REO Plastics Inc
11850 93rd Avenue North
Maple Grove, MN 55369

763-425-4171
reoplastics.com
info@reoplastics.com

Annual Report

For the period ending April 30, 2026 **(the "Reporting Period")**

Outstanding Shares
The number of shares outstanding of our Common Stock was:

445,068 as of April 30, 2026 *(Current Reporting Period Date or More Recent Date)*

445,509 as of April 30, 2025 *(Most Recent Completed Fiscal Year End)*

Shell Status
Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):
Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:
Yes: ☐ No: ☒

Change in Control
Indicate by check mark whether a Change in Control[4] of the company has occurred during this reporting period:
Yes: ☐ No: ☒

1) Name and address(es) of the issuer and its predecessors (if any)

In answering this item, provide the current name of the issuer and names used by predecessor entities, along with the dates of the name changes.
REO Plastics Inc

Current State and Date of Incorporation or Registration: Minnesota, 4/18/1962
Standing in this jurisdiction: (e.g. active, default, inactive): Active

Prior Incorporation Information for the issuer and any predecessors during the past five years:
n/a

[4] "Change in Control" shall mean any events resulting in:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
(iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

Describe any trading suspension or halt orders issued by the SEC or FINRA concerning the issuer or its predecessors since inception:
n/a

List any stock split, dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:
none

Address of the issuer's principal executive office:
11850 93rd Avenue North
Maple Grove, MN 55369

Address of the issuer's principal place of business:
☒ *Check if principal executive office and principal place of business are the same address:*

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?
No: ☒ Yes: ☐ If Yes, provide additional details below:

2) Security Information

Transfer Agent

Name: Equiniti
Phone: 800-468-9716
Email: shareowneronline.com
Address: 1110 Centre Pointe Curve, Suite 101
Mendota Heights, MN 55120

Publicly Quoted or Traded Securities:

The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.

Trading symbol:	REOP	
Exact title and class of securities outstanding:	Common Stock	
CUSIP:	760248104	
Par or stated value:	$0.10	
Total shares authorized:	1,000,000	as of date: 4/30/2026
Total shares outstanding:	445,068	as of date: 4/30/2026
Total number of shareholders of record:	114	as of date: 7/15/2026

Please provide the above-referenced information for all other publicly quoted or traded securities of the issuer.

Other classes of authorized or outstanding equity securities that do not have a trading symbol:

The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g., preferred shares that do not have a trading symbol). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.

Exact title and class of the security: ____
Par or stated value: ____
Total shares authorized: ____ as of date: ______
Total shares outstanding: ____ as of date: ______
Total number of shareholders of record: ____ as of date: ______

Please provide the above-referenced information for all other classes of authorized or outstanding equity securities.

____

Security Description:

The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:

1. **For common equity, describe any dividend, voting and preemption rights.**

Full rights

2. **For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.**

n/a

3. **Describe any other material rights of common or preferred stockholders.**

None

4. **Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.**

None

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities ***in the past two completed fiscal years and any subsequent interim period****.*

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares for the two most recently completed fiscal years and any subsequent period.

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: ☐ Yes: ☒ (If yes, you must complete the table below)

Shares Outstanding Opening Balance: Date 4/30/2023 Common: 445,609 Preferred: 0			*Right-click the rows below and select "Insert" to add rows as needed.						
Date of Transaction	**Transaction type (e.g., new issuance, cancellation, shares returned to treasury)**	**Number of Shares Issued (or cancelled)**	**Class of Securities**	**Value of shares issued ($/per share) at Issuance**	**Were the shares issued at a discount to market price at the time of issuance? (Yes/No)**	**Individual/ Entity Shares were issued to. ***You must disclose the control person(s) for any entities listed.**	**Reason for share issuance (e.g. for cash or debt conversion) -OR- Nature of Services Provided**	**Restricted or Unrestricted as of this filing.**	**Exemption or Registration Type.**
1/27/2025	Repurchase	100	Common						
6/13/2025	Repurchase	241	Common						
1/16/2026	Repurchase	200	Common						
Shares Outstanding on Date of This Report: Ending Balance: Date 4/30/2026 Common: 445,068 Preferred: 0									

Example: A company with a fiscal year end of December 31st 2023, in addressing this item for its Annual Report, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2022 through December 31, 2023 pursuant to the tabular format above.

