

VELTEX CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED
MARCH 31, 2026



VELTEX CORPORATION
CONSOLIDATED BALANCE SHEET
MARCH 31, 2026

CURRENT ASSETS	
Cash	\$ 3,407
Accounts receivable	981,949
Prepaid expenses	<u>16,847</u>
Total Current Assets	<u>1,002,203</u>
 PROPERTY AND EQUIPMENT, AT COST	
Building	638,405
Building improvements	188,006
Land	30,400
Equipment	614,632
Vehicle	<u>38,680</u>
	1,510,123
Accumulated Depreciation	<u>645,087</u>
Total Property and Equipment, net	<u>865,036</u>
 TOTAL ASSETS	 <u><u>\$ 1,867,239</u></u>
 CURRENT LIABILITIES	
Due to management company	\$ -
Accounts payable	408,938
Payroll tax payable	387,569
Accrued expense	289,853
Advance	225,800
Loan payable - stockholder	888,000
Secured note payable - management company	<u>2,564,744</u>
 TOTAL CURRENT LIABILITIES	 4,764,904
Common stock payable	219,706
 STOCKHOLDERS' EQUITY (DEFICIT)	
Capital stock-voting, \$.001 par value; 200,000,000 shares authorized; 102,771,482 issued and outstanding of which 4,105,534 shares are held as treasury stock	102,771
Additional paid-in capital	17,165,747
Accumulated deficit	(19,941,323)
Less treasury stock, at cost	<u>(444,566)</u>
Total Stockholders' Equity	<u>(3,117,371)</u>
 TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY/DEFICIT	 <u><u>\$ 1,867,239</u></u>

See accompanying notes.

VELTEX CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 2026

REVENUE	
Fees for services	\$ 290,159
Total Revenues	290,159
EXPENSES	
Administrative Expenses	
Interest expense	111,505
Meals and entertainment	359
Office expense	364
Penalties	38,610
Professional fees	23,305
Rent	9,122
Stock based compensation	172,500
Transfer agent fees	3,168
Travel	1,865
Total Administrative Expenses	360,798
Medical Expenses	
Advertising and marketing	782
Depreciation	1,934
Human resources	4,045
Insurance expense	34,810
Interest expense	5,010
Maintenance	2,435
Meals and entertainment	1,848
Office expense	3,792
Patient expenses	11,616
Payroll	216,688
Payroll taxes	22,846
Professional fees	32,305
Repairs and equipment	6,090
Supplies	179
Taxes and licenses	2,900
Travel	4,006
Utilities	18,276
Total Medical Expenses	369,562
Property Expenses	
Depreciation	28,487
Office expense	45
Property taxes	6,200
Total Property Expenses	34,732
Total Expenses	765,092
LOSS FROM OPERATIONS	(474,933)
OTHER INCOME	
Other income	672
Total Other Income	672
LOSS BEFORE INCOME TAXES	(474,261)
INCOME TAXES	
	-
NET LOSS	\$ (474,261)

See accompanying notes.

VELTEX CORPORATION
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY / (DEFICIT)
THREE MONTHS ENDED MARCH 31, 2026

	Common Stock		Additional	Accumulated	Treasury Stock		Total
	Shares	Amount	Paid-In Capital	Deficit	Shares	Amount	Stockholders' Equity / (Deficit)
Balances at January 1, 2026	102,271,482	\$ 102,271	\$ 16,993,747	\$ (19,467,062)	4,105,534	\$ (444,566)	\$ (2,815,610)
Stock based compensation expense	-	-	138,000	-	-	-	138,000
Management fee issued in stock	500,000	500	34,000	-	-	-	34,500
Net loss for period	-	-	-	(474,261)	-	-	(474,261)
Balances at March 31, 2026	<u>102,771,482</u>	<u>\$ 102,771</u>	<u>\$ 17,165,747</u>	<u>\$ (19,941,323)</u>	<u>4,105,534</u>	<u>\$ (444,566)</u>	<u>\$ (3,117,371)</u>

See accompanying notes.

VELTEX CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2026

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss	\$ (474,261)
Adjustments to reconcile net loss to net cash used in operating activities -	
Stock options expense	172,500
Depreciation	30,421
Changes in:	
Accounts receivable	(93,802)
Prepaid expenses	(1,349)
Due to management company	106,776
Accounts payable	117,387
Accrued expenses	12,873
<u>Net Cash Used in Operating Activities</u>	<u>(129,455)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from loans and advances, net	<u>125,800</u>
<u>Net Cash From Financing Activities</u>	<u>125,800</u>

NET DECREASE IN CASH (3,655)

CASH AND CASH EQUIVALENTS:

Beginning of period	<u>7,062</u>
End of period	<u><u>\$ 3,407</u></u>

SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION:

CASH PAYMENTS FOR:

Interest	<u>\$ -</u>
Income Taxes	<u>\$ -</u>

Noncash financing and investing activities:

Additional amount transferred from due to management company to secured note payable	<u>\$ 106,776</u>
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See accompanying notes.

