

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code). ▶ Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 2016 This Form is Open to Public Inspection
---	--	---

Part I	Annual Report Identification Information		
For calendar plan year 2016 or fiscal plan year beginning <u>01/01/2016</u> and ending <u>12/31/2016</u>			
A	This return/report is for:	☐ a multiemployer plan ☐ a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions.)	
	☒ a single-employer plan ☐ a DFE (specify) ____		
B	This return/report is:	☐ the first return/report ☐ the final return/report	
	☒ an amended return/report ☐ a short plan year return/report (less than 12 months)		
C	If the plan is a collectively-bargained plan, check here. ☐		
D	Check box if filing under:	☒ Form 5558 ☐ automatic extension ☐ the DFVC program	
	☐ special extension (enter description)		

Part II	Basic Plan Information —enter all requested information		
1a	Name of plan <u>CAPSTAN INCORPORATED TAX FAVORED SAVINGS & INVESTMENT PLAN</u>	1b	Three-digit plan number (PN) ▶ <u>001</u>
		1c	Effective date of plan <u>09/01/1985</u>
2a	Plan sponsor's name (employer, if for a single-employer plan) Mailing address (include room, apt., suite no. and street, or P.O. Box) City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions) <u>CAPSTAN, INC.</u> <u>16100 S. FIGUEROA STREET</u> <u>CARSON, CA 90248</u>	2b	Employer Identification Number (EIN) <u>33-0703225</u>
		2c	Plan Sponsor's telephone number <u>310-544-8383</u>
		2d	Business code (see instructions) <u>332700</u>

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/16/2017	BONNIE GONZALES
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE
Preparer's name (including firm name, if applicable) and address (include room or suite number)			Preparer's telephone number

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

Form 5500 (2016)
v. 160205

3a Plan administrator's name and address ☒ Same as Plan Sponsor	3b Administrator's EIN 3c Administrator's telephone number <div style="background-color: #cccccc; height: 40px; width: 100%;"></div>
4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report: a Sponsor's name	4b EIN 4c PN
5 Total number of participants at the beginning of the plan year	5 196
6 Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines 6a(1) , 6a(2) , 6b , 6c , and 6d). a(1) Total number of active participants at the beginning of the plan year..... a(2) Total number of active participants at the end of the plan year b Retired or separated participants receiving benefits..... c Other retired or separated participants entitled to future benefits d Subtotal. Add lines 6a(2) , 6b , and 6c e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits. f Total. Add lines 6d and 6e g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested	6a(1) 173 6a(2) 241 6b 0 6c 24 6d 265 6e 0 6f 265 6g 113 6h 4
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item).....	7
8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions: 2F 2G 2J 2K 2T 3D 3H b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:	
9a Plan funding arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor
10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)	
a Pension Schedules (1) ☒ R (Retirement Plan Information) (2) ☐ MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary (3) ☐ SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary	b General Schedules (1) ☒ H (Financial Information) (2) ☐ I (Financial Information – Small Plan) (3) ☐ 0 A (Insurance Information) (4) ☒ C (Service Provider Information) (5) ☐ D (DFE/Participating Plan Information) (6) ☐ G (Financial Transaction Schedules)

Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)

11a If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

11b Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

11c Enter the Receipt Confirmation Code for the 2016 Form M-1 annual report. If the plan was not required to file the 2016 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code _____

<div>SCHEDULE C</div> <div>(Form 5500)</div> <div>Department of the Treasury Internal Revenue Service</div> <div>Department of Labor Employee Benefits Security Administration</div> <div>Pension Benefit Guaranty Corporation</div>	<div>Service Provider Information</div> <div>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).</div> <div>▶ File as an attachment to Form 5500.</div>	OMB No. 1210-0110
		2016
		This Form is Open to Public Inspection.

For calendar plan year 2016 or fiscal plan year beginning 01/01/2016 and ending 12/31/2016	
A Name of plan CAPSTAN INCORPORATED TAX FAVORED SAVINGS & INVESTMENT PLAN	B Three-digit plan number (PN) ▶ 001
C Plan sponsor's name as shown on line 2a of Form 5500 CAPSTAN, INC.	D Employer Identification Number (EIN) 33-0703225

Part I	Service Provider Information (see instructions)
--------	---

You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

- a Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☐ Yes ☒ No
- b If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

FIDELITY INVESTMENTS INSTITUTIONAL

04-2647786

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
37 64 65	RECORDKEEPER	8375	Yes ☒ No ☐	Yes ☒ No ☐	0	Yes ☐ No ☒

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3. If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide

Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)
(complete as many entries as needed)

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

SCHEDULE H (Form 5500) <small>Internal Revenue Service</small> <small>Department of Labor</small> <small>Employee Benefits Security Administration</small> <small>Pension Benefit Guaranty Corporation</small>	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	<small>OMB No. 1210-0110</small> 2016 This Form is Open to Public Inspection
---	--	--

For calendar plan year 2016 or fiscal plan year beginning <u>01/01/2016</u> and ending <u>12/31/2016</u>		
A Name of plan <u>CAPSTAN INCORPORATED TAX FAVORED SAVINGS & INVESTMENT PLAN</u>	B Three-digit plan number (PN) ►	<u>001</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>CAPSTAN, INC.</u>	D Employer Identification Number (EIN) <u>33-0703225</u>	

Part I	Asset and Liability Statement
---------------	--------------------------------------

1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a	0	0
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions.....	1b(1)	0	0
(2) Participant contributions	1b(2)	0	0
(3) Other.....	1b(3)	0	0
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit).....	1c(1)	366589	459279
(2) U.S. Government securities	1c(2)	0	0
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)	0	0
(B) All other.....	1c(3)(B)	0	0
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)	0	0
(B) Common.....	1c(4)(B)	0	0
(5) Partnership/joint venture interests	1c(5)	0	0
(6) Real estate (other than employer real property).....	1c(6)	0	0
(7) Loans (other than to participants)	1c(7)	0	0
(8) Participant loans.....	1c(8)	229780	167466
(9) Value of interest in common/collective trusts	1c(9)	0	0
(10) Value of interest in pooled separate accounts	1c(10)	0	0
(11) Value of interest in master trust investment accounts	1c(11)	0	0
(12) Value of interest in 103-12 investment entities.....	1c(12)	0	0
(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)	7927671	8784959
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
(15) Other	1c(15)	0	0

