

**PART 1-FINANCIAL INFORMATION****Item 1-Financial Statements****TX RAIL PRODUCTS, INC.****BALANCE SHEETS****December 31, 2024 and September 30, 2024**

	Unaudited December 31, 2024	Audited September 30, 2024
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 259,504	\$ 113,976
Accounts receivable, net of allowance for doubtful accounts of \$27,440 at December 31, 2024 and September 30, 2024	375,292	640,511
Deposits on purchased products	—	91,702
Inventory	3,678,293	2,847,149
Other current assets	25,999	48,924
Total current assets	4,339,088	3,742,262
Property and equipment, net (Note 2)	352,680	365,019
Total Assets	\$ 4,691,768	\$ 4,107,281
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accrued expenses, primarily to officers (Note 5)	\$ 90,410	\$ 100,411
Accounts payable	482,135	60,148
Accrued interest to officer	559,726	559,726
Advances from officer (Note 5)	64,587	101,587
Stockholder/officers advances for operations-warehouse rent	234,000	228,000
Other current liability	178,487	197,281
Total current liabilities	1,609,345	1,247,153
Line of Credit (Note, 7)	495,492	450,706
Note payable to officer (Note 5)	2,000,000	2,000,000
Total Liabilities	4,104,837	3,697,859
Commitments and contingencies (Note 9)	0	0
Stockholders' equity:		
Preferred stock: no par value, 1,000,000 shares authorized no shares outstanding	—	—
Common stock: no par value, 250,000,000 shares (Note 8) authorized, 45,000,000 shares issued and outstanding at December 31, 2024 and September 30, 2024	8,703,344	8,703,344
Additional paid-in capital	4,809,295	4,809,295
Accumulated deficit	(12,925,708)	(13,103,217)
Total stockholders' equity	586,931	409,422
Total Liabilities and Stockholders' Equity	\$ 4,691,768	\$ 4,107,281

The accompanying notes are an integral part of the financial statements.

# TX RAIL PRODUCTS, INC.

## STATEMENTS OF OPERATIONS

For the Three Months Ended December 31, 2024 and 2023

	(Unaudited)	
	December 31, 2024	December 31, 2023
Revenue	\$ 2,076,103	\$ 1,583,884
Cost of goods sold	(1,622,360)	(1,260,501)
Gross profit	453,743	323,383
Operating expenses, except items shown separately below	135,373	81,350
Salary expense	78,997	68,334
Commission expense	41,132	61,322
Professional fees	9,000	—
Depreciation expense	12,339	4,915
Total operating expenses	276,841	215,921
Net income/(loss) from operations	176,902	107,462
Other income and (expense):		
Other income	1,833	—
Interest expense	(1,226)	(5,114)
Total other income and (expense), net	607	(5,114)
Net income/(loss)	\$ 177,509	\$ 102,348
Net income/(loss) per common share		
Basic and diluted	\$ 0.00	\$ 0.00
Weighted average of common shares outstanding-		
Basic and diluted	45,000,000	45,209,042

The accompanying notes are an integral part of the financial statements.

**TX RAIL PRODUCTS, INC.**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
For the Three Months Ended December 31, 2024 (UNAUDITED)

	Preferred Stock		Common Stock		Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Paid in Capital	Deficit	
Balance at September 30, 2024	—	\$ —	45,000,000	\$ 8,703,344	\$ 4,809,295	\$ (13,103,217)	\$ 409,422
Net income/(loss)	—	—	—	—	—	177,509	177,509
Balance at December 31, 2024	<u>\$ —</u>		45,000,000	<u>\$ 8,703,344</u>	<u>\$ 4,809,295</u>	<u>\$ (12,925,708)</u>	<u>\$ 586,931</u>

The accompanying notes are an integral part of the financial statements.

