

VELTEX CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS and NINE MONTHS ENDED
SEPTEMBER 30, 2023



VELTEX CORPORATION
CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2023

CURRENT ASSETS

Cash	\$ 15,084
Accounts receivable	672,694
Prepaid expenses	8,235
Total Current Assets	<u>696,013</u>

PROPERTY AND EQUIPMENT, AT COST

Building	638,405
Building improvements	118,268
Leasehold improvements	19,523
Land	30,400
Equipment	614,632
Vehicle	17,980
	<u>1,439,208</u>

Accumulated Depreciation	<u>277,352</u>
Total Property and Equipment, net	<u>1,161,856</u>

TOTAL ASSETS	<u><u>\$ 1,857,869</u></u>
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CURRENT LIABILITIES

Accounts payable	\$ 100,814
Payroll tax payable	8,120
Accrued expense	60,498
Deferred compensation	110,000
Loan payable - stockholder	310,000
Secured note payable - management company	<u>1,819,473</u>

TOTAL CURRENT LIABILITIES	2,408,905
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Common stock payable	214,706
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STOCKHOLDERS' EQUITY (DEFICIT)

Capital stock-voting, \$.001 par value; 200,000,000 shares authorized; 86,081,482 issued and outstanding of which 4,105,534 shares are held as treasury stock	86,081
Additional paid-in capital	16,343,687
Accumulated deficit	(16,750,944)
Less treasury stock, at cost	<u>(444,566)</u>

Total Stockholders' Equity	<u>(765,742)</u>
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY/DEFICIT	<u><u>\$ 1,857,869</u></u>
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See accompanying notes to consolidated financial statements.

VELTEX CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS
THREE and NINE MONTHS ENDED SEPTEMBER 30, 2023

	Three Months ended September 30, 2023	Nine Months ended September 30, 2023
REVENUE		
Patient revenues	\$ 271,474	\$ 759,308
Total Revenues	<u>271,474</u>	<u>759,308</u>
EXPENSES		
Administrative Expenses		
Advertising and marketing	-	16,000
Insurance expense	1,036	1,036
Interest expense	80,390	213,612
Management fees	89,460	268,380
Meals and entertainment	673	2,682
Office expense	405	1,115
Press releases	7,875	7,875
Professional fees	18,695	76,017
Rent	4,173	12,399
Shareholder relations	3,088	3,176
Stock based compensation	-	205,000
Taxes and licenses	-	1,021
Transfer agent fees	-	13,297
Travel	57	248
Utilities	988	1,211
Total Administrative Expenses	<u>206,840</u>	<u>823,069</u>
Medical Expenses		
Advertising and marketing	1,680	4,028
Compensation	15,000	45,000
Depreciation	36,654	108,313
Insurance expense	1,057	9,850
Maintenance	3,462	7,842
Meals and entertainment	2,075	5,543
Office expense	842	3,826
Patient expenses	23,678	60,017
Payroll	110,299	320,271
Payroll taxes	9,963	30,933
Professional fees	36,030	62,080
Property taxes	11,331	30,931
Repairs and equipment	6,003	33,201
Supplies	7,119	10,976
Taxes and licenses	10	197
Travel	1,946	11,016
Utilities	10,001	36,087
Website	300	900
Total Property Expenses	<u>277,450</u>	<u>781,011</u>
Total Expenses	<u>484,290</u>	<u>1,604,080</u>
LOSS FROM OPERATIONS	<u>(212,816)</u>	<u>(844,772)</u>
OTHER INCOME		
Grant income	54,424	119,681
Rental income	2,583	3,463
Other income	7,565	11,929
Total Other Income	<u>64,572</u>	<u>135,073</u>
LOSS BEFORE INCOME TAXES	<u>(148,244)</u>	<u>(709,699)</u>
INCOME TAXES	<u>-</u>	<u>-</u>
NET LOSS	<u>\$ (148,244)</u>	<u>\$ (709,699)</u>

See accompanying notes to consolidated financial statements.

VELTEX CORPORATION
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY / (DEFICIT)
NINE MONTHS ENDED SEPTEMBER 30, 2023

	Common Stock		Additional	Accumulated	Treasury Stock		Total
	Shares	Amount	Paid-In Capital	Deficit	Shares	Amount	Stockholders' Equity / (Deficit)
Balances at January 1, 2023	82,685,011	\$ 82,685	\$ 15,821,789	\$ (16,041,245)	4,105,534	\$ (444,566)	\$ (581,337)
Stock options exercised - noncash	500,000	500	204,500	-	-	-	205,000
Stock subscriptions issued	200,000	200	29,800	-	-	-	30,000
Net loss for period	-	-	-	(554,586)	-	-	(554,586)
Balances at March 31, 2023	83,385,011	\$ 83,385	\$ 16,056,089	\$ (16,595,831)	4,105,534	\$ (444,566)	\$ (900,923)
Stock subscriptions issued	1,696,471	1,696	283,598	-	-	-	285,294
Net loss for period	-	-	-	(6,869)	-	-	(6,869)
Balances at June 30, 2023	85,081,482	\$ 85,081	\$ 16,339,687	\$ (16,602,700)	4,105,534	\$ (444,566)	\$ (622,498)
Stock subscriptions issued	1,000,000	1,000	4,000	-	-	-	5,000
Net loss for period	-	-	-	(148,244)	-	-	(148,244)
Balances at September 30, 2023	<u>86,081,482</u>	<u>86,081</u>	<u>16,343,687</u>	<u>(16,750,944)</u>	<u>4,105,534</u>	<u>(444,566)</u>	<u>(765,742)</u>

See accompanying notes to consolidated financial statements.

