

AMENDED
JUL 20 2017

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.

I, **STEVE STAPP**

President | Chief Executive Officer | Director

Title of the Holding Company Director and Official
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.

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.

[Signature]
Signature of Holding Company Director and Official
7.19.17

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 4470027
C.I. _____

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

DECEMBER 31, 2016

Month / Day / Year

NONE

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

Reporter's Name, Street, and Mailing Address

R CORP FINANCIAL

Legal Title of Holding Company

3600 E. PALM VALLEY BLVD

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

ROUND ROCK **Texas** **78665**
City State Zip Code

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

MARC BONE **CFO**
Name Title

512-485-0481

Area Code / Phone Number / Extension

512-244-5951

Area Code / FAX Number

MBONE@RBANKTEXAS.COM

E-mail Address

NONE

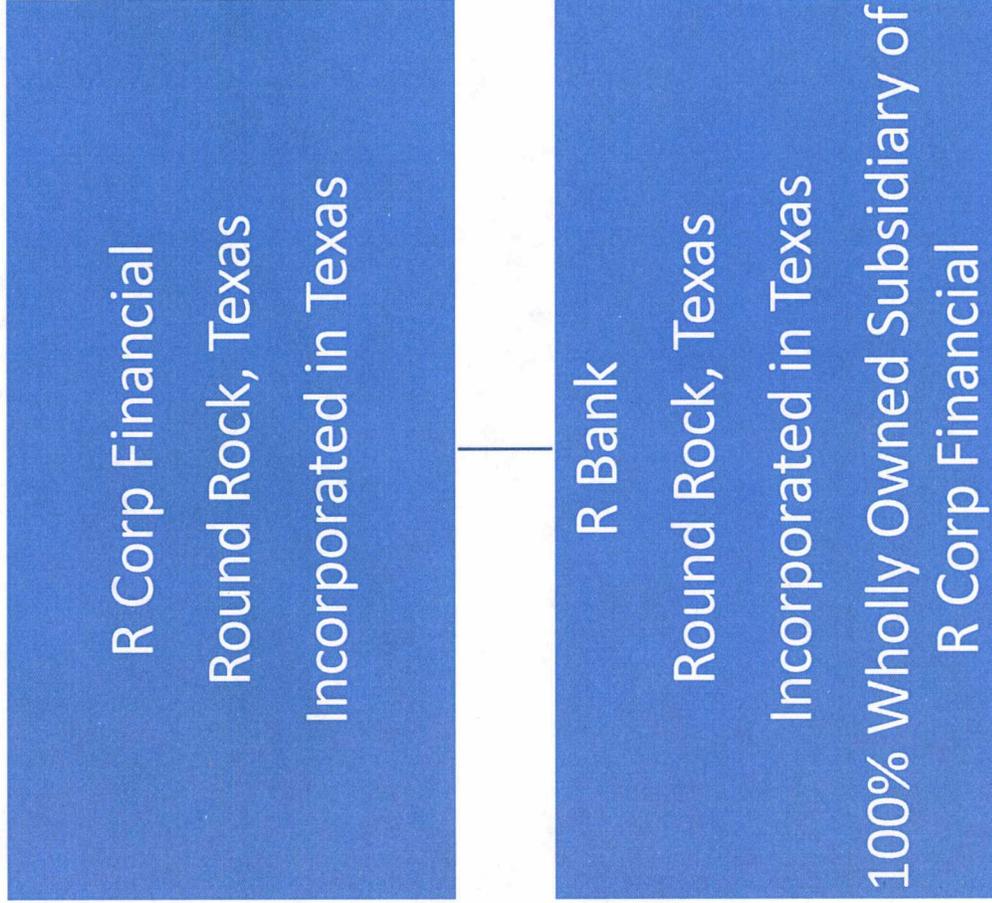
Address (URL) for the Holding Company's web page

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."

Form FR Y-6
R Corp Financial
3600 E. Palm Valley Blvd.
Round Rock, Texas 78665

Fiscal Year Ending 12/31/2016

Report Item 2a: Organization Chart



Please note that neither R Corp Financial, or R Bank have an LEI issued to them

Results: A list of branches for your holding company: R CORP FINANCIAL (4478027) of ROUND ROCK, TX.
 The data are as of 11/31/2016. Data reflects information that was received and processed through 03/10/2017.

Reconciliation and Verification Steps
 1. In the Data Action column of each branch row, enter one or more of the actions specified below
 2. If required, enter the date in the Effective Date column

Actions

OK: If the branch information is correct, enter 'OK' in the Data Action column.
Change: If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the Data Action column and the date when this information first became valid in the Effective Date column.
Close: If a branch listed was sold or closed, enter 'Close' in the Data Action column and the sale or closure date in the Effective Date column.
Delete: If a branch listed was never owned by this depository institution, enter 'Delete' in the Data Action column.
Add: If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the Data Action column and the opening or acquisition date in the Effective Date column.

If printing this list, you may need to adjust your page setup in MS-Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

Submission Procedure

When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information.
 If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

Note:

To satisfy the FR Y-10 reporting requirements, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a Data Action of Change, Close, Delete, or Add.
 The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - <https://y10online.federalreserve.gov>.

* FDIC UNINUM, Office Number, and ID_RSSD columns are for reference only. Verification of these values is not required.

| Data Action | Effective Date | Branch Service Type | Branch ID_RSSD* | Popular Name | Street Address | City | State | Zip Code | County | Country | FDIC UNINUM* | Office Number* | Head Office | Head Office ID_RSSD* | Comments |
|-------------|----------------|----------------------------|-----------------|---------------------------|---------------------------------|-------------|-------|------------|------------|---------------|--------------|----------------|-------------|----------------------|----------|
| OK | | Full Service (Head Office) | 3821037 | R BANK | 3600 EAST PALM VALLEY BOULEVARD | ROUND ROCK | TX | 78665 | WILLIAMSON | UNITED STATES | 480906 | 0 | R BANK | 3821037 | |
| OK | | Full Service | 3814477 | HIGHWAY 29 BRANCH | 360 E HIGHWAY 29 | BERTRAM | TX | 78605 | BURNET | UNITED STATES | Not Required | Not Required | R BANK | 3821037 | |
| OK | | Full Service | 4904517 | EDNA BANKING CENTER | 814 NORTH WELLS STREET | EDNA | TX | 77957 | JACKSON | UNITED STATES | Not Required | Not Required | R BANK | 3821037 | |
| OK | | Full Service | 4412870 | GEORGETOWN BRANCH | 2415 WILLIAMS DRIVE | GEORGETOWN | TX | 78628-3247 | WILLIAMSON | UNITED STATES | 531358 | 1 | R BANK | 3821037 | |
| OK | | Full Service | 3467574 | JARBELL BANKING CENTER | 150 W FM 487 | JARBELL | TX | 76537 | WILLIAMSON | UNITED STATES | Not Required | Not Required | R BANK | 3821037 | |
| OK | | Full Service | 4495239 | ROLLINGWOOD BRANCH | 3103 BEE CAVE ROAD SUITE 110 | ROLLINGWOOD | TX | 78746 | TRAVIS | UNITED STATES | Not Required | Not Required | R BANK | 3821037 | |
| OK | | Full Service | 4803423 | ROUND ROCK BANKING CENTER | 1900 ROUND ROCK AVENUE | ROUND ROCK | TX | 78681 | WILLIAMSON | UNITED STATES | Not Required | Not Required | R BANK | 3821037 | |
| OK | | Full Service | 582766 | SCHWERTNER BANKING CENTER | 110 MAIN STREET | SCHWERTNER | TX | 76573 | WILLIAMSON | UNITED STATES | Not Required | Not Required | R BANK | 3821037 | |

Sent to Mike Frank with FRB - Mike.Frank@dal.frb.org on 2/10/2017

| Name & Address (1)(A) | Additional Information | Country (1)(B) | Number of Shares | Number of Shares held | Number and Percentage of Each Class of Voting Securities (1)(c) | | | Total Available | Ownership |
|--|------------------------|----------------|------------------|-----------------------|---|-----------------------------|--------------------|------------------|---------------|
| | | | | | Warrants Available for | Stock Options Available for | Total Shares Owned | | |
| Lynn Nolan Ryan Georgetown, Tx, USA | | USA | 528,886 | - | - | 4,000 | 532,886 | 2,664,553 | 20.00% |
| Nolan Reese Ryan Austin, Tx, USA (1) | | USA | 95,814 | - | - | 5,000 | 100,814 | 2,664,553 | 3.78% |
| Grace Lien Schlegel Trust | N Reese Ryan TTEE (1) | USA | 2,850 | - | - | - | 2,850 | 2,664,553 | 0.11% |
| Nolan Montgomery Bivins Trust | N Reese Ryan TTEE (1) | USA | 11,554 | - | - | - | 11,554 | 2,664,553 | 0.43% |
| Lela Teel Bivins Trust | N Reese Ryan TTEE (1) | USA | 11,553 | - | - | - | 11,553 | 2,664,553 | 0.43% |
| Robert Reid Ryan Houston, Tx, USA (1) | | USA | 80,812 | - | 15,000 | 5,000 | 100,812 | 2,664,553 | 3.78% |
| Andrew Bivins Amarillo, Tx, USA (2) | | USA | 79,708 | - | 15,000 | 5,000 | 99,708 | 2,664,553 | 3.74% |
| Caroline Avery Ryan Trust | Wendi Bivins TTEE (3) | USA | 11,554 | - | - | - | 11,554 | 2,664,553 | 0.43% |
| Ella Reese Ryan Trust | Wendi Bivins TTEE (3) | USA | 11,554 | - | - | - | 11,554 | 2,664,553 | 0.43% |
| Jackson Ray Ryan Trust | Wendi Bivins TTEE (3) | USA | 11,554 | - | - | - | 11,554 | 2,664,553 | 0.43% |
| Julia Elizabeth Ryan Trust | Wendi Bivins TTEE (3) | USA | 11,554 | - | - | - | 11,554 | 2,664,553 | 0.43% |
| Victoria Lynn Ryan Trust | Wendi Bivins TTEE (3) | USA | 11,554 | - | - | - | 11,554 | 2,664,553 | 0.43% |
| Total for Lynn Nolan Ryan | | | 868,947 | | 30,000 | 19,000 | 917,947 | | 34.45% |
| Don Sanders Houston, Tx, USA | | USA | 70,216 | | | | 70,216 | 2,664,553 | 2.64% |
| Sanders 2003 Children's Trust Houston, Tx, USA (5) | | USA | 172,179 | - | - | - | 172,179 | 2,664,553 | 6.46% |
| Brad Sanders Houston, Tx, USA (4) | | USA | - | - | - | 5,000 | 5,000 | 2,664,553 | 0.19% |
| Bret Sanders Houston, Tx, USA (4) | | USA | - | - | - | 5,000 | 5,000 | 2,664,553 | 0.19% |
| Total for Sanders Family | | | 242,395 | | | 10,000 | 252,395 | | 9.47% |

(1) Son of Lynn Nolan Ryan

(2) Son in Law of Lynn Nolan Ryan

(3) Daughter of Lynn Nolan Ryan, Married to Andrew Bivins Director of R Corp Holding

(4) Son of Don Sanders

(5) Donald V Wier Turstee, Don Sanders Trustor, Bret and Brad Sanders Beneficiaries

Ownership percentages are based on the following as the denominator (2,664,553) when calculating ownership: 12/31/2016 shares outstanding of 2,508,537; 12/31/2016 warrants outstanding of 86,500; and 12/31/2016 options outstanding of 69,516; for a total of 2,664,553 shares. This number assumes that all warrants and options have been exercised.

Form FR Y-6
R Corp Financial
Round Rock, Texas
Fiscal Year Ending December 31, 2016

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

| (1) | (2) | (3)(a) | (3)(b) | (3)(c) | (4)(a) | (4)(b) | (4)(c) |
|--|--|------------------------------|---|--|---|---|---|
| Names & Address (City, State, Country) | Principal Occupation if other than with holding company | Director, Chairman | Title & Position with Subsidiaries (include names of subsidiaries) | Title & Position with Other Businesses (include names of other businesses) | Percentage of Voting Securities in holding company | Percentage of Voting Securities in Subsidiaries (include names of subsidiaries) | List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held) |
| Nolan Reese Ryan Austin, TX, USA | Business Manager Large Corporation | Director, Chairman | Chairman, R Bank | CEO, Round Rock Express Baseball Club | 4.75% ⁽¹⁾ | 0.00% | Shope & Ryan Management - 33.30% |
| Steve Stapp** Round Rock, TX, USA | Banker | Director, President CEO | President/CEO, R Bank | N/A | 1.35% | 0.00% | Black Hole Ltd LLC - 25% |
| Lynn Nolan Ryan Georgetown, TX, USA | Retired professional baseball player | Director | None | Executive Advisor, Houston Astros Baseball | 20.00% | 0.00% | Nolan Ryan Ranch - 100% Ryan Dry Creek Ranch - 50% LNR Interest LP - 100% LNR Management LLC - 100% LNR Enterprises Management LLC - 50% RRE Holdings Inc - 33.49359% RRE Investors LP - 29.24% Round Rock Baseball Inc 38.22674% Ryan Sanders Ryan Sports Inc - 25% Ryan Family Ranch Investments - 39% |
| Robert Reid Ryan Houston, TX USA | Business Manager Large Corporation | Director | None | President, Houston Astros Baseball | 3.78% | 0.00% | Shope & Ryan Management - 33.30% |
| Temple Aday** Round Rock, TX USA | Commercial contractor | Director | None | CEO, Aday and Associates - Construction | 1.84% | 0.00% | Aday & Associates - 100% AMAA Investments - 100% Black Hole LLC - 25% |
| Malvin Green** Georgetown, TX, USA | Retired banker | Director | None | N/A | 0.63% | 0.00% | None |
| Chris Ellis Austin, TX, USA | Commercial Real Estate Development | Director | None | Founding Principal - Endeavor Real Estate | 2.25% | 0.00% | CEWY LP - 100% Burnet Montview Partners Ltd - 27.25% CE Cabo A202 LLC - 100% CE Cabo A206 LLC - 100% |

| | | | | | | | | |
|--|---|--|-------------------------------------|---|-------|-------|--|------|
| Andrew Bivins Amarillo, TX, USA | Rancher | Director | None | JA Cattle Company Ltd. - Managing Partner | 3.74% | 0.00% | None | None |
| Jared Shope Fort Worth, TX, USA | Entrepreneur, Real Estate Development - Self Employed | Director | None | Partner, Lone Star Bean | 3.08% | 0.00% | CD Sports LLC - 50% Shope & Ryan Management - 33% Purple Investments LLC 25% 2SP Partners LLC - 33% Foch Street Partners LLC - 33% Area 109 Partners LLC - 50% Bluebonnet Management LLC - 33% | |
| Rob Bridges** Austin, TX, USA | Insurance Agent | Director | None | Partner, Wortham Insurance | 0.41% | 0.00% | CCR Investments - 33% | |
| Brad Sanders Houston, TX, USA | Entrepreneur, Restaurantuer | Director | None | N/A | 0.19% | 0.00% | None | |
| Bret Sanders Houston, TX, USA | Investment Banker | Director | None | Director of NASDAQ trading - Sanders Morris Harris | 0.19% | 0.00% | None | |
| Richard Stuart II Weatherford, TX, USA | Entrepreneur, Restaurantuer | Director | None | N/A | 2.77% | 0.00% | RLS II Properties Management Inc - 100% RLS II Operating Inc - 100% 2SP Partners LLC - 33% Foch St Partners LLC - 33% Pollos Hermanos LLC - 50% Bluebonnet Management LLC - 33% Weatherford Chicken Express LLC - 100% | |
| Chris Bubela** Edna, TX, USA | Banker | Executive Officer, R Corp Financial | Chief Lending Officer, R Bank | N/A | 0.63% | 0.00% | None | |
| Judy Kirkland La Grange, TX USA | Banker | Executive Officer, R Corp Financial | Chief Operations Officer, R Bank | N/A | 0.07% | 0.00% | None | |
| Mike Shaw Austin, TX, USA | Banker | Executive Officer, R Corp Financial | Chief Credit Officer, R Bank | N/A | 0.19% | 0.00% | None | |
| Mark Kesseling** Round Rock, TX, USA | Banker | Officer, R Corp Financial | SVP, IT/Facilities R Bank | N/A | 0.04% | 0.00% | None | |
| Shonnie Stapp** Round Rock, TX, USA | Banker | Officer, R Corp Financial | VP, Mortgage Lending R Bank | N/A | 0.00% | 0.00% | Black Hole Ltd LLC - 25% (Jointly Held with Spouse, Steve Stapp) | |
| Marcus R Bone, Leander, TX, USA | Banker | Executive Officer, R Corp Financial | Chief Financial Officer, R Bank | N/A | 0.00% | 0.00% | UX Allen Ranch, LLC 25% Allen Ranch Heirs, GP - 25% | |
| William K Reagan II Austin, TX, USA | Sales | Advisory Director R Corp Financial | None | President Reagan Advertising | 0.46% | 0.00% | None | |

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| | | | | | | | |
|----------------------------------|---------------------------------------|---------------------------------------|------|-------------------------------|-------|-------|------|
| Josh Galatzan Austin, TX, USA | Banker | Advisory Director R Corp Financial | None | N/A | 0.05% | 0.00% | None |
| Scott Carr Austin, TX, USA | Commercial Real Estate Development | Advisory Director R Corp Financial | None | President Carr Development | 0.54% | 0.00% | None |
| Brian Fell Austin, TX, USA | Optometrist | Advisory Director R Corp Financial | None | N/A | 0.08% | 0.00% | None |
| Wendi Bivins Amarillo, Tx USA | Principal Security Holder | N/A | N/A | N/A | 2.15% | 0.00% | None |

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Notes:

Ownership percentages are based on the following as the denominator (2,664,553) when calculating ownership: 12/31/2016 shares outstanding of 2,508,537; 12/31/2016 warrants outstanding of 86,500; and 12/31/2016 options outstanding of 69516; for a total of 2,664,553 shares. This number assumes that all warrants and options have been exercised.