1d Employer-related investments:		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)	0	0
(2) Employer real property	1d(2)	0	0
e Buildings and other property used in plan operation	1e	0	0
f Total assets (add all amounts in lines 1a through 1e)	1f	8524040	9411704

Liabilities

g Benefit claims payable	1g	0	0
h Operating payables	1h	0	0
i Acquisition indebtedness	1i	0	0
j Other liabilities	1j	0	0
k Total liabilities (add all amounts in lines 1g through 1j)	1k	0	0

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	8524040	9411704
---	-----------	---------	---------

Part II Income and Expense Statement

- 2** Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income

a Contributions:			
(1) Received or receivable in cash from: (A) Employers.....	2a(1)(A)	117858	
(B) Participants.....	2a(1)(B)	354178	
(C) Others (including rollovers)	2a(1)(C)	0	
(2) Noncash contributions	2a(2)	0	472036
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit).....	2b(1)(A)	805	
(B) U.S. Government securities	2b(1)(B)	0	
(C) Corporate debt instruments.....	2b(1)(C)	0	
(D) Loans (other than to participants).....	2b(1)(D)	0	
(E) Participant loans	2b(1)(E)	7216	
(F) Other	2b(1)(F)	0	
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		8021
(2) Dividends: (A) Preferred stock.....	2b(2)(A)	0	
(B) Common stock.....	2b(2)(B)	0	
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	313604	
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		313604
(3) Rents.....	2b(3)		0
(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds.....	2b(4)(A)	0	
(B) Aggregate carrying amount (see instructions)	2b(4)(B)	0	
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		
(5) Unrealized appreciation (depreciation) of assets: (A) Real estate.....	2b(5)(A)	0	
(B) Other	2b(5)(B)	0	
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		0

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts	2b(6)		0
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		0
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		0
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		0
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		254900
c Other income.....	2c		0
d Total income. Add all income amounts in column (b) and enter total.....	2d		1048561

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	152522	
(2) To insurance carriers for the provision of benefits	2e(2)	0	
(3) Other	2e(3)	0	
(4) Total benefit payments. Add lines 2e(1) through (3).....	2e(4)		152522
f Corrective distributions (see instructions)	2f		0
g Certain deemed distributions of participant loans (see instructions)	2g		0
h Interest expense.....	2h		0
i Administrative expenses: (1) Professional fees.....	2i(1)	0	
(2) Contract administrator fees.....	2i(2)	0	
(3) Investment advisory and management fees.....	2i(3)	0	
(4) Other	2i(4)	8375	
(5) Total administrative expenses. Add lines 2i(1) through (4).....	2i(5)		8375
j Total expenses. Add all expense amounts in column (b) and enter total	2j		160897

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		887664
l Transfers of assets:			
(1) To this plan.....	2l(1)		0
(2) From this plan.....	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☐ Unqualified (2) ☐ Qualified (3) ☒ Disclaimer (4) ☐ Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)?

☒ Yes ☐ No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: **BEACH, FREEMAN, LIM & CLELAND, LLP**

(2) EIN: **56-2306396**

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....

b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)

	Yes	No	Amount
4a	X		24528
4b		X	

		Yes	No	Amount
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)	4c		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)	4d		X	
e Was this plan covered by a fidelity bond?	4e	X		500000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?	4f		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?	4g		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?	4h		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	4i	X		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.)	4j		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?	4k		X	
l Has the plan failed to provide any benefit when due under the plan?	4l		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	4m		X	
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.	4n		X	
o Defined Benefit Plan or Money Purchase Pension Plan Only: Were any distributions made during the plan year to an employee who attained age 62 and had not separated from service?	4o			

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?
If "Yes," enter the amount of any plan assets that reverted to the employer this year. ☐ Yes ☒ No **Amount:**

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)

5c If the plan is a defined benefit plan, is it covered under the PBGC insurance program (See ERISA section 4021.)? ☐ Yes ☐ No ☐ Not determined
If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year (See instructions.)

Part V Trust Information

6a Name of trust	6b Trust's EIN
6c Name of trustee or custodian	6d Trustee's or custodian's telephone number

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110 2016 This Form is Open to Public Inspection.
---	---	--

For calendar plan year 2016 or fiscal plan year beginning 01/01/2016 and ending 12/31/2016

A Name of plan <u>CAPSTAN INCORPORATED TAX FAVORED SAVINGS & INVESTMENT PLAN</u>	B Three-digit plan number (PN) ▶ <u>001</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>CAPSTAN, INC.</u>	D Employer Identification Number (EIN) <u>33-0703225</u>

Part I	Distributions
---------------	----------------------

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions	1	
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): <u>04-6568107</u>		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year	3	

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part.)
----------------	---

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?	☐ Yes	☐ No	☐ N/A
If the plan is a defined benefit plan, go to line 8.			
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.			
6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived)	6a		
b Enter the amount contributed by the employer to the plan for this plan year	6b		
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount)	6c		
If you completed line 6c, skip lines 8 and 9.			
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?	☐ Yes	☐ No	☐ N/A
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?	☐ Yes	☐ No	☐ N/A

Part III	Amendments
-----------------	-------------------

9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box.....	☐ Increase	☐ Decrease	☐ Both	☐ No
--	-----------------------------------	-----------------------------------	-------------------------------	-----------------------------

Part IV	ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
----------------	---

10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?	☐ Yes	☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes	☐ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.)	☐ Yes	☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes	☐ No

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

Schedule R (Form 5500) 2016
v. 160205

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

14	Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:		
	a The current year	14a	
	b The plan year immediately preceding the current plan year	14b	
	c The second preceding plan year	14c	
15	Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:		
	a The corresponding number for the plan year immediately preceding the current plan year	15a	
	b The corresponding number for the second preceding plan year	15b	
16	Information with respect to any employers who withdrew from the plan during the preceding plan year:		
	a Enter the number of employers who withdrew during the preceding plan year	16a	
	b If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	16b	
17	If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐		

Part VI	Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans
----------------	---

