

VERITEC INC
Form 10-K
September 29, 2008

Table of Contents

**U. S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-K**

(Mark one)

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

For the fiscal year ended June 30, 2008

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 No. 0-15113

VERITEC, INC.

(Exact Name of Registrant as Specified in its Charter)

Nevada

95-3954373

(State or Other Jurisdiction of
Incorporation or Organization)

(IRS Employer
Identification No.)

2445 Winnetka Avenue N. Golden Valley, MN

55427

(Address of principal executive offices)

(Zip Code)

Registrant's Telephone Number, Including Area Code:

763-253-2670

Securities registered under Section 12(b) of the Act:

None

Securities registered under Section 12(g) of the Act:

Common stock, \$.01 par value

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

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

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

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company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller Reporting Company ☐
(Do not check if a
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 ☐

The aggregate market value of the common stock of the registrant held by non-affiliates, computed by reference to the average bid price of the common stock on June 30, 2008, was approximately \$824,106.

Number of shares outstanding as of June 30, 2008 was: 15,115,088.

VERITEC, INC.
FORM 10-K
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
TABLE OF CONTENTS

	Page No.
<u>PART I</u>	3
<u>FORWARD-LOOKING STATEMENTS</u>	3
<u>ITEM 1 BUSINESS</u>	3
<u>ITEM 1A RISK FACTORS</u>	10
<u>ITEM 1B UNRESOLVED STAFF COMMENTS</u>	11
<u>ITEM 2 PROPERTIES</u>	12
<u>ITEM 3 LEGAL PROCEEDINGS</u>	12
<u>ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u>	13
<u>PART II</u>	14
<u>ITEM 5 MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES</u>	14
<u>ITEM 6 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	15
<u>ITEM 7 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	18
<u>ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA</u>	19
<u>ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u>	38
<u>ITEM 9A CONTROLS AND PROCEDURES</u>	38
<u>ITEM 9B OTHER INFORMATION</u>	39
<u>PART III</u>	39
<u>ITEM 10 DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE</u>	39
<u>ITEM 11 EXECUTIVE COMPENSATION</u>	41

<u>ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</u>	42
<u>ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE</u>	43
<u>ITEM 14 PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	43
<u>PART IV</u>	44
<u>ITEM 15 EXHIBITS AND FINANCIAL STATEMENT SCHEDULES</u>	44
<u>SIGNATURES</u>	45
<u>Exhibit 31.1</u>	
<u>Exhibit 31.2</u>	
<u>Exhibit 32.1</u>	

Table of Contents

PART I

FORWARD-LOOKING STATEMENTS

This Form 10-K contains various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements represent expectations and beliefs concerning a company's outlook, future economic events, future performance and attainment of future goals and are based on information available on the date of the filing, and are subject to various risks and uncertainties.

The Private Securities Litigation Reform Act of 1995 provides safe harbor for forward-looking statements. Certain information included in this Form 10-K and other materials filed or to be filed with the Securities and Exchange Commission (as well as information included in oral statements or other written statements made or to be made) contain statements that are forward-looking and actual results may materially differ from any future results expressed or implied by such forward-looking statements. In addition to statements that explicitly describe such risks and uncertainties readers are urged to consider statements using the terms anticipates, belief, believes, can, intends, plans, shall, or will, and similar expressions to be uncertain and forward-looking. Such forward-looking statements involve important risks and uncertainties that could significantly affect anticipated results in the future and accordingly, such results may materially differ from those expressed as our desired outcome, goal, or result.

We undertake no obligation to update any forward-looking statements to reflect events or circumstances that may arise after the date hereof unless specifically required by the filing requirements of the Securities and Exchange Act as amended or, the Regulations promulgated thereunder.

ITEM 1 BUSINESS

Summary

The Company is primarily engaged in the development, marketing, and sales of products that utilize Matrix Symbology technology, a two-dimensional barcode technology originally invented by the founders of Veritec under United States patents 4,924,078, 5,331,176, 5,612,524 and 7,159,780. Based on our proprietary technologies, we have developed and are marketing the following main products:

Identification and tracking products, which allow a manufacturer, distributor, reseller or user of products, to create and apply unique identifiers to the products in the form of a coded symbol. The coded symbol enables automated manufacturing control for the customer, together with identification, tracking, and collection of data through cameras, readers and scanners also marketed by the Company. The collected data is then available for contemporaneous verification or other user definable purposes. These products represent our main current source of revenues, principally from our customers in the LCD manufacturing business. Secure Bio-ID cards (including time and attendance systems). The Company's Secured Identification System enables the storage of images, biometric information and data for contemporaneous verification of an individual's unique identity. To date, we have made very limited sales of this new product.

Table of Contents

Stored-Value cards, which also represent a new product, based on our software platform for mobile banking with a Visa debit card program, which has been approved for use on the Plus® and Star® ATM networks.

This prepaid debit card program provides for closed loop, real time mobile internet banking transactions with an additional, patented safety feature that allows the account holder to toggle the card on and off to prevent unauthorized usage of the card.

New products based on our PhoneCodes® technology.

Our plans are to continue focusing on product improvements, sales, and marketing of these product categories. Recently, the Company added additional independent sales representatives and distributors to assist us in the marketing of our new products: the PhoneCodes®, ID Card Printing Systems and the Time and Attendance Software. We believe these new products, along with the addition of new distribution outlets, will open up new opportunities for Veritec.

Veritec's products are based upon its proprietary VSCode® and VeriCode® Symbology. In addition to its United States patents for VSCode® and VeriCode® Symbology, the Company holds patents in Europe (German Patent No. 69033621.7; French Patent No. 0438841; and Great Britain Patent No. 0438841); and has applications pending with the United States Patent and Trademark Office for uses of its Multi-Dimensional Matrix Symbology.

Company History

Veritec was incorporated in the State of Nevada on September 8, 1982 for the purpose of development, marketing and sales of a line of microprocessor based encoding and decoding system products that utilize Matrix Symbology Technology, a two-dimensional barcode technology originally invented by the founders of Veritec under United States patents 4,924,078, 5,331,176, 5,612,524 and 7,159,780. As more fully described below, three of these patents are the property of Vcode Holding, Inc. (Vcode).

In 1995, an involuntary proceeding under Chapter 7 of the United States Bankruptcy Code was commenced against us. The proceeding was subsequently converted to a Chapter 11 proceeding and a plan of reorganization was confirmed on April 23, 1997. The plan was completed, the trustee was discharged, and the case closed on October 13, 1999.

In January 2002, Veritec initiated arbitration in the International Court of Arbitration of the International Chamber of Commerce in Los Angeles, California, against Mitsubishi Corporation (Mitsubishi), alleging five causes of action arising out of various contracts and business dealings. Mitsubishi counterclaimed and arbitration commenced.

In November 2003, Veritec formed a wholly owned subsidiary, Vcode, to which it assigned United States patents 4,924,078, 5,331,176 and 5,612,524, together with all corresponding patent applications, foreign patents, foreign patent applications, and all continuations, continuations in part, divisions, extensions, renewals, reissues and re-examinations. As used in this report, the Company refers to Veritec, Inc. (Veritec) and Vcode. Vcode in turn entered into an Exclusive License Agreement with VData LLC (VData), an Illinois limited liability company unrelated to Veritec. The purpose of the Exclusive Licensing Agreement is to allow VData to pursue enforcement and licensing of the patents against parties who wrongfully exploit the technology of such patents. VData is the wholly owned subsidiary of Acacia Research Corporation (NASDAQ: ACTG) (collectively Acacia). The Exclusive License Agreement provides that all expenses related to the enforcement and licensing of the patents will be the responsibility of VData, with the parties sharing in the net proceeds, as specified under the terms of the agreement, arising from enforcement or licensing of the patents.

Table of Contents

In February 2005, an adverse ruling was made in the arbitration proceeding against Veritec in favor of Mitsubishi, resulting in a monetary award of \$8,174,518 to Mitsubishi and enjoining Veritec and by extension Veritec's customers from the future use or sale of Mitsubishi's EDAC Technology. This ruling compelled Veritec to file a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court (Bankruptcy Court) for the District of Minnesota on February 28, 2005.

After reaching an agreement with Mitsubishi and other creditors, in April 2006, Veritec's Third Amended Plan of Reorganization was confirmed by the Bankruptcy Court. On August 8, 2006, the Bankruptcy Court entered an Order and Final Decree closing the Chapter 11 case in its entirety. As a result of the Chapter 11 bankruptcy, Veritec settled \$9,356,948 of debts including \$7,874,518 owed to Mitsubishi. In connection with the settlement with Mitsubishi, we obtained a license to certain Mitsubishi EDAC technology and granted Mitsubishi a license to VeriCode®.

Since emerging from bankruptcy, we have been focused on development of new applications for encoding and decoding technologies. However, infringement revenue has continued to be the primary source of revenue for the Company in recent periods. Patents 4,924,078 and 5,612,524 are currently being reexamined by the U.S. Patent and Trademark Office. The Company recently received a determination by the U.S. Patent and Trademark Office stating that some of the claims in the patents were patentable and others were being rejected. The Company has submitted a rebuttal against the decision and is awaiting a final determination. Furthermore, the Company is currently engaged in litigation with Cognex Corporation pursuant to which the United States District Court for the District of Minnesota recently ruled that the 5,612,524 patent was invalid and unenforceable. The Company plans to appeal this decision. As a result of these actions, infringement revenue from patents 4,924,078 and 5,612,524 has ceased.

Our Products

Based on our proprietary technologies, we have developed and are marketing the four main products described below: Product Identification and tracking products, Secure Bio-ID cards (including time and attendance systems), Stored-Value cards and products based on PhoneCodes® technology. Our plans are to continue focusing on product improvements, sales, and marketing of these product categories. Recently, the Company added additional independent sales representatives and distributors to assist us in the marketing of our new products: the PhoneCodes®, ID Card Printing Systems and the Time and Attendance Software. We believe these new products, along with the addition of new distribution outlets, will open up new opportunities for Veritec.

(a) Product Identification: The VeriCode®

Our principal product to date has been a Product Identification system for identification and tracking of manufactured products using our VeriCode® barcode technology. This technology has been used in the LCD business for many years. Sales of this product have been focused in the Far East; however, the Company had discussions with U.S. companies and believes a U.S. market can be developed. The vast majority of our non-infringement revenue in recent periods has been derived from sales of these products. We recognize these revenues in the form of license fees, almost entirely from our customers in Asia.

The VeriCode® symbol is a two-dimensional high data density machine-readable symbol that can contain up to approximately 500 bytes of data in an area as small as the head of a pin. The VeriCode® symbol is based on a matrix pattern. The matrix is made up of data cells, which are light and dark contrasting squares. This part of the symbol looks like a scrambled chessboard. The matrix is enclosed within at least one or more solid lines and/or a solid border. Surrounding the solid border is a quiet zone of empty cells. This simple structure is the basis for the symbol's space efficiency.

Table of Contents

The size of the VeriCode® symbol is variable and can be increased or decreased depending on application requirements. The symbol can be configured to fit virtually any space. The data capacity of the symbol is also variable. By using a greater or smaller number of data cells, more or less information can be stored in the symbol. The main limitation to the size and density of the VeriCode® symbol is the resolution of the marking and reading devices utilized by the user.

Special orientation for reading the symbol is not necessary and is the basis of the novelty of Vcode's United States Patent No. 5,612,524. The VeriCode® symbol can be read at high degrees of angularity from vertical, in any direction relative to the reader. Veritec's symbology and reading software presently employs Error Detection and Correction (EDAC) technology of our own design, similar to that on music CD's. That means if a symbol is partially damaged or obscured, the complete data set stored in the symbol might be recovered. EDAC lowers the symbol's data capacity, but it can permit data recovery if up to 25% of the symbol is damaged. With EDAC, the code will return either accurate information or no information, but it will not return false or wrong information.