# TX RAIL PRODUCTS, INC.

## STATEMENTS OF CASH FLOWS

For the Three Months Ended December 31, 2024 and 2023

	(Unaudited)	
	December 31, 2024	December 31, 2023
<b>Cash flows provided by/(used in) operating activities:</b>		
Net income	\$ 177,509	\$ 102,348
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities:		
Depreciation expense	12,339	4,915
Changes in operating assets and liabilities:		
Accounts receivable, net	265,219	427,532
Inventory	(831,144)	(370,316)
Deposits	91,702	—
Other current assets	22,925	(25,041)
Accrued liabilities, primarily to officers (Note 5)	(10,001)	(24,999)
Accounts payable	421,987	231,313
Other current liability	(18,794)	6,257
Stockholder/officers advances for operations-warehouse rent (Note 5)	6,000	6,000
Net cash provided by/(used in) operating activities	<u>137,742</u>	<u>358,009</u>
<b>Cash flows provided by/(used in) investing activities:</b>		
Net cash provided by/(used in) investing activities	<u>—</u>	<u>—</u>
<b>Cash flows provided by/(used in) financing activities:</b>		
Common share repurchase program	—	(17,000)
Proceeds from Line of Credit	44,786	—
Repayment of bank term loan	—	(41,786)
Proceeds from officer advances	3,800	—
Repayment of officer advances	(40,800)	(48,000)
Net cash provided by/(used in) financing activities	<u>7,786</u>	<u>(106,786)</u>
Increase in cash and cash equivalents	145,528	251,223
Cash and cash equivalents at beginning of period	<u>113,976</u>	<u>159,088</u>
Cash and cash equivalents at end of period	<u>\$ 259,504</u>	<u>\$ 410,311</u>

### Supplemental Disclosure of Cash Flow Information

Cash paid during the period for interest	<u>\$ 1,226</u>	<u>\$ 5,114</u>
--	-----------------	-----------------

The accompanying notes are an integral part of the financial statements.



# **TX RAIL PRODUCTS, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**Fiscal Quarter Ended December 31, 2024**

---

### **NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES**

#### **BUSINESS**

TX Rail Products, Inc, a Georgia corporation (the "Company", "we", "us" or "our"), is a supplier of rail and rail products to the U.S. coal mining industry, short line railroads and, tunneling contractors. Our products are either shipped to our warehouse in Ashland, Kentucky, for distribution to our customers or shipped directly to our customers, including products we import once they have been received by us at a port and cleared customs. Our products are transported primarily by ground transportation to our customers. Shipping costs are borne by our customers.

On April 18, 2024, the Company changed its name from TX Holdings, Inc to TX Rail Products Inc. (TXRP). The new name reflects the prevailing product line and operations of the Company.

The Company was incorporated in the State of Georgia on May 15, 2000.

#### ***Rail and Mining Supplies Distribution Business***

Commencing in December 2011, the Company expanded and began focusing its business on the distribution of rail material and mining supplies consumed by the United States' coal mining industry in its production and transportation processes. This includes rail and its various components and mining supplies, and related tools and material. Subsequently, the Company continued to expand the customer base by selling to short line railroads and tunneling contractors.

In connection with the Company's business expansion, Mr. Shrewsbury, the Company's Chairman and CEO, has provided us with financing in the form of loans and advances and has guaranteed our bank term loans and line of credits.

On February 25, 2014, the Company and Mr. Shrewsbury entered into an agreement to consolidate certain indebtedness due to Mr. Shrewsbury in the aggregate amount of \$2,000,000, including the principal due under a Revolving Demand Note ("Revolving Note") in the principal amount of \$1,062,000 and accrued but unpaid interest due thereunder as of January 31, 2014 in the amount of \$168,905, the principal due under a 10% Promissory Note ("10% Note") in the amount of \$289,997 and accrued but unpaid interest due thereunder as of January 31, 2014 in the amount of \$93,252; and \$385,846 of non-interest bearing advances previously made by Mr. Shrewsbury and outstanding as of January 31, 2014. The Company issued in exchange and in replacement therefore a Consolidated Secured Promissory Note (the "Consolidated Note") in the principal amount of \$2,000,000. Upon issuance of the Consolidated Note, the Revolving Note and 10% Note were cancelled, and Mr. Shrewsbury agreed to waive any prior defaults under the terms of such notes and to release the Company from any claims related thereto. In addition, in consideration of Mr. Shrewsbury agreeing to consolidate and restructure the foregoing indebtedness, the Company granted to Mr. Shrewsbury options to purchase an aggregate of 500,000 shares of the Company's common stock pursuant to the terms of a Non-Qualified Stock Option Agreement, issued February 25, 2014. The options were exercisable for a period of three years commencing April 1, 2014. The options were exercisable at a price of \$0.0924 per share subject to certain anti-dilution adjustments in the event of stock dividends, subdivisions, capital reorganizations, a consolidation, merger, or sale of all or substantially all of the assets. The options expired on March 31, 2017.