**Indicates that some (or all) of shares owned are jointly held with spouse (1) Percentage includes power to vote or influence vote

Shareholder Name/Address Listing

Company - R Corp Financial
Date - Friday, January 13, 2017

| Name / ID | Name / Address | IRS Name / Address | Shares | % Ownership |
|--------------------------------|--|--|------------|-------------|
| Ryan, Lynn Nolan | Lynn Nolan Ryan 210 Cimarron Hills Trail West Georgetown, TX 78628 | Lynn Nolan Ryan 210 Cimarron Hills Trail West Georgetown, TX 78628 | 528,886.00 | 21.08 |
| Sanders 2003 Children's Trusts | Don A Sanders Children's Trst Dtd 2003 Attn: Don Weir 600 Travis St. Ste 5800 Houston, TX 77002 | Sanders 2003 Children's Trusts 600 Travis St. Ste 5800 Houston, TX 77002 | 172,179.00 | 6.86 |
| Ryan, Nolan Reese | Nolan Reese Ryan 3400 E Palm Valley Blvd Round Rock, TX 78665 | Nolan Reese Ryan 3400 E Palm Valley Blvd Round Rock, TX 78665 | 95,814.00 | 3.82 |
| Ryan, Robert Reid | Robert Reid Ryan 509 Gingham Dr. Houston, TX 77024 | Robert Reid Ryan 509 Gingham Dr. Houston, TX 77024 | 80,812.00 | 3.22 |
| Bivins, Andrew | Andrew Bivins PO Box 15305 Amarillo, TX 79105 | Andrew Bivins PO Box 15305 Amarillo, TX 79105 | 79,708.00 | 3.18 |
| Stuart, Richard | Richard Stuart II PO Box 1690 Weatherford, TX 76086 | Richard Stuart II PO Box 1690 Weatherford, TX 76086 | 70,252.00 | 2.80 |
| Sanders, Don A. | Don A. Sanders 600 Travis St, Suite 5800 Houston, TX 77002 | Don A. Sanders 600 Travis St, Suite 5800 Houston, TX 77002 | 70,216.00 | 2.80 |
| Douglas, Brad | Brad Douglas 227 E Louisiana St McKinney, TX 75069 | Brad Douglas 227 E Louisiana St McKinney, TX 75069 | 66,713.00 | 2.66 |
| Shope, Jared | Jared Shope 6633 Cahoba Dr Fort Worth, TX 76135 | Jared Shope 6633 Cahoba Dr Fort Worth, TX 76135 | 46,700.00 | 1.86 |
| Esse, Ivan Lyn & Robin E | Ivan Lyn Esse and Robin E Esse PO Box 176 Whitsett, TX 78075 | Ivan Lyn Esse and Robin E Esse PO Box 176 Whitsett, TX 78075 | 44,410.00 | 1.77 |
| Ellis, Chris | Chris Ellis c/o Endeavor Real Estate Group 500 W 5th St #700 Austin, TX 78701 | Chris Ellis c/o Endeavor Real Estate Group 500 W 5th St #700 Austin, TX 78701 | 40,000.00 | 1.59 |

| Name/ID | Name/Address | IRS Name/Address | Shares | % Ownership |
|-------------------------|---|--|-----------|-------------|
| Harvey Jr., David E. | David E. Harvey Jr. 6512 Vanderbilt St Houston, TX 77005 | David E. Harvey Jr. 6512 Vanderbilt St Houston, TX 77005 | 37,500.00 | 1.49 |
| Cleary, Joseph A | Joseph A Cleary, Jr. 1 SW Oak Dr Houston, TX 77056 | Joseph A Cleary, Jr. 1 SW Oak Dr Houston, TX 77056 | 37,500.00 | 1.49 |
| Five ACS DBP Trust | Five ACS DBP Trust Attn: Currie Smith 3602 S Washington Amarillo, TX 79110 | Five ACS DBP Trust Attn: Currie Smith 3602 S Washington Amarillo, TX 79110 | 35,225.00 | 1.40 |
| Korman, Russell | Russell Korman 5011 Burnet Road Austin, TX 78756 | Russell Korman 5011 Burnet Road Austin, TX 78756 | 33,357.00 | 1.33 |
| Wilson, John T. & Carol | John T. Wilson & Carol Wilson Box 123 Gail, TX 79738 | John T. Wilson & Carol Wilson Box 123 Gail, TX 79738 | 30,113.00 | 1.20 |
| Miller, Carl & Deanna | Carl Miller & Deanna Miller 2103 Casa Linda Cove Round Rock, TX 78681 | Carl Miller & Deanna Miller 2103 Casa Linda Cove Round Rock, TX 78681 | 30,000.00 | 1.20 |
| Aday, Temple and Shelli | Temple Aday and Shelli Aday 1810 CR 122 N Round Rock, TX 78665 | Temple Aday and Shelli Aday 1810 CR 122 N Round Rock, TX 78665 | 29,045.00 | 1.16 |
| Seliger, Lane | Lane Seliger 3006 S Hughes St. Amarillo, TX 79109 | Lane Seliger 3006 S Hughes St. Amarillo, TX 79109 | 28,919.00 | 1.15 |
| Davis, Ben & Kila | Ben Davis, Jr and Kila Davis 13800 FM 2331 Godley, TX 76044 | Ben Davis, Jr and Kila Davis 13800 FM 2331 Godley, TX 76044 | 26,419.00 | 1.05 |
| Larkin, EC & Margie | Emerson Clay Larkin, Jr. & Margie Larkin 307 Hill Country Ln San Antonio, TX 78232 | Emerson Clay Larkin & Margie Larkin 307 Hill Country Ln San Antonio, TX 78232 | 25,125.00 | 1.00 |
| Devaney, Pete & Nancy | Pete Devaney and Nancy Devaney 3409 S Hwy 171 Cleburne, TX 76031 | Pete Devaney and Nancy Devaney 3409 S Hwy 171 Cleburne, TX 76031 | 25,000.00 | 1.00 |
| Carr, Kenneth D | Kenneth D Carr PO Box 2445 Fredericksburg, TX 78624 | Kenneth D Carr PO Box 2445 Fredericksburg, TX 78624 | 25,018.00 | 1.00 |

| Name/ID | Name/Address | IRS Name/Address | Shares | % Ownership |
|---|---|--|-----------|-------------|
| Stapp, Steve & Shonnie | Steve Stapp & Shonnie Stapp 5 Oak View Round Rock, TX 78664 | Steve Stapp 5 Oak View Round Rock, TX 78664 | 21,600.00 | 0.86 |
| Schwertner Jr, James E | James E. Schwertner Jr PO Box 1 Schwertner, TX 76573 | James E. Schwertner Jr PO Box 1 Schwertner, TX 76573 | 17,832.00 | 0.71 |
| Coughlin, Perry W & Deborah L | Perry W Coughlin and Deborah L Coughlin 709 Cliffside Cove Round Rock, TX 78665 | Perry W Coughlin and Deborah L Coughlin 709 Cliffside Cove Round Rock, TX 78665 | 17,613.00 | 0.70 |
| Bivins, Tom | Tom Bivins PO Box 708 Amarillo, TX 79105 | Tom Bivins PO Box 708 Amarillo, TX 79105 | 17,375.00 | 0.69 |
| Bivins, Mark | Mark Bivins PO Box 708 Amarillo, TX 79105 | Mark Bivins PO Box 708 Amarillo, TX 79105 | 17,375.00 | 0.69 |
| Gornito | Gornito & Associates Inc Retirement Plan 3710 Acorn Wood Way Houston, TX 77059 | Gornito & Associates Inc Retirement Plan 3710 Acorn Wood Way Houston, TX 77059 | 17,143.00 | 0.68 |
| Devaney, Patrick Devaney 1980 Trust | Patrick Devaney 1980 Trust 3409 S Hwy 171 Cleburne, TX 76031 | Patrick Devaney 1980 Trust 3409 S Hwy 171 Cleburne, TX 76031 | 16,777.00 | 0.67 |
| Devaney, Matthew Devaney 1980 Trust | Matthew Devaney 1980 Trust 3409 S Hwy 171 Cleburne, TX 76031 | Matthew Devaney 1980 Trust 3409 S Hwy 171 Cleburne, TX 76031 | 16,777.00 | 0.67 |
| Devaney, Christopher Devaney 1980 Trust | Christopher Devaney 1980 Trust 3409 S Hwy 171 Cleburne, TX 76031 | Christopher Devaney 1980 Trust 3409 S Hwy 171 Cleburne, TX 76031 | 16,778.00 | 0.67 |
| Wallace, Ronnie & Linda | Ronnie Wallace & Linda Wallace 2909 Rivergrove Court Fort Worth, TX 76116 | Ronnie Wallace & Linda Wallace 2909 Rivergrove Court Fort Worth, TX 76116 | 16,679.00 | 0.66 |
| Brooks, Douglas | Douglas Brooks PO Box 101628 Fort Worth, TX 76185 | Douglas Brooks PO Box 101628 Fort Worth, TX 76185 | 15,613.00 | 0.62 |
| Shope, Jared (SEP) | SEP FBO Jared Shope Pershing LLC as Custodian Pershing LLC - Alternative Investments 1 Pershing Plaza Jersey City, NJ 07399 | Jared Shope SEP 6633 Cahoba Dr. Ft. Worth, TX 76135 | 15,300.00 | 0.61 |

| Name/ID | Name/Address | IRS Name/Address | Shares | % Ownership |
|--|--|--|-----------|-------------|
| Winkler, Derek & Lynette | Derek Winkler & Lynette Winkler 929 Deforest Rd. Coppell, TX 75019 | Derek Winkler & Lynette Winkler 929 Deforest Rd. Coppell, TX 75019 | 14,285.00 | 0.57 |
| Smith, Craig & Lisa | Craig Smith & Lisa Smith 2019 W. Orangewood Ave. Orange, CA 92868 | Craig Smith & Lisa Smith 2019 W. Orangewood Ave. Orange, CA 92868 | 13,224.00 | 0.53 |
| Haas, H. Charles & Susan P. | H. Charles Haas & Susan P. Haas 1913 Clearwater Drive Round Rock, TX 78681 | H. Charles Haas & Susan P. Haas 1913 Clearwater Drive Round Rock, TX 78681 | 13,334.00 | 0.53 |
| Ellis, Ed | Ed Ellis PO Box 130 Round Top, TX 78954 | Ed Ellis PO Box 130 Round Top, TX 78954 | 13,224.00 | 0.53 |
| Carr, Scott | Scott A Carr 5121 Bee Cave Rd Ste 207 Austin, TX 78746 | Scott Carr 5121 Bee Cave Rd Ste 207 Austin, TX 78746 | 13,224.00 | 0.53 |
| Hammer, Mark | Mark Hammer 5305 Shady River Houston, TX 77056 | Mark Hammer 5305 Shady River Houston, TX 77056 | 13,000.00 | 0.52 |
| Tomlinson, LaDainian & LaTorsha | LaDainian Tomlinson & LaTorsha Tomlinson 19 Wyck Hill Ln Westlake, TX 76262-8501 | LaDainian Tomlinson & LaTorsha Tomlinson 19 Wyck Hill Ln Westlake, TX 76262-8501 | 12,613.00 | 0.50 |
| Reagan II, William Kevin | William Kevin Reagan II 7301 Burlinson Rd Austin, TX 78744 | William Kevin Reagan II 7301 Burlinson Rd Austin, TX 78744 | 11,919.00 | 0.48 |
| Ryan, Victoria Lynn 2002 Trust | Victoria Lynn Ryan 2002 Trust Attn: Wendy Bivins 3400 E Palm Valley Blvd Round Rock, TX 78665 | Victoria Lynn Ryan 2002 Trust Attn: Wendy Bivins 3400 E Palm Valley Blvd Round Rock, TX 78665 | 11,554.00 | 0.46 |
| Ryan, Nolan Montgomery Bivins 2009 Trust | Nolan Montgomery Bivins 2009 Trust Attn: Reese Ryan 3400 E Palm Valley Blvd Round Rock, TX 78665 | Nolan Montgomery Bivins 2009 Trust Attn: Reese Ryan 3400 E Palm Valley Blvd Round Rock, TX 78665 | 11,554.00 | 0.46 |
| Ryan, Lela Teel Bivins 2011 Trust | Lela Teel Bivins 2011 Trust Attn: Reese Ryan 3400 E Palm Valley Blvd Round Rock, TX 78665 | Lela Teel Bivins 2011 Trust Attn: Reese Ryan 3400 E Palm Valley Blvd Round Rock, TX 78665 | 11,553.00 | 0.46 |
| Ryan, Julia Elizabeth 2003 Trust | Julia Elizabeth Ryan 2003 Trust Attn: Reese Ryan or Wendy Bivins 3400 E Palm Valley Blvd Round Rock, TX 78665 | Julia Elizabeth Ryan 2003 Trust Attn: Reese Ryan or Wendy Bivins 3400 E Palm Valley Blvd Round Rock, TX 78665 | 11,554.00 | 0.46 |

| Name/ID | Name/Address | IRS Name/Address | Shares | % Ownership |
|--------------------------------------|--|--|-----------|-------------|
| Ryan, Jackson Ray 2001 Trust | Jackson Ray Ryan 2001 Trust Attn: Reese Ryan or Wendy Bivins 3400 E Palm Valley Blvd Round Rock, TX 78665 | Jackson Ray Ryan 2001 Trust Attn: Reese Ryan or Wendy Bivins 3400 E Palm Valley Blvd Round Rock, TX 78665 | 11,554.00 | 0.46 |
| Ryan, Ella Reese Ryan Trust | Ella Reese Ryan Trust Attn: Wendy Bivins 3400 E Palm Valley Blvd Round Rock, TX 78665 | Ella Reese Ryan Trust Attn: Wendy Bivins 3400 E Palm Valley Blvd Round Rock, TX 78665 | 11,554.00 | 0.46 |
| Ryan, Caroline Avery Ryan 2001 Trust | Caroline Avery Ryan 2001 Trust Attn: Wendy Bivins 3400 E Palm Valley Blvd Round Rock, TX 78665 | Caroline Avery Ryan 2001 Trust Attn: Wendy Bivins 3400 E Palm Valley Blvd Round Rock, TX 78665 | 11,554.00 | 0.46 |
| Knight, Scot & Tara | Scot Knight & Tara Knight 2313 Berwick Dr Round Rock, TX 78681 | Scot Knight Tara Knight 2313 Berwick Dr Round Rock, TX 78681 | 11,306.00 | 0.45 |
| Bubela, Chris & Michelle | Chris Bubela and Michelle Bubela 3064 County Rd 401 Edna, TX 77957 | Chris Bubela and Michelle Bubela 3064 County Rd 401 Edna, TX 77957 | 10,721.00 | 0.43 |
| Lockett, David & Marsha | David Lockett & Marsha Lockett 7601 Newhall Ln Austin, TX 78746 | David Lockett & Marsha Lockett 7601 Newhall Ln Austin, TX 78746 | 10,286.00 | 0.41 |
| Schonwetter, Mark | Mark Schonwetter 5 Tombley Dr Livingston, NJ 07039 | Mark Schonwetter 5 Tombley Dr Livingston, NJ 07039 | 10,000.00 | 0.40 |
| Moore, Greg & Paola | Greg Moore & Paola Moore 3201 Rain Dance Cove Austin, TX 78746 | Greg Moore & Paola Moore 3201 Rain Dance Cove Austin, TX 78746 | 10,000.00 | 0.40 |
| Miller, Gregg | Gregg Miller 2218 Settlers Park Lp Round Rock, TX 78665 | Gregg Miller 2218 Settlers Park Lp Round Rock, TX 78665 | 10,000.00 | 0.40 |
| Maloney, Con & Betty | Con Maloney & Betty Maloney 333 Roses Bluff Dr Madison, MS 39110 | Con Maloney Betty Maloney 333 Roses Bluff Dr Madison, MS 39110 | 10,000.00 | 0.40 |
| Goldman, Adam | Adam Goldman 1901 Hill Oaks Ct Austin, TX 78703 | Adam Goldman 1901 Hill Oaks Ct Austin, TX 78703 | 10,000.00 | 0.40 |
| Frazier, Kenneth H. | Kenneth H. Frazier, Jr 15821 Spillman Ranch Loop Austin, TX 78738 | Kenneth H. Frazier, Jr 15821 Spillman Ranch Loop Austin, TX 78738 | 10,000.00 | 0.40 |

| Name/ID | Name/Address | IRS Name/Address | Shares | % Ownership |
|-------------------------------|---|---|-----------|-------------|
| Fendrick, Dave | Dave Fendrick 207 Serenada Dr Georgetown, TX 78628 | Dave Fendrick 207 Serenada Dr Georgetown, TX 78628 | 10,000.00 | 0.40 |
| Moore, Jackie & JoAnn | Jackie Moore & JoAnn Moore 2721 Laurel Valley Arlington, TX 76006 | Jackie Moore & JoAnn Moore 2721 Laurel Valley Arlington, TX 76006 | 9,839.00 | 0.39 |
| Glace Jr, Charles J | Charles J Glace, Jr PO Box 1057 Round Rock, TX 78680 | Charles J Glace, Jr PO Box 1057 Round Rock, TX 78680 | 9,750.00 | 0.39 |
| Green, Malvin & Donna | Malvin Green & Donna Green 20 Sarazen Loop North Georgetown, TX 78628 | Malvin Green & Donna Green 20 Sarazen Loop North Georgetown, TX 78628 | 9,284.00 | 0.37 |
| Fell, Douglas K & Christina A | Douglas K Fell and Christina A Fell 118 Tyrol Pl San Antonio, TX 78209 | Douglas K Fell and Christina A Fell 118 Tyrol Pl San Antonio, TX 78209 | 9,257.00 | 0.37 |
| Scheible, Karl | Karl Scheible 210 Lavaca St Apt 2301 Austin, TX 78701 | Karl Scheible 210 Lavaca St Apt 2301 Austin, TX 78701 | 8,339.00 | 0.33 |
| Robins, Tim & Vicky | Tim Robins & Vicky Robins 2304 Woodway Round Rock, TX 78681 | Tim Robins & Vicky Robins 2304 Woodway Round Rock, TX 78681 | 8,339.00 | 0.33 |
| Poulson, Kyle | Kyle Poulson 4132 Idlewild Dr. Fort Worth, TX 76107 | Kyle Poulson 4132 Idlewild Dr. Fort Worth, TX 76107 | 8,339.00 | 0.33 |
| Korman, Monica | Monica Korman 5821 Mount Bonnell Rd Austin, TX 78731-3650 | Monica Korman 5821 Mount Bonnell Rd Austin, TX 78731-3650 | 8,339.00 | 0.33 |
| Dees, Stephen E | Stephen E Dees PO Box 442 Schulenburg, TX 78956 | Stephen E Dees PO Box 442 Schulenburg, TX 78956 | 8,339.00 | 0.33 |
| Shope, Sean | Sean Shope 2908 Panhandle Dr Grapevine, TX 76051 | Sean Shope 2908 Panhandle Dr Grapevine, TX 76051 | 7,251.00 | 0.29 |
| Zeigler, Jeffrey A | Jeffrey A Zeigler 4102 Churchill Downs Dr Austin, TX 78746 | Jeffrey A Zeigler 4102 Churchill Downs Dr Austin, TX 78746 | 6,666.00 | 0.27 |

| Name/ID | Name/Address | IRS Name/Address | Shares | % Ownership |
|----------------------------------|---|---|----------|-------------|
| Miller, Jay & Joy | Jay Miller & Joy Miller 2 Stadium Drive #3112 Sugar Land, TX 77498 | Jay Miller & Joy Miller 2 Stadium Drive #3112 Sugar Land, TX 77498 | 6,667.00 | 0.27 |
| Boyles, David | David Boyles and Jill Boyles 1308 S Hill Alvin, TX 77511 | David Boyles 1308 S Hill Alvin, TX 77511 | 6,612.00 | 0.26 |
| Reilly, Ailee M | Ailee M Reilly 184 Bay Road Bowdoinham, ME 04008 | Ailee M Reilly 184 Bay Road Bowdoinham, ME 04008 | 6,224.00 | 0.25 |
| Walters, Steven & Trinity Mereau | Steven Walters & Trinity Mereau 3200 Cherry Lane Austin, TX 78703 | Steven Walters & Trinity Mereau 3200 Cherry Lane Austin, TX 78703 | 5,730.00 | 0.23 |
| Mills, James H | James H Mills 1900 CR 103 Georgetown, TX 78626 | James H Mills 1900 CR 103 Georgetown, TX 78626 | 5,534.00 | 0.22 |
| Glace, Rebecca | Rebecca Glace 1018 HORNE DR. CEDAR PARK, TX 78613 | Rebecca Glace 1018 HORNE DR. CEDAR PARK, TX 78613 | 5,250.00 | 0.21 |
| Wittenburg, Hans R | Hans R Wittenburg PO Box 1005 Edna, TX 77597 | Hans R Wittenburg PO Box 1005 Edna, TX 77597 | 5,000.00 | 0.20 |
| Wells, James P | James P Wells 731 Cobblestone Drive Shreveport, LA 71106 | James P Wells 731 Cobblestone Drive Shreveport, LA 71106 | 5,000.00 | 0.20 |
| Shaw, Michael E. | Michael E. Shaw 4404 Travis Country Cir Apt L2 Austin, TX 78735-6652 | Michael E. Shaw 4404 Travis Country Cir Apt L2 Austin, TX 78735-6652 | 5,000.00 | 0.20 |
| Reilly, Austin T | Austin T Reilly 500 Main Street #600 Ft. Worth, TX 76102 | Austin T Reilly 500 Main Street #600 Ft. Worth, TX 76102 | 4,934.00 | 0.20 |
| R&D Family Ventures, LLC | R&D Family Ventures, LLC c/o Roy Jack Beard, Jr. 1902 Shadow Brook Cir. Round Rock, TX 78681 | R&D Family Ventures, LLC c/o Roy Jack Beard, Jr. Round Rock, TX 78681 | 5,000.00 | 0.20 |
| Pincoffs, Peter | E. Peter Pincoffs 221 W Sixth Street, Suite 1400 Austin, TX 78701 | E. Peter Pincoffs 221 W Sixth Street, Suite 1400 Austin, TX 78701 | 5,000.00 | 0.20 |