The VeriCode® symbol offers high degrees of security and the level of this security can be specified depending on the user's requirements. For any specific application or organization, a unique encryption algorithm can be created so that only authorized persons can create or read a VeriCode® symbol within the user's application.

The VeriCode® symbol can hold any form of binary information that can be digitized including numbers, letters, images and the minutia for biometric information to the extent of its data storage capacity.

(b) Secure Bio-ID Cards and Time and Attendance Software: The VSCode®

The VSCode® is a derivative of the two-dimensional VeriCode® symbol with the ability to encrypt a greater amount of data by increasing data density. The VSCode® is a data storage container that we believe 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, the minutia for biometric information, including fingerprints, 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 bankcards and high security applications. Because the code is encrypted on the card it can be an independent portable database containing non-duplicative information that is unique to the individual owner of the bank account or credit card; or, the data can be verified through a central database while maintaining high security for the card issuer without the need of a PIN.

Secure Bio-ID cards present the cardholder's picture, fingerprint minutia and other pertinent data that can be produced in either a soft or hard card material. We have developed a number of products based on our technology; however, sales have been limited to date. In fiscal 2008, the Company sold its first ID card printing system to an Indian tribe living in the U.S. that frequently crosses the U.S./Canadian border. The card printing system, which produces the ID card inclusive of the individual's picture and Veritec's VSCode®, allows the Indian tribe to produce identification cards that enable them to enroll tribal members and their descendants and to act as a supplement to U.S. passports. The ID card includes the individual's picture and a fingerprint, which is stored inside the VSCode®. The Company is having ongoing discussions with other Indian tribes (and countries) for use of this ID card printing system.

The FCR-100 is a compact fingerprint card reader used to read and decode the VSCode® data. It consists of a combination of several modular components, including a quality camera, lighting mechanism, digital fingerprint reader, software lock, USB cable and housing, all tied into a PC operating system running the proprietary Veritec software. Due to its modular design, the FCR-100 can be modified to meet specific application needs.

Table of Contents

The FCR-100 can be designed to work on most PC based operating systems, including the full suite of Windows® operating systems. This allows the operating system to function with the many different types of VSCode® applications such as bankcards, access control, personnel identification, border control, and hospital identification Cards. The FCR 100 is connected and powered by a USB cable connection to a PC or server. The FCR-100 can be utilized with wireless applications and will allow multiple reading stations to be connected to a single computer.

We have recently introduced Time and Attendance system products, user-friendly systems that include our Secure Bio-ID card maker and our proprietary card reader software to produce and to read our Secure Bio-ID cards as well as keeping track of individual time and attendance. The Company has beta-tested the software over the last few months, sold the first system in December 2007, and believes it is now ready to market additional systems.

In October 2006, the Company purchased the assets of Secure Enterprises Inc (SEI). From the acquisition, the Company obtained SEI's web based software platform that enables customers to purchase identification cards, such as badges, picture ID and visitor ID, via the Internet. The program permits the customer to review the card's design and input the data from their facility. The information is then uploaded to the Company's system, where the card is printed, packaged and shipped the same day.

(c) Stored-Value Cards

The Company recently obtained a license from RBA International for a software platform for mobile banking utilizing the VSCode® technology in connection with a Visa debit card program, which has been approved for use on the Plus® and Star® ATM networks. This prepaid debit card program provides for closed loop, real time mobile internet banking transactions with an additional, patented safety feature that allows the account holder to toggle the card on and off to prevent unauthorized usage of the card. To date, Visa has declined requests by RBA International to add the Company's VSCode® data storage feature to its debit cards. The Company intends to commence marketing of stored-value cards through relationships with one or more financial institutions.

(d) PhoneCodes®

We have developed a number of products based on our PhoneCodes® technology, but we have not derived revenues from these products to date. These software products will allow individuals or companies to receive or distribute gift certificates, tickets, coupons, receipts, or banking transactions using the VeriCode® technology via wireless phone or PDA. The Company is having discussions with several companies for usage of the PhoneCodes® products.

The GiftCode® allows an individual to purchase, by phone, by internet or in person a gift Card for a specific dollar amount from a retailer. The gift Card can be sent to the recipient via wireless phone and include a message and a two-dimensional matrix code that has the detailed information of the gift Card including the amount, the retailer, etc. That recipient can redeem the gift Card by selecting merchandise from the retailer and redeeming the gift Card value via a code reader at the register at the time of checkout.

TicketCode®, introduced to the market in 2007, for concerts, sporting events, theme parks, etc. can be purchased by phone or internet and received via wireless phone. The TicketCode® also has the capabilities of including a message and the two-dimensional matrix code along with the event information (date, time, row, seat number, etc.) When arriving at the event, the wireless phone can be scanned at the gate via a code reader allowing immediate entrance.

Table of Contents

The CouponCode® is a means for a retailer to increase sales through personalized targeted marketing campaigns. The retailer can tailor the CouponCode® with company graphics, text messages and the two-dimensional matrix code and send it directly to the customer's wireless phone. The customer redeems the coupon by passing the wireless phone over the code reader and crediting the coupon value against the purchase.

The ReceiptCode® is the means for financial institutions, retailers and consumers to add security to electronic on-line transactions by sending a receipt electronically in the form of a 2-D barcode. One example, banking over the Internet, the present system allows a purchase to take place by simply filling out the credit card number, expiration date and the three digit code on the back of the plastic card. Presently, the cardholder receives notification of the transaction at much later time via mail or Internet. A ReceiptCode® would help prevent the fraudulent use of the card by notifying all parties involved instantly in real time by way of an electronic 2-D barcode which can be received over the cell phone.

Our Intellectual Property

Patents

United States Patent No. 4,924,078 was issued on May 8, 1990 on our founders' application filed November 25, 1987. United States Patent No. 5,612,524 is a continuation of the 4,924,078 patent. U.S. Patent No. 5,331,176 was issued on July 19, 1994 on our founders' application filed on April 10, 1992. Veritec has filed for additional U.S. patents related to novel uses of the Matrix Symbolologies. The Company holds the following European Patents: Germany Patent No. 69033621.7; French and Great Britain Patent No. 0438841.

Trademarks

We have filed applications to register the trademark VeriSecure in the United States. We have also filed applications to trademark VSCode in the following countries: Australia, Taiwan, South Korea, Singapore, Japan, China, and Vietnam. In addition we have filed applications to register VeriCode® in the following countries: China, Singapore, Vietnam, and Australia. We have registered trademarks for VeriCode® and VSCode® in the United States and the VeriCode® in Taiwan and South Korea. The Company uses the following copyrights VeriWrite®, VeriRead®, VSWrite®, VSRead®, PhoneCode®, TicketCode®, GiftCode®, CouponCode® and ReceiptCode®.

Major Customers

During the fiscal year ended June 30, 2008 and 2007, 33% and 80% respectively, of our revenue was from our Exclusive License Agreement with VData. Of the remaining revenue, 59% and 19% was from foreign customers for the years ended June 30, 2008 and 2007, respectively.

Engineering, Research and Development

As of June 30, 2008, Veritec employed three full-time engineers and three consultants. For fiscal year 2008, we have concentrated on several projects, which include the development of additional readers, ancillary corrective features built into our VSCode® that allow for damaged 2-D codes to self repair and maintain readability, implementation of our 2-D matrix codes into other manufacturer's readers, the completion of the time and attendance software and the development of a card maker and card reader program called VeriSuite. The VeriSuite provides flexible access to the core Veritec card maker/reader and symbol encoding/decoding technology. A framework allows integration into new and existing, divergent and dynamic business applications. We believe the VeriSuite software will ensure that Veritec remains agile and competitive in a variety of markets, current and emerging, that leverage card making/reading and 2D symbol technology.

All of these projects are currently in various stages of development or have been completed.

Table of Contents

Competition

The symbology business is intensely competitive. The Company is presently under-capitalized and recently emerged from bankruptcy. Consequently, there can be no assurance that the Company will be able to successfully compete in the symbology business.

Our VeriCode® and VSCode® Matrix Symbologies compete with alternative machine-readable codes such as conventional bar code systems, including UPC, EAN Code 39 and Code 49; and alphanumeric systems such as OCR-A and OCR-B. Competitors offering alternative symbologies include numerous well capitalized publicly traded companies who offer a spectrum of bar code related systems including Motorola Inc (NYSE: MOT); Zebra Technologies Corporation (NASDAQ: ZBRA); and Siemens Energy and Automation, Inc., a subsidiary of Siemens AG (NYSE: SI).

The DataMatrix two-dimensional bar code is an established competitor to the VeriCode®. The DataMatrix code was popularized by Robotic Vision Systems, Inc., which declared the DataMatrix symbol to be in the public domain. In contrast, our VeriCode® Symbol and technology are protected by various U.S. and European patents and our software source codes are proprietary and protected by copyright.

Veritec believes that while many potential customers and users of symbology prefer to use a system that is believed to be in the public domain with open source code software applications, other companies, especially those requiring high security encoding and decoding capability will prefer to purchase closed or proprietary systems. Our technology may be the technology of choice for these potential customers.

Employees

As of June 30, 2008, inclusive of the three full-time engineers and three contracted consultants employed by the Company in its engineering, research and development department as described above, the Company employs eight full-time employees, and three consultants.

Financial Information about Geographic Areas

In fiscal 2008, United States customers accounted for 41% (81% in fiscal 2007) of the Company's total revenue. The remaining revenue of 59% (19% in fiscal 2007) was from foreign customers. To date, as was in fiscal year 2007, our foreign revenues are concentrated in Japan, Korea, Taiwan and Germany.

Available Information

The public may read and copy any materials we have filed with the Securities and Exchange Commission (SEC) at the SEC's Public Reference Room at 100 F Street, N.E., Washington D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. We electronically file reports with the SEC. Filings may be found on the Internet site maintained by the SEC at www.SEC.gov; or, by accessing www.freeedgar.com; and other Internet based financial service providers. Other information about us can be found at our website, www.veritecinc.com and by contacting the Company at 2445 Winnetka Avenue North, Golden Valley, Minnesota 55427 (763) 253-2670.

Table of Contents

ITEM 1A RISK FACTORS

Risk Factors

Investing in our Company entails substantial risk. In addition to the other risks and uncertainties discussed herein or available from outside sources, a number of risks and uncertainties that could cause actual results to differ materially from the plans, intentions and expectations reflected in or suggested by forward-looking statements of the Company set forth within the body and Exhibits hereof include amongst other things:

We Have a History of Operating Losses

We have a history of operating losses that were a substantial factor in the Company having been placed in bankruptcy from October 1995 through October 1999 and again from February 2005 through August 2006. To halt the continuation of these losses, we are developing new products, entering new markets and developing strategic alliances to grow revenue. There can be no assurance that we will be successful in these efforts, and even if we are, whether we can become profitable.

Doubt About Ability to Continue as a Going Concern

The Company has traditionally been dependent on The Matthews Group, LLC, a related party, owned 50% by Van Tran, the Company's chief executive officer and a director, and 50% by Larry Johanns, a significant Company's stockholder, for its financial support. The Matthews Group made total payments of \$2,000,000 through June 30, 2008, as required under a subscription receivable. However additional capital most likely will be required to continue the Company's business, and the Company does not believe that The Matthews Group will continue to provide funding. At June 30, 2008, the Company had \$334,702 in cash and \$61,093 in working capital. The Company will require additional funds to continue its operations through fiscal 2009 and continue to develop its existing and future projects by obtaining investment funds, generating sufficient sales revenue, implementing dramatic cost reductions or any combination thereof. However, there is no assurance that the Company can be successful in raising such funds, generating the necessary sales or reducing major costs.

