Midwest Holding Group, Inc. and Subsidiaries

Black River Falls, Wisconsin

Consolidated Financial Statements

Years Ended June 24, 2017 and June 25, 2016

WIPFLi LLP

Independent Auditor's Report

Stockholders
Midwest Holding Group, Inc.
Black River Falls, Wisconsin

We have audited the accompanying consolidated financial statements of Midwest Holding Group, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of June 24, 2017, and June 25, 2016, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for the years then ended and the related notes to the consolidated 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Midwest Holding Group, Inc. and Subsidiaries as of June 24, 2017, and June 25, 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Wipfli LLP

Wipfli LLP

October 27, 2017
Eau Claire, Wisconsin

Midwest Holding Group, Inc. and Subsidiaries

Consolidated Balance Sheets

June 24, 2017 and June 25, 2016	2017	2016
Assets		
Current assets:		
Accounts receivable - Net	$ 14,717,856	$ 14,612,880
Prepaid expenses	844,176	837,008
Supplies	1,200,642	1,241,832
Refundable income taxes	17,276	32,276
Derivatives	189,463	598,689
Total current assets	16,969,413	17,322,685
Property and equipment:		
Land	1,161,804	1,161,804
Revenue equipment	198,970,541	192,864,355
Service vehicles and equipment	526,119	511,869
Shop equipment	909,327	909,327
Leasehold improvements	8,414,094	7,361,304
Office equipment	526,352	498,852
Computer hardware	123,088	123,088
Computer software	552,365	552,365
Totals	211,183,690	203,982,964
Less - Accumulated depreciation and amortization	85,036,037	84,641,399
Net value	126,147,653	119,341,565
Construction in progress	0	834,441
Net property and equipment	126,147,653	120,176,006
Other assets:		
Cash surrender value of life insurance	423,795	396,573
Insurance premium receivable	107,740	67,335
Total other assets	531,535	463,908
TOTAL ASSETS	$143,648,601	$137,962,599

Midwest Holding Group, Inc. and Subsidiaries

Consolidated Balance Sheets

June 24, 2017 and June 25, 2016	2017	2016
Liabilities and Stockholders' Equity		
Current liabilities:		
Line of credit	$ 3,225,881	$ 458,516
Current maturities of obligations under capital leases	22,368,133	22,626,774
Note payable	412,292	0
Accounts payable	2,452,591	1,382,630
Accrued compensation benefits	3,857,403	3,658,414
Accrued insurance claims	1,850,219	4,557,663
Accrued expenses	1,015,749	1,084,227
Total current liabilities	35,182,268	33,768,224
Long-term liabilities:		
Obligations under capital leases	67,707,578	65,646,750
Deferred income taxes	24,457,000	23,328,000
Total long-term liabilities	92,164,578	88,974,750
Stockholders' equity:		
Common stock	5,638	5,638
Additional paid-in capital	62,787	62,787
Retained earnings	16,309,657	14,985,457
Accumulated other comprehensive income (loss)	(76,327)	165,743
Total stockholders' equity	16,301,755	15,219,625
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$143,648,601	$137,962,599

See accompanying notes to consolidated financial statements.

Midwest Holding Group, Inc. and Subsidiaries

Consolidated Statements of Income and Comprehensive Income

	2017		2016	
Years Ended June 24, 2017 and June 25, 2016	Amount	%	Amount	%
Operating revenue	$134,216,921	100.0 %	$134,559,559	100.0 %
Operating expenses:				
Salaries, wages, and benefits	57,851,528	43.1	53,838,010	40.0
Fuel and fuel taxes	24,689,981	18.4	24,787,902	18.4
Gain on sale of derivatives	(219,844)	(0.2)	(23,822)	0.0
Vehicle maintenance	8,236,454	6.1	8,871,755	6.6
Operating taxes and licenses	2,007,729	1.5	2,301,244	1.7
Insurance and claims	3,365,703	2.5	3,529,832	2.6
Loss on settlement of lawsuit	0	0.0	2,900,000	2.2
Communications and utilities	1,535,012	1.1	1,591,979	1.2
Depreciation and amortization	22,414,571	16.7	20,695,594	15.4
Gain on disposal of property and equipment	(4,420,966)	(3.3)	(2,793,164)	(2.1)
Commissions	75,608	0.1	0	0.0
Purchased transportation	122,339	0.1	207,314	0.2
Rent expense	1,172,528	0.9	1,117,535	0.8
General expenses	10,716,100	8.0	10,738,203	8.0
Total operating expenses	127,546,743	95.0	127,762,382	95.0
Operating income	6,670,178	5.0	6,797,177	5.0
Other income (expense):				
Interest expense	(4,671,359)	(3.5)	(4,220,134)	(3.1)
Other income	706,049	0.5	650,076	0.5
Total other income (expense)	(3,965,310)	(3.0)	(3,570,058)	(2.6)
Income before provision for income taxes	2,704,868	2.0	3,227,119	2.4
Provision for income taxes	1,380,668	1.0	1,907,147	1.4
Net income	1,324,200	1.0 %	1,319,972	1.0 %
Other comprehensive income (loss), net of tax:				
Net unrealized gain (loss) on derivatives	(110,164)		180,036	
Reclassification adjustment for net derivative gains included in net income	(131,906)		(14,293)	
Total other comprehensive income (loss)	(242,070)		165,743	
Comprehensive income	$ 1,082,130		$ 1,485,715	

