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

2019

This Form is Open to Public Inspection

Part I Annual Report Identification Information

For calendar plan year 2019 or fiscal plan year beginning 07/01/2019 and ending 06/30/2020

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.)
- [X] 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:
- [X] Form 5558
- [ ] automatic extension
- [ ] the DFVC program
- [ ] special extension (enter description)

Part II Basic Plan Information—enter all requested information

1a Name of plan
SCALLON CONTROLS, INC. EMPLOYEE STOCK OWNERSHIP PLAN

1b Three-digit plan number (PN) ▶ 003

1c Effective date of plan 07/01/1980

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)
SCALLON CONTROLS, INC.

4850 ROMEDA ROAD
BEAUMONT, TX 77705-1129

2b Employer Identification Number (EIN) 74-1918146

2c Plan Sponsor's telephone number 409-842-5950

2d Business code (see instructions) 423800

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.	03/10/2021	ROBERT SHAWN HURLEY
	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

3a Plan administrator's name and address [X] Same as Plan Sponsor	**3b** Administrator's EIN	
	3c Administrator's telephone number	
4 If the name and/or EIN of the plan sponsor or the plan name has changed since the last return/report filed for this plan, enter the plan sponsor's name, EIN, the plan name and the plan number from the last return/report: **a** Sponsor's name **c** Plan Name	**4b** EIN **4d** PN	

5 Total number of participants at the beginning of the plan year	**5**	187
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	**6a(1)**	172
a(2) Total number of active participants at the end of the plan year	**6a(2)**	147
b Retired or separated participants receiving benefits	**6b**	8
c Other retired or separated participants entitled to future benefits	**6c**	18
d Subtotal. Add lines **6a(2)**, **6b**, and **6c**	**6d**	173
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.	**6e**	0
f Total. Add lines **6d** and **6e**.	**6f**	173
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)	**6g**	173
h Number of participants who terminated employment during the plan year with accrued benefits that were less than 100% vested	**6h**	5
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:

2Q 2O 2I

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)		**9b** Plan benefit arrangement (check all that apply)	
(1)	[ ] Insurance	**(1)**	[ ] Insurance
(2)	[ ] Code section 412(e)(3) insurance contracts	**(2)**	[ ] Code section 412(e)(3) insurance contracts
(3)	[X] Trust	**(3)**	[X] Trust
(4)	[ ] General assets of the sponsor	**(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)** [X] **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)** [X] **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 2019 Form M-1 annual report. If the plan was not required to file the 2019 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_____

SCHEDULE H (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

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.**

OMB No. 1210-0110

2019

This Form is Open to Public Inspection

For calendar plan year 2019 or fiscal plan year beginning 07/01/2019 and ending 06/30/2020

A Name of plan
SCALLON CONTROLS, INC. EMPLOYEE STOCK OWNERSHIP PLAN

B Three-digit plan number (PN) ▶ 003

C Plan sponsor's name as shown on line 2a of Form 5500
SCALLON CONTROLS, INC.

D Employer Identification Number (EIN)
74-1918146

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)	1683471	2100345
(2) Participant contributions	1b(2)		
(3) Other	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	441926	3163801
(2) U.S. Government securities	1c(2)	2893098	0
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)		
(9) Value of interest in common/collective trusts	1c(9)		
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds)	1c(13)		
(14) Value of funds held in insurance company general account (unallocated contracts)	1c(14)		
(15) Other	1c(15)		

			(a) Beginning of Year	(b) End of Year
1d	Employer-related investments:			
	(1) Employer securities	1d(1)	25344030	27842550
	(2) Employer real property	1d(2)		
e	Buildings and other property used in plan operation	1e		
f	Total assets (add all amounts in lines 1a through 1e)	1f	30362525	33106696
	Liabilities			
g	Benefit claims payable	1g		
h	Operating payables	1h		
i	Acquisition indebtedness	1i		
j	Other liabilities	1j		
k	Total liabilities (add all amounts in lines 1g through1j)	1k	0	0
	Net Assets			
l	Net assets (subtract line 1k from line 1f)	1l	30362525	33106696

