# 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 01/01/2016 and ending 12/31/2016

**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
CHALLENGER, GRAY & CHRISTMAS, INC. 401(K) PLAN

**1b** Three-digit plan number (PN) ▶ 001

**1c** Effective date of plan 08/01/1987

**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)
CHALLENGER GRAY & CHRISTMAS, INC.

645 SHERIDAN RD
WINNETKA, IL 60093-2323

**2b** Employer Identification Number (EIN) 34-1220539

**2c** Plan Sponsor's telephone number 312-332-5790

**2d** Business code (see instructions) 561490

**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. | 08/09/2017 | ANN CARROLL |
| | **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

| | | |
|---|---|---|
| **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 has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report: | **4b** EIN | |
| **a** Sponsor's name | **4c** PN | |

| | | |
|---|---|---|
| **5** Total number of participants at the beginning of the plan year | **5** | 168 |
| **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)** | 153 |
| **a(2)** Total number of active participants at the end of the plan year | **6a(2)** | 172 |
| **b** Retired or separated participants receiving benefits | **6b** | 0 |
| **c** Other retired or separated participants entitled to future benefits | **6c** | 12 |
| **d** Subtotal. Add lines **6a(2)**, **6b**, and **6c**. | **6d** | 184 |
| **e** Deceased participants whose beneficiaries are receiving or are entitled to receive benefits. | **6e** | 0 |
| **f** Total. Add lines **6d** and **6e**. | **6f** | 184 |
| **g** Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) | **6g** | 59 |
| **h** Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested | **6h** | 0 |
| **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

**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)** [ ] **A** (Insurance Information) ___
- **(4)** [X] **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_____

| SCHEDULE C (Form 5500) | Service Provider Information | OMB No. 1210-0110 |
|---|---|---|
| Department of the Treasury<br>Internal Revenue Service<br>Department of Labor<br>Employee Benefits Security Administration<br>Pension Benefit Guaranty Corporation | This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).<br>▶ **File as an attachment to Form 5500.** | **2016**<br>**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
CHALLENGER, GRAY & CHRISTMAS, INC. 401(K) PLAN

**B** Three-digit plan number (PN) ▶ 001

**C** Plan sponsor's name as shown on line 2a of Form 5500
CHALLENGER GRAY & CHRISTMAS, INC.

**D** Employer Identification Number (EIN)
34-1220539

## 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).. . . . . [X] 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

FIDELITY INVESTMENTS INSTITUTIONAL

04-2647786

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

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**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 60 64 65 | RECORDKEEPER | 375 | Yes [X] No [ ] | Yes [X] No [ ] | 0 | Yes [X] 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 |
|---|---|---|
| FIDELITY INVESTMENTS INSTITUTIONAL | 60 | 0 |

| **(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. |
|---|---|
| AMCENT INFL-ADJBD IV - AMERICAN CE<br><br>44-0619208 | 0.25% |

| **(a)** Enter service provider name as it appears on line 2 | **(b)** Service Codes (see instructions) | **(c)** Enter amount of indirect compensation |
|---|---|---|
| FIDELITY INVESTMENTS INSTITUTIONAL | 60 | 0 |

| **(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. |
|---|---|
| COL/ACORN INTL Z - COLUMBIA MGT IN P.O. BOX 8081<br>BOSTON, MA 02266 | 0.40% |

| **(a)** Enter service provider name as it appears on line 2 | **(b)** Service Codes (see instructions) | **(c)** Enter amount of indirect compensation |
|---|---|---|
| FIDELITY INVESTMENTS INSTITUTIONAL | 60 | 0 |

| **(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. |
|---|---|
| MFS VALUE R3 - MFS SERVICE CENTER<br><br>04-2865649 | 0.50% |

## 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 |
|---|---|---|
| FIDELITY INVESTMENTS INSTITUTIONAL | 60 | 0 |

| **(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. |
|---|---|
| MSIF MID CAP GRTH A - MORGAN STANL<br><br>13-3799749 | 0.40% |

| **(a)** Enter service provider name as it appears on line 2 | **(b)** Service Codes (see instructions) | **(c)** Enter amount of indirect compensation |
|---|---|---|
| FIDELITY INVESTMENTS INSTITUTIONAL | 60 | 0 |

| **(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. |
|---|---|
| PERKINS MID CP VAL T - JANUS SERVI<br><br>43-1804048 | 0.35% |

| **(a)** Enter service provider name as it appears on line 2 | **(b)** Service Codes (see instructions) | **(c)** Enter amount of indirect compensation |
|---|---|---|
| FIDELITY INVESTMENTS INSTITUTIONAL | 60 | 0 |

| **(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. |
|---|---|
| PIMCO TOT RETURN ADM - BOSTON FINA P.O. BOX 8480<br>BOSTON, MA 02266 | 0.25% |

## 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 |
|---|---|---|
| FIDELITY INVESTMENTS INSTITUTIONAL | 60 | 0 |

| **(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. |
|---|---|
| THORNBURG INT VAL R4 - BOSTON FINA<br>P.O. BOX 8480<br>BOSTON, MA 02266 | 0.50% |

| **(a)** Enter service provider name as it appears on line 2 | **(b)** Service Codes (see instructions) | **(c)** Enter amount of indirect compensation |
|---|---|---|
| FIDELITY INVESTMENTS INSTITUTIONAL | 60 | 0 |

| **(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. |
|---|---|
| TRP SM CAP VAL ADV - T. ROWE PRICE<br><br>52-2269240 | 0.40% |

| **(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)