18	If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment	☐
19	If the total number of participants is 1,000 or more, complete lines (a) through (c)	
	a Enter the percentage of plan assets held as: Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%	
	b Provide the average duration of the combined investment-grade and high-yield debt: ☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more	
	c What duration measure was used to calculate line 19(b)? ☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____	

Part VII	IRS Compliance Questions
-----------------	---------------------------------

20a Is the plan a 401(k) plan? If "No," skip b	☐ Yes ☐ No
20b How did the plan satisfy the nondiscrimination requirements for employee deferrals under section 401(k)(3) for the plan year? Check all that apply:	☐ Design-based safe harbor ☐ "Prior year" ADP test ☐ "Current year" ADP test ☐ N/A
21a What testing method was used to satisfy the coverage requirements under section 410(b) for the plan year? Check all that apply:	☐ Ratio percentage test ☐ Average benefit test ☐ N/A
21b Did the plan satisfy the coverage and nondiscrimination requirements of sections 410(b) and 401(a)(4) for the plan year by combining this plan with any other plan under the permissive aggregation rules?	☐ Yes ☐ No
22a If the plan is a master and prototype plan (M&P) or volume submitter plan that received a favorable IRS opinion letter or advisory letter, enter the date of the letter / / and the serial number .	
22b If the plan is an individually-designed plan that received a favorable determination letter from the IRS, enter the date of the most recent determination letter / / .	

**CAPSTAN INCORPORATED TAX FAVORED
SAVINGS & INVESTMENT PLAN**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2016

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Net Assets Available for Benefits	3
Statement of Changes in Net Assets Available for Benefits	4
NOTES TO FINANCIAL STATEMENTS	5 - 14
SUPPLEMENTARY INFORMATION	
Schedule H, Part IV, Item 4i - Schedule of Assets (Held at End of Year)	16 - 17
Schedule H, Part IV, Item 4a - Schedule of Delinquent Participant Contributions	18



beach, freeman, lim & cleland, LLP

INDEPENDENT AUDITORS' REPORT

To the Plan Administrator
**CAPSTAN INCORPORATED TAX FAVORED
SAVINGS & INVESTMENT PLAN**
Los Angeles, California

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Capstan Incorporated Tax Favored Savings & Investment Plan (the "Plan"), which comprise the statements of net assets available for benefits as of December 31, 2016 and 2015, and the related statement of changes in net assets available for benefits for the year ended December 31, 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audits in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the Plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 5, which was certified by Fidelity Management Trust Company, the trustee of the Plan, except for comparing the information with the related information included in the financial statements. We have been informed by the Plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The Plan administrator has obtained a certification from the trustee as of December 31, 2016 and 2015, and for the year ended December 31, 2016, that the information provided to the Plan administrator by the trustee is complete and accurate.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matter

The supplementary schedules of assets (held at end of year) and delinquent participant contributions as of or for the year ended December 31, 2016, are required by the Department of Labor's ("DOL") Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 and are presented for the purpose of additional analysis and are not a required part of the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on the supplementary schedules referred to above.

Report on Form and Content in Compliance with DOL Rules and Regulations

The form and content of the information included in the financial statements and supplementary schedules, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

A handwritten signature in blue ink that reads "Brad Freeman & Co., LLP". The signature is written in a cursive, flowing style.

El Segundo, California
October 13, 2017

**CAPSTAN INCORPORATED TAX FAVORED
SAVINGS & INVESTMENT PLAN**

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 2016 AND 2015

ASSETS		
	<u>2016</u>	<u>2015</u>
Investments		
Money market funds	\$ 459,279	\$ 366,589
Mutual funds	<u>8,784,959</u>	<u>7,927,671</u>
	<u>9,244,238</u>	<u>8,294,260</u>
Receivables		
Participant contributions	10,042	-
Employer contributions	7,195	-
Notes receivable from participants	<u>167,466</u>	<u>229,780</u>
	<u>184,703</u>	<u>229,780</u>
	<u>9,428,941</u>	<u>8,524,040</u>
LIABILITIES		
Excess Contributions Payable	<u>7,062</u>	<u>4,265</u>
Net Assets Available for Benefits	<u>\$ 9,421,879</u>	<u>\$ 8,519,775</u>

See accompanying notes to financial statements.

**CAPSTAN INCORPORATED TAX FAVORED
SAVINGS & INVESTMENT PLAN**

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 2016

Additions to Net Assets Attributed to:

Investment income

Interest	\$ 805
Dividends	313,604
Net appreciation in fair value of investments	<u>254,900</u>

569,309

Interest on notes receivable from participants

7,216

Contributions

Participants	357,158
Employer	<u>125,053</u>

482,211

1,058,736

Deductions from Net Assets Attributed to:

Benefits paid to participants	148,257
Administrative expenses	<u>8,375</u>

156,632

Net Increase

902,104

Net Assets Available for Benefits, Beginning of Year

8,519,775

Net Assets Available for Benefits, End of Year

\$ 9,421,879

See accompanying notes to financial statements.

CAPSTAN INCORPORATED TAX FAVORED SAVINGS & INVESTMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1 - DESCRIPTION OF PLAN

The following description of the Capstan Incorporated Tax Favored Savings & Investment Plan (the "Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution 401(k) plan covering all full-time employees of Capstan Incorporated and its subsidiaries, Capstan Atlantic, and Capstan California (collectively, the "Company") who have completed one year of service in which 1,000 hours were performed, and are age twenty-one or older. The Plan does not cover employees who are residents of Puerto Rico.

The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

Contributions

The Plan allows participants to contribute, on a pre-tax basis, an amount subject to an annual limit of the lesser of \$18,000 or 60% of eligible compensation, (plus a \$6,000 catch-up for participants that have attained age 50 before the end of the Plan year) in accordance with the Internal Revenue Code ("IRC"). Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans (rollover).

Participants direct the investment of their contributions into various investment options offered by the Plan. The Plan currently offers various mutual funds and money market accounts as investment options for participants.

Participants who meet the eligibility requirements and make eligible contributions are entitled to receive discretionary matching employer contributions equal to the percentage declared for the contribution period, if any, by a Board of Directors' resolution. The Company, however, shall not make matching employer contributions with respect to an eligible participant's catch-up contributions.