VELTEX CORPORATION and SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2026

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 Over-the-Counter ("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. To carry out that mission, the Company's corporate strategy is the development and acquisition of companies which have established or advanced the latest modalities in the areas of health, wellness, and recovery. The Company has begun and will continue to assemble a team of experts in these fields and will take a multi-tiered approach including joint ventures and collaboration agreements.

Moreover, the Company acquired real property through its wholly owned subsidiary, Veltex Properties, Inc., in Mount Hope, West Virginia. The complex consists of approximately five (5) acres of land and a 30,000 sq. ft. facility and its contents. The property operates as a residential licensed behavioral health center through the Company's wholly owned subsidiary (Veltex Medical, Inc. d/b/a Veltex Recovery Group ("VRG")). Through January 31, 2024, VRG operated the property with twenty-eight (28) residential treatment beds, and beginning February 06, 2024, VRG increased its capacity to sixty-four (64) residential treatment beds. Four (4) of those beds are dedicated to detox services. Detox services became available April 15, 2024. Veltex also has the capability to operate as an out-patient Medication Assisted Treatment facility should it decide to expand its services in the future.

VRG was incorporated on February 22, 2021, and began operation as an out-patient medication assisted treatment facility only through its partner Med Surg Physician Group, Inc. d/b/a Elena Behavioral Health Services' ("EBHS"). Then in November of 2022, VRG began operation as a residential in-patient facility under the same license. However, on July 01, 2023, VRG completed a Change of Ownership ("CHOW") of the License from EBHS to VRG. At this time, VRG was required to recredential with traditional West Virginia Medicaid through the West Virginia Bureau of Medical Services and all West Virginia Medicaid Managed Care Organizations ("MCOs") (Unicare, Aetna, and The Health Plan). VRG became credentialed with West Virginia Medicaid in November of 2023, with an effective date of July 01, 2023, the date of VRG's CHOW License. The first billing under VRG's CHOW license began on December 22, 2023, for authorized services under Traditional Medicaid and VRG has begun receiving payment for traditional Medicaid members. In early March of 2024, VRG became credentialed with Unicare and Aetna and subsequently began requesting retro authorization for services rendered from July 01, 2023, through the present. As of March 21, 2024, VRG has received authorizations for all services rendered since July 01, 2023, for Aetna members and has begun receiving authorizations for Unicare members. Credentialing was completed with The Health Plan ("THP") of West Virginia on March 21, 2024, and VRG has begun working to obtain retro authorizations for all services rendered to THP members since July 01, 2023. This authorization was received in April, 2024.

VELTEX CORPORATION and SUBSIDIARIES

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VRG is directed by Chief Administrative Officer, Patricia A. Kelly. Ms. Kelly has over twenty (20) years of experience in Substance Use Disorder Treatment as a Social Worker, Clinical Manager, and Coding Specialist. VRG's Medical Director is Psychiatric Mental Health Nurse Practitioner, Debra Beirne, she practices under the VRG group NPI (National Provider Identification Number) and behavioral health license.

VRG has received a received a Certificate of Need Exemption from the West Virginia Health Care Authority for an additional one-hundred eighty-six (186) bed licensed behavioral health center on its existing property. VRG is currently working on architectural plans to obtain permitting for this center with the West Virginia State Fire Marshall's office and the West Virginia Office of Health Facility Licensure and Certification.

Consolidation – The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Veltex Properties, Inc., and Veltex Medical, Inc., which are Delaware corporations. Significant intercompany transactions and balances between the aforementioned entities have been eliminated in these consolidated financial statements.

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 Accounting Standards Codification (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 Internal Revenue Service (IRS) or other taxing authorities, generally for three years after they were filed.

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.

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

VELTEX CORPORATION and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2026

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 March 31, 2026, 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 - Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) requires management to make estimates and assumptions that affect the amounts presented and disclosed in the accompanying financial statements. Due to the inherent uncertainty involved in making estimates, actual results in future periods may differ from these estimates.

Significant Estimates - Significant estimates and assumptions in these financial statements require the exercise of management's judgment. We have identified the following significant estimates for which we believe a material change within one year is reasonably possible:

- Estimates of variable consideration, if any, included in the transaction price of services
- Allowance for credit losses,
- Estimated useful lives for depreciation and amortization

Allowance for Credit Losses - The allowance for credit losses reflects current expected credit losses (CECL) that are expected to occur over the lifetime of the underlying accounts receivable. The CECL methodology is applicable to financial assets that we measure at amortized cost, including trade accounts receivable and contract assets.

