

Board of Governors of the Federal Reserve System



Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

Date of Report (top-tier holding company's fiscal year-end):

December 31, 2018

Month / Day / Year

none

Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

I, **C.C. Burgess**

Herring Bancorp, Inc.

Legal Title of Holding Company

Name of the Holding Company Director and Official

Chairman of the Board of Directors

Title of the Holding Company Director and Official

2201 Civic Circle

(Mailing Address of the Holding Company) Street / P.O. Box

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

Amarillo

TX

79109

City

State

Zip Code

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Nathan Terry

Controller

Name

Title

806-322-2763

Area Code / Phone Number / Extension

806-358-4196

Area Code / FAX Number

nterry@herringbank.com

E-mail Address

none

Address (URL) for the Holding Company's web page

Signature of Holding Company Director and Official

03/26/2019

Date of Signature

For holding companies *not* registered with the SEC—
 Indicate status of Annual Report to Shareholders:

- is included with the FR Y-6 report
- will be sent under separate cover
- is not prepared

For Federal Reserve Bank Use Only

RSSD ID _____

C.I. _____

Is confidential treatment requested for any portion of this report submission? 0=No
1=Yes 0

In accordance with the General Instructions for this report (check only one),

- 1. a letter justifying this request is being provided along with the report.....
- 2. a letter justifying this request has been provided separately ...

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

For Use By Tiered Holding Companies

Top-tiered holding companies must list the names, mailing address, and physical locations of each of their subsidiary holding companies below.

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

Physical Location (if different from mailing address)

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City State Zip Code

Physical Location (if different from mailing address)

Form FR Y-6
Herring Bancorp, Inc.
Fiscal Year Ending December 31, 2018

Report Item 3 ; Securities holders
(1)(a)(b)(c) and (2)(a)(b)(c)

Current Shareholders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-2017		Shareholders not listed in 3(1)(a) through 3(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12-31-2017			
1 (a) Name & Address	1 (b) Country of Citizenship or Incorporation	1 (c) # of voting shares	2 (c) % of Voting Shares		
2 (a) Name & Address	2 (b) Country of Citizenship or Incorporation	# of voting shares	% of Voting Shares		
C.C. Burgess - Individually Amarillo, TX 79105	USA	6,522	18.85%	N/A	
TOTAL C.C. Burgess		6,522	18.85%		
Campbell Burgess - Individually	USA	50	0.14%		
Burgess Trust No. 2 Trustee: Monarch Trust Company Amarillo, TX 79105 Voted by C.C. Burgess	USA	6,584	19.03%		
TOTAL C. Campbell Burgess		6,634	19.18%		
Cornelia Johnson Slemp Trust Amarillo, TX 79159	USA	6,120	17.69%		
TOTAL Herring Bank Trust Dept (Co-Trustee) Voted by Bill Titcomb		6,120	17.69%		
Carson H. Burgess - Individually Burgess Trust No. 3 Trustee: Monarch Trust Company Amarillo, TX 79105	USA	17	0.05%		
Voted by C.C. Burgess	USA	3,977	11.50%		
TOTAL Carson Burgess		3,994	11.54%		
Charlotte Griffiths: Burgess Trust No. 4 Trustee: Monarch Trust Company Amarillo, TX 79105	USA	4,166	12.04%		
Voted by C.C. Burgess		4,166	12.04%		
TOTAL Charlotte Griffiths					
Voting shares outstanding					34,596
Non-voting shares outstanding					2,636
Total shares outstanding					37,232
Voting shares outstanding + Outstanding Voting Stock Options					34,596