The Plan also provides the Company an option of making non-elective contributions. No such contributions were made by the Company during 2016.

CAPSTAN INCORPORATED TAX FAVORED SAVINGS & INVESTMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1 - DESCRIPTION OF PLAN (CONTINUED)

Participant Accounts

Each participant's account is credited with the participant's contributions and the Company's discretionary matching contributions, as well as allocations of Plan earnings. Participant accounts are charged with an allocation of administrative expenses that are paid by the Plan, if applicable. Allocations are based on participant earnings, account balances, or specific participant transactions, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting

Participants are immediately vested in their contributions plus actual earnings thereon. Vesting in the Company's contribution portion of their accounts is based on years of continuous service. Participants vest 20% per year beginning after the first year of service and become fully vested after five years of credited service.

Notes Receivable from Participants

Participants may borrow from their participant accounts a minimum of \$1,000, up to a maximum amount equal to the lesser of \$50,000 or 50% of their vested account balance. The loans are secured by the balance in the participant's account. The loan interest rate is set at one percent above the prime rate. Loans must be repaid over a maximum five year period, unless it is for the purchase of a principal residence, in which case the loan repayment may not extend beyond ten years from the date of the loan. Principal and interest is paid ratably through weekly or bi-weekly payroll deductions, as applicable.

Payment of Benefits

On termination of service due to death, disability, retirement, or other reasons, a participant may elect to (a) receive a lump sum distribution equal to the value of his/her account, (b) request a direct rollover, or (c) may leave the funds in the Plan as deferred vested benefits until required by law to receive minimum distributions. All distributions are made subject to the applicable provisions of the Plan document. Vested account balances payable that are less than or equal to \$1,000 will be distributed as a lump sum distribution as directed by the Plan administrator.

CAPSTAN INCORPORATED TAX FAVORED SAVINGS & INVESTMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1 - DESCRIPTION OF PLAN (CONTINUED)

Forfeited Accounts

At December 31, 2016 and 2015, forfeited nonvested accounts totaled \$7,418 and \$10,345, respectively. Forfeitures of terminated participants' nonvested accounts may first be used to pay administrative expenses of the Plan. Any remaining amounts will be used to reduce employer contributions. In 2016, \$5,000 from forfeited nonvested accounts was used to pay administrative expenses of the Plan.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Accordingly, actual results could differ from those estimates.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

CAPSTAN INCORPORATED TAX FAVORED SAVINGS & INVESTMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Notes Receivable from Participants

Notes receivable from participants are reported at their unpaid principal balance plus any accrued but unpaid interest. Interest income is recorded on the accrual basis. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2016 or 2015. If a participant ceases to make loan repayments and the Plan administrator deems the participant loan to be in default, the participant loan balance is reduced and a benefit payment is recorded.

Excess Contributions Payable

Amounts payable to participants for contributions in excess amounts allowed amounts by the Plan and the Internal Revenue Service are recorded as a liability with a corresponding reduction to contributions. These excess contributions are distributed to participants subsequent to year-end.

Payment of Benefits

Benefits are recorded when paid.

Administrative Expenses

Certain expenses of maintaining the Plan are paid by the Plan, unless otherwise paid by the Company. Expenses that are paid by the Company are excluded from these financial statements. Fees related to the administration of notes receivable from participants are charged directly to the participant's account and are included in administrative expenses. Investment related expenses are included in net appreciation in fair value of investments.

Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

CAPSTAN INCORPORATED TAX FAVORED SAVINGS & INVESTMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations

Investments that represent 10% or more of the Plan's total investment balance as of December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
FID OTC Portfolio	\$1,495,748	\$1,429,593
FID Growth Company	\$1,002,919	\$909,812
FID Low Priced Stock	\$987,848	\$928,498

NOTE 3 - PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants would become 100% vested in their employer contributions.

NOTE 4 - PARTY-IN-INTEREST TRANSACTIONS

Certain Plan investments are shares of mutual funds managed by Fidelity Management Trust Company ("Fidelity"). Fidelity is the trustee, custodian, and recordkeeper of the Plan and, therefore, these transactions qualify as party-in-interest transactions. Payment to Fidelity for record keeping services totaled \$8,375 for the year ended December 31, 2016.

Notes receivable from Plan participants and the related interest income are also considered party-in-interest transactions.

CAPSTAN INCORPORATED TAX FAVORED SAVINGS & INVESTMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 5 - INFORMATION CERTIFIED BY THE TRUSTEE (UNAUDITED)

The Plan administrator has elected the method of annual reporting compliance permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, Fidelity Management Trust Company, the trustee of the Plan, has certified that the following data included in the accompanying financial statements and supplementary schedule is complete and accurate with respect to investments and notes receivable from participants:

- Investments at fair value
- Notes receivable from participants
- Net appreciation (depreciation) in fair value of investments
- Interest and dividends
- Schedule of assets (held at end of year)

The Plan's independent public accountants did not perform auditing procedures with respect to this information, except for comparing such information to the related information included in the financial statements and supplementary schedule.

NOTE 6 - TAX STATUS OF THE PLAN

The Internal Revenue Service has informed the Company by a letter dated March 31, 2014, that the Plan and related trust are designed in accordance with applicable sections of the IRC. The Plan is therefore exempt from federal income taxes under the provisions of Section 501(a) of the IRC. Although the Plan has been amended since receiving the opinion letter, the Plan's tax counsel believes that the Plan is designed, and is currently being operated, in compliance with the applicable requirements of the IRC and, therefore, believe that the Plan is qualified, and the related trust is tax-exempt.