See accompanying notes to consolidated financial statements.

Midwest Holding Group, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity

Years Ended June 24, 2017 and June 25, 2016	Common Stock: Authorized - 10,000,000 Shares Issued - 563,752 Shares Par Value - $.01	Common Stock: Authorized - 10,000,000 Shares No Shares Issued Par Value - $.01	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balances at June 27, 2015	$5,638	$0	$62,787	$13,665,485	$ 0	$13,733,910
Net income	0	0	0	1,319,972	0	1,319,972
Other comprehensive income	0	0	0	0	165,743	165,743
Balances at June 25, 2016	5,638	0	62,787	14,985,457	165,743	15,219,625
Net income	0	0	0	1,324,200	0	1,324,200
Other comprehensive loss	0	0	0	0	(242,070)	(242,070)
Balances at June 24, 2017	$5,638	$0	$62,787	$16,309,657	$ (76,327)	$16,301,755

See accompanying notes to consolidated financial statements.

Midwest Holding Group, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended June 24, 2017 and June 25, 2016	2017	2016
Increase (decrease) in cash:		
Cash flows from operating activities:		
Net income	$ 1,324,200	$ 1,319,972
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for depreciation and amortization	22,414,571	20,695,594
Gain on disposal of equipment	(4,420,966)	(2,793,164)
Gain on sale of derivatives	(219,844)	(23,822)
Provision for deferred income taxes	1,290,000	1,811,000
Changes in operating assets and liabilities:		
Accounts receivable - Net	(104,976)	1,611,319
Prepaid expenses	(7,168)	(18,159)
Supplies	41,190	(28,483)
Refundable income taxes	15,000	(32,276)
Accounts payable	1,069,961	(1,392,625)
Accrued expenses	(2,576,933)	2,222,247
Income taxes payable	0	(46,774)
Total adjustments	17,500,835	22,004,857
Net cash provided by operating activities	18,825,035	23,324,829
Cash flows from investing activities:		
Increase in cash surrender value of life insurance	(27,222)	(26,276)
Proceeds from sale of property and equipment	917,250	524,500
Purchase of property and equipment	(651,516)	(2,074,389)
Purchase of derivatives	(1,925,630)	(484,688)
Proceeds from sale of derivatives	2,151,630	185,564
Insurance premium receivable	(40,405)	(40,405)
Net cash provided by (used in) investing activities	424,107	(1,915,694)

Midwest Holding Group, Inc. and Subsidiaries
Consolidated Statements of Cash Flows (Continued)

Years Ended June 24, 2017 and June 25, 2016	2017	2016
Increase (decrease) in cash: (continued)		
Cash flows from financing activities:		
Net increase (decrease) in line of credit	$ 2,740,673	$ (190,645)
Principal payments on capital lease obligations	(22,402,107)	(21,218,490)
Proceeds from issuance of note payable	1,360,000	0
Principal payments on note payable	(947,708)	0
Net cash used in financing activities	(19,249,142)	(21,409,135)
Net change in cash	0	0
Cash at beginning of year	0	0
Cash at end of year	$ 0	$ 0
Supplemental cash flow information:		
Cash paid during the year for:		
Interest	$ 4,671,359	$ 4,220,134
Income taxes	75,668	175,197
Noncash investing and financing activities:		
Capital lease obligations incurred for new equipment	24,230,986	22,141,945
Trade-in allowances applied to equipment purchases	14,317,156	13,580,830
Gross unrealized gain (loss) on derivatives	(403,070)	275,743

See accompanying notes to consolidated financial statements.