******Control persons for any entities in the table above must be disclosed in the table or in a footnote here.***

Use the space below to provide any additional details, including footnotes to the table above:

B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities:

No: ☒ Yes: ☐ (If yes, you must complete the table below)

Date of Note Issuance	**Outstanding Balance ($)**	**Principal Amount at Issuance ($)**	**Interest Accrued ($)**	**Maturity Date**	**Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)**	**Name of Noteholder. *** You must disclose the control person(s) for any entities listed.**	**Reason for Issuance (e.g. Loan, Services, etc.)**

______	______	______	______	______	______	______	______
______	______	______	______	______	______	______	______
______	______	______	______	______	______	______	______
______	______	______	______	______	______	______	______

******Control persons for any entities in the table above must be disclosed in the table or in a footnote here.***

Use the space below to provide any additional details, including footnotes to the table above:

_____

4) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations.
Ensure that these descriptions are updated on the Company's Profile on www.OTCMarkets.com.

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")
Plastic Injection Molding and Value-Added Services

B. List any subsidiaries, parent company, or affiliated companies.
None

C. Describe the issuers' principal products or services.
Reo Plastics is a custom manufacturer of our customers' products.

5) Issuer's Facilities

The goal of this section is to provide investors with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer. Describe the location of office space, data centers, principal plants, and other property of the issuer and describe the condition of the properties. Specify if the assets, properties, or facilities are owned or leased and the terms of their leases. If the issuer does not have complete ownership or control of the property, describe the limitations on the ownership.

In addition to our owned facility at 11850 93rd Avenue North, Maple Grove, MN, we lease approximately 45,000 square feet of warehouse space under a non-cancelable lease agreement that expires in August 2027.

6) All Officers, Directors, and Control Persons of the Company

Using the table below, please provide information, as of the period end date of this report, regarding all officers and directors of the company, or any person that performs a similar function, regardless of the number of shares they own.

In addition, list all individuals or entities controlling 5% or more of any class of the issuer's securities.
If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity. Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

The goal of this section is to provide investors with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial owners.

Names of All Officers, Directors and Control Persons	**Affiliation with Company (e.g. Officer Title /Director/Owner of more than 5%)**	**Residential Address (City / State Only)**	**Number of shares owned**	**Share type/class**	**Ownership Percentage of Class Outstanding**	**Names of control person(s) if a corporate entity**
Carolyn P. Sample	President/ Director	Minneapolis, MN	361,109	Common	81%	
Daniel J. Dammen	Executive VP/ CFO/ Director	New Hope, MN	100	Common	<1%	
James L. Swenson	Senior VP/ Director	Ramsey, MN	1,000	Common	<1%	
Paul Levenson	VP	Otsego, MN	0			
John Adamski	VP	Rogers, MN	0			
Scott Seibert	VP	Oak Grove, MN	0			
Judy Silva	VP	Maple Grove, MN	0			
Ernest A. Lindstrom	Chairman/ Director	Richfield, MN	10,000	Common	2%	
Ronald Draper	Director	Stillwater, MN	100	Common	<1%	

Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, log in to www.OTCIQ.com to update your company profile.

7) Legal/Disciplinary History

A. Identify and provide a brief explanation as to whether any of the persons or entities listed above in Section 6 have, <u>in the past 10 years</u>:

1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);

<u>None</u>

2. Been the subject of the entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, financial- or investment-related, insurance or banking activities;

<u>None</u>

3. Been the subject of a finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, a state securities regulator of a violation of federal or state securities or commodities law, or a foreign regulatory body or court, which finding or judgment has not been reversed, suspended, or vacated;

None

4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a "yes" answer to part 3 above; or

None

5. Been the subject of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

None

6. Been the subject of a U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail.

None

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party to or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.
None

8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.
Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, update your company profile.
Securities Counsel (must include Counsel preparing Attorney Letters).

Name: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

Accountant or Auditor

Name: _____
Firm: RSM US LLP
Address 1: One South Wacker Drive, Suite 800
Address 2: Chicago, IL 60606
Phone: _____
Email: _____

Investor Relations

Name: _____
Firm: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

All other means of Investor Communication:

X (Twitter): ______
Discord: ______
LinkedIn ______
Facebook: ______
[Other] ______

Other Service Providers
Provide the name of any other service provider(s) that **that assisted, advised, prepared, or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

Name: ______
Firm: ______
Nature of Services: ______
Address 1: ______
Address 2: ______
Phone: ______
Email: ______

9) Disclosure & Financial Information

A. This Disclosure Statement was prepared by (name of individual):

Name: **Daniel J Dammen**
Title: **Executive Vice President/CFO**
Relationship to Issuer: **Officer/Director**