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) Amount	(b) Total
a	**Contributions:**			
	(1) Received or receivable in cash from: **(A)** Employers	2a(1)(A)	2100345	
	(B) Participants	2a(1)(B)		
	(C) Others (including rollovers)	2a(1)(C)		
	(2) Noncash contributions	2a(2)		
	(3) Total contributions. Add lines **2a(1)(A), (B), (C),** and line **2a(2)**	2a(3)		2100345
b	**Earnings on investments:**			
	(1) Interest:			
	(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	29389	
	(B) U.S. Government securities	2b(1)(B)		
	(C) Corporate debt instruments	2b(1)(C)		
	(D) Loans (other than to participants)	2b(1)(D)		
	(E) Participant loans	2b(1)(E)		
	(F) Other	2b(1)(F)		
	(G) Total interest. Add lines **2b(1)(A)** through **(F)**	2b(1)(G)		29389
	(2) Dividends: **(A)** Preferred stock	2b(2)(A)		
	(B) Common stock	2b(2)(B)	1519490	
	(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)		
	(D) Total dividends. Add lines **2b(2)(A)**, **(B)**, and **(C)**	2b(2)(D)		1519490
	(3) Rents	2b(3)		
	(4) Net gain (loss) on sale of assets: **(A)** Aggregate proceeds	2b(4)(A)		
	(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
	(C) Subtract line **2b(4)(B)** from line **2b(4)(A)** and enter result	2b(4)(C)		0
	(5) Unrealized appreciation (depreciation) of assets: **(A)** Real estate	2b(5)(A)		
	(B) Other	2b(5)(B)	2505422	
	(C) Total unrealized appreciation of assets. Add lines **2b(5)(A)** and **(B)**	2b(5)(C)		2505422

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds)	2b(10)		
c Other income	2c		
d Total income. Add all **income** amounts in column (b) and enter total	2d		6154646
Expenses			
e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	3410475	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines **2e(1)** through **(3)**	2e(4)		3410475
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions)	2g		
h Interest expense	2h		
i Administrative expenses: **(1)** Professional fees	2i(1)		
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)		
(4) Other	2i(4)		
(5) Total administrative expenses. Add lines **2i(1)** through **(4)**	2i(5)		0
j Total expenses. Add all **expense** amounts in column (b) and enter total	2j		3410475
Net Income and Reconciliation			
k Net income (loss). Subtract line **2j** from line **2d**	2k		2744171
l Transfers of assets:			
(1) To this plan	2l(1)		
(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) [X] Unmodified **(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 [X] No

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

(1) Name: WATHEN, DESHONG & JUNCKER, LLP **(2)** EIN: 74-1694817

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:

		Yes	No	Amount
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.)	4a		X	
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.)	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		1500000
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			

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

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.)

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

2019

This Form is Open to Public Inspection.

For calendar plan year 2019 or fiscal plan year beginning 07/01/2019 and ending 06/30/2020

A Name of plan
SCALLON CONTROLS, INC. EMPLOYEE STOCK OWNERSHIP PLAN

B Three-digit plan number (PN) ▶ 003

C Plan sponsor's name as shown on line 2a of Form 5500
SCALLON CONTROLS, INC.

D Employer Identification Number (EIN)
74-1918146

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** 0

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): 74-1918146

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**

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):

20 **PBGC missed contribution reporting requirements.** If this is a multiemployer plan or a single-employer plan that is not covered by PBGC, skip line 20.

a Is the amount of unpaid minimum required contributions for all years from Schedule SB (Form 5500) line 40 greater than zero? ☐ Yes ☐ No

b If line 20a is "Yes," has PBGC been notified as required by ERISA sections 4043(c)(5) and/or 303(k)(4)? Check the applicable box:

☐ Yes.

☐ No. Reporting was waived under 29 CFR 4043.25(c)(2) because contributions equal to or exceeding the unpaid minimum required contribution were made by the 30th day after the due date.

☐ No. The 30-day period referenced in 29 CFR 4043.25(c)(2) has not yet ended, and the sponsor intends to make a contribution equal to or exceeding the unpaid minimum required contribution by the 30th day after the due date.