| Name/ID | Name/Address | IRS Name/Address | Shares | % Ownership |
|--|---|---|----------|-------------|
| Owens, Robert Logan & Stephanie Nelson | Robert Logan Owens & Stephanie Nelson Owens 2204 Plumbrook Dr. Austin, TX 78746 | Robert Logan Owens & Stephanie Nelson Owens 2204 Plumbrook Dr. Austin, TX 78746 | 5,000.00 | 0.20 |
| Losey, Doug & Victoria | Doug Losey & Victoria Losey 109 Fairfield Court Georgetown, TX 78633 | Doug Losey Victoria Losey 109 Fairfield Court Georgetown, TX 78633 | 5,000.00 | 0.20 |
| Jackson, Larry | Larry Jackson 1296 CR 428 Rockdale, TX 76567 | Larry Jackson 1296 CR 428 Rockdale, TX 76567 | 5,000.00 | 0.20 |
| Golden, Gregory B | Gregory B Golden 4102 Burton Ln Temple, TX 76502 | Gregory B Golden 4102 Burton Ln Temple, TX 76502 | 5,000.00 | 0.20 |
| Barron, Greg | Greg Barron and Gloria Barron 6221 Southwest Blvd, Ste 100 Fort Worth, TX 76132 | Greg Barron and Gloria Barron 6221 Southwest Blvd, Ste 100 Fort Worth, TX 76132 | 5,000.00 | 0.20 |
| ACR/FIVE ACES, LTD | ACR/FIVE ACES, LTD 1017 S HWY 5 ALEDO, TX 76008 | ACR/FIVE ACES, LTD 1017 S HWY 5 ALEDO, TX 76008 | 5,004.00 | 0.20 |
| RKW Development Partnership, LTD | RKW Development Partnership, LTD c/o Ray A Wilkerson 8015 Shoal Creek Blvd #207 Austin, TX 78757 | RKW Development Partnership, LTD c/o Ray A Wilkerson 8015 Shoal Creek Blvd #207 Austin, TX 78757 | 4,762.00 | 0.19 |
| Bubela, Chris | Chris Bubela 3064 County Rd 401 Edna, TX 77957 | Chris Bubela 3064 County Rd 401 Edna, TX 77957 | 4,750.00 | 0.19 |
| Smith, Dale (SEP IRA) | Dale Smith, SEP IRA PO Box 15305 Amarillo, TX 79105 | Dale Smith, SEP IRA PO Box 15305 Amarillo, TX 79105 | 4,451.00 | 0.18 |
| Clawson, Sherry | Sherry Clawson 1481 Old Settlers Blvd #1402 Round Rock, TX 78664 | Sherry Clawson 1481 Old Settlers Blvd #1402 Round Rock, TX 78664 | 4,407.00 | 0.18 |
| Stein, David & Dena | David Stein & Dena Stein 10048 Waldgrove Pl San Diego, CA 92131 | David Stein & Dena Stein 10048 Waldgrove Pl San Diego, CA 92131 | 4,169.00 | 0.17 |
| Maloney, Rhoda N Revocable Trust | Rhoda N Maloney Revocable Trust 228 St. Andrews Drive Jackson, MS 39211 | Rhoda N Maloney Revocable Trust 228 St. Andrews Drive Jackson, MS 39211 | 4,169.00 | 0.17 |

| Name/ID | Name/Address | IRS Name/Address | Shares | % Ownership |
|---|--|--|---------------|--------------------|
| Maloney, Edward Charles Maloney Revocable Trust | Edward Charles Maloney Revocable Trust 228 St. Andrews Drive Jackson, MS 39211 | Edward Charles Maloney Revocable Trust 228 St. Andrews Drive Jackson, MS 39211 | 4,170.00 | 0.17 |
| Cashner, Andrew | Andrew Cashner 14065 Amber Lane Montgomery, TX 77316 | Andrew Cashner 14065 Amber Lane Montgomery, TX 77316 | 4,169.00 | 0.17 |
| Schrom, Ken | Ken Schrom 1002 Black Diamond Portland, TX 78374 | Ken Schrom 1002 Black Diamond Portland, TX 78374 | 3,903.00 | 0.16 |
| Reilly, Asher | Asher Reilly 2219 Camelback Dr San Antonio, TX 78209 | Asher Reilly 2219 Camelback Dr San Antonio, TX 78209 | 3,967.00 | 0.16 |
| Martin, Matt | Matt Martin 2023 Rue De St Tropez Austin, TX 78746 | Matt Martin 2023 Rue De St Tropez Austin, TX 78746 | 4,000.00 | 0.16 |
| Ellis, Suzanne Morrow Ellis Trust | Suzanne Morrow Ellis Trust Attn: Suzanne Ellis, Ttee PO Box 130 Round Top, TX 78954 | Suzanne Morrow Ellis Trust Attn: Suzanne Ellis, Ttee PO Box 130 Round Top, TX 78954 | 4,049.00 | 0.16 |
| Davis, Riley | Riley Davis 13800 FM 2331 Godley, TX 76044 | Riley Davis 13800 FM 2331 Godley, TX 76044 | 4,000.00 | 0.16 |
| Bone, James Hollis (IRA) | IRA FBO James Hollis Bone Pershing LLC As Custodian Pershing LLC, Alternative Investments 1 Pershing Plaza Jersey City, NJ 07399 | James Hollis Bone IRA 2601 Henley Drive Round Rock, TX 78681 | 4,000.00 | 0.16 |
| Beam & Sons Inc. | Beam & Sons Inc. c/o Grady M. Beam, President 6103 Shannon Rd. Mesquite, TX 75181 | Beam & Sons Inc. 6103 Shannon Rd. Mesquite, TX 75181 | 4,000.00 | 0.16 |
| 1010 AA HOLDINGS LP | 1010 AA Holdings LP 1017 S. FM Rd 5 Aledo, TX 76008 | 1010 AA Holdings LP 1017 S. FM Rd 5 Aledo, TX 76008 | 3,967.00 | 0.16 |
| Smith, Currie (MPP) | Currie Smith, Money Purchase Plan 3602 W. Washington Anarillo, TX 79110 | Currie Smith, Money Purchase Plan 3602 W. Washington Anarillo, TX 79110 | 3,523.00 | 0.14 |
| Connell, Jeanie E | Jeanie E Connell 3057 Locke Ln Houston, TX 77019 | Jeanie E Connell 3057 Locke Ln Houston, TX 77019 | 3,500.00 | 0.14 |
| Chronis, John | John Chronis 6902 Pascal Court Austin, TX 78746 | John Chronis 6902 Pascal Court Austin, TX 78746 | 3,500.00 | 0.14 |

| Name/ID | Name/Address | IRS Name/Address | Shares | % Ownership |
|--------------------------------------|---|---|----------|-------------|
| Wells, Margaret K | Margaret K Wells 14668 Wayside Court Addison, TX 75001 | Margaret K Wells 14668 Wayside Court Addison, TX 75001 | 3,333.00 | 0.13 |
| Wallace, Brad | Brad Wallace 5213 Bryce Ave. Fort Worth, TX 76107 | Brad Wallace 5213 Bryce Ave. Fort Worth, TX 76107 | 3,336.00 | 0.13 |
| Rogge, Kevin | Kevin Rogge 4431 46th Street NW Washington, DC 20016 | Kevin Rogge 4431 46th Street NW Washington, DC 20016 | 3,306.00 | 0.13 |
| Penn, F. Walter | F. Walter Penn 2200 Matthews Drive Austin, TX 78703 | F. Walter Penn 2200 Matthews Drive Austin, TX 78703 | 3,306.00 | 0.13 |
| Page, William & Marly | William H Page Jr & Marly M Page 102 Swiftcurrent Trl Austin, TX 78746 | William H Page Jr & Marly M Page 102 Swiftcurrent Trl Austin, TX 78746 | 3,150.00 | 0.13 |
| Griggs, Cecil & Sharon | Cecil Griggs & Sharon Griggs 3709 Lakeview Dr Grapevine, TX 76051 | Cecil Griggs & Sharon Griggs 3709 Lakeview Dr Grapevine, TX 76051 | 3,334.00 | 0.13 |
| Fogle, Elisa | Elisa Fogle 15330 Chinquapin Helotes, TX 78023 | Elisa Fogle 15330 Chinquapin Helotes, TX 78023 | 3,344.00 | 0.13 |
| Esse, Ivan | Ivan Lyn Esse PO Box 176 Whitsett, TX 78075 | Ivan Lyn Esse PO Box 176 Whitsett, TX 78075 | 3,334.00 | 0.13 |
| Danks, John | John Danks 702 Oaklands Dr Round Rock, TX 78681 | John Danks 702 Oaklands Dr Round Rock, TX 78681 | 3,000.00 | 0.12 |
| Bridges, Rob | Rob Bridges 2701 Verdebank Cir Austin, TX 78703 | Rob Bridges 2701 Verdebank Cir Austin, TX 78703 | 3,000.00 | 0.12 |
| Ryan, Grace Lien Schlegel 2009 Trust | Grace Lien Schlegel 2009 Trust Attn: Reese Ryan 3400 E Palm Valley Blvd Round Rock, TX 78665 | Grace Lien Schlegel 2009 Trust Attn: Reese Ryan 3400 E Palm Valley Blvd Round Rock, TX 78665 | 2,850.00 | 0.11 |
| Bowman, Lindsay | Lindsay Bowman and Deborah Bowman 3112 Dawn Mesa Ct. Round Rock, TX 78665 | Lindsay Bowman and Deborah Bowman 3112 Dawn Mesa Ct. Round Rock, TX 78665 | 2,645.00 | 0.11 |

| Name/ID | Name/Address | IRS Name/Address | Shares | % Ownership |
|-----------------------------|---|---|----------|-------------|
| Hubbard, Dr. Jason & Sharon | Dr. Jason Hubbard & Sharon Hubbard 2207 Tower Dr Austin, TX 78703 | Dr. Jason Hubbard & Sharon Hubbard 2207 Tower Dr Austin, TX 78703 | 2,500.00 | 0.10 |
| Greenleaf, Clinton T | Clinton T. Greenleaf, III 1309 Verdant Way Austin, TX 78746 | Clinton T. Greenleaf, III 1309 Verdant Way Austin, TX 78746 | 2,500.00 | 0.10 |
| Armour, Ray | Ray Armour and Patricia Armour 500 Innwood Drive Georgetown, TX 78628 | Ray Armour and Patricia Armour 500 Innwood Drive Georgetown, TX 78628 | 2,500.00 | 0.10 |
| Adams, Jamie | Jamie Adams 1000 Ballpark Way #306 Arlington, TX 76011 | Jamie Adams 1000 Ballpark Way #306 Arlington, TX 76011 | 2,523.00 | 0.10 |
| Mebane, David & Kelly | David W Mebane and Kelly E Mebane 3210 Riva Ridge Rd Austin, TX 78746 | David W Mebane and Kelly E Mebane 3210 Riva Ridge Rd Austin, TX 78746 | 2,381.00 | 0.09 |
| McNeel, Judi | Judi McNeel 509 Coyote Rd. Southlake, TX 76092 | Judi McNeel 509 Coyote Rd. Southlake, TX 76092 | 2,381.00 | 0.09 |
| Wood, Brenda Sue & Bruce | Brenda Sue Wood & Bruce Wood 135 Walnut Tree Loop Georgetown, TX 78633 | Brenda Sue Wood & Bruce Wood 135 Walnut Tree Loop Georgetown, TX 78633 | 2,000.00 | 0.08 |
| Stapp, Steve | Steve Stapp 5 Oak View Round Rock, TX 78664 | Steve Stapp 5 Oak View Round Rock, TX 78664 | 2,000.00 | 0.08 |
| Land, Derek A & Stephanie S | Derek A Land & Stephanie S Land 2956 Westlake Drive Austin, TX 78746 | Derek A Land & Stephanie S Land 2956 Westlake Drive Austin, TX 78746 | 2,000.00 | 0.08 |
| Griggs, Sharon Lee | Sharon Lee Griggs 3709 Lakeview Grapevine, TX 76051 | Sharon Lee Griggs 3709 Lakeview Grapevine, TX 76051 | 2,000.00 | 0.08 |
| Blackbird, M. David | M. David Blackbird 4208 Park Hollow Ct Austin, TX 78746 | M. David Blackbird 4208 Park Hollow Ct Austin, TX 78746 | 2,000.00 | 0.08 |
| Gottsch, Jerry | Jerry J Gottsch 2909 Terrain Ln Austin, TX 78731 | Jerry J Gottsch 2909 Terrain Ln Austin, TX 78731 | 1,700.00 | 0.07 |

| Name / ID | Name / Address | IRS Name / Address | Shares | % Ownership |
|------------------------------------|---|---|----------|-------------|
| Wood, Michael & Liza Marie Aguilar | Michael Wood & Liza Marie Aguilar Wood 5406 Pressler Dr Corpus Christi, TX 78413 | Michael Wood & Liza Marie Aguilar Wood 5406 Pressler Dr Corpus Christi, TX 78413 | 1,500.00 | 0.06 |
| Nuse, Harry Adam | Harry Adam Nuse 53 Talbott Dr. Bowling Green, KY 42103 | Harry Adam Nuse 53 Talbott Dr. Bowling Green, KY 42103 | 1,500.00 | 0.06 |
| Smith, Caroline Dulle (Trust) | Caroline Dulle Smith 2005 Trust Attn: Caroline Dulle Smith, Ttee 3009 S. Ong Street Amarillo, TX 79109 | Caroline Dulle Smith 2005 Trust 3009 S. Ong Street Amarillo, TX 79109 | 1,191.00 | 0.05 |
| Loomis, Jeff | Jeffrey N Loomis & Barbara E Loomis 1610 Bruton Springs Rd Austin, TX 78733 | Jeffrey N Loomis 1610 Bruton Springs Rd Austin, TX 78733 | 1,190.00 | 0.05 |
| Kirkland, Judy | Judy Kirkland 3409 Forest Hills East Rd LaGrange, TX 78945 | Judy Kirkland 3409 Forest Hills East Rd LaGrange, TX 78945 | 1,350.00 | 0.05 |
| Jackson, Larry & Priscilla | Larry Jackson and Priscilla Jackson 1296 CR 428 Rockdale, TX 76567 | Larry Jackson and Priscilla Jackson 1296 CR 428 Rockdale, TX 76567 | 1,333.00 | 0.05 |
| Hurt, William R | William R Hurt 2417 Maconda Ln Houston, TX 77027 | William R Hurt 2417 Maconda Ln Houston, TX 77027 | 1,261.00 | 0.05 |
| Hayworth, Hubert R & Mary Ann | Hubert R Hayworth & Mary Ann Hayworth 2023 South View Cir Ft Collins, CO 80524 | Hubert R Hayworth Mary Ann Hayworth 2023 South View Cir Ft Collins, CO 80524 | 1,322.00 | 0.05 |
| Harris, T. Alan | T. Alan Harris PO Box 160310 Austin, TX 78735 | T. Alan Harris PO Box 160310 Austin, TX 78735 | 1,190.00 | 0.05 |
| Fell, Brian D | Brian D Fell 17008 Pagosa Springs Ct Austin, TX 78717 | Brian D Fell 17008 Pagosa Springs Ct Austin, TX 78717 | 1,215.00 | 0.05 |
| Bridges, Rob & Elise | Rob Bridges and Elise Bridges 2701 Verdebank Cir. Austin, TX 78703 | Rob Bridges and Elise Bridges 2701 Verdebank Cir. Austin, TX 78703 | 1,333.00 | 0.05 |
| Warren, Landy L (IRA) | IRA FBO Landy Lefeaux Warren Pershing LLC As Custodian Pershing LLC, Alternative Investments 1 Pershing Plaza Jersey City, NJ 07399 | Landy L Warren 803 Penny Lane Round Rock, TX 78681 | 1,000.00 | 0.04 |

| Name/ID | Name/Address | IRS Name/Address | Shares | % Ownership |
|--------------------------------|---|---|----------|-------------|
| Kesselring, Mark | Mark Kesselring or Sara Kesselring 703 Oak Park Dr. Round Rock, TX 78681 | Mark Kesselring 703 Oak Park Dr. Round Rock, TX 78681 | 1,000.00 | 0.04 |
| Gravelle, Ryan K | Ryan K. Gravelle 3202 Three Rivers Drive Austin, TX 78746 | Ryan K. Gravelle 3202 Three Rivers Drive Austin, TX 78746 | 1,000.00 | 0.04 |
| Clawson, Michael J & Cynthia S | Michael J Clawson and Cynthia S Clawson 3201 CR 536A Alvin, TX 77511 | Michael J Clawson and Cynthia S Clawson 3201 CR 536A Alvin, TX 77511 | 1,000.00 | 0.04 |
| Clawson, Matt | Matt Clawson 505 North Valley Dr Manhattan Beach, CA 90266 | Matt Clawson 505 North Valley Dr Manhattan Beach, CA 90266 | 1,000.00 | 0.04 |
| Clawson, Geoffrey B | Geoffrey B Clawson 505 North Valley Dr Manhattan Beach, CA 90266 | Geoffrey B Clawson 505 North Valley Dr Manhattan Beach, CA 90266 | 1,000.00 | 0.04 |
| Baker, P. James | P. James Baker 7305 Tidal Trace Arlington, TX 76016 | P. James Baker 7305 Tidal Trace Arlington, TX 76016 | 1,000.00 | 0.04 |
| Nuse, Adam & Sarah | Harry Adam Nuse and Sarah Nuse 53 Talbott Dr. Bowling Green, KY 42103 | Harry Adam Nuse and Sarah Nuse 53 Talbott Dr. Bowling Green, KY 42103 | 392.00 | 0.02 |
| Mascaro, Lisa E | Lisa E Mascaro 533 Golden Creek Dr Round Rock, TX 78665-7916 | Lisa E Mascaro 533 Golden Creek Dr Round Rock, TX 78665-7916 | 425.00 | 0.02 |
| Burdine, Landry | Landry Burdine 500 Main St. Ste 600 Fort Worth, TX 76102 | Landry Burdine 500 Main St. Ste 600 Fort Worth, TX 76102 | 400.00 | 0.02 |
| Moore, Patricia Conrad | Patricia Conrad Moore 1800 Foxfire Cove Round Rock, TX 78681 | Patricia Conrad Moore 1800 Foxfire Cove Round Rock, TX 78681 | 330.00 | 0.01 |
| Kirkland, Judy & Ricky | Judy Kirkland and Ricky Kirkland 3409 Forest Hill East La Grange, TX 78945 | Judy Kirkland and Ricky Kirkland 3409 Forest Hill East La Grange, TX 78945 | 193.00 | 0.01 |
| Wells Jr, James P & Margaret K | James P Wells Jr & Margaret K Wells 12710 Trail Hollow Houston, TX 77024 | James P Wells Jr & Margaret K Wells 12710 Trail Hollow Houston, TX 77024 | 0.00 | 0.00 |

| Name/ID | Name/Address | IRS Name/Address | Shares | % Ownership |
|-------------------------|---|---|--------|-------------|
| Sheets, Stephan L | Stephan L Sheets 309 E Main St Round Rock, TX 78664 | Stephan L Sheets 309 E Main St Round Rock, TX 78664 | 0.00 | 0.00 |
| Sanders, Bret | Bret Sanders 3111 Nottingham Houston, TX 77005 | Bret Sanders 3111 Nottingham Houston, TX 77005 | 0.00 | 0.00 |
| Sanders, Brad | Brad D Sanders 3710 Drake Houston, TX 77005 | Brad D Sanders 3710 Drake Houston, TX 77005 | 0.00 | 0.00 |
| Reilly, Axton | Axton Reilly 1024 S FM Road 5 Aleido, TX 76008 | Axton Reilly 1024 S FM Road 5 Aleido, TX 76008 | 0.00 | 0.00 |
| Reilly, Anson | Anson Reilly 1017 S FM Road 5 Aleido, TX 76008 | Anson Reilly 1017 S FM Road 5 Aleido, TX 76008 | 0.00 | 0.00 |
| Philip, Brad & Julie | Brad Philip & Julie Philip 6101 Bend of the River Austin, TX 78746 | Brad Philip & Julie Philip 6101 Bend of the River Austin, TX 78746 | 0.00 | 0.00 |
| McNair, Iliana | Iliana McNair 9406 Clearrock Dr. Austin, TX 78750 | Iliana McNair 9406 Clearrock Dr. Austin, TX 78750 | 50.00 | 0.00 |
| Maloney, Edward & Rhoda | Edward Maloney & Rhoda Maloney 228 St Andrews Jackson, MS 39211 | Edward Maloney & Rhoda Maloney 228 St Andrews Jackson, MS 39211 | 0.00 | 0.00 |
| Green, Malvin | Malvin Green 20 Sarazen Loop Georgetown, TX 78628 | Malvin Green 20 Sarazen Loop Georgetown, TX 78628 | 0.00 | 0.00 |
| Galatzan, Josh & Emily | Josh Galatzan and Emily Galatzan 5005 Mantle Dr. Austin, TX 78746 | Josh Galatzan and Emily Galatzan 5005 Mantle Dr. Austin, TX 78746 | 0.00 | 0.00 |
| Galatzan, Josh | Josh Galatzan 5005 Manite Dr. Austin, TX 78746 | Josh Galatzan 5005 Manite Dr. Austin, TX 78746 | 0.00 | 0.00 |
| Crossland, Deborah | Deborah Crossland 304 Essex Ln Georgetown, TX 78633 | Deborah Crossland 304 Essex Ln Georgetown, TX 78633 | 0.00 | 0.00 |
| Bowman, Deborah K | Deborah K Bowman 3112 Dawn Mesa Court Round Rock, TX 78665 | Deborah K Bowman 3112 Dawn Mesa Court Round Rock, TX 78665 | 0.00 | 0.00 |

| Name/ID | Name/Address | IRS Name/Address | Shares | % Ownership |
|--------------|--|--|--------|-------------|
| Aday, Temple | Temple Aday 1810 CR 122 N Round Rock, TX 78665 | Temple Aday 1810 CR 122 N Round Rock, TX 78665 | 0.00 | 0.00 |