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

**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
CHALLENGER, GRAY & CHRISTMAS, INC. 401(K) PLAN

**B** Three-digit plan number (PN) ▶ 001

**C** Plan sponsor's name as shown on line 2a of Form 5500
CHALLENGER GRAY & CHRISTMAS, INC.

**D** Employer Identification Number (EIN)
34-1220539

## 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) | 363674 | 347230 |
| **(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) | 32732 | 23931 |
| **(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) | 5002199 | 5790257 |
| **(14)** Value of funds held in insurance company general account (unallocated contracts) | 1c(14) | | |
| **(15)** Other | 1c(15) | 0 | 0 |

| | | | (a) Beginning of Year | (b) End of Year |
|---|---|---|---|---|
| **1d** | Employer-related investments: | | | |
| | **(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 | 5398605 | 6161418 |
| | **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 through1j) | 1k | 0 | 0 |
| | **Net Assets** | | | |
| **l** | Net assets (subtract line 1k from line 1f) | 1l | 5398605 | 6161418 |

## 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) | 0 | |
| | **(B)** Participants | 2a(1)(B) | 564423 | |
| | **(C)** Others (including rollovers) | 2a(1)(C) | 0 | |
| | **(2)** Noncash contributions | 2a(2) | 0 | |
| | **(3)** Total contributions. Add lines **2a(1)(A), (B), (C),** and line **2a(2)** | 2a(3) | | 564423 |
| **b** | **Earnings on investments:** | | | |
| | **(1)** Interest: | | | |
| | **(A)** Interest-bearing cash (including money market accounts and certificates of deposit) | 2b(1)(A) | 170 | |
| | **(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) | 1705 | |
| | **(F)** Other | 2b(1)(F) | 0 | |
| | **(G)** Total interest. Add lines **2b(1)(A)** through **(F)** | 2b(1)(G) | | 1875 |
| | **(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) | 221924 | |
| | **(D)** Total dividends. Add lines **2b(2)(A)**, **(B)**, and **(C)** | 2b(2)(D) | | 221924 |
| | **(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) | | 0 |
| | **(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) | | 138660 |
| **c** Other income | 2c | | 0 |
| **d** Total income. Add all **income** amounts in column (b) and enter total | 2d | | 926882 |
| **Expenses** | | | |
| **e** Benefit payment and payments to provide benefits: | | | |
| **(1)** Directly to participants or beneficiaries, including direct rollovers | 2e(1) | 79339 | |
| **(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) | | 79339 |
| **f** Corrective distributions (see instructions) | 2f | | 84355 |
| **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) | 375 | |
| **(5)** Total administrative expenses. Add lines **2i(1)** through **(4)** | 2i(5) | | 375 |
| **j** Total expenses. Add all **expense** amounts in column (b) and enter total | 2j | | 164069 |
| **Net Income and Reconciliation** | | | |
| **k** Net income (loss). Subtract line **2j** from line **2d** | 2k | | 762813 |
| **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)** [X] Disclaimer **(4)** [ ] Adverse

**b** Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? [X] Yes [ ] No

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

**(1)** Name: OSTROW, REISIN, BERK & ABRAMS **(2)** EIN: 36-2938874

**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 | | 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
CHALLENGER, GRAY & CHRISTMAS, INC. 401(K) PLAN

**B** Three-digit plan number (PN) ▶ 001

**C** Plan sponsor's name as shown on line 2a of Form 5500
CHALLENGER GRAY & CHRISTMAS, INC.

**D** Employer Identification Number (EIN)
34-1220539

## 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): 04-6568107

**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 of 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):

## 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 _____/_____/_____.

# CHALLENGER, GRAY & CHRISTMAS, INC. 401(k) PLAN

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2016 AND 2015

# CHALLENGER, GRAY & CHRISTMAS, INC.
# 401(k) PLAN

YEARS ENDED DECEMBER 31, 2016 AND 2015

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## Independent Auditors' Report

Plan Administrator
Challenger, Gray & Christmas, Inc. 401(k) Plan

### Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the Challenger, Gray & Christmas, Inc. 401(k) Plan (the Plan), which comprise the statements of net assets available for plan benefits as of December 31, 2016 and 2015, and the related statement of changes in net assets available for plan 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.



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**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 3, which was certified by Fidelity Management Trust Company (the Trustee), 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 supplemental schedule of assets (held at end of year) is required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 and is presented for the purpose of additional analysis and is 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 supplemental schedule 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 supplemental schedule, 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.

Ostrow Reisin Berk & Abrams, Ltd.

