Plains Acquisition Corporation and Subsidiary

Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

CONTENTS

Independent Auditor's Report

To the Board of Directors and Stockholders of
Plains Acquisition Corporation and Subsidiary
Humble, Texas

We have audited the accompanying consolidated financial statements of Plains Acquisition Corporation and Subsidiary (the Company), which comprise the consolidated statements of financial condition as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from 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 consolidated 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 basis for our audit opinion.

The Board of Directors and Stockholders of
Plains Acquisition Corporation and Subsidiary

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Plains Acquisition Corporation and Subsidiary as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Midland, Texas
March 4, 2021

PLAINS ACQUISITION CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and due from banks	**$ 1,226,898**	$ 1,581,670
Interest-bearing deposits in banks	**108,605,635**	92,234,551
Investment securities available-for-sale	**63,631,642**	50,210,306
Investment securities held-to-maturity	**709,751**	1,026,467
Loans receivable, net of allowance for loan and lease losses of $6,573,510 and $5,419,382 at December 31, 2020 and 2019, respectively	**495,569,156**	439,544,105
Accrued interest receivable	**1,960,500**	2,007,054
Premises and equipment, net	**5,498,726**	5,452,366
Goodwill	**1,602,252**	1,602,252
Servicing asset, net	**1,796,428**	1,897,280
Foreclosed real estate, net	**6,156,000**	6,845,588
Deferred tax asset, net	**1,113,267**	973,442
Federal Home Loan Bank stock	**243,200**	193,800
Prepaid expenses and other assets	**1,105,217**	1,188,109
TOTAL ASSETS	**$ 689,218,672**	$ 604,756,990
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Demand deposits	**$ 146,085,026**	$ 97,352,695
Savings and NOW accounts	**222,082,664**	167,240,794
Time deposits	**243,986,124**	274,554,734
Total deposits	**612,153,814**	539,148,223
Accrued interest payable	**31,479**	103,653
Accrued expenses and other liabilities	**3,388,426**	1,811,789
Total liabilities	**615,573,719**	541,063,665
Stockholders' equity		
Common stock – $1 par value; 25,000,000 shares authorized, 2,392,675 and 2,368,275 issued and outstanding at December 31, 2020 and 2019, respectively	**2,392,675**	2,368,275
Additional paid-in capital	**23,664,981**	23,207,906
Additional paid-in capital stock options	**1,893,089**	1,380,006
Retained earnings	**44,859,870**	36,420,358
Accumulated other comprehensive income, net of tax of $221,786 and $84,207 at December 31, 2020 and 2019, respectively	**834,338**	316,780
Total stockholders' equity	**73,644,953**	63,693,325
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 689,218,672**	$ 604,756,990

The accompanying notes are an integral part of these consolidated financial statements.

PLAINS ACQUISITION CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Interest income		
Loans, including fees	**$ 28,252,000**	$ 27,899,020
Debt securities		
Taxable	**517,186**	565,062
Tax exempt	**459,993**	501,490
Due from banks	**116,380**	462,467
Federal funds sold	**269,342**	770,242
Total interest income	**29,614,901**	30,198,281
Interest expense		
Deposits	**6,144,596**	8,365,194
Net interest income	**23,470,305**	21,833,087
Provision for loan losses	**1,450,000**	700,000
Net interest income after provision for loan losses	**22,020,305**	21,133,087
Noninterest income		
Net premium on loan sales	**2,105,187**	3,216,489
Customer service fees	**165,405**	197,395
Net servicing fees	**386,744**	289,817
Foreclosed real estate income	**51,540**	50,524
Other noninterest income	**121,839**	105,782
Total noninterest income	**2,830,715**	3,860,007
Noninterest expenses		
Salaries and employee benefits	**8,159,532**	8,081,842
Occupancy	**1,638,655**	1,456,678
Business development	**138,405**	222,430
Data and check processing	**848,392**	679,990
Professional services	**846,672**	798,693
Loan origination and maintenance	**492,173**	853,998
Office	**385,927**	385,060
Advertising and contributions	**260,679**	326,203
Training, travel and periodicals	**127,184**	185,313
Insurance	**78,026**	82,350
Outside services	**300,000**	282,514
Write down of foreclosed real estate	**142,563**	-
Foreclosed real estate expenses	**87,084**	1,146,773
Other noninterest expenses	**548,728**	598,397
Total noninterest expenses	**14,054,020**	15,100,241
Income before income taxes	**10,797,000**	9,892,853
Income tax expense	**2,357,488**	2,385,009
NET INCOME	**$ 8,439,512**	$ 7,507,844

The accompanying notes are an integral part of these consolidated financial statements.

PLAINS ACQUISITION CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

		2020		2019
Net income	$	**8,439,512**	$	7,507,844
Other items of comprehensive income:				
Change in unrealized appreciation on investment securities available-for-sale		**676,687**		1,163,623
Reclassification adjustment for realized (gains) losses on investment securities included in net income		**(21,550)**		8,578
Total other items of comprehensive income		**655,137**		1,172,201
Comprehensive income before tax:		**9,094,649**		8,680,045
Income tax expense related to other items of comprehensive income		**(137,579)**		(246,162)
COMPREHENSIVE INCOME	$	**8,957,070**	$	8,433,883

The accompanying notes are an integral part of these consolidated financial statements.

PLAINS ACQUISITION CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Common Stock		Additional Paid-In Capital	Additional Paid-In Capital Stock Options	Retained Earnings	Accumulated Other Comprehensive (Loss) Income Net of Tax	Total Stockholders' Equity
	Shares	Amount					
BALANCE, DECEMBER 31, 2018	2,312,575	$ 2,312,575	$ 22,536,693	$ 946,276	$ 28,912,514	$ (609,259)	$ 54,098,799
Stock-based compensation	-	-	-	576,630	-	-	576,630
Exercise of stock options	55,700	55,700	671,213	(142,900)	-	-	584,013
Net income	-	-	-	-	7,507,844	-	7,507,844
Change in net unrealized loss on available-for-sale securities	-	-	-	-	-	926,039	926,039
BALANCE, DECEMBER 31, 2019	2,368,275	$ 2,368,275	$ 23,207,906	$ 1,380,006	$ 36,420,358	$ 316,780	$ 63,693,325
Stock-based compensation	**-**	**-**	**-**	**576,630**	**-**	**-**	**576,630**
Exercise of stock options	**24,400**	**24,400**	**457,075**	**(63,547)**	**-**	**-**	**417,928**
Net income	**-**	**-**	**-**	**-**	**8,439,512**	**-**	**8,439,512**
Change in net unrealized gain on available-for-sale securities	**-**	**-**	**-**	**-**	**-** **-**	**517,558**	**517,558**
BALANCE, DECEMBER 31, 2020	**2,392,675**	**$ 2,392,675**	**$ 23,664,981**	**$ 1,893,089**	**$ 44,859,870**	**$ 834,338**	**$ 73,644,953**

The accompanying notes are an integral part of these consolidated financial statements.

PLAINS ACQUISITION CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash flows from operating activities		
Net income	**$ 8,439,512**	$ 7,507,844
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	**626,919**	603,360
Amortization and disposals of servicing assets	**587,042**	437,468
Provision for loan losses	**1,450,000**	700,000
Net amortization of security discounts and premiums	**470,895**	309,685
Deferred income tax benefit	**(277,404)**	(183,508)
Net realized (gains) loss on sale of available-for-sale securities	**(21,550)**	8,578
Stock-based compensation	**576,630**	576,630
Net premium on loan sales	**(2,105,187)**	(3,216,489)
Write-down of foreclosed real estate	**142,563**	-
Net realized loss on disposal of premises and equipment	**11,943**	25,616
Changes in operating assets and liabilities:		
Accrued interest receivable	**46,554**	104,922
Prepaid expenses and other assets	**82,892**	416,606
Accrued interest payable	**(72,174)**	13,197
Accrued expenses and other liabilities	**1,576,637**	947,790
Net cash from operating activities	**11,535,272**	8,251,699
Cash flows from investing activities		
Net change in interest bearing deposits in banks	**(16,371,084)**	(58,947,250)
Activity in available-for-sale securities		
Sales	**2,154,453**	1,582,825
Purchases	**(170,630,952)**	(134,399,927)
Proceeds from paydowns, calls and maturities	**155,266,999**	125,662,900
Activity in held-to-maturity securities		
Proceeds from paydowns, calls and maturities	**310,672**	17,232
Loan originations and principal collections, net	**(81,931,522)**	(101,809,242)
Additions to premises and equipment	**(685,222)**	(844,623)
Proceeds from sales of loans	**26,075,468**	42,657,645
Proceeds from sales of repossessed and foreclosed property	**547,025**	-
Net change in Federal Home Loan Bank stock	**(49,400)**	(20,000)
Net cash from investing activities	**(85,313,563)**	(126,100,440)
Cash flows from financing activities		
Net increase in deposits	**73,005,591**	117,589,464
Issuance of stock, net of offering costs	**417,928**	584,013
Net cash from financing activities	**73,423,519**	118,173,477
Net change in cash and cash equivalents	**(354,772)**	324,736
Cash and cash equivalents, beginning of year	**1,581,670**	1,256,934
Cash and cash equivalents, end of year	**$ 1,226,898**	$ 1,581,670
Supplemental disclosure of cash flow information:		
Interest paid	**$ 6,216,770**	$ 8,351,997
Income taxes paid	**$ 2,302,884**	$ 2,300,000
Noncash financing activities:		
Change in unrealized gain (loss) on securities	**$ 676,687**	$ 1,163,623

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Plains State Bank (the "Bank") is a Texas state-chartered bank which offers a full range of banking services. The Bank's primary source of income is from providing loans to small and medium-sized businesses and individuals in its market area. The Bank's deposits are insured by the Federal Deposit Insurance Corporation (FDIC), subject to regulatory limits.

Plains Acquisition Corporation (the "Parent") (a Texas corporation) was incorporated in Texas on February 1, 2008. The Parent functions as a bank holding company whose primary asset is its 100% investment in the Bank. The Bank operates full service branch locations in Humble, Houston, Sugar Land, and Plains, Texas and limited service branches or loan production offices in Houston, Conroe, and San Antonio, Texas.

The accounting and reporting policies of the Parent and the Bank (the "Company") conform to accounting principles generally accepted in the United States of America (GAAP) and the prevailing practices within the financial services industry. A summary of significant accounting policies is as follows.

Principles of Consolidation – The consolidated financial statements include the financial position, results of operations, and cash flows of the Company. All material intercompany transactions have been eliminated in consolidation.