☐ No. Other. Provide explanation_____

SCALLON CONTROLS, INC.
EMPLOYEE STOCK OWNERSHIP PLAN

FINANCIAL STATEMENTS

June 30, 2020 and 2019

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March 8, 2021

INDEPENDENT AUDITORS' REPORT

To the Plan Trustees and Participants of
Scallon Controls, Inc. Employee Stock Ownership Plan
Beaumont, Texas

Report on the Financial Statements
We have audited the accompanying financial statements of Scallon Controls, Inc. Employee Stock Ownership Plan (the "Plan"), which comprise the statements of net assets available for benefits as of June 30, 2020 and 2019, and the related statements of changes in net assets available for benefits for the years ended June 30, 2020 and 2019, 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.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's reparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but no for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Scallon Controls, Inc. Employee Stock Ownership Plan as of June 30, 2020 and 2019, and the changes in net assets available for benefits for the years ended June 30, 2020 and 2019, in accordance with accounting principles generally accepted in the Unites States of America.

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Members of the American Institute of Certified Public Accountants

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information contained in Schedule H, Line 4i – Schedule of Assets (Held at End of Year) as of June 30, 2020 is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the Unites States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wathen, DeShong & Juncker, LLP

WATHEN, DeSHONG & JUNCKER, L.L.P.
Certified Public Accountants

SCALLON CONTROLS, INC.
EMPLOYEE STOCK OWNERSHIP PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
JUNE 30, 2020 AND 2019

	2020			2019		
	Allocated	Unallocated	Total	Allocated	Unallocated	Total
ASSETS						
Cash - interest bearing	$ 3,163,801	$ -	$ 3,163,801	$ 441,926	$ -	$ 441,926
Investments	-	-	-	2,893,098	-	2,893,098
Investment in Scallon Controls, Inc. common stock, at fair value	27,842,550	-	27,842,550	25,344,030	-	25,344,030
Total investments	31,006,351	-	31,006,351	28,679,054	-	28,679,054
Employer contribution receivable	2,100,345	-	2,100,345	1,683,471	-	1,683,471
Total assets	33,106,696	-	33,106,696	30,362,525	-	30,362,525
LIABILITIES						
Distribution payable	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
NET ASSETS AVAILABLE FOR BENEFITS	$ 33,106,696	$ -	$ 33,106,696	$ 30,362,525	$ -	$ 30,362,525

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

SCALLON CONTROLS, INC.
EMPLOYEE STOCK OWNERSHIP PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEARS ENDED JUNE30, 2020 and 2019

	2020			2019		
	Allocated	Unallocated	Total	Allocated	Unallocated	Total
ADDITIONS TO NET ASSETS ATTRIBUTED TO:						
Investment income:						
Net change in fair value of investments	$ 2,505,422	$ -	$ 2,505,422	$ 1,289,443	$ -	$ 1,289,443
Dividends	1,519,490	-	1,519,490	961,310	-	961,310
Interest	29,389	-	29,389	46,997	-	46,997
Total investment income	4,054,301	-	4,054,301	2,297,750	-	2,297,750
Contributions						
Employer	2,100,345	-	2,100,345	1,683,471	-	1,683,471
Total additions	6,154,646	-	6,154,646	3,981,221	-	3,981,221
DEDUCTIONS TO NET ASSETS ATTRIBUTED TO:						
Benefits paid to participants	3,410,475	-	3,410,475	2,601,560	-	2,601,560
Total deductions	3,410,475	-	3,410,475	2,601,560	-	2,601,560
Net change	2,744,171	-	2,744,171	1,379,661	-	1,379,661
NET ASSETS AVAILABLE FOR BENEFITS						
Beginning of year	30,362,525	-	30,362,525	28,982,864	-	28,982,864
End of year	$33,106,696	$ -	$33,106,696	$30,362,525	$ -	$30,362,525

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

SCALLON CONTROLS, INC.
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

(1) ***DESCRIPTION OF THE PLAN***

Scallon Controls, Inc. (the "Company" or "Plan Sponsor" established the Scallon Controls, Inc. Employee Stock Ownership Plan (the "Plan"), effective July 1, 1980. The following description of the Plan provides general information only. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General – The Plan is a defined contribution plan covering all eligible full-time or part-time employees of the Plan Sponsor who have attained one year of service and are age twenty-one or older. The following are ineligible to become a participant of the plan - employees who are members of a collective bargaining unit if retirement benefits covering such unit were the subject of good faith bargaining and coverage under this Plan was not agreed to under such bargaining; non-resident alien who receives no earned income from the Company that constitutes income from sources within the United States, any employee who elects not to participate in the Plan.