Further, due to the Company's prior bankruptcies and history of losses, it may be difficult for the Company to raise additional funds, if required. If the Company cannot raise such capital, or if the cost of such capital is too high, we may be unable to successfully launch or continue development of new products. If losses continue, we may be unable to continue in business. These matters raise substantial doubt that the Company will be able to continue as a going concern.

Loss of the Services of Key Employees Could Harm Our Operations

The Company's performance depends on the talents and efforts of our key management and technical employees. The loss of certain key individuals could diminish our ability to maintain relationships with current and potential customers or to meet development and implementation schedules for existing technology and the technology that the Company intends to introduce in the future. Our future success also depends on our continuing ability to identify, hire, train and retain highly qualified technical and managerial personnel. We currently have no Chief Financial Officer, and although we are in the process of hiring a suitable new candidate, we depend on our Board members and outside consultants to guide the company's financial operations while we continue the search. If we fail to attract or retain these key individuals in the future, our business could be disrupted.

Table of Contents

Cessation of Infringement Revenues from VData and Intellectual Property

The Company, in the past, has been dependent on infringement revenues from VData for a significant portion of its revenue. As a result of the adverse ruling on the Declaratory Judgment sought by Cognex, our future ability to obtain infringement revenues for the 4,924,078 and 5,612,524 patents, we believe, has ceased.

Competition in the Asian Market

The Company currently relies heavily on its sales to the Asian markets. We believe the cross-licensing agreement we executed with Mitsubishi that allowed for our emergence from bankruptcy and competition from others in the Machine Readable Information and symbology sector, has resulted in increased competition and impacted future sales.

Effect of the Bankruptcy

The Company having been in bankruptcy has made it difficult for the Company to establish new trade credit relationships with both vendors and customers. Although the Company believes it will restore its credibility going forward, the lack of trade credit could impair the Company's ability to grow and implement its plans.

Competition

Our VeriCode® and VSCoDe® Matrix Symbologies compete with alternative machine-readable codes such as conventional bar code systems, including UPC, EAN Code 39 and Code 49; and, alphanumeric systems such as OCR-A, OCR-B, PDF-417, Data Matrix and many others. Competitors offering alternative symbologies include numerous well capitalized private and publicly traded companies who offer a wide variety of bar code systems and solutions, as well as, alternative product solutions such as Radio Frequency Identification (RFID) and Global Positioning Satellite (GPS) technology. Our competitors include but are not limited to: Intermec (NYSE: IN); Siemens Energy and Automation, Inc., a subsidiary of Siemens AG (NYSE: SI); Motorola Inc (NYSE: MOT); and, Zebra Technologies Corporation (NASDAQ: ZBRA). These companies have more resources than the Company, already have a strong customer base, and their products are widely used in the market place. Competition from such companies may further reduce the future level of demand for the Company's products and/or the Company's future margins of profit.

General Conditions Beyond the Company's Control

The general economic condition of the United States and other regions of the world, work disruptions, labor negotiations both at the Company and with our licensees and distributors, actions of the U.S. and foreign governments, foreign currency exchange rate fluctuations, inflation and other economic events all to varying degrees do, could and would have an effect upon the Company some of which could have a material adverse impact.

ITEM 1B UNRESOLVED STAFF COMMENTS

Not applicable

Table of Contents

ITEM 2 PROPERTIES

We lease approximately 3,200 square feet of office and laboratory space at 2445 Winnetka Avenue North, Golden Valley, Minnesota, which serves as our primary place of business. This lease is with Van Thuy Tran, a director and chief executive officer of the Company. Our lease requires monthly payments of \$3,150 and runs through June 30, 2012, with an option to automatically extend the lease for two one-year extensions.

Veritec leased on a month-to-month basis, a single-family residence located at 10310 - 39th Avenue North, Plymouth, Minnesota to house visitors, consultants and employees hired from outside the State of Minnesota versus the high cost of hotel lodging. The lease required a monthly payment of \$1,500. The residence is owned by Larry Johanns, a principal of The Matthews Group. This lease expired on September 1, 2007.

In January 2007, the Company began leasing on a month-to-month basis, a single-family residence located at 2415 Winnetka Ave. N., Golden Valley, Minnesota to house visitors and consultants. The lease required a monthly payment of \$1,700. The residence is owned by Van Thuy Tran, a director and chief executive officer of the Company. This lease was terminated on October 1, 2007.

ITEM 3 LEGAL PROCEEDINGS

Vcode joined with VData as Plaintiffs in patent enforcement litigation filed on October 4, 2005, against Brother Industries, Ltd., Sato Corporation, Toshiba Corporation and US Bank National Association in the United States District Court for the District of Minnesota alleging violations of the Company's patents. US Bank National Association has entered into a licensing agreement with the Company and the case as to that defendant was dismissed. The remaining defendants, Brother Industries, Ltd., Sato Corporation, and Toshiba Corporation, did not settle but were dismissed from the case without prejudice. VData and the Company must wait for resolution of the patent reexaminations, described below, before re-asserting claims against the remaining defendants.

On March 13, 2006, in response to notices of infringement sent to its customers by VData, Cognex Corporation filed a preemptive action seeking a Declaratory Judgment against VData and the Company in the United States District Court for the District of Minnesota. Amongst other remedies the action seeks a ruling from the court that Vcode's United States Patent No. 5,612,524 is not enforceable against Cognex Corporation and its customers, that the Company has defamed Cognex and that the Company has engaged in unfair and deceptive business practices in violation of Minnesota law. On December 27, 2006, an answer and affirmative defense was filed to contest the plaintiff's allegations and claims for damages, injunctive relief, attorney's fees, and costs. On May 19, 2008, the summary judgment was received ruling in favor of Cognex on three of the four claims. The Court found that the asserted claims of the 5,612,524 patent were invalid, the entire patent unenforceable and denied our motion to dismiss the defamation claim. However the Court did grant our motion to dismiss the Minnesota DTPA (Deceptive Trade Practices Act) claim. Cognex subsequently filed a motion for the Court to declare this an exceptional case and award Cognex its attorney fees. The Company, along with the other defendants, filed an opposition to this motion. No decision has been made by the Court to date on this motion.

On April 6, 2006, the U.S. Patent and Trademark Office granted a Third Party Request for an Ex Parte Reexamination of Vcode's United States Patent No. 5,612,524. A response on behalf of the Company rebutting the allegations in the Request for Reexamination was filed with the U.S. Patent and Trademark Office. In December 2007, the Company received a determination by the U.S. Patent and Trademark Office stating that some of the claims in the patent were patentable and others were being rejected. The Company submitted a rebuttal against the decision in February 2008. The Company believes that when the final determination occurs, even if the determination is adverse to the patent, it would not be detrimental to the Company's ability to market its products, but will be detrimental to the collection of licensing fees based upon this patent.

Table of Contents

On May 23, 2006, Vcode joined with VData as a Plaintiff in a pending patent enforcement litigation filed against Aetna, Inc., PNY Technologies, Inc., Merchants Credit Guide Co., The Allstate Corporation, and American Heritage Life Insurance Company in the United States District Court for the District of Minnesota alleging violations of the Company's patents. The Allstate Corporation and American Heritage Life Insurance Company have entered into a licensing agreement with the Company and the case as to those defendants has been dismissed. Aetna, Inc., and Merchants Credit Guide Co., have filed responsive pleadings in the action. PNY Technologies, Inc. has counterclaimed with allegations of non-infringement, invalidity, and inequitable conduct and is seeking attorney's fees and costs. Defendant Aetna, Inc. filed a Motion to Dismiss and a Motion for Rule 11 Sanctions. The Court denied both of Aetna's motions. Defendant Merchant's Credit Guide Co. filed a Motion to Stay Alternative Motion for Sanctions. The Court granted Merchants Motion to Stay and the case is currently stayed pending reexamination of the patents. This case has not been set for trial.

On October 26, 2006, a Third Party Request for an Ex Parte Reexamination of Vcode's United States Patent No. 4,924,078 was made. The Company was awaiting a determination from the U.S. Patent and Trademark Office as to whether a grant of the request for reexamination was merited. On January 17, 2007, the reexamination for United States Patent No. 4,924,078 was ordered. The Company believes that a determination adverse to the patent would not be detrimental to the Company's ability to market its products, but could be detrimental to the collection of licensing fees based upon this patent.

On April 16, 2007, Vcode and VData filed a patent infringement case in the Eastern District of Texas against Cognex relating to United States Patent No. 5,331,176. Cognex has counterclaimed for non-infringement and invalidity. In April 2008, an agreement between the parties was reached to dismiss without prejudice the claim. The agreement has been signed by all parties and fully executed.

Vcode joined with VData as Plaintiffs in patent enforcement litigation filed on August 21, 2007, against Data Logic, Inc., Hand Held Products, Inc. and Siemens Energy and Automation, Inc. in the United States District Court for the District of Texas alleging violations of the Company's Patent No. 5,331,176. Hand Held Products, Inc. has entered into an agreement with the Company and the case as to that defendant was dismissed. In April 2008, a proposed agreement between the remaining parties was reached to dismiss without prejudice the claim. The agreement is awaiting the signatures of all parties.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

Table of Contents

PART II

ITEM 5 MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**Market Information**

Our common stock is traded in the over-the-counter market. Quotations are available on the OTC Pink Sheets. The common shares are not traded or quoted on any automated quotation system. The OTC Pink Sheet Symbol for our common stock is VRTC.PK. The following table sets forth the range of high and low bid quotes of our common stock per quarter as provided by the National Quotation Bureau (which reflect inter-dealer prices without retail mark-up, mark-down or commission and may not necessarily represent actual transactions).

Market Price Range of Common Stock Quarter Ended	Fiscal 2008		Fiscal 2007	
	High	Low	High	Low
September 30	.80	.40	1.75	1.20
December 31	.75	.27	1.95	.90
March 31	.30	.11	1.77	.84
June 30	.41	.17	1.02	.57

Shareholders

As of September 22, 2008, there were approximately 795 shareholders of record, inclusive of those brokerage firms and/or clearinghouses holding our common shares for their clientele (with each such brokerage house and clearing house being considered as one holder).

Dividend Information

We have not paid or declared any dividends upon our common stock since our inception and, by reason of our present financial status and contemplated financial requirements, we do not anticipate paying any dividends in the foreseeable future.

Current Sales of Unregistered Securities

2,000 shares of common stock were issued to a Company employee as compensation in May 2008. 17,000 shares of common stock were issued to a Company employee as compensation in September 2007.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information with respect to shares of common stock issuable under outstanding options and warrants relating to compensation arrangements.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted- average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders			
Equity compensation plans not approved by security holders (1)	267,749	\$ 0.82	30,000

Total	267,749	\$	0.82	30,000
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(1) These equity compensation plans are comprised of individual compensation arrangements with certain employees of the company.

Table of Contents**ITEM 6 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS****Results of Operations June 30, 2008 compared to June 30, 2007**

We had a net loss of \$768,879 in the fiscal year ended June 30, 2008 compared to a net loss of \$261,203 in the fiscal year ended June 30, 2007.

Revenues

Details of revenues are as follows:

	Year Ended June 30,		Increase (Decrease)	
	2008	2007	\$	%
License	\$ 782,525	\$ 383,266	\$ 399,259	104.2
Hardware	76,221	30,426	45,795	150.5
Identification Card	28,605	23,980	4,625	19.3
Infringement	445,349	1,767,894	(1,322,545)	(74.8)
 Total Revenues	 \$ 1,332,700	 \$ 2,205,566	 \$ (872,866)	 (39.6)

License and hardware revenues are derived from our Product Identification systems sold principally to customers in the LCD monitor industry. Infringement revenues resulted from patent infringement claims prosecuted by VData. Identification Card revenues in these periods were a result of sales of identification card systems.