Use of Estimates – The preparation of the financial statements in conformity with 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 consolidated financial statements and 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 changes relate to the determination of the allowance for loan and lease losses, deferred income taxes, valuation of goodwill and other intangibles and their respective analysis of impairment, the fair values of financial instruments, the valuation of stock options, the valuation of servicing rights, the valuation of foreclosed real estate, the valuation and potential impairment of investment securities, and the determination of accrued expenses.

Risks and Uncertainties – During the year ended December 31, 2020, many countries around the world, including the United States, were impacted by the coronavirus (the "virus" or COVID-19) outbreak. While the virus is continuing to evolve, its implications could involve unavailability of personnel, and disruptions of supply chains. In addition, the Bank has been impacted by the broader effects of COVID-19 as a result of the negative impact the virus has had on the global economy and major financial markets. At this time, management is not aware of any material risk to the Company's consolidated financial statements and cannot quantify the full extent the virus will have on the Company's financial information.

Significant Group Concentration of Credit Risk – Most of the Company's loan and banking activity is with customers located throughout west and southeast Texas and their respective surrounding areas. A substantial portion of the debtors' ability to honor their obligations is dependent upon the economy in these regions. Should significant deterioration of the climate and economic conditions occur, these factors could impact the Company's collectability of its loans receivable and its deposit base. *Note 3* discusses the types of securities in which the Company invests. *Note 4* discusses the types of lending in which the Company engages. The Company's loan portfolio has a significant concentration in real estate.

The majority of cash and cash equivalents of the Company are maintained with major financial institutions in the United States of America. Interest-bearing, nontransaction account deposits with these financial institutions may exceed the amount of insurance provided on such deposits; however, these deposits typically may be redeemed upon demand and, therefore, bear minimal risk.

At December 31, 2020 and 2019, the Company had cash deposits in correspondent financial institutions in the amount of $109,006,004 and $92,670,572, respectively.

Cash and Cash Equivalents – For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, noninterest bearing balances due from banks and federal funds sold. There were no federal funds sold at December 31, 2020 and 2019. In monitoring credit risk associated with uninsured deposits, the Company periodically evaluates the stability of the correspondent financial institutions and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Interest Bearing Deposits in Banks – Interest bearing deposits in banks mature within one year and are carried at cost.

Fair Values of Financial Instruments – The Company has determined the fair value of certain assets and liabilities through application of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic No. 820, *Fair Value Measurement and Disclosures*. Under ASC 820, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure the fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. FASB ASC 820 describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value:

- **Level 1** – Unadjusted quoted prices in active markets for identical assets or liabilities.

- **Level 2** – Inputs other than Level 1 inputs that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- **Level 3** – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose nature 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.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Valuation techniques utilized to determine fair value are consistently applied. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. The Company uses fair value to measure certain assets and liabilities on a recurring basis and on a nonrecurring basis. See *Note 15* for disclosures about fair value of financial instruments for assets and liabilities measured at fair value on a recurring and nonrecurring basis as of December 31, 2020 and 2019.

Investment Securities – The Company reviews its financial position, liquidity, and future plans in evaluating the criteria for classifying investment securities. The Company classifies its debt securities in accordance with FASB ASC 320, *Investments – Debt and Equity Securities*.

Management determines the appropriate classification of securities at the time of purchase.

The methodology used to calculate fair market value of investment securities is outlined in *Note 15*.

Held-to-Maturity and Available-for-Sale Securities – Held-to-maturity securities consist of bonds which management has the positive intent and ability to hold to maturity. They are carried at amortized cost.

Available-for-sale securities consist of bonds, notes, debentures, and certain equity securities to be held for indefinite periods of time. They are carried at fair value, with the unrealized holding gains and losses reported as a component of stockholders' equity in accumulated other comprehensive income, net of tax, until realized. Declines in the fair value of individual available-for-sale securities below their cost that are other-than-temporary result in write-downs of the individual securities to their fair value.

The related write-downs are included in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers, among other things, (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near-term prospects of the issuer, and (iii) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. The Company's investments held at December 31, 2020 and 2019 were classified as available-for-sale and held-to-maturity. Management has determined there are no other-than-temporary impairment losses of available-for-sale securities during 2020 and 2019 and no other-than-temporary impairment losses of held-to-maturity securities during 2020 and 2019.

Loans Receivable – Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances reduced by any charge-offs or specific valuation accounts and net of any deferred fees or costs on originated loans.

Interest income is recognized based upon principal amounts outstanding. The accrual of interest on a loan is discontinued when, in the opinion of management, there is doubt about the ability of the borrower to pay interest or principal. Interest previously accrued but uncollected on such loans is reversed and charged against current income. Subsequent interest collected on such loans is credited to loan principal if, in the opinion of management, collectability of principal is doubtful; otherwise, the interest collected is recognized as income and resumption of interest accruals may occur. Loans are charged off as uncollectible when, in the opinion of management, collectability of principal is improbable. Loans are considered past due or delinquent based on the contractual terms in the loan agreement and how recently repayments have been received.

The Company discloses its loans based on portfolio segments. A portfolio segment is defined as the level at which an entity develops and documents a systematic methodology to determine the allowance for credit losses, and a class of financing receivables is defined as the level of disaggregation of portfolio segments based on the initial measurement attribute, risk characteristics and methods for assessing risk. The Company's portfolio segments are commercial, real estate, real estate-hotels, automobile leases, agricultural, and consumer. In addition, the allowance is presented by portfolio segment.

Allowance for Loan and Lease Losses – The allowance for credit losses, which is the allowance for loan and lease losses, represents management's estimate of probable losses inherent in the Company's lending activities. The allowance for loan and lease losses does not include amounts related to accrued interest receivable as the latter is reversed when a loan is placed on nonaccrual status.

The allowance for loan and lease losses represents the estimated probable credit losses in funded consumer and commercial loans and leases. Credit exposures deemed to be uncollectible are charged against these accounts. Cash recovered on previously charged off amounts is recorded as a recovery to these accounts.

The allowance consists of specific, general, and unallocated components. The specific components relate to loans and leases that are classified as either doubtful or substandard. For such loans and leases that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan or lease is lower than the carrying value of the loan or lease.

The general component covers nonclassified loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

Management evaluates the adequacy of the allowance for loan and lease losses based on the combined total of these three components. The Company performs periodic and systematic detailed reviews of its lending portfolios to identify credit risks and assess the overall collectability of those portfolios. The allowance on certain homogenous loan portfolios is based on aggregated portfolio segment evaluations.

Loss forecast models are utilized for these portfolios which consider a variety of factors including, but not limited to competition, concentration, and completion risk, historical loss experience, estimated defaults or foreclosures based on portfolio trends, delinquencies, bankruptcies, economic conditions, and credit scores.

The Company's real estate portfolio segment is comprised primarily of homogenous loans secured by residential and commercial real estate. The amount of losses incurred in the homogenous loan pools is estimated based upon how many of the loans will default and the loss in the event of default. Using modeling methodologies, the Company estimates how many of the homogenous loans will default based on the individual loans' attributes aggregated into pools of homogenous loans with similar attributes.

The attributes that are most significant to the probability of default and are used to estimate default include the loan-to-value, borrower credit score, months since origination, geography, and present collection status. The estimate is based on the Company's historical experience with the loan portfolio. The estimate is adjusted to reflect an assessment of environmental factors that are not reflected in the historical data, such as changes in real estate values, local and national economies, underwriting standards and the regulatory environment.

The allowance on the remaining portfolio segments (agricultural, leases, and consumer) are calculated using loss rates delineated by risk rating and product type. Factors considered when assessing loss rates include the value of the underlying collateral, the industry of the obligor, the obligor's liquidity, and other financial and qualitative factors. These statistical models are updated regularly for changes in economic and business conditions. Included in the analysis of these loan portfolios are reserves which are maintained to cover uncertainties that affect the Company's estimate of probable losses including economic uncertainty and large single defaults.

Nonperforming loans are reviewed in accordance with applicable accounting guidance on impaired loans and troubled debt restructurings (TDRs). A troubled debt restructured loan is a loan which the Company, for reasons related to a borrower's financial difficulties, grants a concession to the borrower that the Company would not otherwise consider. The loan terms which have been modified or restructured due to a borrower's financial difficulty, include but are not limited to a reduction in the stated interest rate; an extension of the maturity at lower interest rate; a reduction in the face amount of the debt; a reduction in the accrued interest; or re-aging, extensions, deferrals, renewals and rewrites. A troubled debt restructured loan would generally be considered impaired. The Company restructured loans that met the TDR definition for 2020 and 2019, which is discussed in *Note 4*.

If necessary, a specific allowance is established for these loans if they are deemed to be impaired. 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 the circumstances surrounding the loan and the borrower, including the length of delay, the reason for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial and construction loans 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. For such loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of the loan.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are the subject of a restructuring agreement.

The allowance for credit losses related to the loan and lease portfolio is reported as a part of loans in the consolidated statements of financial condition. Provision for credit losses related to the loan and lease portfolio is reported separately in the consolidated statements of income.

Nonperforming Loans and Leases, Charge-Offs and Delinquencies – Nonperforming loans and leases generally include loans and leases that have been placed on nonaccrual status, including nonaccrual loans whose contractual terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties.

The entire balance of a loan is contractually delinquent if the minimum payment is not received by the specified due date on the customer's billing statement. Interest and fees continue to accrue on past due loans until the date the loan goes into nonaccrual status, if applicable.

The outstanding balance of real estate secured loans, including all classes of financing receivables within the real estate portfolio segment, that is in excess of the estimated property value, less estimated costs to sell, is charged off no later than the end of the month in which the account becomes 180 days past due. The estimated property value, less costs to sell, is determined utilizing appraisals, sale contracts, or broker price opinions of the fair value of the collateral. The outstanding balance of loans within the remaining loan segments (agricultural and consumer) are charged off no later than the end of the month in which the account becomes 120 days past due. For secured loans, accounts are written down to the collateral value.

The fair value of the collateral is estimated by management based on current financial information, inspections, and appraisals. For unsecured loans, the outstanding balance is written off.

Loans within all portfolio segments are generally placed on nonaccrual status and classified as nonperforming at 90 days past due. Accrued interest receivable is reversed when a loan is placed on nonaccrual status.

Interest collections on nonaccruing loans for which the ultimate collectability of principal is uncertain are applied as principal reductions; otherwise, such collections are credited to interest income when received. These loans may be restored to accrual status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected, or when the loan otherwise becomes well-secured and is in the process of collection.

Loans whose contractual terms have been modified in a TDR and are current at the time of the restructuring remain on accrual status if there is demonstrated performance prior to the restructuring and repayment in full under the restructured terms is expected. Otherwise, the loans are placed on nonaccrual status and reported as nonperforming until there is sustained repayment performance for a reasonable period, generally six months.

