

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

Part II	Basic Plan Information —enter all requested information		
1a Name of plan <u>PRODUCERS SERVICE EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST</u>	1b Three-digit plan number (PN) ▶	<u>002</u>	
	1c Effective date of plan	<u>09/01/1994</u>	
2a Plan sponsor's name (employer, if for a single-employer plan) Mailing address (include room, apt., suite no. and street, or P.O. Box) City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions) <u>PSC HOLDINGS, INC.</u> <u>P.O. BOX 2277</u> <u>ZANESVILLE, OH 43702-2277</u>	2b Employer Identification Number (EIN) <u>26-4059391</u>	2c Plan Sponsor's telephone number <u>740-454-6253</u>	
<u>109 S. GRAHAM ST.</u> <u>ZANESVILLE, OH 43701-3103</u>	2d Business code (see instructions) <u>211110</u>		

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

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

SIGN HERE	<u>Filed with authorized/valid electronic signature.</u>	<u>10/15/2017</u>	<u>TOM PARKS</u>
	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

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3a Plan administrator's name and address ☒ 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: a Sponsor's name	4b EIN 4c PN
5 Total number of participants at the beginning of the plan year	5 139
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) 114
a(2) Total number of active participants at the end of the plan year	6a(2) 102
b Retired or separated participants receiving benefits.....	6b 0
c Other retired or separated participants entitled to future benefits	6c 48
d Subtotal. Add lines 6a(2) , 6b , and 6c	6d 150
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.	6e 0
f Total. Add lines 6d and 6e	6f 150
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)	6g 150
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested	6h 16
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: 2P 2I 2J 2K 2E 2Q 2H 3H	
b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:	
9a Plan funding arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor
10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)	
a Pension Schedules (1) ☒ R (Retirement Plan Information) (2) ☐ MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary (3) ☐ SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary	b General Schedules (1) ☒ H (Financial Information) (2) ☐ I (Financial Information – Small Plan) (3) ☐ <u>0</u> A (Insurance Information) (4) ☐ C (Service Provider Information) (5) ☐ D (DFE/Participating Plan Information) (6) ☐ G (Financial Transaction Schedules)

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

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

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

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

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

Receipt Confirmation Code _____

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
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For calendar plan year 2016 or fiscal plan year beginning <u>01/01/2016</u> and ending <u>12/31/2016</u>		
A Name of plan <u>PRODUCERS SERVICE EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST</u>	B Three-digit plan number (PN) ►	<u>002</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>PSC HOLDINGS, INC.</u>	D Employer Identification Number (EIN) <u>26-4059391</u>	

Part I	Asset and Liability Statement
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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		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions.....	1b(1)	1672	0
(2) Participant contributions	1b(2)		
(3) Other.....	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit).....	1c(1)	44967	37141
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other.....	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common.....	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property).....	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans.....	1c(8)		
(9) Value of interest in common/collective trusts	1c(9)		
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities.....	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)	4253346	3258494
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
(15) Other	1c(15)		

1d Employer-related investments:		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)	44079148	48687643
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	48379133	51983278
Liabilities			
g Benefit claims payable	1g		
h Operating payables	1h		
i Acquisition indebtedness	1i	10955334	11733510
j Other liabilities	1j		
k Total liabilities (add all amounts in lines 1g through 1j)	1k	10955334	11733510
Net Assets			
l Net assets (subtract line 1k from line 1f)	1l	37423799	40249768

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)	2444298	
(B) Participants	2a(1)(B)	221588	
(C) Others (including rollovers)	2a(1)(C)		
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		2665886
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	366	
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)		
(F) Other	2b(1)(F)	145025	
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		145391
(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)	923205	
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	60839	
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		984044
(3) Rents	2b(3)		
(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		0
(5) Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)		
(B) Other	2b(5)(B)	4608496	
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		4608496

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		
c Other income.....	2c		
d Total income. Add all income amounts in column (b) and enter total.....	2d		8403817

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	5194386	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)	25	
(4) Total benefit payments. Add lines 2e(1) through (3).....	2e(4)		5194411
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions)	2g		
h Interest expense	2h		383437
i Administrative expenses: (1) Professional fees.....	2i(1)		
(2) Contract administrator fees.....	2i(2)		
(3) Investment advisory and management fees.....	2i(3)		
(4) Other	2i(4)		
(5) Total administrative expenses. Add lines 2i(1) through (4).....	2i(5)		0
j Total expenses. Add all expense amounts in column (b) and enter total	2j		5577848

