Consolidated Financial Statements and
Report of Independent Certified Public Accountants

CATIC FINANCIAL, INC. AND SUBSIDIARIES

December 31, 2016 and 2015

CATIC FINANCIAL, INC. AND SUBSIDIARIES

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
CATIC Financial, Inc.

We have audited the accompanying consolidated financial statements of CATIC Financial, Inc. (a Connecticut corporation) and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income and changes in 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 consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 CATIC Financial, Inc. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Hartford, Connecticut
April 6, 2017

CATIC FINANCIAL, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
As of December 31, 2016 and 2015

	2016	2015
ASSETS		
Investments		
Debt securities		
Held-to-maturity, at amortized cost	$ 12,771,810	$ 15,826,918
Available-for-sale, at fair value	32,009,245	29,526,071
Equity securities, at fair value	10,025,774	8,975,944
Total investments	54,806,829	54,328,933
Cash and cash equivalents	7,778,449	7,727,374
Accounts, notes and other receivables, net	1,157,844	762,873
Accrued investment income	390,469	382,697
Prepaid expenses	270,443	259,040
Federal income taxes recoverable	45,629	27,636
Deferred income tax assets	2,594,797	2,050,000
Premises, equipment and software, net	3,188,737	3,564,583
Title plant	340,680	306,463
Other assets	518,339	209,123
Total assets	$ 71,092,216	$ 69,618,722
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Policy claims and loss adjustment expense reserves	$ 23,251,194	$ 25,747,000
Accounts payable and accrued expenses	3,760,964	3,052,647
Deferred revenue	247,625	185,552
Notes payable	4,167,578	4,262,921
Total liabilities	31,427,361	33,248,120
STOCKHOLDERS' EQUITY		
Common stock	96,050	132,950
Additional paid-in capital	2,750,000	2,750,000
Retained earnings	37,148,129	33,828,208
Accumulated other comprehensive loss	(329,324)	(340,556)
Total stockholders' equity	39,664,855	36,370,602
Total liabilities and stockholders' equity	$ 71,092,216	$ 69,618,722

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

CATIC FINANCIAL, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income and Changes in Stockholders' Equity
For the years ended December 31, 2016 and 2015

	2016	2015
REVENUES		
Title insurance premiums	$ 85,383,258	$ 67,959,321
Title and other service fees	6,621,427	5,274,408
Net investment income	1,282,817	1,270,492
Net realized gains on investments	531,729	59,126
Other revenue	599,337	518,747
Total revenues	94,418,568	75,082,094
EXPENSES		
Title insurance commissions	56,541,965	44,499,664
Compensation and benefits	18,413,887	14,944,233
Provision for policy claims and loss adjustment expenses	2,244,972	2,772,274
Other general and administrative expenses	11,578,251	9,024,988
Premium taxes	1,830,747	1,471,251
Depreciation and amortization	857,509	853,154
Interest	166,634	191,136
Total expenses	91,633,965	73,756,700
Income before income tax expense	2,784,603	1,325,394
Income tax benefit	(535,318)	(276,905)
Net income	3,319,921	1,602,299
Other comprehensive income (loss)		
Unrealized gains (losses) on investments		
Gross unrealized gains (losses) on investments	528,344	(421,216)
Less: reclassification of net realized gains on investments	(531,729)	(59,126)
	(3,385)	(480,342)
Deferred income tax benefit	(1,149)	(163,315)
	(2,236)	(317,027)
Change in defined benefit plan liability		
Pension income (expense)	20,406	(204,342)
Deferred income tax expense (benefit)	6,938	(69,476)
	13,468	(134,866)
Net other comprehensive income (loss)	11,232	(451,893)
Comprehensive income	3,331,153	1,150,406
Net repurchases of common stock	(36,900)	(9,800)
Increase in stockholders' equity	3,294,253	1,140,606
Stockholders' equity, beginning of year	36,370,602	35,229,996
Stockholders' equity, end of year	$ 39,664,855	$ 36,370,602

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

CATIC FINANCIAL, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Premiums and other title insurance service fees received	$ 91,671,787	$ 73,095,142
Interest and dividends received	1,488,844	1,388,149
Other operating receipts	599,337	518,747
Commissions and other expenses paid	(87,956,746)	(69,894,846)
Policy claims and loss adjustment expenses paid	(4,740,778)	(4,688,964)
Interest expense paid	(166,634)	(191,136)
Income taxes paid	(33,261)	(6,964)
Net cash provided by operating activities	862,549	220,128
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of debt securities	10,354,651	10,148,761
Proceeds from sales of equity securities	5,764,526	8,794
Purchases of premises, equipment and software	(481,663)	(478,367)
Additions to title plant	(34,217)	-
Purchases of equity securities	(6,101,708)	(126,499)
Purchases of debt securities	(10,180,820)	(10,018,180)
Net cash used in investing activities	(679,231)	(465,491)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repurchases of common stock	(36,900)	(9,800)
Payments on notes payable	(95,343)	(89,700)
Net cash used in financing activities	(132,243)	(99,500)
Net increase (decrease) in cash and cash equivalents	51,075	(344,863)
Cash and cash equivalents, beginning of year	7,727,374	8,072,237
Cash and cash equivalents, end of year	$ 7,778,449	$ 7,727,374

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

1. NATURE OF BUSINESS

CATIC Financial, Inc. and Subsidiaries' (the "Company") principal business is providing title insurance on residential and commercial properties in New England, with nine offices in all six New England states operating exclusively through a network of independent title agents. In 2016, the Company opened an office in Hartford, Connecticut focusing on commercial real estate transactions. In January 2017, the Company obtained approval to again provide title insurance on residential and commercial properties in New Jersey, New York and Pennsylvania through its wholly-owned subsidiary, New Jersey Title Insurance Company ("NJTIC") (Note 15), and in February, 2017 the Company applied for licensure in Florida.