TDRs that are on accrual status are reported as performing TDRs through the end of the calendar year in which the restructuring occurred or the year in which the loans are returned to accrual status. In addition, if accruing TDRs bear less than a market rate of interest at the time of modification, they are reported as performing TDRs throughout the remaining lives of the loans.

The allowance for loan and lease losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the collectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan and lease losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions.

Because of uncertainties associated with regional economic conditions, collateral values, and future cash flows on impaired loans, it is reasonably possible that management's estimate of credit losses inherent in the loan portfolio and the related allowance for loan and lease losses may change materially in the near-term.

Loans Held-for-Sale – Loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value. The classification as held-for-sale may be made upon origination or subsequent to the origination or purchase. Once a decision has been made to sell loans not previously classified as held-for-sale, such loans are transferred into the held-for-sale classification and carried at the lower of cost or fair value. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. Gains and losses on loan sales (sales proceeds minus carrying amount) are recorded in noninterest income when realized. While the Company sold loans during 2020 and 2019, the Company did not have any loans designated as held-for-sale at December 31, 2020 and 2019.

Transfers and Servicing of Financial Assets – The accounting and reporting standards under GAAP for transfers and servicing of financial assets are set forth in FASB ASC 860, *Transfers and Servicing*, and the Company follows this guidance for accounting for transfers and servicing. Transfers of financial assets, typically commercial and commercial real estate loans for the Company, are accounted for by sale accounting when control over the assets has been surrendered. Control over transferred assets is deemed surrendered when the following criteria are met:

1. The transferred assets have been isolated from the Company;

2. Each transferee obtains the unconditional right to pledge or exchange the assets it receives; and

3. The Company does not maintain effective control of the transferred assets.

If the transfer does not qualify for sale accounting, then it is considered a secured borrowing; which means that the full loan balance must be carried on the consolidated statements of financial condition in the loans receivable asset with a related liability recorded as secured borrowing for the portion participated out. For purposes of recognizing the premium or discount on the loan sales, the Company allocates the previous carrying amount of the entire financial asset between the portion sold and the portion of the loan that continues to be held, on the basis of fair value at the date of transfer. The premium or discount on the sale is allocated between the two portions, resulting in recognition of a gain or loss and recognition of a discount or premium on the retained portion that is amortized over the expected life of the loan.

The fair value of servicing rights is estimated by using a cash flow valuation model which calculates the present value of estimated future net servicing cash flows, taking into consideration actual and expected loan prepayment rates, discount rates, servicing costs, and other economic factors, which are determined based on current market conditions.

For purposes of evaluating and measuring impairment of capitalized servicing assets that are accounted for under the amortization method, the amount of impairment recognized, if any, is the amount by which the capitalized servicing assets per stratum exceed their estimated fair value. Temporary impairment is recognized through a valuation allowance with changes included in results of operations for the period in which the change occurs. If it is later determined that all or a portion of the temporary impairment no longer exists for a particular stratum, the valuation allowance is reduced through a recovery in earnings.

Any fair value in excess of the cost basis of the servicing asset for a given stratum is not recognized. Servicing rights subsequently accounted for under the amortization method are also reviewed for other-than-temporary impairment. When the recoverability of an impaired servicing asset accounted for under the amortization method is determined to be remote, the unrecoverable portion of the valuation allowance is applied as a direct write-down to the carrying value of the servicing rights, precluding subsequent recoveries.

Servicing assets or liabilities are recognized as separate financial assets and liabilities when rights are acquired through a purchase or through a sale of financial assets. The Company measures the fair value of the servicing asset when acquired, using a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, a discount rate, custodial earnings rate, inflation rate, ancillary income, prepayment speeds, default rates, and loss rates. The servicing fees are based on contractual percentages of the outstanding principal or a fixed amount per loan, and are recorded as income when earned. Subsequent to initial measurement, the Company utilizes the amortization method for accounting for the asset at each reporting date.

Premises and Equipment – Land is carried at cost. All other premises and equipment is carried at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed principally by the straight-line method based on the estimated useful lives of the related property. Leasehold improvements are amortized using the straight-line method over the period of the leases or the estimated useful lives of the improvements, whichever is shorter. Maintenance and repairs which do not extend the life of the banking premises and equipment are charged to expense when incurred.

Long-lived assets, which include premises and equipment, are evaluated for impairment when events or changes in circumstances have indicated that an asset may not be recoverable. Long-lived assets evaluated for impairment are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of the other groups of assets and liabilities. If the sum of the projected undiscounted cash flows (excluding interest charges) is less than the carrying value of the assets, the assets will be written down to the estimated fair value and a loss recognized in income from operations in the period in which the determination is made. Management has determined there to be no impairment of long-lived assets during 2020 and 2019.

Foreclosed Real Estate – Foreclosed real estate consists of property acquired through a foreclosure proceeding or acceptance of a deed in lieu of foreclosure. Such properties are carried at the lower of cost or fair value based on appraisal value, less estimated costs to sell. Loan losses arising from the acquisition of such properties are charged against the allowance for loan and lease losses. Subsequent valuation adjustments are charged to expense, included in write down of foreclosed real estate on the consolidated statements of income, and the basis of the properties are reduced accordingly by a reserve account. These properties are not held for the production of income and, therefore, are not depreciated. Significant improvements to increase resale value are capitalized and added to the value of the property.

The Company had foreclosed real estate with fair values, less costs to sell and write down, of $6,156,000 and $6,845,588 as of December 31, 2020 and 2019, respectively. During the holding period, the Company recognized operating income from foreclosed real estate held of $51,540 and $50,524 for 2020 and 2019, respectively. Also, during the holding period, the Company recognized operating expenses of $87,084 and $1,146,773 for 2020 and 2019, respectively, which are recorded in noninterest expenses. The Company recorded no gains or losses on the sales of foreclosed real estate during 2020 and 2019.

The valuation of foreclosed assets is subjective in nature and may be adjusted in the future because of changes in economic conditions. There were $142,563 write-downs of foreclosed real estate recorded in 2020. No write downs were recorded during 2019, based on a decline in fair value of the assets. Write downs, if taken, are recorded in noninterest expenses on the consolidated statements of income.

Advertising and Contributions – The Company expenses advertising and contribution costs as incurred. The Company incurred advertising and contribution expenses of $260,679 and $326,203 for 2020 and 2019, respectively.

Goodwill – Goodwill is the price paid over the fair value of assets acquired in a business acquisition and is not amortized. Goodwill is evaluated for impairment at least annually, or more frequently in certain circumstances in accordance with FASB ASC 350, *Intangibles – Goodwill and Other*. Goodwill is subject to ongoing periodic impairment tests and is evaluated using a two-step impairment approach. If impaired, goodwill is recorded at fair value with a charge to earnings. Management has determined there are no impairment losses of goodwill during 2020 and 2019.

Financial Instruments With Off-Balance-Sheet Risk – In the ordinary course of business, the Company has entered into off-balance-sheet transactions consisting of commitments to extend credit and standby letters of credit. Such commitments to extend credit are recorded in the consolidated financial statements when they are funded or related fees are incurred or received.

Income Taxes – The Company uses the liability method of accounting for income taxes in accordance with FASB ASC 740, *Income Taxes*. Income taxes are provided for the tax effects of transactions reported in the consolidated statements of financial condition and consist of taxes currently due plus deferred taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statements carrying amounts of existing assets and liabilities and their respective tax basis.

Deferred tax assets, including tax loss and credit carryforwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The provision for income taxes represents the tax payable for the period and the change during the period in deferred tax assets or liabilities. As of December 31, 2020 and 2019, the Company had deferred tax assets and liabilities for differences between book and tax reporting for such items as allowance for loan losses, depreciation, start-up costs, and accruals.

FASB ASC 740 prescribes accounting for and disclosure of uncertainty in tax positions. This topic defines the criteria that must be met for the benefits of a tax position to be recognized in the consolidated financial statements and the measurement of tax benefits recognized. For 2020 and 2019, the Company did not record a liability related to uncertain tax positions.

For 2020 and 2019, the Company did not recognize any interest or penalty expense related to uncertain tax positions or income taxes. The Company does not expect the amounts of unrecognized tax benefits to significantly increase or decrease within the next 12 months. At December 31, 2020, the Company's tax returns open for review by taxing authorities were 2018 and thereafter for both federal and state income tax returns.

Servicing Rights – Servicing rights on originated loans that have been sold are capitalized by allocating the total cost of the mortgage loans between the servicing rights and the loans based on their relative fair values. Capitalized servicing rights are amortized in proportion to and over the period of estimated servicing revenues. Impairment of mortgage-servicing rights is assessed based on the fair value of those rights.

Federal Home Loan Bank (FHLB) Stock – The Company, as a member of the FHLB system, is required to maintain an investment in capital stock. The stock is carried at cost, classified as restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Franchise Taxes – The state of Texas franchise tax applies to legal entities conducting business in Texas. The tax is calculated by applying a tax rate to a base that considers both revenues and expenses and, therefore, has the characteristics of an income tax. The Company is also subject to various other state taxes. As a result, the Company incurred state income tax expense of $48,000 and $48,048 for 2020 and 2019, respectively.

Stock-Based Compensation – The Company's stock-based compensation policy applies to all forms of stock-based compensation including stock options, restricted stock units, and incentive based stock units. All stock-based compensation is accounted for under the fair value method as required by FASB ASC 718, *Compensation – Stock Compensation*. The Company values stock-based awards on the date of grant using the Black-Scholes option-pricing model. The Company recognizes compensation expense for its awards on a straight-line basis over the requisite service period for the entire award (straight-line attribution method), ensuring that the amount of compensation cost recognized at any date at least equals the portion of the grant-date fair value of the award that is vested at that time. The Company recorded $576,630 in stock-based compensation expense for 2020 and 2019, which is included in salaries and employee benefits for employees' compensation and other expense for directors' compensation.

Revenue Recognition – The Accounting Standard Update (ASU) 2014-09, *Revenue From Contracts With Customers (Topic 606)*, implements a common revenue standard that clarifies the principles for recognizing revenue. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (i) identify the contracts with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 was effective on January 1, 2019 is using the modified retrospective transition approach and did not have a significant impact on the consolidated financial statements. Adoption did not result in a change to the accounting for any of the Company's revenue streams which are included in the scope of Topic 606. The Company's revenue is largely comprised of net interest income on financial assets and financial liabilities, which is explicitly excluded from the scope of ASU 2014-09, and noninterest income. Noninterest income is comprised largely of net premium on loan sales, customer service fees and net servicing fees. The Company determined that revenue recognized as net premium on loan sales and net servicing fees is not within the scope of Topic 606. As a result, no changes were made during the period related to these sources of revenue.