Note 1: Summary of Significant Accounting Policies

Principal Business Activity

Midwest Holding Group, Inc. and Subsidiaries (the "Company") is a long-haul, dry-van truckload carrier providing transportation services of general commodities to customers in the continental United States and Canada. Midwest Holding Group, Inc. (a C corporation) is the holding company and owns 100% of the following subsidiaries:

- Millis Transfer, Inc. (a C corporation) provides transportation services.
- Great River Leasing, LLC (a single member limited liability company) leases transportation equipment to Millis Transfer, Inc.
- Rivera Real Estate, LLC (a single member limited liability company) leases real estate to Millis Transfer, Inc.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the parent company, Midwest Holding Group, Inc., and its subsidiaries, Millis Transfer, Inc. (wholly owned C corporation), Great River Leasing, LLC (single member LLC), and Rivera Real Estate, LLC (single member LLC). All significant inter-entity balances and transactions have been eliminated in consolidation.

Fiscal Year-End

The Company's fiscal year ends on the last Saturday in June. Fiscal years ended June 24, 2017, and June 25, 2016, each consisted of 52 weeks.

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying consolidated financial statements in accordance with accounting principles generally accepted in the United States (GAAP) requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenue, and expenses. The Company's significant estimates within the consolidated financial statements include those related to the collectibility of accounts receivable, insurance and claims accruals, and depreciation. Actual results may differ from these estimates.

Revenue Recognition

The Company recognizes revenue and related direct expenses on the date shipment of freight is completed and collectibility is reasonably assured.

Note 1: Summary of Significant Accounting Policies (Continued)

Cash

To manage cash, the Company maintains a line of credit (see Note 2) in an amount sufficient to fund issued checks and for working capital purposes. This cash management system allows the Company to maintain minimal cash balances in non-interest-bearing checking accounts. Outstanding checks in excess of bank balance that have not yet been presented to the bank for payment are included in accounts payable.

Accounts Receivable - Net

Accounts receivable - net are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The valuation allowance account at June 24, 2017, and June 25, 2016, was $50,000. Because of inherent uncertainties in estimating uncollectible amounts, it is at least reasonably possible that estimates and assumptions used will change in the near term.

Tires in Service

The Company capitalizes tires placed in service on new revenue equipment as part of the equipment cost. Replacement tires and costs for recapping tires are expensed when incurred.

Property, Equipment, and Depreciation

Property and equipment are valued at cost and include revenue equipment under leases that have been capitalized. Maintenance and repair costs are charged to expense as incurred. Gains or losses on disposition revenue equipment are included in operations as they are a normal recurring component of operations. Depreciation and amortization of property and equipment are provided for financial reporting purposes based on the cost of the assets (net of estimated salvage value) using principally the straight-line method over the estimated useful lives of the assets or terms of the lease, whichever is required. Salvage values are based upon the expected market values of the equipment after reaching the assigned estimated useful life.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less the costs to sell.

Note 1: Summary of Significant Accounting Policies (Continued)

Property, Equipment, and Depreciation (Continued)

Following is a summary of estimated useful lives:

	Years
Revenue equipment:	
Tractors	5 to 7
Trailers	7 to 10
Service vehicles and equipment	3 to 5
Shop equipment	5 to 7
Leasehold improvements	5 to 25
Office equipment	3 to 10
Terminal facilities	25 to 40
Computer software and hardware	3 to 5

Income Taxes

Deferred income taxes have been provided under the liability method. Deferred tax assets and liabilities are determined based upon the difference between the financial statement and tax bases of assets and liabilities, as measured by the enacted tax rates that will be in effect when these differences are expected to reverse. Deferred tax expense (credit) is the result of changes in the deferred tax asset and liability. The Company believes the future tax deductions will be realized principally through future reversals of existing taxable temporary differences and future taxable income.

The Company performs an evaluation of uncertain tax positions as a component of income tax expense on an annual basis. The Company determined that it did not have any significant risks related to income tax expense, and therefore no amounts were reserved for uncertain tax positions as of June 24, 2017, and June 25, 2016. The Company will accrue and recognize interest and penalties related to uncertain tax positions as a component of income tax expense if it becomes necessary.