CAPSTAN INCORPORATED TAX FAVORED SAVINGS & INVESTMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 7 - RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500:

	<u>2016</u>	<u>2015</u>
Net assets available for benefits per the financial statements	\$ 9,421,879	\$ 8,519,775
Less:		
Participant contributions receivable	(10,042)	-
Employer contributions receivable	(7,195)	-
Add:		
Excess contributions payable	<u>7,062</u>	<u>4,265</u>
Net assets per Form 5500	<u>\$ 9,411,704</u>	<u>\$ 8,524,040</u>

The following is a reconciliation of the changes in net assets available for benefits to the Form 5500:

Net increase in net assets available for benefits per the financial statements	\$ 902,104
Less:	
Net change in participant contributions receivable	(10,042)
Net change in employer contributions receivable	(7,195)
Add:	
Net change in excess contributions payable	<u>2,797</u>
Net income per Form 5500	<u>\$ 887,664</u>

NOTE 8 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

CAPSTAN INCORPORATED TAX FAVORED SAVINGS & INVESTMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 8 - FAIR VALUE MEASUREMENTS (CONTINUED)

The three levels of the fair value hierarchy under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820 are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.
Level 2	Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016 and 2015.

Money market funds: Highly liquid instruments purchased with an initial maturity of three months or less and considered to be cash equivalents valued using level 1 inputs.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded and valued using level 1 inputs.

CAPSTAN INCORPORATED TAX FAVORED SAVINGS & INVESTMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 8 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2016 and 2015:

**Assets at Fair Value as of
December 31, 2016**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 459,279	\$ -	\$ -	\$ 459,279
Mutual funds	<u>8,784,959</u>	<u>-</u>	<u>-</u>	<u>8,784,959</u>
Investments at fair value	<u>\$ 9,244,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,244,238</u>

**Assets at Fair Value as of
December 31, 2015**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 366,589	\$ -	\$ -	\$ 366,589
Mutual funds	<u>7,927,671</u>	<u>-</u>	<u>-</u>	<u>7,927,671</u>
Investments at fair value	<u>\$ 8,294,260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,294,260</u>

NOTE 9 - DELINQUENT EMPLOYEE DEFERRAL TRANSMITTALS

During 2016, the Company erroneously failed to remit certain employee deferrals and loan repayments to the Plan aggregating \$34,271, of which \$10,042 is included in the participant contributions receivable as of December 31, 2016. The Plan administrator is in the process of determining the related lost earnings for which they will remit to the Plan as soon as administratively possible.

CAPSTAN INCORPORATED TAX FAVORED SAVINGS & INVESTMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 10 - SUBSEQUENT EVENTS

The Plan evaluated subsequent events through October 13, 2017, the date at which the financial statements were available to be issued. The Plan is not aware of any significant events that occurred subsequent to the date of the statement of net assets available for benefits, but prior to October 13, 2017, that would have a material impact on its financial statements.

SUPPLEMENTARY INFORMATION

**CAPSTAN INCORPORATED TAX FAVORED
SAVINGS & INVESTMENT PLAN**

**EMPLOYER IDENTIFICATION NUMBER 33-0703225
PLAN NUMBER 001**

Schedule H, Part IV, Item 4i - Schedule of Assets (Held at End of Year)

DECEMBER 31, 2016

(a)	(b) Identity of issue, borrower, lessor or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par or maturity value	(e) Current value
*	Fidelity	FID OTC PORTFOLIO	\$ 1,495,748
*	Fidelity	FID GROWTH COMPANY	1,002,919
*	Fidelity	FID LOW PRICED STOCK	987,848
*	Fidelity	FID CONTRAFUND	725,242
*	Fidelity	FID SM CAP DISCOVERY	713,698
*	Fidelity	FID INTERMED BOND	641,838
*	Fidelity	FMMT RETIRE GOV II	459,279
*	Fidelity	FID MID CAP STOCK	426,964
*	Fidelity	FID DIVIDEND GR	290,850
*	Fidelity	FID FREEDOM 2025	272,034
*	Fidelity	FID VALUE	248,309
*	Fidelity	FID BLUE CHIP GR	240,035
*	Fidelity	FID FREEDOM 2020	206,384
*	Fidelity	FID LARGE CAP STOCK	177,537
*	Fidelity	FID PURITAN	176,958
*	Fidelity	FID FREEDOM 2030	169,106
*	Fidelity	FID TOT MKT IDX PR	123,735
*	Fidelity	FID DIVERSIFD INTL	99,288
*	Fidelity	FID REAL ESTATE INVS	86,393
*	Fidelity	FID INVST GR BD	81,661
*	Fidelity	FID FOCUSED STOCK	81,184
*	Fidelity	FID SHORT TERM BOND	76,109
*	Fidelity	FID GROWTH STRAT	68,081
*	Fidelity	FID FREEDOM 2040	66,100
*	Fidelity	FID EXT MKT IDX PR	50,060
*	Fidelity	FID SMALL CAP VALUE	40,443
*	Fidelity	FID FREEDOM 2050	38,879
*	Fidelity	FID EQ DIV INCOME	35,914
*	Fidelity	FID FREEDOM 2010	30,562
*	Fidelity	FID OVERSEAS	24,021
*	Fidelity	FID EQUITY INC.	23,672
*	Fidelity	FID FREEDOM 2055	20,628
*	Fidelity	FID FIDELITY FUND	14,485
*	Fidelity	FID VALUE STRAT	13,703
*	Fidelity	FID EXPORT & MULTI	9,538

**CAPSTAN INCORPORATED TAX FAVORED
SAVINGS & INVESTMENT PLAN**

**EMPLOYER IDENTIFICATION NUMBER 33-0703225
PLAN NUMBER 001**

Schedule H, Part IV, Item 4i - Schedule of Assets (Held at End of Year)

DECEMBER 31, 2016

(a)	(b) Identity of issue, borrower, lessor or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par or maturity value	(e) Current value
*	Fidelity	FID FREEDOM 2035	8,501
*	Fidelity	FID FREEDOM 2015	7,978
*	Fidelity	FID FREEDOM INCOME	4,987
*	Fidelity	FID FREEDOM 2045	2,694
*	Fidelity	FID FREEDOM 2005	<u>873</u>
			9,244,238
*	Participants	Notes receivable from participants - Maturing 2017 to 2021; Interest 4.00% - 6.00%	<u>167,466</u>
			<u><u>\$ 9,411,704</u></u>
*	Party-in-interest to the Plan for which a statutory exemption exists.		