The license and hardware revenue increase was mainly attributable to growth of the 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 high demand for product identification product licenses in the LCD industry. A large portion of our license and hardware sales are concentrated in the Asian market, which increased \$52,133 in Taiwan, \$174,738 in Korea, and decreased \$10,593 in Japan and Singapore. The largest increase of our license and hardware sales for the year ended June 30, 2008, was in Germany, which increased \$154,752.

The decrease in our infringement revenues was the result of the two patents (nos. 4,924,078 and 5,612,524), that were the subject of our major infringement claims in the past, are currently being reexamined by the U.S. Patent and Trademark Office. United States District Court for the District of Minnesota recently ruled that the 5,612,524 patent was invalid and unenforceable. The Company plans to appeal this decision. As a result of these actions, infringement revenue from patents 4,924,078 and 5,612,524 has ceased.

Table of Contents**Cost of Goods Sold**

Cost of sales for the year ended June 30, 2008, totaled \$196,442 and for the year ended June 30, 2007, cost of sales were \$74,030, an increase of \$122,412. As a percentage of revenue, for the year ended June 30, 2008, cost of sales was 14.7% compared to 3.3% for the year ended June 30, 2007. Charges of \$115,500 for a designated site and maintenance services of a computer database to store information in conjunction with our Independent Sales Organization (ISO) license, purchased in December 2006, accounted for 59% of the total cost of goods sold for the year ended June 30, 2008, compared to \$48,125 or 65% for the year ended June 30, 2007. For the year ended June 30, 2008, a reserve for slow moving inventory was established totaling \$21,600 whereas for the year ended June 30, 2007, no reserve was deemed necessary. For the year ended June 30, 2008, the Company purchased equipment for four Card ID Systems versus the year ended June 30, 2007, in which the Company sold no Card ID Systems. Cost of goods sold associated with the license, hardware and identification revenue was \$59,942 or 6.8% of total licensing, hardware and identification card revenue for the year ended June 30, 2008, compared to \$25,905 or 5.9% for the year ended June 30, 2007. The increased cost percent was the result of larger hardware revenue in fiscal 2008 that yields a higher cost compared to more license revenue, which carried almost no cost in fiscal 2007.

Operating Expenses

Research and development expense for the year ended June 30, 2008 totaled \$580,220 versus \$391,984 for the year ended June 30, 2007. The increase of \$188,236 was a result of increased consultant and project costs totaling \$399,450 for the year ended June 30, 2008 compared to \$264,224 for the year ended June 30, 2007, a difference of \$135,226. For the year ended June 30, 2008, the Company increased their use of inside consultants and outside contractors for projects that include the design and build of four prototype readers, the development of a banking kiosk, a study on the feasibility of banking transactions via cell phone and improved error and corrections capabilities in the VSCode®.

Sales and marketing expense for the fiscal year ended June 30, 2008 were \$242,839 compared to \$238,988 for the fiscal year ended June 30, 2007, an increase of \$3,851. For the year ended June 30, 2008, the Company's tradeshow and travel costs were \$32,228 compared to \$10,248 for the year ended June 30, 2007, a difference of \$21,980. During the year of fiscal 2008, the Company concentrated on international sales opportunities thereby incurring larger travel costs. The Company did reduce their payroll costs by \$31,774 for the year ended June 30, 2008.

General and administrative expense for the fiscal year ended June 30, 2008 were \$1,099,634 a decrease of \$705,788 over the prior year ended June 30, 2007. The decrease was the result of some expenditures for the year ended June 30, 2007 that did not occur in the year period ended June 30, 2008. Bad debt expense for the year ended June 30, 2008 was (\$47,910), a result of the recovery of \$48,000 originally reserved for a RBA note receivable issued in fiscal 2007 that was later collected in fiscal 2008, whereas for the year ended June 30, 2007, bad debt expense was \$245,000, a difference between the fiscal years of \$292,910. The \$245,000 expense for the year ended June 30, 2007, was due to the write-off and reserve of RBA notes receivable. For the year ended June 30, 2008, no executive bonuses were issued compared to the year ended June 30, 2007, in which the Directors of the Company granted the CEO of the Company a bonus of \$300,000. Other contributing factors for the decrease include for the year ended June 30, 2008, a reduction in stock/stock option expense of \$85,690 compared to the year ended June 30, 2007, a result of less issuance of stock/stock options and lower market prices of the company's common stock. Lower administrative consultant costs for the year ended June 30, 2008 versus the year ended June 30, 2007 of \$26,518, primarily a result of terminating the agreement for the services of an in house legal expert. Legal and audit expenses for the year ended June 30, 2008 compared to the year ended June 30, 2007 were down \$42,880 a result of internal staffing performing more of the tasks.

Table of Contents

Other Income (Expense)

Interest income for the fiscal year ended June 30, 2008 was \$17,833 compared to \$44,860 for the fiscal year ended June 30, 2007 a decrease of \$27,027. The decrease was a result of the Company's need for cash to fund the operations, thus drawing down cash reserves and in so doing earning less interest.

Capital Expenditures and Commitments

During the fiscal year ended June 30, 2008, we made capital purchases of \$27,672 compared to \$78,179 in 2007. For the year ended June 30, 2008, the Company purchased computer equipment necessary for the production of PhoneCodes® totaling \$22,750. The remaining amount of \$4,922 was purchases of computers for R&D design and testing.

Liquidity

For the years ended June 30, 2008 and 2007, the Company received cash from infringement revenue of \$445,349 and \$1,767,894, respectively, through its relationship with VData. The patents (4,924,078 and 5,612,524), which were the subject of the infringement claims, are currently being reexamined by the U.S. Patent and Trademark Office. United States District Court for the District of Minnesota recently ruled that the 5,612,524 patent was invalid and unenforceable. The Company plans to appeal this decision. As a result of these actions, infringement revenue from patents 4,924,078 and 5,612,524 has ceased.

The Company has relied on The Matthews Group for funding. Through June 30, 2008, The Matthews Group has funded the entire \$2,000,000 of the original subscription receivable. The Company does not believe going forward that The Matthews Group will continue to provide additional funding.

At June 30, 2008, the Company has \$334,702 and \$61,093 of cash and working capital, respectively. The Company believes its cash and forecasted cash flow from operations will not be sufficient to continue operations through fiscal 2009. The Company believes it will require additional funds to continue its operations through fiscal 2009 and continue to develop its existing and future projects by obtaining investment funds, 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.

Commitments and Contractual Obligations

The Company has one annual lease commitment of \$37,800 for the corporate office building, which is leased from Ms. Tran, that expires June 30, 2012. The commitment is for the corporate offices at 2445 Winnetka Avenue North, Golden Valley, Minnesota. The total amount of the 4-year lease commitment is \$151,200.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Critical Accounting Policies

Stock-Based Compensation:

The Company accounts for stock-based compensation under Statement of Financial Accounting Standards (SFAS) No. 123(R), Share-Based Payment using the modified prospective application method. SFAS No. 123(R) requires the cost of employee compensation paid with equity instruments to be measured based on grant-date fair values and recognized over the vesting period.

Table of Contents

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, and identification card revenue (collectively, other), and infringement 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 has received infringement revenue under its Exclusive License Agreement with VData LLC (VData). VData is a wholly owned subsidiary of Acacia Research Corporation (NASDAQ: ACTG). The Exclusive License Agreement with VData provides that all expenses related to the enforcement and licensing of the patents is the responsibility of VData. The Company and VData share the net proceeds arising from enforcement or licensing of the patents. As a result, all infringement revenue is recognized at the time it is received. None of the infringement revenue is refundable to any party once received.

ITEM 7 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our financial instruments include cash and cash equivalents. Our cash and cash equivalents are not subject to significant interest rate risk due to the short maturities of these instruments. As of June 30, 2008, the carrying value of our cash and cash equivalents approximated fair value. We have in the past and may in the future obtain marketable debt securities (principally consisting of commercial paper, corporate bonds and government securities) having a weighted average duration of one year or less. Consequently, such securities would not be subject to significant interest rate risk. Our main investment objectives are the preservation of investment capital and the maximization of after-tax returns on our investment portfolio. We do not use derivative instruments for speculative or investment purposes.

Table of Contents

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

**VERITEC, INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 AND 2007
TABLE OF CONTENTS**

	Page
<u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	20
<u>CONSOLIDATED BALANCE SHEETS</u>	21
<u>CONSOLIDATED STATEMENTS OF OPERATIONS</u>	22
<u>CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY</u>	23
<u>CONSOLIDATED STATEMENTS OF CASH FLOWS</u>	24
<u>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</u>	25

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

Veritec, Inc.

Golden Valley, Minnesota

We have audited the accompanying consolidated balance sheets of Veritec, Inc. and Subsidiary (Company) as of June 30, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered recurring losses from operations and has limited cash. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Veritec, Inc. and Subsidiary as of June 30, 2008 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Company is involved in various litigation matters, which could have a significant effect on the Company (Note 10 Contingencies).

/s/ Lurie Besikof Lapidus & Company, LLP

Lurie Besikof Lapidus & Company, LLP

Minneapolis, Minnesota

September 29, 2008

Table of Contents

VERITEC, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2008 AND 2007

	2008	2007
ASSETS		
Current Assets:		
Cash	\$ 334,702	\$ 790,089
Accounts receivables, net of allowance of \$23,000 and \$24,000	35,125	11,927
Notes receivable from RBA, net of allowance of \$0 and \$48,000		78,516
Inventories	30,632	26,213
Prepaid expenses	3,150	27,325
Total Current Assets	403,609	934,070
Property and Equipment, net	81,901	88,005
Other Assets	43,756	102,089
Total Assets	\$ 529,266	\$ 1,124,164
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 128,498	\$ 56,072
Accrued expenses	214,018	405,074
Total Current Liabilities	342,516	461,146
Commitments and Contingencies		
Stockholders' Equity:		
Convertible preferred stock, par value \$1.00; authorized 10,000,000 shares, 276,000 shares of Series H authorized, 1,000 shares issued	1,000	1,000
Common stock, par value \$.01; authorized 20,000,000 shares, 15,115,088 and 15,096,088 shares issued	151,151	150,961
Subscription receivable		(193,876)
Additional paid-in capital	13,674,471	13,575,926
Accumulated deficit	(13,639,872)	(12,870,993)
Total Stockholders' Equity	186,750	663,018
Total Liabilities and Stockholders' Equity	\$ 529,266	\$ 1,124,164

See notes to consolidated financial statements

Table of Contents

VERITEC, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
Revenues:		
License	\$ 782,525	\$ 383,266
Hardware	76,221	30,426
Identification Card	28,605	23,980
Infringement	445,349	1,767,894
Total revenues	1,332,700	2,205,566
Cost of Sales	196,442	74,030
Gross Profit	1,136,258	2,131,536
Operating Expenses:		
General and administrative	1,099,634	1,805,422
Sales and marketing	242,839	238,988
Research and development	580,220	391,984
Total Operating Expenses	1,922,693	2,436,394
Loss from Operations	(786,435)	(304,858)
Other Income (Expense):		
Interest income	17,833	44,860
Other	(277)	(1,205)
Total Other Income	17,556	43,655
Net Loss	\$ (768,879)	\$ (261,203)
Loss Per Common Share - Basic and Diluted	\$ (0.05)	\$ (0.02)

See notes to consolidated financial statements

Table of Contents

VERITEC, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED JUNE 30, 2008 AND 2007