Principles of Consolidation

The consolidated financial statements include the accounts of CATIC Financial, Inc. ("Financial") and its four wholly-owned operating subsidiaries: Connecticut Attorneys Title Insurance Company ("CATIC"), which provides title insurance and related services; NJTIC, which provided title insurance and related services prior to July 27, 2011 (see Note 15); Eastern Attorneys Services, Inc. ("EASI"), which provides title insurance services; and CentricPro Management Services, Inc. ("CentricPro"), which provides services to the legal profession and is a licensed property-casualty insurance agency.

The consolidated financial statements also include the accounts of CATIC Insurance (VT) Ltd. ("CIVL"), a wholly-owned subsidiary of CATIC formed as a Vermont captive insurance company for the purpose of providing it with agent defalcation coverage and accessing the reinsurance market for such coverage (see Note 15); CATIC Acquired Properties, LLC, a wholly-owned subsidiary of CATIC formed to hold and dispose of properties acquired in connection with claim settlements; CATIC Exchange, LLC, a wholly-owned subsidiary of CATIC formed to provide IRS code-1031 like-kind exchange transactions; and CATIC Exchange Facilitator, Inc., a wholly-owned subsidiary of CATIC Exchange, LLC, formed to facilitate tax deferred reverse property exchanges.

All intercompany accounts and transactions have been eliminated in consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Significant estimates are made by management with regard to the fair value of investments, valuation of accounts, notes and other receivables, deferred income taxes, and the reserve for policy claims and loss adjustment expenses. Actual results may differ from those estimates, and those differences may be material.

Cash and Cash Equivalents

The Company deposits substantial funds in financial institutions, maintaining its cash and cash equivalents in bank deposit or brokerage accounts which are periodically reviewed by senior management for financial stability. These funds include amounts owned by third parties, such as escrow deposits. Generally, the Company's cash and cash equivalents in depository accounts exceed FDIC depository insurance limits. Should one or more of the financial institutions at which the Company maintains deposits fail, there is no guarantee that the Company would recover the funds it has deposited, whether through FDIC coverage or otherwise. In the event of such failure, the Company could also be held liable for the funds owned by third parties even though such amounts are not considered assets of the Company (Note 12). Such events could be disruptive to the Company's business and could adversely affect the Company's liquidity, results of operations and financial condition. The Company has never experienced any losses in such cash and cash equivalents accounts.

Accounts Receivable and Revenue Recognition

Accounts receivable are recorded at their estimated realizable value, net of an allowance for uncollectible amounts. The allowance is based on historical bad debt experience and the specific identification of accounts deemed uncollectible. The Company determines an account receivable's delinquency status based on its contractual terms. Interest is not charged on outstanding balances. The Company extends credit to agents without requiring collateral. Receivables are written off after all efforts to collect them have been exhausted. The allowance for uncollectible accounts totaled $500,000 and $375,000 at December 31, 2016 and 2015, respectively.

The Company recognizes title insurance premiums when notice of issuance is received from the agent, which is generally when cash payment is received by the Company. As a result, there is generally a delay between the agent's issuance of a title policy and the Company's recognition of title insurance premiums.

Deferred revenue represents advance payments for services which are recognized as fee revenue in the period in which the related service is performed. Accordingly, service fees received are deferred until actual services are performed.

Investments

Debt securities are classified at the date of purchase as either held-to-maturity and carried at cost, net of amortization, or as available-for-sale and carried at fair value. Equity securities are classified as available-for-sale and carried at fair value.

Unrealized gains and losses are included in accumulated other comprehensive income (loss), a component of stockholders' equity, net of income taxes. Realized gains or losses on the sale of investments are determined based on specific identification at the time of sale. Amortization of bond premiums or discounts is recognized using the effective interest rate method.

Title Plant

A title plant is an integrated and indexed collection of title records consisting of documents, maps, surveys, or entries affecting title to real property or any interest in or encumbrance on the property which have been filed or recorded in the jurisdiction for which the title plant is established or maintained. They are the principal productive asset used to generate title insurance revenue and to mitigate the risk of claims. Title plants are carried at original cost. The costs of maintaining (updating) title plants are charged to expense as incurred. A properly maintained title plant has an indefinite life and does not diminish in value with the passage of time. Accordingly, there is no provision for depreciation or amortization of the title plant. The Company annually analyzes its title plant for impairment. The Company's impairment analysis includes, but is not limited to, the effects of obsolescence, duplication, demand and other economic factors. No impairment loss was recognized on the title plant utilized during 2016 and 2015.

Premises, Equipment and Software

Premises, equipment and software are carried at cost, less accumulated depreciation and amortization. Furniture and equipment purchases of $1,000 or greater and significant real estate improvements are added to the premises and equipment accounts, while replacements, maintenance and repairs that do not improve or extend the life of the respective assets are expensed as incurred.

The Company capitalizes costs of developing internal-use software. Such costs include the cost of externally acquired goods and services and payroll and payroll-related costs of employees who are directly associated with the development of the internal-use software. The Company capitalized costs of developing internal-use software totaling $98,010 and $231,651 in 2016 and 2015, respectively.

The Company provides for depreciation and amortization of premises, equipment and software using the straight-line method by charging against earnings amounts sufficient to amortize the costs of these assets over their estimated useful lives as follows:

Building and improvements	10-30 years
Furniture and equipment	3-5 years
Internal-use software	3-5 years

Policy Claims and Loss Adjustment Expenses

The Company provides for title insurance losses based upon its historical experience by a charge to expense when the related premium revenue is recognized. The reserve for known and incurred but not reported (“IBNR”) claims reflects management’s best estimate of the total costs required to settle all claims reported to the Company and IBNR claims. The process of assessing the IBNR reserve involves evaluation of the results of an independent actuarial valuation. Current economic and business trends are also reviewed and used in the reserve analysis. These include real estate and mortgage market conditions, changes in residential and commercial real estate values, and changes in the levels of defaults and foreclosures that may affect claims levels and patterns of emergence, as well as Company-specific factors that may be relevant to past and future claims experience. Results from the valuation include, but are not limited to, a range of IBNR reserve estimates and a central point estimate for the IBNR as of the consolidated balance sheet date. The third-party actuary’s valuation uses generally accepted actuarial methods and is used to validate the accuracy of the total of the known claims reserves. The Company uses the central point estimate of the projected IBNR from the third-party actuary’s valuation, considering it to be the best estimate of the total amount required for the IBNR reserve. It is likely that a change in the estimate will occur in future years and such change may be material.

