

Veracity Management Global, Inc.
Form 10QSB
May 15, 2008
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 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 number 0-52493

VERACITY MANAGEMENT GLOBAL, INC.

(Exact Name Of Registrant As Specified In Its Charter)

Delaware
(State of Incorporation)

43-1889792
(I.R.S. Employer Identification No.)

2655 LeJeune Road, Suite 311, Coral Gables, FL
(Address of Principal Executive Offices)

33134
(ZIP Code)

Registrant's Telephone Number, Including Area Code: (305) 728-1359

Edgar Filing: Veracity Management Global, Inc. - Form 10QSB

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

| | | | |
|-------------------------|--------------------------|---------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |

(Do not check if a smaller reporting company)

On May 9, 2008, the Registrant had 33,742,446 shares of common stock issued and outstanding.

Table of Contents

TABLE OF CONTENTS

| Item | Description | Page |
|----------------------------------------------|---------------------------------------------------------------------------|-------------|
| <u>PART I - FINANCIAL INFORMATION</u> | | |
| ITEM 1. | <u>CONSOLIDATED FINANCIAL STATEMENTS</u> | 3 |
| ITEM 2. | <u>MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATION</u> | 10 |
| ITEM 3. | <u>CONTROLS AND PROCEDURES</u> | 18 |
| <u>PART II - OTHER INFORMATION</u> | | |
| ITEM 1. | <u>LEGAL PROCEEDINGS</u> | 18 |
| ITEM 2. | <u>RECENT SALES OF UNREGISTERED EQUITY SECURITIES AND USE OF PROCEEDS</u> | 19 |
| ITEM 3. | <u>DEFAULT UPON SENIOR SECURITIES</u> | 19 |
| ITEM 4. | <u>SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u> | 19 |
| ITEM 5. | <u>OTHER INFORMATION</u> | 19 |
| ITEM 6. | <u>EXHIBITS</u> | 19 |

Table of Contents**PART I - FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****VERACITY MANAGEMENT GLOBAL, INC.**

Consolidated Balance Sheets

As of March 31, 2008 (Unaudited) and June 30, 2007

| | March 31, 2008 | June 30, 2007 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|------------------|
| <u>Assets</u> | | |
| Current assets: | | |
| Cash | \$ 118,591 | \$ 19,760 |
| Accounts receivable, restricted | 515,847 | 391,729 |
| Prepaid expenses | | |
| Total current assets | 634,438 | 411,489 |
| Property and equipment, net of accumulated depreciation of \$4,626 and \$2,979 | 5,591 | 7,239 |
| Goodwill | 150,000 | |
| Other assets, net of accumulated amortization of \$7,916 and \$0 | 27,707 | |
| Total assets | \$ 817,736 | \$ 418,728 |
| <u>Liabilities and Stockholders' Equity (Deficit)</u> | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | \$ 78,906 | \$ 85,166 |
| Accrued interest | 6,764 | 1,139 |
| Line of credit payable, net of discount of \$7,916 and \$0 | 545,060 | 131,350 |
| Total current liabilities | 630,730 | 217,655 |
| Long-term liabilities | | |
| Credit facility | 327,238 | |
| Loans payable - stockholders | 189,772 | 14,965 |
| Notes payable - stockholders | 59,798 | 182,209 |
| Total long-term liabilities | 576,808 | 197,174 |
| Total liabilities | 1,207,538 | 414,829 |
| Stockholders' equity (deficit) : | | |
| Preferred stock, \$0.001 par value, 5,000,000 shares authorized: none issued and outstanding | | |
| Common stock, \$0.001 par value, 3,500,000,000 shares authorized: 33,742,446 and 36,805,895 shares issued and outstanding at March 31, 2008 and June 30, 2007, respectively | 33,741 | 36,806 |
| Additional paid-in capital | 3,058,890 | 2,502,128 |
| Accumulated deficit | (3,482,433) | (2,535,035) |
| Total stockholders' equity (deficit) | (389,802) | 3,899 |

Edgar Filing: Veracity Management Global, Inc. - Form 10QSB

| | | |
|------------------------------------------------------|------------|------------|
| Total liabilities and stockholders' equity (deficit) | \$ 817,736 | \$ 418,728 |
|------------------------------------------------------|------------|------------|

The accompanying notes to financial statements are integral part of these financial statements.

Table of Contents**VERACITY MANAGEMENT GLOBAL, INC.**

Consolidated Statements of Operations

For the Three and Nine Months Ended March 31, 2008 and 2007 (Unaudited)

| | For the Three Months Ended March 31, 2008 | For the Three Months Ended March 31, 2007 | For the Nine Months Ended March 31, 2008 | For the Nine Months Ended March 31, 2007 |
|--------------------------------------|-------------------------------------------------|-------------------------------------------------|------------------------------------------------|------------------------------------------------|
| Revenues | \$ 578,759 | \$ 411,582 | \$ 1,690,083 | \$ 1,063,838 |
| Cost of services | 357,898 | 102,765 | 1,125,515 | 366,254 |
| Gross profit | 220,861 | 308,817 | 564,568 | 697,584 |
| Expenses | | | | |
| Administrative expenses | 189,247 | 20,137 | 478,185 | 43,258 |
| General expenses | 224,728 | 446,053 | 554,279 | 2,411,596 |
| Selling expenses | 160,489 | 102,281 | 489,764 | 196,184 |
| Depreciation and amortization | 6,486 | 529 | 9,563 | 1,626 |
| Total expenses | 580,950 | 572,000 | 1,531,791 | 2,652,664 |
| Other income | 15,905 | 599 | 55,743 | 2,590 |
| Total other income | 15,905 | 599 | 55,743 | 2,590 |
| Interest expense | 20,466 | 4,575 | 35,919 | 30,548 |
| Total other expenses | 20,466 | 4,575 | 35,919 | 30,548 |
| Net loss | \$ (364,650) | \$ (267,159) | \$ (947,399) | \$ (1,983,035) |
| Basic and diluted net loss per share | \$ (0.01) | \$ (0.01) | \$ (0.03) | \$ (0.06) |
| Weighted average shares | 33,209,950 | 36,240,312 | 34,237,928 | 35,924,979 |

The accompanying notes to financial statements are integral part of these financial statements.