Report Totals:

170
2,508,537.00
100.01

Warrant/Option Report

Company - R Corp Financial
 Date - Friday, January 13, 2017

| Shareholder | Class | Status | Type | Number | Grant Date | Exercise Date | Expire Date | Share Price | Total Shares | Exercised Shares |
|--------------------------------|--------------|-----------|---------|--------|------------|---------------|-------------|-------------|--------------|------------------|
| Sanders, Don A. | Common Stock | EXERCISED | WARRANT | 0 | 10/1/2009 | 10/1/2009 | 10/1/2019 | 10.00 | | 15,000.00 |
| Ryan, Lynn Nolan | Common Stock | EXERCISED | WARRANT | 0 | 10/1/2009 | 10/1/2009 | 10/1/2019 | 10.00 | | 25,000.00 |
| Sanders 2003 Children's Trusts | Common Stock | EXERCISED | WARRANT | 0 | 10/1/2009 | 10/1/2009 | 10/1/2019 | 10.00 | | 35,000.00 |
| Ryan, Nolan Reese | Common Stock | EXERCISED | WARRANT | 0 | 10/1/2009 | 10/1/2009 | 10/1/2019 | 10.00 | | 15,000.00 |
| Aday, Temple | Common Stock | ACTIVE | WARRANT | 0 | 10/1/2009 | 10/1/2009 | 10/1/2019 | 10.00 | 15,000.00 | 0.00 |
| Green, Malvin | Common Stock | ACTIVE | WARRANT | 0 | 10/1/2009 | 10/1/2009 | 10/1/2019 | 10.00 | 2,500.00 | 0.00 |
| Stapp, Steve | Common Stock | ACTIVE | WARRANT | 0 | 10/1/2009 | 10/1/2009 | 10/1/2019 | 10.00 | 7,500.00 | 0.00 |
| Ellis, Chris | Common Stock | ACTIVE | WARRANT | 0 | 10/1/2009 | 10/1/2009 | 10/1/2019 | 10.00 | 15,000.00 | 0.00 |
| Bivins, Andrew | Common Stock | ACTIVE | WARRANT | 0 | 10/1/2009 | 10/1/2009 | 10/1/2019 | 10.00 | 15,000.00 | 0.00 |
| Shope, Jared | Common Stock | ACTIVE | WARRANT | 0 | 10/1/2009 | 10/1/2009 | 10/1/2019 | 10.00 | 15,000.00 | 0.00 |
| Bridges, Rob | Common Stock | ACTIVE | WARRANT | 0 | 10/1/2009 | 10/1/2009 | 10/1/2019 | 10.00 | 1,500.00 | 0.00 |
| Ryan, Robert Reid | Common Stock | ACTIVE | WARRANT | 0 | 10/1/2009 | 10/1/2009 | 10/1/2019 | 10.00 | 15,000.00 | 0.00 |
| | | | | | | | | | 86,500.00 | 90,000.00 |

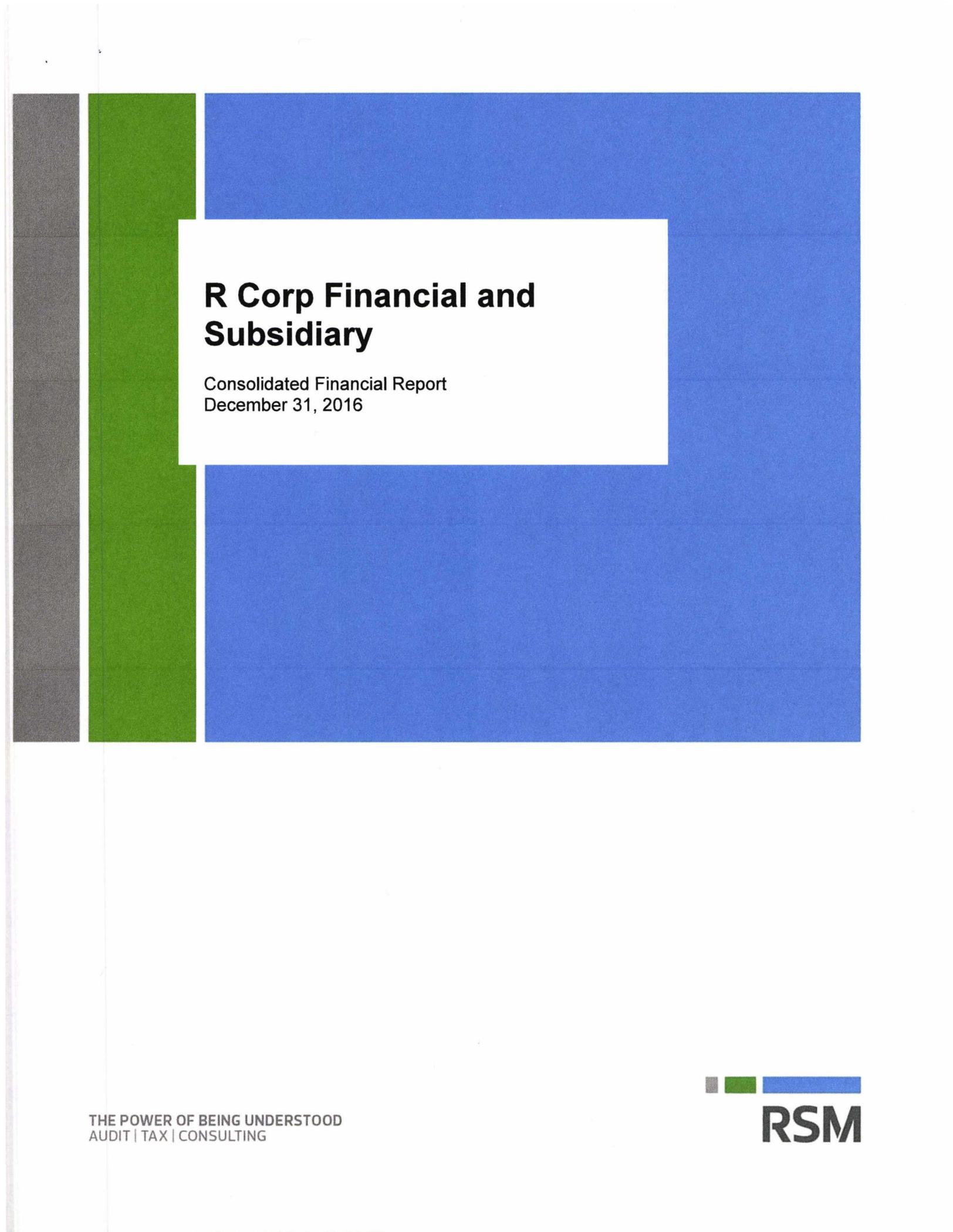
| Shareholder | Class | Status | Type | Number | Grant Date | Exercise Date | Expire Date | Share Price | Total Shares | Exercised Shares |
|-------------------|--------------|--------|--------|--------|------------|---------------|-------------|-------------|--------------|------------------|
| Aday, Temple | Common Stock | ACTIVE | OPTION | 0 | 12/1/2016 | 12/1/2016 | 12/1/2026 | 28.04 | 1,000.00 | 0.00 |
| Aday, Temple | Common Stock | ACTIVE | OPTION | 0 | 12/1/2015 | 12/1/2015 | 12/1/2025 | 28.04 | 1,000.00 | 0.00 |
| Aday, Temple | Common Stock | ACTIVE | OPTION | 0 | 12/1/2014 | 12/1/2014 | 12/1/2024 | 21.00 | 1,000.00 | 0.00 |
| Aday, Temple | Common Stock | ACTIVE | OPTION | 0 | 2/27/2014 | 2/27/2014 | 2/27/2024 | 21.00 | 2,000.00 | 0.00 |
| Bivins, Andrew | Common Stock | ACTIVE | OPTION | 0 | 12/1/2016 | 12/1/2016 | 12/1/2026 | 28.04 | 1,000.00 | 0.00 |
| Bivins, Andrew | Common Stock | ACTIVE | OPTION | 0 | 12/1/2015 | 12/1/2015 | 12/1/2025 | 28.04 | 1,000.00 | 0.00 |
| Bivins, Andrew | Common Stock | ACTIVE | OPTION | 0 | 12/1/2014 | 12/1/2014 | 12/1/2024 | 21.00 | 1,000.00 | 0.00 |
| Bivins, Andrew | Common Stock | ACTIVE | OPTION | 0 | 2/27/2014 | 2/27/2014 | 2/27/2024 | 21.00 | 2,000.00 | 0.00 |
| Bowman, Deborah K | Common Stock | ACTIVE | OPTION | 0 | 2/27/2014 | 2/27/2014 | 2/27/2024 | 21.00 | 300.00 | 0.00 |

| Shareholder | Class | Status | Type | Number | Grant Date | Exercise Date | Expire Date | Share Price | Total Shares | Exercised Shares |
|--------------------|--------------|--------|--------|--------|------------|---------------|-------------|-------------|--------------|------------------|
| Bridges, Rob | Common Stock | ACTIVE | OPTION | 0 | 12/1/2016 | 12/1/2016 | 12/1/2026 | 28.04 | 1,000.00 | 0.00 |
| Bridges, Rob | Common Stock | ACTIVE | OPTION | 0 | 12/1/2015 | 12/1/2015 | 12/1/2025 | 28.04 | 1,000.00 | 0.00 |
| Bridges, Rob | Common Stock | ACTIVE | OPTION | 0 | 12/1/2014 | 12/1/2014 | 12/1/2024 | 21.00 | 1,000.00 | 0.00 |
| Bridges, Rob | Common Stock | ACTIVE | OPTION | 0 | 2/27/2014 | 2/27/2014 | 2/27/2024 | 21.00 | 2,000.00 | 0.00 |
| Bubela, Chris | Common Stock | ACTIVE | OPTION | 0 | 6/22/2009 | 6/22/2013 | 6/22/2019 | 10.00 | 1,250.00 | 0.00 |
| Carr, Scott | Common Stock | ACTIVE | OPTION | 0 | 12/1/2015 | 12/1/2016 | 12/1/2025 | 28.04 | 300.00 | 0.00 |
| Carr, Scott | Common Stock | ACTIVE | OPTION | 0 | 12/1/2014 | 12/1/2015 | 12/1/2024 | 21.00 | 300.00 | 0.00 |
| Carr, Scott | Common Stock | ACTIVE | OPTION | 0 | 2/27/2014 | 12/1/2014 | 2/27/2024 | 21.00 | 300.00 | 0.00 |
| Carr, Scott | Common Stock | ACTIVE | OPTION | 0 | 2/27/2014 | 2/27/2014 | 2/27/2024 | 21.00 | 300.00 | 0.00 |
| Crossland, Deborah | Common Stock | ACTIVE | OPTION | 0 | 6/24/2010 | 6/24/2010 | 6/24/2020 | 10.00 | 250.00 | 0.00 |
| Crossland, Deborah | Common Stock | ACTIVE | OPTION | 0 | 6/24/2010 | 6/24/2010 | 6/24/2020 | 10.00 | 250.00 | 0.00 |
| Crossland, Deborah | Common Stock | ACTIVE | OPTION | 0 | 6/24/2010 | 6/24/2010 | 6/24/2020 | 10.00 | 250.00 | 0.00 |
| Crossland, Deborah | Common Stock | ACTIVE | OPTION | 0 | 6/24/2010 | 6/24/2011 | 6/24/2020 | 10.00 | 250.00 | 0.00 |
| Ellis, Chris | Common Stock | ACTIVE | OPTION | 0 | 12/1/2016 | 12/1/2016 | 12/1/2026 | 28.04 | 1,000.00 | 0.00 |
| Ellis, Chris | Common Stock | ACTIVE | OPTION | 0 | 12/1/2015 | 12/1/2015 | 12/1/2025 | 28.04 | 1,000.00 | 0.00 |
| Ellis, Chris | Common Stock | ACTIVE | OPTION | 0 | 12/1/2014 | 12/1/2014 | 12/1/2024 | 21.00 | 1,000.00 | 0.00 |
| Ellis, Chris | Common Stock | ACTIVE | OPTION | 0 | 2/27/2014 | 2/27/2014 | 2/27/2024 | 21.00 | 2,000.00 | 0.00 |
| Fell, Brian D | Common Stock | ACTIVE | OPTION | 0 | 12/1/2015 | 12/1/2016 | 12/1/2025 | 28.04 | 300.00 | 0.00 |
| Fell, Brian D | Common Stock | ACTIVE | OPTION | 0 | 12/1/2014 | 12/1/2015 | 12/1/2024 | 21.00 | 300.00 | 0.00 |
| Fell, Brian D | Common Stock | ACTIVE | OPTION | 0 | 2/27/2014 | 12/1/2014 | 2/27/2024 | 21.00 | 266.00 | 34.00 |
| Galatzan, Josh | Common Stock | ACTIVE | OPTION | 0 | 12/1/2015 | 12/1/2016 | 12/1/2025 | 28.04 | 300.00 | 0.00 |
| Galatzan, Josh | Common Stock | ACTIVE | OPTION | 0 | 12/1/2014 | 12/1/2015 | 12/1/2024 | 21.00 | 300.00 | 0.00 |
| Galatzan, Josh | Common Stock | ACTIVE | OPTION | 0 | 2/27/2014 | 12/1/2014 | 2/27/2024 | 21.00 | 300.00 | 0.00 |
| Galatzan, Josh | Common Stock | ACTIVE | OPTION | 0 | 2/27/2014 | 2/27/2014 | 2/27/2024 | 21.00 | 300.00 | 0.00 |
| Green, Malvin | Common Stock | ACTIVE | OPTION | 0 | 12/1/2016 | 12/1/2016 | 12/1/2026 | 28.04 | 1,000.00 | 0.00 |
| Green, Malvin | Common Stock | ACTIVE | OPTION | 0 | 12/1/2015 | 12/1/2015 | 12/1/2025 | 28.04 | 1,000.00 | 0.00 |

| Shareholder | Class | Status | Type | Number | Grant Date | Exercise Date | Expire Date | Share Price | Total Shares | Exercised Shares |
|--------------------------|--------------|--------|--------|--------|------------|---------------|-------------|-------------|--------------|------------------|
| Green, Malvin | Common Stock | ACTIVE | OPTION | 0 | 12/1/2014 | 12/1/2014 | 12/1/2024 | 21.00 | 1,000.00 | 0.00 |
| Green, Malvin | Common Stock | ACTIVE | OPTION | 0 | 2/27/2014 | 2/27/2014 | 2/27/2024 | 21.00 | 2,000.00 | 0.00 |
| Kirkland, Judy | Common Stock | ACTIVE | OPTION | 0 | 6/24/2010 | 6/24/2014 | 6/24/2020 | 10.00 | 250.00 | 0.00 |
| McNair, Iliana | Common Stock | ACTIVE | OPTION | 0 | 12/1/2015 | 12/1/2016 | 12/1/2025 | 28.04 | 300.00 | 0.00 |
| McNair, Iliana | Common Stock | ACTIVE | OPTION | 0 | 12/1/2014 | 12/1/2015 | 12/1/2024 | 21.00 | 250.00 | 50.00 |
| Reagan II, William Kevin | Common Stock | ACTIVE | OPTION | 0 | 12/1/2015 | 12/1/2016 | 12/1/2025 | 28.04 | 300.00 | 0.00 |
| Ryan, Lynn Nolan | Common Stock | ACTIVE | OPTION | 0 | 12/1/2016 | 12/1/2016 | 12/1/2026 | 28.04 | 1,000.00 | 0.00 |
| Ryan, Lynn Nolan | Common Stock | ACTIVE | OPTION | 0 | 12/1/2014 | 12/1/2014 | 12/1/2024 | 21.00 | 1,000.00 | 0.00 |
| Ryan, Lynn Nolan | Common Stock | ACTIVE | OPTION | 0 | 2/27/2014 | 2/27/2014 | 2/27/2024 | 21.00 | 2,000.00 | 0.00 |
| Ryan, Nolan Reese | Common Stock | ACTIVE | OPTION | 0 | 12/1/2016 | 12/1/2016 | 12/1/2026 | 28.04 | 1,000.00 | 0.00 |
| Ryan, Nolan Reese | Common Stock | ACTIVE | OPTION | 0 | 12/1/2015 | 12/1/2015 | 12/1/2025 | 28.04 | 1,000.00 | 0.00 |
| Ryan, Nolan Reese | Common Stock | ACTIVE | OPTION | 0 | 12/1/2014 | 12/1/2014 | 12/1/2024 | 21.00 | 1,000.00 | 0.00 |
| Ryan, Nolan Reese | Common Stock | ACTIVE | OPTION | 0 | 2/27/2014 | 2/27/2014 | 2/27/2024 | 21.00 | 2,000.00 | 0.00 |
| Ryan, Robert Reid | Common Stock | ACTIVE | OPTION | 0 | 12/1/2016 | 12/1/2016 | 12/1/2026 | 28.04 | 1,000.00 | 0.00 |
| Ryan, Robert Reid | Common Stock | ACTIVE | OPTION | 0 | 12/1/2015 | 12/1/2015 | 12/1/2025 | 28.04 | 1,000.00 | 0.00 |
| Ryan, Robert Reid | Common Stock | ACTIVE | OPTION | 0 | 12/1/2014 | 12/1/2014 | 12/1/2024 | 21.00 | 1,000.00 | 0.00 |
| Ryan, Robert Reid | Common Stock | ACTIVE | OPTION | 0 | 2/27/2014 | 2/27/2014 | 2/27/2024 | 21.00 | 2,000.00 | 0.00 |
| Sanders, Brad | Common Stock | ACTIVE | OPTION | 0 | 12/1/2016 | 12/1/2016 | 12/1/2026 | 28.04 | 1,000.00 | 0.00 |
| Sanders, Brad | Common Stock | ACTIVE | OPTION | 0 | 12/1/2015 | 12/1/2015 | 12/1/2025 | 28.04 | 1,000.00 | 0.00 |
| Sanders, Brad | Common Stock | ACTIVE | OPTION | 0 | 12/1/2014 | 12/1/2014 | 12/1/2024 | 21.00 | 1,000.00 | 0.00 |
| Sanders, Brad | Common Stock | ACTIVE | OPTION | 0 | 2/27/2014 | 2/27/2014 | 2/27/2024 | 21.00 | 2,000.00 | 0.00 |
| Sanders, Bret | Common Stock | ACTIVE | OPTION | 0 | 12/1/2016 | 12/1/2016 | 12/1/2026 | 28.04 | 1,000.00 | 0.00 |
| Sanders, Bret | Common Stock | ACTIVE | OPTION | 0 | 12/1/2015 | 12/1/2015 | 12/1/2025 | 28.04 | 1,000.00 | 0.00 |
| Sanders, Bret | Common Stock | ACTIVE | OPTION | 0 | 12/1/2014 | 12/1/2014 | 12/1/2024 | 21.00 | 1,000.00 | 0.00 |
| Sanders, Bret | Common Stock | ACTIVE | OPTION | 0 | 2/27/2014 | 2/27/2014 | 2/27/2024 | 21.00 | 2,000.00 | 0.00 |
| Shope, Jared | Common Stock | ACTIVE | OPTION | 0 | 12/1/2016 | 12/1/2016 | 12/1/2026 | 28.04 | 1,000.00 | 0.00 |