Escrow Funds

In the normal course of business, the Company receives and holds escrow funds for certain transactions or disputes with title. The Company holds these funds as an agent and does not consider them to be assets or liabilities of the Company, therefore, the amounts are not included in the consolidated balance sheets.

Leases

Rentals that convey merely the right to use property are charged to expense as incurred.

Advertising

The Company expenses production costs of advertising the first time the advertising takes place. Advertising expense for the years ended December 31, 2016 and 2015 was $1,135,780 and $708,864, respectively.

Income and Premium Taxes

Income tax expense includes federal and state income taxes currently payable and deferred income taxes. The Company provides for deferred taxes on temporary differences arising from assets and liabilities whose bases are different for financial reporting and income tax purposes. These differences relate primarily to different depreciation and loss reserve methods used for financial reporting and income tax purposes, unrealized gains (losses) on investments and the recognition of net operating loss carry-forwards. A valuation allowance is provided to the extent the Company cannot determine that the ultimate realization of net deferred tax assets is more likely than not.

The Company recognizes uncertain tax positions when it is more likely than not the position will be sustained upon examination by the tax authorities. As of December 31, 2016 and 2015, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. In the normal course of business, the Company's tax filings are subject to audit by federal and state tax authorities.

In lieu of state income taxes, CATIC and NJTIC pay state premium taxes based on premiums written. The other subsidiaries continue to be taxed on their respective state income.

Fair Value Measurements

Fair value is defined as 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. Authoritative accounting guidance establishes a hierarchy of valuation techniques used to determine the fair value of assets and liabilities based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (also referred to as observable inputs). Authoritative accounting guidance requires that the valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. The following summarizes the fair value hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 - Inputs, other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are not active;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs that are unobservable for the asset or liability.

The level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement.

As of December 31, 2016 and 2015, the Company has determined that its assets and liabilities required to be measured and disclosed at fair value consist solely of debt and equity securities classified as available-for-sale and financial assets underlying the defined benefit plan.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation. Such reclassifications had no impact on the previously reported net income or comprehensive income.

3. INVESTMENTS

Details on carrying value and alternate value of the Company's debt and equity securities at December 31, 2016 and 2015 follow. Carrying value is amortized cost for held-to-maturity debt securities and fair value for available-for-sale debt and equity securities. Alternate values are fair value for held-to-maturity debt securities and cost for available-for-sale debt and equity securities.

	2016		2015	
	Carrying Value	Alternate Value	Carrying Value	Alternate Value
Held-to-maturity debt securities				
Tax-exempt securities	$ 5,060,567	$ 5,213,519	$ 6,781,315	$ 7,072,143
Government bonds	2,825,092	2,868,354	4,054,409	4,152,302
Corporate bonds	4,886,151	4,909,810	4,991,194	5,009,634
	$ 12,771,810	$ 12,991,683	$ 15,826,918	$ 16,234,079
Available-for-sale debt securities				
Tax-exempt securities	$ 4,244,173	$ 4,257,994	$ 2,580,120	$ 2,508,628
Government bonds	14,208,246	14,315,798	13,138,886	13,089,818
Corporate bonds	13,556,826	13,333,965	13,807,065	13,604,466
	$ 32,009,245	$ 31,907,757	$ 29,526,071	$ 29,202,912
Equity securities	$ 10,025,774	$ 9,839,891	$ 8,975,944	$ 9,008,347

The following table sets forth the unrealized gain and loss positions of the Company's investments at December 31, 2016 and 2015:

	2016		2015	
	Unrealized Gain	Unrealized Losses	Unrealized Gain	Unrealized Losses
Held-to-maturity debt securities				
Tax-exempt securities	$ 152,952	$ -	$ 291,595	$ (767)
Government bonds	45,553	(2,291)	102,482	(4,589)
Corporate bonds	29,916	(6,257)	33,554	(15,114)
	$ 228,421	$ (8,548)	$ 427,631	$ (20,470)
Available-for-sale debt securities				
Tax-exempt securities	$ 64,954	$ (78,775)	$ 75,171	$ (3,679)
Government bonds	67,274	(174,826)	101,798	(52,730)
Corporate bonds	270,851	(47,990)	276,901	(74,302)
	403,079	(301,591)	453,870	(130,711)
Equity securities	228,403	(42,520)	143,113	(175,516)
	$ 631,482	$ (344,111)	$ 596,983	$ (306,227)

	2016	2015
Net unrealized gains on available-for-sale debt securities and equity securities	$ 287,371	$ 290,756
Deferred income tax liability	95,304	96,453
Net unrealized gains included in accumulated other comprehensive income	$ 192,067	$ 194,303

Changes in the unrealized gain and loss positions of the Company's investments are included in other comprehensive income for the years ended December 31, 2016 and 2015.

The following table sets forth, as of December 31, 2016, investments that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 months or longer for which other-than-temporary impairments have not been recognized.

	Less than 12 months		12 Months or Greater	
	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value
Held-to-maturity debt securities				
Tax-exempt securities	$ -	$ -	$ -	$ -
Government bonds	(2,291)	626,077	-	-
Corporate bonds	(6,257)	1,144,802	-	-
	$ (8,548)	$ 1,770,879	$ -	$ -
Available-for-sale debt securities				
Tax-exempt securities	$ (78,775)	$ 1,982,780	$ -	$ -
Government bonds	(174,826)	7,269,213	-	-
Corporate bonds	(47,399)	2,712,063	(591)	252,239
	$ (301,000)	$ 11,964,056	$ (591)	$ 252,239
Equity securities	$ (42,520)	$ 503,930	$ -	$ -

During the years ended December 31, 2016 and 2015 the Company recognized no other-than-temporary impairments of investments.