Table of Contents**VERACITY MANAGEMENT GLOBAL, INC.**

Consolidated Statement of Changes in Stockholders' Equity (Deficit)

For the Period From Inception (December 2, 2005) Through March 31, 2008 (Unaudited)

| | Common Stock, Shares | \$0.001 par value Amount | Additional Paid-in Capital | Accumulated Deficit | Total |
|-----------------------------------------|-------------------------|-----------------------------|----------------------------------|------------------------|--------------|
| Shares Issued at Inception | 18,642,685 | \$ 18,643 | \$ 48,346 | \$ | \$ 66,989 |
| Shares issued for cash | 200,000 | 200 | 99,800 | | 100,000 |
| Effect of beneficial conversion feature | | | 48,812 | | 48,812 |
| Shares issued for services | 205,000 | 205 | 79,745 | | 79,950 |
| Net loss | | | | (437,435) | (437,435) |
| Balance at June 30, 2006 | 19,047,685 | 19,048 | 276,703 | (437,435) | (141,684) |
| Recap shares old Kirshner | 899,860 | 900 | (893) | | 7 |
| New shares issued at merger | 3,535,353 | 3,535 | 122,736 | (100,461) | 25,810 |
| Shares issued for cash | 930,735 | 930 | 473,070 | | 474,000 |
| Shares issued for services | 13,392,262 | 12,393 | 1,630,512 | | 1,642,905 |
| Net loss | | | | (1,997,139) | (1,997,139) |
| Balance at June 30, 2007 | 36,805,895 | 36,806 | 2,502,128 | (2,535,035) | 3,899 |
| Shares issued for cash | 922,000 | 932 | 455,068 | | 456,000 |
| Options exercised for expenses | 1,000,000 | 1,000 | 34,000 | | 35,000 |
| Shares issued for services | 191,667 | 192 | 97,258 | | 97,450 |
| Cancellation of shares | (5,187,116) | (5,189)) | (29,564) | | (34,753) |
| Net loss | | | | (947,399) | (947,399) |
| Balance at March 31, 2008 | 33,732,446 | \$ 33,741 | \$ 3,058,890 | \$ (3,482,433) | \$ (389,302) |

The accompanying notes to financial statements are integral part of these financial statements.

Table of Contents**VERACITY MANAGEMENT GLOBAL, INC.**

Consolidated Statements of Cash Flows (Unaudited)

For the Nine Months Ended March 31, 2008 and 2007

| | For the Nine Months Ended March 31, 2008 | For the Nine Months Ended March 31, 2007 |
|-----------------------------------------------------------------------------|------------------------------------------------|------------------------------------------------|
| Cash flows from operating activities: | | |
| Net loss | \$ (947,399) | \$ (1,983,035) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Shares issued for services and compensation | 97,450 | 1,616,187 |
| Shares cancelled and returned | (34,753) | |
| Amortization and beneficial conversion feature | | 17,412 |
| Depreciation and amortization | 9,563 | 1,626 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (124,117) | (262,536) |
| Prepaid expenses | | 1,004 |
| Accounts payable and accrued expenses | (5,352) | 50,294 |
| Accrued interest | 5,624 | 12,711 |
| Other assets | (35,623) | |
| Net cash used in operating activities | (1,034,606) | (546,337) |
| Cash flow from investing activities: | | |
| Contingent payment from business combination | (150,000) | 84,580 |
| Net cash provided by (used in) investing activities | (150,000) | 84,580 |
| Cash flows from financing activities: | | |
| Proceeds from credit facility, net | 327,238 | |
| Exercise of stock options | 35,000 | |
| Borrowings from stockholders | 210,000 | 10,000 |
| Repayments of loans to stockholders | (157,604) | |
| Proceeds from line of credit | 412,803 | |
| Proceeds from sale of common stock | 456,000 | 419,000 |
| Net cash provided by financing activities | 1,283,437 | 429,000 |
| Net increase (decrease) in cash | 98,831 | (32,757) |
| Cash - beginning of period | 19,760 | 47,750 |
| Cash - end of period | \$ 118,591 | \$ 14,993 |
| Supplemental cash flow information | | |
| Cash paid for: | | |
| Interest | \$ 11,261 | \$ 991 |
| Income taxes | \$ | \$ |
| Non-cash investing and financing activities | | |
| Shares for services and compensation | \$ 5,773 | \$ 680,701 |

Edgar Filing: Veracity Management Global, Inc. - Form 10QSB

The accompanying notes to financial statements are integral part of these financial statements.

Table of Contents

VERACITY MANAGEMENT GLOBAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 BASIS OF PRESENTATION

The accompanying consolidated financial statements of Veracity Management Global, Inc (the Company, VCMG) at March 31, 2008 have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in conformity with generally accepted accounting principles have been omitted or condensed pursuant to such rules and regulations. These statements should be read in conjunction with VCMG's audited financial statements and notes thereto included in VCMG's Form 10-KSB. In management's opinion, these interim consolidated and unaudited interim financial statements reflect all adjustments (consisting of normal and recurring adjustments) necessary for a fair presentation of the consolidated financial position and results of operations for each of the periods presented. The accompanying unaudited interim financial statements for the nine months ended March 31, 2008 are not necessarily indicative of the results which can be expected for the entire year.

Consolidation and Basis of Presentation

The Company follows accounting principles generally accepted in the United States of America. Certain prior period amounts have been reclassified to conform to the March 31, 2008 presentation. On August 2, 2007, the Company's Board of Directors approved a 1 for 73 reverse split of the Company's common stock by Action of the Board and a majority of shareholders. All information related to common stock, warrants to purchase common stock and earnings per share have been retroactively adjusted to give effect to the stock split.

The consolidated statements of operations show the effect of a reclassification of certain labor and direct costs from Cost of Services to Administrative, General and Selling expenses. This was reclassified to disclose a more accurate allocation of those costs not directly associated with delivery of the company's services to its clients.

In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The consolidated financial statements include the accounts of Veracity Management Global, Inc, Secured Financial Data, Inc and Veracity Management Group, Inc. Any inter-company transactions are eliminated in consolidation.

NOTE 2- GOING CONCERN

Veracity Management Global, Inc.'s financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities and commitments in the normal course of business for the foreseeable future. Since inception, the Company has accumulated losses aggregating to \$3,482,433 and has insufficient working capital to meet operating needs for the next twelve months as of March 31, 2008, all of which raise substantial doubt about VCMG's ability to continue as a going concern.

NOTE 3 COMMON STOCK TRANSACTIONS

On August 2, 2007, the Company's Board of Directors approved a 1 for 73 reverse split of the Company's common stock by Action of the Board and a majority of shareholders. All information related to common stock, warrants to purchase common stock and earnings per share have been retroactively adjusted to give effect to the stock split.

During the year ended June 30, 2007, VCMG sold 930,735 shares and 319,000 warrants under private placement memorandums for \$474,000. The warrants have an exercise price of \$1.00 per share and expire in five years from the date of issuance. Using the black-scholes pricing model VCMG estimated the relative fair value of the warrants to be \$314,215. Prior to July 1, 2006, Secured Financial Data (See Note 7) sold certain units which contained 100,000 warrants to purchase common stock at an exercise price of \$1.00 per share exercisable for five years from the date of issue.

During the nine months ended March 31, 2008, VCMG sold 922,000 shares under a private placement memorandum for \$456,000. There were no warrants granted with this placement.