| Shareholder | Class | Status | Type | Number | Grant Date | Exercise Date | Expire Date | Share Price | Total Shares | Exercised Shares |
|--------------------------|--------------|-----------|--------|--------|------------|---------------|-------------|-------------|--------------|------------------|
| Shope, Jared | Common Stock | ACTIVE | OPTION | 0 | 12/1/2015 | 12/1/2015 | 12/1/2025 | 28.04 | 1,000.00 | 0.00 |
| Shope, Jared | Common Stock | ACTIVE | OPTION | 0 | 12/1/2014 | 12/1/2014 | 12/1/2024 | 21.00 | 1,000.00 | 0.00 |
| Shope, Jared | Common Stock | ACTIVE | OPTION | 0 | 2/27/2014 | 2/27/2014 | 2/27/2024 | 21.00 | 2,000.00 | 0.00 |
| Stapp, Steve | Common Stock | ACTIVE | OPTION | 0 | 12/1/2016 | 12/1/2016 | 12/1/2026 | 28.04 | 1,000.00 | 0.00 |
| Stapp, Steve | Common Stock | ACTIVE | OPTION | 0 | 12/1/2015 | 12/1/2015 | 12/1/2025 | 28.04 | 1,000.00 | 0.00 |
| Stapp, Steve | Common Stock | ACTIVE | OPTION | 0 | 12/1/2014 | 12/1/2014 | 12/1/2024 | 21.00 | 1,000.00 | 0.00 |
| Stapp, Steve | Common Stock | ACTIVE | OPTION | 0 | 2/27/2014 | 2/27/2014 | 2/27/2024 | 21.00 | 2,000.00 | 0.00 |
| Stuart, Richard | Common Stock | ACTIVE | OPTION | 0 | 12/1/2016 | 12/1/2016 | 12/1/2026 | 28.04 | 1,000.00 | 0.00 |
| Stuart, Richard | Common Stock | ACTIVE | OPTION | 0 | 12/1/2015 | 12/1/2015 | 12/1/2025 | 28.04 | 1,000.00 | 0.00 |
| Stuart, Richard | Common Stock | ACTIVE | OPTION | 0 | 12/1/2014 | 12/1/2014 | 12/1/2024 | 21.00 | 1,000.00 | 0.00 |
| Stuart, Richard | Common Stock | ACTIVE | OPTION | 0 | 2/27/2014 | 2/27/2014 | 2/27/2024 | 21.00 | 300.00 | 0.00 |
| Stuart, Richard | Common Stock | ACTIVE | OPTION | 0 | 2/27/2014 | 2/27/2014 | 2/27/2024 | 21.00 | 300.00 | 0.00 |
| Ryan, Lynn Nolan | Common Stock | EXERCISED | OPTION | 0 | 12/1/2015 | 12/1/2015 | 12/1/2025 | 28.04 | 1,000.00 | 1,000.00 |
| Reagan II, William Kevin | Common Stock | EXERCISED | OPTION | 0 | 12/1/2014 | 12/1/2015 | 12/1/2024 | 21.00 | 300.00 | 300.00 |
| Fell, Brian D | Common Stock | EXERCISED | OPTION | 0 | 2/27/2014 | 2/27/2014 | 2/27/2024 | 21.00 | 300.00 | 300.00 |
| Reagan II, William Kevin | Common Stock | EXERCISED | OPTION | 0 | 2/27/2014 | 12/1/2014 | 2/27/2024 | 21.00 | 300.00 | 300.00 |
| Reagan II, William Kevin | Common Stock | EXERCISED | OPTION | 0 | 2/27/2014 | 2/27/2014 | 2/27/2024 | 21.00 | 300.00 | 300.00 |
| Shaw, Michael E. | Common Stock | EXERCISED | OPTION | 0 | 6/7/2011 | 6/7/2014 | 6/7/2021 | 10.00 | 1,250.00 | 1,250.00 |
| Shaw, Michael E. | Common Stock | EXERCISED | OPTION | 0 | 6/7/2011 | 6/7/2013 | 6/7/2021 | 10.00 | 1,250.00 | 1,250.00 |
| Shaw, Michael E. | Common Stock | EXERCISED | OPTION | 0 | 6/7/2011 | 6/7/2012 | 6/7/2021 | 10.00 | 1,250.00 | 1,250.00 |
| Kirkland, Judy | Common Stock | EXERCISED | OPTION | 0 | 6/24/2010 | 6/24/2013 | 6/24/2020 | 10.00 | 250.00 | 250.00 |
| Kirkland, Judy | Common Stock | EXERCISED | OPTION | 0 | 6/24/2010 | 6/24/2012 | 6/24/2020 | 10.00 | 250.00 | 250.00 |
| Kirkland, Judy | Common Stock | EXERCISED | OPTION | 0 | 6/24/2010 | 6/24/2011 | 6/24/2020 | 10.00 | 250.00 | 250.00 |
| Kesselring, Mark | Common Stock | EXERCISED | OPTION | 0 | 6/24/2010 | 6/24/2014 | 6/24/2020 | 10.00 | 250.00 | 250.00 |
| Kesselring, Mark | Common Stock | EXERCISED | OPTION | 0 | 6/24/2010 | 6/24/2013 | 6/24/2020 | 10.00 | 250.00 | 250.00 |
| Kesselring, Mark | Common Stock | EXERCISED | OPTION | 0 | 6/24/2010 | 6/24/2012 | 6/24/2020 | 10.00 | 250.00 | 250.00 |

| Shareholder | Class | Status | Type | Number | Grant Date | Exercise Date | Expire Date | Share Price | Total Shares | Exercised Shares |
|--------------------------|--------------|-------------|--------|--------|------------|---------------|-------------|-------------|--------------|------------------|
| Kesseling, Mark | Common Stock | EXERCISED | OPTION | 0 | 6/24/2010 | 6/24/2011 | 6/24/2020 | 10.00 | | 250.00 |
| Reagan II, William Kevin | Common Stock | UNEXERCISED | OPTION | 0 | 12/1/2016 | 12/1/2017 | 12/1/2026 | 28.04 | 300.00 | 0.00 |
| McNair, Iliana | Common Stock | UNEXERCISED | OPTION | 0 | 12/1/2016 | 12/1/2017 | 12/1/2026 | 28.04 | 300.00 | 0.00 |
| Galatzan, Josh | Common Stock | UNEXERCISED | OPTION | 0 | 12/1/2016 | 12/1/2017 | 12/1/2026 | 28.04 | 300.00 | 0.00 |
| Fell, Brian D | Common Stock | UNEXERCISED | OPTION | 0 | 12/1/2016 | 12/1/2017 | 12/1/2026 | 28.04 | 300.00 | 0.00 |
| Carr, Scott | Common Stock | UNEXERCISED | OPTION | 0 | 12/1/2016 | 12/1/2017 | 12/1/2026 | 28.04 | 300.00 | 0.00 |
| | | | | | | | | | 71,016.00 | 7,784.00 |



R Corp Financial and Subsidiary

Consolidated Financial Report
December 31, 2016

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
R Corp Financial and Subsidiary

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of R Corp Financial and Subsidiary, which comprise the consolidated balance sheet as of December 31, 2016; the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the year then ended; and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of R Corp Financial and Subsidiary as of December 31, 2016, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The consolidated financial statements of R Corp Financial and Subsidiary as of and for the year ended December 31, 2015, were audited by other auditors, whose report dated June 14, 2016, expressed an unmodified opinion on those statements.

RSM US LLP

Austin, Texas
May 1, 2017

R Corp Financial and Subsidiary

Consolidated Balance Sheets December 31, 2016 and 2015 (Dollars in Thousands, Except Share Data)

| | 2016 | 2015 |
|--|-------------------|-------------------|
| Assets | | |
| Cash and cash equivalents: | | |
| Cash and noninterest-bearing deposits | \$ 2,861 | \$ 2,753 |
| Interest-bearing deposits in other banks | 19,720 | 22,162 |
| Total cash and cash equivalents | 22,581 | 24,915 |
| Securities available for sale | 75,434 | 81,022 |
| Securities held to maturity | 3,186 | 3,321 |
| Restricted investment securities | 1,272 | 233 |
| Loans | 295,677 | 246,261 |
| Less allowance for possible credit losses | (3,186) | (2,855) |
| Loans, net | 292,491 | 243,406 |
| Loans held for sale | 2,522 | 936 |
| Accrued interest receivable | 1,421 | 1,240 |
| Premises and equipment, net | 2,743 | 8,744 |
| Net deferred tax asset | 2,012 | 199 |
| Goodwill | 4,667 | 4,639 |
| Core deposit intangible, net | 1,188 | 1,415 |
| Prepaid expenses and other assets | 462 | 444 |
| Total assets | \$ 409,979 | \$ 370,514 |
| Liabilities and Shareholders' Equity | | |
| Liabilities: | | |
| Deposits: | | |
| Noninterest-bearing deposits | \$ 8,182 | \$ 79,748 |
| Interest-bearing demand | 247,255 | 168,685 |
| Interest-bearing time | 96,180 | 80,237 |
| Total deposits | 351,617 | 328,670 |
| Notes payable and borrowings | 23,000 | 8,000 |
| Accrued interest payable | 175 | 129 |
| Deferred gain on sale leaseback | 2,159 | - |
| Other liabilities | 528 | 153 |
| Total liabilities | 377,479 | 336,952 |
| Shareholders' equity: | | |
| Common stock—\$5 par value; 10,000,000 shares authorized, 2,513,537 and 2,511,253 shares outstanding at December 31, 2016 and 2015, respectively | 12,568 | 12,556 |
| Capital surplus | 20,797 | 20,738 |
| Treasury stock—5,000 shares at cost | (80) | (80) |
| Retained earnings (accumulated deficit) | (50) | 51 |
| Accumulated other comprehensive income (loss) | (735) | 297 |
| Total shareholders' equity | 32,500 | 33,562 |
| Total liabilities and shareholders' equity | \$ 409,979 | \$ 370,514 |

See notes to consolidated financial statements.

R Corp Financial and Subsidiary

Consolidated Statements of Income Years Ended December 31, 2016 and 2015 (Dollars in Thousands)

| | 2016 | 2015 |
|---|-----------------|-----------------|
| Interest income: | | |
| Interest and fees on loans | \$ 14,913 | \$ 12,125 |
| Investment securities | 1,691 | 1,367 |
| Interest-bearing deposits in other banks | 195 | 139 |
| Federal funds sold | 2 | 2 |
| Total interest income | 16,801 | 13,633 |
| Interest expense: | | |
| Deposits | 2,469 | 2,154 |
| Other borrowed funds | 327 | 77 |
| Total interest expense | 2,796 | 2,231 |
| Net interest income | 14,005 | 11,402 |
| Provision for possible credit losses | 575 | 395 |
| Net interest income after provision for possible credit losses | 13,430 | 11,007 |
| Noninterest income: | | |
| Deposit account service charges | 419 | 286 |
| Interchange fees | 286 | 221 |
| Gain on sale of securities, net | 169 | 12 |
| Gain on sale of premises and equipment | 137 | - |
| Other | 139 | 99 |
| Total noninterest income | 1,150 | 618 |
| Noninterest expense: | | |
| Salaries and employee benefits | 6,199 | 4,657 |
| Professional services | 753 | 792 |
| Data processing | 1,878 | 1,353 |
| Occupancy expense | 1,298 | 1,071 |
| Depreciation and amortization | 1,001 | 689 |
| Regulatory and insurance expense | 412 | 306 |
| Advertising and marketing | 363 | 494 |
| Office and communications expense | 417 | 410 |
| Other | 681 | 746 |
| Total noninterest expense | 13,002 | 10,518 |
| Income before federal income tax expense | 1,578 | 1,107 |
| Federal income tax expense | (174) | (85) |
| Consolidated net income | \$ 1,404 | \$ 1,022 |

See notes to consolidated financial statements.

R Corp Financial and Subsidiary

Consolidated Statements of Comprehensive Income
Years Ended December 31, 2016 and 2015
(Dollars in Thousands)

| | 2016 | 2015 |
|--|-----------------------|------------------------|
| Consolidated net income | <u>\$ 1,404</u> | <u>\$ 1,022</u> |
| Other items of comprehensive income (loss): | | |
| Adjustment for gain on sale of securities, net | 169 | 12 |
| Changes in unrealized holding gain on securities available for sale | <u>(1,733)</u> | <u>(9)</u> |
| Total other items of comprehensive income (loss) | <u>(1,564)</u> | <u>3</u> |
| | | |
| Comprehensive income before income tax expense (benefit) | <u>(160)</u> | <u>1,025</u> |
| | | |
| Income tax (expense) benefit related to other items of comprehensive income (loss) | | |
| Adjustments for net gain (loss) on sale of investments securities | (57) | (4) |
| Changes in net unrealized gain (loss) on securities available for sale | <u>589</u> | <u>3</u> |
| Other comprehensive income (loss) | <u>532</u> | <u>(1)</u> |
| | | |
| Total comprehensive income | <u>\$ 372</u> | <u>\$ 1,024</u> |

See notes to consolidated financial statements.

R Corp Financial and Subsidiary

**Consolidated Statements of Changes in Shareholders' Equity
Years Ended December 31, 2016 and 2015
(Dollars in Thousands, Except Share Data)**

| | Common Stock | Capital Surplus | Treasury Stock | Retained Earnings (Accumulated Deficit) | Accumulated Other Comprehensive Income (Loss) | Total |
|--|------------------|--------------------|-------------------|---|--|------------------|
| Balance at December 31, 2014 | \$ 11,993 | \$ 19,809 | \$ (80) | \$ 272 | \$ 295 | \$ 32,289 |
| Shares issued as part of Schwertner State Bank Acquisition (Note 3) | 89 | 411 | - | - | - | 500 |
| Stock grant (1,000 shares) | 5 | 16 | - | - | - | 21 |
| Stock-option expense | - | 33 | - | - | - | 33 |
| Exercise of stock options | 19 | 19 | - | - | - | 38 |
| Exercise of stock warrants | 450 | 450 | - | - | - | 900 |
| Dividends declared | - | - | - | (1,243) | - | (1,243) |
| Consolidated net income | - | - | - | 1,022 | - | 1,022 |
| Change in unrealized gain on securities, net of taxes | - | - | - | - | 2 | 2 |
| Balance at December 31, 2015 | 12,556 | 20,738 | (80) | 51 | 297 | 33,562 |
| Stock-option expense | - | 15 | - | - | - | 15 |
| Exercise of stock options | 12 | 44 | - | - | - | 56 |
| Dividends declared | - | - | - | (1,505) | - | (1,505) |
| Consolidated net income | - | - | - | 1,404 | - | 1,404 |
| Change in unrealized gain on securities, net of taxes | - | - | - | - | (1,032) | (1,032) |
| Balance at December 31, 2016 | \$ 12,568 | \$ 20,797 | \$ (80) | \$ (50) | \$ (735) | \$ 32,500 |

See notes to consolidated financial statements.

R Corp Financial and Subsidiary

Consolidated Statements of Cash Flows
Years Ended December 31, 2016 and 2015
(Dollars in Thousands)

| | 2016 | 2015 |
|---|-----------------|-----------------|
| Cash flows from operating activities: | | |
| Consolidating net income | \$ 1,404 | \$ 1,022 |
| Adjustments to reconcile consolidating net income to net cash provided by operating activities: | | |
| Provision for possible credit losses | 575 | 395 |
| Stock-based compensation expense | 15 | 54 |
| Depreciation and amortization | 1,001 | 689 |
| Gain on sale of securities, net | (169) | (12) |
| Amortization and accretion of premiums and discounts on investment securities, net | 685 | 474 |
| Gain on sale of premises and equipment | (137) | - |
| Deferred income tax benefit | (1,282) | (93) |
| Change in operating assets and liabilities: | | |
| Accrued interest receivable, prepaid expenses and other assets | (298) | (227) |
| Accrued interest payable and other liabilities | 421 | (101) |
| Net cash provided by operating activities | 2,215 | 2,201 |
| Cash flows from investing activities: | | |
| Securities available for sale: | | |
| Purchases | (65,151) | (29,832) |
| Proceeds from sales, maturities and paydowns | 68,353 | 26,674 |
| Securities held to maturity: | | |
| Purchases | (210) | (2,278) |
| Proceeds from maturities and paydowns | 306 | 23 |
| Purchase of The Independent Bankers Financial Corporation stock | (17) | (52) |
| Sale (purchase) of Federal Home Loan Bank stock | (944) | 371 |
| Purchases of premises and equipment | (898) | (2,277) |
| Proceeds from sale of premises and equipment | 8,761 | 23 |
| Increase in loans, net | (51,247) | (31,826) |
| Cash of Schwertner State Bank received in the acquisition | - | 10,079 |
| Cash portion of consideration for the purchase of Schwertner State Bank | - | (7,867) |
| Net cash used by investing activities | (41,047) | (36,962) |
| Cash flows from financing activities: | | |
| Net increase (decrease) in noninterest-bearing deposits | (71,566) | 28,603 |
| Net increase (decrease) in interest-bearing deposits | 94,513 | (12,888) |
| Payments on borrowings | - | - |
| Proceeds from borrowings | 15,000 | 8,000 |
| Proceeds from stock warrants exercised | - | 900 |
| Proceeds from stock options exercised | 56 | 38 |
| Dividends declared | (1,505) | (1,243) |
| Net cash provided by financing activities | 36,498 | 23,410 |
| Net decrease in cash and cash equivalents | (2,334) | (11,351) |
| Cash and cash equivalents at beginning of year | 24,915 | 36,266 |
| Cash and cash equivalents at end of year | \$ 22,581 | \$ 24,915 |
| Schedules of other cash flow information: | | |
| Interest paid | \$ 2,750 | \$ 2,142 |
| Income taxes paid | \$ 1,270 | \$ 135 |

See notes to consolidated financial statements.

R Corp Financial and Subsidiary

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting and Reporting Policies

Consolidation: The accompanying consolidated financial statements include the accounts of R Corp Financial and its wholly-owned subsidiary, R Bank (the Bank), (collectively, the Company). All significant intercompany balances and transactions have been eliminated in consolidation.

Nature of operations: R Corp Financial (the Company) through its bank subsidiary, R Bank (the Bank), operates branch locations in Round Rock, Austin, Georgetown, Jarrell, Schwertner, Bertram and Edna, Texas. The Bank's primary source of revenue is from investing funds received from depositors and from providing loan and other banking services to its customers. The Bank is subject to regulation by the Texas Department of Banking and the Federal Deposit Insurance Corporation (FDIC). The Company is subject to regulation by the Federal Reserve Board.

In September of 2014, the Board of Directors of the Company approved the creation of a separate subsidiary which will wholly own DR Storage Solutions, LLC (DRSS), a newly formed data storage site housed in the Round Rock East location. At December 31, 2014, the entity was in the development stage. In September of 2015, the Board of Directors of the Company approved the dissolution of DRSS.

In October of 2015, the Board of Directors of the Company approved the formation of RBQ Holdings LLC (RBQ), a limited liability company, which will hold a commercial grade barbeque pit and other related equipment. RBQ is a wholly-owned subsidiary of the Bank. Equipment with a net book value of approximately \$7 thousand has been included in fixed assets of the Company at December 31, 2015, related to RBQ.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of goodwill and the valuation of available-for-sale securities.

New and recently issued accounting standards: In August 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-14, an amendment to ASU No. 2014-09, *Revenue Recognition—Revenue from Contracts with Customers (Topic 606)*. This ASU provides guidance on when to recognize revenue from contracts with customers. The objective of this ASU is to eliminate diversity in practice related to this topic and to streamline and enhance revenue recognition requirements. The ASU defines five steps to recognize revenue including, identify the contract with a customer, identify the performance obligations in the contract, determine a transaction price, allocate the transaction price to the performance obligations and then recognize the revenue when or as the entity satisfies a performance obligation. This amended update is effective for annual reporting periods beginning after December 15, 2019, and the Company is currently assessing the potential impact on its consolidated financial statements.

Note 1. Summary of Significant Accounting and Reporting Policies (Continued)

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The ASU applies to all entities that hold financial assets or owe financial liabilities and represents the finalization of just one component of the FASB's broader financial instruments project. The most far-reaching ramification of the ASU is the elimination of the available-for-sale classification for equity securities and a new requirement to carry those equity securities with readily determinable fair values at fair value through net income. Other notable changes brought about by the ASU involve: (a) applying a practicability exception from fair value accounting to equity securities that do not have a readily determinable fair value, (b) assessing the need for a valuation allowance related to an available-for-sale debt security, (c) applying the fair value option to liabilities and the treatment of changes in fair value attributable to instrument-specific credit risk and (d) adding disclosures and eliminating certain disclosures. The Company is currently evaluating the effect that the standard will have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The standard is effective on January 1, 2020, with early adoption permitted. The Company is in the process of evaluating the impact of this new guidance on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial instruments. The existing incurred loss model will be replaced with a current expected credit loss (CECL) model for both originated and acquired financial instruments carried at amortized cost and off-balance-sheet credit exposures, including loans, loan commitments, held-to-maturity debt securities, financial guarantees, net investment in leases and most receivables. Recognized amortized cost financial assets will be presented at the net amount expected to be collected through an allowance for credit losses. Expected credit losses on off-balance-sheet credit exposures will be recognized through a liability. Expected credit losses on available-for-sale debt securities will also be recognized through an allowance; however, the allowance for an individual available-for-sale debt security will be limited to the amount by which fair value is below amortized cost. Unlike current guidance, which requires certain favorable changes in expected cash flows to be accreted into interest income, both favorable and unfavorable changes in expected credit losses (and therefore the allowance) will be recognized through credit loss expense as they occur. With the exception of purchased financial assets with a more than insignificant amount of credit deterioration since origination, for which the initial allowance will be added to the purchase price of the assets, the initial allowance on financial assets subject to the scope (whether originated or acquired) will be recognized through credit loss expense.

Note 1. Summary of Significant Accounting and Reporting Policies (Continued)

Expanded disclosures will also be required. Transition will generally be on a modified retrospective basis, with certain prospective application transition provisions for securities for which other-than-temporary impairment had previously been recognized and for assets that had previously been accounted for in accordance with Subtopic 310-30, *Receivables—Loans and Debt Securities Acquired with Deteriorated Credit Quality*. This ASU is effective for the Company in fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company is currently evaluating the impact of adopting this new guidance on its consolidated financial statements.