The following table sets forth the amortized cost and fair value of debt securities at December 31, 2016 by contractual or expected maturity. Actual maturities will differ from contractual or estimated maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Held-to-Maturity		Available-for-Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
One year or less	$ 3,767,992	$ 3,786,310	$ 2,877,856	$ 2,874,335
One to five years	6,223,560	6,332,977	16,514,996	16,714,754
Five to ten years	2,015,877	2,094,497	9,662,261	9,588,860
After ten years	764,381	777,899	2,852,644	2,831,296
	$ 12,771,810	$ 12,991,683	$ 31,907,757	$ 32,009,245

As of December 31, 2016 and 2015, debt securities classified as held-to-maturity with an amortized cost of $821,030 and $805,960, respectively, were pledged as collateral to conduct title insurance business where required; and debt securities with an amortized cost of $4,592,527 and $4,617,286, respectively, were pledged as collateral for a note payable to the Federal Home Loan Bank of Boston (Note 7).

The components of net realized investment gains presented in the accompanying statements of comprehensive income and changes in stockholders' equity for the years ended December 31, 2016 and 2015 were as follows:

	2016		2015	
	Realized Gains	Realized Losses	Realized Gains	Realized Losses
Available-for-sale debt securities	$ 37,644	$ (277)	$ 42,025	$ (92)
Equity securities	494,362	-	17,193	-
	$ 532,006	$ (277)	$ 59,218	$ (92)
Net realized investment gains	$ 531,729		$ 59,126	

Net investment income presented in the accompanying statements of comprehensive income and changes in stockholders' equity for the years ended December 31, 2016 and 2015 consists of the following:

	2016	2015
Interest and dividend income from		
Debt securities	$ 1,184,464	$ 1,196,564
Equity securities	303,402	278,552
Cash and cash equivalents	360	7,830
	1,488,226	1,482,946
Investment expenses	(205,409)	(212,454)
	$ 1,282,817	$ 1,270,492

The following table sets forth the Company’s investments measured at fair value on a recurring basis using Level 1, 2 and 3 inputs as of December 31, 2016 and 2015:

	2016				2015			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Available-for-sale debt securities								
Tax-exempt securities	$ 4,244,173	$ -	$ 4,244,173	$ -	$ 2,580,120	$ -	$ 2,580,120	$ -
Government bonds	14,208,246	8,089,732	6,118,514	-	13,138,886	7,280,924	5,857,962	-
Corporate bonds	13,556,826	-	13,556,826	-	13,807,065	-	13,807,065	-
	32,009,245	8,089,732	23,919,513	-	29,526,071	7,280,924	22,245,147	-
Equity securities								
Mutual fund securities	7,317,926	7,317,926	-	-	6,650,844	6,650,844	-	-
Senior institutional loan fund*	2,707,848				2,325,100			
	10,025,774				8,975,944			
	$ 42,035,019	$ 15,407,658	$ 23,919,513	$ -	$ 38,502,015	$ 13,931,768	$ 22,245,147	$ -

* The senior institutional loan fund is measured at fair value using the net asset value per share practical expedient and has not been classified in the fair value hierarchy, but is disclosed here to reconcile total equity securities to the consolidated balance sheets.

As of December 31, 2016 and 2015, the Company’s debt securities classified as available-for-sale are measured based upon quoted prices for identical assets in active markets (Level 1) or quoted prices for similar assets in active markets (Level 2); the Company’s equity securities are measured based upon quoted prices for identical assets in active markets (Level 1). The Company had no investments measured at fair value using Level 3 inputs as of December 31, 2016 or 2015.

In accordance with FASB ASC 820-10, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. As of December 31, 2016 and 2015, the Company holds an investment in a senior institutional loan fund totaling $2,707,848 and $2,325,100, respectively, that is measured at fair value using net asset value per share as a practical expedient. The senior institutional loan fund invests primarily in senior floating-rate loans to a diversified group of domestic and international companies. The Company may redeem up to one-third of its investment in the senior institutional loan fund upon 30 days’ notice. A full redemption is payable in three equal installments 30 days, 60 days and 90 days following the Company’s request.

4. PREMISES, EQUIPMENT AND SOFTWARE

Premises, equipment and software at December 31, 2016 and 2015, are summarized by major classification as follows:

	2016	2015
Land and land improvements	$ 403,162	$ 403,162
Building and improvements	5,142,028	5,024,989
Furniture and equipment	4,504,159	4,329,117
Internal-use software	2,893,872	2,731,335
	12,943,221	12,488,603
Less: accumulated depreciation and amortization	9,754,484	8,924,020
	$ 3,188,737	$ 3,564,583

Depreciation and amortization expense of premises, equipment and software was $857,509 and $853,154 for the years ended December 31, 2016 and 2015, respectively.

5. POLICY CLAIMS AND LOSS ADJUSTMENT EXPENSE RESERVE

Activity affecting the Company's policy claims and loss adjustment expense reserves for the years ended December 31, 2016 and 2015 is summarized as follows:

	2016	2015
Incurred (recovered) related to		
Current year	$ 2,666,974	$ 4,316,376
Prior years	(422,002)	(1,544,102)
	2,244,972	2,772,274
Paid related to		
Current year	209,594	48,311
Prior years	4,531,184	4,640,653
	4,740,778	4,688,964
Decrease in liability	(2,495,806)	(1,916,690)
Policy claims and loss adjustment expense reserve - beginning of year	25,747,000	27,663,690
Policy claims and loss adjustment expense reserve - end of year	$ 23,251,194	$ 25,747,000

Policy claims and loss adjustment expense reserves as of December 31, 2016 and 2015 include known claim reserves of $3,025,484 and $4,618,162, respectively.