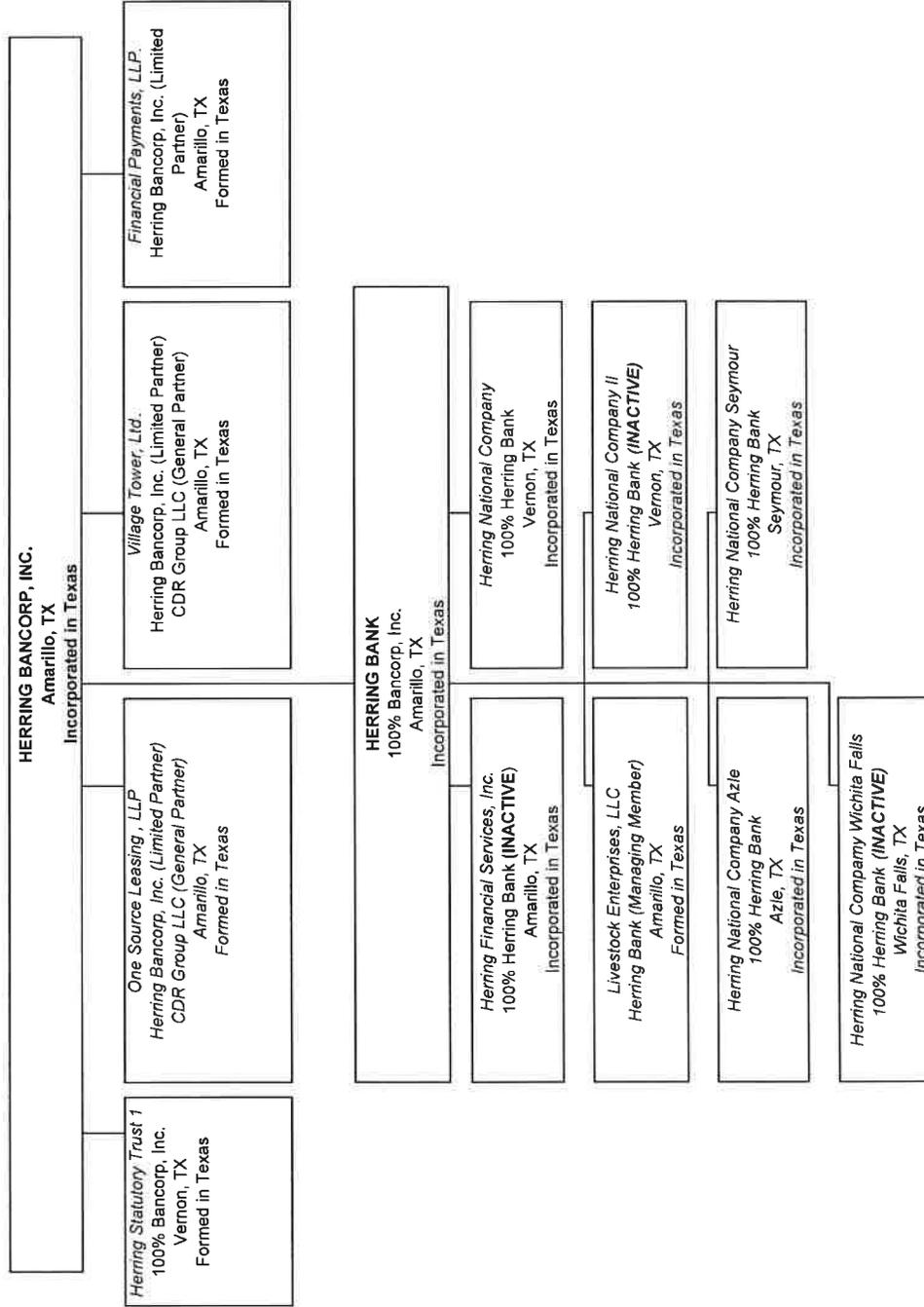
Form FR Y-6
Herring Bancorp, Inc.
Fiscal Year Ending December 31, 2018

Report Item 4: Insiders
(1), (2), (3)(a)(b)(c), and (4)(a)(b)(c)

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address	Principal Occupation if other than with Bank Holding Company	Title & Position with Bank Holding Company	Title & Position with Subsidiaries	Title & Position with Other Businesses	Percentage of Voting Shares in Bank Holding Company	Percentage of Voting Shares in Subsidiaries	List names of other companies
Campbell Burgess Amarillo, TX USA	N/A	Director, President, CEO, Vice Chairman	Director (Herring Bank), President & Director (Herring Financial Services, Inc.), VP & Director (Herring National Co.)	President & Director - Chain C, Inc. Member / Manager of FCCTX, LLC	19.18%	N/A	N/A
Charlotte Griffiths Wales, UK	Hotel Owner	Director	Director (Herring Bank)	Secretary - Chain-C, Inc.	12.04%	N/A	N/A
C. C. Burgess Amarillo, TX USA	Investments	Director & Chairman	Director & Chairman (Herring Bank), Director & Chairman (Herring Financial Services), President & Director (Herring National Co)	Owner - Burgess Herring Ranch, Owner - Burgess Y Ranch, Owner - Herring X, Owner - CCB Special Owner - Burgess Oil President - Zircon, Inc. President - Burgess Wheeler President - Herring Cattle Co. Chairman - Texas Panhandle Heritage Foundation	18.85%	N/A	Burgess Herring Ranch - 100% Burgess Y Ranch - 100% Herring X - 100% Burgess Wheeler - 78% CCB Special - 100% Burgess Oil - 100%
Susan Couch Vernon, TX USA	Consultant	N/A	Director (Herring Bank)	President & Manager - Couch Consulting & Management, LLC Trustee - The Kelly and Susan Couch Living Trust	8.21%	N/A	Couch Consulting & Management, LLC - 100% The Kelly and Susan Couch Living Trust - 100%
Bill Titcomb	Trust Director	Principal Securities Holder	N/A	N/A	17.69%	N/A	N/A
Christopher Todd Clark Houston, TX USA	Oil & Gas	Director	N/A	Owner - Todd Clark Oil and Gas Investment	0.14%	N/A	Todd Clark Oil and Gas Investment - 100%
Carson Burgess Amarillo, TX USA	Airplane Pilot	Director	N/A	Owner - CH Burgess & Co.	11.54%	N/A	CH Burgess & Co. - 100%
Nathan Terry Amarillo, TX USA	Controller	Controller	Controller (Herring Bank)	N/A	N/A	N/A	N/A