# **TX RAIL PRODUCTS, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

---

### **NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES-Continued**

The Consolidated Note bears interest at the rate of 5% per annum or prime rate if higher than 5% per annum, was repayable in full ten years from the date of issuance and is subject to certain events of default. Payment of the Consolidated Note is to be secured or otherwise payable by the Company out of the death benefit proceeds of key man insurance of \$2 million that has been purchased by the Company on the life of Mr. Shrewsbury. On February 26, 2024, the Company executed an extension of the consolidated note for an additional five years, with the same covenants and obligations.

The terms and conditions of the foregoing debt consolidation and restructuring were submitted to and unanimously approved by the disinterested members of the Board of Directors of the Company who are also "qualified directors" within the definition set forth in Section 14-2-862 of the Georgia Corporation Code. Mr. Shrewsbury has also advanced the Company an additional \$64,587 at December 31, 2024, which is not interest bearing. The notes and advances due to Mr. Shrewsbury are subordinate to the Company's bank indebtedness.

### **FINANCIAL CONDITION AND GOING CONCERN CONSIDERATIONS**

Although the Company had positive cash flows during earlier years, the Company did not generate sufficient cash during earlier years to fund its operations and relied substantially upon financing provided by Mr. Shrewsbury, the Company's Chief Executive Officer, and term loans and lines of credits that were guaranteed by Mr. Shrewsbury.

In view of these matters, realization of certain assets in the accompanying balance sheet is dependent upon continued operations, which, in turn, is dependent upon our ability to meet our financial requirements, upon the continued availability of financing from Mr. Shrewsbury, the Company's line of credit and, the success of our future operations.

Although the Company has realized positive income for the last five fiscal years, the Company had incurred significant losses from operations since inception. On September 30, 2024, the Company reported its first year of positive stockholders' equity. The Company will continue its on-going efforts to increase our customer base and seek lower cost suppliers to continue to generate future operating profits.

The accompanying financial statements have been prepared on a going concern basis, which contemplates continuing operations and realization of assets and liquidation of liabilities in the ordinary course of business. The Company's ability to continue as a going concern is dependent upon its ability to implement successfully its business plan and continue to be financially viable. The financial statements do not include adjustments relating to the recoverability of recorded assets nor the implications of associated bankruptcy costs should the Company be unable to continue as a going concern.

The financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and U. S. generally accepted accounting principles.

### **USE OF ESTIMATES AND ASSUMPTIONS**

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 and calculated estimates that affect

# TX RAIL PRODUCTS, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES-Continued

(a) the reported amounts of assets and liabilities, (b) disclosure of contingent assets and liabilities at the date of the financial statements, and (c) the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

#### CASH AND CASH FLOWS

For purposes of the statements of cash flows, cash includes demand deposits, time deposits, certificates of deposit and short-term liquid investments in government securities with original maturities of three months or less when purchased. The Company maintains deposits in two financial institution. The Federal Deposit Insurance Corporation provides coverage up to \$250,000 per depositor, per bank. At December 31, 2024, the Company's cash was not in excess of federally insured limits. The Company has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risks from these deposits.

#### ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Company's practice is to record an allowance for doubtful accounts for estimated losses resulting from the inability of customers to make required payments. The estimate is based on management's assessment of the collectability of customer accounts and includes consideration for credit worthiness and financial condition of those customers. The Company reviews historical experience with its customers, the general economic environment and the aging of receivables to determine the adequacy of the allowance. The Company records an allowance to reduce receivables to the amount that can be reasonably expected to be collectible. The allowance for doubtful accounts is \$27,440 on December 31, 2024 and September 30, 2024.