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		2825969
l Transfers of assets:			
(1) To this plan.....	2l(1)		
(2) From this plan.....	2l(2)		

Part III Accountant's Opinion

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

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

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

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

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

(1) Name: REA & ASSOCIATES

(2) EIN: 34-1310124

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

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

Part IV Compliance Questions

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

During the plan year:

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

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

	Yes	No	Amount
4a		X	
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		1000000
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			
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.
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For calendar plan year 2016 or fiscal plan year beginning 01/01/2016 and ending 12/31/2016

A Name of plan <u>PRODUCERS SERVICE EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST</u>	B Three-digit plan number (PN) ▶ <u>002</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>PSC HOLDINGS, INC.</u>	D Employer Identification Number (EIN) <u>26-4059391</u>

Part I	Distributions
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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	<u>0</u>
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): <u>47-4169196</u>		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year	3	

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

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Schedule R (Form 5500) 2016
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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
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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: <u>0.0</u> % 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
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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 / / .	

Producers Service Corporation Employee Stock Ownership Plan and Trust

Audited Financial Statements

As of and for the Years Ended
December 31, 2016 and 2015



Rea & associates

www.reacpa.com

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October 13, 2017

The Plan Committee and Participants
Producers Service Corporation Employee Stock Ownership Plan and Trust
Zanesville, Ohio 43701

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We were engaged to audit the accompanying statements of the Producers Service Corporation Employee Stock Ownership Plan (the "Plan") as of December 31, 2016, which comprise the statements of net assets available for benefits for the year then ended, the related statement of changes in net assets available for benefits for the year 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2016, and the changes in net assets available for benefits for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter – Supplemental Schedules

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental Schedule of Assets (Held at End of Year) is presented as of December 31, 2016, for the purpose of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plans's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Matter – Compilation of Prior Year Information

We have compiled the accompanying statement of net assets available for plan benefits for the Plan as of December 31, 2015 and the statements of changes in net assets available for plan benefits for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying statement of net assets available for plan benefits or the statement of changes in net assets available for plan benefits and, accordingly, we do not express an opinion or any other form of assurance on them.

Report on the Financial Statements

The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified or provided by the custodian, 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 United States Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Rea & Associates, Inc.

PRODUCERS SERVICE CORPORATION
EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
AS OF DECEMBER 31, 2016

	Non-ESOP	ESOP		Total	Plan Total
		Allocated	Unallocated		
ASSETS:					
CASH	\$ -	\$ 40,554	\$ -	\$ 40,554	\$ 40,554
INVESTMENTS, at fair value:					
Producers Service Corporation common stock	-	39,470,473	9,217,171	48,687,644	48,687,644
Mutual funds	3,267,880	-	-	-	3,267,880
Total investments at fair value	<u>3,267,880</u>	<u>39,470,473</u>	<u>9,217,171</u>	<u>48,687,644</u>	<u>51,955,524</u>
Total assets	3,267,880	39,511,027	9,217,171	48,728,198	51,996,078
LIABILITIES:					
LOAN PAYABLE	-	-	11,733,510	11,733,510	11,733,510
Total liabilities	<u>-</u>	<u>-</u>	<u>11,733,510</u>	<u>11,733,510</u>	<u>11,733,510</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 3,267,880</u>	<u>\$ 39,511,027</u>	<u>\$ (2,516,339)</u>	<u>\$ 36,994,688</u>	<u>\$ 40,262,568</u>

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

PRODUCERS SERVICE CORPORATION
EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS (UNAUDITED)
AS OF DECEMBER 31, 2015

	Non-ESOP	ESOP		Total	Plan Total
		Allocated	Unallocated		
ASSETS:					
CASH	\$ -	\$ 40,424	\$ -	\$ 40,424	\$ 40,424
INVESTMENTS, at fair value:					
Producers Service Corporation Common stock	-	36,734,388	7,344,760	44,079,148	44,079,148
Mutual funds	4,253,616	-	-	-	4,253,616
Total investments at fair value	4,253,616	36,734,388	7,344,760	44,079,148	48,332,764
RECEIVABLES:					
Employer contributions	1,672	-	-	-	1,672
Total receivables	1,672	-	-	-	1,672
Total assets	4,255,288	36,774,812	7,344,760	44,119,572	48,374,860
LIABILITIES:					
LOAN PAYABLE	-	-	10,955,334	10,955,334	10,955,334
Total liabilities	-	-	10,955,334	10,955,334	10,955,334
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 4,255,288</u>	<u>\$ 36,774,812</u>	<u>\$ (3,610,574)</u>	<u>\$ 33,164,238</u>	<u>\$ 37,419,526</u>

