

VELTEX CORPORATION
FINANCIAL STATEMENTS
YEARS ENDED
DECEMBER 31, 2014 AND 2013
(A COMPILATION)



To the Board of Directors
Veltex Corporation
Chicago, Illinois

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

We have compiled the accompanying balance sheets of Veltex Corporation (a Utah corporation) as of December 31, 2014 and 2013, and the related statements of operations and stockholder's equity (deficit) and cash flows for the years then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in note 4 to the financial statements the Company has an accumulated deficit and no current operations that raises substantial doubt about the ability to continue as a going concern. Management's plans regarding these matters are also described in note 4 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Sassetti LLC

February 15, 2015
Oak Park, Illinois

VELTEX CORPORATION
BALANCE SHEETS
DECEMBER 31, 2014 AND 2013
(A COMPILATION)

ASSETS

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 12,448	\$ 8,203
Funds held by management company (note 3)	-	24,354
Legal judgements (note 5)	-	-
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 12,448</u>	<u>\$ 32,557</u>
LIABILITIES		
Due to management company (note 3)	\$ 68,656	\$ -
Accounts payable	19,035	-
	<u> </u>	<u> </u>
TOTAL LIABILITIES	87,691	-
STOCKHOLDERS' EQUITY (DEFICIT)		
Capital stock-voting, \$.001 par value; 200,000,000 shares authorized; 49,316,130 and 46,049,900 shares issued and outstanding of which 3,205,534 and 2,005,534 shares are held as treasury stock	49,316	46,050
Additional paid-in capital	1,476,608	1,342,825
Accumulated deficit	(1,597,961)	(1,354,312)
Less treasury stock, at cost	<u>(3,206)</u>	<u>(2,006)</u>
Total Stockholders' Equity (Deficit)	<u>(75,243)</u>	<u>32,557</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY / (DEFICIT)	<u>\$ 12,448</u>	<u>\$ 32,557</u>

See accompanying notes and independent accountants' compilation report.

VELTEX CORPORATION
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(A COMPILATION)

	<u>2014</u>	<u>2013</u>
REVENUE	<u>\$ -</u>	<u>\$ -</u>
EXPENSES		
Management fees (note 3)	60,000	60,000
Professional fees	101,586	118,483
Rent (note 2)	14,294	11,928
Stock option expense (note 6)	16,000	6,500
Office expense	5,957	11,976
OTC compliance	5,757	-
Meals and entertainment	11,302	8,039
Transfer agent fees	12,198	-
Travel	1,387	2,647
Taxes and licenses	7,253	24,215
Various expenses	<u>7,915</u>	<u>2,389</u>
Total Expenses	<u>243,649</u>	<u>246,177</u>
LOSS FROM OPERATIONS	<u>(243,649)</u>	<u>(246,177)</u>
INCOME TAXES	<u>-</u>	<u>-</u>
NET LOSS	<u><u>\$ (243,649)</u></u>	<u><u>\$ (246,177)</u></u>

See accompanying notes and independent accountants' compilation report.

VELTEX CORPORATION
STATEMENT OF STOCKHOLDERS' EQUITY / (DEFICIT)
YEARS ENDED DECEMBER 31, 2014 AND 2013
(A COMPILATION)

	Common Stock Shares	Amount	Additional Paid In Capital	Accumulated Deficit	Treasury Stock Shares	Amount	Total Stockholders' Equity / (Deficit)
Balances at January 1, 2013	37,681,265	\$ 37,681	\$ 1,030,685	\$ (1,108,135)	2,005,534	\$ (2,006)	\$ (41,775)
Stock option exercised (note 6)	100,000	100	6,400	-	-	-	6,500
Restricted shares issued for cash	8,118,635	8,119	253,496	-	-	-	261,615
Shares cancelled	150,000	150	52,244	-	-	-	52,394
Net loss for year	-	-	-	(246,177)	-	-	(246,177)
Balances at December 31, 2013	46,049,900	46,050	1,342,825	(1,354,312)	2,005,534	(2,006)	32,557
Stock option exercised (note 6)	200,000	200	15,800	-	-	-	16,000
Restricted shares issued for cash	3,066,230	3,066	116,783	-	-	-	119,849
Increase in treasury stock forfeited	-	-	1,200	-	1,200,000	(1,200)	-
Net loss for year	-	-	-	(243,649)	-	-	(243,649)
Balances at December 31, 2014	49,316,130	\$ 49,316	\$ 1,476,608	\$ (1,597,961)	3,205,534	\$ (3,206)	\$ (75,243)

See accompanying notes and independent accountants' compilation report.