Edgar Filing: Veracity Management Global, Inc. - Form 10QSB

There were no registration rights penalties that would be consider un-economic in any of the private placements.

Table of Contents

During the nine months ended March 31, 2008 stock issued for services representing 191,667 shares were authorized and granted. VCMG has recorded \$97,450 of general and administrative expense representing the fair market value of the stock issued on the measurement date based upon the closing quoted market price of VCMG's common stock. During this same period a consultant exercised his option of 1,000,000 shares of VCMG common stock. This consultant paid expenses on behalf of VCMG as their exercise price in amount equal to \$35,000. This expense paid on behalf of VCMG is included in general and administrative expense.

On July 31, 2007, the Company's Board of Directors authorized the cancellation of approximately 5,200,000 shares of common stock for lack of consideration. These shares were previously accounted for as shares issued for services. The statement of operations for the nine month period ended March 31, 2008 includes a reduction of general and administrative expense by the original fair market value of the stock cancelled of \$37,671. This stock was returned to VCMG.

NOTE 4 NOTES PAYABLE-STOCKHOLDERS

On various dates in fiscal 2006 and 2007, two stockholders lent the Company approximately \$250,000, evidenced by promissory notes bearing an interest rate of Prime plus 2.00% (7.25% at March 31, 2008) and due on May 31, 2009. In addition the notes are convertible to common stock at any time at a conversion rate of \$0.511 cents per share. In addition, 200,000 warrants have been granted at an exercise price of \$1.00 per share exercisable for 60 months from the date of the notes.

As a result we have determined that the conversion feature of the notes and warrants issued are not derivative instruments pursuant to SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. Under the provisions of EITF Issue 98-5 the Company estimated the fair value of the beneficial conversion feature at the issuance of the notes using the Black-Scholes option pricing model at \$59,126. Those amounts are amortized over the life of the notes.

On June 1, 2007 the existing stockholder notes payable were refinanced; new notes of approximately \$182,000 (representing unpaid principal and accrued interest as of the refinance date) were issued; the interest rate and maturity dates remain the same. The new notes do not provide a conversion feature; there is no remaining discount at March 31, 2008 as the remaining discount has been expensed as a component of interest expense during the 12 month period ended June 30, 2007. All of the notes are considered long term as principal payments are not due during the next 12 months. The remaining balance at March 31, 2008 was \$59,798. In addition the same shareholders advanced other loans to the Company. The balance due these shareholders at March 31, 2008 was \$189,772.

NOTE 5 CREDIT FACILITY

In December 2006, the Company entered into a secured \$100,000 credit facility with a bank to finance working capital. In May 2007 the secured facility was increased to \$200,000. The loans under this facility bear interest at a rate of 9.25 % and are secured by certificates of deposit owned by an entity controlled by the CEO and his wife. Interest payments are made on a monthly basis; principal is due at maturity May 8, 2008. In July 2007 the facility was increased again to \$400,000; \$200,000 is secured and \$200,000 is unsecured. The maturity date was extended to July 23, 2008, all other terms remain the same.

In September 2007, the Company entered into a second secured \$100,000 credit facility with a bank to finance working capital. This facility bears interest at a rate of 10.25 % and is secured by a certificate of deposit owned by the company's founder.

The balance of these existing credit facilities at March 31, 2008 was \$397,710 and \$93,725 respectively. In addition the Company owed credit cards \$53,625. This totaled \$545,060. The balance at June 30, 2007 was \$131,350 and 0, respectively.

On December 4, 2007, the Veracity Management Group, Inc. our wholly owned subsidiary entered into an agreement with Greenfield Commercial Credit, LLC to borrow up to \$ 1,000,000 at a variable rate of interest 1% above the Prime Rate, with an unlimited and unconditional guarantee by Veracity Management Global, Inc. and a Validity Guarantee by two of the members of the Board of Directors. This line allows immediate funding of 85% of eligible accounts receivable up to the total line of credit and is for a duration of 18 months. The balance due at March 31, 2008 to Greenfield Commercial Credit, LLC was \$327,238, net of deferred financing costs of \$35,622; the balance at June 30, 2007 was \$0. The deferred financing costs are being amortized using the effective interest method over the life of the credit facility which is 18 months. Amortization of these deferred costs were \$7,916 and \$0 for the nine month period ended March 31, 2008 & 2007, respectively.

Table of Contents**NOTE 6 STOCK BASED COMPENSATION**

VCMG had granted warrants to purchase the common stock of Secured Financial Data, Inc, a subsidiary as part of the private placement memorandum discussed in Note 3 above. In addition it granted warrants as part of the convertible notes payable to stockholders as described in Note 4 above. VCMG also granted 1,000,000 options to a consultant during the year ended June 30, 2006 at an exercise price of 70% of the average 5 days closing price of VCMG's common stock as quoted on the OTCBB.

| | Warrants Issued * | Weighted Average Exercise Price |
|------------------------------|----------------------|------------------------------------|
| Balance as of June 30, 2006 | 1,300,000 | \$ 1.00 |
| Granted | 0 | \$ 1.00 |
| Forfeited | 0 | |
| Exercised | 1,000,000 | |
| Balance as of March 31, 2008 | 2,919,000 | \$ 1.00 |

* Adjusted to reflect the reverse stock split discussed in note 3. Does not include the effect of the 1,000,000 options whose exercise price is a discount to VCMG's stock as discussed above.

NOTE 7 BUSINESS COMBINATION

The information below does not include the reflection of the reverse merger discussed in note 3 above:

On July 1, 2006, Veracity Management Global, Inc, (VCMG) merged with Veracity Management Group, Inc. (VMG) and Secured Financial Data, Inc. (SFD). Pursuant to a Share Exchange Agreement, VCMG issued 22,583,038 shares of common stock in exchange for all the outstanding common stock of VMG(3,535,353 shares) and SFD (19,047,685 shares).

For accounting purposes, the merger was treated as a recapitalization of VCMG by SFD and a purchase of VMG by VCMG. Accordingly, the financial results presented for all periods prior to the merger date are those of SFD. This evaluation was conducted pursuant to the guidance in SFAS statement No. 141 as the former SFD shareholders have majority control of VCMG subsequent to the merger through majority voting interest, control the majority of the board of directors, and control the majority of all management decisions. VMG is a wholly owned subsidiary. SFD's equity structure was restated to adopt the equity structure of VCMG (73 shares of VCMG for each share of VMG and SFD). As of the merger date, the financial statements include the combined operating results, assets and liabilities of VCMG, VMG and SFD. Since VCMG was inactive prior to the merger, it is not expected to constitute a significant part of the ongoing business of the combined company.