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

PRODUCERS SERVICE CORPORATION
EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Non-ESOP	ESOP		Total	Plan Total
		Allocated	Unallocated		
ADDITIONS TO NET ASSETS ATTRIBUTED TO:					
Investment income:					
Net appreciation in fair value of investments	\$ 138,971	\$ 3,736,050	\$ 872,446	\$ 4,608,496	\$ 4,747,467
Interest and dividends	71,320	923,333	-	923,333	994,653
Total investment income	210,291	4,659,383	872,446	5,531,829	5,742,120
Contributions:					
Employer contributions	164,687	2,284,978	-	2,284,978	2,449,665
Employee contributions	229,103	-	-	-	229,103
Total contributions	393,790	2,284,978	-	2,284,978	2,678,768
Allocation of 166.563512 shares of common stock of Producers Service Corporation - at fair value	-	1,057,845	-	1,057,845	1,057,845
TOTAL ADDITIONS	604,081	8,002,206	872,446	8,874,652	9,478,733
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:					
Benefit payments to participants	1,591,389	3,602,922	-	3,602,922	5,194,311
Interest expense	-	-	383,435	383,435	383,435
Administrative expenses	100	-	-	-	100
Allocation of 166.563512 shares of common stock of Producers Service Corporation - at fair value	-	-	1,057,845	1,057,845	1,057,845
TOTAL DEDUCTIONS	1,591,489	3,602,922	1,441,280	5,044,202	6,635,691
NET (DECREASE) INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	(987,408)	4,399,284	(568,834)	3,830,450	2,843,042
TRANSFER FOR DEBT SERVICE	-	(1,663,069)	1,663,069	-	-
NET ASSETS AVAILABLE FOR BENEFITS - Beginning of Year	4,255,288	36,774,812	(3,610,574)	33,164,238	37,419,526
NET ASSETS AVAILABLE FOR BENEFITS - End of Year	\$ 3,267,880	\$ 39,511,027	\$ (2,516,339)	\$ 36,994,688	\$ 40,262,568

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

PRODUCERS SERVICE CORPORATION
EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2015

	Non-ESOP	ESOP		Total	Plan Total
		Allocated	Unallocated		
ADDITIONS TO NET ASSETS ATTRIBUTED TO:					
Investment income:					
Net appreciation (depreciation) in fair value of investments	\$ (190,863)	\$ (49,580,723)	\$ (9,913,288)	\$ (59,494,011)	\$ (59,684,874)
Interest and dividends	136,790	3	-	3	136,793
Total investment income	(54,073)	(49,580,720)	(9,913,288)	(59,494,008)	(59,548,081)
Contributions:					
Employer contributions	205,149	1,663,071		1,663,071	1,868,220
Employee contributions	278,553			-	278,553
Rollovers	29,387			-	29,387
Total contributions	513,089	1,663,071	-	1,663,071	2,176,160
Allocation of 166.563512 shares of common stock of Producers Service Corporation - at fair value	-	2,485,627	-	2,485,627	2,485,627
TOTAL ADDITIONS	459,016	(45,432,022)	(9,913,288)	(55,345,310)	(54,886,294)
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:					
Benefit payments to participants	1,004,038	-	-	-	1,004,038
Interest expense	-	-	426,709	426,709	426,709
Allocation of 166.563512 shares of common stock of Producers Service Corporation - at fair value	-		2,485,627	2,485,627	2,485,627
TOTAL DEDUCTIONS	1,004,038	-	2,912,336	2,912,336	3,916,374
NET (DECREASE) INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	(545,022)	(45,432,022)	(12,825,624)	(58,257,646)	(58,802,668)
TRANSFER FOR DEBT SERVICE	-	(1,663,071)	1,663,071	-	-
NET ASSETS AVAILABLE FOR BENEFITS - Beginning of Year	4,800,310	83,869,905	7,551,979	91,421,884	96,222,194
NET ASSETS AVAILABLE FOR BENEFITS - End of Year	<u>\$ 4,255,288</u>	<u>\$ 36,774,812</u>	<u>\$ (3,610,574)</u>	<u>\$ 33,164,238</u>	<u>\$ 37,419,526</u>

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

PRODUCERS SERVICE CORPORATION EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: DESCRIPTION OF THE PLAN

The following description of the Producers Service Corporation (the "Company") Employee Stock Ownership Plan and Trust (the "Plan") provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan covering eligible employees of the Company. The Plan includes a tax-exempt employee stock ownership plan (ESOP component) and a tax exempt 401(k) plan (non-ESOP component) under the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA) and sections 401(a) and 401(k) of the Internal Revenue Code of 1986, as amended (IRC).