VELTEX CORPORATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (243,649)	\$ (246,177)
Stock option expense	16,000	6,500
Stock issued for professional fees	-	52,394
Adjustments to reconcile net loss to net cash used in operating activities -		
Decrease (increase) in due to/from fund held by management company	93,009	(24,354)
Increase (decrease) in accounts payable and accrued expenses	<u>19,035</u>	<u>(52,394)</u>
Net Cash Used in Operating Activities	<u>(115,605)</u>	<u>(264,031)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sale of common stock	<u>119,850</u>	<u>261,615</u>
Net Cash Provided by Financing Activities	<u>119,850</u>	<u>261,615</u>
NET INCREASE (DECREASE) IN CASH	4,245	(2,416)
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>8,203</u>	<u>10,619</u>
End of year	<u><u>\$ 12,448</u></u>	<u><u>\$ 8,203</u></u>
SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION:		
Cash payments for:		
Interest	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Income Taxes	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Non-cash financing transaction		
Treasury stock forfeited / increase in paid in capital	<u><u>\$ 1,200</u></u>	<u><u>\$ -</u></u>

See accompanying notes and independent accountants' compilation report.

VELTEX CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(A COMPILATION)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business - Veltex Corporation (the "Company") was incorporated in Utah September 17, 1987, and is a holding corporation, which currently maintains its corporate headquarters in Chicago, Illinois. The Company's common shares trade OTC Markets under the symbol VLXC. The Company seeks to enhance shareholder value through aggressive recuperation of lost resources and assets while maximizing the worth of those recovered. The Company is also pursuing other avenues worldwide of enhancing shareholder value. Prior to 2008, the Company operated in the textile industry.

Basis of Accounting - The financial statements of the Company have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Cash Equivalents - All highly liquid investments with maturities of three months or less when purchased are considered cash equivalents.

Income Taxes - The Company accounts for income taxes under the provisions of ASC 740, "Income Taxes". Deferred tax assets and liabilities are provided for temporary differences between financial reporting basis and the tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled, subject to a valuation allowance where uncertainty exists as to the ultimate recoverability of net deferred tax assets. The Company's various Federal and state tax returns are subject to examination by the IRS or other taxing authorities, generally for three years after they were filed.

The income tax accounting process for uncertainty in income taxes prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. A company must determine whether it is "more-likely-than-not" that a tax position will be sustained upon examination, including resolution of any related appeals or litigation procedures, based on the technical merits of the position. Once it is determined that a position meets the "more-likely-than-not" recognition threshold, the position is measured to determine the amount of benefit to recognize in the financial statements. Management's review of the Company's possible tax positions at December 31, 2014 and 2013, did not result in any positions requiring disclosure. Should the Company need to record interest and/or penalties related to uncertain tax positions, or other tax authority assessments, it would classify such expenses as part of the income tax provision.

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

Subsequent Events - The Company has evaluated subsequent events through February 15, 2015, the date which the financial statements were available to be issued.

See accompanying independent accountants' compilation report.

VELTEX CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(A COMPILATION)

2. LEASE OBLIGATIONS

The Company leases its corporate office space and two storage units under a sub-lease agreement in downtown Chicago Illinois. The Company currently operates on a month to month basis. Total rent expense for the years ended December 31, 2014 and 2013 was \$14,294 and \$11,928 respectively.

3. RELATED PARTY TRANSACTIONS

The Company has a management contract with a related party (First Options of Chicago Inc., a Delaware corporation) to provide the Company's management services. The Company paid First Options of Chicago Inc. \$60,000 during the years ended December 31, 2014 and 2013, respectively, for management services. During the years ended December 31, 2014 and 2013, First Options of Chicago Inc. exercised stock options for 200,000 and 100,000 shares, respectively (no exercise price). During the years ended December 31, 2014 and 2013 the shares were valued at \$16,000 and \$6,500, respectively. At December 31, 2014 First Options of Chicago, Inc. is owed \$87,810 from Veltex due to transfers of funds between the companies.

4. GOING CONCERN

As of December 31, 2014, the Company does not have sustainable sources of revenue and income, and an accumulated deficit of \$1,597,961. The Company is currently pursuing \$100,078,621 in legal judgments. Management has not been able to asses the ultimate collectability of these legal judgments.

These conditions raise substantial doubt about the ability of the Company to continue as a going concern. The Company's management plans to rely on stock issuances to generate funds for current operating costs and the potential collection of its legal judgment. See note 5.

VELTEX CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(A COMPILATION)

5. LEGAL JUDGEMENTS

On March 26, 2012, the United States District Court for the Central District of California entered a judgment in the principal amount of \$100,078,621 in favor of Veltex in the suit entitled Veltex Corporation v. Javeed Azzia Matin, et. al., Case No. CV 10 1746 ABC (PJWs). This suit was brought against the former management of the Company and others. It arose from a scheme to fraudulently convey the shares of the Company to another entity for little or no consideration. The proceeds from the sale of the shares were converted by the defendants for their own use. The judgment was classified as a fraudulent conveyance and transfer of assets by the United States District Court.