**CAPSTAN INCORPORATED TAX FAVORED
SAVINGS & INVESTMENT PLAN**

**EMPLOYER IDENTIFICATION NUMBER 33-0703225
PLAN NUMBER 001**

Schedule H, Part IV, Item 4a - Schedule of Delinquent Participant Contributions

FOR THE YEAR ENDED DECEMBER 31, 2016

Participant Contributions Transferred Late to Plan	Total that Constitute Nonexempt Prohibited Transactions			
Check here if Late Participant Loan Repayments are included: ☐	Contributions Not Corrected	Contributions Corrected Outside VFCP	Contributions Pending Correction in VFCP	Total Fully Corrected Under VFCP and PTE 2002-51

October 21, 2016	-	3,234	-	-
October 28, 2016	-	7,848	-	-
November 4, 2016	-	3,405	-	-
December 9, 2016	-	7,377	-	-
December 30, 2016	-	2,665	-	-

**CAPSTAN INCORPORATED TAX FAVORED
SAVINGS & INVESTMENT PLAN**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2016

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Net Assets Available for Benefits	3
Statement of Changes in Net Assets Available for Benefits	4
NOTES TO FINANCIAL STATEMENTS	5 - 14
SUPPLEMENTARY INFORMATION	
Schedule H, Part IV, Item 4i - Schedule of Assets (Held at End of Year)	16 - 17
Schedule H, Part IV, Item 4a - Schedule of Delinquent Participant Contributions	18



beach, freeman, lim & cleland, LLP

INDEPENDENT AUDITORS' REPORT

To the Plan Administrator
**CAPSTAN INCORPORATED TAX FAVORED
SAVINGS & INVESTMENT PLAN**
Los Angeles, California

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Capstan Incorporated Tax Favored Savings & Investment Plan (the "Plan"), which comprise the statements of net assets available for benefits as of December 31, 2016 and 2015, and the related statement of changes in net assets available for benefits for the year ended December 31, 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audits in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the Plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 5, which was certified by Fidelity Management Trust Company, the trustee of the Plan, except for comparing the information with the related information included in the financial statements. We have been informed by the Plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The Plan administrator has obtained a certification from the trustee as of December 31, 2016 and 2015, and for the year ended December 31, 2016, that the information provided to the Plan administrator by the trustee is complete and accurate.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matter

The supplementary schedules of assets (held at end of year) and delinquent participant contributions as of or for the year ended December 31, 2016, are required by the Department of Labor's ("DOL") Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 and are presented for the purpose of additional analysis and are not a required part of the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on the supplementary schedules referred to above.

Report on Form and Content in Compliance with DOL Rules and Regulations

The form and content of the information included in the financial statements and supplementary schedules, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

A handwritten signature in blue ink that reads "Brad Freeman & Co., LLP". The signature is written in a cursive, flowing style.

El Segundo, California
October 13, 2017

**CAPSTAN INCORPORATED TAX FAVORED
SAVINGS & INVESTMENT PLAN**

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 2016 AND 2015

ASSETS		
	<u>2016</u>	<u>2015</u>
Investments		
Money market funds	\$ 459,279	\$ 366,589
Mutual funds	<u>8,784,959</u>	<u>7,927,671</u>
	<u>9,244,238</u>	<u>8,294,260</u>
Receivables		
Participant contributions	10,042	-
Employer contributions	7,195	-
Notes receivable from participants	<u>167,466</u>	<u>229,780</u>
	<u>184,703</u>	<u>229,780</u>
	<u>9,428,941</u>	<u>8,524,040</u>
LIABILITIES		
Excess Contributions Payable	<u>7,062</u>	<u>4,265</u>
Net Assets Available for Benefits	<u>\$ 9,421,879</u>	<u>\$ 8,519,775</u>

See accompanying notes to financial statements.

**CAPSTAN INCORPORATED TAX FAVORED
SAVINGS & INVESTMENT PLAN**

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 2016

Additions to Net Assets Attributed to:

Investment income

Interest	\$ 805
Dividends	313,604
Net appreciation in fair value of investments	<u>254,900</u>

569,309

Interest on notes receivable from participants

7,216

Contributions

Participants	357,158
Employer	<u>125,053</u>

482,211

1,058,736

Deductions from Net Assets Attributed to:

Benefits paid to participants	148,257
Administrative expenses	<u>8,375</u>

156,632

Net Increase

902,104

Net Assets Available for Benefits, Beginning of Year

8,519,775

Net Assets Available for Benefits, End of Year

\$ 9,421,879

See accompanying notes to financial statements.

CAPSTAN INCORPORATED TAX FAVORED SAVINGS & INVESTMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1 - DESCRIPTION OF PLAN

The following description of the Capstan Incorporated Tax Favored Savings & Investment Plan (the "Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution 401(k) plan covering all full-time employees of Capstan Incorporated and its subsidiaries, Capstan Atlantic, and Capstan California (collectively, the "Company") who have completed one year of service in which 1,000 hours were performed, and are age twenty-one or older. The Plan does not cover employees who are residents of Puerto Rico.

The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

Contributions

The Plan allows participants to contribute, on a pre-tax basis, an amount subject to an annual limit of the lesser of \$18,000 or 60% of eligible compensation, (plus a \$6,000 catch-up for participants that have attained age 50 before the end of the Plan year) in accordance with the Internal Revenue Code ("IRC"). Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans (rollover).

Participants direct the investment of their contributions into various investment options offered by the Plan. The Plan currently offers various mutual funds and money market accounts as investment options for participants.

Participants who meet the eligibility requirements and make eligible contributions are entitled to receive discretionary matching employer contributions equal to the percentage declared for the contribution period, if any, by a Board of Directors' resolution. The Company, however, shall not make matching employer contributions with respect to an eligible participant's catch-up contributions.

The Plan also provides the Company an option of making non-elective contributions. No such contributions were made by the Company during 2016.

CAPSTAN INCORPORATED TAX FAVORED SAVINGS & INVESTMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1 - DESCRIPTION OF PLAN (CONTINUED)

Participant Accounts

Each participant's account is credited with the participant's contributions and the Company's discretionary matching contributions, as well as allocations of Plan earnings. Participant accounts are charged with an allocation of administrative expenses that are paid by the Plan, if applicable. Allocations are based on participant earnings, account balances, or specific participant transactions, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting

Participants are immediately vested in their contributions plus actual earnings thereon. Vesting in the Company's contribution portion of their accounts is based on years of continuous service. Participants vest 20% per year beginning after the first year of service and become fully vested after five years of credited service.