Property and Equipment – Property and equipment are recorded at cost, or at estimated fair value (if contributed). Maintenance, repairs and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. The Company capitalizes purchases of fixed assets in excess of \$5,000 with a useful life of one year or greater. Depreciation was \$30,421 during the three months ended March 31, 2026.

Revenue Recognition

Fees for Services and Client Fees – The Company generally measures exchange revenue based on the amount of consideration the Company expects to be entitled for the transfer of services to a customer, then recognizes this revenue when or as the Company satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance.

Revenue consists of gross charges for behavioral health services, with a focus on substance use disorder services and medicine assisted treatment provided to clients less deductions for estimated provisions for contractual adjustments (on services provided to enrollees of Medicaid and other third-party payers, including private insurance), uninsured discounts, bad debts, and other administrative adjustments. Contractual adjustments arising from various reimbursements

VELTEX CORPORATION and SUBSIDIARIES
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arrangements with third-party payers are accrued on an estimated basis in the period in which the services are rendered.

The Company has third-party payers (principally Medicaid and commercial insurance carriers) that provide for payments to the Company at amounts different from its established rates. A significant portion of the Company's operating revenues is derived from these third-party payer programs. Medicaid rates are based on clinical, diagnostic, and other factors and the reimbursement methodology is subject to various limitations and adjustment. The determination of these rates is based on its clinical assessment of its clients. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation and change. Payment is billed for approval after services are rendered. Billing of third-party payors occurs within one month of the service date and payment is generally collected within a thirty-to-ninety-day period.

Veltex Recovery Group has provided numerous additional dates of service for clients through Med Surg Physician Group, Inc. d/b/a Elena Behavioral Health Services ("MSPG"), its partner prior to July 1st, 2023. These client services were rendered between December 22, 2022, and June 30, 2023, and are documented with intake and discharge, but lacked necessary medical documentation, required but never completed by MSPG. Although these dates of service are not reflected in the audited accounts receivable numbers, Veltex Corporation intends to collect payment for these clients through alternative means.

Net patient service revenue is recognized on an individual contract basis.

Government Grants – Government grants are recognized when earned. Revenue is earned when eligible expenditures, as defined in each grant, contract or other allowable cost manual are made.

The Company has received certain revenues from federal or state agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and may be subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Company.

The following table shows the Company's revenue disaggregated according to the timing of the transfer of goods and services for the three months ending March 31, 2026:

Revenue recognized at a point in time	
Fees for services	\$ 290,159
Government grants	-
Total revenue recognized at a point in time	<u>\$ 290,159</u>

Accounts Receivable – Receivables are stated at the amount management expects to collect from outstanding balances. Management provides probable uncollectible amounts through a provision for credit losses and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has reasonable collection efforts are written through a charge to the allowance for credit losses and a credit to receivables.

VELTEX CORPORATION and SUBSIDIARIES

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The Company's estimate of the required allowance for credit losses is based on:

- Available and relevant internal and/or external information about historical loss experience and industry billing practices,
- Current conditions, and, if applicable,
- Reasonable and supportable forecasts that affect the expected collectability of the reported amount of financial assets based on billing status and recognition by respective insurance agencies.

Credit loss activity consists of the following for the three months ended March 31, 2026:

Balance, beginning of year	\$	73,651
Writeoffs		-
Recoveries		-
Credit loss expense		-
Balance, end of period	\$	<u>73,651</u>

Adopted Accounting Pronouncements -- In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes," which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. The amendments in ASU 2019-12 are effective for public business entities for fiscal years beginning after December 15, 2023, including interim periods therein. The Company adopted this standard as of January 1, 2024 and the adoption did not have a material effect on the Company's financial position or results of operations.

2. PROPERTY AND EQUIPMENT INVESTMENTS

On April 6, 2020, the Company acquired property in Mount Hope, West Virginia. The purchase price was in the form of 4,000,000 stock options of the Company with a strike price of \$0.20, which were valued at \$760,000.

The purchase price was allocated to the land, building and equipment based on the estimated values of each on a pro-rata basis. The Company later transferred the property to Properties.

3. LEASE OBLIGATIONS

The Company leases its corporate office space and one storage unit under a sub-lease agreement in downtown Chicago Illinois. The Company currently operates on a month to month basis. Total rent expense for the three months ended March 31, 2026 was \$9,122.