VCMG issued a total of 22,583,038 shares of common stock as a result of the above transactions. 3,535,353 shares were issued to the shareholders of VMG resulting in total assets and liabilities of \$130,804 and \$49,169, respectively, at July 1, 2006. 19,047,685 shares were issued to the shareholders of SFD resulting in total assets and liabilities of \$62,418 and \$204,102, respectively, at July 1, 2006. As a result of the recapitalization, SFD's assets and liabilities are stated at historical cost. As a result of the business combination between VCMG and VMG, VMG's assets and liabilities are stated at fair market value which approximates historical cost.

The purchase price paid for VMG was \$25,810. This represented a discount to the book value of VMG of \$55,827. Pursuant to the terms of the agreement the majority shareholders of VCMG immediately prior to the merger have the option to receive an additional 20% equity ownership in VCMG or rescind the merger if certain financial benchmarks are not achieved by December 31, 2008. Consistent with the guidance in SFAS No. 141 we have recorded a liability of \$55,837 for the discounted price paid for VMG due to this possible contingency.

Subsequent to the merger during the nine month period ended March 31, 2008, the contingent consideration previously of which the likelihood of payments was previously considered remote was paid in the amount of \$150,000. This additional payment pursuant to FASB statement number 141 has been accounted for as goodwill related to the business combination and will be tested for impairment on an annual basis.

Since the above transactions took place on July 1, 2006 the first day of fiscal 2007, the financial results presented for the 12 month period ended June 30, 2007 and the nine-month period ended March 31, 2008 would not differ had the transaction occurred at an earlier date.

NOTE 8 ACCOUNTS RECEIVABLE - RESTRICTED

Edgar Filing: Veracity Management Global, Inc. - Form 10QSB

A portion of our accounts receivable are restricted as to their use as part of the debt agreement in Note 5. We may not be fully entitled to the use of these funds when paid as our cash receipts are subject to potential line of credit reductions as part of our new credit agreement.

Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATION

Some of the statements contained in this quarterly report of Veracity Management Global, Inc., a Delaware corporation (hereinafter referred to as we, us, our, Company and the Registrant) discuss future expectations, contain projections of our plan of operation or financial condition or other forward-looking information. Forward-looking statements give our current expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They use of words such as anticipate, estimate, expect, project, intend, plan, believe, and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. From time to time, we also may provide forward-looking statements in other materials we release to the public.

General

The Registrant acquired its operating subsidiaries Veracity Management Group, a Florida corporation (VMG) and Secured Financial Data Inc., a Florida corporation (SFD) effective on July 1, 2006. Prior to the acquisition of its operating subsidiaries, during the period from May 2002 until the acquisition of its operating subsidiaries on July 1, 2006, the Registrant had only limited business operations.

Our Business Consulting Operations

The Registrant is a consulting and professional services company specialized in technology transformation, business continuity and disaster recovery planning processes and procedures. The Registrant assists corporations and organizations with the design, development and implementation of business solutions. These solutions varying from requirements based legislative regulation, such as; The Sarbanes Oxley (SOX) Act, Gramm-Leach Bliley Act (GLBA), and Health Insurance Portability and Accountability Act (HIPAA). Additionally our consulting services encompass solutions that meet our client's strategic business needs, including organizational transformation, change management, outsourcing, software development, integration, product identification, gap analysis, configuration and installation of its related supporting infrastructure.

Regulatory and Compliance Consulting Services

We provide consulting services to private and publicly traded companies. We work with our clients in the United States to help them meet their regulatory and governance requirements.

Our firm specializes in the transformation and alignment of business process automation and its supporting service business units. We assist our clients in standardizing their general computer based control processes through the implementation of appropriate monitoring mechanisms into everyday IT activities. We use industry recognized best practices like COBIT, COSO, ITIL, PMI and Balance Scorecard. The use of these best practices not only insures an organization's compliance and best in class operations, but provides the framework for subsequent outsourcing of non-strategic services. In addition, we help our client establish an effective sustained compliance program through the automation of controls and their documentation repository. Using our expertise, we have successfully completed numerous Sarbanes-Oxley projects for customers in diverse industries. Having worked with many accounting firms responsible for SOX audits, we can provide tailored methodologies that meet business in specific verticals such as Financial Services Institutions, Healthcare, and Manufacturing and Distribution.

Our regulatory compliance services focus on primary areas, including project management, infrastructure implementation and documentation and testing support. We customize the scope of our services based on our client's needs.

To help with companies or organizations initiative to meet regulatory requirements, we perform a gap analysis by performing a trial audit of the client's existing controls and document the findings. We coordinate with internal and external auditors to ensure all open or hidden issues are properly identified and accounted for. Using our approved findings, we leverage industry best practice operational models and methods to fill any gaps and revise all existing business documentation. We then use the newly developed operational model and execution plan to remediate the clients existing environment identifying each relevant key controls as a testing point. Finally, we liaison with internal and external auditors as needed.

Our SOX Compliance Process

At the beginning of each compliance project, we meet with our client to define primary goals and objectives as well as additional opportunities that may present additional business benefits. Based on our findings, we will create a phased plan for implementing a compliance and process improvement program in collaboration with all key members in our client's organization.

Table of Contents

We meet with our clients independent auditors at several points throughout the process to ensure their acceptance of the evaluation criteria and documentation necessary for certification of management's assertions of internal controls. We guide our clients through the entire implementation process, including remediation of deficient IT controls.

Beyond the primary goal of compliance, there are many opportunities for enhancing an IT environment. We provide suggestions on how to design a control structure to achieve the optimal segregation of duties within your IT organization. We review their internal workflow and help identify improvement opportunities providing increased efficiency and cost savings.

Our SOX Three-Phased Approach

Executing a project in phases allows us to define clear milestones and checkpoints for consistent and effective progress. Following is a general outline for achieving compliance and process improvement:

Phase 1 Planning and scoping

Confirm objectives, scope, success criteria and team members

Execute pilot full documentation and testing for one business stream

Confirm pilot results with auditor and finalize plans to move forward

Phase 2 Process documentation, evaluation and improvement

Document all current processes, procedures and control points

Identify potential process improvements and implement where appropriate

Identify control test plans and metrics and establish monitoring procedure

Phase 3 Control testing and remediation

Execute tests of control points, document test results and identify inconsistencies with expected results

Refine process or control to achieve compliance and update process documentation accordingly

Many of our clients have achieved initial compliance with SOX requirements and are now faced with ongoing regulatory demands. These demands can rise from new legislation, changes to existing legislation and annual review of new business practices implemented to meet business demands. We provide this ongoing support, including process changes, system upgrades and/or replacements.

Quarterly testing: We can define the scope of testing with your external auditors and execute quarterly tests, including any required process remediation.

Process improvement: We can work with our clients to make process and procedure improvements aimed at improving efficiency and effectiveness.