#### INVENTORY

The Company's inventory consists of mine and rail inventory. Inventory is stated at the lower of cost (first-in, first-out) or net realizable value.

The following table details the inventory components:

	Quarter Ended	
	12/31/2024	12/31/2023
Inventory		
Mining	\$ 96,129	\$ 223,877
Rail	3,582,164	2,745,949
Total	<u>\$ 3,678,293</u>	<u>\$ 2,969,826</u>



## TX RAIL PRODUCTS, INC.

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES-Continued

##### PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less depreciation. Major renewals and betterments are capitalized, while maintenance and repairs that do not materially improve or extend the useful lives of the assets are charged to expense as incurred. A depreciable life of ten (10), seven (7) years or five (5) years are assigned to delivery trucks and equipment. Assets are depreciated over their estimated useful lives using the straight-line method. The Company records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets (Note 2).

##### REVENUE RECOGNITION

On January 1, 2018, the Company adopted ASU 2014-09, "Revenue from Contracts with Customers (ASC 606)", using the modified retrospective method. Adoption of the new revenue standard had no impact on the Company's consolidated balance sheet, results of operations, equity or cash flows as of the adoption date.

We recognize revenue on sales to customers and distributors upon satisfaction of our performance obligations when the goods are shipped. For consignment sales, we recognize revenue when the goods are pulled from consignment inventory.

The Company's revenue stream is generated from sales of mine and rail related products. Sales are initiated directly from customers' orders or through sales agents. Revenue is recognized generally upon shipment or delivery to our customers, depending upon the terms of the sales order. Control is considered transferred when title and risk of loss pass, when the customer is obligated to pay and, where required, when the customer has accepted the products.

We recognize shipping fees, if any, received from our customers in revenue. We expense shipping and handling costs as incurred which are included in cost of goods sold on the statements of operations.

##### REVENUE CLASSES

Selected financial information for the Company's operating revenue classes are as follows:

	Quarter Ended	
	12/31/2024	12/31/2023
<b><u>Revenue</u></b>		
Rail products	\$2,012,685	\$1,544,509
Mining products	63,418	39,375
Total	\$2,076,103	\$1,583,884
<b><u>Direct cost of revenue</u></b>		
Rail products	\$1,568,169	\$1,216,779
Mining products	54,191	43,722
Total	\$1,622,360	\$1,260,501



# **TX RAIL PRODUCTS, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

---

### **NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES-Continued**

#### **ADVERTISING**

The Company expenses the cost of advertising when incurred. Advertising expense for the quarters ended December 31, 2024, and 2023 were zero (\$0).

#### **STOCK BASED COMPENSATION**

The Company accounts for share-based expense and activity in accordance with Financial Accounting Standard Board (FASB) ASC Topic 718 which establishes accounting for equity instruments exchanged for services. Under this provision share-based compensation costs are measured at the grant date, based on the calculated fair value of the award, and are recognized as an expense over employee's requisite service period, generally the vesting period of the equity grant.

The Company estimates the fair value of stock options using the Black-Scholes valuation model. Key input assumptions used to estimate the fair value of stock options include the exercise price of the award, expected option term, expected volatility of the stock over the option's expected term, risk-free interest rate over the option's expected term and the expected annual dividend yield. The Company believes that the valuation technique and approach utilized to develop the underlying assumptions are appropriate in calculating the fair value of the stock options granted.

#### **POTENTIALLY DILUTIVE OPTIONS AND WARRANTS**

As of December 31, 2024, and 2023 there were no outstanding options and warrants.

#### **INCOME TAXES**

Income taxes are estimated for the tax effects of transactions reported in the financial statements and consist of deferred taxes related primarily to differences between the financial reporting basis and income tax basis of assets and liabilities. Deferred tax assets and liabilities represent future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

Deferred taxes may also be recognized for operating losses that are available to offset future taxable income. Deferred taxes are adjusted for changes in tax laws and tax rates when those changes are enacted.