Corporate Structure

December 31, 2018



No LEI for any of the above entities is available

**HERRING BANCORP, INC.
AND SUBSIDIARIES**

**SEPARATE COMPANY FINANCIAL STATEMENTS
AND
INDEPENDENT ACCOUNTANT'S
COMPILATION REPORT**

December 31, 2018 and 2017



JOHNSON & SHELDON, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

**HERRING BANCORP, INC. AND SUBSIDIARIES
SEPARATE COMPANY FINANCIAL STATEMENTS**

December 31, 2018 and 2017

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Village Tower, Ltd.....	VT
Financial Payments, LP.....	FP
Herring Bank	HB
Herring Financial Services, Inc.....	HFS
Herring National Company, Inc (combined)	HNC





JOHNSON & SHELDON, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Herring Bancorp, Inc. and Subsidiaries
Amarillo, Texas

Independent Accountant's Compilation Report

Management is responsible for the accompanying separate company financial statements of **Herring Bancorp, Inc. and Subsidiaries**, as listed below, which comprise the balance sheets as of December 31, 2018 and 2017 and the related statements of operations and comprehensive income*, changes in stockholders' equity*, and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. We have performed compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA:

Herring Bancorp, Inc.*
One Source Leasing Company, LP.
Village Tower, Ltd.
Financial Payments, LP.
Herring Bank*
Herring Financial Services, Inc.
Herring National Company, Inc., which includes the following disregarded entities:
 Herring National Company, Inc.
 Herring National Company II, Inc.
 Herring National Company Azle, Inc.
 Herring National Company Seymour, Inc.
 Herring National Company Wichita Falls, Inc.

* Management has elected to include the separate company statements of changes in stockholders' equity and comprehensive income.

We did not audit or review these separate company financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these separate company financial statements.

Board of Directors
Herring Bancorp, Inc. and Subsidiaries
Page 2

Management has elected to omit substantially all the disclosures and the statements of changes in stockholders' equity* and the statements of comprehensive income* ordinarily included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America. If the omitted disclosures and statements* were included in the financial statements, they might influence the user's conclusions about the company's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Johnson & Sheldon, PLLC

Johnson & Sheldon, PLLC

February 19, 2019



HERRING BANCORP, INC.



HERRING BANCORP, INC.

BALANCE SHEETS DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash	\$ 942,412	\$ 2,118,269
Receivable from subsidiaries	89,518	36,110
Dividends receivable from subsidiary bank	544,450	-
Interest receivable-Herring Statutory Trust	3,232	2,605
	<u>1,579,612</u>	<u>2,156,984</u>
Equipment, net	<u>37,152</u>	<u>57,805</u>
Investments		
Investments in subsidiaries:		
Herring Bank	43,023,649	45,328,223
Herring Statutory Trust	310,000	310,000
Village Tower, Ltd.	3,604,868	3,425,031
One Source Leasing Company, LP.	518,051	531,376
Financial Payments, LP.	600,852	1,296,621
	<u>48,057,420</u>	<u>50,891,251</u>
Other Assets		
Miscellaneous other assets	149,047	147,760
Accounts Receivable	32,828	32,828
	<u>181,875</u>	<u>180,588</u>
Total Assets	<u>\$ 49,856,059</u>	<u>\$ 53,286,628</u>

See accompanying independent accountant's compilation report



Continued

	<u>2018</u>	<u>2017</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accrued interest payable	\$ 165,579	\$ 133,597
Interest rate swap	2,509	108,049
Other liabilities	<u>363,990</u>	<u>83,000</u>
Total Current Liabilities	<u>532,078</u>	<u>324,646</u>
Long-Term Liabilities		
Debentures payable-Herring Statutory Trust	10,310,000	10,310,000
Debentures payable-Individual	<u>2,044,862</u>	<u>2,044,862</u>
Total Long-Term Liabilities	<u>12,354,862</u>	<u>12,354,862</u>
Total Liabilities	<u>12,886,940</u>	<u>12,679,508</u>
Stockholders' Equity		
Common stock, \$20 par value, 300,000 shares authorized, 40,251 shares issued and 37,235 shares outstanding	805,020	805,020
Paid-in capital	7,023,756	7,023,756
Retained earnings	37,720,988	38,962,773
Accumulated other comprehensive income (loss)	<u>(5,589,484)</u>	<u>(3,196,417)</u>
	39,960,280	43,595,132
Less treasury stock, at cost 3,018 and 3,016 shares	<u>(2,991,161)</u>	<u>(2,988,012)</u>
Total Stockholders' Equity	<u>36,969,119</u>	<u>40,607,120</u>
Total Liabilities and Stockholders' Equity	<u>\$ 49,856,059</u>	<u>\$ 53,286,628</u>

See accompanying independent accountants' compilation report



HERRING BANCORP, INC.