Business Continuity Planning and Disaster Recovery Process

Edgar Filing: Veracity Management Global, Inc. - Form 10QSB

As part of our SOX Compliance Services we provide regulatory solutions such as business continuity planning, disaster recovery processes. Current regulations have multi-faceted requirements. Our comprehensive approach starts with an initial risk and impact assessment, to the deployment of remotely monitored and secured redundant support environments. These services include collocation services and/or outsourcing services for client's computer server and network equipment. We have relationships and partnerships with Collocation Data Centers located across the US and overseas.

Our comprehensive assessment process covers all aspects of insuring the survivability of our client's businesses. The following describes an overview of our comprehensive solutions;

Which business units, operations and processes are absolutely essential to the survival of the organization?

How quickly essential business units or processes have to be back in operation before the impacts are catastrophic

Which recovery alternatives are the most plausible for meeting the recovery windows

Table of Contents

Which resources are needed to resume operations at a survival level for the essential parts of the business?

Which elements have to be pre-positioned to meet recovery time windows

As organizations change their business as a result of mergers and growth, their requirements also change. We offer collocation services for our clients' computer and network infrastructure. The process side of our solution is a critical part of our business continuity and disaster recovery service products and packages. The data center space is rented or sub-leased by our clients from us for the purpose of housing clients' computer servers and network equipment.

Recovery Testing: After the implementation of a client's equipment into the data center for collocation, we offer our client recovery testing in support of client audit processes. In this capacity we provide consulting services as follows:

Validate that the awareness and communication plans are in place, understood and workable

Validate that the infrastructure is in place to recover by performing mock events

Validate that key processes required.

Validate logistics are in place to relocate/provide systems access to employees

We provide SOX Compliance Services that are true alternatives and compliments to in-house resources, offering a very high level of practical and hands-on experience, combined with quality of service and confidence.

SOX Compliance is a huge structural and financial burden on the companies subject to its regulations. Being experts in all elements of SOX allows us to be prepared for our own company compliance requirements. This knowledge, understanding and expertise will reduce overall compliance costs in the future and is a valuable intangible to the company.

Gramm-Leach-Bliley Act Compliance Consulting Services

The Financial Modernization Act of 1999, also known as the Gramm-Leach-Bliley Act or GLB Act, includes provisions to protect consumers' personal financial information held by financial institutions. There are three principal parts to the privacy requirements: the Financial Privacy Rule, Safeguards Rule and pretexting provisions.

The GLB Act gives authority to eight federal agencies and the states to administer and enforce the Financial Privacy Rule and the Safeguards Rule. These two regulations apply to financial institutions, which include not only banks, securities firms, and insurance companies, but also companies providing many other types of financial products and services to consumers. Among these services are lending, brokering or servicing any type of consumer loan, transferring or safeguarding money, preparing individual tax returns, providing financial advice or credit counseling, providing residential real estate settlement services, collecting consumer debts and an array of other activities. Such non-traditional financial institutions are regulated by the Federal Trade Commission (FTC). The FTC is one of eight federal agencies that, along with the states, are responsible for developing a consistent regulatory framework to administer and enforce the Financial Privacy Rule.

The Financial Privacy Rule governs the collection and disclosure of customers' personal financial information by financial institutions. It also applies to companies, whether or not they are financial institutions, who receive such information. The Financial Privacy Rule requires financial institutions to give their customers privacy notices that explain the financial institution's information collection and sharing practices. In turn, customers have the right to limit some sharing of their information. Also, financial institutions and other companies that receive personal financial information from a financial institution may be limited in their ability to use that information.

The Safeguards Rule requires all financial institutions to design, implement and maintain safeguards to protect customer information and to develop a written information security plan that describes how the financial institution is prepared for, and plans to continue to protect clients' nonpublic personal information. The Safeguards Rule also applies to information of those no longer consumers of the financial institution. This

plan must include:

Denoting at least one employee to manage the safeguards,

Constructing a thorough [risk management] on each department handling the nonpublic information,

Develop, monitor, and test a program to secure the information, and

Change the safeguards as needed with the changes in how information is collected, stored, and used.

Table of Contents

The Pretexting provisions of the GLB Act protect consumers from individuals and companies that obtain their personal financial information under false pretenses, a practice known as pretexting. Pretexting occurs when someone tries to gain access to personal nonpublic information without proper authority to do so. This may entail requesting private information while impersonating the account holder, by phone, by mail, by email, or even by phishing (i.e., using a phony website or email to collect data). The GLB Act has provisions that require the financial institution to take all precautions necessary to protect and defend the consumer and associated nonpublic information.

Financial Institutions

The GLB Act applies to financial institutions which is defined as entities that offer financial products or services to individuals, such as loans, financial or investment advice, or insurance, among others. The FTC has authority to enforce the law with respect to financial institutions that are not covered by the federal banking agencies, the Securities and Exchange Commission, the Commodity Futures Trading Commission, and state insurance authorities. Among the institutions that fall under FTC jurisdiction for purposes of the GLB Act are non-bank mortgage lenders, loan brokers, some financial or investment advisers, tax preparers, providers of real estate settlement services, and debt collectors. At the same time, the FTC's regulation applies only to companies that are significantly engaged in such financial activities.

The law requires that financial institutions protect information collected about individuals; it does not apply to information collected in business or commercial activities.

GLB Act Compliance Services

Identifying and assessing threats to customer information and evaluating the effectiveness of a financial institution's safeguards is a complex task that requires in-depth knowledge of security technology and practices, as well as continual identification of ever-changing security threats and requirements. Our management utilizes its expertise to conduct comprehensive assessment of its financial institution customer's controls and procedures to safeguard the institution's customer's privacy information. We work with our financial institution customer's GLB Act compliance personnel in connection with the design, development, installation and implementation of a customized security program that cost-effectively addresses key gaps in security.

Our services include thorough assessment of any vulnerability in our customer's existing network security plans, policies, operations, usage, performance, and physical security. We assess immediate security concerns to identify any gaps between the current infrastructure and identified requirements for GLB Act compliance as well as overall system security and ability of the financial institution to maintain security compliance based upon projected growth. Such services may include preparing a comprehensive security policy plan for our customers; optimizing our customer's network performance and reliability and recommending products and services; providing for protection and monitoring of network solutions; and creating disaster-recovery and business-continuity plans to ensure continued security of privacy information to satisfy GLB Act requirements.

We recognize that our financial institution customers confront both internal and external risks. These risks include, but are not limited to:

Unauthorized access of their customers' privacy information by someone other than the owner of the covered data and information;

Compromised system security as a result of system access by an unauthorized person;

Interception of data during transmission;

Loss of data integrity;

Physical loss of data in a disaster;

Edgar Filing: Veracity Management Global, Inc. - Form 10QSB

Errors introduced into the system;

Unauthorized access of covered data and information by employees;

Unauthorized requests for covered data and information;

Unauthorized access through hardcopy files or reports; and

Unauthorized transfer of covered data and information through third parties.