The amount contributed to the ESOP component is determined by the Board of Directors and those contributions will be invested in Company stock. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

ESOP Contributions

The Plan provides for contributions by the Company. The Company's discretionary contributions are made to the trust fund annually to cover any stock obligations and any other liabilities of the Plan as due. At the discretion of the Company's board of Directors, additional annual contributions may be made in the form of cash or the Company's common stock.

Participant Deferrals

A participant may commence elective deferrals as of the entry date up to the maximum limit for any plan year. Participants will enter the Plan on the first day of the month coincident with or next following upon attainment of entry eligibility.

Participants are not permitted to make elective deferrals into the ESOP portion of the Plan. Annual catch up contributions are permitted for any Plan year up to the Internal Revenue Code ("IRC") limitations. The IRC annual limitation applies to all of a participant's salary reduction contributions and similar contributions under this and other plans.

Matching Contributions

The Company, at its sole discretion, may make matching contributions for a plan year as a match, in whole or in part, to the elective deferrals made by participants for such plan year. Matching contributions may be in the form of Company stock or be invested in stock as determined by the Plan administrator.

Safe Harbor Contributions

The company may make a contribution for each participant in the plan, who is not a highly compensated employee, equal to four (4%) percent of the Compensation of the participant.

PRODUCERS SERVICE CORPORATION EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: DESCRIPTION OF THE PLAN (CONTINUED)

Participant Accounts

Each participant's 401(k) account is credited with: participant contributions; company contributions; the participant's share of Plan earnings (losses) and appreciation (depreciation) from investing contributions; less administrative expenses. As of each valuation date, the ESOP portion of the plan allocates earnings (losses) into the ESOP component of each participant's account so that the total of all participant account balance equals the fair market value of the ESOP trust fund as of each valuation date. The Company's contributions are allocated to eligible participants' accounts based on the ratio of each eligible participant's compensation for the year to the total compensation for all participants.

Shares allocated to participant accounts in the ESOP totaled 5,527 and 5,784 as of December 31, 2016 and 2015, respectively. Allocated and unallocated shares totaled 6,940 for both of the years then ended.

Dividends on the non-leveraged shares are allocated based on each participant's stock account balance to the total of all participant stock account balances. Dividends on the leveraged shares are used to service the Plan's debt.

Eligibility

The Plan is a defined contribution benefit plan covering all full-time employees of the Company who have one year of service (1,000 hours) and are age 18 or older.

Voting Rights

Each participant is entitled to exercise voting rights attributable to the shares allocated to his or her account and is notified by the Trustee prior to the time that such rights are to be exercised. The Trustee is not permitted to vote any allocated share for which instructions have not been given by a participant. Any allocated Company stock with respect to which voting instructions are not given shall be voted in the manner determined by the Plan Administrator. The Plan Administrator shall have the right to direct the Trustee as to the voting of any unallocated shares of stock held in the Plan.

Vesting

Each eligible participant has immediate, fully vested rights in all employee contributions, rollover contributions, and any other such safe harbor contributions.

Vesting of employer contributions for any participant terminated for any cause other than death, disability or retirement generally occurs as follows:

<u>Year</u>	<u>Percent</u>
1	25%
2	50%
3	75%
4	100%

The years of vesting are calculated based on the number of hours of service. A minimum of 1,000 hours of services must be provided to complete a year of vesting service.

PRODUCERS SERVICE CORPORATION EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: DESCRIPTION OF THE PLAN (CONTINUED)

Payment of Benefits

Benefits are recorded when paid as set forth in the Plan document.

Forfeitures

Forfeitures resulting from the termination of participants who are less than fully vested are allocated to those participants who have completed 1,000 hours of service during the Plan year in which the forfeitures occurred in the same manner as the Company contributions are allocated. There were no unallocated forfeitures as of December 31, 2016 and 2015.

Put Option

Under Federal income tax regulations, the employer stock that is held by the Plan and its participants is not readily tradable on an established market, nor is it subject to trading limitations including a put option. The put option is a right to demand that the Company buy any shares of its stock distributed to participants for which there is no market. The put price is representative of the fair market value of the stock. The purpose of the put option is to ensure that the participant has the ability to ultimately obtain cash.