STATEMENTS OF OPERATIONS YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Income		
Undistributed current earnings (losses) of subsidiaries, net	\$ (335,223)	\$ 149,684
Cash dividends received and receivable from subsidiaries	3,686,614	2,719,997
	<u>3,351,391</u>	<u>2,869,681</u>
Other Income		
Management fees, from subsidiaries	-	439,152
Interest income-Herring Statutory Trust	18,055	14,977
Dividend income-other domestic	-	94
Miscellaneous Income	115,548	177
	<u>133,603</u>	<u>454,400</u>
Total Other Income	<u>133,603</u>	<u>454,400</u>
Total Income	<u>3,484,994</u>	<u>3,324,081</u>
Expenses		
Salary and employee benefits	1,620,640	1,524,515
Interest expense	770,093	752,822
Legal and professional fees	1,929,556	908,270
Chairman fee	100,000	100,000
Rent	66,928	60,454
Depreciation and amortization	31,486	25,605
Directors fees	54,000	55,900
Other expenses	71,824	79,239
Travel and entertainment	20,337	45,064
Automobile expense	12,825	43,621
	<u>4,677,689</u>	<u>3,595,490</u>
Total Expenses	<u>4,677,689</u>	<u>3,595,490</u>
Net Income (Loss)	<u>\$ (1,192,695)</u>	<u>\$ (271,409)</u>

See accompanying independent accountant's compilation report



HERRING BANCORP, INC.

**STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Net Income (Loss)	<u>\$ (1,192,695)</u>	<u>\$ (271,409)</u>
Other comprehensive income (loss):		
Net change in unrealized gains (losses) on securities available for sale	(952,809)	(543,747)
Net change in minimum pension liability	(1,545,798)	1,005,038
Net change in interest rate swap valuation	<u>105,540</u>	<u>219,743</u>
Total Other Comprehensive Income (Loss):	<u>(2,393,067)</u>	<u>681,034</u>
Comprehensive Income (Loss)	<u><u>\$ (3,585,762)</u></u>	<u><u>\$ 409,625</u></u>

See accompanying independent accountant's compilation report



HERRING BANCORP, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2018 AND 2017

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at December 31, 2016	\$ 805,020	\$ 7,023,303	\$ 44,431,646	\$ (3,877,451)	\$ (2,989,994)	\$ 45,392,524
Comprehensive income:						
Net loss for 2017	-	-	(271,409)	-	-	(271,409)
Other Comprehensive Income (Loss)	-	-	-	681,034	-	681,034
Total comprehensive income						409,625
Sale of 2 shares of treasury stock	-	453	-	-	1,982	2,435
Cash distributions on common stock	-	-	(5,197,464)	-	-	(5,197,464)
Balance at December 31, 2017	\$ 805,020	\$ 7,023,756	\$ 38,962,773	\$ (3,196,417)	\$ (2,988,012)	\$ 40,607,120
Comprehensive income:						
Net loss for 2018	-	-	(1,192,695)	-	-	(1,192,695)
Other Comprehensive Income (Loss)	-	-	-	(2,393,067)	-	(2,393,067)
Total comprehensive income						(3,585,762)
Purchase of 2 shares of treasury stock	-	-	-	-	(3,149)	(3,149)
Cash distributions on common stock	-	-	(49,090)	-	-	(49,090)
Balance at December 31, 2018	\$ 805,020	\$ 7,023,756	\$ 37,720,988	\$ (5,589,484)	\$ (2,991,161)	\$ 36,969,119

See accompanying independent accountant's compilation report



HERRING BANCORP, INC.

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
Cash Flows from Operating Activities		
Net income	\$ (1,192,695)	\$ (271,409)
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization expense	31,486	25,605
Undistributed (earnings) losses of subsidiaries, net	335,224	(149,683)
(Increase) decrease in other assets	(12,747)	11,571
(Increase) decrease in related party receivable	(53,408)	(14,837)
(Increase) decrease in dividends receivable from subsidiary bank	(544,450)	6,708,899
Increase (decrease) in accrued interest payable	31,983	2,854
Increase (decrease) in other liabilities	280,989	4,538
Net cash provided by (used for) operating activities	(1,123,618)	6,317,538
Cash Flows from Investing Activities		
Purchases of equipment	-	(42,152)
Net cash used for investing activities	-	(42,152)
Cash Flows from Financing Activities		
Proceeds from sales of common stock	-	453
Purchase of treasury stock	(3,149)	-
Proceeds from sales of treasury stock	-	1,982
Dividends paid to stockholders	(49,090)	(5,197,464)
Net cash used for financing activities	(52,239)	(5,195,029)
Net Change in Cash	(1,175,857)	1,080,357
Cash and Equivalents, Beginning of Year	2,118,269	1,037,912
Cash and Equivalents, End of Year	\$ 942,412	\$ 2,118,269
Supplemental Disclosures of Cash Flow Information		
Interest paid	\$ 738,111	\$ 749,968

See accompanying independent accountant's compilation report



ONE SOURCE LEASING
COMPANY, LP.



ONE SOURCE LEASING COMPANY, LP.

