financial statements should be read in conjunctions with the financial statements and notes thereto included in the Company's Form 10-K for the year ended June 30, 2015 filed on January

20, 2016 with the Security and Exchange Commission, which contains additional information of events subsequent to December 31, 2014.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations – Three Months Ended December 31, 2014 compared to December 31, 2013

We had a net loss of $41,821 for the three months ended December 31, 2014 compared to a net loss of $9,593 for the three months ended December 31, 2013.

License and other revenue

Details of revenues are as follows:

	Three Months Ended December 31,		Increase (Decrease)	
	2014	2013	$	%
Barcode Technology	$194,170	$305,653	$(111,483)	(36.5)
Mobile Banking Technology	203,658	—	203,658	100.0
Total Revenues	$397,828	$305,653	$92,178	30.2

Barcode Technology revenues are derived from our Product Identification systems sold principally to customers in the LCD manufacturing industry. Identification Card revenues in these periods were a result of sales of identification card and mobile banking systems.

The decrease in Barcode Technology revenues was mainly attributable to the decreased demand for LCD screens. Revenues from the LCD market remain unpredictable as they are generated when customers open new production facilities or update production equipment; however, for now the Company continues to experience relatively low demand for product identification product licenses in the LCD industry. A large portion of our license sales are concentrated in the Asia-Pacific market, which decreased in Taiwan, Japan, Germany, and increased in Korea and China.

Mobile Banking Technology revenues includes products such as the Company's Blinx On-Off™ prepaid toggle Card and its Open Loop/Close Loop System and Bio ID Card Platform. Mobile Banking Technology uses web-based mobile technology to offer financial cardholders the very best technology in conducting secure financial transactions in real time, protecting personal identity, and financial account security. The increase in Mobile Banking Technology revenues is due to our efforts to grow this business line which has led to several recent multiyear agreements to provide services and support.

On September 30, 2015, the Company and The Matthews Group, a related party, entered into an Asset Purchase Agreement pursuant to which the Company sold the intellectual property assets relating to its Barcode Technology. The sale allows the Company to focus its efforts solely on growing its Mobile Banking Technology business.

Cost of Sales

Cost of sales for the three months ended December 31, 2014 and 2013, totaled $99,480 and $70,087, respectively. The increase in expense was the result of increased labor costs associated with projects implemented during the period as compared to the same period of the prior year. For the three months ended December 31, 2014 and 2013, cost of sales as a percentage of revenue were 25.0% and 22.9%, respectively.

Operating Expenses

General and administrative expense for the three months ended December 31, 2014 and 2013 was $247,327 and $124,334, respectively. The increase was the result of $44,545 in operating expenses incurred after acquiring Tangible Payments, LLC (see Note 5 of the attached Consolidated Financial Statements). The remaining increase in expenses of $78,448 was primarily from increased salaries, benefits and professional fees.

Sales and marketing expense for the three months ended December 31, 2014 and 2013 was $16,000 and $29,429, respectively. The decrease of $13,429 was the result of the Company's decreased sales and marketing efforts to support its barcode technology.

Research and development expense for the three months ended December 31, 2014 and 2013 was $25,876 and $45,342, respectively. The decrease of $19,466 in expense was the result of the Company's completion of certain research and development projects as compared to the same period of the prior year.

Other Expenses, net

Other expense for the three months ended December 31, 2014 and 2013, which includes primarily interest expense, were $45,967 and $46,053, respectively.

Results of Operations – Six Months Ended December 31, 2014 compared to December 31, 2013

We had a net loss of $283,826 for the six months ended December 31, 2014 compared to net income of $403,430 for the six months ended December 31, 2013.

License and other revenue

Details of revenues are as follows:

	Six Months Ended December 31,		Increase (Decrease)	
	2014	2013	$	%
Barcode Technology	$263,407	$1,081,982	$(818,575)	(75.7)
Mobile Banking Technology	289,347	2,031	287,316	14,146.5
Total Revenues	$552,754	$1,084,013	$(531,259)	(49.0)

Barcode Technology revenues are derived from our Product Identification systems sold principally to customers in the LCD manufacturing industry. Identification Card revenues in these periods were a result of sales of identification card and mobile banking systems.

The decrease in Barcode Technology revenues was mainly attributable to the decreased demand for LCD screens. Revenues from the LCD market remain unpredictable as they are generated when customers open new production facilities or update production equipment; however, for now the Company continues to experience relatively low demand for product identification product licenses in the LCD industry. A large portion of our license sales are concentrated in the Asia-Pacific market, which decreased in Taiwan, Japan, Germany, and increase in Korea and China.

Mobile Banking Technology revenues includes products such as the Company’s Blinx On-Off™ prepaid toggle Card and its Open Loop/Close Loop System and Bio ID Card Platform. Mobile Banking Technology uses web-based mobile technology to offer financial cardholders the very best technology in conducting secure financial transactions in real time, protecting personal identity, and financial account security. The increase in Mobile Banking Technology revenues is due to our efforts to grow this business line which has led to several recent multiyear agreements to provide services and support.