August 1, 2017
Chicago, Illinois

# CHALLENGER, GRAY & CHRISTMAS, INC.
# 401(k) PLAN

## STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS

| December 31, | **2016** | 2015 |
|---|---|---|
| Assets: | | |
| Investments at fair value | **$ 6,137,487** | $ 5,365,873 |
| Notes receivable from participants | **23,931** | 32,732 |
| Total assets | **6,161,418** | 5,398,605 |
| Liability: | | |
| Excess participant contributions payable | **121,615** | 87,923 |
| Net assets available for plan benefits | **$ 6,039,803** | $ 5,310,682 |

*See notes to financial statements.*

# CHALLENGER, GRAY & CHRISTMAS, INC.
# 401(k) PLAN

## STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS

| Year ended December 31, 2016 | |
|---|---|
| Additions to net assets attributed to: | |
| Investment income: | |
| Net appreciation in fair value of investments | $ 138,660 |
| Interest and dividends | 222,093 |
| Total investment income | 360,753 |
| Interest on notes receivable from participants | 1,706 |
| Contributions: | |
| Participant contributions | 442,808 |
| Total additions | 805,267 |
| Deductions from net assets attributed to: | |
| Benefits paid to participants | 75,771 |
| Administrative expenses | 375 |
| Total deductions | 76,146 |
| Net increase | 729,121 |
| Net assets available for plan benefits: | |
| Beginning of year | 5,310,682 |
| End of year | $ 6,039,803 |

*See notes to financial statements.*

# CHALLENGER, GRAY & CHRISTMAS, INC.
# 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

## 1. Description of the Plan

The following brief description of the Challenger, Gray & Christmas, Inc. 401(k) Plan (the Plan) is provided for general information purposes only. Participants should refer to the published summary Plan description for a more complete description of the Plan's provisions. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

**General:**

The Plan is a defined-contribution plan maintained on a calendar year basis and became effective on August 1, 1987. The Plan is intended to be a qualified retirement plan under the Internal Revenue Code (the Code). Any employee of Challenger, Gray & Christmas, Inc. (the Company) who has attained 21 years of age and completed one year of service and at least 1,000 hours is eligible to participate in the Plan. Eligible employees can enter the Plan on the first day of each month following the date eligibility requirements are met.

**Participant contributions:**

Participants can contribute funds to the Plan in any amount of their gross wages up to 60% of their gross wages. Participants make automatic contributions through semi-monthly and monthly payroll deductions. The maximum participant contribution based on statutory limitations was $18,000 in 2016. An additional "catch up" contribution of $6,000 is available for participants age 50 and older, increasing their maximum contribution to $24,000 for 2016.

**Employer contributions:**

Employer matching and profit-sharing contributions are discretionary. No employer contributions have been made during 2016.

**Participant accounts:**

Each participant's account is credited with the participant's contribution and allocation of (a) the employer's contribution and (b) Plan earnings and charged with an allocation of administrative expenses not paid by the Company. Allocations are based on the participant's earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account. Participants self-direct their contributions and their share of the Company's contributions among various investment options.

## 1. Description of the Plan (continued)

**Vesting:**

Participants are vested immediately in their contributions and the earnings thereon. The Company has not made any matching or profit-sharing contributions; however, the Plan has a cliff vesting schedule for these contributions where participants vest 25% annually after one year of enrollment in the Plan and are fully vested after completing four years of enrollment in the Plan.

**Notes receivable from participants:**

Participants may borrow up to the lesser of $50,000 or 50% of their vested account balance. Repayments of principal and interest are made ratably through payroll deductions over the specified loan period. All loans are generally repaid over a period not to exceed five years, unless the loan is for the purchase of a principal residence, in which case the loan repayment period may not extend beyond 10 years. The interest rate charged is a reasonable rate, as determined by the Plan Administrator, based on the prevailing interest rates charged by persons in the business of lending money for loans which would be made under similar circumstances. All outstanding loans as of December 31, 2016 and 2015 bear an interest rate of 6.25%.

**Payment of benefits:**

Benefit payments are generally paid as soon as practicable after employment with the Company has ended due to disability, retirement or termination. The retirement age under the Plan is 65 years old. A participant who satisfies the requirements for Social Security disability benefits is eligible for disability retirement. If a participant's vested account balance is less than or equal to $1,000 upon termination, the vested account balance will be distributed to the participant. Participants who terminate employment with account balances greater than $1,000 may elect to leave their account balances in the Plan. Until such time as the funds are distributed, the participant is entitled to receive a pro-rata share of Plan earnings. The Plan allows for in-service withdrawals if the participant meets the requirements for a hardship withdrawal or upon attaining the age of 59 ½. Benefits may be paid directly to the participant or to an eligible retirement plan as an eligible rollover distribution.

## 2. Summary of significant accounting policies

**Basis of accounting:**

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

**Investment valuation and income recognition:**

The Plan's investments are stated 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. See Note 4 for discussion of fair value measurements. Shares of mutual funds are valued at the net asset value (NAV) of shares held by the Plan at year-end.

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 (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

**Administrative expenses:**

Administrative expenses of the Plan are paid by the Plan participants. Fees incurred by the Plan are included in the net appreciation in fair value of investments, as they are paid through revenue sharing, rather than a direct payment. Plan participants are responsible for paying loan processing fees upon request of a loan.