B. The following financial statements were prepared in accordance with:

☐ IFRS
☒ U.S. GAAP

C. The following financial statements were prepared by (name of individual):

Name: **Daniel J Dammen**
Title: **Executive Vice President/CFO**
Relationship to Issuer: **Officer/Director**
Describe the qualifications of the person or persons who prepared the financial statements:[5] **Inactive CPA in the State of Minnesota. Over 30 years of audit and financial statement preparation experience**

Provide the following qualifying financial statements:
- Audit letter, if audited;
- Balance Sheet;
- Statement of Income;
- Statement of Cash Flows;
- Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- Financial Notes

[5] The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

Financial Statement Requirements:

- Financial statements must be published together with this disclosure statement as one document.
- Financial statements must be "machine readable". Do not publish images/scans of financial statements.
- Financial statements must be presented with comparative financials against the prior FYE or period, as applicable.
- Financial statements must be prepared in accordance with U.S. GAAP or International Financial Reporting Standards (IFRS) but are not required to be audited.

10) Issuer Certification

Principal Executive Officer:
The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Carolyn P. Sample certify that:

1. I have reviewed this Disclosure Statement for REO Plastics, Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

07/21/2026 [Date]

/s/ Carolyn P. Sample [CEO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

Principal Financial Officer:
I, Daniel J. Dammen certify that:

1. I have reviewed this Disclosure Statement for REO Plastics, Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

07/21/2026 [Date]

/s/ Daniel J. Dammen [CFO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

REO Plastics, Inc.

Financial Report
April 30, 2026

Contents

RSM US LLP

Independent Auditor's Report

Board of Directors and Stockholders
REO Plastics, Inc.

Opinion
We have audited the accompanying financial statements of REO Plastics, Inc. (the Company), which comprise the balance sheets as of April 30, 2026 and 2025, the related statements of income, stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of REO Plastics, Inc. as of April 30, 2026 and 2025, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements
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 the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

RSM US LLP

Minneapolis, Minnesota
July 17, 2026

REO Plastics, Inc.

Balance Sheets
April 30, 2026 and 2025

	2026	2025
Assets		
Current assets:		
Cash and cash equivalents	**$ 5,860,953**	$ 4,578,569
Short-term investments	**4,026,930**	-
Trade receivables, net	**8,169,666**	8,636,384
Inventories, net:		
Raw materials	**7,442,237**	8,292,621
Work in process	**1,526,466**	1,392,245
Finished goods	**2,464,923**	2,608,062
	11,433,626	12,292,928
Customer molds in process	**292,982**	290,693
Prepaid and other current assets	**90,889**	116,804
Total current assets	**29,875,046**	25,915,378
Property and equipment, at cost:		
Land	**228,193**	228,193
Building	**13,252,142**	12,978,531
Machinery and equipment	**26,547,973**	24,379,824
Construction in progress	**55,295**	115,935
	40,083,603	37,702,483
Less accumulated depreciation	**24,439,555**	23,249,658
	15,644,048	14,452,825
Operating lease right-of-use-asset	**452,670**	755,736
Finance lease right-of-use-asset	**-**	450,934
	452,670	1,206,670
	$ 45,971,764	$ 41,574,873

See notes to financial statements.

	2026	2025
Liabilities and Stockholders' Equity		
Current liabilities:		
Current maturities of long-term debt	**$ 567,193**	$ 530,839
Current portion of operating lease liabilities	**353,596**	298,524
Current portion of finance lease liabilities	**-**	188,748
Current portion of deferred compensation	**80,000**	80,000
Accounts payable	**5,045,625**	4,113,772
Accrued expenses, principally compensation	**2,232,027**	1,691,922
Customer deposits	**518,805**	456,802
Income taxes payable	**52,003**	198,851
Total current liabilities	**8,849,249**	7,559,458
Long-term liabilities:		
Long-term debt, net of current maturities and deferred financing costs	**1,947,412**	3,110,210
Operating lease liabilities, less current portion	**150,893**	504,488
Finance lease liabilities, less current portion	**-**	182,038
Deferred compensation, less current portion	**318,698**	350,133
Deferred income taxes	**1,622,000**	933,000
	4,039,003	5,079,869
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value $0.10 per share; authorized 1,000,000 shares; 445,068 and 445,509 shares issued and outstanding as of April 30, 2026 and 2025, respectively	**44,507**	44,551
Additional paid-in capital	**224,018**	224,238
Retained earnings	**32,814,987**	28,666,757
	33,083,512	28,935,546
	$ 45,971,764	$ 41,574,873

REO Plastics, Inc.