**BALANCE SHEETS
DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash	\$ 451,862	\$ 476,796
Receivables from customers	15,872	62,168
Total Current Assets	<u>467,734</u>	<u>538,964</u>
Non-Current Assets		
Vehicle, net	<u>55,915</u>	<u>70,192</u>
Total Assets	<u>\$ 523,649</u>	<u>\$ 609,156</u>
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities		
Accrued Expenses	\$ 367	\$ 1,031
Current portion of Long-Term Debt	-	12,488
Total Current Liabilities	<u>367</u>	<u>13,519</u>
Long-Term Liabilities		
Ford Motor Credit	<u>-</u>	<u>58,894</u>
Total Liabilities	<u>367</u>	<u>72,413</u>
Partners' Equity		
CDR Group	5,233	5,367
Herring Bancorp, Inc.	<u>518,049</u>	<u>531,376</u>
Total Partners' Equity	<u>523,282</u>	<u>536,743</u>
Total Liabilities and Partners' Equity	<u>\$ 523,649</u>	<u>\$ 609,156</u>

See accompanying independent accountant's compilation report



ONE SOURCE LEASING COMPANY, LP.

**STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Revenues		
Interest Income	\$ 1,264	\$ 3,562
Total Revenues	<u>1,264</u>	<u>3,562</u>
Other Operating Expenses		
Depreciation expense	14,276	1,190
Professional fees	-	480
Automobile expense	-	8,665
Other expenses	449	156
Total Operating Expenses	<u>14,725</u>	<u>10,491</u>
Net Income (Loss)	<u>\$ (13,461)</u>	<u>\$ (6,929)</u>

See accompanying independent accountant's compilation report



ONE SOURCE LEASING COMPANY, LP.

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Net income (loss)	\$ (13,461)	\$ (6,929)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation	14,277	1,190
(Increase) decrease in receivable from customer	46,296	41,560
Increase (decrease) in other liabilities	(664)	574
	<u>46,448</u>	<u>36,397</u>
Net cash provided by operating activities		
	<u>46,448</u>	<u>36,397</u>
Cash Flows from Investing Activities		
Purchase of vehicle	-	(71,382)
Net cash used for investing activities	<u>-</u>	<u>(71,382)</u>
Cash Flows from Financing Activities		
Repayment of debt	(71,382)	-
Proceeds from debt	-	71,382
Net cash provided by (used for) financing activities	<u>(71,382)</u>	<u>71,382</u>
Net Change in Cash	(24,934)	36,397
Cash, Beginning of Year	<u>476,796</u>	<u>440,399</u>
Cash, End of Year	<u>\$ 451,862</u>	<u>\$ 476,796</u>

See accompanying independent accountant's compilation report



VILLAGE TOWER, LTD.



VILLAGE TOWER, LTD.

**BALANCE SHEETS
DECEMBER 31, 2018 AND 2017**

	2018	2017
ASSETS		
Current Assets		
Cash	\$ 1,646,341	\$ 1,363,466
Prepaid expenses	22,814	19,534
Accounts receivable	11,248	11,028
Total Current Assets	1,680,403	1,394,028
Property and Equipment		
Land	176,232	176,232
Building	1,593,158	1,593,158
Building improvements	1,683,078	1,669,103
Equipment	318,152	305,325
Automobiles	15,950	15,950
Furniture and fixtures	36,503	36,503
Less: accumulated depreciation	(1,859,271)	(1,728,152)
Total Property and Equipment, net	1,963,802	2,068,119
Total Assets	\$ 3,644,205	\$ 3,462,147
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities		
Accrued expenses	\$ 9,712	\$ 9,307
Total Current Liabilities	9,712	9,307
Partners' Equity		
CDR Group	29,627	27,810
Herring Bancorp, Inc.	3,604,866	3,425,030
Total Partners' Equity	3,634,493	3,452,840
Total Liabilities and Partners' Equity	\$ 3,644,205	\$ 3,462,147



VILLAGE TOWER, LTD.

**STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Operating Income		
Lease income	\$ 1,145,509	\$ 1,080,791
Miscellaneous income	10,266	10,084
Total Operating Income	<u>1,155,775</u>	<u>1,090,875</u>
Operating Expenses		
Salaries and employee benefits	74,891	126,011
Utilities	202,163	216,423
Maintenance and repairs	187,518	139,500
Depreciation	131,119	133,069
Property taxes	116,838	122,836
Insurance	36,780	43,141
Management fees - related party	115,166	168,786
Janitorial services	91,473	14,206
Automobile expenses	3,231	2,999
Supplies	4,592	17,200
Other expenses	10,352	8,707
Total Operating Expenses	<u>974,123</u>	<u>992,878</u>
Net Income	<u>\$ 181,652</u>	<u>\$ 97,997</u>

See accompanying independent accountant's compilation report



VILLAGE TOWER, LTD.