Participant Contributions – The Plan does not permit (or require) participant voluntary contributions. The Plan does not permit participants to make rollover contributions to the Plan.

Employer Contributions – The Company may contribute to the Plan, for each plan year, the amount which its Board of Directors may from time to time deem advisable. The Company may contribute to the Plan regardless of whether it has net profits. However, the Company may not make a contribution to the Plan for any plan year to the extend the contribution would exceed the participants' maximum permissible amounts.

Participant Accounts – The ESOP committee will maintain, or will assist the trustee to maintain, a separate account, or multiple accounts, in the name of each participant to reflect the participant's accrued benefit under the Plan set forth below. The ESOP committee must at least maintain an account consisting of the Company securities held by the trust and an account consisting of the general investments held by the trust to reflect the participant's interest in the trust not attributable to Company securities. Each participant's account is credited as of June 30 of each plan year with an allocation to reflect net income, gain or loss since the last valuation date. Allocations are based on account balances as defined in the Plan document.

Put Option – Under Federal income tax regulations, the common stock that is held by the Plan and its participants and is not readily tradable on an established market, or is subject to trading limitations, includes a put option. The put option is a right to demand that the Plan Sponsor buy any shares of its stock distributed to participants for which there is no market. The put price is representative of the current value of the stock. The Plan Sponsor can pay for the purchase with interest over a period of five years. The purpose of the put option is to ensure that the participant has the ability to ultimately obtain cash. Scallon Controls, Inc. elected to be a Sub-Chapter S corporation on July 1, 2001. While the Company is taxes as a Sub-Chapter S Corporation, all distributions will be made in cash only and the put option will have no effect.

(1) ***DESCRIPTION OF THE PLAN (CONTINUED)***

Vesting – Participants vest as follows:

Years of Service With the Employer	Percent of Vested Account Balance
Less than 2 years	0%
2 years	20%
3 years	40%
4 years	60%
5 years	80%
6 years or more	100%

A participant who remains in the employ of the Employer after attaining Normal Retirement Age shall continue to participate in the Plan until his late retirement date, A Participant's Accrued Benefit derived from Employer contributions is one hundred percent (100%) Nonforfeitable upon and after his attaining Normal Retirement Age (if employed by the Employer on or after that date).

If a Participant's employment with the Employer terminates as a result of death or disability, the Participant's Accrued Benefit derived from Employer contributions and Forfeitures will be one hundred percent (100%) Nonforfeitable. Notwithstanding any provision of the Plan to the contrary, effective on and after January 1, 2007, if a Participant dies while performing qualified military service for a period longer than thirty (30) days, such Participant's Beneficiary shall be eligible for any additional benefits (other than benefits accruals relating to the period of qualified military service) that would have been provided under the Plan if the Participant had resumed employment on the day prior to his death and then terminated employment due to death.

Voting Rights – Each Participant (or Beneficiary) who timely provides instructions to the Trustee shall be entitled to direct the Trustee how to vote Employer Securities allocated to such Participant's Employer Securities Account in accordance with the Plan document. In order to implement these voting directions, the Company shall provide each Participant (or Beneficiary) with proxy solicitation materials or other notices or information statements which are distributed to Company shareholders, together with a form requesting confidential instructions as to the manner in which Employer Securities allocated to the Participant's Employer Securities Account are to be voted. Each Participant (or Beneficiary) shall, as a named fiduciary described in Section 403(a)(1) of ERISA, direct the Trustee with respect to the vote of such Employer Securities which are allocated to the Employer Securities Account of the Participant (or Beneficiary). Reasonable means shall be employed to provide confidentiality with respect to the voting by such Participant (or Beneficiary), it being the intent of this provision of the Plan document to ensure that the Company (and its directors, officers, employees and agents) cannot determine the direction given by any Participant (or Beneficiary). Such instructions shall be in such form and shall be filed in such manner and at such time as the ESOP Committee may prescribe.