To comply with the GLB Act, we advise our financial institution customers on their plans and procedures to detect, prevent, and respond to network attacks, intrusions, and other system failures. As part of our disaster recovery and business continuity services under the GLB Act, we provide our customers with collocation facilities and capacity to house our customer's backup computer

Table of Contents

servers and network equipment on a fully-secure basis. This enables our financial institution customers to maintain their customers privacy information during periods of disaster recovery ensuring business continuity with immediate access at all times to the privacy information of their customers, which privacy information is safeguarded in compliance with the GLB Act.

Technology Project Management and Strategic Planning Services

Our firm segregates work into tracks to provide customers with greater visibility into the work and effort being provided. We commonly partner with our customers by assembling a small team consisting of both Veracity and client personnel. We find this cross company team approach particularly successful because:

Actively involves key stakeholders early in the process

Lowers overall cost of strategic initiatives

Promotes knowledge transfer between organizations

Facilitates the development of consensual recommendations (if and where appropriate)

Expedites the adoption and deployment process for recommendations

Our greatest asset is providing our customers with a formal proven approach to accomplish their strategic goals and objectives. This process aligns the operational model of the Information Technology department to the enterprise business strategy. Use industry recognized methods, and processes VMG specializes in the running, retooling and transforming of Information Technology departments.

VMG works from a results oriented solutions provider. Our solutions are developed from detailed root cause business and operational analysis. Our process is to develop measurable value based, **O**perational and **R**evenue **B**ased **S**trategic (**ORBS**) solutions. Our ORBS wholly encapsulate all solution dependencies, thereby reducing assumptions, failures and rework. The ORBS methodology leverages best practices such as the Project Management Institute's PMIBOK framework and The Balance Scorecard.

Our process identifies the business strategic and tactical objectives for each initiative and ties these to each business unit across the organization. To identify individual business unit impact, we interview managers, subject matter experts and users. This process also builds consensus among key stakeholders. We then perform current state analysis and gap to best practices. Using this information we develop the appropriate solution and document the required catalog of services to support the business needs. We develop the initial project plan for the solutions implementation inclusive of methods to insure continuous improvement activities and metrics. Throughout this process we manage to the client's expectations, by repeatedly facilitating sessions to revalidate consensus on the objectives, timeframes, budget and success measures to insure the strategic alignment to business climate is maintained.

Transformation Services

Our firm specializes in assisting companies change. These changes many come about as part of a business climate change, where the methods and practices previously used are no longer valid. Many times our clients are not sure what is not working, they just know they are either losing opportunities or have over built their operations through years of patch work resulting in non-scalable and costly infrastructure. Other times opportunities come in forms of acquisitions, merger, etc. Other times brand new business lines are developed, but all in all change is occurring at all levels of the organization and the organization is built to conduct the daily business at hand not retools and reshape themselves. This is where a firm like Veracity Management Group can provide enormous value. Veracity Management Group has developed a three step process that involves identification, change modeling and remediation.

Stage 1: Current State Assessment

Strategic measures, service and resource inventory

Our process begins by identifying and distilling a high-level business driven strategic plan and quantitative success measures. We then assist in identifying the operational supporting services required to make such a plan successful. We start a parallel process to interview individuals, review business process maps, and inventory all assets, organizational hierarchies and their related resources. The final product is a comprehensive current state assessment of the client's current operational model.

Stage 2: Future State Definition and Design

Best practices models, services catalog definition and resources

Using the current state models, VMG will facilitate gap sessions that explore and test against industry best practices. Our consultants will provide lessons learned and previous industry experience in similar projects to simulate discussions challenging traditional organizational and process silos, gaining client buy-in and identifying client sponsorship roles. We will develop a future state

Table of Contents

operational model continually challenging and testing the client tolerance for change, maturity and formality by developing and instituting regulatory compliant policies and procedures each tying to individual job descriptions and to a detailed service catalog that defines the operational model and departmental organizational chart.

Stage 3: Transformation and implementation Roadmap

3T s, Tools, Talent and Tactics, planning and budgeting

Our process starts with the implementation of Program Office, whose charter is to manage the organizational aspect of, leveraging our findings and developing or enhancing existing change management processes required by the project. Using the future state design our consultants will develop a milestone based transformation roadmap to updating the organization. VMG fosters a buy versus build model, limiting custom development to integration or client unique functionality not available in the marketplace. Subsequently on the approval and acquisition of these tools we design the new operational model developing talent refresh programs for the internal staff and updating all job functions descriptions accordingly. VMG will finally present a scalable operational model that integrates seamlessly to the enterprise.

Our Business Strategy

We bring predictability to your business

Veracity Management Group is a Full Service Management Consulting company focused on developing and nurturing a value based annuity relationship business with our clients.

We help organizations manage and make sense of obstacles and challenges they face in every day business. Our firm specializes in developing, transforming, establishing and delivering predictable operational models to information technology organizations. Through the use of industry best practices, strategic partnerships, and tools we deploy auditable and quantitative metric for business driven continuous improvement across the enterprise.

Our business objective is to become a leading provider in the market of providing technology transformation services, business continuity and disaster recovery planning processes and procedures. To pursue our objective, we are focusing on the following initiatives:

Build our business by:

obtaining sufficient financing to grow our business;

developing a strong brand and reputation for business consulting services; and

attracting and retaining clients that are leaders in their respective fields.

through the sale of products that automate client processes or resolve client objectives
Generate and subsequently diversify our revenue by:

establishing our services as the leading solution for business continuity and disaster recovery planning processes and procedures;

increase the size and effectiveness of our marketing and sales methods; and expand our customer base

Edgar Filing: Veracity Management Global, Inc. - Form 10QSB

identifying industry leading products that we can be a vendor and representative for at a regional and or national level. The model is similar to that of any dealer including product representation, sales, and continual support and upgrade throughout the client's ownership of product.

Leverage our client relationships by:

developing new client relationships through referrals;

developing additional services for existing and potential clients; and

entering into joint ventures for particular markets that may develop for our services.

Other Services

We provides IT infrastructure staffing, project management, commercial building network management, data center relocation, outsourcing, SAN installation and configuration. We also provide disaster recovery assessment, plan implementation and design of

Table of Contents

solutions. Our strength in the industry is the approach we have developed as we lead the way in designing and delivering the best long-term solutions for client infrastructure needs. Our teams provide Fiber Optic cabling, fiber tray and raceway, riser cable management as well as a menu of other professional services.