**Notes receivable (participant loans):**

As described in Note 1, the Plan allows participants to borrow against their vested account balances and the loans are secured by the participant's account balance. Participant loans are valued at their unpaid principal balance plus any accrued but unpaid interest. The Plan is required to review the collectibility of the outstanding loan balances and record an allowance for loans considered to be uncollectible. As of December 31, 2016 and 2015, no allowance for uncollectible loans was necessary.

**Use of estimates:**

The preparation of financial statements in conformity 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions to and deductions from net assets available for plan benefits during the reporting period. Accordingly, actual results could differ from those estimates.

## 2. Summary of significant accounting policies (continued)

**Payment of benefits:**

Benefits are recorded when paid.

**Excess participant contributions payable:**

Amounts payable to participants for contributions in excess of amounts allowed by the Internal Revenue Service (IRS) are recorded as a liability with a corresponding reduction to contributions. The Plan distributes excess contributions within two and a half months after the Plan's year-end.

## 3. Information certified by the Trustee

The following unaudited information relating to investment balances and transactions included in the financial statements and supplemental schedule was summarized from statements and schedules prepared by Fidelity Management Trust Company (the Trustee) and furnished to the Plan Administrator. The Plan Administrator has obtained a certification letter from the Trustee that the following information is complete and accurate.

| December 31, | **2016** | 2015 |
|---|---|---|
| Investments at fair value | **$ 6,137,487** | $ 5,365,873 |
| Other: | | |
| Notes receivable from participants (interest rates at 6.25%) | **23,931** | 32,732 |
| Total assets | **$ 6,161,418** | $ 5,398,605 |

The Trustee also certified to the completeness and accuracy of the dividend and interest income of $222,093, interest on participant loans of $1,706 and net appreciation in fair value of investments of $138,660 for the year ended December 31, 2016.

## 3. Information certified by the Trustee (continued)

The Plan Administrator has elected the method of compliance permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, the Trustee has certified to the completeness and accuracy of investments included in net assets available for plan benefits as of December 31, 2016 and 2015, the schedule of assets (held at end of year) as of December 31, 2016 and related investment activity reflected in the statement of changes in net assets available for plan benefits for the year ended December 31, 2016.

The Plan's independent 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.

## 4. Fair value measurements

There are three levels of inputs used to measure fair value. The definition of each input is described below:

| | |
|---|---|
| Level 1 | Inputs to 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:<br>• quoted prices for similar assets or liabilities in active markets;<br>• quoted prices for identical or similar assets or liabilities in inactive markets;<br>• inputs other than quoted prices that are observable for the asset or liability;<br>• inputs that are derived principally from or corroborated by observable market data by correlation or other means.<br>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'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.

## 4. Fair value measurements (continued)

Following is a description of the valuation methodology used for assets measured at fair value.

Mutual funds: Valued at the NAV of shares held by the Plan at year-end.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan Administrator believes that the Plan's 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 December 31, 2016 and 2015:

| December 31, | **2016** | 2015 |
|---|---|---|
| | Level 1 | |
| Mutual funds | $ **6,137,487** | $ 5,365,873 |

## 5. Party-in-interest transactions

Certain Plan investments are shares of mutual funds managed by Fidelity Investments Institutional Services, Inc., an affiliate of the Trustee. Therefore, these transactions qualify as party-in-interest transactions.

## 6. Tax status

The Plan, a volume submitter defined-contribution plan, obtained its latest determination letter on March 31, 2014, in which the IRS stated that the Plan, as then designed, was in compliance with the applicable requirements of the Code. The Plan has been amended since receiving this determination letter. However, the Plan Administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Code.

## 7. 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 will become 100% vested in all of their account balances.

## 8. 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 statements of net assets available for plan benefits.

## 9. Reconciliation of the financial statements to Form 5500, Schedule H

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

| December 31, | **2016** | 2015 |
|---|---|---|
| Net assets available for plan benefits per the financial statements | **$ 6,039,803** | $ 5,310,682 |
| Excess participant contributions payable | **121,615** | 87,923 |
| Net assets available for plan benefits per Form 5500, Schedule H | **$ 6,161,418** | $ 5,398,605 |

## 9. Reconciliation of the financial statements to Form 5500, Schedule H (continued)

The following is a reconciliation of the increase in net assets available for plan benefits per the financial statements to the increase in net assets available for plan benefits per Form 5500, Schedule H:

| Year ended December 31, 2016 | |
|---|---|
| Increase in net assets available for plan benefits per the financial statements | $ 729,121 |
| Increase in excess participant contributions payable | 33,692 |
| Increase in net assets available for plan benefits per Form 5500, Schedule H | $ 762,813 |

The following is a reconciliation of employee contributions per the financial statements to Form 5500, Schedule H:

| Year ended December 31, 2016 | |
|---|---|
| Participant contributions per the financial statements | $ 442,808 |
| Excess participant contributions payable | 121,615 |
| Participant contributions per Form 5500, Schedule H | $ 564,423 |

## 9. Reconciliation of the financial statements to Form 5500, Schedule H (continued)

The following is a reconciliation of benefits paid to participants and corrective distributions paid to participants per the financial statements to Form 5500, Schedule H:

| Year ended December 31, 2016 | Benefits paid to participants | Corrective distributions | Total |
|---|---|---|---|
| Per the financial statements | $ 75,771 | | $ 75,771 |
| Reconciling items: | | | |
| Excess participant contributions paid | | $ 84,355 | 84,355 |
| Miscellaneous difference | 3,568 | | 3,568 |
| Total reconciling items | 3,568 | 84,355 | 87,923 |
| Per Form 5500, Schedule H | $ 79,339 | $ 84,355 | $ 163,694 |

## 10. Subsequent events

The Plan Administrator has reviewed and evaluated subsequent events from December 31, 2016, the financial statement date, through August 1, 2017, the date the financial statements were available to be issued. No events have occurred in this period that would be required to be recognized and/or disclosed in these financial statements as required by generally accepted accounting principles.