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Net income	\$ 181,652	\$ 97,997
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation	131,119	133,069
(Increase) decrease in accounts receivable	(219)	18,763
(Increase) decrease in prepaid expenses	(3,280)	557
Increase (decrease) in accrued expenses	405	(111,891)
	<u>309,677</u>	<u>138,495</u>
Net cash provided by operating activities		
Cash Flows from Investing Activities		
Purchases of equipment	<u>(26,802)</u>	<u>(39,570)</u>
Net cash used for investing activities	<u>(26,802)</u>	<u>(39,570)</u>
Net Change in Cash	282,875	98,925
Cash, Beginning of Year	<u>1,363,466</u>	<u>1,264,541</u>
Cash, End of Year	<u>\$ 1,646,341</u>	<u>\$ 1,363,466</u>

See accompanying independent accountant's compilation report



FINANCIAL PAYMENTS, LP.



FINANCIAL PAYMENTS, LP.

**BALANCE SHEETS
DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash	\$ -	\$ 514,946
Settlement pending from Herring Bank	22,526	-
Accounts Receivable	<u>5,323</u>	<u>4,025</u>
Total Current Assets	<u>27,849</u>	<u>518,971</u>
Premises and equipment, net	<u>35,605</u>	<u>45,871</u>
Other Assets		
Software, net	<u>644,165</u>	<u>717,093</u>
Total Assets	<u>\$ 707,619</u>	<u>\$ 1,281,935</u>
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities		
Cash overdraft	\$ 10,035	\$ -
Accounts payable	33,638	2,802
Payable to Herring Bancorp	<u>87,610</u>	<u>-</u>
Total Liabilities	<u>131,283</u>	<u>2,802</u>
Partners' Equity		
Herring Bancorp, Inc.	600,853	1,296,622
Financial Payments, LLC.	<u>(24,517)</u>	<u>(17,489)</u>
Total Partners' Equity	<u>576,336</u>	<u>1,279,133</u>
Total Liabilities and Partners' Equity	<u>\$ 707,619</u>	<u>\$ 1,281,935</u>

See accompanying independent accountant's compilation report



FINANCIAL PAYMENTS, LP.

STATEMENTS OF OPERATIONS YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Operating Income		
Processing fees	\$ 421,058	\$ 635,327
Total Operating Income	<u>421,058</u>	<u>635,327</u>
Operating Expenses		
Contract labor	309,733	326,864
Salaries and employee benefits	471,176	203,075
Amortization and depreciation	223,789	203,007
Professional fees	36,057	47,515
Rent	14,714	14,407
Miscellaneous expenses	30,422	52,561
Utilities	629	200
Supplies	22,598	27,922
Business development	2,450	6,194
Travel and entertainment	846	9,298
Postage and shipping	-	62
Impairment of software	11,440	-
Total Operating Expenses	<u>1,123,854</u>	<u>891,105</u>
Net Income (Loss)	<u>\$ (702,796)</u>	<u>\$ (255,778)</u>

See accompanying independent accountant's compilation report



FINANCIAL PAYMENTS, LP.

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
Cash Flows from Operating Activities		
Net Income (Loss)	\$ (702,796)	\$ (255,778)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Amortization and depreciation	223,789	203,007
Bank overdraft	10,035	-
(Increase) decrease in prepaid expense	(1,298)	(23)
Increase (decrease) in accrued expenses	(22,526)	-
(Increase) decrease in accounts payable	30,836	(4,271)
Increase (decrease) in Payable to Herring Bancorp	87,610	(467,695)
	<u>(374,350)</u>	<u>(524,760)</u>
Cash Flows from Investing Activities		
Capitalization of internally developed software costs	(184,506)	(313,139)
Purchases of equipment and software	43,910	43,910
	<u>(140,596)</u>	<u>(269,229)</u>
Net Change in Cash	(514,946)	(793,989)
Cash, Beginning of Year	514,946	1,308,935
Cash, End of Year	\$ -	\$ 514,946

See accompanying independent accountant's compilation report



HERRING BANK



HERRING BANK

BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Cash and due from banks	\$ 10,237,722	\$ 12,439,713
Interest bearing and time deposit accounts in other banks	18,806,250	27,659,985
Securities available for sale	55,930,406	62,932,677
Other investments	1,153,022	653,622
Mortgage loans held for sale	204,607	2,282,207
Loans, net of unearned discounts and allowance for loan losses of \$3,491,181 and \$3,498,273	304,958,002	301,731,437
Premises and equipment, net	7,855,171	8,025,310
Accrued interest receivable on loans and investments	1,789,851	1,822,182
Other real estate owned	1,506,461	1,606,214
Prepaid expenses and assessments	2,853,723	3,875,657
Equity in net assets of subsidiaries	2,986,762	2,990,909
Other assets	2,614,467	2,860,729
	\$ 410,896,444	\$ 428,880,642
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand-noninterest bearing	\$ 111,246,841	\$ 109,110,839
Demand-interest bearing	132,468,171	131,385,961
Savings	28,883,875	29,029,574
Time certificates of deposit	79,201,220	105,043,384
Total Deposits	351,800,107	374,569,758
Advances from Federal Home Loan Bank	15,000,000	8,000,000
Accrued interest payable	131,286	122,758
Other liabilities	941,395	859,900
	367,872,788	383,552,416
Stockholders' Equity		
Common stock	1,000,000	1,000,000
Paid-in capital	40,000,000	40,000,000
Retained earnings	7,610,631	7,416,594
Accumulated other comprehensive income (loss)	(5,586,975)	(3,088,368)
Total Stockholders' Equity	43,023,656	45,328,226
	\$ 410,896,444	\$ 428,880,642