On September 30, 2015, the Company and The Matthews Group, a related party, entered into an Asset Purchase Agreement pursuant to which the Company sold the intellectual property assets relating to its Barcode Technology. The sale allows the Company to focus its efforts solely on growing its Mobile Banking Technology business.

Cost of Sales

Cost of sales for the six months ended December 31, 2014 and 2013, totaled $168,660 and $187,688, respectively. The decrease in expense was the result of decreased labor costs associated with projects implemented during the period as compared to the same period of the prior year. For the six months ended December 31, 2014 and 2013, cost of sales as a percentage of revenue were 30.5% and 17.3%, respectively.

Operating Expenses

General and administrative expense for the six months ended December 31, 2014 and 2013 was $374,959 and $258,344, respectively. The increase was the result of $44,545 in operating expenses incurred after acquiring Tangible Payments, LLC (see Note 5 of the attached Consolidated Financial Statements). The remaining increase in expenses of $72,070 was primarily from increased salaries, benefits and professional fees.

Sales and marketing expense for the six months ended December 31, 2014 and 2013 were comparable at $45,196 and $46,800, respectively.

Research and development expense for the six months ended December 31, 2014 and 2013 were $57,358 and $91,921, respectively. The decrease of $34,563 in expense was the result of the Company's completion of certain research and development projects as compared to the same period of the prior year.

Other Expenses, net

Other expense for the six months ended December 31, 2014 and 2013, which includes primarily interest expense, was $190,407 and $95,830, respectively. The increase was primarily a result of $98,875 of non-cash expense relating to the beneficial conversion feature of convertible notes payables issued during the six months ended December 31,

2014. A beneficial conversion feature is realized when the conversion price of a convertible notes payable is below the closing market price on the date of issuance.

Liquidity

Our cash and cash equivalents balance at December 31, 2014 increased to $86,678 as compared to $24,665 at June 30, 2014. The increase was the result of $57,513 in cash provided by operating activities and $4,500 in cash provided by financing activities. Net cash provided by operations during the six months ended December 31, 2014 was $57,513 compared with $598,506 of cash provided by operations during the same period of the prior year. Cash provided by operations during the six months ended December 31, 2014 was primarily due to our net loss in the period offset by non-cash charges and a decrease in deferred revenues. Net cash provided by financing activities of $4,500 during the six months ended December 31, 2014 was primarily due to proceeds received from notes payable of $148,000 offset by payments on notes payable of $143,500. During the same period of the prior year, net cash used in financing activities of $364,036 was from payments on notes payable of $364,036.

The accompanying condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern. During the six months ended December 31, 2014, the Company had a net loss of $283,826. At December 31, 2014, the Company had a working capital deficit of $4,795,615 and a stockholders' deficiency of $4,717,889. The Company is in default on $3,238,032 of its notes payable and is also delinquent in payment of certain amounts due of $511,077 for payroll taxes and accrued interest and penalties as of December 31, 2014.

These factors, among others, raise substantial doubt about our ability to continue as a going concern. As a result, our independent registered public accounting firm, in its report on our June 30, 2014 financial statements, has raised substantial doubt about our ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might be necessary should we be unable to continue as a going concern.

The Company believes its cash and forecasted cash flow from operations will not be sufficient to continue operations through fiscal 2015 without continued external investment. The Company believes it will require additional funds to continue its operations through fiscal 2015 and to continue to develop its existing projects and plans to raise such funds by finding additional investors to purchase the Company's securities, generating sufficient sales revenue, implementing dramatic cost reductions or any combination thereof. There is no assurance that the Company can be successful in raising such funds, generating the necessary sales or reducing major costs. Further, if the Company is successful in raising such funds from sales of equity securities, the terms of these sales may cause significant dilution to existing holders of common stock.

The Company has traditionally been dependent on The Matthews Group, LLC, a related party, for its financial support. The Matthews Group is owned 50% by Van Tran, the Company's CEO/Executive Chair and a director, and 50% by Lawrence J. Johanns, a significant Company stockholder.

In September 2015, The Matthews Group, a related party and the Company's largest debt holder, elected to convert $1.8 million of its convertible notes payable balance, at a conversion price of $0.08 per share of common stock, into 22.2 million shares of the Company's common stock.

In September 2015, the Company sold its Barcode Technology assets to The Matthews Group, a related party, for $670,000. The proceeds from the sale were used to reduce the Company's notes payable balance to The Matthews Group.

Recent Accounting Pronouncements

See Footnote 4 of our condensed consolidated financial statements for a discussion of recently issued accounting standards.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Critical Accounting Policies

Stock-Based Compensation:

The Company periodically issues stock options and warrants to employees and non-employees in capital raising transactions, for services and for financing costs. Stock-based compensation for employees is measured at the grant date, based on the fair value of the award, and is recognized as expense over the requisite service period. Options vest and expire according to terms established at the grant date. The value of the stock compensation to non-employees is based upon the measurement date as determined at either (a) the date at which a performance commitment is reached or (b) at the date at which the necessary performance to earn the equity instruments is complete.