Diversification

Diversification is offered to participants close to retirement so that they may have the opportunity to move part of the value of their investment in Company stock into investments which are more diversified. Participants who are at least age 55 with at least 10 years of participation in the plan may elect to diversify a portion of their account. Diversification is offered to each eligible participant over a six year period. In each of the first five years, a participant may diversify up to 25 percent of the number of shares allocated to his or her account, less any shares previously diversified. In the sixth year, the percentage changes to 50 percent. Participants who elect to diversify may transfer cash to another Company qualified plan, be paid in cash, or, if otherwise eligible, receive a direct rollover out of the Plan.

NOTE 2: SUMMARY OF ACCOUNTING POLICIES

Basis of Presentation

The accounting records of the Plan are maintained on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan Administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates. The Plan relies significantly on the use of estimates in determining the value of Producers Service Corporation's Common Stock, which is the primary investment.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The investment in the common stock of the Company is recorded at its estimated fair value at year-end as determined by an annual independent appraisal as of the Company's year-end. See Note 5 for discussion of fair value measurements.

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

Administrative Expenses

Trustee and administrative expenses are paid by the Plan Sponsor, which also provides other accounting and administrative support services to the Plan without compensation.

Subsequent Events

Subsequent events have been evaluated through October 13, 2017, which is the date the financial statements were available to be issued.

Recent Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-07, Fair Value Measurement (Topic 820): *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. The amendments in this Update remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. However, sufficient information must be provided to permit reconciliation of the fair value of assets categorized within the fair value hierarchy to the amounts presented in the statement of financial position. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The amendments in this Update are effective for the Plan for fiscal years beginning after December 15, 2016. Early adoption is permitted. Upon adoption, the amendments shall be applied retrospectively to all periods presented. This update is not applicable to the Plan.

In July 2015, the FASB issued ASU 2015-12, *Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): (Part I) Fully Benefit-Responsive Investment Contracts, (Part II) Plan Investment Disclosure, (Part III) Measurement Date Practical Expedient*. Part I eliminates the requirements to measure the fair value of benefit-responsive investment contracts and provide certain disclosures. Contract value is the only required measure for fully benefit-responsive investment contracts. Part II eliminates the requirements to disclose individual investments that represent 5 percent or more of the net assets available for benefits and the net appreciation or depreciation in fair value of investments by general type. Part II also simplifies the level of disaggregation of investments that are measured using fair value. Plans will continue to disaggregate investments that are measured using fair value by general type; however, plans are no longer required to also disaggregate investments by nature, characteristics and risks. Further, the disclosure of information about fair value measurements shall be provided by general type of plan asset.

PRODUCERS SERVICE CORPORATION EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (continued)

Part III provides a practical expedient to permit plans to measure investments and investment-related accounts as of a month-end that is closest to the plan's fiscal year-end, when the fiscal period does not coincide with a month-end. The ASU is effective for fiscal years beginning after December 15, 2015. Parts I and II are to be applied retrospectively, with Part III to be applied prospectively. Parts I and III are not applicable to the Plan. Part II was adopted for 2016 and applied retrospectively, as required, to the 2015 plan year.

NOTE 3: INFORMATION PREPARED AND CERTIFIED

The following is a summary of the Plan's asset information as of December 31, 2016 and 2015 and for the years then ended, included throughout the Plan's financial statements and supplemental schedule, that was prepared by or derived from information provided by the custodian and furnished to the Plan Administrator. The Plan Administrator has obtained certifications from the custodian that information provided to the Plan Administrator by the custodians is complete and accurate. Accordingly, as permitted by 29 CFR 2520.103-8 of the DOL's Rules and Regulations of Reporting and Disclosure under ERISA, the Plan Administrator instructed the Plan's independent auditors not to perform any auditing procedures with respect to information which appears throughout the financial statements and supplemental schedule related to the following assets:

	2016	2015
Investments, at fair value:		
Money Market and Mutual Funds	\$ 3,267,880	\$ 4,253,616

NOTE 4: INVESTMENTS

The investment in common stock of the Company is recorded at its estimated fair value at year-end, as determined by an annual independent appraisal as of the Company's year-end. The independent appraised fair value of the Company stock at December 31, 2016 and 2015 was \$7,015 and \$6,351 per share, respectively.

Since Producers Service Corporation, Inc. is a closely held entity, there is no established market price for the shares. The valuation of common shares at December 31, 2016 and 2015 was determined by an independent appraiser using a blending of the guideline transaction method of valuation as well as the discounted cash flow method.

