

Veracity Management Global, Inc.  
Form 10QSB  
November 14, 2007

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

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**FORM 10-QSB**

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**&#253 QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2007

or

**&#168 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

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 &#120 No &#168

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer  Accelerated filer  Non-accelerated filer   
On September 30, 2007, the Registrant had 33,273,210 shares of common stock issued and outstanding.

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TABLE OF CONTENTS

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

**PART I - FINANCIAL INFORMATION**

ITEM 1. FINANCIAL STATEMENTS [Back to Table of Contents](#)

The Registrant's unaudited interim financial statements are attached hereto. [Unaudited Interim Financial Statements](#)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATION [Back to Table of Contents](#)

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 state 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.

**Results of Operations For the Three Months Ended September 30, 2007 Compared to Three Months Ended September 30, 2006**

The following is derived from, and should be read in conjunction with, our consolidated financial statements, and related notes, as of and for the periods ended September 30, 2007 and 2006. 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 monthly.

**Revenues.**

We generated revenues to \$454,835 during the three-month period ended September 30, 2007 as compared to \$271,892 during the same period in the prior year or an increase 2006, representing an increase of \$182,943, or 67%. The increase in revenues was mainly attributable to new clients. 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 September 30, 2007 and 2006 were \$402,175 and \$244,838, respectively. Our cost of services consists mainly of labor costs for project consultants and information technology professionals.

**Administrative Expenses:**

Our administrative expenses increased to \$123,824 during the three-month period ended September 30, 2007 compared to \$50,241 during the three-month period ended September 30, 2006. The increase is primarily attributed to an expansion of administrative personnel to facilitate our growth.

**General Expenses.**

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General expenses were \$743,026 and \$1,394,427 during the three-month periods ended September 30, 2007 and 2006, respectively. The significant decrease in our general expenses was due to decreased non-cash compensation expenses related to administrative services, sales, marketing, contract analysis, technical and sales services and IT consulting services of \$674,950 during the three-month period ended September 30, 2007 as compared to non-cash compensation of \$1,345,904 during the same period in the prior year. 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 period ended September 30, 2007 increase to \$122,801 from \$58,278 during the same period in the prior year. We expect continued increases in selling expenses related to increasing revenues from current service offerings. We 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 \$908,700 during the three-month period ended September 30, 2007, compared to a net loss of \$1,596,352 during the three-month period ended September 30, 2006, representing a decrease of \$687,652, or 43%.

### Liquidity and Capital Resources

At September 30, 2007, we had current assets of \$446,551 consisting of mainly of cash and accounts receivable compared to current assets of \$411,489 at June 30, 2007. At September 30, 2007 and June 30, 2007, we had total assets of \$603,240 and \$418,728, respectively. We had total current liabilities of \$529,750 at September 30, 2007 compared to \$217,655 at June 30, 2007. As of September 30, 2007, our current liabilities were principally composed of \$64,199 in accounts payable and accrued expenses, \$4,473 in accrued interest and \$461,078 under a line of credit. We had long-term liabilities of \$51,763 as of September 30, 2007 compared to \$197,174 at June 30, 2007. As of September 30, 2007, these liabilities consist of \$11,965 in loan payable and stockholder loans of \$39,798. We had total liabilities of \$581,513 as of September 30, 2007 compared to \$414,829 as of June 30, 2007.

We had negative working capital of \$83,199 at September 30, 2007. Net cash used in operations during the three-month period ended September 30, 2007 was \$179,797 compared to cash used of \$319,727 during the three months ended September 30, 2006. Our negative cash flow from operations was mainly due to our net loss of \$908,700 and decrease in accounts payable by \$17,633, principally offset by a decrease in accounts receivable of \$109,459 and non-cash compensation of \$674,950.