Customer Service Fees – Customer service fees include charges to customers with deposit accounts for certain transactions, including wire transfers and charges for insufficient funds in deposit accounts. The Company believes that its performance obligation is based on the services provided to its customers. Therefore, customer service fees revenue is recognized at the time the services are provided.

Recently Issued Accounting Pronouncements – In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The ASU will require most leases to be recognized on the consolidated statements of financial condition as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. In June 2020, the FASB issued ASU No. 2020-05, *Revenue From Contracts With Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, to defer these two standards. Under the deferral for leases rules, private companies and private not-for-profit organizations can apply the standard to fiscal years beginning after December 15, 2021. The Company is currently evaluating the potential impact of this standard on the consolidated financial statements and related disclosures.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation – Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting*. This ASU is intended to simplify aspects of share-based compensation issued to nonemployees by making the guidance consistent with the accounting for employee stock-based compensation. For nonpublic entities, the amendment is effective for annual reporting periods beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, but no earlier than an entity's adoption date of Topic 606. The Company adopted this standard on January 1, 2020 and there was no material impact on the consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments in this ASU replace the incurred loss model for recognition of credit losses with a methodology that reflects expected credit losses over the life of the loan and requires consideration of a broader range of reasonable and supportable information to calculate credit loss estimates. In November 2019, the FASB issued ASU 2019-10, which provides a one-year deferral of the effective dates of ASU No. 2016-13. Accordingly, the guidance is effective for fiscal years beginning after December 15, 2022 for nonpublic companies. The Company is currently evaluating the potential impact of this standard on the consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU No. 2017-04 – *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The amendments in this guidance to eliminate the requirement to calculate the implied fair value of goodwill to measure goodwill impairment charge (Step 2). As a result, an impairment charge will equal the amount by which a reporting unit's carrying amount exceeds its fair value, not to exceed the amount of goodwill allocated to the reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The amendment should be applied on a prospective basis. The guidance is effective for goodwill impairment tests in fiscal years beginning after December 15, 2021, for nonpublic entities. Early adoption is permitted for goodwill impairment tests performed after January 1, 2017. The impact of this guidance for the Company will depend on the outcomes of future goodwill impairment tests. The Company is currently evaluating the potential impact of this standard on the consolidated financial statements and related disclosures.

In March 2017, the FASB issued ASU No. 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*. The ASU shortens the amortization period for certain callable debt securities held at a premium. The standard will take effect for nonpublic entities for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, including adoption in an interim period. The Company adopted this standard on January 1, 2020 and the adoption of ASU No. 2017-08 did not have a material impact on the Company's consolidated financial statements and related disclosures.

In February 2018, the FASB issued ASU 2018-02, *Income Statement – Reporting Comprehensive Income (Topic 220) – Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, entities may elect to reclassify certain income tax effects related to the change in the U.S. statutory federal income tax rate under the Tax Cuts and Jobs Act, which was enacted on December 22, 2017, from accumulated other comprehensive income to retained earnings. ASU 2018-02 also requires certain accounting policy disclosures. ASU 2018-02 was effective on January 1, 2019 and did not have a significant impact on the Company's consolidated financial statements and related disclosures.

In August 2018, FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. This update modifies the disclosure requirements on fair value measurement in Topic 820, *Fair Value Measurement.* This amendments in this update is effective for annual periods beginning after December 15, 2019, and interim periods within those fiscal years. The amendments in this update may be early adopted and requires a prospective transition approach for certain prescribed disclosure requirements, with all other amendments applied retrospectively. The Company adopted this standard on January 1, 2020 and there was no material impact on the consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740) – Simplifying the Accounting for Income Taxes* which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 modifies certain exceptions to the general principles of FASB ASC 740, *Income Taxes*, and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 will be effective for annual periods beginning after December 15, 2021. Early adoption is permitted. The Company is currently evaluating the impact the adoption of ASU 2019-12 will have on the consolidated financial statements and related disclosures.

In October 2020, the FASB issued ASU No. 2020-08, Codification Improvements to Subtopic 310-20, *Receivables – Nonrefundable Fees and Other Costs* which states an entity should reevaluate whether a callable debt security is within the scope of paragraph 310-20-35-33. As revised, the standard requires that, premiums be amortized to the next call date, unless the guidance in ASC 310-20-35-26 is applied to consider estimated prepayments. ASU 2020-08 will be effective for annual periods beginning after December 15, 2021. Early adoption is permitted. The Company is currently evaluating the impact the adoption of ASU 2020-08 will have on the consolidated financial statements and related disclosures.

Reclassification – Certain reclassifications of prior year amounts have been made to conform with the current year presentation, none of which were considered material to the Company's consolidated financial statements.

NOTE 2 – RESTRICTIONS ON CASH AND DUE FROM BANK ACCOUNTS

The Bank is required to set aside specified amounts of cash as reserves against transaction and time deposits, which fluctuate daily. These reserves may be held as cash on hand or on deposit with a district Federal Reserve Bank. Management believes that the Bank complies with these requirements.

NOTE 3 – INVESTMENT SECURITIES

Debt securities are classified as held-to-maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. All other debt and equity securities have been classified as available-for-sale in the consolidated statements of financial condition according to management's intent at December 31, 2020 and 2019. All fair values as of December 31, 2020 and 2019 are measured on a recurring basis and considered Level 2 fair value measurements for reporting purposes in accordance with FASB ASC 820.

The amortized cost and fair values of investment securities available-for-sale and held-to-maturity were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2020				
Available-for-sale				
Municipal securities	**$ 18,516,039**	**$ 530,883**	**$ (31,305)**	**$ 19,015,617**
Mortgage-backed securities	**44,059,479**	**556,546**	**-**	**44,616,025**
Total available-for-sale	**$ 62,575,518**	**$ 1,087,429**	**$ (31,305)**	**$ 63,631,642**
Held-to-maturity				
Mortgage-backed securities	**$ 709,751**	**$ 30,869**	**$ -**	**$ 740,620**
Total held-to-maturity	**$ 709,751**	**$ 30,869**	**$ -**	**$ 740,620**
December 31, 2019				
Available-for-sale				
Municipal securities	$ 19,985,629	$ 403,705	$ (5,633)	$ 20,383,701
Mortgage-backed securities	29,823,690	82,745	(79,830)	29,826,605
Total available-for-sale	$ 49,809,319	$ 486,450	$ (85,463)	$ 50,210,306
Held-to-maturity				
Mortgage-backed securities	$ 1,026,467	$ 7,269	$ -	$ 1,033,736
Total held-to-maturity	$ 1,026,467	$ 7,269	$ -	$ 1,033,736

All mortgage-backed securities were issued by U.S. government agencies. The municipal securities held at December 31, 2020 and 2019 are guaranteed by Texas municipalities and range from an AAA to an BAA bond rating. Included in municipal securities at December 31, 2020 and 2019 is Plains Texas Independent School District (ISD) securities which are guaranteed by the Texas Permanent School Fund and have an AAA bond rating. The carrying value of Plains Texas ISD securities totaled $10,410,333 and $12,788,032, which is 51% and 63% of the total carrying value of municipal securities, at December 31, 2020 and 2019, respectively.

Expected maturities of securities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. The contractual maturities of securities available-for-sale and held-to-maturity securities at December 31, 2020 were as follows:

	Amortized Cost	Fair Value
Available-for-sale securities		
Due in one year or less	$ 2,360,574	$ 2,369,788
Due from one year to five years	7,469,249	7,665,323
Due from five to ten years	6,849,746	7,158,551
Due after ten years	1,836,471	1,821,955
Mortgage-backed securities	44,059,478	44,616,025
Totals	$ 62,575,518	$ 63,631,642

Held-to-maturity securities		
Mortgage-backed securities	$ 709,751	$ 740,620
Totals	$ 709,751	$ 740,620

The Company does not own securities (other than Plains Texas ISD and the U.S. government and its agencies) that have an aggregate adjusted cost exceeding 10% of consolidated stockholders' equity at December 31, 2020 and 2019. Securities with amortized cost totaling $20,255,721 and $27,530,000 and fair values totaling $21,236,326 and $22,462,191 were pledged to secure public deposits at December 31, 2020 and 2019, respectively.

Gross Unrealized Losses and Fair Value – Securities with unrealized losses, segregated by length of unrealized loss were as follows:

	Less Than 12 Months		12 Months or Longer		Total	
Category (Number of Securities)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2020						
Available-for-sale						
Municipal securities (13)	**$ 2,734,054**	**$ (31,305)**	**$ -**	**$ -**	**$ 2,734,054**	**$ (31,305)**
Total available-for-sale	**$ 2,734,054**	**$ (31,305)**	**$ -**	**$ -**	**$ 2,734,054**	**$ (31,305)**
December 31, 2019						
Available-for-sale						
Municipal securities (8)	$ 2,029,474	$ (1,152)	$ 938,064	$ (4,481)	$ 2,967,538	$ (5,633)
Mortgage-backed securities (8)	7,369,052	(37,117)	4,779,546	(42,713)	12,148,598	(79,830)
Total available-for-sale	$ 9,398,526	$ (38,269)	$ 5,717,610	$ (47,194)	$ 15,116,136	$ (85,463)

There were no held-to-maturity securities with unrealized losses as of December 31, 2020 and 2019, respectively.

As of December 31, 2020 and 2019 management does not have the intent to sell any of the securities classified as available-for-sale in the table above and believes that it is more-likely-than-not that the Company will not have to sell any such securities before a recovery of cost. The fair values are expected to recover as the securities approach their maturity date or re-pricing date. Management does not believe any of the securities are impaired due to reasons of credit quality. Accordingly, management believes the impairments detailed in the tables above are temporary and no impairment loss has been realized in the Company's consolidated statements of income.