Statements of Income
Years Ended April 30, 2026 and 2025

	2026	2025
Net sales	**$ 58,143,019**	$ 50,978,318
Cost of goods sold	**49,974,688**	44,539,253
Gross profit	**8,168,331**	6,439,065
Operating expenses:		
General and administrative	**2,330,248**	2,213,213
Selling	**574,092**	517,895
Deferred compensation	**8,565**	12,392
Loss (gain) on disposal of property and equipment	**4,975**	(15,500)
	2,917,880	2,728,000
Operating income	**5,250,451**	3,711,065
Nonoperating income (expense):		
Interest income (expense), net	**128,430**	(2,450)
Other, net	**(21,009)**	(19,068)
Net income before income tax expense	**5,357,872**	3,689,547
Income tax expense	**(1,190,152)**	(773,902)
Net income	**$ 4,167,720**	$ 2,915,645
Income per common share	**$ 9.36**	$ 6.54
Weighted-average common shares outstanding	**445,239**	445,580

See notes to financial statements.

REO Plastics, Inc.

Statements of Stockholders' Equity
Years Ended April 30, 2026 and 2025

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
Balance, April 30, 2024	$ 44,561	$ 224,288	$ 25,754,052	$ 26,022,901
Purchase of 100 shares of common stock for retirement	(10)	(50)	(2,940)	(3,000)
Net income	-	-	2,915,645	2,915,645
Balance, April 30, 2025	44,551	224,238	28,666,757	28,935,546
Purchase of 441 shares of common stock for retirement	(44)	(220)	(19,490)	(19,754)
Net income	-	-	4,167,720	4,167,720
Balance, April 30, 2026	**$ 44,507**	**$ 224,018**	**$ 32,814,987**	**$ 33,083,512**

See notes to financial statements.

REO Plastics, Inc.

Statements of Cash Flows
Years Ended April 30, 2026 and 2025

	2026	2025
Cash flows from operating activities:		
Net income	$ 4,167,720	$ 2,915,645
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,772,845	1,681,596
Amortization of finance lease assets	45,507	45,507
Loss (gain) on disposal of property and equipment	4,975	(15,500)
Deferred income taxes	689,000	301,000
Deferred compensation expense	8,565	12,392
Deferred compensation payments	(40,000)	(40,000)
Amortization of deferred financing costs	4,396	4,396
Noncash operating lease expense	4,543	46,306
Changes in operating assets and liabilities:		
Trade receivables	466,718	(3,837,306)
Inventories	859,302	(912,289)
Customer molds in process	(2,289)	33,817
Prepaid and other current assets	25,915	15,060
Accounts payable and accrued expenses	1,471,958	1,793,548
Customer deposits	62,003	288,789
Income taxes	(146,848)	370,347
Net cash provided by operating activities	9,394,310	2,703,308
Cash flows from investing activities:		
Purchases of short-term investments	(5,750,000)	(1,245,165)
Proceeds from maturity/sale of short-term investments	1,723,070	2,750,000
Purchases of property and equipment	(2,564,616)	(859,495)
Proceeds from disposal of property and equipment	1,000	15,500
Net cash (used in) provided by investing activities	(6,590,546)	660,840
Cash flows from financing activities:		
Principal payments on long-term debt	(1,130,840)	(804,961)
Purchase of shares of common stock for retirement	(19,754)	(3,000)
Payments on finance lease obligations	(370,786)	(125,655)
Net cash used in financing activities	(1,521,380)	(933,616)
Increase in cash and cash equivalents	1,282,384	2,430,532
Cash and cash equivalents:		
Beginning	4,578,569	2,148,037
Ending	$ 5,860,953	$ 4,578,569
Supplemental disclosures of cash flow information:		
Cash payments for income taxes	$ 649,000	$ 253,000
Cash payments for interest expense	$ 108,000	$ 134,000
Supplemental disclosure of noncash activity:		
Transfer of Finance lease ROU to property and equipment	$ 404,000	$ -

See notes to financial statements.

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: REO Plastics, Inc.'s (the Company) operations principally involve the custom injection molding, decorating and assembling of thermoplastics for customers in various industries, primarily in the United States of America. The Company establishes credit terms on an individual customer basis.