VELTEX CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss	\$ (709,699)
Adjustments to reconcile net loss to net cash used in operating activities -	
Stock options expense	205,000
Depreciation	108,313
Changes in:	
Accounts receivable	(659,554)
Prepaid expenses	157,192
Due to management company	459,846
Accounts payable	63,417
Accrued expenses	5,894
Deferred expenses	45,000
	<u>(324,591)</u>
Net Cash Used in Operating Activities	<u>(324,591)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of fixed assets	<u>(37,503)</u>
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Net Cash Used in Financing Activities	<u>(37,503)</u>
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CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from loan payable	310,000
Proceeds from sale of restricted shares	<u>65,000</u>
Net Cash From Financing Activities	<u>375,000</u>

NET INCREASE IN CASH	12,906
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CASH AND CASH EQUIVALENTS:

Beginning of period	<u>2,178</u>
End of period	<u><u>\$ 15,084</u></u>

SUPPLEMENTARY DISCLOSURES OF
CASH FLOW INFORMATION:

CASH PAYMENTS FOR:

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

Noncash financing and investing activities:

Additional amount transferred from due to management company to secured note payable	<u><u>\$ 509,548</u></u>
Common stock payable issued into common stock	<u><u>\$ 315,294</u></u>

See accompanying notes to consolidated financial statements.

VELTEX CORPORATION
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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.

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 has begun acquiring real properties through its wholly owned subsidiary, Veltex Properties, Inc., beginning in Mount Hope, West Virginia. The complex consists of approximately five acres of land and a 30,000 sq. ft. facility and its contents. That property will operate as a chemical dependency rehabilitation facility, which began limited operations in mid-September 2021. In combination with that segment of operations will be a Suboxone drug sub-clinic. Suboxone is used inside treatment facilities of clinics and used under strict medical supervision. Suboxone is another drug, like methadone although methadone has been used longer at inpatient and outpatient clinics to treat severe addiction. Suboxone clinics are becoming more common than the traditional methadone clinics. Inpatient rehabilitation started in November 2022.

Veltex Medical, Inc. was incorporated on February 22, 2021 and is operated by Dr. Olu Sangodeyi, MD, Veltex Corporation's Medical Director. Dr. Sangodeyi will operate the Mount Hope facility through his appropriately licensed business Med Surg Physicians Group.

Currently, additional properties are being explored throughout the State of West Virginia and the Commonwealth of Kentucky. Those potential properties will be used to continue the expansion of rehabilitation complexes and Suboxone clinics, among other related business opportunities.

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.

VELTEX CORPORATION
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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 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 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 September 30, 2023, 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 November 13, 2023, the date which the financial statements were available to be issued.

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 \$108,313 during the nine months ended September 30, 2023.

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 services to a customer, then recognizes this revenue when or as the Company satisfies its performance

VELTEX CORPORATION
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

The Company has an agreement with a Licensed Behavioral Health Center (LBHC), operating in the Company's space, who 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 partially based on the Company's partnership with the LBHC and 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.

Net patient service revenue is recognized as performance obligations are satisfied, at a point in time. The Company has elected to use the portfolio approach practical expedient in ASC 606 for contracts related to net patient service revenue. The Company accounts for the contracts within each portfolio as a collective group, rather than recognizing net patient service revenue on an individual contract basis.

The following table shows the Company's revenue disaggregated according to the timing of the transfer of goods and services for the nine months ending September 30, 2023:

Revenue recognized at a point in time	
Fees for services	\$ 759,308
Client fees	-
Total revenue recognized at a point in time	<u>\$ 759,308</u>

Grant Revenue – A grant has been received from West Virginia Department of Health and Human Services for \$65,257. This grant is unrestricted, as to how the proceeds are to be used. Another grant has been received from West Virginia School of Osteopathic Medicine for \$54,424. This grant is for reimbursement of necessary needs for approved items.

Accounts Receivable – Receivables are stated at the amount management expects to collect from outstanding balances. Management provides probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after

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management has reasonable collection efforts are written through a charge to the valuation allowance and a credit to receivables. Management does not believe there are any uncollectible balances as of September 30, 2023.