Realized Gains and Losses on Sales of Securities – The following table shows proceeds from calls and sales, and the gross realized gains and losses on the sales of investment securities available-for-sale for December 31:

	2020	2019
Proceeds from sales of securities	**$ 2,154,453**	$ 1,528,825
Gross realized gains	**(21,550)**	-
Gross realized losses	**-**	8,578

NOTE 4 – LOANS RECEIVABLE

The components of loans receivable in the consolidated statements of financial condition were as follows at December 31:

	2020	**Percent**	2019	Percent
Real estate	**$ 271,478,257**	**54%**	$ 283,165,854	63%
Real estate – hotels	**57,057,624**	**11%**	45,291,758	10%
Commercial	**129,204,075**	**26%**	76,134,600	17%
Automobile leases	**36,530,540**	**7%**	31,591,080	7%
Agricultural	**5,745,387**	**1%**	6,877,598	2%
Consumer and other	**4,336,133**	**1%**	3,941,077	1%
Subtotal	**504,352,016**	**100%**	447,001,967	100%
Less: discount on retained portion of loan sales	**(2,209,350)**		(2,038,480)	
Less: allowance for loan and lease losses	**(6,573,510)**		(5,419,382)	
Net loans receivable	**$ 495,569,156**		$ 439,544,105	

An analysis of the loan portfolio and other assets was as follows at December 31:

	2020	2019
Loans that are 90 days or more past due and still accruing interest	**$ -**	$ -
Loans whose accrual of interest had been discontinued	**7,098,291**	1,393,822
Interest income that would have been recorded if such loans had been on full-accrual status	**53,180**	472,043
Foreclosed and repossessed assets other than real estate	**-**	-
Overdraft balances classified as consumer loans	**4,655**	21,897

Nonaccrual loans consisted of the following at December 31:

	2020	2019
Real estate	**$ 6,526,199**	$ 1,393,822
Automobile leases	**95,871**	-
Agricultural	**152,471**	-
Consumer and other	**323,750**	-
Totals	**$ 7,098,291**	$ 1,393,822

No additional funds are committed to be advanced in connection with impaired loans.

At December 31, 2020 there was one nonaccrual loan with government guarantee of the total principal balance which consisted of 10% of total nonaccrual loan balances. At December 31, 2019, total nonaccural loans had no government guarantees of the total principal balance.

The Company's impaired loans and related allowance is summarized in the following tables:

	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
December 31, 2020						
Real estate	**$ 16,160,070**	**$ 13,186,842**	**$ 2,973,228**	**$ 16,160,070**	**$ 69,607**	**$ 10,783,542**
Real estate – hotels	**743,978**	**743,978**	**-**	**743,978**	**-**	**752,951**
Commercial	**4,870,097**	**4,395,563**	**474,534**	**4,870,097**	**87,021**	**2,435,049**
Automobile leases	**175,139**	**175,139**	**-**	**175,139**	**-**	**87,570**
Agricultural	**152,471**	**152,471**	**-**	**152,471**	**-**	**76,236**
Totals	**$ 22,101,755**	**$ 18,653,993**	**$ 3,447,762**	**$ 22,101,755**	**$ 156,628**	**$ 14,135,348**
December 31, 2019						
Real estate	$ 5,407,013	$ 5,407,013	$ -	$ 5,407,013	$ -	$ 7,581,935
Real estate – hotels	761,923	761,923	-	761,923	-	1,299,668
Commercial	-	-	-	-	-	583,121
Totals	$ 6,168,936	$ 6,168,936	$ -	$ 6,168,936	$ -	$ 9,464,724

At December 31, 2020 and 2019, total impaired loans had government guarantees of 37% and 43% of the total principal balances, respectively.

Interest payments received on impaired loans are recorded as interest income unless collections of the remaining recorded investment are doubtful, at which time payments received are recorded as reductions of principal. The Company recognized interest income on impaired loans in the amount of $53,180 during 2020 and received no interest since impairment on a cash-basis.

The Company recognized interest income on impaired loans in the amount of $472,043 during 2019 and received $96,575 of interest since impairment on a cash-basis. From a credit risk standpoint, the Company classifies its loans in one of four categories: (i) pass, (ii) special mention, (iii) substandard, or (iv) doubtful. Loans classified as loss are charged-off. The classifications of loans reflect a judgment about the risks of default and loss associated with the loan. The Company reviews the ratings on credits as part of its on-going monitoring of the credit quality of the loan portfolio. Ratings are adjusted to reflect the degree of risk and loss that is felt to be inherent in each credit as of each monthly reporting period. The methodology is structured so that specific allocations are increased in accordance with deterioration in credit quality (and a corresponding increase in risk and loss) or decreased in accordance with improvement in credit quality (and a corresponding decrease in risk and loss).

Credits rated special mention show clear signs of financial weaknesses or deterioration in credit worthiness; however, such concerns are not so pronounced that the Company generally expects to experience significant loss within the short-term. Such credits typically maintain the ability to perform within standard credit terms and credit exposure is not as prominent as credits rated more harshly.

Credits rated substandard are those in which the normal repayment of principal and interest may be, or has been, jeopardized by reason of adverse trends or developments of a financial, managerial, economic or political nature, or important weaknesses exist in collateral. A protracted workout on these credits is a distinct possibility. Prompt corrective action is therefore required to strengthen the Company's position, and/or to reduce exposure and to assure that adequate remedial measures are taken by the borrower. Credit exposure becomes more likely in such credits and a serious evaluation of the secondary support to the credit is performed.

Credits rated doubtful are those in which full collection of principal appears highly questionable, and which some degree of loss is anticipated, even though the ultimate amount of loss may not yet be certain and/or other factors exist which could affect collection of debt. Based upon available information, positive action by the Company is required to avert or minimize loss. Credits rated doubtful are generally also placed on nonaccrual.

The following summarizes the Company's internal ratings of its loans:

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
December 31, 2020						
Real estate	**$ 241,217,911**	**$ 14,100,276**	**$ 16,160,070**	**$ -**	**$ -**	**$ 271,478,257**
Real estate – hotels	**48,583,217**	**7,730,429**	**743,978**	**-**	**-**	**57,057,624**
Commercial	**117,148,123**	**7,185,855**	**4,870,097**	**-**	**-**	**129,204,075**
Automobile leases	**36,355,401**	**-**	**175,139**	**-**	**-**	**36,530,540**
Agricultural	**5,592,916**	**-**	**152,471**	**-**	**-**	**5,745,387**
Consumer and other	**4,336,133**	**-**	**-**	**-**	**-**	**4,336,133**
Total	**$ 453,233,701**	**$ 29,016,560**	**$ 22,101,755**	**$ -**	**$ -**	**$ 504,352,016**
December 31, 2019						
Real estate	$ 268,997,781	$ 8,761,060	$ 5,407,013	$ -	$ -	$ 283,165,854
Real estate – hotels	44,529,835	-	761,923	-	-	45,291,758
Commercial	76,134,600	-	-	-	-	76,134,600
Automobile leases	31,591,080	-	-	-	-	31,591,080
Agricultural	6,877,598	-	-	-	-	6,877,598
Consumer and other	3,941,077	-	-	-	-	3,941,077
Total	$ 432,071,971	$ 8,761,060	$ 6,168,936	$ -	$ -	$ 447,001,967

The Company's past due loans are as follows:

	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater Than 90 Days	Total Past Due	Total Current	Total Loans	Total 90 Days Past Due Still Accruing
December 31, 2020							
Real estate	$ -	$ 1,004,401	$ 4,803,411	$ 5,807,812	$ 265,670,445	$ 271,478,257	$ -
Real estate – hotels	-	-	-	-	57,057,624	57,057,624	-
Commercial	-	-	-	-	129,204,075	129,204,075	-
Automobile leases	149,478	72,198	30,199	251,875	36,278,665	36,530,540	-
Agricultural	-	-	152,471	152,471	5,592,916	5,745,387	-
Consumer and other	-	-	-	-	4,336,133	4,336,133	-
Total	$ 149,478	$ 1,076,599	$ 4,986,081	$ 6,212,158	$ 498,139,858	$ 504,352,016	$ -
December 31, 2019							
Real estate	$ -	$ -	$ -	$ -	$ 283,165,854	$ 283,165,854	$ -
Real estate – hotels	-	-	-	-	45,291,758	45,291,758	-
Commercial	99,826	-	136,348	236,174	75,898,426	76,134,600	-
Automobile leases	61,181	65,432	-	126,613	31,464,467	31,591,080	-
Agricultural	-	-	-	-	6,877,598	6,877,598	-
Consumer and other	-	-	-	-	3,941,077	3,941,077	-
Total	$ 161,007	$ 65,432	$ 136,348	$ 362,787	$ 446,639,180	$ 447,001,967	$ -

Management has evaluated the appropriateness of the allowance for loan and lease losses by estimating the losses in various categories of the loan portfolio which are identified below at December 31:

	2020	2019
Allowance for loan and lease losses provided for:		
Loans specifically evaluated as impaired	**$ 158,628**	$ -
Remaining portfolio	**6,414,882**	5,419,382
Total allowance for loan losses	**$ 6,573,510**	$ 5,419,382

The following tables detail the allowance for loan and lease loss at December 31, 2020 and 2019 by portfolio segment. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

	Real Estate	Real Estate – Hotels	Commercial	Automobile Leases	Agricultural	Consumer and Other	Total
December 31, 2020							
Loans individually evaluated for impairment	**$ 69,607**	**$ -**	**$ 89,021**	**$ -**	**$ -**	**$ -**	**$ 158,628**
Loans collectively evaluated for impairment	**5,501,718**	**930,337**	**40,957**	**(146,098)**	**59,040**	**28,928**	**6,414,882**
Totals	**$ 5,571,325**	**$ 930,337**	**$ 129,978**	**$ (146,098)**	**$ 59,040**	**$ 28,928**	**$ 6,573,510**
December 31, 2019							
Loans individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Loans collectively evaluated for impairment	4,121,325	930,337	348,205	(68,453)	59,040	28,928	5,419,382
Totals	$ 4,121,325	$ 930,337	$ 348,205	$ (68,453)	$ 59,040	$ 28,928	$ 5,419,382

The level of the allowance for loan and lease losses (the allowance) reflects management's continuing evaluation of industry concentrations, specific credit risks, loan loss experience, current loan portfolio quality, present economic, political and regulatory conditions and unidentified losses inherent in the current portfolio. Portions of the allowance may be allocated for specific credits; however, the entire allowance is available for any credit that, in management's judgment, should be charged off. While management utilizes its best judgment and information available, the ultimate adequacy of the allowance for loan losses is dependent upon a variety of factors beyond the Company's control, including, among other things, the performance of the Company's loan portfolio, the economy, changes in interest rates, and the regulatory environment.