Notes Receivable from Participants

Participants may borrow from their participant accounts a minimum of \$1,000, up to a maximum amount equal to the lesser of \$50,000 or 50% of their vested account balance. The loans are secured by the balance in the participant's account. The loan interest rate is set at one percent above the prime rate. Loans must be repaid over a maximum five year period, unless it is for the purchase of a principal residence, in which case the loan repayment may not extend beyond ten years from the date of the loan. Principal and interest is paid ratably through weekly or bi-weekly payroll deductions, as applicable.

Payment of Benefits

On termination of service due to death, disability, retirement, or other reasons, a participant may elect to (a) receive a lump sum distribution equal to the value of his/her account, (b) request a direct rollover, or (c) may leave the funds in the Plan as deferred vested benefits until required by law to receive minimum distributions. All distributions are made subject to the applicable provisions of the Plan document. Vested account balances payable that are less than or equal to \$1,000 will be distributed as a lump sum distribution as directed by the Plan administrator.

CAPSTAN INCORPORATED TAX FAVORED SAVINGS & INVESTMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1 - DESCRIPTION OF PLAN (CONTINUED)

Forfeited Accounts

At December 31, 2016 and 2015, forfeited nonvested accounts totaled \$7,418 and \$10,345, respectively. Forfeitures of terminated participants' nonvested accounts may first be used to pay administrative expenses of the Plan. Any remaining amounts will be used to reduce employer contributions. In 2016, \$5,000 from forfeited nonvested accounts was used to pay administrative expenses of the Plan.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Accordingly, actual results could differ from those estimates.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

CAPSTAN INCORPORATED TAX FAVORED SAVINGS & INVESTMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Notes Receivable from Participants

Notes receivable from participants are reported at their unpaid principal balance plus any accrued but unpaid interest. Interest income is recorded on the accrual basis. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2016 or 2015. If a participant ceases to make loan repayments and the Plan administrator deems the participant loan to be in default, the participant loan balance is reduced and a benefit payment is recorded.

Excess Contributions Payable

Amounts payable to participants for contributions in excess amounts allowed amounts by the Plan and the Internal Revenue Service are recorded as a liability with a corresponding reduction to contributions. These excess contributions are distributed to participants subsequent to year-end.

Payment of Benefits

Benefits are recorded when paid.

Administrative Expenses

Certain expenses of maintaining the Plan are paid by the Plan, unless otherwise paid by the Company. Expenses that are paid by the Company are excluded from these financial statements. Fees related to the administration of notes receivable from participants are charged directly to the participant's account and are included in administrative expenses. Investment related expenses are included in net appreciation in fair value of investments.

Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

CAPSTAN INCORPORATED TAX FAVORED SAVINGS & INVESTMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations

Investments that represent 10% or more of the Plan's total investment balance as of December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
FID OTC Portfolio	\$1,495,748	\$1,429,593
FID Growth Company	\$1,002,919	\$909,812
FID Low Priced Stock	\$987,848	\$928,498

NOTE 3 - PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants would become 100% vested in their employer contributions.

NOTE 4 - PARTY-IN-INTEREST TRANSACTIONS

Certain Plan investments are shares of mutual funds managed by Fidelity Management Trust Company ("Fidelity"). Fidelity is the trustee, custodian, and recordkeeper of the Plan and, therefore, these transactions qualify as party-in-interest transactions. Payment to Fidelity for record keeping services totaled \$8,375 for the year ended December 31, 2016.

Notes receivable from Plan participants and the related interest income are also considered party-in-interest transactions.

CAPSTAN INCORPORATED TAX FAVORED SAVINGS & INVESTMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 5 - INFORMATION CERTIFIED BY THE TRUSTEE (UNAUDITED)

The Plan administrator has elected the method of annual reporting compliance permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, Fidelity Management Trust Company, the trustee of the Plan, has certified that the following data included in the accompanying financial statements and supplementary schedule is complete and accurate with respect to investments and notes receivable from participants:

- Investments at fair value
- Notes receivable from participants
- Net appreciation (depreciation) in fair value of investments
- Interest and dividends
- Schedule of assets (held at end of year)

The Plan's independent public accountants did not perform auditing procedures with respect to this information, except for comparing such information to the related information included in the financial statements and supplementary schedule.

NOTE 6 - TAX STATUS OF THE PLAN

The Internal Revenue Service has informed the Company by a letter dated March 31, 2014, that the Plan and related trust are designed in accordance with applicable sections of the IRC. The Plan is therefore exempt from federal income taxes under the provisions of Section 501(a) of the IRC. Although the Plan has been amended since receiving the opinion letter, the Plan's tax counsel believes that the Plan is designed, and is currently being operated, in compliance with the applicable requirements of the IRC and, therefore, believe that the Plan is qualified, and the related trust is tax-exempt.

CAPSTAN INCORPORATED TAX FAVORED SAVINGS & INVESTMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 7 - RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500:

	<u>2016</u>	<u>2015</u>
Net assets available for benefits per the financial statements	\$ 9,421,879	\$ 8,519,775
Less:		
Participant contributions receivable	(10,042)	-
Employer contributions receivable	(7,195)	-
Add:		
Excess contributions payable	<u>7,062</u>	<u>4,265</u>
Net assets per Form 5500	<u>\$ 9,411,704</u>	<u>\$ 8,524,040</u>

The following is a reconciliation of the changes in net assets available for benefits to the Form 5500:

Net increase in net assets available for benefits per the financial statements	\$ 902,104
Less:	
Net change in participant contributions receivable	(10,042)
Net change in employer contributions receivable	(7,195)
Add:	
Net change in excess contributions payable	<u>2,797</u>
Net income per Form 5500	<u>\$ 887,664</u>

NOTE 8 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

CAPSTAN INCORPORATED TAX FAVORED SAVINGS & INVESTMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 8 - FAIR VALUE MEASUREMENTS (CONTINUED)

The three levels of the fair value hierarchy under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820 are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.
Level 2	Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016 and 2015.