Diversification - Diversification is offered to participants close to retirement so that they may have the opportunity to move part of the value of their investment in Company stock into investments which are more diversified. Participants who are at least 55 with at least 10 years of participation in the Plan may elect to diversify a portion of their account. Diversification is offered to each eligible participant over a 6-year period. If each of the first 5 years, a participant may diversify up to 25% of the number of shares allocated to his or her account, less any shares previously diversified. In the 6th year, the percentage changes to 50%.

(1) ***DESCRIPTION OF THE PLAN (CONTINUED)***

Participant Loans – No loans to Participants are permitted under this Plan.

Payment of Benefits – Distributions may be made over a period not to exceed five years, however, account balances of $25,000 or less may be made in a lump-sum payment or the amount may be rolled into an eligible retirement plan.

Under the provisions of the Plan, the Plan Sponsor may be obligated to repurchase participant shares which have been distributed under the terms of the Plan as long as the shares are not publicly traded or if the shares are subject to trading limitations. During the years ended June 30, 2020 and 2019, the Plan Sponsor did not repurchase any shares from participants.

Forfeited Accounts – Forfeitures occurring during the plan year shall be allocated to the account of each participant according to the ratio that compensation for the plan year of each participant bears to the total compensation of all such participants for the plan year. For the plan year ending June 30, 2020, 868.1058 shares of stock and $9,699.43 in cash were forfeited from participant accounts and were reallocated to eligible participants. For the plan year ending June 30, 2019, 695.9321 shares of stock and $33,485.49 in cash were forfeited from participant accounts and were reallocated to eligible participants. For the plan year ending June 30, 2020, according to plan provisions, a total of $167.20 in cash and 14.9642 shares were reduced from the allocations of participants who would have otherwise exceeded the Section 415 limits and reallocated to the remaining eligible participants based on total eligible compensation of $12,550,299.68. For the plan year ending June 30, 2019, according to plan provisions, a total of $1,631.94 in cash and 33.9168 shares were reduced from the allocations of participants who would have otherwise exceeded the Section 415 limits and reallocated to the remaining eligible participants based on total eligible compensation of $10,735,262.62.

Fees and Expenses - The Trustee may pay from the Trust all fees and expenses reasonably incurred by the Plan, to the extent such fees and expenses are for the ordinary and necessary administration and operation of the plan, unless the Employer pays the fees and expenses. If the trustee cannot pay the expenses reasonably incurred based upon the advice of legal counsel, the Employer shall pay such expenses. Any fee or expense paid, directly or indirectly, by the Employer is not an Employer contribution to the Plan, provided the fee or expense relates to the ordinary and necessary administration of the Plan. Historically, the Plan Sponsor has paid the administrative expenses of the Plan. During the years ended, June 30, 2020 and 2019, the statement of changes in net assets available for benefits does not include any administrative expenses because all expenses were paid by the Plan Sponsor.

ESOP Committee - The Company may appoint an ESOP Committee to administer the Plan, the members of which may or may not be Participants of the Plan, or which may be the Plan Administrator acting alone. In the absence of an ESOP Committee appointment, the Board of Directors assume the powers, duties and responsibilities of the ESOP Committee. The members of the ESOP Committee will serve without compensation for services as such, but the Employer will pay all expenses of the ESOP Committee, except to the extent the Trust properly pays for such expenses. Each member of the ESOP Committee serves until the appointment of his successor.

(1) ***DESCRIPTION OF THE PLAN (CONTINUED)***

ESOP Committee (Continued)
Except for Trust Assets under the control or direction of a properly appointed Investment Manager pursuant to Trust, the ESOP Committee is empowered to assist the Trustee to satisfy and operate the Plan in accordance with the terms of the Plan, the Trust, the Code, and ERISA. In case of a vacancy in the membership of the ESOP Committee, the remaining members of the ESOP Committee may exercise any and all of the powers, authority, duties, and discretion conferred upon the ESOP Committee pending the filling of the vacancy.