Fair Value Measurements

The Company classifies fair value based measurements on a three-level hierarchy that prioritizes the inputs used to measure fair value. The hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows: observable inputs such as quoted prices in active markets (Level 1), inputs other than the quoted prices in active markets that are observable either directly or indirectly (Level 2), and unobservable inputs in which there is little or no market data, which requires the Company to develop its own assumptions (Level 3).

Note 1: Summary of Significant Accounting Policies (Continued)

Derivative Instruments and Hedging Activity

Fuel price risk is the risk that future cash flows will fluctuate because of changes in diesel fuel prices. In order to manage exposure to diesel fuel prices and help mitigate volatility in operating cash flows, the Company will enter into derivative option contracts to reduce exposure to fluctuations in diesel fuel prices. The criteria used to determine whether a transaction qualifies for hedge accounting treatment includes the correlation between fluctuations in the fair value of the hedged item and the fair value of the related derivative instrument and its effectiveness as a hedge.

A derivative instrument that hedges a forecasted transaction or the variability of cash flows related to a recognized asset or liability may be designated as a cash flow hedge. Changes in fair value of derivative instruments that are designated as cash flow hedges are recorded as a component of accumulated other comprehensive income (loss) until the underlying hedged transactions are recognized in earnings. To the extent that an instrument is not effective as a hedge, gains and losses are recognized in other income (expense) in the consolidated statements of income. Realized gains and losses related to fuel hedges are recognized in operating expenses.

Insurance and Claims

The Company self-insures, in part, for losses relating to workers' compensation, auto liability, general liability, and cargo and property damage claims, along with employees' health insurance with varying risk retention levels. The Company maintains insurance coverage for per-incident and total losses in excess of these risk retention levels in amounts it considers adequate based upon historical experience and ongoing review. The Company reserves for the estimated cost of the uninsured portion of pending claims. These reserves are periodically evaluated and adjusted based on an evaluation of the nature and severity of outstanding individual claims and an estimate of future claims development based on historical claims development factors. Because of inherent uncertainties in estimating reserves, it is at least reasonably possible that estimates and assumptions will change in the near term.

Subsequent Events

The Company has evaluated subsequent events through October 27, 2017, which is the date the financial statements were available to be issued.

Note 2: Derivatives

In fiscal year 2016, the Company began entering into derivatives to hedge diesel fuel prices. At June 24, 2017, and June 25, 2016, the Company held diesel fuel option contracts as follows:

	2017	2016
Contracts	27	33
Cost	$ 316,790	$ 322,946
Unrealized gain (loss)	(127,327)	275,743
Fair value	189,463	598,689

The contracts are options on December 2016 through October 2017 future diesel fuel prices. Each contract represents 42,000 gallons of diesel fuel. During fiscal year 2017, the Company sold 36 contracts for $2,151,630, which generated a net realized gain of $219,844. During fiscal year 2016, the Company sold three contracts for $185,864, which generated a net realized gain of $23,822. The unrealized gain (loss) at June 24, 2017, and June 25, 2016, is included in accumulated other comprehensive income, net of tax.

	2017	2016
Gross unrealized gain (loss)	$ (127,327)	$ 275,743
Tax (expense) benefit	51,000	(110,000)
Accumulated other comprehensive income (loss), net of tax	(76,327)	165,743

Note 3: Fair Value Measurements

The Company's financial instruments consist primarily of cash, derivatives, accounts receivable - net, investments in life insurance policies, accounts payable, line of credit, and capital lease obligations. The Company believes the carrying value of cash, accounts receivable - net, and accounts payable approximates their fair value due to their short-term nature. The investments in life insurance policies are recorded at their cash surrender values, which are consistent with settlement values. The Company believes the carrying amount of its line of credit approximates its fair value since the line of credit interest rate is a market-based variable rate. The Company believes the carrying amount of its capital lease obligations approximates their fair value based on current interest rates, which contain an element of default risk.

Note 3: Fair Value Measurements (Continued)

The Company's marketable securities are measured at fair value on a recurring basis as of June 24, 2017, and June 25, 2016, as follows:

		Recurring Fair Value Measurements Using		
June 24, 2017	Assets Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fuel derivatives	$ 189,463	$ 0	$ 189,463	$ 0
June 25, 2016				
Fuel derivatives	$ 598,689	$ 0	$ 598,689	$ 0

The Company determines the fair value of fuel derivative option contracts utilizing an option pricing model based on inputs that are either readily available in public markets, can be derived from information available in publicly quoted markets, or are quoted by its counterparties. In situations where the Company obtains inputs via quotes from its counterparties, it verifies the reasonableness of these quotes via similar quotes from another counterparty as of each date for which financial statements are prepared. The Company believes it has obtained the most accurate information available for the types of derivative contracts it holds.

