

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 2017 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2017 or fiscal plan year beginning <u>01/01/2017</u> and ending <u>12/31/2017</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 ☐ an amended return/report ☐ the final 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 ☐ special extension (enter description) ☐ automatic extension ☐ the DFVC program

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> <u>109 S. GRAHAM ST.</u> <u>ZANESVILLE, OH 43701-3103</u>	2b	Employer Identification Number (EIN) <u>26-4059391</u>
		2c	Plan Sponsor's telephone number <u>740-454-6253</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	Filed with authorized/valid electronic signature.	10/09/2018	TOM PARKS
	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

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Form 5500 (2017)
v. 170203

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 or the plan name has changed since the last return/report filed for this plan, enter the plan sponsor's name, EIN, the plan name and the plan number from the last return/report: a Sponsor's name c Plan Name		4b EIN 4d PN	
5 Total number of participants at the beginning of the plan year		5	150
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)	102
a(2) Total number of active participants at the end of the plan year		6a(2)	108
b Retired or separated participants receiving benefits		6b	0
c Other retired or separated participants entitled to future benefits		6c	35
d Subtotal. Add lines 6a(2) , 6b , and 6c		6d	143
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.		6e	0
f Total. Add lines 6d and 6e		6f	143
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)		6g	142
h Number of participants who terminated employment during the plan year with accrued benefits that were less than 100% vested		6h	14
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 2017 Form M-1 annual report. If the plan was not required to file the 2017 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code _____

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110 2017 This Form is Open to Public Inspection
For calendar plan year 2017 or fiscal plan year beginning <u>01/01/2017</u> and ending <u>12/31/2017</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		(a) Beginning of Year	(b) End of Year
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	Total noninterest-bearing cash	1a		
b	Receivables (less allowance for doubtful accounts):			
	(1) Employer contributions	1b(1)	0	14208
	(2) Participant contributions	1b(2)	0	244
	(3) Other.....	1b(3)		
c	General investments:			
	(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	37141	24206
	(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)	3258494	3888016
	(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)	48687643	62638059
(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	51983278	66564733
Liabilities			
g Benefit claims payable	1g		
h Operating payables	1h		
i Acquisition indebtedness	1i	11733510	14939886
j Other liabilities	1j		
k Total liabilities (add all amounts in lines 1g through 1j)	1k	11733510	14939886
Net Assets			
l Net assets (subtract line 1k from line 1f)	1l	40249768	51624847

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)	2234983	
(B) Participants	2a(1)(B)	348914	
(C) Others (including rollovers)	2a(1)(C)	2447	
(2) Noncash contributions	2a(2)		2586344
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	467	
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments.....	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans.....	2b(1)(E)		
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		467
(2) Dividends: (A) Preferred stock		2b(2)(A)	
(B) Common stock	2b(2)(B)		
(C) Registered investment company shares (e.g. mutual funds).....	2b(2)(C)	81608	
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		81608
(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)		
(5) Unrealized appreciation (depreciation) of assets: (A) Real estate.....	2b(5)(A)		
(B) Other	2b(5)(B)	13957026	
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		13957026

		(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)		456181
c Other income.....	2c		
d Total income. Add all income amounts in column (b) and enter total.....	2d		17081626

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers.....	2e(1)	5283812	
(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)		5283837
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions).....	2g		
h Interest expense.....	2h		422710
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		5706547

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		11375079
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?	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?		X	
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.)	X		
4i	X		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.)			
4j		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?			
4k		X	
l Has the plan failed to provide any benefit when due under the plan?			
4l		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)			
4m		X	
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.			
4n			