Third Party Administrator – The Plan Sponsor has an agreement with Crowe LLP to perform recordkeeping and ERISA compliance services. The Plan Sponsor and paid Crowe LLP $19,371 and $17,644 during the years ended June 30, 2020 and 2019 for administrative services. During the years ended June 30, 2020 and 2019, the Plan Sponsor also paid ESI Equity $10,750 and $9,500 for stock valuation services.

Termination of the Plan - Although the Company 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. Upon either full or partial termination of the Plan, or, if applicable, upon complete discontinuance of Plan contributions to the Plan, an affected participant's right to his accrued benefit is 100% nonforfeitable, regardless of the nonforfeitable percentage which otherwise would apply. The Plan would terminate upon the first to occur of the following: (a) the date terminated by action of the Company; and (b) the dissolution or merger of the Company, unless the successor entity makes provision to continue the Plan, in which event the successor must substitute itself as the Company under this Plan. Any termination of the Plan resulting from this paragraph (b) is not effective until compliance with any applicable notice requirements under ERISA.

(2) ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

Basis of Accounting
The Plan's financial statements are reported on the accrual basis of accounting.

Estimates
The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Investment Valuation and Income Recognition
The Plan's investments are presented at fair value. See Note 8 for a discussion of fair value measurements. Dividend income is accrued on the ex-dividend date. Purchases and sales of securities are recorded on a trade-date basis. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Cash and Cash Equivalents
The Plan's cash-interest bearing at June 30, 2020 and 2019 of $3,163,801 and $441,926 are covered by FDIC up to $250,000. The excess at June 30, 2020 and 2019, of $2,913,801 and $191,926 is uninsured.

Payment of Benefits
Benefits are recorded when paid.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

(3) ***PARTY-IN INTEREST TRANSACTIONS***

The Plan invests in the Company's common stock. This is a related party and party-in-interest transaction. As discussed in Note 1, the Plan has a number of service providers. As such, related parties are parties-in-interest under ERISA.

(4) ***ADMINISTRATION OF PLAN ASSETS***

The Plan's assets, which consist principally of the Company's common stock, are held by the Trustee of the Plan. The Plan Sponsor's contributions are held and managed by the Trustee, which invests cash received, interest, and dividend income and makes distributions to participants. Certain administrative functions are performed by officers or employees of the Plan Sponsor. No such officer or employee receives compensation from the Plan. Administrative expenses for the Trustee's fees are paid directly by the Plan Sponsor.

(5) ***RISKS AND UNCERTAINTIES***

The Plan investments consist primarily of the Company's common stock, which is exposed to various risks, including interest rate, market, and credit risks, as well as valuation assumptions based on earnings and cash flows. Due to the level of risk associated with the investment in the common stock and to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in the value of the common stock will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

(6) ***RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500***

The following is a reconciliation of net assets available for benefits per the financial statements at June 30, 2020 and 2019, to Schedule H of Form 5500:

	2020	2019
Net assets available for plan benefits		
Per financial statements	$ 33,106,696	$ 30,362,525
Per Form 5500	33,106,696	30,362,525

The following is a reconciliation of the changes in net assets available for benefits per the financial statements for the year ended June 30, 2020 and 2019, to Schedule H of Form 5500:

	2020	2019
Net change in net assets available for benefits		
Per financial statements	$ 2,744,171	$ 1,379,661
Per Form 5500	2,744,171	1,379,661

(7) ***FEDERAL INCOME TAXES***

The Plan obtained its latest determination letter on November 1, 2017, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has not been amended since receiving the determination letter. The Plan Administrator and the Trustee believe 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 is tax exempt. Therefore, no provision for income taxes has been included in the Plan's financial statements.

U.S. generally accepted accounting principles require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Plan Administrator has analyzed the tax positions taken by the Plan, and has concluded that as of June 30, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan Administrator believes it is no longer subject to income tax examinations for years prior to 2017.