NOTE 5: FAIR VALUE MEASUREMENTS

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

PRODUCERS SERVICE CORPORATION EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5: FAIR VALUE MEASUREMENTS (CONTINUED)

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

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

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

Plan Sponsor Stock: Valued by an annual independent appraisal.

Money Market and Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

The preceding methods 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 believes its 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.

PRODUCERS SERVICE CORPORATION EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5: FAIR VALUE MEASUREMENTS (CONTINUED)

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.

Assets at Fair Value as of December 31, 2016

	Level 1	Level 2	Level 3	Total
Company stock	\$ -	\$ -	\$ 48,687,644	\$ 48,687,644
Money Market and Mutual Funds	3,267,880	-	-	3,267,880
Total assets at fair value	<u>\$ 3,267,880</u>	<u>\$ -</u>	<u>\$ 48,687,644</u>	<u>\$ 51,955,524</u>

Assets at Fair Value as of December 31, 2015

	Level 1	Level 2	Level 3	Total
Company stock	\$ -	\$ -	\$ 44,079,148	\$ 44,079,148
Money Market and Mutual Funds	4,253,616	-	-	4,253,616
Total assets at fair value	<u>\$ 4,253,616</u>	<u>\$ -</u>	<u>\$ 44,079,148</u>	<u>\$ 48,332,764</u>

The table below is a reconciliation of the Plan's Level 3 assets for the years ended December 31:

	Producers Service Corp Company Stock	
	2016	2015
Balance – beginning of the year	\$ 44,079,148	\$ 103,573,159
Unrealized gain (loss)	4,608,496	(59,494,011)
Balance – end of the year	<u>\$ 48,687,644</u>	<u>\$ 44,079,148</u>

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

The fair value of the Sponsor Company common stock held by the Plan is valued at fair value based upon an independent appraisal. This appraisal was based upon a combination of the market and income valuation techniques consistent with prior years. The appraiser took into account historical and projected cash flow and net income, return on assets, return on equity, market comparables, and fair value of Company assets and liabilities. Plan management has concluded that a market participant would also recognize a discount for lack of marketability.

The valuation process involves plan management's selection of an independent appraiser under contract. Plan management accumulates the data for the appraiser from the reviewed financial statements of the Company. The appraiser prepares a preliminary report which plan management, along with the ESOP trustee, reviews in detail, discusses and approves. The results of this process are documented in minutes of the plan fiduciary.

PRODUCERS SERVICE CORPORATION EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6: LOAN PAYABLE

On September 25, 2009, the trustee of the Plan entered into a promissory loan agreement with the Plan Sponsor totaling \$750,000. The proceeds of the Loans were used to purchase common stock from the Company's shareholders. Unallocated shares are collateral for the Loans. The agreement provides for the Loans to be repaid over 10 years. The loan requires annual payments of \$90,181, with interest of 3.5% included.

On October 21, 2011, the trustee of the Plan entered into a promissory loan agreement with the Plan Sponsor totaling \$1,000,000. The proceeds of the Loans were used to purchase common stock from the Company's shareholders. Unallocated shares are collateral for the Loans. The agreement provides for the Loans to be repaid over 10 years. The loan requires annual payments of \$120,852, with interest of 3.5% included.

On December 17, 2012, the trustee of the Plan entered into a promissory loan agreement with the Plan Sponsor totaling \$1,388,691. The proceeds of the Loans were used to purchase common stock from the Company's shareholders. Unallocated shares are collateral for the Loans. The agreement provides for the Loans to be repaid over 10 years. The loan requires annual payments of \$166,978, with interest of 3.5% included.

On December 20, 2013, the trustee of the Plan entered into a promissory loan agreement with the Plan Sponsor totaling \$9,262,727. The proceeds of the Loans were used to purchase common stock from the Company's shareholders. Unallocated shares are collateral for the Loans. The agreement provides for the Loans to be repaid over 10 years. The loan requires annual payments of \$1,113,763, with interest of 3.5% included.

On December 31, 2014, the trustee of the Plan entered into a promissory loan agreement with the Plan Sponsor totaling \$1,424,607. The proceeds of the Loans were used to purchase common stock from the Company's shareholders. Unallocated shares are collateral for the Loans. The agreement provides for the Loans to be repaid over 10 years. The loan requires annual payments of \$171,297, with interest of 3.5% included.

On October 31, 2016, the trustee of the Plan entered into a promissory loan agreement with the Plan Sponsor totaling \$2,057,810. The proceeds of the Loans were used to purchase common stock from the Company's shareholders. Unallocated shares are collateral for the Loans. The agreement provides for the Loans to be repaid over 10 years. The loan requires annual payments of \$248,881, with interest of 3.5% included.