A summary of the Company's significant accounting policies follows:

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

Revenue recognition: The Company recognizes revenue in accordance with Accounting Standards Codification (ASC) Topic 606, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contract.
- Recognize revenue when or as performance obligations are satisfied.

The Company's revenue is derived from sales of custom injection tooling, moldings, decorating and assembling of thermoplastics for original equipment manufacturers in various industries. Sales of products are subject to economic conditions and may fluctuate based on changes in the industry, trade policies and financial markets.

Nature of products and services: Revenue from the sale of the Company's products is recognized at a point in time, upon transfer of control to the customer, which is typically upon shipment, Free on Board (FOB) shipping point. The Company has elected to treat shipping and handling activities related to contracts with customers as costs to fulfill the promise to transfer the associated equipment, and not as a separate performance obligation.

Transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods to the customer. Revenue is recorded based on the transaction price, which includes fixed consideration and estimates of variable consideration, such as early payment discounts, rebates, rights of return and other allowances.

The amount of variable consideration included in the transaction price is constrained and is included only to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Variable consideration is estimated using the expected-value method (i.e., probability-weighted approach) based on review of specific transactions, historical experience and market and economic conditions. Variable consideration is not significant to the overall transaction price.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Contract balances: The timing of revenue recognition aligns with the right to invoice the customer. The Company records accounts receivable when it has the unconditional right to issue an invoice and receive payment, which is upon shipment of the product to the customer or completion of the delivery. Payment terms on invoiced amounts range from 30 to 120 days. The primary purpose of the Company's invoicing terms is to provide customers with simplified and predictable ways of purchasing the products, and not to provide financing to the customer. The opening balance of net trade receivables as of May 1, 2024, was $4,799,078. The opening balance of customer deposits as of May 1, 2024, was $168,013.

The Company excludes from revenue sales taxes and other government-assessed and imposed taxes on revenue-generating activities that are invoiced to customers.

Warranties: The Company generally provides limited-assurance-type warranties for standard equipment and work performed under its contracts. The warranty periods typically extend for a limited duration following transfer of control of the equipment. Historically, warranty claims have not resulted in material costs incurred. The Company does not consider these warranties to be performance obligations.

Costs to obtain a contract: The Company has elected to apply the practical expedient to expense sales commissions and associated costs as incurred, when the expected amortization period is one year or less, which applies to all customer contracts.

Cash and cash equivalents: For purposes of reporting cash flows, the Company considers all money market funds to be cash. The Company maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. Cash and cash equivalents consist of cash and money market mutual funds.

Short-term investments: The Company has short-term investments that consist of certificates of deposit. The certificates of deposit are generally held to maturity, with maturities less than one year from the date of purchase, and are recorded at cost, which approximates fair value due to the short-term nature of these investments.

Trade receivables and allowance for credit losses: Trade receivables are carried at original invoice amount, less an estimate made for an allowance for credit losses, based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for credit losses by regularly evaluating individual customer receivables and considering a customer's financial condition and credit history, and current economic conditions. The allowance for credit losses approximates $21,000 as of April 30, 2026 and 2025. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. A trade receivable is generally considered to be past due if any portion of the receivable balance is outstanding for more than 90 days beyond a customer's credit terms.

Inventories: Raw materials are stated at the lower of cost (first-in, first-out) or net realizable value. Inventories of work in process and finished goods are stated at standard costs, which approximate the lower of cost (first-in, first-out) or net realizable value. Inventories are reduced by valuation reserves of approximately $24,000 and $18,000 as of April 30, 2026 and 2025, respectively.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Property and equipment: Property and equipment is stated at acquisition cost. Repair and maintenance are expensed as incurred. Major improvements and betterments are capitalized. Depreciation is provided using the straight-line method based on the following estimated useful lives:

	Years
Building	10-40
Machinery and equipment	3-10

The Company had repairs and maintenance expense of approximately $1,055,000 and $771,000 for the years ended April 30, 2026 and 2025, respectively.

Long-lived assets: Long-lived assets, such as property, plant and equipment and lease right-of-use assets are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable, or if depreciable lives should be modified. To date, management has determined that no impairment of long-lived assets exists.

Customer molds in process and customer deposits: The Company requires a cash deposit and milestone payments for customer-specific mold production, which is generally outsourced to a third-party mold manufacturer. Customer specific molds are recorded as current assets as costs are incurred; customer deposits are recorded as customer payments are received. Revenue and cost of goods sold is recognized on the molds when product samples have been approved by the customer.