	Preferred Stock		Common Stock		Subscription	Additional	Accumulated	Stockholders
	Shares	Amount	Shares	Amount	Receivable	Paid-in Capital	Deficit	Equity
BALANCE, June 30, 2006	1,000	\$ 1,000	15,078,598	\$ 150,786	\$ (386,138)	\$ 13,420,192	\$ (12,609,790)	\$ 576,050
Imputed interest on subscription receivable					(29,960)	29,960		
Subscription receivable reduction					222,222			222,222
Stock option expense						112,198		112,198
Common stock issued to employee and consultant			17,500	175		13,576		13,751
Stock returned to the Company			(10)					
Net loss							(261,203)	(261,203)
BALANCE, June 30, 2007	1,000	1,000	15,096,088	150,961	(193,876)	13,575,926	(12,870,993)	663,018
Imputed interest on subscription receivable					(9,828)	9,828		
Subscription receivable reduction					203,704			203,704
Stock option expense						60,758		60,758
Common stock issued to employee and consultant			19,000	190		27,959		28,149
Net loss							(768,879)	(768,879)

BALANCE,									
June 30, 2008	1,000	\$ 1,000	15,115,088	\$ 151,151	\$	\$ 13,674,471	\$ (13,639,872)	\$	186,750

See notes to consolidated financial statements

Table of Contents

VERITEC, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (768,879)	\$ (261,203)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation	33,776	11,262
Amortization of software license	83,333	16,667
Notes receivable from RBA allowance and write-off		248,900
Stock issued for compensation	61,457	117,198
Gain on sale of property and equipment	(985)	
Interest income added to note receivable from RBA	(5,284)	(10,357)
Services applied to reduce note receivable from RBA	57,750	55,858
Reverse allowance for note receivable from RBA	(48,000)	
Changes in operating assets and liabilities:		
Accounts receivable	(23,198)	47,246
Inventories	(4,419)	(18,718)
Prepaid expenses	24,175	(22,675)
Accounts payables and accrued expenses	(91,180)	166,228
Net cash provided (used) by operating activities	(681,454)	350,406
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances on notes receivable from RBA	(50,950)	(725,000)
Proceeds from sale of property and equipment	985	
Collections on notes receivable from RBA	125,000	304,083
Purchases of equipment	(27,672)	(30,179)
Purchase of software license		(100,000)
Patent costs	(25,000)	(18,756)
Net cash provided (used) by investing activities	22,363	(569,852)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on subscription receivable	203,704	111,111
NET DECREASE IN CASH	(455,387)	(108,335)
CASH AT BEGINNING OF YEAR	790,089	898,424
CASH AT END OF YEAR	\$ 334,702	\$ 790,089

NONCASH ACTIVITIES

Issuance of common stock for accrued expenses	\$	27,450	\$	
Applied accrued expenses and prepayment on subscription receivable to subscription receivable				111,111
Purchase of property and equipment by reducing note receivable from RBA				48,000
Insurance of common stock for accrued expenses				8,751

Table of Contents

VERITEC, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company

The Company refers to Veritec, Inc. (Veritec) and its wholly owned subsidiary, Vcode Holdings, Inc. (Vcode).

Nature of Business

The Company is primarily engaged in the development, marketing, and sales of a line of microprocessor based encoding and decoding systems that utilize Matrix Symbology technology, a two-dimensional barcode technology originally invented by the founders of Veritec under United States patents 4,924,078, 5,331,176, 5,612,524 and 7,159,780. The Company's encoding and decoding systems allow a manufacturer, distributor, reseller or user of products, to create and apply unique identifiers to the products in the form of a coded symbol. The coded symbol containing the binary encoded data applied to the product enable automated manufacturing control, together with identification, tracking, and collection of data through cameras, readers and scanners also marketed by the Company. The collected data is then available for contemporaneous verification or other user definable purposes. Veritec has also developed a Secured Identification System based upon its proprietary VSCode® and VeriCode® Symbology. The Company's Secured Identification System enables the storage of images, biometric information and data for contemporaneous verification of an individual's unique identity. In addition to its United States patents, the Company holds patents in Europe (German Patent No. 69033621.7; French Patent No. 0438841; and Great Britain Patent No. 0438841); and has applications pending with the United States Patent and Trademark Office for uses of its Multi-Dimensional Matrix Symbology.

In November 2003, Veritec formed VCode to which it assigned United States patents 4,924,078, 5,331,176 and 5,612,524, together with all corresponding patent applications, foreign patents, foreign patent applications, and all continuations, continuations in part, divisions, extensions, renewals, reissues and re-examinations thereof. VCode in turn entered into an Exclusive License Agreement with VData LLC (VData), an Illinois limited liability company unrelated to Veritec. The purpose of the Exclusive Licensing Agreement is to allow VData to pursue enforcement and licensing of the patents against parties who wrongfully exploit the technology of such patents. VData is the wholly owned subsidiary of Acacia Research Corporation (NASDAQ: ACTG).

The Exclusive License Agreement provides that all expenses related to the enforcement and licensing of the patents will be the responsibility of VData. The Company and VData share the net proceeds arising from the enforcement or licensing of the patents.

Infringement revenue has been the primary source of revenue for the Company in recent periods. Patents 4,924,078 and 5,612,524, which were the subject of the infringement claims, are currently being reexamined by the U.S. Patent and Trademark Office. United States District Court for the District of Minnesota recently ruled that the 5,612,524 patent was invalid and unenforceable. The Company plans to appeal this decision. As a result of these actions, infringement revenue from patents 4,924,078 and 5,612,524 has ceased.

During 2007, VCode and VData filed several infringement complaints against alleged infringers of the 5,331,176 patent. For the year ended June 30, 2008, the first infringement complaint of patent 5,331,176 was settled and the Company received proceeds totaling \$195,349.

Table of Contents

Bankruptcy Considerations

In February 2005, an adverse ruling was made against Veritec in favor of Mitsubishi Corporation (Mitsubishi), resulting in a monetary award of \$8,174,518 to Mitsubishi and enjoining Veritec and by extension Veritec's customers from the future use or sale of Mitsubishi's Error Detection and Correction Technology. This ruling compelled Veritec to file a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court (Bankruptcy Court) for the District of Minnesota on February 28, 2005.

After reaching an agreement with Mitsubishi and other creditors, in April 2006, Veritec's Third Amended Plan of Reorganization was confirmed by the Bankruptcy Court. On August 8, 2006, the Bankruptcy Court entered an Order and Final Decree closing the Chapter 11 case in its entirety. As a result of the Chapter 11 bankruptcy, Veritec settled \$9,356,948 of debts including \$7,874,518 owed to Mitsubishi. In connection with the settlement with Mitsubishi, we obtained a license to certain Mitsubishi EDAC technology and granted Mitsubishi a license to VeriCode®.

Principles of Consolidation

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

Use of Estimates

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

Cash Concentrations

The Company maintains cash in a financial institution, which at times may exceed federally insured limits of \$100,000. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash balances.

Accounts Receivable

The Company sells to domestic and foreign companies and grants uncollateralized credit to customers, but require deposits on unique orders. Management periodically reviews its accounts receivable and provides an allowance for doubtful accounts after analyzing the age of the receivable, payment history and prior experience with the customer. The estimated loss that management believes is probable is included in the allowance for doubtful accounts.

While the ultimate loss may differ, management believes that any additional loss will not have a material impact on the Company's financial position. Due to uncertainties in the settlement process, however, it is at least reasonably possible that management's estimate will change during the near term.

Inventories

Inventories, consisting of purchased components for resale, are stated at the lower of cost or market, applying the first-in, first-out (FIFO) method.

Table of Contents

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives of 3 to 7 years. When assets are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is recognized. Maintenance and repairs are expensed as incurred; significant renewals and betterments are capitalized.

Software License

The software license from RBA International, Inc. is capitalized at cost and amortized using the straight-line method over an estimated useful life of three years. In fiscal year 2008, the Company believes that this license will not generate any revenue therefore the entire remaining unamortized cost of \$833,333 was amortized as of June 30, 2008.

Financial Instruments

The fair value of cash, accounts and notes receivable, accounts payable, accrued expenses, and short-term debt approximate their carrying values due to the short-term nature of these financial instruments.

The subscription receivable approximated fair value as a result of the 10% interest rate used for imputing interest. No quoted market value was available for this instrument.

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, and identification card revenue (collectively, other), and infringement 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 receives infringement revenue under its Exclusive License Agreement with VData LLC (VData). VData is a wholly owned subsidiary of Acacia Research Corporation (NASDAQ: ACTG). The Exclusive License Agreement with VData provides that all expenses related to the enforcement and licensing of the patents is the responsibility of VData. The Company and VData share the net proceeds arising from enforcement or licensing of the patents. As a result, all infringement revenue is recognized at the time it is received. None of the infringement revenue is refundable to any party once received.

Table of Contents

Shipping and Handling Fees and Cost

For the year ended June 30, 2008, shipping and handling fees billed to customers were included in revenues and shipping and handling costs were included in cost of sales. For the year ended June 30, 2007, shipping and handling fees billed to customers were offset against shipping and handling costs and the net amount was included in operating expenses. No reclassification was made to the 2007 consolidated statement of operations since the amount was not material.

Research and Development

Research and development costs were expensed as incurred.

Loss per Common Share

Basic net loss per common share is computed by dividing the loss available to common stockholders by the weighted-average number of common shares outstanding for the year. Diluted net loss per common share, in addition to the weighted-average number of common shares outstanding determined for basic net loss per common share, includes potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Potentially dilutive instruments include stock options and preferred stock. For the year ended June 30, 2008, stock options (267,749 common shares) and preferred stock (10,000 common shares) and for the year ended June 30, 2007, stock options (156,666 common shares), preferred stock (10,000 common shares) and unpaid stock bonus/compensation were antidilutive and, therefore, were not included in the computation of diluted net loss per common share.

The weighted average shares outstanding at June 30, 2008 and 2007, was 15,109,246 and 15,079,845, respectively.

Stock-Based Compensation

The Company accounts for stock-based compensation under Statement of Financial Accounting Standards (SFAS) No. 123(R), Share-Based Payment, using the modified prospective application method. SFAS No. 123(R) requires the cost of employee compensation paid with equity instruments to be measured based on grant-date fair values and recognized over the vesting period.

Income Taxes

The Company's adoption, on July 1, 2007, of Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes (as amended), did not have a significant impact on the Company's consolidated financial position, result of operations and cash flows.

Recently Issued Accounting Standards

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements (as amended), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosure about fair value measurements. SFAS 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value, and therefore, does not expand the use of fair value in any new circumstances. SFAS 157 will be effective for the Company beginning fiscal 2009. In February 2008, the FASB issued FASB Staff Position No. FAS 157-2, Effective Date of FASB Statement No. 157. This FSP permits the delayed application of SFAS No. 157 for all non-recurring fair value measurement of non-financial assets and non-financial liabilities until fiscal years beginning after November 15, 2008. Management is currently evaluating the impact SFAS 157 will have on the consolidated financial statements.

Table of Contents

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities SFAS 159 (as amended), Including an Amendment of FASB Statement No. 115, which permits entities to measure eligible financial assets, financial liabilities and firm commitments at fair value, on an instrument-by-instrument basis, that are otherwise not permitted to be accounted for at fair value under other generally accepted accounting principles. The fair value measurement election is irrevocable and subsequent changes in fair value must be recorded in earnings. SFAS 159 will be effective for the Company beginning fiscal 2009. Management is currently evaluating if it will elect the fair value option for any of the Company's eligible financial instruments.

NOTE 2 GOING CONCERN

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. The Company has relied on The Matthews Group, a related party owned 50% by Van Tran, the Company's chief executive officer and a director, and 50% by Larry Johanns, a significant Company's stockholder for funding. Through June 2008, The Matthews Group has funded the entire \$2,000,000, of the original stock subscription receivable.