Maturities of long-term debt for each of the next five years are as follows at December 31, 2016:

Year ended	Amount
2017	\$ 1,489,243
2018	1,553,403
2019	1,607,772
2020	1,573,863
2021	1,628,949
Thereafter	3,880,280
	<u>\$ 11,733,510</u>

PRODUCERS SERVICE CORPORATION EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: RELATED PARTY OR PARTY IN INTEREST TRANSACTIONS

Certain Plan investments include shares of the Plan Sponsor. Producers Service Corporation is the Plan Sponsor; therefore, these transactions qualify as party-in-interest.

NOTE 8: PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right to terminate the Plan subject to the provisions of ERISA. In the event of termination, each participant's account automatically becomes 100% vested. The net assets of the trust would be distributed in a form of payment as determined by the Administrative Committee.

The plan sponsor's financial statements contained a going concern issue for the period ending December 31, 2016. This has the potential to impact the value of the Company stock within the plan. This could also effectively result in the termination of this plan if the plan sponsor is no longer in existence.

NOTE 9: TAX STATUS

The Plan obtained its latest determination letter on November 12, 2014, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. Accounting principles generally accepted in the United States of America require management of an organization to evaluate tax positions taken by the organization and recognize a tax liability if the organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Plan management has analyzed the tax positions taken by the Plan and has concluded that as of December 31, 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

NOTE 10: 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 benefits.

NOTE 11: RECONCILIATION TO FORM 5500

The following is a reconciliation of the net assets available for benefits per the financial statements at December 31, 2016, to the Form 5500:

	<u>2016</u>
Net assets available for benefits per the financial statements	\$ 40,262,568
Money Market and Mutual Fund receivables not recorded on Form 5500	<u>(12,800)</u>
Net assets available for benefits per Form 5500	<u>\$ 40,249,768</u>

PRODUCERS SERVICE CORPORATION EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11: RECONCILIATION TO FORM 5500 (CONTINUED)

The following is reconciliation to the net increase per the financial statements for the year ended December 31, 2016, to the Form 5500:

	<u>2016</u>
Net increase per the financial statements	\$ 2,843,042
Income not recorded on Form 5500	(4,192)
Employee & Employer contributions	
not recorded on Form 5500	<u>(12,881)</u>
Net increase per Form 5500	<u>\$ 2,825,969</u>

PRODUCERS SERVICE CORPORATION
EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

FORM 5500, SCHEDULE H, PART IV, LINE 4i,
SCHEDULE OF ASSETS HELD FOR INVESTMENT
PURPOSES AT END OF YEAR
AS OF DECEMBER 31, 2016

EIN: 26-4059391

Plan Number: 2

(a)	(b)	(c)	(d)	(e)
Identity of issue, borrower, lessor, or similar party	Description of investment including maturity date, rate of interest, collateral, par, or maturity value	Cost	Current Value	
* Producers Service Corporation, Inc.	Common stock, 6,941 shares	\$ 55,810,494	\$ 48,687,644	
Raymond James	Money Market	40,554	40,554	
* Federated Capital Preservation	Mutual Fund	**	57,234	
* Fidelity Govt MMkt Premium	Mutual Fund	**	117,965	
* Fidelity Inflation Prot Bond Idx	Mutual Fund	**	18,859	
* General	Mutual Fund	**	99,120	
* Ivy International Core Equity	Mutual Fund	**	61,942	
* Metropolitan West Total Return I	Mutual Fund	**	251,581	
* MFS Growth R4	Mutual Fund	**	62,874	
* MFS International	Mutual Fund	**	110,473	
* Oppenheimer Intl Growth	Mutual Fund	**	272,048	
* Pimco Short Term Instl Fund	Mutual Fund	**	18,959	
* Principal Short Term Income	Mutual Fund	**	37,834	
* T Rowe Price Blue Chip Growth	Mutual Fund	**	60,291	
* T. Rowe Price Capital Appreciation	Mutual Fund	**	90,913	
* T. Rowe Price Value Fund	Mutual Fund	**	45,634	
* Vanguard 500 Index Fund-Admiral	Mutual Fund	**	540,057	
* Vanguard Dividend Growth	Mutual Fund	**	177,349	
* Vanguard Equity Income - Admiral	Mutual Fund	**	195,767	
* Vanguard Growth Index Admiral	Mutual Fund	**	121,881	
* Vanguard High Yield Corporate	Mutual Fund	**	22,461	
* Vanguard Interm Invest Gr Bond	Mutual Fund	**	75,294	
* Vanguard Mid Cap Index-Admiral	Mutual Fund	**	335,988	
* Vanguard Small Cap Index Admiral	Mutual Fund	**	30,771	
* Vanguard ST Investment Grade	Mutual Fund	**	129,170	
* Vanguard Strategis Sm Cap Equity	Mutual Fund	**	79,396	
* Vanguard Target Retirement 2030	Mutual Fund	**	29,940	
* Vanguard Target Retirement 2035	Mutual Fund	**	117,532	
* Vanguard Target Retirement 2040	Mutual Fund	**	66,142	
* Vanguard Target Retirement 2050	Mutual Fund	**	39,546	
* Vanguard Total Bond Mrkt Index	Mutual Fund	**	857	
Subtotal	Total	\$ 55,851,048	\$ 51,996,078	