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

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

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

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

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110 2017 This Form is Open to Public Inspection.
For calendar plan year 2017 or fiscal plan year beginning 01/01/2017 and ending 12/31/2017		
A Name of plan PRODUCERS SERVICE EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST		B Three-digit plan number (PN) ▶ 002
C Plan sponsor's name as shown on line 2a of Form 5500 PSC HOLDINGS, INC.		D Employer Identification Number (EIN) 26-4059391
Part I	Distributions	
All references to distributions relate only to payments of benefits during the plan year.		
1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions		1 0
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): 47-4169196		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year		3
Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part.)	
4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)? Yes No N/A		
If the plan is a defined benefit plan, go to line 8.		
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month Day Year		
If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.		
6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived)		6a
b Enter the amount contributed by the employer to the plan for this plan year		6b
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount)		6c
If you completed line 6c, skip lines 8 and 9.		
7 Will the minimum funding amount reported on line 6c be met by the funding deadline? Yes No N/A		
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change? Yes No N/A		
Part III	Amendments	
9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box. Increase Decrease Both No		
Part IV	ESOPs (see instructions). If this is not a plan described under section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.	
10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan? Yes No		
11 a Does the ESOP hold any preferred stock? Yes No		
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.) Yes No		
12 Does the ESOP hold any stock that is not readily tradable on an established securities market? Yes No		
For Paperwork Reduction Act Notice, see the Instructions for Form 5500.		
Schedule R (Form 5500) 2017 v. 170203		

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: 0.0% 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): _____

Producers Service Corporation Employee Stock Ownership Plan and Trust

Audited Financial Statements

As of and for the Years Ended
December 31, 2017 and 2016



Rea & associates

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CONTENTS

Independent Auditor's Report.....	1-2
Statement of Net Assets Available for Benefits as of December 31, 2017	3
Statement of Net Assets Available for Benefits as of December 31, 2016	4
Statement of Changes in Net Assets Available for Benefits for the Year Ended December 31, 2017	5
Statement of Changes in Net Assets Available for Benefits for the Year Ended December 31, 2016	6
Notes to the Financial Statements	7-15
Schedule H – Schedule of Assets (Held at End of Year)	16

October 4, 2018

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, 2017 and 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 years then ended, 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.

Basis for Qualified 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 or provided by Peoples Bank, the custodian of the Plan, except for comparing this information with the related information included in the financial statements and supplemental schedule. We have been informed by the Plan Administrator that the custodian holds the Plan's assets and executes transactions. The Plan Administrator has obtained certifications from the custodian as of and for the years ended December 31, 2017 and 2016, that the information provided to the Plan Administrator by the custodian is complete and accurate.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, 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, 2017 and 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 State of America.

Other Matter – Supplemental Schedule

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, 2017, 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 Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepared 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, except for the effects on the Schedule of Assets (Held at End of Year) of the matter described in the Basis for Qualified Opinion paragraph, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Rea & Associates, Inc." in a cursive, slightly stylized font.

Rea & Associates, Inc.
Cambridge, Ohio

PRODUCERS SERVICE CORPORATION
EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
AS OF DECEMBER 31, 2017

		ESOP			
	Non-ESOP	Allocated	Unallocated	Total	Plan Total
ASSETS:					
CASH	\$ -	\$ 24,206	\$ -	\$ 24,206	\$ 24,206
INVESTMENTS, at fair value:					
Producers Service Corporation common stock	-	46,534,579	16,103,480	62,638,059	62,638,059
Mutual funds	3,888,016	-	-	-	3,888,016
Total investments at fair value	3,888,016	46,534,579	16,103,480	62,638,059	66,526,075
RECEIVABLES:					
Employer contributions	14,208	-	-	-	14,208
Employee contributions	244				244
Total receivables	14,452	-	-	-	14,452
Total assets	3,902,468	46,558,785	16,103,480	62,662,265	66,564,733
LIABILITIES:					
LOAN PAYABLE	-	-	14,939,886	14,939,886	14,939,886
Total liabilities	-	-	14,939,886	14,939,886	14,939,886
NET ASSETS AVAILABLE FOR BENEFITS	\$ 3,902,468	\$ 46,558,785	\$ 1,163,594	\$ 47,722,379	\$ 51,624,847

