VELTEX CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS and SIX MONTHS ENDED
JUNE 30, 2024

VELTEX®

VELTEX CORPORATION

CONSOLIDATED BALANCE SHEET

JUNE 30, 2024

CURRENT ASSETS	
Cash	$ 51,133
Accounts receivable	611,090
Prepaid expenses	98,770
Total Current Assets	760,993
PROPERTY AND EQUIPMENT, AT COST	
Building	638,405
Building improvements	188,006
Land	30,400
Equipment	614,632
Vehicle	17,980
	1,489,423
Accumulated Depreciation	387,432
Total Property and Equipment, net	1,101,991
TOTAL ASSETS	$ 1,862,984
CURRENT LIABILITIES	
Due to management company	$ -
Accounts payable	140,193
Payroll tax payable	35,880
Accrued expense	81,002
Advance	225,000
Loan payable - stockholder	510,000
Secured note payable - management company	1,882,519
TOTAL CURRENT LIABILITIES	2,874,594
Common stock payable	219,706
STOCKHOLDERS' EQUITY (DEFICIT)	
Capital stock-voting, $.001 par value; 200,000,000 shares authorized; 94,271,482 issued and outstanding of which 4,105,534 shares are held as treasury stock	94,271
Additional paid-in capital	16,899,747
Accumulated deficit	(17,780,768)
Less treasury stock, at cost	(444,566)
Total Stockholders' Equity	(1,231,316)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY/DEFICIT	$ 1,862,984

See accompanying notes.

VELTEX CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS

THREE and SIX MONTHS ENDED JUNE 30, 2024

	Three Months ended June 30, 2024	Six Months ended June 30, 2024
REVENUE		
Fees for services	$ 123,104	$ 466,086
Total Revenues	123,104	466,086
EXPENSES		
Administrative Expenses		
Interest expense	86,073	176,888
Management fees	79,500	159,000
Meals and entertainment	3,022	4,624
Office expense	743	1,499
OTC compliance	15,600	15,600
Professional fees	30,130	68,125
Rent	4,173	8,346
Shareholder relations	2,359	2,359
Stock based compensation	-	100,000
Taxes and licenses	-	77
Transfer agent fees	-	6,334
Travel	2,336	3,290
Total Administrative Expenses	223,936	546,142
Medical Expenses		
Advertising and marketing	205	205
Depreciation	899	1,798
Human resources	589	589
Insurance expense	2,842	5,343
Interest expense	-	132
Maintenance	3,355	5,186
Meals and entertainment	75	1,778
Office expense	4,385	5,429
Patient expenses	25,180	44,547
Payroll	165,813	302,338
Payroll taxes	14,914	28,335
Professional fees	30,436	40,271
Repairs and equipment	22,912	32,123
State Compliance	-	1,061
Supplies	4,252	6,730
Taxes and licenses	1,968	3,388
Travel	508	2,167
Utilities	12,156	30,316
Website	300	600
Total Medical Expenses	290,789	512,336
Property Expenses		
Depreciation	36,772	72,527
Office expense	60	75
Property taxes	6,851	13,051
Total Property Expenses	43,683	85,653
Total Expenses	558,408	1,144,131
LOSS FROM OPERATIONS	(435,304)	(678,045)
OTHER INCOME		
Other income	905	1,587
Total Other Income	905	1,587
LOSS BEFORE INCOME TAXES	(434,399)	(676,458)
INCOME TAXES	-	-
NET LOSS	$ (434,399)	$ (676,458)

See accompanying notes.

VELTEX CORPORATION

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY / (DEFICIT)

SIX MONTHS ENDED JUNE 30, 2024

	Common Stock		Additional	Accumulated	Treasury Stock		Total
	Shares	Amount	Paid-In Capital	Deficit	Shares	Amount	Stockholders' Equity / (Deficit)
Balances at January 1, 2024	86,381,482	$ 86,381	$ 16,388,387	$ (17,104,310)	4,105,534	$ (444,566)	$ (1,074,108)
Stock options exercised - noncash	500,000	500	99,500	-	-	-	100,000
Management fee issued in stock	500,000	500	99,500	-	-	-	100,000
Stock subscriptions issued	580,000	580	104,420	-	-	-	105,000
Net loss for period	-	-	-	(242,059)	-	-	(242,059)
Balances at March 31, 2024	87,961,482	$ 87,961	$ 16,691,807	$ (17,346,369)	4,105,534	$ (444,566)	$ (1,011,167)
Stock options exercised - noncash	2,250,000	2,250	9,000	-	-	-	11,250
Shareholder Loan converted to stock - noncash	4,060,000	4,060	198,940	-	-	-	203,000
Net loss for period	-	-	-	(434,399)	-	-	(434,399)
Balances at June 30, 2024	94,271,482	$ 94,271	$ 16,899,747	$ (17,780,768)	4,105,534	$ (444,566)	$ (1,231,316)
		-	-	-		-	

See accompanying notes.