In assessing the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which temporary differences become deductible. Management considers the reversal of any deferred tax liabilities, projected future taxable income and tax

# **TX RAIL PRODUCTS, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

---

### **NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES-Continued**

planning strategies in making this assessment. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

### **FINANCIAL INSTRUMENTS**

The Company includes fair value information in the notes to the financial statements when the fair value of its financial instruments is different from the book value. When the book value approximates fair value, no additional disclosure is made, which is the case for financial instruments outstanding as of December 31, 2024, and 2023. The book value of those financial instruments that are classified as current assets or liabilities approximates fair value because of the short maturity of these instruments. For non-current financial instruments, the Company uses quoted market prices or, to the extent that there are no quoted market prices, market prices for similar instruments.

### **FAIR VALUE MEASUREMENT**

ASC Topic 820, Fair Value Measurement, defines fair value, establishes a framework for measuring fair value in accordance with U. S. generally accepted accounting principles and requires certain disclosures about fair value measurements. In general, fair values of financial instruments are based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the customer's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time.

### **NET INCOME (LOSS) PER COMMON SHARE**

Net income or loss per share is computed based on current accounting guidance requiring companies to report both basic net income or loss per common share, which is computed using the weighted average number of common shares outstanding during the period, and diluted net income per common share, which is computed using the weighted average number of common shares outstanding and the weighted average dilutive potential common shares outstanding using the treasury stock method.

As of December 31, 2024, and 2023 there were no unissued securities which were not included in the calculation of diluted net earnings per share.

Net income per share for the three months' fiscal period ended December 31, 2024, was \$0.00.

### **RECENTLY ISSUED ACCOUNTING STANDARDS**

During the fiscal three months ended December 31, 2024, there were no applicable new accounting standards that will have a material financial impact on the financial statements of the Company.



# TX RAIL PRODUCTS, INC

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following on December 31, 2024, and 2023:

	December 31, 2024	December 31, 2023
<b>Property and Equipment</b>		
Delivery truck/trailer	\$415,567	\$183,993
Other warehouse equipment	13,144	13,144
Less accumulated depreciation	(76,031)	(119,836)
	<u>\$ 352,680</u>	<u>\$77,301</u>

Depreciation expenses of \$12,339 and \$4,915 were recognized during the quarters ended, December 31, 2024, and 2023, respectively.

### NOTE 3- STOCKHOLDERS' EQUITY

#### PREFERRED STOCK

The Company is authorized to issue up to 1,000,000 shares of preferred stock, no par value. As of December 31, 2024, and 2023, there were no preferred shares issued and outstanding.

#### COMMON STOCK

Of the 250,000,000 shares of common stock, no par value, authorized for issuance by the Company, 45,000,000 shares were issued and outstanding as of December 31, 2024, and December 31, 2023.

#### STOCK WARRANTS AND OPTIONS

As of December 31, 2024, and 2023 there were no warrants and options outstanding.

### NOTE 4 – LEGAL PROCEEDINGS

The Company is not a party to any pending legal proceedings.



**TX RAIL PRODUCTS, INC**  
**NOTES TO FINANCIAL STATEMENTS**

---

**NOTE 5- RELATED PARTY TRANSACTIONS**

*ADVANCES FROM OFFICER*

As of December 31, 2024, and 2023, Mr. Shrewsbury had advanced an aggregate of \$64,587 and \$238,587, respectively, to the Company. The advances do not bear interest and are repayable upon demand. The advances are subordinate to the Company's bank indebtedness.