The Company's financing activities consist mainly of issuance of debt and equity instruments. During the three-month period ended September 30, 2007, the Company's financing activities provided \$474,318 compared to \$360,397 during the same period in the prior year. The Company utilized \$329,729 under its line of credit and received proceeds of \$290,000 through the issuance of restricted stock and made repayments of \$145,411 on stockholders loans.

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 September 30, 2007, shareholders have loaned the Company \$39,798 at 10.25% due on May 31, 2009. 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's 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 three months ended September 30, 2007, the Company incurred a loss from operations of \$908,700, which was primarily due to non-cash compensation of \$674,950 represented by stock issued for consulting services. At September 30, 2007 the Company had cash of \$164,281. We had an accumulated deficit of \$3,443,735 at September 30, 2007. We have incurred negative cash flow from operations of \$179,797 during the three-month period ended September 20, 2007.

The Company principally funded its negative cash flow from operations during the three months ended September 30, 2007 through the sale of restricted stock which generated proceeds of \$290,000 and by utilizing our line of credit.

We have financed our operations primarily through related party debt financing and equity raising. 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 [Back to Table of Contents](#)

#### Evaluation of disclosure controls and procedures

. As of September 30, 2007, the Company's chief executive officer and chief financial officer conducted an evaluation regarding the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act. Based upon the evaluation of these controls and procedures, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this report. This conclusion is based upon the number and magnitude of the year end adjusting entries and additional financial reporting disclosures identified by the Company's independent accountants.

*Changes in internal controls.* There were no significant changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the 1934 Act) during the period ended September 30, 2007, that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II - OTHER INFORMATION

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### ITEM 1. LEGAL PROCEEDINGS [Back to Table of Contents](#)

None.

### ITEM 2. RECENT SALES OF UNREGISTERED EQUITY SECURITIES AND USE OF PROCEEDS [Back to Table of Contents](#)

The following information is given with regard to unregistered securities sold by the Company during the the three-month period ended September 30, 2007, 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
7/09/07	Common	21,667	Ted & Harriet Pioquinto	Services valued at \$11,050 issued pursuant to Section 4(2)
7/10/07	Common	50,000	N. Richard Grassano, CFO	Services valued at \$25,500 issued pursuant to Section 4(2)
8/01/07	Common	750,000	Marc Baker	Services valued at \$547,500 issued pursuant to Section 4(2)
8/09/07	Common	10,000	Loren Brown	Services valued at \$8,000 issued pursuant to Section 4(2)
8/23/07	Common	10,000	Nicholas Dwzill	Services valued at \$4,000 issued pursuant to Section 4(2)
8/28/07	Common	50,000	Irs Ginsberg	Services valued at \$43,500 issued pursuant to Section 4(2)
8/03/07	Common	25,000	James Kirkpatrick	Private sale at \$0.40 per share issued pursuant to Section 4(2)
8/09/07	Common	25,000	Robert Sherman	Private sale at \$0.40 per share issued pursuant to Section 4(2)
8/09/07	Common	50,000	Ron & Don Mars	Private sale at \$0.50 per share issued pursuant to Section 4(2)
8/23/07	Common	60,000	Lori & Scott Nelson	Private sale at \$0.50 per share issued pursuant to Section 4(2)
9/05/07	Common	110,000	John Ramsey	Private sale at \$0.50 per share issued pursuant to Section 4(2)
9/19/07	Common	10,000	Richard Menard	Private sale at \$0.50 per share issued pursuant to Section 4(2)
9/19/07	Common	20,000	Lisa & Steve Pisenti	Private sale at \$0.50 per share issued pursuant to Section 4(2)
9/19/07	Common	200,000	James & Jeanne Strickland	Private sale at \$0.50 per share issued pursuant to Section 4(2)
9/25/07	Common	10,000	Blaine Jackson	Private sale at \$0.50 per share issued pursuant to Section 4(2)
9/27/07	Common	40,000	Lori & Scott Nelson	Private sale at \$0.50 per share issued pursuant to Section 4(2)
9/27/07	Common	20,000	Guy Neff	Private sale at \$0.50 per share issued pursuant to Section 4(2)
9/30/07	Common	20,000	Dennis Clair	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 [Back to Table of Contents](#)

None.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS [Back to Table of Contents](#)

None.