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
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 CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Non-ESOP	ESOP		Total	Plan Total
		Allocated	Unallocated		
ADDITIONS TO NET ASSETS ATTRIBUTED TO:					
Investment income:					
Net appreciation in fair value of investments	\$ 456,181	\$ 10,363,934	\$ 3,586,481	\$ 13,950,415	\$ 14,406,596
Interest and dividends	81,782	293	-	293	82,075
Total investment income	537,963	10,364,227	3,586,481	13,950,708	14,488,671
Contributions:					
Employer contributions	270,453	1,964,611	-	1,964,611	2,235,064
Employee contributions	348,984	-	-	-	348,984
Rollovers	2,447	-	-	-	2,447
Total contributions	621,884	1,964,611	-	1,964,611	2,584,048
Allocation of 198.972349 shares of common stock of Producers Service Corporation - at fair value	-	1,395,791	-	1,395,791	1,395,791
TOTAL ADDITIONS	1,159,847	13,724,629	3,586,481	17,311,110	18,468,510
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:					
Benefit payments to participants	525,259	4,764,918	-	4,764,918	5,290,177
Interest expense	-	-	422,710	422,710	422,710
Administrative expenses	-	-	-	-	-
Allocation of 198.972349 shares of common stock of Producers Service Corporation - at fair value	-	-	1,395,791	1,395,791	1,395,791
TOTAL DEDUCTIONS	525,259	4,764,918	1,818,501	6,583,419	7,108,678
NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	634,588	8,959,711	1,767,980	10,727,691	11,362,279
TRANSFER FOR DEBT SERVICE	-	(1,911,953)	1,911,953	-	-
NET ASSETS AVAILABLE FOR BENEFITS - Beginning of Year	3,267,880	39,511,027	(2,516,339)	36,994,688	40,262,568
NET ASSETS AVAILABLE FOR BENEFITS - End of Year	\$ 3,902,468	\$ 46,558,785	\$ 1,163,594	\$ 47,722,379	\$ 51,624,847

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
Rollovers	-			-	-
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
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

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. The company made stock contributions of \$1,964,611 and \$2,284,978 in 2017 and 2016, respectively.

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. The company made cash contributions of \$270,453 and \$164,687 in 2017 and 2016, respectively.

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 5,156 and 5,627 as of December 31, 2017 and 2016, respectively. Allocated and unallocated shares totaled 6,941 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, 2017 and 2016.

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 direct the Plan Administrator to convert the stock into cash and elect a rollover distribution of such cash or elect a distribution of such cash.

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.

Allocations

The financial statements of the Plan present separately the assets and liabilities and changes therein pertaining to (a) the accounts of employees with rights in allocated stock ("allocated") and (b) stock not yet allocated to employees ("unallocated"), including shares that are committed to be released. Shares release from collateral and become allocated generally in the period in which debt service is actually paid.

PRODUCERS SERVICE CORPORATION EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

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 4, 2018, which is the date the financial statements were available to be issued.

NOTE 3: INFORMATION PREPARED AND CERTIFIED

The following is a summary of the Plan's asset information as of December 31, 2017 and 2016 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 Peoples Bank, the Plan's custodian that information provided to the Plan Administrator by the custodian 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:

	2017	2016
Investments, at fair value:		
Money Market and Mutual Funds	\$ 3,888,016	\$ 3,267,880

NOTE 4: INVESTMENTS

The investment in common stock of the Company are as follows at December 31:

	2017		2016	
	Allocated	Unallocated	Allocated	Unallocated
Number of shares	5,156.186034	1,784.319093	5,626.5914982	1,313.923145
Cost	\$ 32,003,529	\$ 14,939,886	\$ 34,176,243	\$ 11,733,510
Estimated fair value	\$ 46,534,579	\$ 16,103,480	\$ 39,470,473	\$ 9,217,171

PRODUCERS SERVICE CORPORATION EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: INVESTMENTS (CONTINUED)

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, 2017 and 2016 was \$9,025 and \$7,015 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, 2017 and 2016 was determined by an independent appraiser using a blending of the guideline transaction method of valuation, the guideline public company method of valuation, and 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:

- 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.

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, 2017 and 2016.

Assets at Fair Value as of December 31, 2017

	Level 1	Level 2	Level 3	Total
Company stock	\$ -	\$ -	\$ 62,638,059	\$ 62,638,059
Money Market and Mutual Funds	3,888,016	-	-	3,888,016
Total assets at fair value	<u>\$ 3,888,016</u>	<u>\$ -</u>	<u>\$ 62,638,059</u>	<u>\$ 66,526,075</u>

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>

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

	Producers Service Corp Company Stock	
	2017	2016
Balance – beginning of the year	\$ 48,687,644	\$ 44,079,148
Unrealized gain	13,950,415	4,608,496
Balance – end of the year	<u>\$ 62,638,059</u>	<u>\$ 48,687,644</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, 2017 and 2016.

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.