Significant group concentrations of credit risk: Most of the Company's activities are with customers located in Central Texas. Note 5 discusses the types of securities in which the Company invests. Note 6 discusses the types of lending in which the Company engages. The Company does not have any significant concentrations to any one industry or customer.

Acquisition accounting: Mergers and acquisitions are accounted for under the acquisition method of accounting. Purchased assets, including identifiable intangible assets, and assumed liabilities are recorded at their respective acquisition date fair values. If the consideration given exceeds the fair value of net assets received, goodwill is recognized.

Securities: Debt securities that management has the positive intent and ability to hold to maturity are classified as held-to-maturity and recorded at amortized cost. Securities not classified as held-to-maturity or trading, including equity securities with readily determinable fair values, are classified as available-for-sale and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. During the years ended December 31, 2016 and 2015, the Company had no securities classified as trading securities.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific-identification method.

Declines in the fair value of held-to-maturity and available-for-sale securities are evaluated to determine whether declines in fair value below their amortized cost are other than temporary. In estimating other-than-temporary impairment losses on debt securities, management considers a number of factors including, but not limited to (1) the length of time and the extent to which the fair value has been less than the amortized cost, (2) the financial condition and near-term prospects of the issuer, (3) the current market conditions and (4) the intent and ability of the Company to not sell the security or whether it is more likely than not the Company will be required to sell the security before its anticipated recovery.

Restricted investment securities: Restricted investment securities consist primarily of Federal Home Loan Bank stock and The Independent Bankers Bank stock, which are carried at cost on the consolidated balance sheets. These equity securities are restricted in that they can only be sold back to the respective institution or another member institution at par. Therefore, they are less liquid than other marketable equity securities. The Company views its investment in restricted stock as a long-term investment. Accordingly, when evaluating for impairment, the value is determined based on the ultimate recovery of the par value, rather than recognizing temporary declines in value. No other-than-temporary write-downs have been recorded on these securities. There has been no impairment to date.

R Corp Financial and Subsidiary

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting and Reporting Policies (Continued)

Loans: The Company grants real estate, commercial, agriculture and consumer loans to customers. A substantial portion of the loan portfolio is represented by real estate and commercial loans to borrowers who reside in the Central Texas area. The ability of the Company's debtors to honor their contracts is dependent upon general economic conditions in this area.

The Company has lending policies and procedures in place to grant loans to borrowers only after a full evaluation of the credit history and repayment abilities of the borrower. Commercial and residential real estate loans and agriculture loans are subject to underwriting standards that evaluate cash flow and fair value of the collateral. The collectibility of real estate and agriculture loans may be adversely affected by conditions in the real estate and agriculture markets or the general economy. Management monitors and evaluates real estate and agriculture loans based on collateral, geography and risk criteria.

Commercial loans are underwritten after evaluating and understanding the borrower's ability to operate profitably. Such evaluations involve reviews of historical and cash flow projections and valuations of collateral provided by the borrower. Most commercial loans are secured by the assets being financed or other available business assets and frequently include a personal guarantee by the principal owners; however, some commercial loans may be made on an unsecured basis. The repayment of commercial loans is substantially dependent on the ability of borrowers to operate their businesses profitably and collect amounts due from their customers.

Consumer loans are originated after evaluation of the credit history and repayment ability of the borrower based on current personal income. The repayment of consumer loans can be adversely affected by economic conditions and other factors that impact the borrower's income.

Loans that management has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are reported at their outstanding principal adjusted for any charge-offs and the allowance for loan losses. Interest income is accrued on the unpaid principal balance.

Loan origination fees are recognized as income and loan origination costs are expensed as incurred, as management has determined that capitalization of these items would be immaterial to the consolidated financial statements.

A loan is considered delinquent when principal and/or interest amounts are not current, in accordance with the contractual loan agreement.

The accrual of interest on real estate and commercial loans is discontinued at the time the loan is 90 days' delinquent unless the credit is well secured and in process of collection. Consumer loans are typically charged off no later than 120 days' past due. In all cases, loans are placed on nonaccrual status or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued, but not collected, for loans that are placed on nonaccrual status or charged off is reversed against interest income. The interest on these loans is accounted for on the cash basis or cost-recovery method, until qualifying for return to accrual status. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Note 1. Summary of Significant Accounting and Reporting Policies (Continued)

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due, according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral, if the loan is collateral-dependent.

Loans are fully or partially charged down to the fair value of the collateral securing the loan when management determines the asset to be uncollectible, repayment is deemed to be delayed or doubtful beyond reasonable time frames, the borrower has declared bankruptcy or the loan is past due for an unreasonable time period. Such charge-offs are charged against the allowance for loan losses. Recoveries of previous loan charge-offs are credited to the allowance for loan losses only when the Company receives cash or other collateral in repayment of the loan.

In situations related to a borrower's financial difficulties, the Company may grant a concession to the borrower for other than an insignificant period of time that would not otherwise be considered. In such instances, the loan will be classified as a troubled debt restructuring. These concessions may include interest rate reductions, payment forbearance or other actions intended to minimize the economic loss and avoid foreclosure of the collateral. In cases where borrowers are granted new terms that provide for a reduction of either interest or principal, the Company measures an impairment loss on the restructuring, as noted above for impaired loans.

Allowance for loan losses: The Company maintains an allowance for loan losses as a reserve established through a provision for possible loan losses charged to expense, which represents management's best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance, in the opinion of management, is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. The Company's methodology for the allowance for loan losses includes allowance allocations calculated in accordance with the *FASB Accounting Standards Codification* (ASC), Receivables, and ASC, Contingencies. Accordingly, the methodology is based on historical loss experience by type of credit and internal risk grade, specific homogeneous risk pools and specific loss allocations, with adjustments for current events and conditions.

The Company's process for determining the appropriate level of the allowance for loan losses is designed to account for credit deterioration as it occurs. Factors that influence the determination include quantifiable aspects, such as loan volume, loan concentrations and loan quality trends, including trends in nonaccrual, past-due and classified loans; current period loan charge-offs and recoveries. The determination also includes qualitative aspects, such as changes in local, regional or national economies or markets, and other factors. Such qualitative factors are highly judgmental and require constant refinement.

The Company's allowance for loan losses consists primarily of two elements: (1) a specific valuation allowance determined in accordance with the ASC based on probable losses on specific, individual loans and (2) a general valuation allowance determined in accordance with the ASC based on historical loan loss experience for pools of similar loans, which is then adjusted to reflect the impact of current trends and conditions.

R Corp Financial and Subsidiary

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting and Reporting Policies (Continued)

Premises and equipment: Premises and equipment are carried at cost less accumulated depreciation and amortization. Depreciation expense is computed principally on the straight-line method over the estimated useful lives of the assets. Land is carried at cost. Leasehold improvements are amortized on a straight-line basis over the lease period or the estimated useful lives of the related assets, whichever is shorter. Gains and losses on dispositions are included in other noninterest income or expense.

Long-lived assets: Long-lived assets, including property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows from operations of the asset are less than the carrying value of the asset. The cash flows used for this analysis are those directly associated with and that are expected to arise as a direct result of the use and eventual disposition of the asset. An impairment loss would be measured by the amount by which the carrying value of the asset exceeds its fair value.

Foreclosed assets: Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. This amount is included in prepaid expenses and other assets in the consolidated balance sheets. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less the cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in other operating expenses. At December 31, 2016 and 2015, the Company had no other real estate owned.

Goodwill and core deposit intangible assets: Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business combinations accounted for as purchases. Under ASC Topic 350, goodwill is not amortized but is tested for impairment on an annual basis, or between annual tests if an event occurs or circumstances change that would reduce the fair value of the reporting unit below its carrying amount. The Company's goodwill impairment assessment in 2016 concluded no impairment existed.

Core deposit intangible assets represent the value assigned to the existing deposits as part of the Company's acquisitions. The core deposit intangibles have finite lives and are being amortized on a declining balance basis over 10 years.

Deferred gain on sales leaseback: Bank premises sold and leased back are accounted by the provisions of ASC Topic 840, under which sale-leaseback transactions that result in the seller retaining the use of the majority of the property defer the gain on the sale and recognize it over the lease term.

Income taxes: The Company prepares and reports income tax returns on a consolidated basis. The Bank continues to record tax provisions and deferrals as a single entity for financial reporting purposes. Income taxes are provided for the tax effects of the transactions reported in the consolidated financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of the allowance for possible credit losses, the amortization of identifiable intangibles and accumulated depreciation. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will be either taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

R Corp Financial and Subsidiary

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting and Reporting Policies (Continued)

A valuation allowance, if needed, reduces deferred tax assets to the expected amount most likely to be realized. Realization of deferred tax assets is dependent upon the generation of a sufficient level of future taxable income and recoverable taxes paid in prior years. Although realization is not assured, management believes it is more likely than not that all of the deferred tax assets will be realized. In addition, management does not believe there are any unrecorded deferred tax liabilities that are material to the financial statements.

Management believes that all significant tax positions utilized by the Company will more likely than not be sustained upon examination. As of December 31, 2016, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the year 2013 forward (with limited exceptions). Tax penalties and interest, if any, would be accrued as incurred and would be classified as tax expense in the consolidated statements of income.

Texas margin tax is recorded in other noninterest expense and totaled approximately \$13 thousand and \$16 thousand for the years ended December 31, 2016 and 2015, respectively.

Accounting for stock options and warrants: The Company accounts for its stock options and warrants as required under U.S. GAAP, which requires that such transactions be recognized as compensation cost in the consolidated statements of income based on their fair values on the date of the grant. See Note 14 for more information related to stock options and warrants.

Off-balance-sheet credit-related financial instruments: In the ordinary course of business, the Company has entered into off-balance-sheet financial instruments consisting of commitments to extend credit, commercial letters of credit and standby letters of credit. Such financial instruments are recorded in the consolidated financial statements when they are funded or related fees are incurred or received.

Cash and cash equivalents: For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash, balances due from banks and federal funds sold. The Company maintains cash in deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Comprehensive income: Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

Revenue recognition: Interest income and expense are recognized on the accrual method based on the outstanding balances, respectively. Other revenue is recognized at the time the service is rendered or transactions occur.

Advertising: Advertising costs are expensed as incurred.

Reclassifications: Certain reclassifications were made to the 2015 consolidated financial statement presentation in order to conform to the 2016 consolidated financial statement presentation with no effect on reported income or shareholders' equity.

Subsequent events: The Company has evaluated subsequent events for potential recognition and/or disclosure through May 1, 2017, the date the consolidated financial statements were available to be issued. No subsequent events occurred which would require adjustment or disclosure to the consolidated financial statements at December 31, 2016 and 2015.

R Corp Financial and Subsidiary

Notes to Consolidated Financial Statements

Note 2. Restrictions on Cash and Amounts Due From Banks

The Company, as a participant of the Federal Reserve System, is required to maintain reserves for the purpose of facilitating the implementation of monetary policy. These reserves are maintained in the form of balances held at a pass-through correspondent bank or by vault cash. The Bank's reserve requirements were approximately \$5.5 million and \$2.2 million at December 31, 2016 and 2015, respectively. Accordingly, cash and due from bank balances were restricted to that extent.

Note 3. Acquisition

The Company acquired Schwertner State Bank (Schwertner) located in Schwertner, Texas, through the purchase of 100 percent of the outstanding shares of Schwertner common stock. The acquisition was consummated September 30, 2015, through the exchange of Schwertner stock for a combination of cash and common stock of the Company. Total consideration paid was approximately \$8.4 million.

The acquisition of Schwertner was accounted for under the acquisition method of accounting; therefore, the assets and liabilities were recorded at their estimated fair values as of the September 30, 2015 acquisition date.

The operating results of the Bank for the year ended December 31, 2015, include the operating results produced by the acquired assets and assumed liabilities for the period September 30, 2015 to December 31, 2015. The Company distributed to R Bank the assets acquired and liabilities assumed based on their fair values at the date of acquisition.

The following table reflects the tax effected fair value of the assets purchased and liabilities assumed as of the purchase date (dollars in thousands):

| | Book Value | Fair Value |
|---|-----------------|-----------------|
| Cash and due from banks | \$ 10,079 | \$ 10,079 |
| Investment securities | 21,349 | 21,421 |
| Loans, net | 9,988 | 10,058 |
| Premises and equipment, net | 751 | 723 |
| Other assets | 139 | 139 |
| Deposits | (37,666) | (37,007) |
| Other liabilities | (40) | (302) |
| Net assets acquired | <u>\$ 4,600</u> | 5,111 |
| Consideration paid | | 8,367 |
| Excess consideration paid over fair value of net assets | | <u>\$ 3,256</u> |

The excess consideration paid has been recorded as goodwill. The Bank also incurred approximately \$143,000 in direct acquisition costs, which are included in noninterest expense in the consolidated statement of income at December 31, 2015.

R Corp Financial and Subsidiary

Notes to Consolidated Financial Statements

Note 4. Fair Value Disclosures

The Company follows the provisions of ASC, Fair Value Measurements and Disclosures. The disclosures required about fair value measurements include, among other things, (1) the amounts and reasons for certain significant transfers among the three hierarchy levels of inputs; (2) the gross, rather than net, basis for certain Level 3 rollforward information; (3) use of a class basis rather than a major category basis for assets and liabilities and (4) valuation techniques and inputs used to estimate Level 2 and Level 3 fair value measurements. The ASC defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The ASC guidance establishes a fair value hierarchy for valuation inputs that prioritizes the inputs used in valuation methodologies into the following three levels:

Level 1: Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access as of the measurement date.

Level 2: Observable inputs, other than Level 1, including quoted prices for similar assets or liabilities, quoted prices in less active markets or other observable inputs that can be corroborated by observable market data.

Level 3: Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The Company uses fair value to measure certain assets and liabilities on a recurring basis when fair value is the primary measure of accounting. This is done primarily for available-for-sale securities. Fair value is used on a nonrecurring basis to measure certain assets when applying lower of cost or market accounting or when adjusting carrying values, such as impaired loans and other real estate owned.

Fair value is also used when evaluating impairment on certain assets, including held-to-maturity and available-for-sale securities, goodwill, core deposits and other intangibles, long-lived assets and for disclosures of certain financial instruments.

There were no significant transfers among the three hierarchy levels of input.

A description of the valuation methodologies used for instruments measured at fair value on a recurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Securities available for sale: Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include actively traded government bonds, such as certain United States Treasury and other United States government and agency securities and exchange-traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities generally include certain United States government and agency securities, corporate debt securities and certain derivatives. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy.

R Corp Financial and Subsidiary

Notes to Consolidated Financial Statements

Note 4. Fair Value Disclosures (Continued)

The following tables summarize assets measured at fair value by class on a recurring basis as reported on the consolidated balance sheets as of December 31, 2016 and 2015, segregated by level within the fair value measurement hierarchy (dollars in thousands):

| | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs | Total |
|-------------------------------|-------------------|-------------------|-------------------|-----------|
| December 31, 2016 | | | | |
| Securities available for sale | \$ - | \$ 75,434 | \$ - | \$ 75,434 |
| December 31, 2015 | | | | |
| Securities available for sale | \$ - | \$ 81,022 | \$ - | \$ 81,022 |

A description of the valuation methodologies used for instruments measured at fair value on a nonrecurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Impaired loans: The specific reserves for collateral-dependent impaired loans are determined based on the fair value of collateral method in accordance with ASC Topic 310. Under the fair value of collateral method, the specific reserve is equal to the difference between the carrying value of the loan and the fair value of the collateral less estimated selling costs. When a specific reserve is required for an impaired loan, the impaired loan is essentially measured at fair value. The fair value of collateral was determined based on appraisals, with further adjustments made to the appraised values due to various factors, including the age of the appraisal, age of comparables included in the appraisal and known changes in the market and in the collateral. The resulting fair value measurement is disclosed in the nonrecurring hierarchy table. Where adjustments made to appraisals are based on assumptions not observable in the marketplace and where estimates of fair values used for other collateral supporting commercial loans are based on assumptions not observable in the marketplace, such valuations have been classified as Level 3.

The following tables summarize assets as of December 31, 2016 and 2015, that are measured at fair value by class on a nonrecurring basis, are as follows (dollars in thousands):

| | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs | Total |
|--------------------------|-------------------|-------------------|-------------------|----------|
| December 31, 2016 | | | | |
| Impaired loans | \$ - | \$ - | \$ 1,478 | \$ 1,478 |
| December 31, 2015 | | | | |
| Impaired loans | \$ - | \$ - | \$ 739 | \$ 739 |

R Corp Financial and Subsidiary

Notes to Consolidated Financial Statements

Note 5. Securities

Securities have been classified according to management's intent. The amortized cost and estimated fair values of securities at December 31, 2016 and 2015, are summarized as follows (dollars in thousands):

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|-------------------|------------------------------|-------------------------------|-------------------------|
| December 31, 2016 | | | | |
| Available for sale: | | | | |
| U.S. government agencies— mortgage-backed securities | \$ 32,667 | \$ 70 | \$ (1,068) | \$ 31,669 |
| State and political subdivisions | 43,881 | 310 | (426) | 43,765 |
| | <u>\$ 76,548</u> | <u>\$ 380</u> | <u>\$ (1,494)</u> | <u>\$ 75,434</u> |

Held to maturity:

| | | | | |
|---|-----------------|-------------|----------------|-----------------|
| U.S. government agencies— mortgage-backed securities | \$ 728 | \$ - | \$ (19) | \$ 709 |
| State and political subdivisions | 2,458 | - | (78) | 2,380 |
| | <u>\$ 3,186</u> | <u>\$ -</u> | <u>\$ (97)</u> | <u>\$ 3,089</u> |

December 31, 2015

Available for sale:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|-------------------|------------------------------|-------------------------------|-------------------------|
| U.S. government agencies— mortgage-backed securities | \$ 38,285 | \$ 142 | \$ (402) | \$ 38,025 |
| State and political subdivisions | 42,287 | 765 | (55) | 42,997 |
| | <u>\$ 80,572</u> | <u>\$ 907</u> | <u>\$ (457)</u> | <u>\$ 81,022</u> |

Held to maturity:

| | | | | |
|---|-----------------|-------------|----------------|-----------------|
| U.S. government agencies— mortgage-backed securities | \$ 1,053 | \$ - | \$ (20) | \$ 1,033 |
| State and political subdivisions | 2,268 | - | (16) | 2,252 |
| | <u>\$ 3,321</u> | <u>\$ -</u> | <u>\$ (36)</u> | <u>\$ 3,285</u> |

R Corp Financial and Subsidiary

Notes to Consolidated Financial Statements

Note 5. Securities (Continued)

At December 31, 2016, the Company had investment securities carried at approximately \$21.8 million (\$15.9 million at December 31, 2015) pledged to secure public funds and for other purposes required or permitted by law.