We estimate volatility and forfeitures based upon historical data. As permitted by the authoritative guidance issued by the FASB, we use the “simplified” method to determine the expected life of an option due to the Company’s lack of sufficient historical exercise data to provide a reasonable basis, which is a result of the relative high turnover rates experienced in the past for positions granted options. All of these variables have an effect on the estimated fair value of our share-based awards.

Revenue Recognition:

The Company accounts for revenue recognition in accordance with SEC Staff Accounting Bulletin (SAB) No. 101 "Revenue Recognition in Financial Statements" and related amendments. Revenues for the Company are classified into four separate products; license revenue (Veritec’s Multi-Dimensional matrix symbology), hardware revenue, identification card revenue, and debit card revenue. Revenues from licenses, hardware, and identification cards are recognized when the product is shipped and collection is reasonably assured. The process typically begins for license and hardware revenue with a customer purchase order detailing its hardware specifications so the Company can import its software into the customer's hardware. Once importation is completed, if the customer only wishes to purchase a license, the Company typically transmits the software to the customer via the Internet. Revenue is recognized at that point. If the customer requests both license and hardware products, once the software is imported into the hardware and the process is complete, the product is shipped and revenue is recognized at time of shipment. Once the software and/or hardware are either shipped or transmitted, the customers do not have a right of refusal or return. Under some conditions, the customers remit payment prior to the Company having completed importation of the software. In these instances, the Company delays revenue recognition and reflects the prepayments as customer deposits.

The process for identification cards begins when a customer requests, via the Internet, an identification card. The card is reviewed for design and placement of the data, printed and packaged for shipment. At the time the identification cards are shipped and collection is reasonably assured, revenue is recognized.

The Company, as a processor and a distributor, recognizes revenue from transaction fees charged cardholders for the use of its issued mobile debit cards. The fees are recognized on a monthly basis after all cardholder transactions have been summarized and reconciled with third party processors.

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

A smaller reporting company is not required to provide the information required by this Item 3.

ITEM 4 CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures.

Our management, with the participation of our chief executive officer and our chief financial officer, carried out an evaluation of the effectiveness of our "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 (the "Exchange Act") Rules 13a-15(e) and 15-d-15(e)) as of the end of the period covered by this report (the "Evaluation Date"). Based upon that evaluation, our chief executive officer and our chief financial officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were not effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (ii) is accumulated and communicated to our management, including our chief executive officer and our chief financial officer, as appropriate to allow timely decisions regarding required disclosure. As of December 31, 2014, our disclosure controls and procedures were not effective at the reasonable assurance level due to the material weaknesses in our internal control over financial reporting described in our Form 10-K at June 30, 2014.

Changes in Internal Control over Financial Reporting.

In our Form 10-K at June 30, 2014, we identified certain matters that constitute material weaknesses (as defined under the Public Company Accounting Oversight Board Auditing Standard No. 2) in our internal control over financial reporting as discussed on Management's Report on Internal Control Over Financial Reporting. We are undergoing ongoing evaluation and improvements in our internal control over financial reporting. Regarding our identified weaknesses, we have performed the following remediation efforts:

- We have assigned our audit committee with oversight responsibilities.
- Our financial statements, periodic reports filed pursuant to the Securities Exchange Act of 1934, as amended, our monthly bank statements and imaged checks are now continuously reviewed by our chief financial officer and chief executive officer.
- All significant contracts are now being reviewed and approved by our board of directors in conjunction with the chief executive officer.

There was no other change in our internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1   LEGAL PROCEEDINGS

The Company is subject to various legal proceedings from time to time in the ordinary course of business, none of which is required to be disclosed under this Item 1.

ITEM 1A   RISK FACTORS

A smaller reporting company is not required to provide the information required by this Item.

ITEM 2.   UNREGISTERED SALE OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3   DEFAULTS UPON SENIOR SECURITIES

The Company is in default on its various notes payable totaling $3,238,032 representing principal and accrued interest as of December 31, 2014.

TEM 4   MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 OTHER INFORMATION

The Company is delinquent in payment of $511,077 for payroll taxes and accrued interest and penalties as of December 31, 2014.

ITEM 6 EXHIBITS

31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.1	The following financial information from Veritec, Inc.'s Quarterly Report on Form 10-Q for the period ended December 31, 2014 formatted in XBRL: (i) Consolidated Balance Sheets at December 31, 2014 and June 30, 2014; (ii) Consolidated Statement of Operations for the three and six months ended December 31, 2014 and 2013; (iii) Consolidated Statement of Stockholders' Deficit as at December 31, 2014; (iv) Consolidated Statements of Cash Flows for the six months ended December 31, 2014 and 2013; (v) Notes to the Consolidated Financial Statements.

**	The certifications attached as Exhibits 32.1 and 32.2 accompany the Quarterly on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed "filed" by Veritec, Inc. for purposes of Section 18 of the Securities Exchange Act.

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SIGNATURES

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

VERITEC, INC.,

a Nevada corporation

March 21, 2016

By:*/s/ Van Thuy Tran*
Van Thuy Tran
Chief Executive Officer
(Principal Executive Officer)