An analysis of the change in the allowance for loan losses was as follows during December 31:

	2020	2019
Balance, January 1	**$ 5,419,382**	$ 4,785,737
Loans charged off	**(322,796)**	(198,791)
Recoveries	**26,924**	132,436
Net loans charged off	**(295,872)**	(66,355)
Provisions for loan losses	**1,450,000**	700,000
Balance, December 31	**$ 6,573,510**	$ 5,419,382

The changes in allowance for loan and lease loss are presented by classification:

	Real Estate	Real Estate - Hotels	Commercial	Automobile Leases	Agricultural	Consumer and Other	Total
December 31, 2020							
Beginning balance	**$ 4,121,325**	**$ 930,337**	**$ 348,205**	**$ (68,453)**	**$ 59,040**	**$ 28,928**	**$ 5,419,382**
Provision for loan losses	**1,450,000**	**-**	**-**	**-**	**-**	**-**	**1,450,000**
Recoveries	**-**	**-**	**5,815**	**21,109**	**-**	**-**	**26,924**
Charge-offs	**-**	**-**	**(224,042)**	**(98,754)**	**-**	**-**	**(322,796)**
Ending balance	**$ 5,571,325**	**$ 930,337**	**$ 129,978**	**$ (146,098)**	**$ 59,040**	**$ 28,928**	**$ 6,573,510**
December 31, 2019							
Beginning balance	$ 3,421,325	$ 930,337	$ 339,258	$ 6,986	$ 59,040	$ 28,791	$ 4,785,737
Provision for loan losses	700,000	-	-	-	-	-	700,000
Recoveries	-	-	116,685	15,614	-	137	132,436
Charge-offs	-	-	(107,738)	(91,053)	-	-	(198,791)
Ending balance	$ 4,121,325	$ 930,337	$ 348,205	$ (68,453)	$ 59,040	$ 28,928	$ 5,419,382

The Company's recorded investment in loans as of December 31, 2020 and 2019 related to the balance in the allowance for loan losses on the basis of the Company's impairment methodology was as follows:

	Real Estate	Real Estate – Hotels	Commercial	Automobile Leases	Agriculture	Consumer and Other	Total
December 31, 2020							
Loans individually evaluated for impairment	**$ 16,160,070**	**$ 743,978**	**$ 4,870,097**	**$ 175,139**	**$ 152,471**	**$ -**	**$ 22,101,755**
Loans collectively evaluated for impairment	**255,318,187**	**56,313,646**	**124,333,978**	**36,355,401**	**5,592,916**	**4,336,133**	**482,250,261**
Totals	**$ 271,478,257**	**$ 57,057,624**	**$ 129,204,075**	**$ 36,530,540**	**$ 5,745,387**	**$ 4,336,133**	**$ 504,352,016**
December 31, 2019							
Loans individually evaluated for impairment	$ 5,407,013	$ 761,923	$ -	$ -	$ -	$ -	$ 6,168,936
Loans collectively evaluated for impairment	277,758,841	44,529,835	76,134,600	31,591,080	6,877,598	3,941,077	440,833,031
Totals	$ 283,165,854	$ 45,291,758	$ 76,134,600	$ 31,591,080	$ 6,877,598	$ 3,941,077	$ 447,001,967

Troubled Debt Restructuring – The Company modified one loan during 2020 that would be considered trouble debt restructuring (TDR). The Company's loans that were modified during 2020 and considered a TDR are as follows:

	Number	Pre-Modification Recorded Investment	Post-Modification Recorded Investment
Real estate – hotels	1	$ 4,689,247	$ 4,689,247
Total	1	$ 4,689,247	$ 4,689,247

The modifications during the reporting period related to deferral of certain principal and interest payments. The modifications did not significantly impact the Company's determination of the allowance for loan and lease losses. There were no balances restructured during 2019.

As of December 31, 2020 and 2019, there were no loans restructured during the year that were in excess of 90 days past due. All remaining TDRs are classified as accrual with payments received applied in accordance with accrual loans.

As of December 31, 2020 and 2019, the Company has no commitments to lend additional funds to loan customers whose terms have been modified in TDRs.

The Company is working with borrowers impacted by COVID-19 and providing modifications to include interest only deferral or principal and interest deferral. These modifications are excluded from troubled debt restructuring classification under Section 4013 of the CARES Act or under applicable interagency guidance of the federal banking regulators. As of December 31, 2020, the Company modified 136 loans with outstanding balances of $172,494,009.

In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the company's internal underwriting policy.

SBA and USDA Loan Sales – In the ordinary course of business, the Company originates certain SBA and USDA loans for resale in the secondary market. The Company sells the guaranteed portion of SBA and USDA loans (guaranteed portions) for a premium and retains the unguaranteed portions. The Company received proceeds of $26,075,468 and $42,657,645 from the sale of the guaranteed portions of loans during 2020 and 2019, respectively, resulting in net realized gains on sales of $2,105,187 and $3,216,489 for 2020 and 2019, respectively. A discount was recognized on the retained portion of the loans in the amount of $582,630 and $878,557 for 2020 and 2019, respectively, which is to be amortized into income over the estimated lives of the related loans. Additionally, a servicing asset was recognized on the sold loans in the amount of $494,273 and $915,165 for 2020 and 2019, respectively, which is to be amortized into income over the estimated lives of the related loans.

Payment Protection Program - The Company is participating in the Paycheck Protection Program (PPP), which is a loan program that originated from the CARES Act and was subsequently expanded by the Paycheck Protection Program and Health Care Enhancement Act. The PPP is designed to provide U.S. small businesses with cash-flow assistance through loans fully guaranteed by the Small Business Administration (SBA). If the borrower meets certain criteria and uses the proceeds towards certain eligible expenses, the borrower's obligation to repay the loan can be forgiven up to the full principal amount of the loan and any accrued interest. Upon borrower forgiveness, the SBA pays the Company for the principal and accrued interest owed on the loan. If the full principal of the loan is not forgiven, the loan will operate according to the original loan terms with the 100 percent SBA guaranty remaining. As of December 31, 2020, the Company had originated 598 PPP loans with balances totaling $64,480,712. As compensation for originating the loans, the Company received lender processing fees from the SBA, which are capitalized, along with the loan origination costs, and will be amortized over the loans' contractual lives and recognized as interest income. Upon forgiveness of a loan and repayment by the SBA, any unrecognized net capitalized fees and costs related to the loan will be recognized as interest income in that period.

NOTE 5 – FEDERAL HOME LOAN BANK STOCK AND LINE OF CREDIT

The Federal Home Loan Bank (FHLB) of Dallas requires that the Company maintain a minimum investment in stock of the FHLB. This requirement is determined annually on December 31 and is computed as a percentage of net mortgage loans and contracts secured by residential properties and FHLB advances. The Company's investment in FHLB stock totaled $243,200 and $193,800 at December 31, 2020 and 2019, respectively.

No ready market exists for the FHLB stock, it has no quoted market value and, therefore, is carried at cost. As of December 31, 2020 and 2019, the Company had an unfunded line of credit with the FHLB totaling $112,901,816 and $141,263,447, respectively, secured by a blanket pledge of certain loan categories totaling $182,599,275 and $191,315,811, respectively. Additionally, $9,902,541 and $15,347,636 of investment securities have been pledged against the line as of December 31, 2020 and 2019, respectively.

NOTE 6 – PREMISES AND EQUIPMENT

Components of premises and equipment included in the consolidated statements of financial condition were as follows at December 31:

	2020	2019
Bank premises	**$ 5,189,075**	$ 4,857,101
Furniture and fixtures	**703,249**	614,333
Equipment	**2,008,373**	1,839,349
Software and intellectual property	**674,089**	590,724
Depreciable assets	**8,574,786**	7,901,507
Land	**1,445,122**	1,445,122
Total cost	**10,019,908**	9,346,629
Less: accumulated depreciation	**4,521,182**	3,894,263
Total premises and equipment, net	**$ 5,498,726**	$ 5,452,366

Depreciation expense was $626,919 and $603,360 for 2020 and 2019, respectively, and are included in occupancy expenses on the consolidated statements of income. Premises and equipment are depreciated on a straight-line basis over estimated useful lives of three to forty years. During 2020 and 2019, the Company recognized losses on disposal of premises and equipment of $11,943 and $25,616, respectively.

Rental Expense – Certain bank facilities are leased under various noncancelable operating leases. Expenses under leases was $192,325 and $115,640 for 2020 and 2019, respectively, and is included in the consolidated statements of income in occupancy expenses. Future minimum rental commitments under noncancelable leases are as follows:

For the Year Ending December 31,	Amount
2021	$ 198,439
2022	199,516
2023	200,594
2024	201,001
2025	136,279
Thereafter	181,705
Total	$ 1,117,534

NOTE 7 – GOODWILL AND OTHER INTANGIBLES

On May 21, 2008, the Parent acquired all of the common stock of Plains State Financial Corporation, a Texas corporation, which included its wholly-owned subsidiary, Plains Bancshares, Inc. and its wholly-owned subsidiary, the Bank. Plains State Financial Corporation and Plains Bancshares, Inc. were immediately dissolved upon the acquisition. The acquisition was made primarily to provide the Parent access to the Bank's customers and operations. The purchase was accounted for using the purchase method of accounting. As a result of the purchase, the Company recorded $1,602,252 of goodwill at December 31, 2020 and 2019.

Based on the Company's annual goodwill and intangible impairment review, management did not determine goodwill or intangibles to be impaired as of December 31, 2020 and 2019.

NOTE 8 – DEPOSITS

A summary of interest-bearing deposits is as follows at December 31:

	2020	2019
Savings deposits and NOW accounts	**$ 222,082,664**	$ 167,240,794
Time deposits less than $100,000	**84,253,890**	93,069,267
Time deposits of $100,000 or more	**159,732,234**	181,485,467
Deposits	**$ 466,068,788**	$ 441,795,528

The scheduled maturities of time deposits are as follows at December 31:

	2020		2019	
Due in	Balance of Time Deposits	Percent	Balance of Time Deposits	Percent
One year or less	**$ 195,092,405**	**80%**	$ 226,376,823	82%
One through three years	**44,882,912**	**18%**	44,068,202	16%
Over three years	**4,010,807**	**2%**	4,109,709	2%
Total	**$ 243,986,124**	**100%**	$ 274,554,734	100%

Interest expense on time deposits in denominations of $100,000 or more amounted to $3,380,997 and $3,946,724 during 2020 and 2019, respectively.

Overdraft balances reclassified to loans were $4,655 and $21,897 as of December 31, 2020 and 2019, respectively. The Company provides for expected losses on overdrafts through a component of the allowance for loan losses.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company has outstanding commitments to extend credit and standby letters of credit, which are not included in the accompanying consolidated financial statements. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. The Company uses the same credit policies in making commitments to extend credit as it does for instruments that are included in the consolidated financial statements.

Financial instruments whose contract amounts represent off-balance-sheet credit risk are as follows:

	Contract Amount December 31,	
	2020	2019
Commitments to extend credit	**$ 71,206,762**	$ 74,236,733

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 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 disclosed above do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness 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. Collateral held varies and may include accounts receivable, inventory, premises and equipment, and income producing commercial properties.

	Contract Amount December 31,	
	2020	2019
Standby letters of credit	**$ 1,568,100**	$ 1,054,628

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third-party. In the event of nonperformance by the customers, the Company has rights to the underlying collateral, which can include commercial real estate, physical plant and property, inventory, receivables, cash and marketable securities. The credit risk to the Company in issuing letters of credit is essentially the same as that involved in extending loan facilities to its customers.