Money market funds: Highly liquid instruments purchased with an initial maturity of three months or less and considered to be cash equivalents valued using level 1 inputs.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded and valued using level 1 inputs.

CAPSTAN INCORPORATED TAX FAVORED SAVINGS & INVESTMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 8 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2016 and 2015:

**Assets at Fair Value as of
December 31, 2016**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 459,279	\$ -	\$ -	\$ 459,279
Mutual funds	<u>8,784,959</u>	<u>-</u>	<u>-</u>	<u>8,784,959</u>
Investments at fair value	<u>\$ 9,244,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,244,238</u>

**Assets at Fair Value as of
December 31, 2015**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 366,589	\$ -	\$ -	\$ 366,589
Mutual funds	<u>7,927,671</u>	<u>-</u>	<u>-</u>	<u>7,927,671</u>
Investments at fair value	<u>\$ 8,294,260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,294,260</u>

NOTE 9 - DELINQUENT EMPLOYEE DEFERRAL TRANSMITTALS

During 2016, the Company erroneously failed to remit certain employee deferrals and loan repayments to the Plan aggregating \$34,271, of which \$10,042 is included in the participant contributions receivable as of December 31, 2016. The Plan administrator is in the process of determining the related lost earnings for which they will remit to the Plan as soon as administratively possible.

CAPSTAN INCORPORATED TAX FAVORED SAVINGS & INVESTMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 10 - SUBSEQUENT EVENTS

The Plan evaluated subsequent events through October 13, 2017, the date at which the financial statements were available to be issued. The Plan is not aware of any significant events that occurred subsequent to the date of the statement of net assets available for benefits, but prior to October 13, 2017, that would have a material impact on its financial statements.

SUPPLEMENTARY INFORMATION

**CAPSTAN INCORPORATED TAX FAVORED
SAVINGS & INVESTMENT PLAN**

**EMPLOYER IDENTIFICATION NUMBER 33-0703225
PLAN NUMBER 001**

Schedule H, Part IV, Item 4i - Schedule of Assets (Held at End of Year)

DECEMBER 31, 2016

(a)	(b) Identity of issue, borrower, lessor or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par or maturity value	(e) Current value
*	Fidelity	FID OTC PORTFOLIO	\$ 1,495,748
*	Fidelity	FID GROWTH COMPANY	1,002,919
*	Fidelity	FID LOW PRICED STOCK	987,848
*	Fidelity	FID CONTRAFUND	725,242
*	Fidelity	FID SM CAP DISCOVERY	713,698
*	Fidelity	FID INTERMED BOND	641,838
*	Fidelity	FMMT RETIRE GOV II	459,279
*	Fidelity	FID MID CAP STOCK	426,964
*	Fidelity	FID DIVIDEND GR	290,850
*	Fidelity	FID FREEDOM 2025	272,034
*	Fidelity	FID VALUE	248,309
*	Fidelity	FID BLUE CHIP GR	240,035
*	Fidelity	FID FREEDOM 2020	206,384
*	Fidelity	FID LARGE CAP STOCK	177,537
*	Fidelity	FID PURITAN	176,958
*	Fidelity	FID FREEDOM 2030	169,106
*	Fidelity	FID TOT MKT IDX PR	123,735
*	Fidelity	FID DIVERSIFD INTL	99,288
*	Fidelity	FID REAL ESTATE INVS	86,393
*	Fidelity	FID INVST GR BD	81,661
*	Fidelity	FID FOCUSED STOCK	81,184
*	Fidelity	FID SHORT TERM BOND	76,109
*	Fidelity	FID GROWTH STRAT	68,081
*	Fidelity	FID FREEDOM 2040	66,100
*	Fidelity	FID EXT MKT IDX PR	50,060
*	Fidelity	FID SMALL CAP VALUE	40,443
*	Fidelity	FID FREEDOM 2050	38,879
*	Fidelity	FID EQ DIV INCOME	35,914
*	Fidelity	FID FREEDOM 2010	30,562
*	Fidelity	FID OVERSEAS	24,021
*	Fidelity	FID EQUITY INC.	23,672
*	Fidelity	FID FREEDOM 2055	20,628
*	Fidelity	FID FIDELITY FUND	14,485
*	Fidelity	FID VALUE STRAT	13,703
*	Fidelity	FID EXPORT & MULTI	9,538

**CAPSTAN INCORPORATED TAX FAVORED
SAVINGS & INVESTMENT PLAN**

**EMPLOYER IDENTIFICATION NUMBER 33-0703225
PLAN NUMBER 001**

Schedule H, Part IV, Item 4i - Schedule of Assets (Held at End of Year)

DECEMBER 31, 2016

(a)	(b) Identity of issue, borrower, lessor or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par or maturity value	(e) Current value
*	Fidelity	FID FREEDOM 2035	8,501
*	Fidelity	FID FREEDOM 2015	7,978
*	Fidelity	FID FREEDOM INCOME	4,987
*	Fidelity	FID FREEDOM 2045	2,694
*	Fidelity	FID FREEDOM 2005	<u>873</u>
			9,244,238
*	Participants	Notes receivable from participants - Maturing 2017 to 2021; Interest 4.00% - 6.00%	<u>167,466</u>
			<u><u>\$ 9,411,704</u></u>
*	Party-in-interest to the Plan for which a statutory exemption exists.		

**CAPSTAN INCORPORATED TAX FAVORED
SAVINGS & INVESTMENT PLAN**

**EMPLOYER IDENTIFICATION NUMBER 33-0703225
PLAN NUMBER 001**

Schedule H, Part IV, Item 4a - Schedule of Delinquent Participant Contributions

FOR THE YEAR ENDED DECEMBER 31, 2016

Participant Contributions Transferred Late to Plan	Total that Constitute Nonexempt Prohibited Transactions			
Check here if Late Participant Loan Repayments are included: ☐	Contributions Not Corrected	Contributions Corrected Outside VFCP	Contributions Pending Correction in VFCP	Total Fully Corrected Under VFCP and PTE 2002-51

October 21, 2016	-	3,234	-	-
October 28, 2016	-	7,848	-	-
November 4, 2016	-	3,405	-	-
December 9, 2016	-	7,377	-	-
December 30, 2016	-	2,665	-	-