See accompanying independent accountant's compilation report



HERRING BANK

STATEMENTS OF OPERATIONS YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Interest Income		
Interest and fees on loans	\$ 17,168,260	\$ 16,876,882
Interest on investment securities:		
U.S. Government agency obligations	433,957	597,252
Municipal obligations	11,270	14,911
Mortgage-backed securities	805,798	495,447
Other investment income	83,516	57,592
Interest on deposits in other banks	274,838	288,235
Total Interest Income	18,777,639	18,330,319
Interest Expense		
Interest on deposit accounts	1,765,848	1,378,469
Other borrowings	133,766	9,671
Total Interest Expense	1,899,614	1,388,140
Net Interest Income	16,878,025	16,942,179
Provision for Loan Losses	234,201	4,711
Net Interest Income after Provision for Loan Losses	16,643,824	16,937,468
Other Income		
Service charges, commissions and fees	2,201,381	2,470,098
Income from fiduciary activities	1,681,265	1,709,030
Gain on sale of mortgage loans	613,584	427,205
Fee interchange income	1,843,633	1,244,275
Gain on sale of securities	1,471	258,644
Other income	704,187	554,764
Equity in earnings (losses) of subsidiaries	(4,146)	12,661
Total Other Income	7,041,375	6,676,677
Other Expenses		
Salaries and employee benefits	11,374,653	11,310,490
Occupancy expense	1,782,174	1,824,656
Stationery, supplies and printing	355,156	464,911
Advertising and promotion	287,033	248,024
Other expenses	6,005,529	6,733,318
Total Other Expenses	19,804,545	20,581,399
Net Income	\$ 3,880,654	\$ 3,032,746

See accompanying independent accountant's compilation report



HERRING BANK

STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Net Income	\$ 3,880,654	\$ 3,032,746
Other comprehensive income:		
Net change in unrealized gains (losses) on securities available for sale	(952,809)	(543,747)
Net change in minimum pension liability	<u>(1,545,798)</u>	<u>1,005,038</u>
Total Other Comprehensive Income (Loss)	<u>(2,498,607)</u>	<u>461,291</u>
Comprehensive Income	<u>\$ 1,382,047</u>	<u>\$ 3,494,037</u>

See accompanying independent accountant's compilation report



HERRING BANK

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total</u>
Balance at December 31, 2016	\$ 1,000,000	\$ 40,000,000	\$ 7,103,845	\$ (3,549,659)	\$ 44,554,186
Comprehensive income:					
Net income for 2017	-	-	3,032,746	-	3,032,746
Other comprehensive income (loss)	-	-	-	461,291	461,291
Total comprehensive income					<u>3,494,037</u>
Cash distributions on common stock	-	-	(2,719,997)	-	(2,719,997)
Balance at December 31, 2017	<u>\$ 1,000,000</u>	<u>\$ 40,000,000</u>	<u>\$ 7,416,594</u>	<u>\$ (3,088,368)</u>	<u>\$ 45,328,226</u>
Comprehensive income:					
Net income for 2018	-	-	3,880,654	-	3,880,654
Other comprehensive income (loss)	-	-	-	(2,498,607)	(2,498,607)
Total comprehensive income					<u>1,382,047</u>
Cash distributions on common stock	-	-	(3,686,617)	-	(3,686,617)
Balance at December 31, 2018	<u>\$ 1,000,000</u>	<u>\$ 40,000,000</u>	<u>\$ 7,610,631</u>	<u>\$ (5,586,975)</u>	<u>\$ 43,023,656</u>