Infringement revenue had been the primary source of revenue for the Company in recent periods. As of June 30, 2008 and 2007, the Company has recognized infringement revenue of \$445,349 and \$1,767,894, respectively, through its relationship with VData. The Company has not received additional licensing revenue from VData since the second quarter of fiscal 2008. Also Patents 4,924,078 and 5,612,524, which are the subject of the infringement claims, are currently being reexamined by the U.S. Patent and Trademark Office and were the subject of a declaratory judgment action seeking to declare the patents invalid. In May 2008, the Court found the asserted claims of the 5,612,524 patent invalid. Furthermore, the patents expired in November 2007. Therefore given the judgment against the Company, we believe that revenues from patent infringement claims will no longer continue.

At June 30, 2008, the Company has \$334,702 and \$61,093 of cash and working capital, respectively. The Company believes its cash and forecasted cash flow from operations will not be sufficient to continue operations through fiscal 2009. The Company will require additional funds to continue to exist and develop future projects either by receiving investment funds or increased revenue; there can be no assurance that the Company would be successful in raising such funds or increasing revenue.

NOTE 3 NOTES RECEIVABLE

In December 2006, the Company loaned \$100,000 to RBA International, Inc. (RBA). RBA is a software company that specializes in the financial services industry. The unsecured note bore interest at 10% and was due January 31, 2007. In January 2007, the Company extended the note to March 1, 2007, and applied all charges incurred by the Company for services performed. As of June 30, 2007, the note receivable had a balance of \$570. For the year ended June 30, 2008 charges incurred by the Company for services performed by RBA were applied to the balance and thereby satisfied the remaining amount owed of \$570.

In June 2007, the Company provided a \$125,000 line of credit bearing interest at 10% to RBA. RBA had borrowed the maximum of \$125,000. On January 24, 2008, RBA repaid the note plus accrued interest. For the year ended June 30, 2008, the Company recognized income of \$48,000 from the reversal of the June 30, 2007 allowance for this note receivable.

Table of Contents**NOTE 4 PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

	June 30, 2008	2007
Furniture and equipment	\$ 168,010	\$ 140,338
Vehicles	23,301	35,301
	191,311	175,639
Less accumulated depreciation	109,410	87,634
	\$ 81,901	\$ 88,005

All property and equipment is located in the United States.

NOTE 5 OTHER ASSETS**Software License**

The software license of \$0 and \$83,333 was net of accumulated amortization of \$100,000 and \$16,667 at June 30, 2008 and 2007, respectively. Amortization expense for software license was \$83,333 and \$16,667 for fiscal year 2008 and 2007, respectively.

Patents Costs

The patent application costs are capitalized and, when approved, will be amortized over its estimated useful life. If not approved, or if considered impaired, these costs will be written off when deemed impaired. The patent application costs consist of \$18,756 of the PhoneCode® technology and \$25,000 of the VSCode® technology.

NOTE 6 PREPAYMENTS ON SUBSCRIPTION RECEIVABLE

The Matthews Group, in the past, has made prepayments against the Company's subscription receivable (Note 7). These prepayments were unsecured and noninterest bearing. The prepayments on the subscription receivable were applied against the subscription receivable during fiscal 2007.

NOTE 7 STOCKHOLDERS' EQUITY**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.

As part of the bankruptcy Plan of Reorganization approved in 1999, a new Series H convertible preferred stock was authorized. The Plan called for Veritec to issue 275,000 shares of restricted Series H convertible preferred stock in exchange for \$2,000,000 of assets being invested into Veritec. 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.

Table of Contents

In September 1999, The Matthews Group received 275,000 shares of Series H convertible preferred stock in exchange for a \$2,000,000 promissory note. The Matthews Group exercised the conversion privilege and converted 200,000 preferred shares to 2,000,000 shares of common stock.

In December 2004, The Matthews Group exercised the conversion privilege of their remaining balance of Series H convertible preferred stock and converted 75,000 preferred shares into 750,000 shares of common stock. The remaining 1,000 shares of Series H convertible preferred stock issued and outstanding is owned by an unrelated party.

Stock Bonus/Compensation

The Company has an agreement with an employee to issue 5,000 shares of the Company's common stock beginning August 2006 and 2,000 shares of the Company's common stock annually each May thereafter for five years. Compensation expense related to this agreement was \$700 and \$8,700 for the years ended June 30, 2008 and 2007, respectively. The employment was terminated on August 15, 2008.

The Company entered into an agreement with a consultant to issue 15,000 shares of the Company's common stock as of January 2, 2007. Compensation expense related to this agreement was \$26,250 for the year ended June 30, 2007.

On February 6, 2007, the Company authorized a \$300,000 bonus to Van Tran, a director and the chief executive officer of the Company (CEO). The bonus was to be payable in either cash or stock equivalents to be determined at the sole discretion of the CEO. If the CEO elected to receive such bonus in the form of restricted stock, the stock price to be used to calculate the number of shares of restricted stock would be the closing market price on February 6, 2007, of \$1.15 per share. The timing of the bonus payment, either as partial payment or payment in full and the form of the bonus was at the sole discretion of the CEO. The liability for the bonus was recorded based on the greater of \$300,000 or the value of the shares the CEO was entitled to receive based on the closing balance sheet date stock price. As of June 30, 2007, \$41,000 of the bonus was paid to the CFO and the remaining accrued bonus was \$259,000. As of June 30, 2008, the remaining \$259,000 was paid in cash to the CFO bringing the total amount of bonus payments to \$300,000.

In June 2007, the Company issued 10,000 shares of the Company's common stock to a consultant for \$5,000 of services.

Stock Options

The Board of Directors authorized the CEO to issue up to 1,000,000 shares of the Company's common stock in the form of options or stock bonuses to employees and consultants. At June 30, 2008, stock and stock options totaling 424,249 have been committed under this authorization.

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 for some of the employees and market price on the date of grant for the others, the options vest one year from the date of grant, and the options expire five years after vesting. The Company granted 159,000 and 116,666 options under this arrangement in 2008 and 2007, respectively. The Company has commitments under these agreements to grant options to acquire 10,000 shares of the Company's common stock each year for 2009 through 2011.

Table of Contents

In addition to the options granted above, the Company granted options to purchase 40,000 shares of the Company's common stock to certain employees during the year ended June 30, 2007. The option price is \$0.25 per share, the options are vested and the options expire five years from the grant date.

A summary of stock options is as follows:

	Number of Shares	Weighted - Average Exercise Price
Outstanding at June 30, 2006	30,000	\$ 2.04
Granted	156,666	\$ 0.92
Forfeited	(30,000)	\$ 1.47
Outstanding at June 30, 2007	156,666	\$ 1.03
Granted	159,000	\$ 0.45
Forfeited	(47,917)	\$ 0.24
Outstanding at June 30, 2008	267,749	\$ 0.82

The weighted-average remaining contractual life of stock options outstanding at June 30, 2008 is 4.5 years.

180,666 shares with a weighted-average exercise price of \$0.99 are exercisable at June 30, 2008 with 4.1 years remaining contractual life.

The weighted-average grant date fair value for options granted in fiscal 2008 and 2007 was \$0.43 and \$0.72, respectively.

A summary of nonvested stock options is as follows:

	Number of Shares	Weighted- Average Grant Date Fair Value
Outstanding at June 30, 2006	30,000	\$ 0.87
Granted	156,666	\$ 0.72
Vested	(70,000)	\$ 1.16
Forfeited	(30,000)	\$ 0.62
Outstanding at June 30, 2007	86,666	\$ 0.76
Granted	159,000	\$ 0.43
Vested	(110,666)	\$ 0.47
Forfeited	(47,917)	\$ 0.29
Outstanding at June 30, 2008	87,083	\$ 0.45

Table of Contents

The weighted-average fair value of options granted was estimated at grant date using the Black-Scholes-Merton option pricing model with the following weighted-average assumptions:

	Years Ended June 30,	
	2008	2007
Risk-free interest rates	3.96%	4.84%
Dividend yields	0%	0%
Volatility (1)	315.80%	34.61%
Weighted average expected life (2)	3 years	3 years

(1) Volatility was based on the historical volatility of certain competitor companies for periods prior to the Company's emergence from bankruptcy, and the volatility of the Company's common stock for periods post bankruptcy.

(2) The Company estimated the expected life of options based on historical experience and other averaging methods.

Stock-based compensation expense was \$60,758 and \$112,198 during the years ended June 30, 2008 and 2007, respectively. As of June 30, 2008, there was \$1,980 of unrecognized compensation costs related to stock options. These costs are expected to be recognized over the next three quarters.

Subscription Receivable

In September 1999, the Company accepted a commitment from The Matthews Group to fund the \$2,000,000 required under the bankruptcy Plan of Reorganization. This funding was a promissory note that required monthly payments to the Company of \$18,519 through fiscal 2008. These payments were noninterest bearing and were collateralized by a pledge of properties controlled by principals of The Matthews Group. A California Deed of Trust and Minnesota mortgages were filed against various pledged properties to collateralize the subscription.

The Company imputed a 10% interest rate on this subscription receivable. Imputed interest on the subscription was excluded from operating results and was instead credited directly to additional paid-in capital.

As of June 30, 2008, the Matthews Group has made all the required payments and satisfied the \$2,000,000 commitment.

NOTE 8 CONCENTRATIONS

Major Customers:

Customers in excess of 10% of total revenues were as follows:

	Years Ended June 30,	
	2008	2007
Customer A	33%	80%
Customer B	16%	3%
	49%	83%

Table of Contents**Foreign Revenues:**

Foreign revenues accounted for 59% of the Company's total revenues in fiscal 2008 and 19% in fiscal 2007. (10% Taiwan, 20% Korea, 10% Japan, 17% Germany and 2% others in fiscal 2008 and 4% Taiwan, 5% Korea, 6% Japan, 3% Germany and 1% others in fiscal 2007.)

NOTE 9 INCOME TAXES

Deferred income taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Veritec and Vcode file a consolidated income tax return in the United States.

It is the Company's practice to recognize penalties and/or interest related to income tax matters in the interest and penalties expense. There are no interest and penalties recognized in the consolidated statement of operations or accrued on the consolidated balance sheets.

The company is subject to U.S. federal, state, or local income tax examination by tax authorities for all years for which a loss carry forward is utilized in subsequent periods.

A reconciliation between the expected federal income tax rate and the actual tax rate is as follows:

	Years Ended June 30,			
	2008		2007	
	Amount	Percent	Amount	Percent
Expected federal benefit	\$ 261,400	34.0%	\$ (88,800)	(34.0)%
State income tax, net of federal benefit	49,700	6.5	(16,900)	(6.5)
Federal net operating loss expired	(95,200)	(12.4)		
Other	(5,100)	(0.17)	5,500	2.1
Valuation and utilization of deferred tax assets	(210,800)	(27.4)	100,200	38.4
Income tax benefit	\$	%	\$	%

Deferred income tax assets have been reduced by a valuation allowance as it is more likely than not that they will not be realized. The valuation allowance increased by \$210,800 for the year ended June 30, 2008 and increased by \$100,200 for the year ended June 30, 2007.