4. RELATED PARTY TRANSACTIONS

On February 14, 2019, the Company converted advances of \$300,000 into a senior secured note with First Options. The note takes precedence over all other secured and unsecured notes or obligations in the event of bankruptcy. The note has been increased periodically through 2025.

VELTEX CORPORATION and SUBSIDIARIES

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On April 1, 2026, the Company increased the amount of the senior note to \$3,556,944 with a maturity date of June 30, 2026. The note and any accrued interest accumulates interest at a rate of 16.75% per annum. As of March 31, 2026, the entire senior secured note has not been fully utilized.

Interest expense for the notes was \$102,927 for the three months ended March 31, 2026.

Interest accrues on all outstanding balances at a rate of 16.75% per annum. Interest expense is calculated monthly. Interest expense on the due to the management company balances is \$79 for the three months ended March 31, 2026 and is included in the amount owed to First Options.

On January 23, 2023, the Company entered into a loan agreement with a director/shareholder. The loan is \$90,000, due August 27, 2023, but extended to October 1, 2024, with an interest rate of 12.50% per annum. During July, 2023, an additional loan of \$100,000 was received at the same interest rate and maturity of October 1, 2024. Both loans were extended to October 1, 2025 at the same interest rate and have now been extended to December 31, 2026 at the same interest rate. On January 28, 2026, an additional loan of \$5,000 was received at the same interest rate and maturity of December 31, 2026. Interest expense for the loans was \$6,216 for three months ended March 31, 2026.

On September 2, 2023, the Company entered into a loan agreement with a shareholder. The loan is \$20,000, due October 1, 2024, with an interest rate of 16.75% per annum. This loan was extended to October 1, 2025 at the same interest rate. During January, 2025, an additional loan of \$10,000 was received at the same interest rate and maturity of October 1, 2025. Both loans have been extended to December 31, 2026 at the same interest rate. Interest expense for this loan was \$1,318 for the three months ended March 31, 2026.

On March 23, 2024, the Company entered into a loan agreement with a director/shareholder. The loan is \$200,000, due December 31, 2024, with an interest rate of 16.75% per annum. On March 27, 2024, an additional loan of \$50,000 was received at the same interest rate and maturity of December 31, 2024. On July 11, 2024, an additional loan of \$63,000 was received at the same interest rate and maturity of December 31, 2024. On February 6, 2025, the Company entered into a loan agreement with a shareholder for \$50,000, due June 30, 2025, with an interest rate of 16.75%. All loans have been extended to January 1, 2026 at the same interest rate. On April 19, 2025, the Company entered into a loan agreement with a shareholder for \$10,000, due January 1, 2026, with an interest rate of 16.75%. On April 23, 2025, an additional loan of \$10,000 was received at the same interest rate and maturity of January 1, 2026. On April 25, 2025, an additional loan of \$10,000 was received at the same interest rate and maturity of January 1, 2026. On May 2, 2025, an additional loan of \$10,000 was received at the same interest rate and maturity of January 1, 2026. On May 5, 2025, an additional loan of \$25,000 was received at the same interest rate and maturity of January 1, 2026. On May 15, 2025, an additional loan of \$50,000 was received at the same interest rate and maturity of January 1, 2026. All of these loans have been extended to December 31, 2026 with an interest rate of 8.0% per annum. On October 1, 2025, an additional loan of \$5,000 was received with an interest rate of 8.00% per annum and

VELTEX CORPORATION and SUBSIDIARIES
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maturity of December 31, 2026. On October 3, 2025, an additional loan of \$28,000 was received at the same interest rate of 8.00% per annum and maturity of December 31, 2026. On October 15, 2025, an additional loan of \$8,000 was received at the same interest rate of 8.00% and maturity of December 31, 2026. On March 19, 2026, an additional loan of \$5,000 was received at the same interest rate of 8.00% per annum and maturity of December 31, 2026. On March 27, 2026, an additional loan of \$5,000 was received at the same interest rate of 8.00% and maturity of December 31, 2026. Interest expense for the loans was (\$939) for the three months ended March 31, 2026.

On March 1, 2026, the Company entered into a loan agreement with a shareholder. The loan is \$135,000, due March 1, 2027, with an interest rate of 6.00% per annum. On March 18, 2026, an additional loan of \$5,000 was received at the same interest rate and maturity of March 1, 2027. On March 20, 2026, an additional loan of \$15,000 was received at the same interest rate and maturity of March 1, 2027. Interest expense for the loans was \$1,904 for the three months ended March 31, 2026.

Total interest expense was \$111,505 for the three months ended March 31, 2026.