# CHALLENGER, GRAY & CHRISTMAS, INC.
# 401(k) PLAN

## SCHEDULE OF ASSETS (HELD AT END OF YEAR)

## DECEMBER 31, 2016

EIN: 34-1220539
Plan number: 001

Form 5500 - Schedule H, Part IV 4(i) - Schedule of assets (held at end of year).

| (a) | (b) Identity of issuer, borrower, lessor or similar party | (c) Description of investment, including maturity date, rate of interest, collateral, par or maturity value | (d) Cost | (e) Current value |
|---|---|---|---|---|
| | MFS | Value Fund | ** | $ 1,085,160 |
| * | Fidelity | Dividend Growth | ** | 673,708 |
| * | Fidelity | Spartan Total Market Index | ** | 623,496 |
| | PIMCO | Total Return | ** | 610,323 |
| | Thornburg | International Value | ** | 457,204 |
| * | Fidelity | Contrafund | ** | 356,406 |
| * | Fidelity | Retirement Government Money Market II | ** | 347,230 |
| * | Fidelity | Freedom 2020 | ** | 341,904 |
| * | Fidelity | Freedom Income | ** | 268,841 |
| * | Fidelity | Freedom 2035 | ** | 188,014 |
| * | Fidelity | Freedom 2015 | ** | 147,892 |
| * | Fidelity | Freedom 2030 | ** | 145,306 |
| | Morgan Stanley | Institutional Mid Cap Growth | ** | 131,412 |
| * | Fidelity | Low Priced Stock | ** | 130,277 |
| * | Fidelity | Freedom 2040 | ** | 128,456 |
| | Columbia Management | Acorn International | ** | 95,907 |
| * | Fidelity | Freedom 2025 | ** | 84,898 |
| | American Century | Inflation Adjusted Bond | ** | 78,352 |
| | T. Rowe Price | Small Cap Value | ** | 78,134 |
| * | Fidelity | Spartan US Bond Index | ** | 53,504 |
| | Perkins Investment Management | Mid Cap Value | ** | 49,131 |
| * | Fidelity | Freedom 2045 | ** | 30,919 |
| * | Fidelity | Freedom 2010 | ** | 16,010 |
| * | Fidelity | Freedom 2055 | ** | 13,738 |
| * | Fidelity | Freedom 2050 | ** | 808 |
| * | Fidelity | Spartan International Index | ** | 395 |
| * | Fidelity | Freedom 2005 | ** | 62 |
| | Total investments | | | 6,137,487 |
| | Participant loans (notes receivable) | Interest rate - all at 6.25% | | 23,931 |
| | Total | | | $ 6,161,418 |

*Represents a party-in-interest.
**Cost basis is not required to be reported for participant-directed accounts.

ORBA® OSTROW REISIN BERK & ABRAMS LTD.
CERTIFIED PUBLIC ACCOUNTANTS

August 1, 2017

Plan Administrator
Challenger, Gray & Christmas, Inc. 401(k) Plan

We have conducted a DOL limited-scope audit of the financial statements of the Challenger, Gray & Christmas, Inc. 401(k) Plan (the Plan) for the year ended December 31, 2016 and have issued our report thereon dated August 1, 2017. 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 3 to those financial statements. Because of the significance of the information that we did not audit, we are unable to, and have not, expressed an opinion on those financial statements and supplemental schedule taken as a whole. We did, however, audit the form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by the Trustee, in accordance with auditing standards generally accepted in the United States of America and found them to be presented in compliance with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 30, 2017. Professional standards also require that we communicate to you the following information related to our audit:

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Plan are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the Plan during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial and communicate them to the appropriate level of management. There were no such misstatements.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated August 1, 2017.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Plan's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Plan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Other Matters*

This information is intended solely for the use of the Plan Administrator and management of the Challenger, Gray & Christmas, Inc. 401(k) Plan and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Ostrow Reisin Berk & Abrams, Ltd.

# CHALLENGER, GRAY & CHRISTMAS, INC. 401(k) PLAN

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2016 AND 2015

# CHALLENGER, GRAY & CHRISTMAS, INC.
# 401(k) PLAN

YEARS ENDED DECEMBER 31, 2016 AND 2015

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## Independent Auditors' Report

Plan Administrator
Challenger, Gray & Christmas, Inc. 401(k) Plan

### Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the Challenger, Gray & Christmas, Inc. 401(k) Plan (the Plan), which comprise the statements of net assets available for plan benefits as of December 31, 2016 and 2015, and the related statement of changes in net assets available for plan 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.