The judgment also includes \$2,005,172 in damages to reimburse the Company for legal expenses. These amounts are not recorded in the legal judgments. In addition, all judgments are accruing interest at applicable interest rates. The State of California stipulates an interest rate of ten percent from the judgment date.

On November 7, 2011, the District Court of the Third Judicial District, Salt Lake County, Utah found in the matter of Fletcher v. Javeed Matin, Case No. 080907145 that the interim receiver. Which it had appointed in July 2008 to protect the Company's assets until a new Board of Directors was elected, had breached his fiduciary duties to the Company. A judgment in the amount of \$57,167 was entered against the receiver on January 12, 2012, by the United States Federal Court in California. The Company is still pursuing collections on this judgment.

Various government agencies are pursuing seizure of assets against the defendants, and management is unable to determine whether the judgment is collectable in whole or in part. Management is unable to address with reasonable certainty the collectability of these legal judgments, but will continue to pursue them within its legal rights.

Following is a summary of the judgements by type and, if any portion of the amount is received, the anticipated account(s) in which the amount would be recorded. Legal judgements consist of the following as of December 31, 2014:

Judgment (additional paid in capital)	\$ 100,078,621
Judgment (other income)	57,167
Attorney damages (other income)	2,005,172
Estimated accrued interest (other income)	28,438,009
Total	\$ 130,578,969

6. STOCKHOLDER'S EQUITY

Stock Options

In January 2013, January 2014 and December 2014 the Company granted First Options of Chicago Inc. (related party) the right to exercise the option to purchase 100,000 shares of restricted common stock at no exercise price. The options were exercised in 2014 and 2013 at an estimated value of \$16,000 and \$6,500 to the Company, respectively.

See accompanying independent accountants' compilation report.

VELTEX CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(A COMPILATION)

6. STOCKHOLDER'S EQUITY - CONTINUED

In June 2014 the Company granted certain options to board members to purchase a total of 1,500,000 shares of restricted common stock and 300,000 shares to the Company's legal counsel at an exercise price of \$0.10 per share. The options vest immediately and have a term of one year. All of these options are outstanding and unexercised as of December 31, 2014.

On March 10, 2009 the Board of Directors granted First Options of Chicago Inc. the option to purchase 1,500,000 shares of restricted common stock at an exercise price of \$0.01 per share. The options are fully vested and are outstanding as of December 31, 2014, without an expiration date.

Common Stock

During the year ended December 31, 2014, the Company issued 3,066,233 shares of restricted common stock to board members for approximately \$116,783.

During the year ended December 31, 2013, the Company issued 1,200,000 shares of restricted common stock to board members for approximately \$240,000.

Treasury Stock

During the year ended December 31, 2014, the Company's treasury stock increased by 1,200,000 shares. These shares were held by Veltex Industries a defendant in the lawsuit discussed in note 5 and forfeited to the Company.

7. INCOME TAXES

The Company has incurred losses since its inception and, therefore, has not been subject to federal income taxes. As of December 31, 2014, the Company had domestic net operating loss ("NOL") carryforwards for income tax purposes of approximately \$1,230,000 which expire in 2014 through 2022. Under the provisions of Section 382 of the Internal Revenue Code greater than 50% ownership changes that occurred in the Company may significantly limit the Company's ability to utilize its NOL carry forwards to reduce future taxable income and related tax liabilities.

Section 382 allows an owner shift any time there is a transfer of stock by a person who directly, or indirectly, owns more than 5% of the corporation and the percentage of stock of the corporation owned by one or more five percent shareholders has increased, in the aggregate, by more than 50 percentage points over the lowest percentage of stock owned by such shareholders at any time during the "testing period." The "testing period" is generally a three-year period ending on the date of any owner or equity structure shift.

VELTEX CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(A COMPILATION)

7. INCOME TAXES - CONTINUED

The amount of post-change income that may be offset by pre-change losses is limited each year by the "Section 382 Limitation." Generally, the Section 382 Limitation is an amount equal to the value of the old loss corporation multiplied by a long-term interest rate established monthly by the Internal Revenue Service. The Company has not yet determined the qualifying events and resulting limitation that may impact utilization of net operating losses against future periods.

At December 31, 2014 and 2013, management has recorded an allowance for the entire amount of the deferred tax asset.

Net deferred tax assets consist of the following components as of December 31:

	2014	2013
Deferred tax assets:		
Federal and operating loss carryforwards	\$ 418,000	\$ 376,000
Valuation allowance for deferred tax asset	(418,000)	(376,000)
	<u>\$ -</u>	<u>\$ -</u>

The last Federal tax examination was completed in February 2015 for the years ending 2004 through 2009. The result of the examination was a no change letter. Management does not believe that the results of any future examination will have a material effect on the financial position of the Company.