* Party-in-interest

** Cost information has been excluded in accordance with Form 5500 instructions as investments are participant directed.

Note: This schedule is based on information which has been certified as complete and accurate by Peoples Bank, the custodian of the Plan.

See accompanying independent auditor's report.

Application for Extension of Time To File Certain Employee Plan Returns

► For Privacy Act and Paperwork Reduction Act Notice, see instructions.
► Information about Form 5558 and its instructions is at www.irs.gov/form5558

OMB No. 1545-0212

File With IRS Only

Part I Identification

A Name of filer, plan administrator, or plan sponsor (see instructions) PRODUCERS SERVICE CORPORATION Number, street, and room or suite no. (If a P.O. box, see instructions) P.O. BOX 2277 City or town, state, and ZIP code ZANESVILLE, OH 43702-2277	B Filer's identifying number (see instructions) Employer identification number (EIN) (9 digits XX-XXXXXXX) 31-1005658 Social security number (SSN) (9 digits XXX-XX-XXXX)					
C Plan name PRODUCERS SERVICE CORPORATION EMPLOYEE STOCK OWNERSHIP PLAN	Plan number 0 0 2			Plan year ending – MM 12	DD 31	YYYY 2016

Part II Extension of Time To File Form 5500 Series, and/or Form 8955-SSA

- 1 ☐ Check this box if you are requesting an extension of time on line 2 to file the first Form 5500 series return/report for the plan listed in Part 1, C above.
- 2 I request an extension of time until 10 / 15 / 2017 to file Form 5500 series (see instructions).
Note. A signature IS NOT required if you are requesting an extension to file Form 5500 series.
- 3 I request an extension of time until 10 / 15 / 2017 to file Form 8955-SSA (see instructions).
Note. A signature IS NOT required if you are requesting an extension to file Form 8955-SSA.

The application **is automatically approved** to the date shown on line 2 and/or line 3 (above) if: **(a)** the Form 5558 is filed on or before the normal due date of Form 5500 series, and/or Form 8955-SSA for which this extension is requested, and **(b)** the date on line 2 and/or line 3 (above) is not later than the 15th day of the third month after the normal due date.

Part III Extension of Time To File Form 5330 (see instructions)

- 4 I request an extension of time until ____ / ____ / ____ to file Form 5330.
You may be approved for up to a 6 month extension to file Form 5330, after the normal due date of Form 5330.

a Enter the Code section(s) imposing the tax **a**

b Enter the payment amount attached **b**

c For excise taxes under section 4980 or 4980F of the Code, enter the reversion/amendment date . . . ▶ c

5 State in detail why you need the extension:

[illegible]

Under penalties of perjury, I declare that to the best of my knowledge and belief, the statements made on this form are true, correct, and complete, and that I am authorized to prepare this application.

Signature ►

Date ►

PRODUCERS SERVICE CORPORATION
EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

FORM 5500, SCHEDULE H, PART IV, LINE 4i,
SCHEDULE OF ASSETS HELD FOR INVESTMENT
PURPOSES AT END OF YEAR
AS OF DECEMBER 31, 2016

EIN: 26-4059391

Plan Number: 2

(a)	(b)	(c)	(d)	(e)
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*	Vanguard Small Cap Index Admiral	Mutual Fund	**	30,771
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*	Vanguard Strategis Sm Cap Equity	Mutual Fund	**	79,396
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*	Vanguard Total Bond Mrkt Index	Mutual Fund	**	857
	Subtotal	Total	\$ 55,851,048	\$ 51,996,078

* Party-in-interest

** Cost information has been excluded in accordance with Form 5500 instructions as investments are participant directed.

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See accompanying independent auditor's report.