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**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 3, which was certified by Fidelity Management Trust Company (the Trustee), 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 supplemental schedule of assets (held at end of year) is required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 and is presented for the purpose of additional analysis and is 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 supplemental schedule 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 supplemental schedule, 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.

Ostrow Reisin Berk & Abrams, Ltd.

August 1, 2017
Chicago, Illinois

# CHALLENGER, GRAY & CHRISTMAS, INC.
# 401(k) PLAN

## STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS

| December 31, | **2016** | 2015 |
|---|---|---|
| Assets: | | |
| Investments at fair value | **$ 6,137,487** | $ 5,365,873 |
| Notes receivable from participants | **23,931** | 32,732 |
| Total assets | **6,161,418** | 5,398,605 |
| Liability: | | |
| Excess participant contributions payable | **121,615** | 87,923 |
| Net assets available for plan benefits | **$ 6,039,803** | $ 5,310,682 |

*See notes to financial statements.*

# CHALLENGER, GRAY & CHRISTMAS, INC.
# 401(k) PLAN

## STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS

| Year ended December 31, 2016 | |
|---|---|
| Additions to net assets attributed to: | |
| Investment income: | |
| Net appreciation in fair value of investments | $ 138,660 |
| Interest and dividends | 222,093 |
| Total investment income | 360,753 |
| Interest on notes receivable from participants | 1,706 |
| Contributions: | |
| Participant contributions | 442,808 |
| Total additions | 805,267 |
| Deductions from net assets attributed to: | |
| Benefits paid to participants | 75,771 |
| Administrative expenses | 375 |
| Total deductions | 76,146 |
| Net increase | 729,121 |
| Net assets available for plan benefits: | |
| Beginning of year | 5,310,682 |
| End of year | $ 6,039,803 |

*See notes to financial statements.*

# CHALLENGER, GRAY & CHRISTMAS, INC.
# 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

## 1. Description of the Plan

The following brief description of the Challenger, Gray & Christmas, Inc. 401(k) Plan (the Plan) is provided for general information purposes only. Participants should refer to the published summary Plan description for a more complete description of the Plan's provisions. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

**General:**

The Plan is a defined-contribution plan maintained on a calendar year basis and became effective on August 1, 1987. The Plan is intended to be a qualified retirement plan under the Internal Revenue Code (the Code). Any employee of Challenger, Gray & Christmas, Inc. (the Company) who has attained 21 years of age and completed one year of service and at least 1,000 hours is eligible to participate in the Plan. Eligible employees can enter the Plan on the first day of each month following the date eligibility requirements are met.

**Participant contributions:**

Participants can contribute funds to the Plan in any amount of their gross wages up to 60% of their gross wages. Participants make automatic contributions through semi-monthly and monthly payroll deductions. The maximum participant contribution based on statutory limitations was $18,000 in 2016. An additional "catch up" contribution of $6,000 is available for participants age 50 and older, increasing their maximum contribution to $24,000 for 2016.

**Employer contributions:**

Employer matching and profit-sharing contributions are discretionary. No employer contributions have been made during 2016.

**Participant accounts:**

Each participant's account is credited with the participant's contribution and allocation of (a) the employer's contribution and (b) Plan earnings and charged with an allocation of administrative expenses not paid by the Company. Allocations are based on the participant's earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account. Participants self-direct their contributions and their share of the Company's contributions among various investment options.

## 1. Description of the Plan (continued)

**Vesting:**

Participants are vested immediately in their contributions and the earnings thereon. The Company has not made any matching or profit-sharing contributions; however, the Plan has a cliff vesting schedule for these contributions where participants vest 25% annually after one year of enrollment in the Plan and are fully vested after completing four years of enrollment in the Plan.

**Notes receivable from participants:**

Participants may borrow up to the lesser of $50,000 or 50% of their vested account balance. Repayments of principal and interest are made ratably through payroll deductions over the specified loan period. All loans are generally repaid over a period not to exceed five years, unless the loan is for the purchase of a principal residence, in which case the loan repayment period may not extend beyond 10 years. The interest rate charged is a reasonable rate, as determined by the Plan Administrator, based on the prevailing interest rates charged by persons in the business of lending money for loans which would be made under similar circumstances. All outstanding loans as of December 31, 2016 and 2015 bear an interest rate of 6.25%.

**Payment of benefits:**

Benefit payments are generally paid as soon as practicable after employment with the Company has ended due to disability, retirement or termination. The retirement age under the Plan is 65 years old. A participant who satisfies the requirements for Social Security disability benefits is eligible for disability retirement. If a participant's vested account balance is less than or equal to $1,000 upon termination, the vested account balance will be distributed to the participant. Participants who terminate employment with account balances greater than $1,000 may elect to leave their account balances in the Plan. Until such time as the funds are distributed, the participant is entitled to receive a pro-rata share of Plan earnings. The Plan allows for in-service withdrawals if the participant meets the requirements for a hardship withdrawal or upon attaining the age of 59 ½. Benefits may be paid directly to the participant or to an eligible retirement plan as an eligible rollover distribution.