We partner with suppliers assuring that our technicians adhere to all the latest industry standards. Through our strategic partners we can offer complete telecomm and telephony solutions, including global networking, localized high speed access and complete VOIP solutions. VMG can provide local, national or international network solutions ranging from T1 to 1000mbps Fast Ethernet availability. We combine our strategic knowledge with our product offerings to bring the highest speed, cost effective communications solution available. We can choose between several of our partners to insure that the customer's best interests are kept in mind during the decision making process. We also offer complete VOIP solutions for clients wishing to bring their infrastructure and networking up to today's digital standard. Our offerings are tailored to meet the client's needs, whether 5 or 5000 stations, and are implemented through our nationally recognized alliances. VMG is truly the one stop shop for all your networking and infrastructure needs.

Our New Technology Staffing Division

We have strengthened our service offerings for 2008 with a new technology staffing division. The new division allows us to provide our clients with talented technology professionals in a number of ways. Clients may choose to hire one of our professionals on a consulting basis to handle a task for a period of time. In these situations the client retains Project Management responsibility over the project and we will provide augmented staffing.

We also now are able to provide our clients with the top professionals who have made a career choice to no longer consult and have made themselves available to the marketplace as a Permanent Employee. We will earn fees to place these individuals in either a Temporary or Permanent opportunity; where our client is allowed to try before they buy or a straight permanent hire onto their payroll.

As a management consulting firm, we have access to the best professionals in our industry and as such has a large competitive advantage over traditional staffing firms. Our corporate goal is to be a full service provider of technology talent to clients whether the work be outsourced, project based, or strictly internal staffing needs.

Results of Operations For the Three Months Ended March 31, 2007 Compared to Three Months Ended March 31, 2008

The following is derived from, and should be read in conjunction with, our consolidated financial statements, and related notes, as of and contained in Form 10-KSB for the year ended June 30, 2007. The Registrant generates revenues from its present operations based on hourly rates and fixed rates. Our fixed-rate contracts involve an engagement retainer and typically provide for monthly fees. Our hourly-rate contracts are billed either weekly, semi weekly or monthly.

Revenues. We generated revenues to \$578,759 during the three-month period ended March 31, 2008 as compared to \$411,582 during the same period in the prior year or an increase of \$167,177, or 40.6%. The increase in revenues was mainly attributable to new clients and contracts. We anticipate continued growth in our current service offerings based on new and existing clients, as well as the development of new complementary service offerings arising from our considerable project portfolio.

Cost of Services. Cost of services for the three-month periods ended March 31, 2008 and 2007 were \$357,898 and \$102,765, respectively. Our cost of services consists mainly of labor costs for project consultants and information technology professionals.

Administrative, General and Selling Expenses; Overview. Our systems and procedures for the three months ended March 31, 2007 were not detailed enough to reflect an accurate separation in Administrative, General and Selling expenses. Those expenses combined to total \$ 571,471. This compared to \$ 574,464 for the three months ended March 31, 2008. The same analysis for the nine-month periods ended March 31, 2007 to March 31, 2008 discloses a reduction of these combined expenses of \$1,128,810.

Administrative Expenses: Our administrative expenses totaled \$189,247 and \$478,185 during the three-month and nine-month periods ended March 31, 2008. The increase in the three-month period is primarily attributed to an expansion of administrative personnel to facilitate our growth.

General Expenses. General expenses were \$224,728 and \$554,279 during the three-month and nine-month periods ended March 31, 2008. These expenses included payments for rent, common stock issued for services, outside professional fees including audits and accounting reviews of the company insurance and employee expense reimbursements. Our audit and outside accounting fees have been reduced significantly in the current fiscal year due to a reduced work load and the fact that the initial securities filings occurred in the prior fiscal year. We also utilize all available

technologies such as conference calling, virtual offices and other economies to

Table of Contents

reduce company overhead and local travel to meetings. Our internal accounting function is scalable and includes the use of internet based solutions for instant communication between staff and outside professionals. The nine-month period ended March 31, 2007 showed shares issued for service of \$2,411,596. The Company may continue to issue shares of common stock from time to time in lieu of cash for services provided to the Company until the Company generates sufficient positive cash flow from operations.

Selling expenses: Our selling expenses during the three-month and nine month period ended March 31, 2007 were \$160,489 and \$489,764 a slight increase during the current three-month period. Selling expenses include advertising and promotion, commissions and referral fees paid and investments in presenting training seminars and participation in professional organizations and technical societies. We have also invested in increased staff to broaden our marketing and selling efforts in the current fiscal year. We expect continued increases in selling expenses related to increasing revenues from current service offerings. We also believe that additional selling expenses will be incurred as we develop new synergistic business opportunities and expand into new markets.

Net Loss. We incurred a net loss of \$364,650 during the three-month period ended March 31, 2008, compared to a net loss of \$267,159 during the three-month period ended March 31, 2007, representing an increase of \$97,491, or 36.5%. This increase was primarily due to the previously discussed expansion of the administrative and selling staffs and the addition of the Technology Staffing Division in the three-month period ended March 31, 2008.

Liquidity and Capital Resources

At March 31, 2008, we had current assets of \$634,438 consisting of mainly of cash and accounts receivable compared to current assets of \$411,489 at June 30, 2007. This increase can be attributed to both company growth and the addition of a credit facility that immediately funds billings and they are issued to the customers. At March 31, 2008 and June 30, 2007, we had total assets of \$817,736 and \$418,728, respectively. This increase in total assets can be attributed to company growth. We had total current liabilities of \$630,730 at March 31, 2008 compared to \$217,655 at June 30, 2007. As of March 31, 2008, our current liabilities were principally composed of \$78,906 in accounts payable and accrued expenses, \$6,764 in accrued interest and \$545,060 under lines of credit. We had long-term liabilities of \$576,808 as of March 31, 2008 compared to \$197,174 at June 30, 2007. As of March 31, 2008, these liabilities consist of a credit facility of \$327,238, \$189,772 in loan payable stockholders and stockholder notes payable of \$59,798. We had total liabilities of \$1,1207,538 as of March 31, 2008 compared to \$414,829 as of June 30, 2007.

We had working capital of \$3,708 at March 31, 2008. Net cash used in operations during the nine-month period ended March 31, 2008 was \$1,034,606. For the nine-month period ended March 31, 2008 the increase of net cash used in operations was attributable to our net loss of \$947,399 and an increase in accounts receivable of \$124,117.

The Company's financing activities consist mainly of issuance of debt and equity instruments. During the nine-month period ended March 31, 2008, financing activities provided \$1,283,437 compared to \$429,000 during the same nine-month period in the prior year. The Company utilized \$327,238 under its new credit facility as described in Note 5, received proceeds of \$456,000 through the issuance of restricted stock and received net proceeds of \$52,396 from stockholders loans. We also received \$412,803 from our existing lines of credit.