Table of Contents

The following is a summary of the deferred tax assets (separate disclosure of state deferred taxes has not been presented as such disclosure is not considered to be material):

	June 30,	
	2008	2007
Allowance for doubtful accounts	\$ 9,700	\$ 28,800
Inventory reserve	8,700	
Depreciation and amortization	28,800	39,100
Accrued expenses	64,900	39,700
Other	900	
Net operating loss carryforwards	2,977,200	2,771,800
Deferred tax asset	3,090,200	2,879,400
Valuation allowance	(3,090,200)	(2,879,400)
Net deferred tax asset	\$	\$

Veritec has net operating loss carryforwards available to offset future taxable income that expire as follows (year ending June 30):

Year	Federal	Minnesota
2009	\$ 1,410,000	\$
2010	1,227,000	
2011	457,000	
2012	301,000	
2018	480,000	
2019	451,000	
2020	330,000	
2021	654,000	
2022	105,000	
2023	794,000	
2025	1,360,000	730,000
2027	209,000	127,000
2028	685,000	686,000
	\$ 8,463,000	\$ 1,543,000

The ability to utilize the net operating loss carry forwards could be limited by Section 382 of the Internal Revenue Code which limits their use if there is a change in control (generally a greater than 50% change in ownership).

NOTE 10 COMMITMENTS AND CONTINGENCIES**Operating Leases**

The Company leases its U.S. office facilities from its CEO, under a lease expiring June 30, 2012 and requiring monthly payments of \$3,150 plus common area costs. The Company leased a single-family residence in Plymouth, Minnesota on a month-to-month basis from a principal of The Matthews Group for purposes of housing customers, guests and consultants. This lease expired on September 1, 2007. In January 2007, the Company began leasing on a month-to-month basis, a single-family residence in Golden Valley, Minnesota owned by the CEO. This lease was terminated on October 1, 2007. Rent expense, included in operating cost, to related parties was \$50,000 and \$64,300 in 2008 and 2007, respectively. Future annual minimum lease payments total \$37,800 in each fiscal year 2009 thru 2012, totaling \$151,200.

Table of Contents

Design Agreement

In November 2006, the Company entered into an agreement with a manufacturing company to design and develop a line of readers to overcome the Company's dependence on outside suppliers. In Phase One of the project, a proto-type cell phone reader designed by the manufacturing company was evaluated and accepted. Phase Two of the project requires the manufacturing company to design and manufacture four individual proto-type models of readers that work with Matrix Symbolologies. The agreement required a deposit of \$30,000 and payments of \$30,000 for each of the four defined milestones with the total project cost not to exceed \$150,000. To date the Company has made the required deposit of \$30,000, a \$20,000 advance and accrued another \$95,000 for a total cost of \$145,000 against the maximum expenditure of \$150,000. In January 2008, the project was halted and a certified letter was sent demanding immediate repayment of the deposit and money advanced to the manufacturing company, which totaled \$50,000, as a result of the manufacturing company's inability to complete the project. In January 2008, the manufacturer began negotiations with the Company but has since discontinued any communication. The Company is currently considering their options. Payments under this agreement are recorded as research and development expense as the service is provided.

Intellectual Property Agreement

In August 2007, the Company entered into an agreement with a consultant to purchase certain intellectual property. The agreement requires the Company to make a \$25,000 payment once it has been proven that the intellectual property is patentable. It also requires the Company to issue 60,000 shares of the Company's common stock to the consultant once one or more patents have been issued. In January 2008, the Company's patent attorney believed the intellectual property to be patentable and submitted the information to the patent office. The Company made the \$25,000 payment on January 31, 2008.

BankCode Work Order

In February 2008, the Company entered into an agreement with RBA International totaling \$28,800 to investigate the feasibility of enhancing our PhoneCodes® technology to include the transmission of bank transactions. The analysis and requirements document, completed in April 2008, includes, the benefits, the risks and the system architecture and infrastructure requirements of the BankCode® project. Also included will be the plan and budget estimates of moving forward with the project.

Contingencies

Vcode joined with VData as Plaintiffs in patent enforcement litigation filed on October 4, 2005, against Brother Industries, Ltd., Sato Corporation, Toshiba Corporation and US Bank National Association in the United States District Court for the District of Minnesota alleging violations of the Company's patents. US Bank National Association has entered into a licensing agreement with the Company and the case as to that defendant was dismissed. The remaining defendants, Brother Industries, Ltd., Sato Corporation, and Toshiba Corporation, did not settle but were dismissed from the case without prejudice. VData and the Company must wait for resolution of the patent reexaminations, described below, before re-asserting claims against the remaining defendants.

Table of Contents

On March 13, 2006, in response to notices of infringement sent to its customers by VData, Cognex Corporation filed a preemptive action seeking a Declaratory Judgment against VData and the Company in the United States District Court for the District of Minnesota. Amongst other remedies the action seeks a ruling from the court that Vcode's United States Patent No. 5,612,524 is not enforceable against Cognex Corporation and its customers, that the Company has defamed Cognex and that the Company has engaged in unfair and deceptive business practices in violation of Minnesota law. On December 27, 2006, an answer and affirmative defense was filed to contest the plaintiff's allegations and claims for damages, injunctive relief, attorney's fees, and costs. On May 19, 2008, the summary judgment was received ruling in favor of Cognex on three of the four claims. The Court found that the asserted claims of the 5,612,524 patent were invalid, the entire patent unenforceable and denied our motion to dismiss the defamation claim. However the Court did grant our motion to dismiss the Minnesota DTPA (Deceptive Trade Practices Act) claim. Cognex subsequently filed a motion for the Court to declare this an exceptional case and award Cognex its attorney fees. The Company, along with the other defendants, filed an opposition to this motion. No decision has been made by the Court to date.

On April 6, 2006, the U.S. Patent and Trademark Office granted a Third Party Request for an Ex Parte Reexamination of Vcode's United States Patent No. 5,612,524. A response on behalf of the Company rebutting the allegations in the Request for Reexamination was filed with the U.S. Patent and Trademark Office. In December 2007, the Company received a determination by the U.S. Patent and Trademark Office stating that some of the claims in the patent were patentable and others were being rejected. The Company submitted a rebuttal against the decision in February 2008. The Company believes that when the final determination occurs, even if the determination is adverse to the patent, it would not be detrimental to the Company's ability to market its products, but will be detrimental to the collection of licensing fees based upon this patent.

On May 23, 2006, Vcode joined with VData as a Plaintiff in a pending patent enforcement litigation filed against Aetna, Inc., PNY Technologies, Inc., Merchants' Credit Guide Co., The Allstate Corporation, and American Heritage Life Insurance Company in the United States District Court for the District of Minnesota alleging violations of the Company's patents. The Allstate Corporation and American Heritage Life Insurance Company have entered into a licensing agreement with the Company and the case as to those defendants has been dismissed. Aetna, Inc., and Merchants' Credit Guide Co., have filed responsive pleadings in the action. PNY Technologies, Inc. has counterclaimed with allegations of non-infringement, invalidity, and inequitable conduct and is seeking attorney's fees and costs. Defendant Aetna, Inc. filed a Motion to Dismiss and a Motion for Rule 11 Sanctions. The Court denied both of Aetna's motions. Defendant Merchant's Credit Guide Co. filed a Motion to Stay Alternative Motion for Sanctions. The Court granted Merchants' Motion to Stay and the case is currently stayed pending reexamination of the patents. This case has not been set for trial.

On October 26, 2006, a Third Party Request for an Ex Parte Reexamination of Vcode's United States Patent No. 4,924,078 was made. The Company was awaiting a determination from the U.S. Patent and Trademark Office as to whether a grant of the request for reexamination was merited. On January 17, 2007, the reexamination for United States Patent No. 4,924,078 was ordered. The Company believes that a determination adverse to the patent would not be detrimental to the Company's ability to market its products, but could be detrimental to the collection of licensing fees based upon this patent.

On April 16, 2007, Vcode and VData filed a patent infringement case in the Eastern District of Texas against Cognex relating to United States Patent No. 5,331,176. Cognex has counterclaimed for non-infringement and invalidity. In April 2008, an agreement between the parties was reached to dismiss without prejudice the claim. The agreement has been signed by all parties and fully executed.

Vcode joined with VData as Plaintiffs in patent enforcement litigation filed on August 21, 2007, against Data Logic, Inc., Hand Held Products, Inc. and Siemens Energy and Automation, Inc. in the United States District Court for the District of Texas alleging violations of the Company's Patent No. 5,331,176. Hand Held Products, Inc. has entered into an agreement with the Company and the case as to that defendant was dismissed. In April 2008, a proposed agreement between the remaining parties was reached to dismiss without prejudice the claim. The agreement is awaiting the signatures of all parties.

Table of Contents

ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), that are designed to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable assurance of achieving the desired objectives, and we necessarily are required to apply our judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. It was concluded that the disclosure controls and procedures were not effective, because certain deficiencies involving internal controls constituted material weaknesses as discussed below. The material weaknesses identified did not result in the restatement of any previously reported financial statements or any other related financial disclosures, nor does management believe that it had any effect on the accuracy of our financial statements for the current reporting period.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with generally accepted accounting principles. Because of inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to change in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on its evaluation, our management concluded that there are material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Table of Contents

The material weaknesses relate to no oversight from an audit committee on the external financial reporting process and internal controls over financial reporting, lack of segregation of duties, and management failure to address auditors' management letter comments. Under the segregation of duties issues, the CFO was the sole preparer of the financial statements and periodic SEC reports with no separate independent detailed review to prevent material errors. Also, the CEO has had authority to enter into significant contracts, as well as authority to sign checks, which could result in material fraud.

In order to mitigate these material weaknesses to the fullest extent possible, the Company is forming an audit committee. Financial statements, periodic SEC reports and monthly bank statement and imaged checks will be reviewed by the member of the audit committee who is considered a financial expert. The audit committee will work with management to address and respond to all the auditors' management letter comments.

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm, pursuant to temporary rules of the SEC that permit us to provide only management's report in this annual report.

This report shall not be deemed to be filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Internal Control over Financial Reporting

There have not been any changes in our internal control over financial reporting during the fiscal year to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B OTHER INFORMATION

None

PART III**ITEM 10 DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE**

The members of the present Board of Directors and Officers are:

Name	Office	Age	Director Since
Mr. Larry Matthews	Director	80	1999
Mr. David C. Reiling	Director	41	2008
	Director, CEO, Treasurer,	64	1999
Ms. Van Thuy Tran	Secretary		
Mr. Laird Powers	Director	61	2008

Each director will serve until the next annual meeting of shareholders, or until their respective successors have been elected and duly qualified. Directors serve one-year terms. The Board of Directors appoints officers.

Table of Contents

Mr. Larry Matthews was appointed as Acting President and Chief Executive Officer and Director on January 28, 1999, in conjunction with a plan from The Matthews Group to evaluate and possibly fund us out of bankruptcy. Mr. Matthews has been retired for more than five years. Mr. Matthews was Chairman and Co-owner of Vendtronics (sold to Food Engineering Corporation) from 1994 to 1998. From 1963 to 1983 he had various positions at Control Data Corporation, including Vice President of Operations. Currently, Mr. Matthews is on the Board of Directors of Artesyn Technologies (merger of ZYTEC, of which he was a cofounder, and Computer Products), Crosswork, Inc., Third Wave Systems, Solar Attic and ECO Fuels.

David Reiling is the CEO of Sunrise Community Banks and is responsible for three individually chartered banks and their holding company. Sunrise Banks is comprised of University Bank and Park Midway Bank in Saint Paul, MN and Franklin Bank headquartered in Minneapolis, MN. Sunrise Community Banks mission is to be The Leader in Improving Our Urban Community. Under David's leadership the banks aggressively lend to economically challenged communities in Saint Paul and Minneapolis. David has created several lending and depository products to assist underserved neighborhoods gain access to capital and cash. Sunrise Community Banks three banks are all certified Community Development Financial Institutions (CDFIs). Mr. Reiling's bank was awarded the U.S. Chamber of Commerce 2004 Corporate Citizenship Award and he was Ernst & Young's Socially Responsible Entrepreneur of the Year in 2002.