## 2. Summary of significant accounting policies

**Basis of accounting:**

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

**Investment valuation and income recognition:**

The Plan's investments are stated 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. See Note 4 for discussion of fair value measurements. Shares of mutual funds are valued at the net asset value (NAV) of shares held by the Plan at year-end.

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 (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

**Administrative expenses:**

Administrative expenses of the Plan are paid by the Plan participants. Fees incurred by the Plan are included in the net appreciation in fair value of investments, as they are paid through revenue sharing, rather than a direct payment. Plan participants are responsible for paying loan processing fees upon request of a loan.

**Notes receivable (participant loans):**

As described in Note 1, the Plan allows participants to borrow against their vested account balances and the loans are secured by the participant's account balance. Participant loans are valued at their unpaid principal balance plus any accrued but unpaid interest. The Plan is required to review the collectibility of the outstanding loan balances and record an allowance for loans considered to be uncollectible. As of December 31, 2016 and 2015, no allowance for uncollectible loans was necessary.

**Use of estimates:**

The preparation of financial statements in conformity 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions to and deductions from net assets available for plan benefits during the reporting period. Accordingly, actual results could differ from those estimates.

## 2. Summary of significant accounting policies (continued)

**Payment of benefits:**

Benefits are recorded when paid.

**Excess participant contributions payable:**

Amounts payable to participants for contributions in excess of amounts allowed by the Internal Revenue Service (IRS) are recorded as a liability with a corresponding reduction to contributions. The Plan distributes excess contributions within two and a half months after the Plan's year-end.

## 3. Information certified by the Trustee

The following unaudited information relating to investment balances and transactions included in the financial statements and supplemental schedule was summarized from statements and schedules prepared by Fidelity Management Trust Company (the Trustee) and furnished to the Plan Administrator. The Plan Administrator has obtained a certification letter from the Trustee that the following information is complete and accurate.

| December 31, | **2016** | 2015 |
|---|---|---|
| Investments at fair value | **$ 6,137,487** | $ 5,365,873 |
| Other: | | |
| Notes receivable from participants (interest rates at 6.25%) | **23,931** | 32,732 |
| Total assets | **$ 6,161,418** | $ 5,398,605 |

The Trustee also certified to the completeness and accuracy of the dividend and interest income of $222,093, interest on participant loans of $1,706 and net appreciation in fair value of investments of $138,660 for the year ended December 31, 2016.

## 3. Information certified by the Trustee (continued)

The Plan Administrator has elected the method of compliance permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, the Trustee has certified to the completeness and accuracy of investments included in net assets available for plan benefits as of December 31, 2016 and 2015, the schedule of assets (held at end of year) as of December 31, 2016 and related investment activity reflected in the statement of changes in net assets available for plan benefits for the year ended December 31, 2016.

The Plan's independent 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.

## 4. Fair value measurements

There are three levels of inputs used to measure fair value. The definition of each input is described below:

| | |
|---|---|
| Level 1 | Inputs to 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:<br>• quoted prices for similar assets or liabilities in active markets;<br>• quoted prices for identical or similar assets or liabilities in inactive markets;<br>• inputs other than quoted prices that are observable for the asset or liability;<br>• inputs that are derived principally from or corroborated by observable market data by correlation or other means.<br>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'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.

## 4. Fair value measurements (continued)

Following is a description of the valuation methodology used for assets measured at fair value.

Mutual funds: Valued at the NAV of shares held by the Plan at year-end.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan Administrator believes that the Plan's 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 December 31, 2016 and 2015:

| December 31, | **2016** | 2015 |
|---|---|---|
| | Level 1 | |
| Mutual funds | $ **6,137,487** | $ 5,365,873 |

## 5. Party-in-interest transactions

Certain Plan investments are shares of mutual funds managed by Fidelity Investments Institutional Services, Inc., an affiliate of the Trustee. Therefore, these transactions qualify as party-in-interest transactions.

## 6. Tax status

The Plan, a volume submitter defined-contribution plan, obtained its latest determination letter on March 31, 2014, in which the IRS stated that the Plan, as then designed, was in compliance with the applicable requirements of the Code. The Plan has been amended since receiving this determination letter. However, the Plan Administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Code.

## 7. 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 will become 100% vested in all of their account balances.

## 8. 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 statements of net assets available for plan benefits.

## 9. Reconciliation of the financial statements to Form 5500, Schedule H

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

| December 31, | **2016** | 2015 |
|---|---|---|
| Net assets available for plan benefits per the financial statements | **$ 6,039,803** | $ 5,310,682 |
| Excess participant contributions payable | **121,615** | 87,923 |
| Net assets available for plan benefits per Form 5500, Schedule H | **$ 6,161,418** | $ 5,398,605 |

## 9. Reconciliation of the financial statements to Form 5500, Schedule H (continued)

The following is a reconciliation of the increase in net assets available for plan benefits per the financial statements to the increase in net assets available for plan benefits per Form 5500, Schedule H:

| Year ended December 31, 2016 | |
|---|---|
| Increase in net assets available for plan benefits per the financial statements | $ 729,121 |
| Increase in excess participant contributions payable | 33,692 |
| Increase in net assets available for plan benefits per Form 5500, Schedule H | $ 762,813 |