The provision for policy claims and loss adjustment expenses decreased by $422,002 and $1,544,102 in 2016 and 2015, respectively, as a result of lower than anticipated losses on policies issued in prior years.

The nature of title insurance makes its claims experience particularly sensitive to economic events such as changes in interest rates or declines in home sales. These factors, combined with the estimation uncertainty that is inherent in any unpaid loss and loss adjustment expense estimate, could result in a material deviation between actual and estimated losses.

6. REINSURANCE

Reinsurance Ceded

CATIC cedes and assumes title policy risks to and from other insurance companies in order to limit and diversify its risk. Due to statutory regulatory restraints, CATIC is restricted to purchasing reinsurance from other title insurance companies unless such reinsurance is not commercially feasible. Beginning January 1, 2012, CATIC joined four other regional title insurers in a risk purchasing group called the American Title Reinsurance Association ("ATRA"). Through an arrangement between insurance brokers located in the United States and the United Kingdom, ATRA executed individual treaties with five Lloyd's syndicates. Under these treaties, CATIC retains the first $3 million of every policy risk and cedes the next $17 million in excess of $3 million to the syndicates. CATIC retains risk above $20 million to $30 million and facultatively reinsures any risk above $30 million.

CATIC has not suffered any losses that would have pierced the reinsured layers and therefore has not recovered any losses through reinsurance during the years ended December 31, 2016 and 2015. The total amount of premiums for assumed and ceded risks was less than 1% of title insurance premiums.

Reinsurance Assumed

Effective for policies with insurance dates of January 1, 2012 and forward, under the ATRA assumption agreement, CATIC assumes 30% of the ATRA group's losses in excess of certain retention limits ranging from $250,000 to $1,000,000 up to a maximum of $3 million per occurrence. Under the assumption agreement, CATIC is not exposed to its own losses ceded to ATRA and is not exposed to losses in excess of $3 million per occurrence. There were no losses in excess of each individual underwriter's retention level during 2016 or 2015. ATRA-assumed reinsurance premiums received were $394,000 and $344,250 in 2016 and 2015, respectively.

7. DEBT

Notes Payable

The Company is a member of the Federal Home Loan Bank of Boston ("FHLBB"). Through its membership, on February 18, 2009, the Company borrowed $2.6 million from the FHLBB, for ten years at a fixed rate of 4.58%. The loan requires monthly payments of interest only through January 2019, with the outstanding principal balance totaling $2.6 million due in February 2019. The loan is collateralized by certain debt securities on deposit with the FHLBB (Note 3).

On March 12, 2015, the Company completed a second borrowing from the FHLBB in the amount of $1,725,000. Of the amount borrowed, $1,721,988 was used to repay an existing mortgage note on the Company's primary operating facility. The second FHLBB borrowing is a 2.59% fixed-rate, 15-year, fully amortizing loan, collateralized by additional bonds on deposit with the FHLBB. As of December 31, 2016, the outstanding balance on the second FHLBB loan is $1,567,578.

Interest expense for the years ended December 31, 2016 and 2015 totaled $166,634 and $191,136, respectively.

The following table sets forth required payments of principal due under the terms of the Company's notes payable for the years ending December 31:

2017	$ 98,423
2018	101,206
2019	2,704,066
2020	107,007
2021 and thereafter	1,156,876
	$ 4,167,578

8. BENEFIT PLANS

401(k) Savings and Profit-Sharing Plan

The Company has a 401(k) savings and profit-sharing plan that covers substantially all employees subject to age and service requirements. The Company matches a portion of each employee's contributions to the plan and may also provide for additional, discretionary profit-sharing contributions at the sole discretion of the Board of Directors Compensation Committee. Company matching contributions to the 401(k) plan for the years ended December 31, 2016 and 2015 totaled $436,737 and $380,909 respectively. Company discretionary profit-sharing contributions to the 401(k) plan for the years ended December 31, 2016 and 2015 totaled $100,000 and $99,884, respectively.

Defined Benefit Plan

The Company maintains a noncontributory defined benefit retirement plan. Effective July 31, 1993, the Company froze the plan with no further accrual of future benefits and no additional participants entering the plan. The Company's funding policy is to contribute annually an amount within the permitted ranges as determined by the plan's independent, third-party actuary. As of December 31, 2016 and 2015, the assets of the plan are generally invested in two group pension contracts with a domestic life insurance company and in various mutual fund investments.

For the years 2016 and 2015, the Company used rates of 5.25% and 5.75%, respectively in calculating the expected long-term rate of return on plan assets. At December 31, 2016 and 2015, the Company used rates of 3.65% and 3.80%, respectively, in calculating the discount on the plan benefit obligation.

The following tables set forth the components of the net periodic pension cost (benefit) charged or credited to expense or directly to stockholders' equity:

	2016	2015
Cost recognized as expense		
Interest cost	$ 57,737	$ 58,582
Expected return on plan assets	(21,758)	(27,301)
Amortization of actuarial net loss	40,685	17,317
Amortization of transition assets	(4,127)	(2,407)
	$ 72,537	$ 46,191
(Benefit) cost charged or credited directly to stockholders' equity		
Actuarial loss	$ 13,341	$ 145,787
Expected return on plan assets less than actual return on plan assets	2,811	73,465
Amortization of actuarial net loss	(40,685)	(17,317)
Amortization of transition assets	4,127	2,407
	(20,406)	204,342
Deferred income tax expense (benefit)	6,938	(69,476)
	$ (13,468)	$ 134,866

The following table sets forth the changes in the plan benefit obligation, the changes in the fair value of plan assets and the changes in the unfunded status of the plan's benefit obligation, which is the difference between the plan's benefit obligation and the fair value of its assets, for the years ended December 31, 2016 and 2015:

	2016	2015
Interest cost	$ 57,737	$ 58,582
Actuarial loss	13,341	145,787
Benefits paid	(141,553)	(143,064)
Other	-	(810)
Change in plan benefit obligation	(70,475)	60,495
Benefit obligation - beginning of year	1,589,398	1,528,903
Benefit obligation - end of year	$ 1,518,923	$ 1,589,398
Actual return on plan assets	$ 18,947	$ (46,164)
Employer contributions	100,501	91,924
Benefits paid	(141,553)	(143,064)
Change in fair value of plan assets	(22,105)	(97,304)
Fair value of plan assets - beginning of year	990,133	1,087,437
Fair value of plan assets - end of year	$ 968,028	$ 990,133

	2016	2015
Employer contribution	$ 100,501	$ 91,924
Cost recognized in operations	(72,537)	(46,191)
Other	-	810
Benefit (cost) recognized in other comprehensive income	20,406	(204,342)
	48,370	(157,799)
Unfunded status - beginning of year	(599,265)	(441,466)
Unfunded status - end of year	$ (550,895)	$ (599,265)

The unfunded status of the plan is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets.

The following table sets forth the components of the Plan's funded status recognized directly in accumulated other comprehensive income. The estimated pre-tax amount that will be amortized as a charge to expense in 2017 is approximately $35,993.

	2016	2015
Cumulative actuarial net loss	$ (815,068)	$ (839,601)
Net transition asset	25,081	29,208
	(789,987)	(810,393)
Deferred income tax asset	268,596	275,534
	$ (521,391)	$ (534,859)

The following table sets forth the plan investments measured at fair value on a recurring basis using Level 1, 2 and 3 inputs as of December 31, 2016 and 2015:

	2016			2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Equity mutual funds	$ 415,171	$ -	$ -	$ 410,313	$ -	$ -
Debt funds and exchange traded funds	-	255,032	-	-	263,226	-
Guaranteed investment contracts	-	-	297,825	-	-	316,594
	$ 415,171	$ 255,032	$ 297,825	$ 410,313	$ 263,226	$ 316,594

The following table sets forth the Plan's investments which are measured at fair value using Level 3 inputs as of December 31, 2016 and 2015 and the changes in the fair value of investments measured at fair value on a recurring basis using Level 3 inputs for the years ended December 31, 2016 and 2015:

	2016	2015
Guaranteed investment contracts		
Change in fair value	$ 12,192	$ (9,132)
Dividends received and reinvested	4,143	4,764
Fees paid	(3,689)	(3,710)
Benefits paid	(31,415)	(32,750)
	(18,769)	(40,828)
Balance - beginning of year	316,594	357,422
Balance - end of year	$ 297,825	$ 316,594

As of December 31, 2016 and 2015, the Plan's equity securities are measured based upon quoted prices for identical assets in active markets, the Plan's debt securities are measured based upon quoted prices for similar assets in active markets and the Plan's investment in a guaranteed investment contract is valued using unobservable inputs.

At December 31, 2016, estimated future benefit payments expected to be paid by the Company through 2026 are as follows:

Years Ending December 31,	
2017	$ 140,000
2018	130,000
2019	130,000
2020	130,000
2021	120,000
2022 through 2026	530,000

Voluntary Succession Retirement Program

On October 18, 2013, the Board of Directors of the Company adopted the 2013 CATIC Voluntary Succession and Retirement Program, which became effective the same day. The Plan provides non-elective tax-deferred compensation benefits to eligible employees, payable on stated dates provided in each individual agreement, subject to certain vesting conditions, and forms an integral part of executive succession planning for the Company. The Plan is intended to be a deferred compensation plan and is an "employee pension benefit plan" within the meaning of ERISA. For the years ended December 31, 2016 and 2015 the Company recognized expenses totaling $528,510 and $410,479, respectively, for the present value of the earned benefits which is included in compensation and benefits in the accompanying consolidated statements of comprehensive income and changes in stockholders' equity. At December 31, 2016 and 2015 the Company has a liability of $1,236,700 and $990,097, respectively, which is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets. A rabbi trust has been established to partially secure assets for future benefit payments, which total $453,668 and $294,599 at December 31, 2016 and 2015, respectively.

9. INCOME TAXES

Income tax expense (benefit) applicable to net income, comprehensive income and changes in stockholders' equity was as follows:

	2016	2015
Current income taxes		
Federal	$ -	$ -
State	15,268	17,510
	15,268	17,510
Deferred income tax benefit	(550,586)	(294,415)
	(535,318)	(276,905)
Deferred income tax expense (benefit) applicable to other comprehensive income		
Change in unrealized gains on investments	(1,149)	(163,315)
Change in defined benefit plan liability	6,938	(69,476)
	5,789	(232,791)
Total income tax expense (benefit) applicable to comprehensive income	$ (529,529)	$ (509,696)

Income tax expense (benefit) applicable to net income (loss) and other comprehensive income (loss) differs from that which would be obtained by applying the statutory federal income tax rate of 34% to income before taxes primarily due to decreases in the valuation allowance ($1.3 million) and differences between permanent taxable and deductible differences ($40,000).

Deferred income tax assets and liabilities arising from temporary differences between financial accounting income and taxable income and the tax character of such differences consist of the following at December 31, 2016 and 2015:

	2016	2015
Deferred tax assets		
Ordinary		
Policy claims and loss adjustment expenses	$ 935,938	$ 1,734,135
Net operating loss carry-forwards	4,119,962	4,392,902
Defined benefit plan cost adjustment charged to accumulated other comprehensive income	268,596	275,534
Voluntary succession retirement program	420,478	336,633
Compensated absences and retirement contracts	66,727	51,043
Tax credit carry-forwards	17,160	17,160
Other	175,810	140,934
	6,004,671	6,948,341
Valuation allowance	(2,976,055)	(4,293,434)
	3,028,616	2,654,907
Deferred tax liabilities		
Ordinary		
Depreciation	244,016	448,397
Prepaid expenses	94,499	60,057
Capital		
Unrealized gains on investments charged to accumulated other comprehensive income	95,304	96,453
Total deferred tax liabilities	433,819	604,907
Net deferred tax assets	$ 2,594,797	$ 2,050,000

As of December 31, 2016, the Company had the following federal net operating loss carry-forwards available for tax purposes:

Year of Origin	Year of Expiration	Amount
2008	2028	$ 1,063,040
2010	2030	3,928,916
2011	2031	2,951,750
2013	2033	900,124
2014	2034	3,273,704
		$ 12,117,534

As of December 31, 2016, the Company has no federal income taxes incurred in prior years available for recoupment in the event of future losses.