During 2023, the Company received various advances totaling \$154,000 from directors and shareholders which do not have documented terms. During 2024, the Company received various advances totaling \$67,000 from directors and shareholders which do not have documented terms. During 2025, the Company has paid back \$1,000 to a shareholder. During 2026, the Company received an advance of \$800 from a shareholder which has not been paid back. These do not have documented terms. On October 17, 2025, a secured promissory Note was authorized by the Board of Directors, but not finalized, for \$16,000 of shareholder advances.

The Company has recorded fees for legal services of the Company's general counsel in the amount of \$30,000 for the three months ended March 31, 2026. At the Board Meeting of October 17, 2025, there was approval of a contractual agreement with General Counsel of Veltex Corporation.

5. GOING CONCERN

As of March 31, 2026, the Company does not have sustainable sources of revenue and income, and an accumulated deficit of \$19,941,323. The Company continues to pursue legal judgments against a former officer. Management has not been able to assess the ultimate collectability of these legal judgments.

Management believes these conditions raise substantial doubt about the ability of the Company to continue as a going concern. Management intends to rely on stock issuances and the ability to generate revenue from operations of the rehabilitation facility as well as the cash loans and advances from First Options or other qualified lenders or banks to generate funds for current operating costs and the potential collection of its legal judgments, while looking for possible merger candidates or start-up businesses.

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6. LEGAL JUDGEMENTS

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 the court 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 has filed a lien against real property owned by the receiver.

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.

On December 7, 2022, 900,000 shares of stock and cash were recovered. These shares were valued at \$441,360, the fair market value on the date of receipt. The total recovery was \$443,042.

There have been judgments against others, but to date, nothing has been recovered. Various government agencies are pursuing seizure of assets against the other 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.

7. STOCKHOLDER'S EQUITY

Stock Options

First Options entered into an Options Agreement with the Company on March 10, 2009. All amendments related to First Options discussed below have arisen from that agreement.

On January 1, 2026 the Board of Directors modified the stock option agreement from September 30, 2022 granting First Options the fully vested option to purchase 15,000,000 shares of restricted common stock at \$0.005 with no expiration. In addition, the agreement grants 500,000 additional options at a zero strike price on the date of the agreement and annually thereafter beginning January 1, 2026.

On January 1, 2026, 500,000 options vested at no strike price. First Options exercised these options on February 10, 2026. The options were valued on the date they were issued, January 1, 2026 and stock option expense in the amount of \$34,500 was recorded.

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A summary of stock options activity is as follows:

	Shares Issuable Under Outstanding Options	Weighted Average Exercise Price
Balance at December 31, 2025	14,750,000	\$ 0.175
Issued	15,500,000	0.005
Expired/forfeited/modified	(2,750,000)	0.005
Exercised	(500,000)	
Balance at March 31, 2026	<u>27,000,000</u>	<u>\$ 0.098</u>
Exercisable, March 31, 2026	<u>27,000,000</u>	<u>\$ 0.098</u>

Common Stock

As of March 31, 2026, the Company has received stock subscriptions exercise agreements for 1,110,195 shares valued at \$219,706, which have not yet been issued.

On September 25, 2020, the Board of Directors authorized a common stock repurchase program. The Board authorized the repurchase of up to \$3,000,000 of the Company's common stock.

Shareholders of Veltex Corporation approved a Recapitalization Plan proposed in the 2016 Proxy Statement which would effect a reverse split of 1 for 25 (one for twenty five) of the common shares of the corporation. The Board has not determined when the reverse split will be effectuated.

8. INCOME TAXES

The Company has incurred losses since its inception and, therefore, has not been subject to federal income taxes. As of March 31, 2026, the Company had domestic net operating loss ("NOL") carryforwards for income tax purposes of approximately \$1,306,000 which expire in 2030 through 2037. In addition, the Company has Federal net operating losses of approximately \$5,583,000 which can be carried forward indefinitely but have certain limitations.

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.

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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 March 31, 2026, 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 March 31, 2026:

Deferred tax assets:	
Federal net operating loss carryforwards	\$ 1,734,000
Net deferred tax asset prior to allowance	<u>1,734,000</u>
Valuation allowance for deferred tax asset	<u>(1,734,000)</u>
	<u><u>\$ -</u></u>

9. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through May 15, 2026, the date which the financial statements were available to be issued.

On April 1, 2026, an additional loan of \$20,000 was received from a shareholder due March 1, 2027, with an interest rate of 6.00% per annum. On April 2, 2026, an additional loan of \$15,000 was received at the same interest rate and maturity of March 1, 2027.

On April 2, 2026, an additional loan of \$5,000 was received from a director/shareholder due December 31, 2026, with an interest rate of 8.00% per annum.