Plan Sponsor Stock: 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.

PRODUCERS SERVICE CORPORATION EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5: FAIR VALUE MEASUREMENTS (CONTINUED)

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.

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.

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.

PRODUCERS SERVICE CORPORATION EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6: LOAN PAYABLE (Continued)

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.

On November 22, 2017, the trustee of the Plan entered into a promissory loan agreement with the Plan Sponsor totaling \$4,695,619. 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 30 years. The loan requires annual payments of \$254,787, with interest of 3.5% included.

Maturities of long-term debt for each of the next five years are as follows at December 31, 2017:

Year ended	Amount
2018	\$ 1,653,749
2019	1,701,724
2020	1,671,104
2021	1,729,592
2022	1,669,276
Thereafter	6,514,441
	<u>\$ 14,939,886</u>

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 Board of Directors.

PRODUCERS SERVICE CORPORATION EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: TAX STATUS

The Plan obtained its latest determination letter on March 16, 2018, 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, 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

The plan is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress.

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 or company stock 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.

As of December 31, 2017, the Plan held \$62, 638,059 in Company stock, which was 94% of total investments. Therefore, net assets available for benefits are particularly sensitive to changes related to these investments.

NOTE 11: RECONCILIATION TO FORM 5500

The following is reconciliation to the net increase per the financial statements for the year ended December 31, 2017, to the Form 5500:

	2017
Net increase per the financial statements	\$ 11,362,279
Income recorded per 2016 financial statements recorded on 2017 5500	<u>12,800</u>
Net increase per Form 5500	<u>\$ 11,375,079</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, 2017

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	\$ 62,638,059	
Raymond James	Money Market	24,206	24,206	
Federated Capital Preservation	Mutual Fund	**	57,947	
Fidelity Govt MMkt Premium	Mutual Fund	**	108,309	
Ivy Emerging Markets Equity	Mutual Fund	**	72,162	
General	Mutual Fund	**	75,886	
Ivy International Core Equity	Mutual Fund	**	73,705	
Metropolitan West Total Return I	Mutual Fund	**	291,668	
MFS Growth R4	Mutual Fund	**	88,596	
MFS International	Mutual Fund	**	98,268	
Oppenheimer Intl Growth	Mutual Fund	**	352,615	
Pimco Short Term Instl Fund	Mutual Fund	**	22,175	
Principal Short Term Income	Mutual Fund	**	44,289	
T Rowe Price Blue Chip Growth	Mutual Fund	**	127,469	
Virtus Seix Floating Rate High Income	Mutual Fund	**	13,331	
T. Rowe Price Value Fund	Mutual Fund	**	92,149	
Vanguard 500 Index Fund-Admiral	Mutual Fund	**	650,605	
Vanguard Dividend Growth	Mutual Fund	**	224,601	
Vanguard Equity Income - Admiral	Mutual Fund	**	261,342	
Vanguard Growth Index Admiral	Mutual Fund	**	146,083	
Vanguard High Yield Corporate	Mutual Fund	**	26,274	
Vanguard Interm Invest Gr Bond	Mutual Fund	**	97,695	
Vanguard Mid Cap Index-Admiral	Mutual Fund	**	395,063	
Vanguard Small Cap Index Admiral	Mutual Fund	**	55,939	
Vanguard ST Investment Grade	Mutual Fund	**	154,219	
Vanguard Strategis Sm Cap Equity	Mutual Fund	**	55,999	
Vanguard Target Retirement 2030	Mutual Fund	**	40,902	
Vanguard Target Retirement 2035	Mutual Fund	**	110,337	
Vanguard Target Retirement 2040	Mutual Fund	**	88,539	
Vanguard Target Retirement 2050	Mutual Fund	**	58,699	
Vanguard Target Retirement 2055	Mutual Fund	**	1,270	
Vanguard Total Bond Mrkt Index	Mutual Fund	**	1,880	
Subtotal	Total	<u>\$ 55,834,700</u>	<u>\$ 66,550,281</u>	

* 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.

PRODUCERS SERVICE CORPORATION
EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

FORM 5500, SCHEDULE H, PART IV, LINE 4i,
SCHEDULE OF ASSETS HELD FOR INVESTMENT
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AS OF DECEMBER 31, 2017

EIN: 26-4059391

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