Note 4: Line of Credit

The Company has an available line of credit with a bank in the amount of $4,200,000, of which $3,225,881 and $458,516 was in use at June 24, 2017, and June 25, 2016, respectively. Borrowings on the line of credit are subject to borrowing base limits. Interest is payable monthly at the bank's prime rate plus 0.50% with a floor of 4.75% (effective rate of 4.75% at June 24, 2017). The line is secured by a general business security agreement that includes all supplies, accounts receivable, and property and equipment, as well as unlimited corporate guarantees from all subsidiaries and unlimited guarantees from a shareholder/officer of the Company and the Millis Family Trust. The line of credit expires December 15, 2017.

The line of credit is supported by an agreement that includes a borrowing base calculation and provides for certain restrictive covenants, including a maximum debt-to-equity ratio.

Note 5: Note Payable

The Company has a $1,360,000 short-term note payable with a bank. The note requires monthly principal and interest payments (at 4.0%) of $138,714 until the final payment due September 15, 2017. The note is secured by a general business security agreement that includes supplies, equipment, and accounts receivable and is cross-collateralized. The balance outstanding at June 24, 2017, was $412,292.

Note 6: Leases

The Company leases certain revenue equipment under long-term lease agreements, payable in monthly installments. The leases are accounted for as capital leases and are reflected on the Company's balance sheet as owned with the related obligation bearing interest at rates ranging from 3.1% to 6.6% per annum, maturing at various dates through 2024.

The following is a schedule of leased revenue equipment under capital leases:

	2017	2016
Tractors	$110,737,702	$105,489,047
Trailers	71,617,249	67,093,994
Totals	182,354,951	172,583,041
Less - Accumulated amortization	64,085,641	61,456,762
Totals	$118,269,310	$111,126,279

Lease amortization is included in depreciation expense.

Future minimum payments, by year and in the aggregate, under the capital lease with initial or remaining terms in excess of one year consisted of the following:

2018	$ 26,405,635
2019	24,601,046
2020	20,744,036
2021	15,970,466
2022	9,519,008
Thereafter	2,856,245
Total minimum lease payments	100,096,436
Amount representing interest	10,020,725
Present value of future minimum lease payments	90,075,711
Less - Current maturities	22,368,133
Long-term obligations under capital lease	$ 67,707,578

Some leases are supported by agreements that require the Company to maintain a minimum tangible net worth.

Note 7: Income Taxes

The provision for income taxes consists of the following:

	2017	2016
Current tax expense:		
Federal	$ 0	$ 4,697
State	90,668	91,450
Total current tax expense	90,668	96,147
Deferred tax expense:		
Federal	1,006,000	1,706,000
State	284,000	105,000
Total deferred tax expense	1,290,000	1,811,000
Total provision for income taxes	$1,380,668	$1,907,147

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. The major temporary differences that give rise to the deferred tax liabilities and assets are as follows:

Accounts receivable valuation allowance
Prepaid expenses
Depreciation
Derivatives
Accrued insurance claims
Accrued vacation
Net operating loss carryforwards (federal and state)
Contribution carryforwards
Alternative minimum tax credits

The total deferred tax liabilities (assets) are as follows:

	2017	2016
Deferred tax liabilities	$ 44,785,000	$ 41,818,000
Deferred tax assets	(20,328,000)	(18,490,000)
Net deferred tax liability	$ 24,457,000	$ 23,328,000

Note 7: Income Taxes (Continued)

At June 24, 2017, the Company had a federal net operating loss carryforward of approximately $34,110,000, which expires 2031 through 2034. The Company also had various state net operating loss carryforwards, which amounted to approximately $56,000,000. In addition, the Company had federal alternative minimum tax credits of approximately $922,000 at June 24, 2017.

The provision for income taxes varies from the amount of income tax determined by applying the applicable federal statutory income tax rate to pretax income as a result of the following differences: nondeductible drivers' expenses, other nondeductible items, and state income taxes - less federal benefit.