*NOTES PAYABLE TO OFFICER*

On February 25, 2014, the Company and Mr. Shrewsbury entered into an agreement to consolidate certain indebtedness due to Mr. Shrewsbury in the aggregate amount of \$2,000,000, including the principal due under a Revolving Demand Note ("Revolving Note") in the principal amount of \$1,062,000 and accrued but unpaid interest due thereunder as of January 31, 2014 in the amount of \$168,905, the principal due under a 10% Promissory Note ("10% Note") in the amount of \$289,997 and accrued but unpaid interest due thereunder as of January 31, 2014 in the amount of \$93,252; and \$385,846 of non-interest bearing advances previously made by Mr. Shrewsbury and outstanding as of January 31, 2014. The Company issued a Consolidated Secured Promissory Note (the "Consolidated Note") in the principal amount of \$2,000,000 to reflect the consolidated indebtedness. Upon issuance of the Consolidated Note, the Revolving Note and 10% Note were cancelled and Mr. Shrewsbury agreed to waive any prior defaults under the terms of such notes and to release the Company from any claims related thereto. The Consolidated Note bears interest at the rate of 5% per annum or prime rate if higher than 5% per annum, is repayable in full ten years from the date of issuance and is subject to certain events of default. Payment of the Consolidated Note has been secured by the Company by the death benefit proceeds of a \$2 million key man term life insurance policy purchased by the Company on the life of Mr. Shrewsbury. The terms and conditions of the foregoing debt consolidation and restructuring were submitted to and unanimously approved by the disinterested members of the Board of Directors of the Company. Accrued interest of \$100,000 per-year due on the Promissory Note was recorded for the year ended September 30, 2019. Starting October 1, 2019, Mr. Shrewsbury has elected to waive any interest going forward on the loan and release the Company from any claims related thereto. Accrued interest on the promissory note totaled \$559,726 as of December 31, 2024, and 2023. On February 26, 2024, the Company executed an extension of the consolidated note for an additional five years, with the same covenants and obligations.

*LEASE AGREEMENT WITH STOCKHOLDER AND OFFICER*

We lease approximately 4,800 square feet of office and warehouse space and certain land located at 12080 Virginia Blvd, Ashland, Kentucky, from Mr. Shrewsbury, our CEO, and Mrs. Shrewsbury pursuant to the terms of a lease we entered into with them on November 19, 2012, for a monthly lease payment of \$2,000. The lease had a two-year term starting October 1, 2012, and ending August 31, 2014. On September 1, 2014, the lease was extended for an additional two years, and again extended on September 1, 2016, for an additional two years. Starting September 1, 2018, the parties have agreed annually thereafter to extend the lease for an additional one-year term, upon the same terms and conditions. As of December 31, 2024, the Company had accrued but unpaid lease payments due to Mr. and Mrs. Shrewsbury in the amount of \$234,000; accordingly, the Company may be deemed to be in default under the terms of the lease agreement with Mr. and Mrs. Shrewsbury. However, the Company has not received a notice of default or termination under the lease agreement as of the date of the financial statements. The Company believes that such an office, warehouse, and land space will be sufficient for its current needs. A \$6,000 lease expense was recorded during the current quarter as well as the same quarter the prior year.

# TX RAIL PRODUCTS, INC.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 5- RELATED PARTY TRANSACTIONS-CONTINUED

#### *COMMISSIONS PAID TO COMPANY CONTROLLED BY OFFICER/STOCKHOLDER*

In connection with the transportation and delivery of certain of the Company's products, the Company utilizes the services of a national transportation company. The chief executive officer and a principal stockholder of the Company owns and controls a company that is an agent of such transportation company. Such controlled company places orders for such transportation services on behalf of the Company and is paid a commission for such transportation services. During the three months ended December 31, 2024, and 2023, the amounts of such commission were \$18,774 and \$4,397, respectively.

#### *ACCRUED OFFICER'S SALARY*

As of December 31, 2024, and 2023, the Company had accrued and unpaid amounts of \$61,410, and \$101,410, respectively, due to Jose Fuentes, CFO, as payment for past services, which are included in our accrued liabilities amount. Payment of the accrued salary has been secured by the Company by the death benefit proceeds of a \$500 thousand key man term life insurance policy purchased by the Company on the life of Mr. Fuentes.

#### *ADVANCES FROM STOCKHOLDER AND OFFICER*

Included in the financial statements as of December 31, 2024, and 2023 are advances from stockholder and officer of \$64,587 and \$238,587, respectively.