### ITEM 5. OTHER INFORMATION [Back to Table of Contents](#)

None.

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### ITEM 6. EXHIBITS [Back to Table of Contents](#)

(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.

#### 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/ Michael Rideman

Michael Rideman

CEO

Dated: November 14, 2007

/s/ Richard Grassano, CFO

Richard Grassano

CFO

Dated: November 14, 2007



**VERACITY MANAGEMENT GLOBAL, INC.**

(Formerly known as Kirshner International, Inc.)

Consolidated Balance Sheets [Back to Table of Contents](#)

As of September 30, 2007 (Unaudited) and June 30, 2007

**September 30, 2007****June 30, 2007**

<u>Assets</u>				
Current assets:				
Cash	\$	164,281	\$	19,760
Accounts receivable		282,270		391,729
<b>Total current assets</b>		<b>446,551</b>		<b>411,489</b>
Property and equipment, net of depreciation of \$3,528 and \$2,979		6,689		7,239
Total Net Property and Equipment		6,689		7,239
Other Assets		150,000		-
Total Other Assets		150,000		-
<b>Total assets</b>	<b>\$</b>	<b>603,240</b>	<b>\$</b>	<b>418,728</b>
<u>Liabilities and Stockholders' Deficit</u>				
Current liabilities				
Accounts payable and accrued expenses	\$	64,199	\$	85,166
Accrued interest		4,473		1,139
Line of credit payable		461,078		131,350
<b>Total current liabilities</b>	<b>\$</b>	<b>529,750</b>	<b>\$</b>	<b>217,655</b>
Long-term liabilities				
Loan payable		11,965		14,965
Notes payable stockholder - Stockholders		39,798		182,209
Total long-term liabilities		51,763		197,174
Total liabilities		581,513		414,829
Stockholders' equity :				
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:				
33,273,210 and 36,805,895 shares issued and outstanding at September 30, 2007 and June 30, 2007, respectively		33,272		36,806
Additional paid-in capital		3,342,190		2,502,128
Accumulated deficit		(3,443,735)		(2,535,035)
Total stockholders' equity		21,727		3,899
<b>Total liabilities and stockholders' equity</b>	<b>\$</b>	<b>603,240</b>	<b>\$</b>	<b>418,728</b>

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

**VERACITY MANAGEMENT GLOBAL, INC.**

(Formerly known as Kirshner International, Inc.)

## Consolidated Statements of Operations

For the Three Months Ended September 30, 2007 and 2006 (Unaudited)

	<b>For the Three Months Ended September 30, 2007</b>	<b>For the Three Months Ended September 30, 2006</b>
Revenues	\$ 454,835	\$ 271,892
Cost of services	402,175	244,838
Gross profit	52,660	27,054
Expenses		
Administrative expenses	123,824	50,241
General expenses	743,026	1,394,427
Selling expenses	122,801	58,278
Depreciation and amortization	549	569
Total expenses	990,200	1,503,515
Other income	39,632	1,883
Total other income	39,632	1,883
Other expenses	-	111,783
Interest expense	10,792	9,991
Total other expenses	10,792	121,774
Net loss	\$ (908,700)	\$ (1,596,352)
Basic and diluted net loss per share	\$ (0.03)	\$ (0.05)
Weighted average shares	34,995,500	35,468,312

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

**VERACITY MANAGEMENT GLOBAL, INC.**

(Formerly known as Kirshner International, Inc.)