Fair value measurement and disclosures: The Company follows the provisions set forth in ASC 820, Fair Value Measurements and Disclosures, with respect to financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring and nonrecurring basis. The provisions provide a framework for measuring fair value, including the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below.

Level 1: Valuation is based on quoted prices in active markets for identical assets and liabilities.

Level 2: Valuation is determined from quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar instruments in markets that are not active, or from model-based techniques in which all significant inputs are observable in the market.

Level 3: Valuation is derived from model-based techniques in which at least one significant input is observable and is based on the Company's own estimates about the assumption that market participants would use to value the asset or liability.

The Company's short-term investments consist of certificates of deposit with maturities less than one year from the date purchase. The fair values of the cash and cash equivalents and the certificates of deposits are valued at cost plus accrued income, which approximates fair value measured by similar assets in active markets, and are categorized as Level 1.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Income taxes: Deferred income taxes are provided on an asset and liability method whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance if, in the opinion of management, it is more likely than not that some portion of the deferred tax assets may not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. The Company classifies all deferred income taxes as a single, noncurrent net asset in the accompanying balance sheets.

The Company recognizes income tax liabilities when the Company believes that certain positions may not be fully sustained upon review by tax authorities. Benefits from income tax positions are measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. Management has evaluated the Company’s income tax positions and determined there are no material uncertain income tax positions that require adjustment to the financial statements. To the extent that the final income tax outcome of these matters is different from the amounts recorded, such differences impact income tax expense in the period in which such determination is made. Interest and penalties, if any, related to accrued liabilities for potential income tax assessments are included in income tax expense.

Leases: The Company determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when: (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Company also considers whether its service arrangements include the right to control the use of an asset.

The Company recognizes most leases on its balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the statements of income.

The Company made an accounting policy election under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other significant leases, the Company recognizes ROU assets and lease liabilities based on the present value of lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, ASC Topic 842, Leases (Topics 842), requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease, or if that rate cannot be readily determined, its incremental borrowing rate. The incremental borrowing rate represents the rate of interest the Company would have to pay to borrow, on a collateralized basis, an amount equal to the lease payments over a similar term and in a similar economic environment. The Company applies judgment in estimating the incremental borrowing rate and ensures that the methodology is applied consistently to similar leases.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index). Subsequent changes in index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Payments for terminating the lease are included in the lease payments only when it is probable, they will be incurred.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

The Company’s leases may include a non-lease component representing additional services transferred to the Company, such as common area maintenance for real estate. The Company made an accounting policy election to account for each separate lease component and the non-lease components associated with that lease component as a single lease component. Non-lease components that are variable in nature are recorded in variable lease expense in the period incurred.

Income/loss per common share: Income/loss per common share is computed by dividing net income/loss by the weighted-average number of shares of common stock outstanding during the year.

Segment reporting: The Company has determined that it operates as a single operating segment and a single reportable segment. The Company's manufacturing operations, engineering, program management, sales and administrative functions are managed on an integrated basis and are evaluated by management based on consolidated operating results.

The Company's Executive Vice President serves as the chief operating decision maker (CODM). The CODM assesses performance, allocates resources, and makes operating decisions based on financial information for the business as a whole rather than discrete financial information for individual product lines, customer groups, or end markets. Furthermore, the CODM uses net income as the measure of the segment’s profit or loss. Significant segment expenses are those expenses reported in the statements of income and cash flows. There are no managers who are held accountable for operations, operating results, or plans for levels or components below the consolidated level. The Company has disclosed all required segment information consistent with ASC 280.

Subsequent events: The Company has evaluated subsequent events through July 17. 2026, the date on which the financial statements were available to be issued.

Note 2. Long-Term Debt

Term note payable: In December of 2021, the Company entered into a construction loan agreement with a bank providing for advances of up to $5,500,000 through December 31, 2022, at which time the outstanding balance converted into a term note payable. The interest rate is fixed at 3.215% through the end of the term loan. The loan agreement requires minimum monthly principal payments based on a 20-year loan amortization, with a balloon payment for the unpaid principal due December 26, 2028; however, the Company has elected to amortize and pay the loan over a 10-year period. The future maturity schedule is reflective of the Company’s intent to pay the loan over a 10-year period. The Company is allowed to pre-pay the outstanding balance at any point in time without incurring a pre-payment penalty. All borrowings are secured by a mortgage agreement.