The following is a reconciliation of employee contributions per the financial statements to Form 5500, Schedule H:

| Year ended December 31, 2016 | |
|---|---|
| Participant contributions per the financial statements | $ 442,808 |
| Excess participant contributions payable | 121,615 |
| Participant contributions per Form 5500, Schedule H | $ 564,423 |

## 9. Reconciliation of the financial statements to Form 5500, Schedule H (continued)

The following is a reconciliation of benefits paid to participants and corrective distributions paid to participants per the financial statements to Form 5500, Schedule H:

| Year ended December 31, 2016 | Benefits paid to participants | Corrective distributions | Total |
|---|---|---|---|
| Per the financial statements | $ 75,771 | | $ 75,771 |
| Reconciling items: | | | |
| Excess participant contributions paid | | $ 84,355 | 84,355 |
| Miscellaneous difference | 3,568 | | 3,568 |
| Total reconciling items | 3,568 | 84,355 | 87,923 |
| Per Form 5500, Schedule H | $ 79,339 | $ 84,355 | $ 163,694 |

## 10. Subsequent events

The Plan Administrator has reviewed and evaluated subsequent events from December 31, 2016, the financial statement date, through August 1, 2017, the date the financial statements were available to be issued. No events have occurred in this period that would be required to be recognized and/or disclosed in these financial statements as required by generally accepted accounting principles.

# CHALLENGER, GRAY & CHRISTMAS, INC.
# 401(k) PLAN

## SCHEDULE OF ASSETS (HELD AT END OF YEAR)

## DECEMBER 31, 2016

EIN: 34-1220539
Plan number: 001

Form 5500 - Schedule H, Part IV 4(i) - Schedule of assets (held at end of year).

| (a) | (b) Identity of issuer, borrower, lessor or similar party | (c) Description of investment, including maturity date, rate of interest, collateral, par or maturity value | (d) Cost | (e) Current value |
|---|---|---|---|---|
| | MFS | Value Fund | ** | $ 1,085,160 |
| * | Fidelity | Dividend Growth | ** | 673,708 |
| * | Fidelity | Spartan Total Market Index | ** | 623,496 |
| | PIMCO | Total Return | ** | 610,323 |
| | Thornburg | International Value | ** | 457,204 |
| * | Fidelity | Contrafund | ** | 356,406 |
| * | Fidelity | Retirement Government Money Market II | ** | 347,230 |
| * | Fidelity | Freedom 2020 | ** | 341,904 |
| * | Fidelity | Freedom Income | ** | 268,841 |
| * | Fidelity | Freedom 2035 | ** | 188,014 |
| * | Fidelity | Freedom 2015 | ** | 147,892 |
| * | Fidelity | Freedom 2030 | ** | 145,306 |
| | Morgan Stanley | Institutional Mid Cap Growth | ** | 131,412 |
| * | Fidelity | Low Priced Stock | ** | 130,277 |
| * | Fidelity | Freedom 2040 | ** | 128,456 |
| | Columbia Management | Acorn International | ** | 95,907 |
| * | Fidelity | Freedom 2025 | ** | 84,898 |
| | American Century | Inflation Adjusted Bond | ** | 78,352 |
| | T. Rowe Price | Small Cap Value | ** | 78,134 |
| * | Fidelity | Spartan US Bond Index | ** | 53,504 |
| | Perkins Investment Management | Mid Cap Value | ** | 49,131 |
| * | Fidelity | Freedom 2045 | ** | 30,919 |
| * | Fidelity | Freedom 2010 | ** | 16,010 |
| * | Fidelity | Freedom 2055 | ** | 13,738 |
| * | Fidelity | Freedom 2050 | ** | 808 |
| * | Fidelity | Spartan International Index | ** | 395 |
| * | Fidelity | Freedom 2005 | ** | 62 |
| | Total investments | | | 6,137,487 |
| | Participant loans (notes receivable) | Interest rate - all at 6.25% | | 23,931 |
| | Total | | | $ 6,161,418 |

*Represents a party-in-interest.
**Cost basis is not required to be reported for participant-directed accounts.

ORBA® OSTROW REISIN BERK & ABRAMS LTD.
CERTIFIED PUBLIC ACCOUNTANTS

August 1, 2017

Plan Administrator
Challenger, Gray & Christmas, Inc. 401(k) Plan

We have conducted a DOL limited-scope audit of the financial statements of the Challenger, Gray & Christmas, Inc. 401(k) Plan (the Plan) for the year ended December 31, 2016 and have issued our report thereon dated August 1, 2017. 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 3 to those financial statements. Because of the significance of the information that we did not audit, we are unable to, and have not, expressed an opinion on those financial statements and supplemental schedule taken as a whole. We did, however, audit the form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by the Trustee, in accordance with auditing standards generally accepted in the United States of America and found them to be presented in compliance with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 30, 2017. Professional standards also require that we communicate to you the following information related to our audit:

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Plan are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the Plan during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial and communicate them to the appropriate level of management. There were no such misstatements.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated August 1, 2017.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Plan's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Plan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Other Matters*

This information is intended solely for the use of the Plan Administrator and management of the Challenger, Gray & Christmas, Inc. 401(k) Plan and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Ostrow Reisin Berk & Abrams, Ltd.