Ms. Van Thuy Tran has been the CEO of the Company since 1999. Ms. Tran was President of Asia Consulting and Trading Company from 1979 to 1999, a company dealing with trade in the Pacific Rim countries. She is the co-founder of Circle of Love, providing mission work in Vietnam. She was the founder of Equal Partners, Inc., a construction and building company in Minnesota. Ms. Van Tran has a medical degree and worked in the medical field for over 17 years.

Laird E. Powers is a private investor in emerging technology companies. He has been involved with Veritec Inc since its early stages in 1986. In addition, for the past 25 years, he is the president and owner of a construction company in the Silicon Valley of California. He holds BS degree in Psychology with a Math minor from California State University Hayward.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely upon a review of Forms 3 and 4 and amendments thereto furnished to us under Rule 16a-3(e) during fiscal 2008 and Form 5 and amendments thereto furnished to us with respect to fiscal 2007, no person who was a director, officer, or beneficial owner of more than ten percent of any class of our common stock failed to file on a timely basis reports required by Section 16(a) of the Securities Exchange Act during our most recent fiscal year or prior fiscal years.

Committee and Board Meetings

One meeting of our Board of Directors was held in fiscal 2008, and all board members attended the meeting. We had no standing audit, nominating or compensation committees of our Board or committees performing similar functions during fiscal 2008. The directors have regularly communicated to discuss our affairs in addition to formal board meetings to transact and approve appropriate business.

Our Board has determined that we do not have an audit committee financial expert. We have been unable to attract an audit committee financial expert given the small size of our Company and our current financial position. The Company is presently considering an audit committee composed of two of the current board members. The Company's intent is to have an audit committee established sometime in early fiscal 2009.

Code of Ethics

We have adopted a code of ethics, which is available on our website at http://www.veritecinc.com/about_veritecInc.html. Our code of ethics applies to all of our employees, including our CEO, CFO and directors. If our Board grants any waivers of, or amendments to, the code of ethics to any of our executive officers or directors, we will disclose these matters through our website.

Table of Contents**Directors Compensation**

Non-employee directors receive director's fees of \$500 for each meeting attended. These directors' fees totaled \$1,500 in fiscal 2008 and \$862 in fiscal 2007. Directors have waived fees in the past.

ITEM 11 EXECUTIVE COMPENSATION**Summary Compensation Table**

The following table indicates the compensation paid in each of the past two fiscal years to our Chief Executive Officer and the other individual who served as an executive officer during Fiscal 2008 ("Named Executives"):

Name and Principal	Fiscal Year Ended June 30	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	All Other Compensation (\$)(1)	Total (\$)
Position							
Van Thuy Tran	2008	\$ 150,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 150,000
Chief Executive Officer	2007	\$ 150,000	\$ 300,000(2)	\$ 0	\$ 0	\$ 22,300(3)	\$ 472,300
Gerald D. Fors (4)	2008	\$ 86,000	\$ 0	\$ 700(5)	\$ 0	\$ 0	\$ 86,700
Chief Financial Officer	2007	\$ 85,000	\$	\$ 8,700(5)	\$ 0	\$ 0	\$ 93,700

(1) The total dollar value of all perquisites and other personal benefits was less than 10% of the total annual salary and bonus reported for each named executive officer in each of the past fiscal years.

(2) The bonus was authorized in fiscal 2007 and was payable in stock or cash at the election of Ms. Tran. During the fiscal year ended June 30, 2008 and 2007, \$259,000 and \$41,000 was

paid to
Ms. Tran,
respectively.

(3) Reimbursement
of personal
expenditures.

(4) In 2006, the
Company
entered into an
employment
agreement with
Mr. Fors that
provides for five
years of annual
grants of 30,000
options to
purchase shares
of the
Company's
common stock.
The option
exercise price is
equal to the
shares' 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.

(5) Mr. Fors
received an
aggregate of
2,000 shares of
restricted stock
at a price per
share of \$0.35,
which are 100%
vested.

Outstanding Equity Awards at Fiscal Year-End

Option Awards

Stock Awards

Equity
Incentive
Plan Awards:
Number of

Number of

Market

Name	Number of					Number	
	Securities	Securities	Securities			of	Value of
	Underlying	Underlying	Underlying	Option		Shares	Shares or
	Unexercised	Unexercised	Unexercised			or	Units of
	Options	Options	Unearned	Exercise	Option	Units of	Units of
	(#)	(#)	Options	Price	Expiration	Stock	Stock
						That	That
						Have	Have
						Not	Not
						Vested	Vested
	Exercisable	Unexercisable	(#)	(\$)	Date	(#)	(\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Gerald D. Fors	60,000(1)	30,000(1)	60,000(1)	\$ 0.30	2014	6,000	\$ 1,020
Gerald D. Fors	30,000(1)	30,000(1)	90,000(1)	\$ 0.51	2013		
Gerald D. Fors	30,000(1)		120,000(1)	\$ 2.04	2012		

(1) In 2006, the Company entered into an employment agreement with Mr. Fors that provides for five years of annual grants of 30,000 options to purchase shares of the Company's common stock. The option price is at 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. As of June 30, 2008, there were 60,000 options for shares of common stock that have been granted and are exercisable and 30,000 options

for shares of
common stock
that have been
granted but are
not exercisable.
There remain
60,000 options
for shares of
common stock
that have not
been granted
based on
continued
employment.
The
employment
was terminated
on August 15,
2008.

Table of Contents

Director Compensation

Name (a)	Fees Earned or Paid-in		Total (h)
	Cash		
	(\$) (b)		
Larry Matthews	\$	500	\$ 500
David Reiling	\$	500	\$ 500
Laird Powers	\$	500	\$ 500

See the table on page 33 for a summary of outstanding options issued or authorized for issuance under equity compensation plans.

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth, as of June 30, 2008 certain information with respect to all shareholders known by us to be beneficial owners of more than 5% of our outstanding common stock, all directors, and all of our officers and directors as a group.

Name & Address	Number of Shares	Percent of
	Beneficially Owned	Shares
	Common (see note 1 below)	Common
Larry Matthews 7601-5 th Avenue So., Richfield, MN 55423	50,000	0.3%
Gerald Fors 7321-15 th Avenue So., Richfield, MN 55423	69,000(1)	0.1%
Laird Powers 530 Hawthorne Ct., Los Altos, CA 94024	336,815	2.4%
J Technologies, LLC 1430 Orkla Drive, Golden Valley, MN 55427	1,328,004	8.8%
Van Thuy Tran (2) 1430 Orkla Drive, Golden Valley, MN 55427	4,320,859	28.6%
The Matthews Group 1430 Orkla Drive, Golden Valley, MN 55427	8,483,218	56.1%
Larry Johanns (2) 518 North 12 Street, Osage, IA 50461	4,559,541	30.2%
All Officers, Directors and 5% Owners as a group (6 persons)	10,634,219	70.4%

(1) Includes options to purchase 60,000 shares of the Company's common stock that are immediately exercisable.

(2) The above shares include 50% of the

shares owned or
issuable to The
Matthews
Group. Van
Thuy Tran and
Larry Johanns
each own 50%
of The
Matthews
Group.

Table of Contents

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Subscription Receivable

In September 1999, the Company accepted a commitment from The Matthews Group to fund the \$2,000,000 required under the bankruptcy Plan of Reorganization. This funding was a promissory note that required monthly payments to the Company of \$18,519 through fiscal 2008. These payments were noninterest bearing and were collateralized by a pledge of properties controlled by principals of The Matthews Group. A California Deed of Trust and Minnesota mortgages were filed against various pledged properties to collateralize the subscription. As of June 30, 2008, the Matthews Group has made all the required payments and satisfied the \$2,000,000 commitment.

The Company imputed a 10% interest rate on this subscription receivable. Imputed interest on the subscription was excluded from operating results and was instead credited directly to additional paid-in capital.

Other Related Party Transactions

We lease our U.S. office facilities from Van Tran, a director and chief executive officer of the Company, under a lease expiring June 30, 2012 and requiring monthly payments of \$3,150 plus common area costs. The Company leased a single-family residence in Plymouth, Minnesota on a month-to-month basis from a principal of The Matthews Group for purposes of housing customers, guests and consultants. This lease expired on September 1, 2007. In January 2007, the Company began leasing on a month-to-month basis, a single-family residence located in Golden Valley, Minnesota owned by Van Tran. This lease was terminated on October 1, 2007. Rent expense, included in operating cost, to related parties was \$50,000 and \$64,300 in 2008 and 2007, respectively. Future annual minimum lease payments total \$37,800 in each fiscal year 2009 thru 2012, totaling \$151,200.

ITEM 14 PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

The aggregate fees billed by Lurie Besikof Lapidus & Company, LLP for professional services rendered for the audit of our annual consolidated financial statements, including reviews of the interim consolidated financial statements, for fiscal year ended June 30, 2008 were \$70,200 to date. The aggregate fees billed by Lurie Besikof Lapidus & Company, LLP for professional services rendered for the audit of our annual consolidated financial statements, including reviews of the interim consolidated financial statements, for fiscal year ended June 30, 2007 were \$104,500 to date.

Table of Contents

Audit-Related Fees

Lurie Besikof Lapidus & Company, LLP was paid \$9,010 for preparation of income tax return for fiscal year ended June 30, 2007. Callahan, Johnson and Associates, LLC was paid \$1,140 and Lurie Besikof Lapidus & Company, LLP was paid \$1,200 for preparation of income tax return for fiscal year ended June 30, 2006.

PART IV

ITEM 15 EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- *3(i) Restated Articles of Incorporation of Veritec, Inc. (filed as exhibit 3(i) to Veritec's Quarterly Report on Form 10QSB for the quarter ended March 31, 2007, and incorporated herein by reference).
- *3(ii) Bylaws of Veritec, Inc. (filed as exhibit 3(ii) to Veritec's Quarterly Report on Form 10QSB for the quarter ended December 31, 2006, and incorporated herein by reference).
- *13(a) Form 10-KSB for the period ended June 30, 1999, filed on October 13, 1999, and is incorporated herein by this reference.
- *14. Code of Ethics of Veritec, Inc. (filed as exhibit 14 to Veritec's Annual Report on Form 10KSB for the year ended June 30, 2007, and incorporated herein by reference).
- 17. Resignation of Dean Westberg as a Director of the Company, dated February 15, 2008 (incorporated herein by this reference on Form 8-K filed with the Commission on March 5, 2008).
- 31.1 CEO Certification required by Rule 13a14(a)/15d14(a) under the Securities Exchange Act of 1934.
- 31.2 CFO Certification required by Rule 13a14(a)/15d14(a) under the Securities Exchange Act of 1934.
- 32.1 Veritec, Inc. Certification of CEO/CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. §1350).

With respect to the documents incorporated by reference to this Form 10-QSB, Veritec's Commission File Number is 0-15113.

- * As Previously
Filed

Table of Contents

SIGNATURES

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

VERITEC, INC.

By /s/ Van Thuy Tran September 29, 2008

Van Thuy Tran
Director, Chief Executive Officer

By /s/ Van Thuy Tran September 29, 2008

Van Thuy Tran
Chief Financial Officer

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

Signature	Title	Date
/s/ Larry Matthews	Director	September 29, 2008
Larry Matthews		
/s/ David Reiling	Director	September 29, 2008
David Reiling		
/s/ Laird Powers	Director	September 29, 2008
Laird Powers		

Table of Contents

EXHIBIT INDEX

31.1 CEO Certification required by Rule 13a14(a)/15d14(a) under the Securities Exchange Act of 1934.

31.2 CFO Certification required by Rule 13a14(a)/15d14(a) under the Securities Exchange Act of 1934.

32.1 Veritec, Inc. Certification of CEO/CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. §1350).