Legal Contingencies – Various legal claims also arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Company's consolidated financial statements.

NOTE 10 – SERVICING ASSET

Capitalized servicing rights are reported as a servicing asset and are amortized into noninterest income in proportion to, and over the period of, the estimated future servicing of the underlying financial assets. The Company's assumptions with respect to prepayments, which affect the estimated average life of the loans, are adjusted periodically to consider market consensus loan prepayment predictions at that date. The carrying value of the servicing asset totaled $1,796,428 and $1,897,280 at December 31, 2020 and 2019, respectively. The principal balance of new loans serviced by the Company on behalf of investors amounted to $22,467,840 and $41,182,782 as of December 31, 2020 and 2019, respectively. The servicing asset is evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions.

The Company used the discounted cash flow market-based analysis to determine the fair value of the servicing asset generated during 2020 and 2019.

Key inputs and assumptions used in measuring the fair value of assets obtained and liabilities incurred as a result of the sale include the following at December 31:

	2020	2019
Discount rate	**5.8% - 17.9%**	5.8% - 18.1%
Constant prepayment rate (CPR)	**6.6% -15.6%**	6.7% - 17.6%
Range of servicing rate	**1.0%**	1.0%
Range of annual servicing cost	**0.40%**	0.40%
Expected weighted-average life of financial assets	**5.5 years**	5.2 years

The discount rate is equal to a risk-free interest rate premium plus an applicable margin to reflect the risk premium. This discount rate is updated periodically based upon data from the principal market for the underlying assets. The CPR is determined based on the actual behavior of similar assets in the principal market for the underlying assets.

The CPR reflects a rolling 12-month average of voluntary prepayments and defaults, and the information is updated periodically based on raw data updates from the market. The servicing fee rate is contractually specified in the asset transfer agreements and has been applied on an individual basis to the underlying assets. The range of annual servicing costs has been determined based upon rates in the principal market for the underlying assets. The expected weighted-average life of the underlying financial assets has been determined based upon management's expectation and from historical performance of similar assets.

The Company recorded service fee income (net of amortization of the servicing asset) of $386,744 and $289,817 on loans serviced on behalf of investors for 2020 and 2019, respectively. This service fee income is included in noninterest income in the consolidated statements of income.

The following summarizes the activity pertaining to servicing rights measured using the amortization method:

	2020	2019
Balance, January 1	**$ 1,959,503**	$ 1,419,583
Additions		
Servicing obligations that result from transfers	**494,273**	915,165
Less:		
Disposals	**26,544**	165,961
Amortization	**325,486**	209,284
Other	**243,095**	-
	1,858,651	1,959,503
Valuation allowances, December 31	**(62,223)**	(62,223)
Balance, December 31	**$ 1,796,428**	$ 1,897,280

NOTE 11 – LINES OF CREDIT

Amounts of unused lines of credit, subject to terms of the related agreements with correspondent financial institutions, available were $16,000,000 as of December 31, 2020 and 2019, with no balances outstanding as of December 31, 2020 and 2019. Of the available amounts, agreements for $13,000,000 will expire in 2021, and agreements for $3,000,000 have no stated expiration. The Company also has available letters of credit with the Federal Home Loan Bank of $79,600,000, which will expire from 2021 - 2022.

NOTE 12 – 401(K) PLAN

Employees become eligible to participate in the Plains State Bank 401(k) Plan immediately upon employment, and must meet certain minimum age requirements. Employees may make salary reduction contributions, which may be matched by the Company as a percentage of the employee's compensation. Such contributions shall not exceed the maximum deferral percentage computed in accordance with Internal Revenue Code 401(k)(3). Company matches are discretionary and are fully vested. Matching contributions made during 2020 and 2019 were $250,886 and $249,840, respectively, and are included in salaries and employee benefits in the consolidated statements of income.

NOTE 13 – STOCK OPTION PLAN AND STOCK WARRANTS

The Plains Acquisition Corporation 2009 Stock Option Plan, as amended, (the "Plan"), which has been approved by the stockholders, permits the granting of certain options intended to qualify as Incentive Stock Options (ISOs), while other options granted under this Plan will be nonqualified options which are not intended to qualify as ISOs (Nonqualified Options). The Company believes that such awards better align the interests of its employees with those of its stockholders. The individuals eligible for participation in the Plan include key employees, directors and advisory directors of the Company at the time the options were approved and granted by the Board of Directors. The Plan allows a maximum and aggregate amount of 333,816 common stock shares to be optioned.

These shares are to come from the Company's authorized but unissued common stock shares. Such shares shall be held for purposes of the Plan until the termination date of the Plan or the latest expiration date of the options granted under the Plan, whichever is latest. Should any option expire or be cancelled prior to its exercise in full, the shares therefore subject to such option may again be made subject to an option under the plan. The number of options available to be granted under the Plan was 36,816 as of December 31, 2020 and 2019.

In addition, during 2020 and 2019, the Company's Board of Directors approved the issuance of 10,000 and 6,000 warrants, respectively, for the purchase of shares of common stock to the Bank's employees, directors and advisory directors.

The fair value of each option and warrant is estimated on the date of grant using a Black-Scholes option valuation model that uses the assumptions noted in the following table. Expected volatility is based on historical volatility of the Company's stock, the volatility of peer group stock, and other factors.

The expected term of options and warrants granted is derived from the output of the option valuation model and represents the period of time that options and warrants granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option or warrant is based on the five year U.S. Treasury yield curve at the date of grant. Option and warrant awards are generally granted with an exercise price equal to the market price of the Company's stock at the date of grant; those option and warrant awards generally vest over five years of continuous service and have contractual terms not to exceed 10 years. Certain option awards provide for accelerated vesting if there is a change in control as defined in the Plan.

A summary of the option valuation model assumptions for the options and warrants granted are noted below during December 31:

	2020	2019
Expected volatility	**28.22**	28.22
Expected dividends	**-**	-
Risk-free rate	**0.51%**	1.77%
Expected term	**10 years**	10 years

A summary of option and warrant activity and changes during the years then ended is presented below as of December 31:

	2020		2019	
	Number of Shares	Exercise Price Weighted-Average	Number of Shares	Exercise Price Weighted-Average
Outstanding at beginning of year	**276,000**	**$ 17.66**	326,500	$ 16.37
Granted	**10,000**	**23.63**	6,000	21.20
Exercised	**(24,400)**	**17.13**	(55,700)	10.48
Forfeited	**(11,500)**	**18.18**	(800)	17.51
Outstanding at end of year	**250,100**	**$ 17.93**	276,000	$ 17.66
Exercisable at end of year	**75,380**	**$ 16.05**	73,700	$ 15.71

The following table summarizes information about stock options and warrants outstanding at December 31, 2020:

	Options and Warrants Outstanding			Options and Warrants Exercisable	
Range of Exercise Prices	Number of Shares	Weighted-Average Remaining Life (Years)	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
$10.00 - $23.63	250,100	6.51	$ 17.93	75,380	$ 16.05

A summary of the status of the Company's nonvested options and warrants and changes is presented below as of December 31:

	2020		2019	
	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value
Nonvested, beginning of year	**202,300**	**$ 7.98**	237,000	$ 7.86
Granted	**10,000**	**8.54**	6,000	8.54
Exercised	**-**	**-**	-	-
Vested	**(27,900)**	**7.71**	(39,900)	7.30
Forfeited	**(9,680)**	**8.04**	(800)	7.30
Nonvested, end of year	**174,720**	**$ 8.07**	202,300	$ 7.98

A summary of the status of the Company's fully vested options and warrants and changes is presented below as of December 31:

	2020		2019	
	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
Vested, beginning of year	**73,700**	**$ 15.71**	89,500	$ 11.65
Granted	**-**	**-**	-	-
Vested	**27,900**	**17.51**	39,900	17.51
Exercised	**(24,400)**	**17.13**	(55,700)	10.48
Forfeited	**(1,820)**	**17.51**	-	-
Vested, end of year	**75,380**	**16.05**	73,700	$ 15.71

For 2020 and 2019, the Company recognized $576,630 and $576,630 of compensation expense in connection with these options and warrants, respectively, based on the assumptions noted above. The Company recognized an income tax benefit of $121,092 and $121,092 for 2020 and 2019, respectively, in connection with these options and warrants. As of December 31, 2020 and 2019, there was $1,198,350 and $1,112,972, respectively, of total unrecognized compensation cost, including forfeiture estimates related to nonvested stock-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a remaining period of less than five years.

NOTE 14 – RELATED PARTY TRANSACTIONS

The Company has entered into transactions with its executive officers, directors, stockholders, and their affiliates (related parties). Fees paid to directors during 2020 and 2019, totaled $248,000 and $272,900, respectively. Expense related to stock options and warrants granted to directors and advisory directors during 2020 and 2019, totaled $197,303. Deposits from related parties held by the Company at December 31, 2020 and 2019 amounted to $6,058,981 and $5,334,250, respectively.

In the ordinary course of business, the Company has granted loans to such related parties as follows at December 31:

	2020	2019
Beginning balance	**$ 10,753,629**	$ 9,190,244
New loans	**3,891,739**	5,558,780
Participations sold	**(993,655)**	(1,366,961)
Repayments	**(2,384,775)**	(2,628,434)
Ending balance	**$ 11,266,938**	$ 10,753,629

NOTE 15 – FAIR VALUE MEASUREMENTS

In general, fair value is based upon quoted market prices, where available. If such quoted prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. The Company's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. A more detailed description of the valuation methodologies used for assets and liabilities measured at fair value is set forth below. Transfers, if any, between levels of the fair value hierarchy are recognized on the actual date of the event or circumstances that caused the transfer, which generally coincides with the Company's quarterly or annual valuation process. The Company has no nonfinancial assets or nonfinancial liabilities measured at fair value on a recurring basis.

Investment Securities Available-for-Sale – Securities classified as available-for-sale are reported at fair value using Level 2 inputs. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms, among other things.

Foreclosed Real Estate – The fair values are estimated based upon recent appraisal values of the property, less estimated costs to sell the property or based upon applicable sale contract. Certain inputs in appraisals are not observable, and, therefore, foreclosed real estate is categorized as Level 3 within the fair value hierarchy. Fair values are based upon the appraisals performed by appraisers approved by the Company. The assumptions in the appraisals are unadjusted by management; however, estimated costs to sell the assets of 5% to 7% are deducted from the appraised value. As of December 31, 2020 and 2019, the Company held $6,156,000 and $6,845,588, respectively, in foreclosed real estate.