The Company maintains a valuation allowance when it is more likely than not that all or a portion of a deferred tax asset will not be realized based on consideration of all available evidence. Assumptions, judgments and estimates relative to the value of the Company's deferred tax assets also take into account predictions of the amount and the categories of future taxable income, carry-back and carry-forward periods and tax strategies which could affect the realization of a deferred tax asset. As of December 31, 2016, the Company concluded that it was more likely than not to realize certain deferred tax assets within the near term totaling approximately $3.0 million compared to $2.7 million in the prior year. Consequently, the Company recorded a decrease to its valuation allowance of approximately $0.3 million. The decreased valuation allowance was recorded as a result of weighing all positive and negative evidence, including positive trends in the Company's taxable income through December 31, 2016 and management's forecasts of taxable income expected to be generated in subsequent fiscal years.

The Company files a consolidated federal income tax return. The Company has a written tax agreement, approved by its Board of Directors, which sets forth the manner in which the total combined federal income tax is allocated to each entity which is party to the consolidation. Pursuant to this agreement, the Company has the right to recover federal income taxes paid in prior years in the event of net losses that it may incur, or to recover federal income taxes from its net losses carried forward, which offset future net income subject to federal income taxes.

The following entities are included in the consolidated federal income tax return:

CATIC Financial, Inc.
Connecticut Attorneys Title Insurance Company (designated tax parent)
CATIC Acquired Properties, LLC
CATIC Exchange LLC
CATIC Exchange Facilitator, Inc.
CentricPro Management Services, Inc.
Eastern Attorneys Services, Inc.
New Jersey Title Insurance Company
CATIC Insurance (VT) Ltd.

10. STOCKHOLDERS' EQUITY

Common Stock

Common stock consists of 50,000 shares authorized ($50 par value) and 1,921 and 2,659 shares issued and outstanding at December 31, 2016 and 2015, respectively. Share ownership in Financial is limited to individuals who are licensed to practice law and to partnerships and professional corporations comprised of individuals who are licensed to practice law. Shares are repurchased by Financial at par value if the stockholder surrenders the stock, ceases to be qualified as a stockholder, or owns more than the maximum number of shares allowed by the bylaws. No stockholder is allowed to receive any dividends.

Dividends

CATIC's ability to pay dividends to Financial, without prior written consent of the Vermont Department of Financial Regulation ("VT DFR"), is limited by the laws of the State of Vermont. Under such laws, CATIC may pay dividends in an amount equal to the lesser of a) 10% of its statutory capital and surplus as of the preceding year-end or b) the aggregate amount of net income, less realized capital gains and dividends paid during the preceding three-year period. As filed with the VT DFR, CATIC reported statutory capital and surplus of $34,664,404 as of December 31, 2016, and the aggregate amount of net income, less realized capital gains and dividends paid during the preceding three-year period, would require CATIC to request permission from the VT DFR for an extraordinary dividend in 2017.

NJTIC may not pay a dividend to Financial without prior consent of the NJ Insurance Regulator. Further, NJTIC cannot pay interest on surplus notes to Financial without the prior consent of the NJ Insurance Regulator. There were no dividends paid by NJTIC during 2016 or 2015.

In both 2016 and 2015, EASI paid dividends of $400,000 to Financial.

11. CASH FLOWS

The following table provides a reconciliation of net income to net cash provided by operating activities for the years ended December 31, 2016 and 2015.

	2016	2015
Net income	$ 3,319,921	$ 1,602,299
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	857,509	853,154
Amortization of bond (discount) premium	213,799	81,451
Deferred income taxes	(550,586)	(294,415)
Net realized gains on investments	(531,729)	(59,126)
(Increase) decrease in operating assets		
Accounts, notes and other receivables	(394,971)	(198,272)
Accrued investment income	(7,772)	36,206
Prepaid expenses	(11,403)	104,549
Federal income taxes recoverable	(17,993)	10,546
Other assets	(309,216)	(18,927)
Increase (decrease) in operating liabilities		
Policy claims and loss adjustment expenses	(2,495,806)	(1,916,690)
Accounts payable and accrued expenses	728,723	(40,332)
Deferred revenue	62,073	59,685
Net cash provided by operating activities	$ 862,549	$ 220,128

12. ESCROW AND REVERSE LIKE-KIND EXCHANGE TRANSACTIONS

Through CATIC and NJTIC, the Company administers escrow and trust deposits representing undisbursed amounts received for indemnities against specific title risks. The amount of escrow assets being held by CATIC and NJTIC totaled $6,348,924 and $225,425, respectively at December 31, 2016 and $12,522,803 and $229,173, respectively at December 31, 2015. The escrow amounts are not considered assets or liabilities of the Company and are, therefore, excluded from the accompanying consolidated balance sheets.

Through CATIC Exchange, LLC and CentricPro, the Company facilitates tax-deferred property exchanges for customers pursuant to Section 1031 of the Internal Revenue Code. Acting as a qualified intermediary, both entities hold the proceeds from sales transactions until a qualifying acquisition occurs, thereby assisting its customers in deferring the recognition of taxable income. The amount of escrow assets being held by both entities at December 31, 2016 and 2015, is $20,868,294 and $20,473,270, respectively. The escrow amounts are not considered assets or liabilities of the Company and are, therefore, excluded from the accompanying consolidated balance sheets.