2. PROPERTY AND EQUIPMENT INVESTMENTS

On April 6, 2020, the Company acquired property in Mount Hope, West Virginia. The complex consists of approximately five acres of land and a 30,000 sq. ft. facility and its contents. That property is being operated as a chemical dependency rehabilitation facility. In combination with that segment of operations will be a suboxone drug sub-clinic.

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 nine months ended September 30, 2023 was \$12,399.

4. RELATED PARTY TRANSACTIONS

On July 1, 2022 the Company entered into an amended management contract with First Options of Chicago, Inc., ("First Options") to continue to provide the Company's management services and expires September 30, 2023. The contract calls for cash payments of \$12,500 per month and the issuance of 500,000 shares of common stock on January 1, 2023 which was valued at \$205,000. The Company has recorded fees for management services in the amount of \$268,380 for the nine months ended September 30, 2023.

On October 1, 2023 the Company entered into a new management contract with First Options of Chicago, Inc., ("First Options") to continue to provide the Company's management services and expires January 1, 2025. The contract calls for cash payments of \$12,500 per month and the issuance of 500,000 shares of common stock upon execution of the agreement and on January 1, 2024

During 2017, the board of directors agreed to pay First Options interest on all outstanding balances at a rate of 16.75% per annum. Interest expense is calculated monthly. On December 31, 2022, the Company increased the amount of the senior note to \$1,309,925 with a maturity date of March 31, 2023. On April 1, 2023, the Company increased the amount of the senior note to \$1,474,780 with a maturity date of June 30, 2023. On July 1, 2023, the Company increased the amount of the senior note to \$1,682,188 with a maturity date of September 30, 2023. The note and any accrued interest accumulates interest at a rate of 16.75% per annum. On October 1, 2023, the Company increased the amount of the senior note to \$2,136,462 with a maturity date of December 31, 2023. The note and any accrued interest accumulates interest at a rate of 16.75% per annum. As of September 30, 2023, the entire senior secured note has not been utilized.

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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, with an interest rate of 12.50% per annum. During July, 2023 additional proceeds of \$100,000 was received.

On August 9, 2023, the Company entered into a loan agreement with a shareholder. The loan is \$75,000, with an interest rate of 3.57% per annum.

On August 23, 2023, the Company entered into a loan agreement with a shareholder. The loan is \$25,000, with an interest rate of 3.57% per annum.

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.

Total interest expense was \$213,612 for the nine months ended September 30, 2023.

The Company's general counsel receives a monthly stipend. The Company has recorded fees for legal services in the amount of \$45,000, for the nine months ended September 30, 2023.

5. GOING CONCERN

As of September 30, 2023, the Company does not have sustainable sources of revenue and income, and an accumulated deficit of \$16,302,700. The Company continues to pursue in excess of \$100,000,000 in legal judgments. 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 cash loans and advances from First Options of Chicago, Inc. or other qualified lenders or banks to generate funds for current operating costs and the potential collection of its legal judgments, while looking for additional acquisition candidates.

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

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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 was recovered. These shares were valued at \$441,360, the fair market value on the date of receipt.

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 of Chicago, Inc. entered into an Options agreement with the Company on March 10, 2009. Various amendments related to First Options of Chicago, Inc. have arisen from that agreement.

On June 30, 2022 the Board of Directors modified the stock option agreement from August 20, 2020 granting First Options of Chicago, Inc. the fully vested option to purchase 13,000,000 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, 2023.

On January 1, 2023, 500,000 options vested at no strike price. First Options exercised these options on January 17, 2023. The options were valued on the date they were issued, January 1, 2023 and stock option expense in the amount of \$205,000 was recorded.

A summary of stock options activity is as follows:

VELTEX CORPORATION
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	Shares Issuable Under Outstanding Options	Weighted Average Exercise Price
Balance at December 31, 2022	26,500,000	\$ 0.112
Issued	500,000	-
Expired/forfeited/modified	-	-
Exercised	(1,500,000)	0.003
Balance at September 30, 2023	<u>25,500,000</u>	<u>\$ 0.116</u>
Exercisable, September 30, 2023	<u>25,500,000</u>	<u>\$ 0.116</u>

Common Stock

As of September 30, 2023, the Company received stock subscription agreements for 1,023,529 shares valued at \$214,706, for which the shares have not yet been issued.

On June 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.

8. INCOME TAXES

The Company has incurred losses since its inception and, therefore, has not been subject to federal income taxes. As of September 30, 2023, the Company has domestic net operating loss ("NOL") carryforwards for income tax purposes of approximately \$2,411,000 which expire in 2025 through 2037. In addition, the Company has Federal net operating losses of approximately \$3,187,000, which can be carried forward indefinitely but can only offset 80 percent of future taxable income.

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.

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

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CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
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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 September 30, 2023, 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 September 30, 2023:

Deferred tax assets:

Federal net operating loss carryforwards	<u>\$ 1,176,000</u>
Net deferred tax asset prior to allowance	<u>1,176,000</u>
Valuation allowance for deferred tax asset	<u>(1,176,000)</u>
	<u>\$ -</u>

9. REVERSE STOCK SPLIT

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.