Servicing Asset – The servicing asset is subject to impairment testing. A valuation model which utilizes a discounted cash flow analysis using interest rates and prepayment speed assumptions currently quoted for comparable instruments and a discount rate determined by management, is used for impairment testing and initial recording. If the valuation model reflects a value less than the carrying value, the servicing asset is adjusted to fair value through a valuation allowance as determined by the model. As such, the Company classifies the servicing asset as Level 3. As of December 31, 2020 and 2019, the Company determined that there was no impairment.

Impaired Loans – Impaired loans are reported at the fair value of the underlying collateral if repayment is expected solely from the collateral. Collateral values are estimated using Level 3 inputs based on internally customized discounting criteria. As of December 31, 2020 and 2019, there was a valuation allowance on impaired loans of $156,628 and $-0-, respectively; however, impaired loans with an initial carrying value of $323,220 and $23,750, respectively, were reduced by charge-offs during the years then ended totaling $175,000 and $3,562, respectively, resulting in a net fair value of $148,220 and $20,188, respectively.

The tables present the assets and liabilities measured at fair value on a recurring basis aggregated by the level in the fair value hierarchy within which those measurements fall.

	Total Fair Value	Level 1	Level 2	Level 3
December 31, 2020				
Financial assets				
Investment securities available-for-sale	**$ 63,631,642**	**$ -**	**$ 63,631,642**	**$ -**
Total assets	**$ 63,631,642**	**$ -**	**$ 63,631,642**	**$ -**
December 31, 2019				
Financial assets				
Investment securities available-for-sale	$ 50,210,306	$ -	$ 50,210,306	$ -
Total assets	$ 50,210,306	$ -	$ 50,210,306	$ -

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, evidence of impairment). 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.

The following table sets forth by level, within the fair value hierarchy, the Company's financial assets measured on a nonrecurring basis at fair value as of:

	Total Fair Value	Level 1	Level 2	Level 3
December 31, 2020				
Impaired loans	**$ 22,101,755**	**$ -**	**$ -**	**$ 22,101,755**
Total assets	**$ 22,101,755**	**$ -**	**$ -**	**$ 22,101,755**
December 31, 2019				
Impaired loans	$ 6,168,936	$ -	$ -	$ 6,168,936
Total assets	$ 6,168,936	$ -	$ -	$ 6,168,936

Nonfinancial Assets and Nonfinancial Liabilities – The Company does not have any nonfinancial assets or nonfinancial liabilities measured at fair value on a recurring basis. Certain nonfinancial assets measured at fair value on a nonrecurring basis include foreclosed assets (upon initial recognition or subsequent impairment), nonfinancial assets and nonfinancial liabilities measured at fair value in the second step of a goodwill impairment test, and intangible assets and other nonfinancial long-lived assets measured at fair value for impairment assessment. Nonfinancial assets measured at fair value on a nonrecurring basis during the reported periods include certain foreclosed assets which, upon initial recognition, were re-measured and reported at fair value through a charge-off to the allowance for loan losses and certain foreclosed assets which, subsequent to their initial recognition, were re-measured at fair value through a write-down included in other noninterest expense. The fair value of a foreclosed asset is estimated using Level 3 inputs based on third-party appraisals. During 2020 and 2019, all fair value measurements for foreclosed assets utilized Level 3 inputs.

The following table presents foreclosed assets that were re-measured and reported at fair value during the year ended December 31, 2020:

Foreclosed assets remeasured subsequent to initial recognition:	
Carrying value of foreclosed assets prior to remeasurement	$ 6,298,563
Write-downs included in noninterest expense	(142,563)
Fair value	$ 6,156,000

The following table presents foreclosed assets that were re-measured and reported at fair value during the year ended December 31, 2019:

Foreclosed assets remeasured at initial recognition:	
Carrying value of foreclosed assets prior to remeasurement	$ 6,845,588
Charge-offs recognized in the allowance for loan losses	-
Fair value	$ 6,845,588

The following table below presents the nonfinancial assets measured at fair value on a nonrecurring basis aggregated by the level in the fair value hierarchy within which those measurements fall.

	Total Fair Value	Level 1	Level 2	Level 3
December 31, 2020				
Nonfinancial assets				
Foreclosed real estate	**$ 6,156,000**	**$ -**	**$ -**	**$ 6,156,000**
Total assets	**$ 6,156,000**	**$ -**	**$ -**	**$ 6,156,000**
December 31, 2019				
Nonfinancial assets				
Foreclosed real estate	$ 6,845,588	$ -	$ -	$ 6,845,588
Total assets	$ 6,845,588	$ -	$ -	$ 6,845,588

NOTE 16 – FEDERAL INCOME TAX

The components of the provision for income taxes for 2020 and 2019 are as follows:

	2020	2019
Federal income tax expense	**$ 2,586,892**	$ 2,520,469
Deferred income tax benefit	**(277,404)**	(183,508)
State income tax expense	**48,000**	48,048
Income tax expense	**$ 2,357,488**	$ 2,385,009

Federal income tax expense is computed by applying the federal income tax rate of 21% to earnings before federal income tax expense for 2020 and 2019. Accordingly, the Company has calculated its deferred taxes at 21% in accordance with FASB ASC 740, *Income Taxes*, which stipulates that the effects of deferred income taxes should be measured at the rate effective during the period that the deferred tax assets or liabilities are expected to be realized. These differences are primarily caused by expenses that are not deductible for tax purposes and tax adjustments related to prior federal income tax returns.

The tax effects of temporary differences that give rise to the deferred tax assets and liabilities are as follows December 31:

	2020	2019
Deferred tax assets		
Accrued interest on nonperforming loans	**$ 104,506**	$ 209,210
Impairment/write-down of other real estate	**73,618**	-
Servicing asset	**63,355**	12,305
Loan loss reserves	**1,380,437**	1,138,070
Total deferred tax assets	**1,621,916**	1,359,585
Deferred tax liabilities		
Prepaid expenses	**(25,702)**	(10,436)
Unrealized gain on available for sale securities	**(221,786)**	(84,207)
Depreciation	**(259,636)**	(290,355)
Intangible/goodwill	**(1,525)**	(1,145)
Total deferred tax liabilities	**(508,649)**	(386,143)
Net deferred tax asset	**$ 1,113,267**	$ 973,442

No valuation allowance for deferred tax assets was recorded at December 31, 2020 and 2019 as management believes that it is more-likely-than-not that all of the deferred tax assets will be realized. The Company files income tax returns in the U.S. federal jurisdiction, and one state jurisdiction.

NOTE 17 – REGULATORY MATTERS

The Company is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators, which if undertaken, could have a direct material effect on the Company's consolidated financial statements.

Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings and other factors.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2020 and 2019, the most recent regulatory notifications categorized the Company as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category. Prompt corrective action provisions are not applicable to bank holding companies.

In July 2013, the Federal Reserve Bank published final rules for the adoption of the Basel III regulatory capital framework (the "Basel III Capital Rules"). The Basel III Capital Rules, among other things, (i) introduce a new capital measure called "Common Equity Tier 1", (ii) specify that Tier 1 capital consist of Common Equity Tier 1 and "Additional Tier 1 Capital" instruments meeting specified requirements, (iii) define Common Equity Tier 1 narrowly by requiring that most deductions/adjustments to regulatory capital measures be made to Common Equity Tier 1 and not to the other components of capital, and (iv) expand the scope of the deductions/adjustments as compared to existing regulations.

The Basel III Capital rules became effective for the Bank on January 1, 2015 with certain transition provisions fully phased in on January 1, 2019.

The above risk-weighted capital ratios for capital adequacy purposes includes a capital conservation buffer of 2.50% as of December 31, 2019. The capital conservation buffer will be phased in over four years beginning in 2016 to 2.50%. Financial institutions with a buffer greater than .625% (2016) are not subject to limits on capital distributions or discretionary bonus payments that would otherwise be limited by these regulations.

In 2019, the federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio framework (CBLR framework), for qualifying community banking organizations, consistent with Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act. The final rule became effective on January 1, 2020 and was elected by the Bank as of December 31, 2020. In April 2020, the federal banking agencies issued an interim final rule that makes temporary changes to the CBLR framework, pursuant to section 4012 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and a second interim final rule that provides a graduated increase in the community bank leverage ratio requirement after the expiration of the temporary changes implemented pursuant to section 4012 of the CARES Act.

The community bank leverage ratio removes the requirement for qualifying banking organizations to calculate and report risk-based capital but rather only requires a Tier 1 to average assets (leverage) ratio. Qualifying banking organizations that elect to use the community bank leverage ratio framework and that maintain a leverage ratio of greater than required minimums will be considered to have satisfied the generally applicable risk based and leverage capital requirements in the agencies' capital rules (generally applicable rule) and, if applicable, will be considered to have met the well capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act. Under the interim final rules the community bank leverage ratio minimum requirement is 8% as of December 31, 2020, 8.5% for calendar year 2021, and 9% for calendar year 2022 and beyond. The interim rule allows for a two-quarter grace period to correct a ratio that falls below the required amount, provided that the bank maintains a leverage ratio of 7% as of December 31, 2020, 7.5% for calendar year 2021, and 8% for calendar year 2022 and beyond.

Under the final rule, an eligible banking organization can opt out of the CBLR framework and revert back to the risk-weighting framework without restriction. As of December 31, 2020, both the Company and Bank were qualifying community banking organizations as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

The Bank's actual and required capital amounts and ratios are as follows:

	Actual		To be Well Capitalized Under Prompt Corrective Action Regulators (CBLR Framework)	
	Amount	Ratio	Amount	Ratio
December 31, 2020				
(in thousands)				
Tier I Capital				
(to average assets)	**$ 69,284**	**10.57%**	**$ 52,455**	**8.00%**

	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2019						
(in thousands)						
Common Equity Tier 1 (to risk-weighted assets)	$ 60,244	13.04%	$ 20,791	4.50%	$ 30,032	6.50%
Total Capital (to risk-weighted assets)	$ 65,663	14.21%	$ 36,962	8.00%	$ 46,202	10.00%
Tier I Capital (to risk-weighted assets)	$ 60,244	13.04%	$ 27,721	6.00%	$ 36,962	8.00%
Tier I Capital (to average assets)	$ 60,244	10.43%	$ 23,179	4.00%	$ 28,894	5.00%

The amount of dividends or distributions which the Company may pay is subject to restrictions and minimum levels of capital required by bank regulatory agencies. At December 31, 2020 and 2019, the Company exceeded all minimum regulatory capital standards. There were no dividends paid for 2020 and 2019.

NOTE 18 – SUBSEQUENT EVENTS

The Company evaluates subsequent events in accordance with FASB ASC 855, *Subsequent Events*. In preparing these consolidated financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 4, 2021, the date the consolidated financial statements were available to be issued.