(8) ***INVESTMENTS***

At June 30, 2020 and 2019, the Plan's investments are as follows:

	2020	2019
Cash - interest bearing	$ 3,163,801	$ 441,926
U.S. Treasury notes	-	2,893,098
Scallon Controls, Inc. common stock	27,842,550	25,344,030
	$ 31,006,351	$ 28,679,054

Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820*, Fair *Value Measurements,* provides the framework for measuring fair value. That framework 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy are described below:

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.

(8) ***INVESTMENTS (CONTINUED)***

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's 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 observable inputs and minimize the use of unobservable inputs.

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 June 30, 2020 and 2019.

Cash – interest bearing: Valued at the cost which approximates fair value.

U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Scallon Controls, Inc. common stock: The fair value of the Scallon Controls, Inc. common stock is based upon an annual independent appraisal. This appraisal was based on the income approach utilizing the discounted cash flow control basis method which is consistent with prior years. The analysis was grounded in the guidelines presented in Internal Revenue Ruling 59-60 as modified by Revenue Ruling 65-192, which provides guidance on how to value stock of corporations where market quotations are not available.

The appraiser took into account the nature and history of the business, historical and projected cash flow and net earnings, profitability and market value ratios, earnings distributions, and applicable discounts and premiums.

The valuation process involves the ESOP committee's selection of an independent appraisal which has been contracted since 1994 with the right to cancel such contract at anytime. The Plan Sponsor's management accumulates the data for the appraisal from the Plan Sponsor and the Company's financial statements that are subjected to a financial statement review. The appraiser prepares a report with the Plan Sponsor's management, which the ESOP committee reviews in detail, discusses and approves.

The preceding methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes it valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2020 and 2019:

(8) ***INVESTMENTS (CONTINUED)***

	Assets at Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Cash - interest bearing	$ 3,163,801	$ -	$ -	$ 3,163,801
Scallon Controls, Inc. common stock	-	-	27,842,550	27,842,550
Total assets at fair value	$ 3,163,801	$ -	$ 27,842,550	$ 31,006,351

	Assets at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Cash - interest bearing	$ 441,926	$ -	$ -	$ 441,926
U.S. Treasury notes	2,893,098	-	-	2,893,098
Scallon Controls, Inc. common stock	-	-	25,344,030	25,344,030
Total assets at fair value	$ 3,335,024	$ -	$ 25,344,030	$ 28,679,054

The following table reconciles the beginning and ending balances of fair value measurements using significant unobservable inputs (Level 3) of the Scallon Contols, Inc. common stock for the years ended June 30, 2020 and 2019:

	2020 Fair Value	2019 Fair Value
Balance, July 1	$ 25,344,030	$ 24,068,190
Total gains or losses (realized and unrealized) included in changes in net assets	2,498,520	1,275,840
Purchases	-	-
Issues	-	-
Sales	-	-
Settlements	-	-
Balance, June 30	$ 27,842,550	$ 25,344,030

The amount of total gains or losses for the period attributable to the change in unrealized gains or losses relating to assets still held at the reporting date was $2,498,520 and $1,275,840, respectively.

Gains and losses included in changes in net assets available for benefits for the years ended June 30, 2020 and 2019, are reported net of unrealized appreciation in fair value of investments. The Plan's policy is to recognize transfers into and out of Level 3 as of the date of the event or change in circumstances that caused the transfer. For the years ended June 30, 2020 and 2019, there were no transfers into or out of Level 3.

(9) ***SUBSEQUENT EVENTS***

The Plan Administrator has evaluated subsequent events through March 8, 2021, the date the financial statements were available to be issued.

SCALLON CONTROLS, INC.
EMPLOYEE STOCK OWNERSHIP PLAN

SCHEDULE A
E.I. #74-1918146 – PLAN 003
FORM 5500, SCHEDULE H
SCHEDULE OF ASSETS (HELD AT END OF YEAR)
JUNE 30, 2020

(a)	(b) Identity of Issue	(c) Description of Investment	(d) Cost	(e) Current Value
	Raymond James Bank N.A.	Cash - interest bearing	$ 3,163,801	$ 3,163,801
*	Scallon Controls, Inc.	Common stock	n/a	27,842,550
				$ 31,006,351

* Indicates Party-in-interest to Plan