Note 8: Retirement Plan

The Company maintains a 401(k) plan ("Plan") for all eligible employees. Participants may elect to defer up to 100% of their annual compensation subject to contribution limits. The Company may make discretionary contributions to the Plan. Employer contributions to the Plan were $801,215 and $774,532 in fiscal years 2017 and 2016, respectively.

Note 9: Officer Life Insurance

The Company is the beneficiary of life insurance policies on a key stockholder and on the president. The face value of these policies totals $1,150,000.

Note 10: Insurance

The Company insures certain risks through insurance policies but retains risk as a result of its deductibles related to such insurance policies. The Company's deductible for employee health medical costs is $165,000 per individual per fiscal year, with costs exceeding the deductible being covered by stop-loss insurance. The Company's trucker auto policy has a per-incident deductible of $100,000. Trucker auto policy claims exceeding the deductibles are covered by stop-loss insurance up to a combined single limit of $2,000,000. In addition, the Company has a paid loss retro plan for worker compensation for which the deductible is $500,000 per employee per accident, with claims exceeding the deductible being covered by stop-loss insurance.

The Company's workers' compensation insurance carrier requires an irrevocable standby letter of credit. The maximum commitment amount was $1,100,000 at June 24, 2017.

Note 10: Insurance (Continued)

The Company accrues for the estimated amounts of uninsured claims and deductibles related to such insurance retentions for claims that have occurred in the normal course of business. These accruals are established by management based upon the recommendations of third-party administrators who perform a specific review of open claims, which include fully developed estimates of both reported claims and incurred but not reported claims, as of the consolidated balance sheet date. As of June 24, 2017, and June 25, 2016, the Company has accrued approximately $1,850,000 and $4,558,000 (2016 includes $3.3 million accrual for loss on settlement of lawsuit - See Note 11), respectively. While management believes that the accrued amounts included in the accompanying consolidated financial statements are adequate, the final settlement of claims may differ significantly from the estimated accrued amounts. Changes in the estimates of these accruals are charged or credited to earnings in the period determined.

Note 11: Commitments and Contingencies

In the ordinary course of conducting business, the Company occasionally becomes involved in legal proceedings relating to insurance claims, contracts, environmental issues, or other matters. While any proceeding or litigation has an element of uncertainty, management of the Company believes that the outcome of any pending or threatened actions will not have a material adverse effect on the business or financial condition of the Company.

In fiscal year 2017, the Company settled a lawsuit relating to an accident that occurred in 2010. The lawsuit was settled for $5 million of which the Company's insurance carrier covered $1.7 million with the Company responsible for the remaining $3.3 million. The Company had recorded a reserve of $400,000 in a previous year relating to this claim and recorded an additional $2.9 million in fiscal year 2016 to fully accrue for the $3.3 million settlement obligation as of June 25, 2016.

Note 12: Major Customers

The Company has the following major customers, which provided 10% or more of operating revenue:

	2017			2016		
	Accounts Receivable	Revenue	Percent of Total Revenue	Accounts Receivable	Revenue	Percent of Total Revenue
Customer A	$5,152,004	$ 44,033,351	32.8 %	$4,824,482	$ 44,181,662	32.9 %
Customer B	816,532	14,146,256	10.5	1,467,816	15,001,833	11.2
Total	$5,968,536	$ 58,179,607	43.3 %	$6,292,298	$ 59,183,495	44.1 %

Note 13: Related Parties

The Company has real estate operating lease agreements with Millis Real Estate Leasing, LLC (a related party through common ownership), under which the Company leases a location in North Carolina and Texas and three locations in Wisconsin. Rent expense under these agreements for the fiscal years ended 2017 and 2016 was $510,000 and $700,000, respectively.

Note 14: Advertising Costs

The Company expenses advertising costs as incurred. Total advertising costs charged to expense were $497,786 for 2017 and $419,035 for 2016.

Note 15: Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable.

The Company performs ongoing credit evaluations of its customers and does not require collateral for its accounts receivable. The Company maintains a valuation allowance, which management believes is adequate to provide for potential credit losses. Concentrations of credit risk with respect to accounts receivable are generally limited due to the Company's large number of customers and the diverse range of industries that they represent.

Note 16: Texas Workforce Commission, Career Schools, and Colleges

The Company has a driving/training school in the state of Texas. The information below summarizes revenues and related balance sheet accounts for the year ended June 24, 2017. No unearned tuition was included in current liabilities.

Total revenue derived for schooling	$66,240
Total unearned revenues	0
Total refunds receivable	0