VELTEX CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$	(676,458)
Adjustments to reconcile net loss to net cash used in operating activities -		
Stock options expense		100,000
Depreciation		74,325
Changes in:		
Accounts receivable		(32,833)
Prepaid expenses		75,302
Due to management company		68,907
Accounts payable		26,589
Accrued expenses		16,816
Net Cash Used in Operating Activities		(347,352)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets		(30,956)
Net Cash Used in Investing Activities		(30,956)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans and advances		424,000
Net Cash From Financing Activities		424,000
NET INCREASE IN CASH		45,692
CASH AND CASH EQUIVALENTS:		
Beginning of period		5,441
End of period	$	51,133
SUPPLEMENTARY DISLOSURES OF CASH FLOW INFORMATION:		
CASH PAYMENTS FOR:		
Interest	$	-
Income Taxes	$	-
Noncash financing and investing activities:		
Additional amount transferred from due to management company to secured note payable	$	68,907
Common stock payable issued into common stock	$	105,000
Shareholder loan converted to common stock	$	203,000
Stock options exercised utilizing secured note payable	$	11,250
Management fee utllizing common stock/ prepaid expense	$	100,000

See accompanying notes.

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

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

The clearing house for all MCOs in the State of West Virginia is Change Healthcare. On February 21, 2024, Change Healthcare suffered a cyber security attack, crippling their entire system. As of March 31, 2024, the claims submission system of Change Healthcare was not available. VRG could not submit claims through the clearinghouse until the system was up and running. This resulted in a delay in receipt of payment which VRG is entitled to receive. Change Healthcare started accepting claims on April 9, 2024. Payments are being received, but there is still a backlog of claims.

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

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

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

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

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

Income Taxes - The Company accounts for income taxes under the provisions of 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 June 30, 2024, did not result in any positions requiring disclosure. Should the Company need to record interest and/or penalties related to uncertain tax positions, or other tax authority assessments, it would classify such expenses as part of the income tax provision.

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

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

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

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

Property and Equipment – Property and equipment are recorded at cost, or at estimated fair value (if contributed). Maintenance, repairs and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. The Company capitalizes purchases of fixed assets in excess of $5,000 with a useful life of one year or greater. Depreciation was $74,325 during the six months ended June 30, 2024.

Revenue Recognition

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

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

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

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

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

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

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

The following table shows the Company's revenue disaggregated according to the timing of the transfer of goods and services for the six months ending June 30, 2024:

Revenue recognized at a point in time	
Fees for services	$ 466,086
Client fees	-
Total revenue recognized at a point in time	$ 466,086

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

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

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

Credit loss activity consists of the following for the six months ended June 30, 2024:

Balance, beginning of year	$	10,000
Writeoffs		-
Recoveries		-
Credit loss expense		-
Balance, end of year	$	10,000

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

2. PROPERTY AND EQUIPMENT INVESTMENTS

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

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

3. LEASE OBLIGATIONS

The Company leases its corporate office space and one storage unit under a sub-lease agreement in downtown Chicago Illinois. The Company currently operates on a month to month basis. Total rent expense for the six months ended June 30, 2024 was $8,346.

4. RELATED PARTY TRANSACTIONS

On October 1, 2023 the Company entered into an amended management contract with First Options to provide the Company's management services and expires December 31, 2024. The contract calls for cash payments of $12,500 per month and the issuance of 500,000 shares of common stock valued at $85,000, on the date of the contract. In addition, the agreement grants 500,000 additional shares on January 1, 2024 which was valued at $100,000.. The Company has recorded fees for management services in the amount of $159,000 for the six months ended June 30, 2024.

On February 14, 2019, the Company converted advances of $300,000 into a senior secured note with First Options. The note takes precedence over all other secured and unsecured notes or obligations in the event of bankruptcy. The note has been increased periodically through 2024. On January 1, 2024, the Company increased the amount of the senior note to $2,290,864 with a maturity date of March 31, 2024. On April 1, 2024, the Company increased the amount of the senior note to $2,338,331 with a maturity date of June 30, 2024. On July 1, 2024, the Company increased the amount of the senior note to $2,476,178 with a maturity date of September 30, 2024. The note and any accrued interest accumulates interest at a rate of 16.75% per annum. As of June 30, 2024, the entire senior secured note has not been fully utilized.

Interest expense for the notes was $176,888 for the six months ended June 30, 2024.

Interest accrues on all outstanding balances at a rate of 16.75% per annum. Interest expense is calculated monthly. Interest income on the due to the management company balances during the six months was $1,959 for the six months ended June 30, 2024 and is included in the amount owed to First Options.