The amortized cost and estimated fair value of debt securities at December 31, 2016, by contractual maturities, are shown below. Actual maturities could differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Mortgage-backed investments generally will receive both principal and interest payments on a monthly basis (dollars in thousands).

| | Held to Maturity | | Available for Sale | |
|-----------------------------|------------------|----------------------|--------------------|----------------------|
| | Amortized Cost | Estimated Fair Value | Amortized Cost | Estimated Fair Value |
| Amounts maturing in: | | | | |
| One year through five years | \$ - | \$ - | \$ 21,690 | \$ 21,660 |
| Five years through 10 years | 2,458 | 2,380 | 22,693 | 22,651 |
| After 10 years | 728 | 709 | 32,165 | 31,123 |
| | <u>\$ 3,186</u> | <u>\$ 3,089</u> | <u>\$ 76,548</u> | <u>\$ 75,434</u> |

Gross realized gains and losses on sales of securities available for sale for the years ended December 31, 2016 and 2015, were as follows (dollars in thousands):

| | 2016 | 2015 |
|--------------------------------|---------------|--------------|
| Gross realized gains | \$ 182 | \$ 68 |
| Gross realized losses | (13) | (56) |
| Net gain on sale of securities | <u>\$ 169</u> | <u>\$ 12</u> |

R Corp Financial and Subsidiary

Notes to Consolidated Financial Statements

Note 5. Securities (Continued)

Information pertaining to debt securities with gross unrealized losses at December 31, 2016 and 2015, aggregated by investment category is as follows (dollars in thousands):

| | Less Than Twelve Months | | Over Twelve Months | | Total | |
|----------------------------------|-------------------------|----------------------|-------------------------|----------------------|-------------------------|----------------------|
| | Gross Unrealized Losses | Estimated Fair Value | Gross Unrealized Losses | Estimated Fair Value | Gross Unrealized Losses | Estimated Fair Value |
| December 31, 2016 | | | | | | |
| Available for sale: | | | | | | |
| U.S. government agencies— | | | | | | |
| mortgage-backed securities | \$ (964) | \$ 27,398 | \$ (104) | \$ 1,789 | \$ (1,068) | \$ 29,187 |
| State and political subdivisions | (407) | 21,351 | (19) | 595 | (426) | 21,946 |
| | <u>\$ (1,371)</u> | <u>\$ 48,749</u> | <u>\$ (123)</u> | <u>\$ 2,384</u> | <u>\$ (1,494)</u> | <u>\$ 51,133</u> |
| Held to maturity: | | | | | | |
| U.S. government agencies— | | | | | | |
| mortgage-backed securities | \$ (19) | \$ 709 | \$ - | \$ - | \$ (19) | \$ 709 |
| State and political subdivisions | (78) | 2,379 | - | - | (78) | 2,379 |
| | <u>\$ (97)</u> | <u>\$ 3,088</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (97)</u> | <u>\$ 3,088</u> |
| December 31, 2015 | | | | | | |
| Available for sale: | | | | | | |
| U.S. government agencies— | | | | | | |
| mortgage-backed securities | \$ 257 | \$ 28,786 | \$ 145 | \$ 4,251 | \$ 402 | \$ 33,037 |
| State and political subdivisions | 50 | 7,730 | 4 | 339 | 54 | 8,069 |
| | <u>\$ 307</u> | <u>\$ 36,516</u> | <u>\$ 149</u> | <u>\$ 4,590</u> | <u>\$ 456</u> | <u>\$ 41,106</u> |
| Held to maturity: | | | | | | |
| U.S. government agencies— | | | | | | |
| mortgage-backed securities | \$ - | \$ - | \$ 20 | \$ 1,033 | \$ 20 | \$ 1,033 |
| State and political subdivisions | 16 | 1,957 | - | - | 16 | 1,957 |
| | <u>\$ 16</u> | <u>\$ 1,957</u> | <u>\$ 20</u> | <u>\$ 1,033</u> | <u>\$ 36</u> | <u>\$ 2,990</u> |

As of December 31, 2016, there were 99 securities with unrealized losses (61 securities in 2015). Based upon an evaluation of the available evidence, including recent changes in market rates and credit rating information, management believes the decline in fair value of these debt securities is temporary. In addition, the Company does not have the intent to sell these debt securities prior to their anticipated recovery.

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than the amortized cost; (2) the financial condition and near-term prospects of the issuer; (3) the current market conditions and (4) the intent and ability of the Company to not sell the security or whether it is more likely than not the Company will be required to sell the security before its anticipated recovery. Declines in the fair value of held-to-maturity and available-for-sale securities below their amortized cost basis that are deemed to be other than temporary are carried at fair value. Any portion of a decline in value associated with credit loss is recognized in earnings as realized losses.

R Corp Financial and Subsidiary

Notes to Consolidated Financial Statements

Note 6. Loans and Allowance for Loan Losses

Loans by portfolio segment at December 31, 2016 and 2015, are summarized as follows (dollars in thousands):

| | 2016 | 2015 |
|---|-------------------|-------------------|
| Real estate | \$ 153,595 | \$ 186,241 |
| Commercial and industrial | 127,023 | 42,665 |
| Agriculture | 8,782 | 12,285 |
| Consumer | 6,002 | 1,884 |
| Other loans | 275 | 3,186 |
| | <u>295,677</u> | <u>246,261</u> |
| Less allowance for possible credit losses | (3,186) | (2,855) |
| | <u>\$ 292,491</u> | <u>\$ 243,406</u> |

Loans purchased and sold: In the normal course of business, the Company acquires and transfers interests in loans under participation agreements with other financial institutions. Total outstanding loan participations purchased at December 31, 2016 and 2015, was \$1.3 million and \$6.4 million, respectively. Total outstanding loan participations sold at December 31, 2016 and 2015, was \$16.4 million and \$21.3 million, respectively. Loan participations purchased and sold during the years ended December 31, 2016 and 2015, by portfolio segment are summarized as follows (dollars in thousands):

| | Participations Purchased During the Year | Participations Sold During the Year |
|-------------------------------------|--|---|
| Year Ended December 31, 2016 | | |
| Real estate | \$ 1,085 | \$ 4,711 |
| Commercial and industrial | - | 3,349 |
| Agriculture | 229 | - |
| | <u>\$ 1,314</u> | <u>\$ 8,060</u> |
| Year Ended December 31, 2015 | | |
| Real estate | \$ 4,650 | \$ 15,582 |
| Commercial and industrial | - | 2,591 |
| Agriculture | 590 | - |
| | <u>\$ 5,240</u> | <u>\$ 18,173</u> |

Note 6. Loans and Allowance for Loan Losses (Continued)

Portfolio segments and loan classes: The Company has certain lending policies and procedures in place that are designed to maximize loan income within an acceptable level of risk. Management reviews and approves these policies and procedures on a regular basis. The Company's loans are segmented by type. Diversification of the loan portfolio is a means of managing the risks associated with fluctuations in economic conditions. In order to manage the diversification of the portfolio, the Company subsegments loans into classes. The Company subsegments real estate loans into the following classes: commercial real estate mortgage, construction and land development, farmland, 1-4 family residential and multi-family residential loans. There are no significant subsegments within the commercial and industrial, agriculture, consumer or other loans. Information and risk management practices specific to the Company's loan segments and classes are as follows.

- **Real estate:** The Company makes commercial real estate mortgage loans which are primarily viewed as cash flow loans and secondarily as loans secured by real estate. The properties securing the Company's commercial real estate mortgage loans can be owner occupied or nonowner occupied. Concentrations within the various types of commercial properties are monitored by management in order to assess the risks in the portfolio. The repayment of these loans is largely dependent on the successful operation of the property securing the loan or the business conducted on the property and securing the loan. Accordingly, repayment of these loans may be subject to adverse conditions in the real estate market or the economy to a greater extent than other types of loans. The Company seeks to minimize these risks in a variety of ways in connection with underwriting these loans, including giving careful consideration to the property's operating history, future operating projections, current and projected occupancy, location and the physical condition of the property.

Construction and land development loans are generally nonowner occupied and are subject to certain risks attributable to the fact that loan funds are advanced over the construction phase and the project is of uncertain value prior to its completion. Construction loans are generally based upon estimates of costs and value associated with the completed project with repayment dependent, in part, on the success of the ultimate project rather than the ability of the borrower or guarantor to repay the loan. The Company has underwriting and funding procedures designed to address what it believes to be the risks associated with such loans; however, no assurance can be given the procedures will prevent losses resulting from the risks described above.

The Company extends credit to farmers secured by farmland and improvements thereon. Farmland includes land known to be used for agricultural purposes such as crop and livestock production.

The Company's real estate lending activities also include the origination of 1-4 family residential and multi-family residential loans. The terms of these loans typically range from five to 30 years and are secured by the properties financed. The Company requires the borrowers to maintain mortgage title insurance and hazard insurance. While the Company maintains a portion of the 1-4 family residential loans for its own portfolio, many are sold into the secondary market.

Note 6. Loans and Allowance for Loan Losses (Continued)

- **Commercial and industrial:** The Company's commercial and industrial loans represent credit extended to small- to medium-sized businesses generally for the purpose of providing working capital and equipment purchase financing. Commercial and industrial loans often are dependent on the profitable operations of the borrower. These credits are primarily made based on the identified cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. Most commercial and industrial loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and may also incorporate a personal guarantee. Some shorter term loans may be extended on an unsecured basis. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers. The cash flows of borrowers may not be as expected and the collateral securing these loans may fluctuate, increasing the risk associated with this loan segment. As a result of the additional complexities, variables and risks, commercial loans typically require more thorough underwriting and servicing than other types of loans.
- **Agriculture:** The Company provides crop production and farm equipment loans to local area farmers. The Company evaluates these borrowers primarily based on their historical profitability, level of experience in their particular agricultural industry, overall financial capacity and the availability of secondary collateral, including crop insurance, to withstand economic and natural variations common to the industry.
- **Consumer:** The Company's consumer loans include automobile loans and other loans such as home improvement loans, home equity loans, personal loans (collateralized and uncollateralized) and deposit account collateralized loans. The terms of these loans typically range from one to 10 years and vary based on the nature of collateral and size of the loan. Consumer loan repayments are dependent on the borrower's continuing financial stability and, thus are more likely to be adversely affected by job loss, illness or personal bankruptcy. Furthermore, the application of various federal and state laws may limit the amount which can be recovered on such loans. To monitor and manage consumer loan risk, policies and procedures are developed and modified, as deemed appropriate by management.
- **Other loans:** From time to time, the Company elects to buy from time to time participations in loans to municipal entities through its correspondent bank, TIB. These loans are secured, are extended to municipalities in the Company's market area and provide tax-exempt interest income to the Company. Other loans also include overdrawn deposit accounts.

R Corp Financial and Subsidiary

Notes to Consolidated Financial Statements

Note 6. Loans and Allowance for Loan Losses (Continued)

Past due and nonaccrual loans: The following is an aging analysis of loans, segregated by loan class, as of December 31, 2016 and 2015. At December 31, 2015, the Company had one commercial and industrial loan past due 90 days or more and still accruing in the amount of approximately \$5 thousand (dollars in thousands).

| | Loans 30-89 Days Past Due | Loans 90 or More Days Past Due | Total Past-Due Loans | Current Loans | Total Loans | Accruing Loans 90 Days or More Past Due |
|------------------------------|------------------------------|-----------------------------------|-------------------------|---------------|-------------|---|
| December 31, 2016 | | | | | | |
| Real estate | \$ 218 | \$ 10 | \$ 228 | \$ 153,367 | \$ 153,595 | \$ 10 |
| Commercial and industrial | 59 | - | 59 | 126,964 | 127,023 | - |
| Agriculture | - | - | - | 8,782 | 8,782 | - |
| Consumer | - | 9 | 9 | 5,993 | 6,002 | 9 |
| Other loans | - | - | - | 275 | 275 | - |
| Total | \$ 277 | \$ 19 | \$ 296 | \$ 295,381 | \$ 295,677 | \$ 19 |
| December 31, 2015 | | | | | | |
| | Loans 30-89 Days Past Due | Loans 90 or More Days Past Due | Total Past-Due Loans | Current Loans | Total Loans | Accruing Loans 90 Days or More Past Due |
| Real estate | \$ 876 | \$ - | \$ 876 | \$ 195,127 | \$ 196,003 | \$ - |
| Commercial and industrial | 10 | 5 | 15 | 42,496 | 42,511 | 5 |
| Agriculture | - | - | - | 2,677 | 2,677 | - |
| Consumer | - | - | - | 1,884 | 1,884 | - |
| Other loans | - | - | - | 3,186 | 3,186 | - |
| Total | \$ 886 | \$ 5 | \$ 891 | \$ 245,370 | \$ 246,261 | \$ 5 |

For purposes of determining the allowance for possible credit losses, management considers loans in its portfolio by segment and loan class. Each class of loan requires judgment to determine the estimation method that fits the credit risk characteristics of its segment or class. To facilitate the assessment of risk, management reviews reports related to loan production, loan quality, concentrations of credit, loan delinquencies and nonperforming and potential problem loans. The Company utilizes an independent third party loan review service to review the credit risk assigned to loans on a periodic basis and the results are presented to management for review.

R Corp Financial and Subsidiary

Notes to Consolidated Financial Statements

Note 6. Loans and Allowance for Loan Losses (Continued)

An analysis of activity in the allowance for possible credit losses, by loan segment, at December 31, 2016 and 2015, is as follows (dollars in thousands).

| | Year Ended December 31, 2016 | | | | |
|---|------------------------------|---------------------------|-------------|--------------------|----------|
| | Real estate | Commercial and Industrial | Agriculture | Consumer and Other | Total |
| Balance at beginning of year | \$ 2,275 | \$ 490 | \$ 31 | \$ 59 | \$ 2,855 |
| Provision (credit) for possible credit losses | 518 | 74 | (18) | 1 | 575 |
| Charge-offs | - | (211) | - | (40) | (251) |
| Recoveries | - | - | - | 7 | 7 |
| Net recoveries (charge-offs) | - | (211) | - | (33) | (244) |
| Balance at year end | \$ 2,793 | \$ 353 | \$ 13 | \$ 27 | \$ 3,186 |

Allocation:

| | | | | | |
|---------------------------------------|----------|------|------|------|----------|
| Individually evaluated for impairment | \$ 1,551 | \$ - | \$ - | \$ - | \$ 1,551 |
| Collectively evaluated for impairment | 1,242 | 353 | 13 | 27 | 1,635 |

| | Year Ended December 31, 2015 | | | | |
|---|------------------------------|---------------------------|-------------|--------------------|----------|
| | Real estate | Commercial and Industrial | Agriculture | Consumer and Other | Total |
| Balance at beginning of year | \$ 2,300 | \$ 288 | \$ 1 | \$ 19 | \$ 2,608 |
| Provision (credit) for possible credit losses | 107 | 202 | 30 | 56 | 395 |
| Charge-offs | (132) | - | - | (20) | (152) |
| Recoveries | - | - | - | 4 | 4 |
| Net recoveries (charge-offs) | (132) | - | - | (16) | (148) |
| Balance at year end | \$ 2,275 | \$ 490 | \$ 31 | \$ 59 | \$ 2,855 |

Allocation:

| | | | | | |
|---------------------------------------|--------|------|------|------|--------|
| Individually evaluated for impairment | \$ 739 | \$ - | \$ - | \$ - | \$ 739 |
| Collectively evaluated for impairment | 1,536 | 490 | 31 | 59 | 2,116 |

The allocation in the tables above is not necessarily indicative of the loan class in which future losses may occur. Generally, the total allowance is available to absorb losses from any segment or class of loans.

Risk grading: As part of the on-going monitoring of the credit quality of the Company's loan portfolio and methodology for calculating the allowance for possible credit losses management assigns and tracks loan grades to be used as credit quality indicators. The following is a general description of the loan grades used as of December 31, 2016 and 2015.

- **Pass:** This category indicates prudent underwriting and a normal amount of risk. The range of risk within these credits can vary from little to no risk with cash securing a credit, to a level of risk that requires a strong secondary source of repayment on the debt. Pass credits with a higher level of risk may be to borrowers that are highly leveraged, undercapitalized or in an industry or economic area that is known to carry a higher level of risk, volatility or susceptibility to weaknesses in the economy.

R Corp Financial and Subsidiary

Notes to Consolidated Financial Statements

Note 6. Loans and Allowance for Loan Losses (Continued)

- **Other assets especially mentioned (or watch) (OAEM):** Assets in this category contain more than the normal amount of risk and are referred to as OAEM, in accordance with regulatory guidelines. These assets possess clearly identifiable temporary weaknesses or trends that, if not corrected or revised, will result in a condition that exposes the Company to higher level of risk of loss.
- **Substandard:** Assets in this category have unsatisfactory credit quality with well-defined weaknesses or weaknesses that jeopardize the liquidation of the debt. Generally, assets in this category are inadequately protected by the current sound worth and paying capacity of the obligor or the collateral pledged, if any. Typically, these credits are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. Often, the assets in this category will have a valuation allowance representative of management's estimated loss that is probable to be incurred.
- **Doubtful:** Assets in this category are placed on nonaccrual status and may be dependent upon collateral having a value that is difficult to determine or upon some near-term event which lacks certainty. Generally, these credits will have a valuation allowance based upon management's best estimate of the losses probable to occur in the liquidation of the debt.
- **Loss:** Assets in this category are considered uncollectible and of such little value as to question their continued existence as assets on the Bank's financial statements. Such assets are to be charged off or charged down when payment is acknowledged to be uncertain or when the timing or value of payments cannot be determined. This category does not intend to imply that the debt, or some portion of it will never be paid, nor does it in any way imply that the debt will be forgiven.

The following table presents risk grades by loan class at December 31, 2016 and 2015. The Company had no loans classified as loss at December 31, 2016 and 2015 (dollars in thousands).

| | Pass | OAEM | Substandard | Doubtful | Total Loans |
|---------------------------|-------------------|-----------------|-----------------|---------------|-------------------|
| December 31, 2016 | | | | | |
| Real estate | \$ 150,516 | \$ 1,200 | \$ 1,879 | \$ - | \$ 153,595 |
| Commercial and industrial | 126,794 | - | 229 | - | 127,023 |
| Agriculture | 8,782 | - | - | - | 8,782 |
| Consumer | 3,986 | 2,016 | - | - | 6,002 |
| Other loans | 275 | - | - | - | 275 |
| Total | <u>\$ 290,353</u> | <u>\$ 3,216</u> | <u>\$ 2,108</u> | <u>\$ -</u> | <u>\$ 295,677</u> |
| December 31, 2015 | | | | | |
| Real estate | \$ 180,091 | \$ 3,762 | \$ 2,388 | \$ - | \$ 186,241 |
| Commercial and industrial | 42,087 | 191 | 162 | 225 | 42,665 |
| Agriculture | 12,285 | - | - | - | 12,285 |
| Consumer | 1,884 | - | - | - | 1,884 |
| Other loans | 3,186 | - | - | - | 3,186 |
| Total | <u>\$ 239,533</u> | <u>\$ 3,953</u> | <u>\$ 2,550</u> | <u>\$ 225</u> | <u>\$ 246,261</u> |

R Corp Financial and Subsidiary

Notes to Consolidated Financial Statements

Note 6. Loans and Allowance for Loan Losses (Continued)

Loans are considered impaired and placed on nonaccrual status when, based on current information and events it is probable the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement. Loans may be placed on impaired and nonaccrual status regardless of whether or not such loans are considered past due.

An analysis of impaired and nonaccrual loans, segregated by class of loans, as of December 31, 2016 and 2015, is as follows (dollars in thousands):

| | December 31, 2016 | | | | |
|---------------------------|---------------------------------------|------------------------------------|--|-------------------|-----------------------------|
| | Recorded Investment With No Allowance | Recorded Investment With Allowance | Total Recorded Investment and Unpaid Balance | Related Allowance | Average Recorded Investment |
| Real estate | \$ 842 | \$ 709 | \$ 1,551 | \$ 73 | \$ 1,145 |
| Commercial and industrial | - | - | - | - | - |
| Agriculture | - | - | - | - | - |
| Consumer | - | - | - | - | - |
| Other loans | - | - | - | - | - |
| | <u>\$ 842</u> | <u>\$ 709</u> | <u>\$ 1,551</u> | <u>\$ 73</u> | <u>\$ 1,145</u> |

| | December 31, 2015 | | | | |
|---------------------------|---------------------------------------|------------------------------------|--|-------------------|-----------------------------|
| | Recorded Investment With No Allowance | Recorded Investment With Allowance | Total Recorded Investment and Unpaid Balance | Related Allowance | Average Recorded Investment |
| Real estate | \$ 739 | \$ - | \$ 739 | \$ - | \$ 370 |
| Commercial and industrial | - | - | - | - | - |
| Agriculture | - | - | - | - | - |
| Consumer | - | - | - | - | - |
| Other loans | - | - | - | - | - |
| | <u>\$ 739</u> | <u>\$ -</u> | <u>\$ 739</u> | <u>\$ -</u> | <u>\$ 370</u> |

During the years ended December 31, 2016 and 2015, the Company did not recognize any significant interest income on impaired and nonaccrual loans.

Included in impaired and nonaccrual loans above are loans totaling to \$1.6 million and \$739 thousand at December 31, 2016 and 2015, respectively, that have been modified in a troubled debt restructuring and consist entirely of commercial real estate loans. These loans are generally modified by allowing the borrower concessions that delay the payment of principal or interest beyond contractual requirements, but not the forgiveness of either principal or interest. The Company has evaluated any possible impairment loss on such loans consistent with its accounting for impaired loans and recognized such loss through a charge-off to the allowance for loan loss account. As of December 31, 2016 and 2015, no loans that had been modified within the previous year defaulted in the current year.