Consolidated Statement of Changes in Stockholders' Equity (Deficit) [Back to Table of Contents](#)  
 For the Period From Inception (December 2, 2005) Through September 30, 2007 (Unaudited)

	Common Stock, \$0.001 par value		Additional	Accumulated	Total
	Shares	Amount	Paid-in Capital	Deficit	
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	550,000	550	289,450	-	290,000
Options exercised for expenses	250,000	250	34,750	-	35,000
Shares issued for services	931,667	932	639,018	-	639,950
Liabilities and stockholders' equity	3,323	3	30	-	33
Cancellation of shares	(5,267,675)	(5,269)	(33,186)	-	(38,455)
Net loss	-	-	-	(908,700)	(908,700)
Balance at September 30, 2007	33,273,210	\$ 33,272	\$ 3,432,190	\$ (3,443,735)	\$ 21,727

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

**VERACITY MANAGEMENT GLOBAL, INC.**

(Formerly known as Kirshner International, Inc.)

## Consolidated Statements of Cash Flows (Unaudited)

For the Three Months Ended September 30, 2007 and 2006

	<b>For the Three Months Ended September 30, 2007</b>	<b>For the Three Months Ended September 30, 2006</b>
Cash flows from operating activities:		
Net loss	\$ (908,700)	\$ (1,596,352)
Adjustments to reconcile net loss to net cash used in operating activities:		
Beneficial conversion feature	-	25,816
Shares issued for services and compensation	674,950	1,345,904
Shares issued for services	(38,422)	-
Depreciation and amortization	549	569
Changes in operating assets and liabilities:		
Accounts receivable	109,459	(129,919)
Other receivables	-	(104)
Accounts payable and accrued expenses	(17,633)	34,359
Net cash used in operating activities	(179,797)	(319,727)
Cash flow from investing activities:		
Contingent payment from business combination	(150,000)	-
Net cash used in investing activities	(150,000)	-
Cash flows from financing activities:		
(Repayments of) proceeds from stockholders loan	(145,411)	58,616
Proceeds from line of credit	329,729	12,781
Proceeds from sale of common stock	290,000	289,000
Net cash provided by financing activities	474,318	360,397
Net increase (decrease) in cash	144,521	360,397
Cash - beginning of period	19,760	47,750
Cash - end of period	\$ 164,281	\$ 88,420
Supplemental cash flow information		
Cash paid for:		
Interest paid	\$ 991	\$ -
Income taxes	\$ -	\$ -
Non-cash investing and financing activities	\$ -	\$ -

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

**VERACITY MANAGEMENT GLOBAL, INC.**

(Formerly Known as Kirshner International, 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 September 30, 2007 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 three months ended September 30, 2007 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 September 30, 2007 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 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 \$ 3,443,735 and has insufficient working capital to meet operating needs for the next twelve months as of September 30, 2007, 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 three months ended September 30, 2007, VCMG sold 550,000 shares under a private placement memorandum for \$290,000. There were no warrants granted with this placement.

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

During the three months ended September 30, 2007 stock issued for services representing 931,667 shares were authorized and granted. VCMG has recorded \$639,950 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 250,000 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.

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On July 31, 2007, the Company's Board of Directors authorized the cancellation of 5,267,675 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 three month period ended September 30, 2007 includes a reduction of general and administrative expense by the original fair market value of the stock cancelled of \$38,455. 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% (10.25% at September 30, 2007) 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 September 30, 2007 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.

### 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 10.25 percent 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 percent and is secured by a certificate of deposit owned by the company. The balance of the credit facilities at September 30, 2007 was \$385,353 and \$75,725 respectively. The balance at June 30, 2007 was \$131,350 and 0, respectively.

### 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.

	<b>Warrants Issued *</b>	<b>Weighted Average Exercise Price</b>
Balance as of June 30, 2006	1,300,000	\$1.00
Granted	1,619,000	\$1.00
Forfeited	0	
Exercised	250,000	
Balance as of September 30, 2007	1,369,000	\$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).

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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.

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 would not differ had the transaction occurred at an earlier date.