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Beginning Balance-October, 1	\$ 101,587	\$ 286,587
Proceeds from stockholder/officer advances	3,800	—
Repayment stockholder/officer advances	(40,800)	(48,000)
Ending Balance	<u>\$ 64,587</u>	<u>\$ 238,587</u>

### NOTE 6 – NON-CASH INVESTING AND FINANCING ACTIVITIES

None



## **TX RAIL PRODUCTS, INC.**

### **NOTES TO THE FINANCIAL STATEMENTS**

---

#### **NOTE 7 – BANK LOAN**

On December 3, 2020, the Company entered into a term loan agreement with a maturity date of December 3, 2026. The new loan principal amount of \$418,244.81 was used to repay a prior outstanding loan. During the term of the loan, the Company has agreed to make 71 equal monthly repayments of principal and interest of \$6,602.75 commencing January 3, 2021, and to make a final payment estimated at \$6,607.77 on December 3, 2026, of the outstanding balance of the interest and principal then due. Early repayment of amounts due under the loan will not affect the monthly repayment amount, unless otherwise agreed to by the bank. Interest under the loan is variable and is based upon the Wall Street Journal Prime rate plus 1.000% point, currently 8.00% per annum. Interest on the loan cannot be less than 4.00% per annum or more than the lesser of 18.0% or the maximum rate allowed by applicable law. The term loan is secured by a priority security interest in the Company's inventory and accounts receivable and has been guaranteed by our CEO. Also, all claims due from the Company to Mr. Shrewsbury are subordinate to the bank's indebtedness, including under the Consolidated Note and any advances due to Mr. Shrewsbury. Interest paid on the loan for the three months ended December 31, 2024, and 2023 were \$0 and \$4,420, respectively. The Company paid the outstanding loan balance with proceeds from a new line of credit.

On March 13, 2024, the Company obtained a new revolving line of credit. The loan agreement is effective March 13, 2024, and will continue in full force until such time as the loan is paid in full, all related expenses paid, or until March 15, 2025, at which time the line of credit can be renewed. The loan was secured by all shares and deposits in all joint and individual accounts the Company has with the lender. The interest on the loan is variable indexed to the Wall Street Journal and will be a rate of 0.450 percentage over the index, the effective initial interest rate is 8.950%. The loan is to be paid in one payment on March 15, 2025, and interest to be paid on regular monthly payments, beginning April 15, 2024. The loan has several positive and negative covenants and conditions outlining the rights and responsibilities of the parties.

The loan is guaranteed by the Chief Executive Officer, William Shrewsbury, to the amount of \$500,000.

Proceeds of the loan in the amount of \$176,004.51 were used to pay off the outstanding balance of a previous loan and accrued interest and, the remaining new loan balance of \$323,995.49 to be used in the business operation. As of December 31, 2024, the loan balance was \$495,492.

On March 26, 2024, the Company obtained a new short-term loan in the amount of \$142,192. The loan was due in one principal payment and, all accrued interest not yet paid, on September 25, 2024. The interest rate on the loan to be calculated at 7% computed on a 365/360 basis multiplied by the outstanding principal balance. The loan can be prepaid in total or partially without penalty. The loan is secured by a purchased motor delivery vehicle described in a Commercial Security agreement dated March 26, 2024. The short-term loan was paid in full on September 9, 2024.



## **TX RAIL PRODUCTS, INC.**

### **NOTES TO THE FINANCIAL STATEMENTS**

---

#### **NOTE 7- BANK LOAN-continued**

On March 26, 2024, the Company obtained a new short-term loan in the amount of \$142,192. The loan was due in one principal payment and, all accrued interest not yet paid, on September 25, 2024. The interest rate on the loan to be calculated at 7% computed on a 365/360 basis multiplied by the outstanding principal balance. The loan can be prepaid in total or partially without penalty. The loan is secured by a purchased motor delivery vehicle described in a Commercial Security agreement dated March 26, 2024. The short-term loan was paid in full on September 9, 2024.

#### **NOTE 8 – COMMON STOCK**

On January 27, 2023, the Board of directors of the Company authorized a common share repurchase program of up to 8,053,084 shares of the Company's common stock to be effective for a 12-month period at a maximum price of \$0.25 per share. As of December 31, 2024, 3,053,084 common shares were purchased under the repurchase program and retired.

#### **NOTE 9- COMMITMENTS AND CONTINGENCIES**

None