Long-term debt consists of the following as of April 30, 2026 and 2025:

	2026	2025
Term note payable	$ 2,521,932	$ 3,652,772
Current maturities of long-term debt	567,193	530,839
Less deferred financing costs, net of accumulated amortization	(7,327)	(11,723)
Long-term debt, net of current maturities and deferred financing costs	$ 1,947,412	$ 3,110,210

Note 2. Long-Term Debt (Continued)

The approximate annual future maturities of long-term debt are as follows:

Years ending April 30:	
2027	$ 567,000
2028	585,000
2029	1,370,000
	$ 2,522,000

Note 3. Federal and State Income Taxes

Income tax (benefit) expense from continuing operations consists of the following:

	Year Ended April 30	
	2026	2025
Current year income taxes:		
Federal	$ 434,000	$ 435,000
State	67,000	38,000
	501,000	473,000
Deferred income taxes (benefit):		
Federal	622,000	252,000
State	67,000	49,000
	689,000	301,000
	$ 1,190,000	$ 774,000

The Company has elected to retroactively adopt the guidance in ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Taxes Disclosures. The reconciliation of the federal statutory income tax rate to the Company's provision for income taxes for the year ended April 30, 2026 and April 30, 2025, in accordance with the guidance in ASU No. 2023-09 is as follows:

	Year Ended April 30			
	2026	2026 %	2025	2025 %
U.S. Federal Statutory Tax Rate	$ 1,125,000	21.0%	$ 775,000	21.0%
State and Local Income Taxes, Net of Federal Income Tax Effect (1)	106,000	2.0%	68,000	1.8%
Research and development tax credits	(45,000)	-0.8%	(74,000)	-2.0%
Other Adjustments	4,000	0.1%	5,000	0.1%
Income tax provision	$ 1,190,000	22.2%	$ 774,000	21.0%

(1) State taxes in Minnesota made up the majority (greater than 50%) of the tax effect in this category.

Note 3. Federal and State Income Taxes (Continued)

The Income taxes paid for the year ended April 30, 2026 and April 30, 2025, consisted of the following:

	Year Ended April 30	
	2026	2025
U.S. Federal	$ 557,000	$ 250,000
State and Local Income Taxes:		
Minnesota	91,000	-
Other States	1,000	3,000
	$ 649,000	$ 253,000

Deferred tax assets and liabilities as of April 30 related to the following:

	Year Ended April 30	
	2026	2025
Deferred tax assets:		
Accounts receivable	$ 5,000	$ 5,000
Inventory	115,000	79,000
Accrued expenses	275,000	137,000
Deferred compensation	91,000	98,000
Amortization	1,000	1,000
Lease liabilities	115,000	183,000
R&E expenses—Section 174	51,000	609,000
Net operating loss	-	34,000
Net deferred tax assets	653,000	1,146,000
Deferred tax liabilities:		
Property and equipment	(2,172,000)	(1,803,000)
Right of Use Asset-Operating	(103,000)	(173,000)
Right of Use Asset-Finance	-	(103,000)
Net deferred tax liabilities	(2,275,000)	(2,079,000)
Total net deferred tax asset (liability)	$ (1,622,000)	$ (933,000)

Note 4. Commitments and Contingencies

Employee benefit plans: The Company has a 401(k) tax-deferred savings plan in effect for its employees. Employees over the age of 21 are eligible to participate on the first day of the month following 30 days of employment. The Company matches 50% of employee contributions, up to 6% of the employee's salary. Matching contributions are made on a weekly basis. The Company recorded employer match expense of approximately $279,000 and $245,000 for the years ended April 30, 2026 and 2025, respectively.

Note 4. Commitments and Contingencies (Continued)

Self-funded insurance plan: The Company maintains a partially self-funded insurance plan for employee medical coverage. The Company covers all medical claims, up to $75,000 per person, subject to an aggregate claims exposure. The Company has re-insured claims over $75,000 through participation in segregated account program whereby the Company pays re-insurance and stop loss premiums equal to approximately 12% of the aggregate expected claims of the segregated account program's participants, plus a contingent premium, which may be returned if the actual claims of the segregated account program are less than estimated. At April 30, 2026 and 2025, the Company has recorded a provision of $336,000 and $249,000, respectively, which is included in accrued expenses, for unpaid and incurred but not reported claims based on management's knowledge and experience about past and current claims. There were no contingent premium payments or refunds during the years ended April 30, 2026 and 2025.

Litigation: The Company is involved in certain legal proceedings and claims incidental to the normal course of business. Although the ultimate outcome of these outstanding claims cannot be determined, management believes their final resolution will not have a material adverse effect on the financial position of the Company.