On January 23, 2023, the Company entered into a loan agreement with a director/shareholder. The loan is $90,000, due August 27, 2023, but extended to October 1, 2024, with an interest rate of 12.50% per annum. During July, 2023, an additional loan of $100,000 was received at the same interest rate and maturity of October 1, 2024. Interest expense for the loans was $12,200 for the six months ended June 30, 2024.

On May 24, 2023, the Company entered into a loan agreement with a shareholder. The loan is $50,000, due October 1, 2024, with an interest rate of 16.75% per annum. Interest expense for this loan was $4.311 for the six months ended June 30, 2024.

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. Interest expense for this loan was $1,721 for the six months ended on June 30, 2024.

On October 5, 2023, the Company entered into a convertible loan agreement with a shareholder. The loan is $100,000, due March 20, 2024, with an interest rate of 16.75% per annum, converting to restricted stock at .05 per share on maturity date. During 2024, the Company entered into additional convertible loan agreements with a shareholder for $103,000, all due March 20, 2024, with an interest rate of 16.75% per annum, converting to restricted stock at .05 per share on maturity date, if not paid. Convertible notes in the amount of $203,000 converted to common stock on April 2, 2024. Interest of $10,032 on these convertible notes was waived.

On March 23, 2024, the Company entered into a loan agreement with a shareholder. The loan is $200,000, due December 31, 2024, with an interest rate of 16.75% per annum. On March 27, 2024, an additional loan of $50,000 was received at the same interest rate and maturity of December 31, 2024. Interest expense for the loans was $11,560 for the six months ended June 30, 2024.

Total interest expense was $176,888 for the six months ended June 30, 2024.

During 2023, the Company received various advances totaling $154,000 from directors and shareholders which do not have documented terms. During 2024, the Company has received non-interest bearing advances, $25,000 from a shareholder and $46,000 from a director/shareholder, which do not have documented terms.

The Company has recorded fees for legal services of the Company's general counsel in the amount of $30,000 for the six months ended June 30, 2024.

5. GOING CONCERN

As of June 30, 2024, the Company does not have sustainable sources of revenue and income, and an accumulated deficit of $17,320,416. The Company continues to pursue legal judgments against a former officer. Management has not been able to assess the ultimate collectability of these legal judgments.

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

6. LEGAL JUDGEMENTS

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

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

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

There have been judgments against others, but to date, nothing has been recovered. Various government agencies are pursuing seizure of assets against the other defendants, and management is unable to determine whether the judgment is collectable in whole or in part. Management is unable to address with reasonable certainty the collectability of these legal judgments, but will continue to pursue them within its legal rights.

7. STOCKHOLDER'S EQUITY

Stock Options

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

On June 30, 2022 the Board of Directors modified the stock option agreement from August 20, 2020 granting First Options 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, 2024, 500,000 options vested at no strike price. First Options exercised these options on February 29, 2024. The options were valued on the date they were issued, January 1, 2024 and stock option expense in the amount of $100,000 was recorded.

A summary of stock options activity is as follows:

	Shares Issuable Under Outstanding Options		Weighted Average Exercise Price
Balance at December 31, 2023	24,500,000	$	0.104
Issued	500,000		-
Expired/forfeited/modified	(500,000)		0.500
Exercised	(2,750,000)		0.004
Balance at June 30, 2024	21,750,000	$	0.105
Exercisable, June 30, 2024	21,750,000	$	0.105

Common Stock

As of June 30, 2024, the Company received stock subscriptions exercise agreements for 1,690,195 shares valued at $324,706, which have not yet been issued.

All of the convertible loans were converted to restricted common stock at $.05 per share on March 20, 2024. For the $100,000 loan from 2023, 2,000,000, shares of restricted stock were issued April 2, 2024. For the $103,000 loans from 2024, 2,060,000 shares of restricted stock were also issued on April 2, 2024.

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.

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

8. INCOME TAXES

The Company has incurred losses since its inception and, therefore, has not been subject to federal income taxes. As of June 30, 2024, the Company had domestic net operating loss ("NOL") carryforwards for income tax purposes of approximately $1,306,000 which expire in 2030 through 2037. In addition, the Company has Federal net operating losses of approximately $3,656,000, which can be carried forward indefinitely but have certain limitations.

Under the provisions of Section 382 of the Internal Revenue Code greater than 50% ownership changes that occurred in the Company may significantly limit the Company's ability to utilize its NOL carry forwards to reduce future taxable income and related tax liabilities.

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

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

At June 30, 2024, 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 June 30, 2024:

Deferred tax assets:	
Federal net operating loss carryforwards	$ 1,274,000
Net deferred tax aset prior to allowance	1,274,000
Valuation allowance for deferred tax asset	(1,274,000)
	$ -

9. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through August 9, 2024, the date which the financial statements were available to be issued.

On July 11, 2024, the Company entered into a loan agreement with a shareholder for $63,000, due December 31, 2024, with an interest rate of 16.75%.