We believe that despite funding provided under our bank line-of-credit and funding available from our management, we may need additional funding to execute our planned expansion of our sales and marketing efforts. As of March 31, 2008, shareholders have loaned the Company \$59,798 at 10.25% due on May 31, 2009, and advanced another \$189,772 in temporary loans. We have no written funding commitment from management and affiliated parties.

There are no limitations in the Company's articles of incorporation on the Company's ability to borrow funds or raise funds through the issuance of restricted common stock. The Company believes that it has the ability to borrow funds and/or raise capital through the sale of restricted stock. To the extent that additional debt financing is utilized, any borrowing will subject us to various risks traditionally associated with indebtedness, including the risks of interest rate fluctuations and insufficiency of cash flow to pay principal and interest.

Plan of Current and Future Financing of Our Operations for the year 2008

During the nine months ended March 31, 2008, the Company incurred a loss of \$944,399, which was primarily due to non-cash compensation of \$97,449 represented by stock issued for consulting and other services. At March 31, 2008 the Company had cash of \$118,591. We had an accumulated deficit of \$3,482,433, at March 31, 2008. We have incurred negative cash flow from operations of \$1,034,606 during the nine-month period ended March 31, 2008.

Edgar Filing: Veracity Management Global, Inc. - Form 10QSB

The Company principally funded its negative cash flow from operations during the nine months ended March 31, 2008 through the sale of restricted stock which generated proceeds of \$418,000 and by utilizing and expanding our lines of credit.

Table of Contents

On December 4, 2007 Veracity Management Group, Inc our wholly owned subsidiary entered into an agreement with Greenfield Commercial Credit LLC to borrow up to \$ 1,000,000 at a variable rate of interest 1% above the Prime Rate, with an unlimited and unconditional guarantee by Veracity Management Global, Inc and a Validity Guarantee by two of the members of the Board of Directors. This line allows immediate funding of 85% of eligible accounts receivable up to the total line of credit and is for a duration of 18 months. The balance due at March 31, 2008 to Greenfield Commercial Credit LLC was \$327,238.

We have financed our operations primarily through outside and related party debt financing and the issuance of restricted stock. Our continued operations will depend on whether we are able to continue to raise additional funds through various potential sources, such as equity and debt financing, including the sale of additional equity and receipt of additional debt financing. We do not have any agreements with our management to continue to loan monies to the Company. Additional funds may not become available on acceptable terms and there can be no assurance that any additional funding that we do obtain will be sufficient to meet our needs during the next twelve months or in the long term.

We have spent, and expect to continue to spend, additional amounts in connection with implementing our business strategy. Based on our current plans, we believe that our cash together with anticipated increased revenues, an increase of our existing credit facility, obtain additional shareholder funding, and improved ability to sell restricted stock as a public company to raise funds will be sufficient to enable us to meet our planned operating needs at least for the next 12 months. However, the actual amount of funds we will need to operate is subject to many factors, some of which are beyond our control. If the market for our services develops more slowly than we anticipate or if unexpected expenses or increases in costs arise; there can be no assurance that we will be able to raise additional capital in a timely manner as and if needed.

We have based our estimate on assumptions that may prove to be wrong. We may need to obtain additional funds sooner or in greater amounts than we currently anticipate. Potential sources of financing include strategic relationships, public or private sales of our shares or debt and other sources. We may seek to access the public or private equity markets when conditions are favorable due to our long-term capital requirements. We may need committed sources of financing at this time, and it is uncertain whether additional funding will be available when we need it on terms that will be acceptable to us, or at all. If we raise funds by selling additional shares of common stock or other securities convertible into common stock, the ownership interest of our existing stockholders will be diluted. If we are not able to obtain additional financing, we may be unable to carry out our business plan. As a result, we may have to significantly limit our operations and our business, financial condition and results of operations would be materially harmed.

ITEM 3. CONTROLS AND PROCEDURES

As of December 31, 2007, our Chief Executive Officer and Chief Financial Officer (the Certifying Officers) conducted evaluations of our disclosure controls and As of March 31, 2008 our Chief Executive Officer and Chief Financial Officer (the Certifying Officers) conducted evaluations of our disclosure controls and procedures. As defined under Sections 13a-15(e) and 15d-15(e) of the Exchange Act, the term disclosure controls and procedures means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer s management, including the Certifying Officers, to allow timely decisions regarding required disclosure. Based on this evaluation, the Certifying Officers have concluded that our disclosure controls and procedures were effective to ensure that material information is recorded, processed, summarized and reported by our management on a timely basis in order to comply with our disclosure obligations under the Exchange Act and the rules and regulations promulgated thereunder.

Further, there were no changes in our internal control over financial reporting during the first fiscal quarter that has materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Other than as set forth in the Company s annual report, we are not aware of any pending legal proceedings against the Company, individually or in the aggregate, that would have a material adverse affect on our business, results of operations or financial conditions.

Table of Contents**ITEM 2. RECENT SALES OF UNREGISTERED EQUITY SECURITIES AND USE OF PROCEEDS**

The following information is given with regard to unregistered securities sold by the Company during the three-month period ended March 31, 2008, including the dates and amounts of securities sold; the persons or class of persons to whom we sold the securities; the consideration received in connection with such sales and if the securities were issued or sold other than for cash, the description of the transaction and the type and amount of consideration received.

| Date | Title | Shares Issued | Persons | Cash or Non Cash Consideration |
|-------------|--------------|----------------------|-------------------|------------------------------------------------------------------|
| 01/11/08 | Common | 36,000 | Selig | Private sale at \$0.50 per share issued pursuant to Section 4(2) |
| 01/15/08 | Common | 50,000 | Gilmore | Private sale at \$0.50 per share issued pursuant to Section 4(2) |
| 10/30/07 | Common | 10,000 | James Kirkpatrick | Private sale at \$0.50 per share issued pursuant to Section 4(2) |

The Company believes that the issuances and sale of the restricted shares were exempt from registration pursuant to Section 4(2) of the Act as privately negotiated, isolated, non-recurring transactions not involving any public solicitation. The recipients in each case represented their intention to acquire the securities for investment only and not with a view to the distribution thereof. Appropriate restrictive legends are affixed to the stock certificates issued in such transactions. All recipients of restricted shares either received adequate information about the Company or had access, through employment, relation and/or business relationships with the Company to such information. Based on an analysis of the above factors, the Registrant has met the requirements to qualify this offering and sale for exemption under Section 4(2) of the Securities Act of 1933.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(a) The following documents are filed as exhibits to this report on Form 10-QSB or incorporated by reference herein.

| Exhibit No. | Description |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| 31.1 | Certification of CEO pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of CFO pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of CEO pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of CFO pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

Table of Contents

SIGNATURES

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

/s/ Ronald Rideman
Ronald Rideman
CEO
Dated: May 15, 2008

/s/ Ronald Rideman
Ronald Rideman
Acting *CFO*
Dated: May 15, 2008