Note 5. Leases

The Company leases certain warehouse facilities and various other equipment under noncancelable operating leases with various expiration dates through January 2029. These leases include options to renew, generally at the Company's sole discretion, with renewal terms that can extend the lease term. These options to extend a lease are included in the lease terms when it is reasonably certain that the Company will exercise the option. The Company's operating leases generally do not contain any material restrictive covenants.

The Company also leased production equipment under a financing lease agreement through March 2026. The Company's finance leases generally do not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease costs is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in front-loaded expense pattern over the lease term. The components of lease expense are as follows for the years ended April 30, 2026 and 2025:

	2026	2025
Operating lease cost	$ 328,000	$ 296,000
Short-term lease expense	54,000	43,000
Variable lease cost	204,000	198,000
Finance lease expense—amortization of ROU assets	46,000	46,000
Finance lease expense—interest on lease liabilities	16,000	21,000
Total lease cost	$ 648,000	$ 604,000

Note 5. Leases (Continued)

Supplemental cash flow information related to leases is as follows for the years ended April 30, 2026 and 2025:

	2026	2025
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows—payments on operating leases	$ 323,000	$ 296,000
Financing cash outflows—payments on finance leases	371,000	126,000
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	$ -	$ 867,000
Finance leases	-	496,000

Supplemental balance sheet information related to leases is as follows as of April 30, 2026 and 2025:

	2026	2025
Operating lease assets (liabilities):		
Operating lease right-of-use assets, net	$ 453,000	$ 756,000
Current portion of operating lease liabilities	(354,000)	(299,000)
Operating lease liabilities, net of current portion	(150,000)	(504,000)
Total operating lease liabilities	(504,000)	(803,000)
Net operating lease liability	$ (51,000)	$ (47,000)
Finance lease assets (liabilities):		
Equipment	$ -	$ 496,000
Less accumulated depreciation	-	46,000
Finance lease, ROU assets, net		450,000
Current maturities of finance lease liabilities	-	(189,000)
Finance lease liabilities, noncurrent	-	(182,000)
Total finance lease liabilities	-	(371,000)
Net finance lease assets	$ -	$ 79,000

	2026	2025
Weighted-average remaining lease term:		
Operating leases	1.49 years	2.46 years
Finance leases	N/A	2.08 years
Weighted-average discount rate:		
Operating leases	3.80%	3.80%
Finance leases	N/A	5.25%

Note 5. Leases (Continued)

Future undiscounted cash flows and a reconciliation to the lease liabilities recognized on the balance sheet are as follows as of April 30, 2026:

	Operating Leases
Years ending December 31:	
2027	$ 366,000
2028	138,000
2029	15,000
Total lease payments	519,000
Less imputed interest	(15,000)
Total present value of lease liabilities	$ 504,000

Note 6. Major Customers

Net sales and trade receivables as of and for the years ended April 30, 2026 and 2025, from major customers (in excess of 10% of total net sales) were as follows:

	Net Sales		Trade Receivables	
	Years Ended April 30		April 30	
	2026	2025	2026	2025
Customer A	42%	25%	$ 1,742,000	$ 2,022,000
Customer B	18%	19%	2,570,000	2,275,000
Customer C	*	11%	*	721,000

* Net sales from this customer were less than 10% of total net sales in the year indicated

Note 7. Deferred Compensation

The Company has deferred compensation arrangements with current and retired key executives of the Company. Upon retirement, as defined, each executive receives annual payments of $20,000 for a period of 11 years. The payments cease upon the death of the executive. All deferred compensation benefits were fully vested as of the signing of the contracts. Deferred compensation expense was approximately $9,000 and $12,000 for the years ended April 30, 2026, and 2025, respectively, and consists of the change in the present value of the remaining payments, including estimated retirement dates, and the difference between actual deferred compensation payment and the mortality adjusted expected payments.

Note 7. Deferred Compensation (Continued)

Based on estimated retirement dates, the Company expects deferred compensation payments to continue through 2035. Future deferred compensation payments are approximately as follows:

Years ending April 30:	
2027	$ 80,000
2028	80,000
2029	80,000
2030	60,000
2031	60,000
Thereafter	240,000
	600,000
Less amounts representing interest and life expectancy adjustments	(201,000)
	399,000
Less current portion, included with accrued expenses	(80,000)
Deferred compensation, less current portion, April 30, 2026	$ 319,000