See accompanying independent accountant's compilation report



HERRING BANK

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash Flows from Operating Activities		
Net income	\$ 3,880,654	\$ 3,032,746
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	234,201	4,711
Depreciation and amortization	724,371	709,341
Net losses (gains) on sales of loans, securities and other assets	(1,471)	(258,644)
Net losses (gains) on other real estate and other foreclosures	(45,404)	162,830
Non-cash losses (recoveries) on banking operations	(151,806)	(259,130)
Net amortization (accretion) on investment securities	114,115	81,579
(Increase) decrease in accrued interest receivable	32,331	57,878
(Increase) decrease in prepaid expenses	(523,864)	(530,417)
(Increase) decrease in other assets	(410,393)	(91,147)
Increase (decrease) in accrued interest payable	8,528	47,502
Increase (decrease) in dividends payable	-	(6,708,899)
Increase (decrease) in other liabilities	81,495	246,867
Undistributed (earnings) losses of subsidiaries, net	4,147	(12,660)
Net cash provided by (used for) operating activities	3,946,904	(3,517,443)
Cash Flows from Investing Activities		
Proceeds from maturities and pay-downs on securities available for sale	66,480,346	102,347,674
Purchases of securities available for sale	(60,543,529)	(121,766,240)
Net change in loans to customers	(1,198,858)	9,580,205
Proceeds from disposal of assets and other real estate owned	101,632	1,994,665
Purchases of premises and equipment	(537,759)	(532,142)
Net cash provided by (used for) investing activities	4,301,832	(8,375,838)
Cash Flows from Financing Activities		
Net change in deposits	(22,617,845)	5,758,660
Advance from FHLB	7,000,000	8,000,000
Dividends paid to shareholders	(3,686,617)	(2,719,997)
Net cash used for financing activities	(19,304,462)	11,038,663
Net Change in Cash and Due From Banks	(11,055,726)	(854,618)
Cash, Due From Banks and Interest Bearing Deposit Accounts, Beginning of Year	40,099,698	40,954,316
Cash, Due From Banks and Interest Bearing Deposit Accounts, End of Year	\$ 29,043,972	\$ 40,099,698
Supplemental Disclosures of Cash Flow Information		
Interest paid	\$ 1,891,086	\$ 1,340,638
Other real estate owned, acquired through foreclosure	\$ 43,524	\$ 115,280

See accompanying independent accountants' compilation report



HERRING FINANCIAL
SERVICES, INC.



HERRING FINANCIAL SERVICES, INC.

**BALANCE SHEETS
DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash	\$ 2,171,183	\$ 2,171,183
Total Current Assets	<u>2,171,183</u>	<u>2,171,183</u>
Total Assets	<u>\$ 2,171,183</u>	<u>\$ 2,171,183</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Stockholders' Equity		
Common stock	301,000	301,000
Paid-in capital	1,130,036	1,130,036
Retained earnings	740,147	740,147
Total Stockholders' Equity	<u>2,171,183</u>	<u>2,171,183</u>
Total Liabilities and Stockholders' Equity	<u>\$ 2,171,183</u>	<u>\$ 2,171,183</u>

See accompanying independent accountant's compilation report



HERRING FINANCIAL SERVICES, INC.

**STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Income		
Interest income	\$ -	\$ -
Total Income	<u>-</u>	<u>-</u>
Operating Expenses (Income)		
Provision (credit) for loan losses	<u>-</u>	<u>-</u>
Total Operating Expenses (Income)	<u>-</u>	<u>-</u>
Net Income	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying independent accountant's compilation report



HERRING FINANCIAL SERVICES, INC.

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Net income	\$ -	\$ -
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Credit for loan losses	-	-
(Increase) decrease in accrued interest receivable	-	-
Net cash provided by operating activities	-	-
Cash Flows from Investing Activities		
Repayments on note receivable, net	-	-
Net cash provided by operating activities	-	-
Net Change in Cash	-	-
Cash, Beginning of Year	-	-
Cash, End of Year	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent accountant's compilation report



HERRING NATIONAL
COMPANY, INC.



HERRING NATIONAL COMPANY, INC.

COMBINED BALANCE SHEETS DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash	\$ 431,904	\$ 422,474
Total Current Assets	<u>431,904</u>	<u>422,474</u>
Property and Equipment, net	<u>383,222</u>	<u>397,077</u>
Total Assets	<u><u>\$ 815,126</u></u>	<u><u>\$ 819,551</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Other Liabilities	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>
Stockholders' Equity		
Common stock	125,000	125,000
Paid-in capital	356,695	356,695
Retained earnings	<u>333,431</u>	<u>337,856</u>
Total Stockholders' Equity	<u>815,126</u>	<u>819,551</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 815,126</u></u>	<u><u>\$ 819,551</u></u>

See accompanying independent accountant's compilation report



HERRING NATIONAL COMPANY, INC.

**COMBINED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Operating Income		
Lease income	\$ 40,046	\$ 57,547
Total Operating Income	<u>40,046</u>	<u>57,547</u>
Operating Expenses		
Repairs and maintenance	30,616	30,496
Depreciation	<u>13,856</u>	<u>14,135</u>
Total Operating Expenses	<u>44,472</u>	<u>44,631</u>
Net Income (loss)	<u>\$ (4,426)</u>	<u>\$ 12,916</u>

See accompanying independent accountant's compilation report



HERRING NATIONAL COMPANY, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Net Income (loss)	\$ (4,426)	\$ 12,485
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	13,856	14,135
Increase (decrease) in other current liabilities	-	(225)
Net cash provided by operating activities	<u>9,430</u>	<u>26,395</u>
Net Change in Cash	9,430	26,395
Cash, Beginning of Year	<u>422,474</u>	<u>396,079</u>
Cash, End of Year	<u><u>\$ 431,904</u></u>	<u><u>\$ 422,474</u></u>

See accompanying independent accountant's compilation report