13. LEASES

The Company is obligated under leases for office space and computer equipment expiring at various dates through 2021. The leases also require the Company to pay its pro-rata share of operating expense increases. Rent expense under these operating leases totaled $474,167 and $426,265 in 2016 and 2015, respectively, and is recorded in other general and administrative expenses in the consolidated statements of comprehensive income and changes in stockholders' equity.

At December 31, 2016, three third-party tenants are obligated to the Company under real estate subleases expiring at various dates through 2021. Total rental income under these leases was $238,708 and $232,278 for 2016 and 2015, respectively, and is netted against other general and administrative expenses in the consolidated statements of comprehensive income and changes in stockholders' equity.

Future minimum lease payments and rental income are as follows:

Year Ending December 31,	Lease Expense	Rental Income	Net Expense
2017	$ 273,905	$ 238,708	$ 35,197
2018	206,553	179,216	27,337
2019	202,872	129,216	73,656
2020	196,317	98,676	97,641
2021 and thereafter	82,467	-	82,467
	$ 962,114	$ 645,816	$ 316,298

14. RELATED PARTIES

Certain agents of CATIC are also stockholders of Financial. Agents receive title insurance commissions in the ordinary course of business. During the periods covered by these consolidated financial statements, no agent received commissions of more than one percent of total commission expense. There were no amounts loaned to any directors, officers or stockholders during the two years covered by these consolidated financial statements.

Certain agents of CATIC are also directors of CATIC and Financial. Except for two third-party directors, all other board members of Financial are CATIC agents.

15. NEW JERSEY TITLE INSURANCE COMPANY/MANAGEMENT'S PLAN

Per an order of the New Jersey Department of Banking and Insurance ("NJDOBI") dated July 26, 2011, effective July 27, 2011, NJTIC ceased writing policy commitments or issuing closing protection letters to lenders, with the effect of having NJTIC cease and desist incurring further liability for any policies ("Consent Order"). Pursuant to this Consent Order, commitments and closing protection letters issued prior to July 27, 2011 were honored by NJTIC.

Between July 27, 2011 and March 7, 2014, NJTIC and Financial coordinated with the Commissioner of NJDOBI and a Deputy Administrative Supervisor appointed by NJDOBI, to facilitate a solvent run-off of NJTIC's business operations. On March 7, 2014, NJTIC entered into a retroactive reinsurance agreement with CIVL (the "Retroactive Reinsurance Agreement" or the "Agreement"). Under the terms of the Agreement, CIVL agreed to fully reinsure all of NJTIC's policy liabilities, including all unpaid loss and loss adjustment expenses, all monies escrowed or retained for the account of others in consideration of a Company policy of title insurance being issued, and all monies due under NJTIC reinsurance contracts. In exchange, NJTIC agreed to transfer to CIVL all of its cash, invested assets and other assets other than those necessary to settle NJTIC's other liabilities and ongoing expenses.

Also on March 7, 2014, NJTIC, together with Financial, CATIC and CIVL, consented to a Modified Consent Order of Administrative Supervision and Termination of the Memorandum of Understanding issued by the Commissioner of the NJDOBI (the "Modified Consent Order"). The Modified Consent Order modified certain terms of the Consent Order, requires NJTIC to maintain a minimum level of capital and surplus of $200,000, and grants NJTIC certain permitted accounting practices used in its statutory filings with the NJDOBI.

In 2016 NJTIC approached NJDOBI with a request seeking permission to write new policies and to amend the Modified Consent Order accordingly. On January 25, 2017 NJDOBI and NJTIC entered into Modified Consent Order C17-101 that allows NJTIC to commence writing new business upon satisfaction of certain conditions. Those conditions include NJTIC remaining under administrative supervision, complying with certain conditions required by NJDOBI which include limits on net written premiums, NJTIC entering into appropriate reinsurance agreements, NJTIC providing appropriate insurance for agent defalcations, and adhering to certain enhanced reporting requirements to NJDOBI.

The accompanying consolidated financial statements of CATIC Financial, Inc. and Subsidiaries include the financial position and results of operations and cash flows of NJTIC as of and for the years ended December 31, 2016 and 2015 and have been prepared assuming that NJTIC will continue as a going concern. Settlement of title insurance losses incurred on policies issued prior to July 27, 2011 remain contingent upon the financial solvency of CIVL and CATIC's ability to maintain CIVL's capital and surplus at the levels required by CIVL's domiciliary insurance commissioner. NJTIC's management continues to oversee the run-off of policy losses incurred on policies issued prior to July 27, 2011. The accompanying consolidated financial statements do not include any adjustments to the financial position or results of operations of NJTIC that might result from the outcome of these uncertainties.

16. LITIGATION

In the ordinary course of business, claims have been made against the Company. Certain of the claims are insured but subject to varying deductibles and certain claims may be uninsured. The amount of liability, if any, from these claims cannot be estimated at this time, but management is of the opinion that the outcome of the claims will not have a material effect on the Company's financial position or operations.

17. SUBSEQUENT EVENTS

On March 7, 2017, the Company's Board of Directors approved an Agreement and Plan of Reorganization and Merger (the "Merger Agreement"), by and among the Company, CFI Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of the Company, and CFI of Delaware, Inc., a Delaware nonprofit nonstock corporation and wholly owned subsidiary of the Company (the "Successor Company"), providing for the conversion of the Company from a Connecticut business (stock) corporation into a Delaware nonprofit nonstock corporation through two successive mergers (the "Conversion"). The Merger Agreement was entered into on April 3, 2017. The Conversion requires the approval of the shareholders of the Company.

The Conversion is intended to qualify as a reorganization within the meaning of Section 368(a)(1)(F) of the Internal Revenue Code of 1986, as amended. Accordingly, the Company expects that the Conversion will be treated as a tax-free reorganization for federal and state income tax purposes.

The Successor Company will have the same name as the Company, "CATIC Financial, Inc."

Subsequent events were evaluated through April 6, 2017, which is the date the consolidated financial statements were available to be issued.