R Corp Financial and Subsidiary

Notes to Consolidated Financial Statements

Note 6. Loans and Allowance for Loan Losses (Continued)

The Company's recorded investment in loans as of December 31, 2016 and 2015, related to each balance in the allowance for loan losses by portfolio segment and disaggregated on the basis of the Company's impairment methodology was as follows (dollars in thousands):

| | December 31, 2016 | | | | |
|---|-------------------|---------------------------|-----------------|--------------------|-------------------|
| | Real Estate | Commercial and Industrial | Agriculture | Consumer and Other | Total Loans |
| Loans individually evaluated for impairment | \$ 1,551 | \$ - | \$ - | \$ - | \$ 1,551 |
| Loans collectively evaluated for impairment | 152,044 | 127,023 | 8,782 | 6,277 | 294,126 |
| | <u>\$ 153,595</u> | <u>\$ 127,023</u> | <u>\$ 8,782</u> | <u>\$ 6,277</u> | <u>\$ 295,677</u> |

| | December 31, 2015 | | | | |
|---|-------------------|---------------------------|-----------------|--------------------|-------------------|
| | Real Estate | Commercial and Industrial | Agriculture | Consumer and Other | Total Loans |
| Loans individually evaluated for impairment | \$ 739 | \$ - | \$ - | \$ - | \$ 739 |
| Loans collectively evaluated for impairment | 195,264 | 42,511 | 2,677 | 5,070 | 245,522 |
| | <u>\$ 196,003</u> | <u>\$ 42,511</u> | <u>\$ 2,677</u> | <u>\$ 5,070</u> | <u>\$ 246,261</u> |

Note 7. Premises and Equipment

Premises and equipment consist of the following at December 31, 2016 and 2015 (dollars in thousands):

| | 2016 | 2015 |
|--|-----------------|-----------------|
| Land | \$ - | \$ 1,278 |
| Building | - | 5,701 |
| Leasehold improvements | 813 | 724 |
| Furniture, fixtures and equipment | 4,599 | 4,021 |
| Construction in progress | 88 | 215 |
| | <u>5,500</u> | <u>11,939</u> |
| Less accumulated depreciation and amortization | (2,757) | (3,195) |
| Premises and equipment, net | <u>\$ 2,743</u> | <u>\$ 8,744</u> |

R Corp Financial and Subsidiary

Notes to Consolidated Financial Statements

Note 8. Goodwill and Other Intangible Assets

The Company has recorded goodwill that is not subject to amortization, and identifiable core deposit intangibles, which are being amortized on a straight-line basis over the estimated useful life, determined by management to be 10 years. Management determined no impairment existed on these intangibles at December 31, 2016. Goodwill and core deposit intangibles, net of accumulated amortization, are as follows at December 31, 2016 and 2015 (dollars in thousands):

| | Gross Intangible Assets | Accumulated Amortization | Net Intangible Assets |
|--------------------------|----------------------------|-----------------------------|--------------------------|
| December 31, 2016 | | | |
| Goodwill | \$ 4,667 | \$ - | \$ 4,667 |
| Core deposit intangibles | 1,669 | (481) | 1,188 |
| | <u>\$ 6,336</u> | <u>\$ (481)</u> | <u>\$ 5,855</u> |
| December 31, 2015 | | | |
| Goodwill | \$ 4,639 | \$ - | \$ 4,639 |
| Core deposit intangibles | 1,669 | (254) | 1,415 |
| | <u>\$ 6,308</u> | <u>\$ (254)</u> | <u>\$ 6,054</u> |

The future remaining amortization expense related to the core deposit intangibles will be approximately as follows at December 31, 2016 (dollars in thousands):

| | |
|---------------------------|-----------------|
| Years ending December 31: | |
| 2017 | \$ 167 |
| 2018 | 167 |
| 2019 | 167 |
| 2020 | 167 |
| 2021 | 167 |
| Thereafter | 353 |
| | <u>\$ 1,188</u> |

Activity for the goodwill and core deposit intangible assets for the years ended December 31, 2016 and 2015, is as follows (dollars in thousands):

| | Core Deposit Intangible | Goodwill |
|---|----------------------------|-----------------|
| Net balance at December 31, 2014: | \$ 884 | \$ 1,383 |
| Amortization | (127) | - |
| Acquisition of Schwertner State Bank (Note 3) | 659 | 3,256 |
| Net balance at December 31, 2015: | 1,416 | 4,639 |
| Adjustment to goodwill | - | 28 |
| Amortization | (228) | - |
| Net balance at December 31, 2016 | <u>\$ 1,188</u> | <u>\$ 4,667</u> |

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Note 9. Deposits

The aggregate amount of time deposits in the amount of \$250 thousand or more at December 31, 2016 and 2015, totaled approximately \$42.1 million and \$30.2 million, respectively.

At December 31, 2016, the scheduled maturities of all time deposits are as follows (dollars in thousands):

| | | |
|---------------------------|----|---------------|
| Years ending December 31: | | |
| 2017 | \$ | 65,069 |
| 2018 | | 15,109 |
| 2019 | | 15,914 |
| 2020 | | - |
| 2021 | | 88 |
| | \$ | <u>96,180</u> |

The Company had no brokered deposits or major concentrations of deposits from any single or related groups of depositors at December 31, 2016 and 2015. Overdrawn deposit accounts at December 31, 2016 and 2015 totaled approximately \$11 thousand and \$32 thousand, respectively, and have been included in other loans.

Note 10. Borrowings

Federal Home Loan Bank advances: The Company had available borrowings at December 31, 2016 and 2015, through the Federal Home Loan Bank of approximately \$123.1 million and \$113.1 million, respectively, which are secured by a blanket lien on certain real estate and commercial loans. At December 31, 2016, the Company had \$15.0 million in outstanding advances on this credit facility. At December 31, 2015, there were no borrowings outstanding on this credit facility.

Available lines of credit: At December 31, 2015, the Company had available unsecured over-night federal funds of credit with one correspondent bank aggregating \$5.5 million, which was increased to \$15.0 million during 2016. The Company did not have any outstanding borrowings on the line at December 31, 2016 and 2015.

Note payable: On August 23, 2015, the Company entered in to a note agreement with an unrelated bank for \$8.0 million and advanced \$8.0 million, which is the amount outstanding as of December 31, 2016 and 2015. The maturity date of the note is August 23, 2017, and the interest rate is Wall Street Journal prime rate plus 0.50 percent. Accrued and unpaid interest will be paid quarterly and principal is due in full at maturity. The note is collateralized by the common stock of R Bank. The note includes various financial covenants related to capital ratios, classified assets and return on assets.

Note 11. Income Taxes

The components of the Company's provision for federal income tax expense for the years ended December 31, 2016 and 2015, are as follows (dollars in thousands):

| | 2016 | 2015 |
|----------------------------|---------------|--------------|
| Current income tax | \$ 1,456 | \$ 178 |
| Deferred income tax | (1,282) | (93) |
| Federal income tax expense | <u>\$ 174</u> | <u>\$ 85</u> |

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Notes to Consolidated Financial Statements

Note 11. Income Taxes (Continued)

Federal income tax expense at the statutory rate of 34 percent for the years ended December 31, 2016 and 2015, for the Company differs from the federal income tax expense for financial reporting purposes as follows (dollars in thousands):

| | 2016 | 2015 |
|---|---------------|--------------|
| Federal income tax expense calculated at statutory rate | \$ 537 | \$ 376 |
| Increase (decrease) resulting from: | | |
| Nondeductible dues, meals and entertainment and other | 37 | 34 |
| Tax exempt | (365) | (303) |
| Stock-based compensation and other | (35) | (22) |
| Federal income tax expense | <u>\$ 174</u> | <u>\$ 85</u> |

Deferred income taxes are provided for differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Management believes it is more likely than not the full tax benefit of deferred tax assets will be realized; therefore, no valuation allowance was considered necessary at December 31, 2016 and 2015. Deferred tax assets and liabilities at December 31, 2016 and 2015, are as follows (dollars in thousands):

| | 2016 | 2015 |
|---|-----------------|---------------|
| Deferred tax assets (liabilities): | | |
| Net operating loss and credit carryforwards | \$ 267 | \$ 115 |
| Allowance for possible credit losses | 1,050 | 971 |
| Transaction costs | 194 | 138 |
| Core deposit intangible | (410) | (490) |
| Unrealized (gain) loss on securities | 378 | (153) |
| Deferred gain | 1,184 | 40 |
| Depreciation | (888) | (609) |
| Other | 237 | 187 |
| Net deferred tax asset | <u>\$ 2,012</u> | <u>\$ 199</u> |

Note 12. Commitments and Contingent Liabilities

Funded loan commitments: In the normal course of business, the Company enters into various transactions, which, in accordance with U.S. GAAP, are not included in its consolidated balance sheets. The Company through its Bank subsidiary enters into these transactions to meet the financing needs of its customers. These financial instruments include commitments to extend credit at both fixed and variable rates of interest. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated financial statements. The contract or notional amounts of those instruments reflect the extent of the involvement the Company has in particular classes of financial instruments. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual notional amount of those instruments. The Company uses the same credit policies in making these commitments and conditional obligations as it does for on-balance-sheet instruments.

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Notes to Consolidated Financial Statements

Note 12. Commitments and Contingent Liabilities (Continued)

The Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if considered necessary by the Company upon extension of credit, is based on management's credit evaluation of the customer.

The following is a summary of the various financial instruments whose contract amounts represent credit risk at December 31, 2016 and 2015 (dollars in thousands):

| | 2016 | 2015 |
|------------------------------|-----------|-----------|
| Commitments to extend credit | \$ 62,470 | \$ 67,529 |
| Standby letters of credit | \$ 1,061 | \$ 767 |

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments to extend credit carry both fixed and variable rates of interest. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being fully drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to its customers.

Some of the loans that have outstanding commitments may be subject to participation agreements in which the Bank will sell a percentage of the commitment when funded, pursuant to the participation agreement.

Lease commitments: Future minimum lease commitments by year and in the aggregate under noncancelable related-party operating leases are as follows at December 31, 2016 (dollars in thousands):

| | | |
|---------------------------|----|-------|
| Years ending December 31: | | |
| 2017 | \$ | 1,205 |
| 2018 | | 1,199 |
| 2019 | | 995 |
| 2020 | | 417 |
| 2021 | | 417 |
| Thereafter | | 2,984 |
| | \$ | 7,217 |

It is expected that in the normal course of business, leases that expire will be renewed or replaced by leases on approximately the same terms and conditions if available. Total rent expense was approximately \$606 thousand and \$549 thousand for the years ended December 31, 2016 and 2015, respectively.

Legal matters: The Company is subject to claims and lawsuits which arise primarily in the ordinary course of business. Based on information presently available and advice received from legal counsel representing the Company, it is the opinion of management that the disposition or ultimate determination of such claims and lawsuits will not have a material adverse effect on the consolidated financial position of the Company.

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Notes to Consolidated Financial Statements

Note 13. Related-Party Transactions

In the ordinary course of business, the Company has and expects to continue to conduct routine banking business with related parties, including its executive officers, directors, shareholders and their affiliates in which they directly or indirectly have 5 percent or more beneficial ownership.

Loans: In the opinion of management, loans to related parties were entered into in the ordinary course of business, and were made on the same terms and conditions as similar transactions with unaffiliated persons. Loans to such borrowers as of and for the years ended December 31, 2016 and 2015, are summarized as follows (dollars in thousands):

| | 2016 | 2015 |
|-----------------------------------|-----------------|---------------|
| Balance at beginning of the year: | \$ 837 | \$ 775 |
| New loans during the year | 750 | 157 |
| Repayments during the year | (311) | (95) |
| Balance at end of the year | <u>\$ 1,276</u> | <u>\$ 837</u> |

Unfunded commitments: At December 31, 2016 and 2015, the Company had no unfunded commitments to related parties.

Deposits: The Company held deposits from related parties that totaled approximately \$28.9 million and \$14.8 million at December 31, 2016 and 2015, respectively.

Rents: Beginning November 1, 2014, the Company made rental payments to a related party under a 15-year lease in the amount of approximately \$30 thousand per month. The rent increases at month 61 to \$30,750 per month and again at month 121 to \$32 thousand per month. The leased property is used as a Bank branch location and for corporate operations.

A corresponding sublease has been executed with a second related party under which the Company will receive \$5,200 per month for five years. Under the agreement the related party subtenant is granted the option to extend the term for two additional terms of five years with rents escalating to \$5,500 and the \$5,800 for each consecutive extension.

During 2016, the Company sold five of its branch locations for cash to an investor group, which included current shareholders. The sales price was \$8.5 million, which was an amount equal to current independent property appraisals of the locations sold. The Company then leased the locations back from the investor group under operating leases with market rental rates and terms. The transaction resulted in a gain on sale of \$2.3 million, of which \$137 thousand has been recognized in income during the year ended December 31, 2016, and \$2.1 million remains deferred at December 31, 2016, and will be recognized over the terms of the leases which extend over the next three years.

Note 14. Equity Awards

Stock options and stock warrants: The Bank adopted a stock option plan (the Plan) under which options to purchase shares of the Bank's common stock may be granted to employees and directors at a price established at the date of grant. In 2014, as a result of the holding company formation, the Plan was adopted by the Company. The Company has reserved 180,000 shares of common stock for issuance under the Plan and, at December 31, 2016 and 2015, options representing 96,200 and 110,700 shares, respectively, were available for future grant.

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Notes to Consolidated Financial Statements

Note 14. Equity Awards (Continued)

Cash received in exercise of share options during the years ended December 31, 2016 and 2015, was \$56 thousand and \$38 thousand, respectively.

As remuneration for services provided by each of the directors who organized the opening of the Bank, the Bank issued warrants to acquire shares of Bank common stock to each organizer in October 2009. Each warrant entitles the holder to acquire one share of the common stock at a price of \$10.00 per share which was considered by management to be equal to the fair market value of the stock. When the holding company was capitalized in 2014, the warrants were converted to entitle directors to purchase shares of Company common stock. These warrants vested upon issuance and must be exercised within 10 years from the date of grant. During the year ended December 31, 2015, 90,000 warrants were exercised and cash received by the Company in exercise of warrants was \$900 thousand. At December 31, 2016 and 2015, 86,500 warrants were issued and outstanding to Bank organizers. At December 31, 2016 and 2015, the intrinsic value associated with these warrants totaled approximately \$1.6 million.

The table below sets forth pertinent information regarding Company stock options for the years ended December 31, 2016 and 2015:

| | 2016 | | 2015 | |
|---------------------------------------|--|----------------------------------|--|----------------------------------|
| | Number of Shares of Underlying Options | Weighted-Average Exercise Prices | Number of Shares of Underlying Options | Weighted-Average Exercise Prices |
| Outstanding at beginning of the year: | 58,800 | \$ 22.27 | 48,050 | \$ 19.57 |
| Granted | 14,500 | \$ 28.04 | 14,500 | \$ 28.04 |
| Exercised | (2,284) | \$ 24.17 | (3,750) | \$ 10.00 |
| Outstanding at end of the year: | <u>71,016</u> | \$ 23.39 | <u>58,800</u> | \$ 22.27 |
| Exercisable at end of the year | <u>56,516</u> | \$ 22.20 | <u>57,300</u> | \$ 22.12 |
| Unvested at end of the year | <u>14,500</u> | \$ 28.04 | <u>1,500</u> | \$ 28.04 |

The following table summarizes information about stock options outstanding at December 31, 2016:

| Options Outstanding | | | | Options Exercisable | | |
|---------------------|--------------------|----------------------------|---|---------------------|----------------------------------|----------------------------|
| Exercise Price | Number Outstanding | Intrinsic Value Per Option | Weighted-Average Remaining Contractual Life | Number Outstanding | Weighted-Average Exercise Prices | Intrinsic Value Per Option |
| \$ 10.00 | 2,500 | \$ 18.04 | 4.0 years | 2,500 | \$ 10.00 | \$ 18.04 |
| \$ 21.00 | 40,516 | \$ 7.04 | 7.4 years | 40,516 | \$ 21.00 | \$ 7.04 |
| \$ 28.04 | <u>28,000</u> | \$ - | 9.4 years | <u>13,500</u> | \$ 28.04 | \$ - |
| | <u>71,016</u> | | <u>8.1 years</u> | <u>56,516</u> | | |

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Notes to Consolidated Financial Statements

Note 14. Equity Awards (Continued)

The total intrinsic value for all options outstanding at December 31, 2016 and 2015, is \$330 thousand and \$339 thousand, respectively, which is attributable to vested options.

A summary of changes in unvested options for the years ended December 31, 2016 and 2015, is as follows:

| | 2016 | | 2015 | |
|--|---|--|---|--|
| | Number of Shares of Underlying Options | Weighted- Average Grant Date Fair Value | Number of Shares of Underlying Options | Weighted- Average Grant Date Fair Value |
| Unvested outstanding at beginning of year: | 1,500 | \$ 2.41 | 750 | \$ 1.79 |
| Granted | 14,500 | \$ 0.86 | 14,500 | \$ 2.41 |
| Vested | (1,500) | \$ 2.41 | (13,750) | \$ 2.38 |
| Unvested outstanding at end of year | 14,500 | \$ 0.86 | 1,500 | \$ 2.41 |

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. For options granted in 2016, the following assumptions were used:

| | |
|-------------------------|---------|
| Dividend yield | 4.56% |
| Expected volatility | 10.00% |
| Risk-free interest rate | 2.45% |
| Expected life in years | 9 years |

For options granted, compensation costs are recognized in the consolidated statements of income based on their fair values on the date of the grant. For the years ended December 31, 2016 and 2015, compensation expense of \$15 thousand and \$33 thousand, respectively, was recorded. As of December 31, 2016, there was approximately \$1 thousand of total unrecognized compensation expense related to the stock-based compensation arrangements. That cost is expected to be recognized in the Company's consolidated statement of income in 2017.

In February 2017, the Company approved the modification of the Non-Qualified Stock Option Award Agreement and 2014 Stock Option Incentive Plan to extend the option term from 10 years to 15 years for grants originating in 2017 and beyond.

Note 15. Employee Benefit Plan

The Bank provides a 401(k) benefit plan (the 401(k) Plan) for all eligible employees. The Bank may make discretionary contributions under the 401(k) Plan. Company contributions to the 401(k) Plan totaled \$109 thousand and \$84 thousand for the years ended December 31, 2016 and 2015, respectively.

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Notes to Consolidated Financial Statements

Note 16. Regulatory Matters

Regulatory capital: The Company and Bank are subject to various regulatory capital requirements administered by state and federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations involve quantitative measures and risk weighting of assets, liabilities and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weighting and other factors.

Failure to meet the minimum regulatory capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that if undertaken, could have a direct material effect on the Bank's financial statements. Management believes, as of December 31, 2016, that the Bank meets all the capital adequacy requirements to which it is subject.

In April 2014, the federal bank regulators approved final rules which revised the risk-based capital requirements applicable to banks under the prompt corrective action framework. These rules became effective for the Company on January 1, 2015 (subject to a phase-in period for certain provisions). These rules introduce a new regulatory capital definition called Common Equity Tier I Capital. The table on the following page includes the Common Equity Tier I Capital ratio as of December 31, 2016 and 2015, and revised capital ratios effective with the new rules.

At December 31, 2015, the date of the most recent regulatory examination, the Bank was considered well capitalized under the prompt corrective action provisions. As of December 31, 2016, the Bank continued to meet the requirements for a well-capitalized financial institution under the regulatory framework for prompt corrective action. To remain categorized as well capitalized, the Bank must maintain certain minimum total risk-based, Tier I risk-based, Common Equity Tier 1 Capital and Tier I leverage capital ratios. There are no conditions or events since December 31, 2016 that management believes have changed the Bank's category.

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Notes to Consolidated Financial Statements

Note 16. Regulatory Matters (Continued)

The following is a summary of capital ratios for the Bank as of December 31, 2016 and 2015 (dollars in thousands):

| | Actual | | Minimum Reserve Required Basel III Current Phase In | | Minimum Required Basel III Full Phase In | | Minimum Required Basel III Full Phase In | |
|--|-----------|-------|--|-------|---|-------|---|-------|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| Bank Only—2016 | | | | | | | | |
| Total Capital to Risk- Weighted Assets | \$ 38,934 | 12.3% | \$ 27,333 | 8.6% | \$ 33,275 | 10.5% | \$ 31,691 | 10.0% |
| Tier 1 Capital to Risk- Weighted Assets | 35,748 | 11.3% | 20,995 | 6.6% | 26,937 | 8.5% | 25,353 | 8.0% |
| Common Equity Tier 1 to Risk-Weighted Assets | 35,748 | 11.3% | 16,241 | 5.1% | 22,183 | 7.0% | 20,599 | 6.5% |
| Tier 1 Capital to Adjusted Total Assets (Leverage Ratio) | 35,748 | 8.8% | 16,285 | 4.0% | 16,285 | 4.0% | 20,357 | 5.0% |
| Bank Only—2015 | | | | | | | | |
| Total Capital to Risk- Weighted Assets | \$ 38,336 | 13.3% | \$ 22,985 | 8.0% | 30,168 | 10.5% | 28,731 | 10.0% |
| Tier 1 Capital to Risk- Weighted Assets | 35,481 | 12.4% | 17,239 | 6.0% | 24,421 | 8.5% | 22,985 | 8.0% |
| Common Equity Tier 1 to Risk-Weighted Assets | 35,481 | 12.4% | 12,929 | 4.5% | 20,112 | 7.0% | 18,675 | 6.5% |
| Tier 1 Capital to Adjusted Total Assets (Leverage Ratio) | 35,481 | 9.5% | 14,925 | 4.0% | 14,925 | 4.0% | 18,657 | 5.0% |

