

**MOUNTAIN SERVICES CORPORATION
517 AIRWAY DRIVE
ALCOA, TENNESSEE 37701**

PROXY STATEMENT

INFORMATION CONCERNING THE SOLICITATION

This statement is furnished in connection with the solicitation of proxies to be used at the Annual Meeting of Shareholders of Mountain Services Corporation (the "Company") to be held on April 26, 2017, at 9:00 AM Eastern Daylight Savings Time at the Hilton Knoxville Airport, 2001 Alcoa Highway, Alcoa, Tennessee, and at any adjournment thereof. At the Annual Meeting, the Shareholders will elect five directors of the Company, for a term of one year expiring in 2018. A plurality of the votes, cast by the shares entitled to vote in the election, is required to elect directors.

Shareholders are urged to submit your vote by signing the form of proxy and returning it promptly in the envelope provided for that purpose. Proxies will be voted in accordance with the Shareholders' directions. If no directions are given, proxies will be voted for the election of directors of the nominees described herein. If any other business is properly presented, the persons named in the proxy have authority to vote in accordance with the recommendations of the Board of Directors. The proxy may be revoked at any time prior to the voting thereof by written request to the Company. The giving of the proxy will not affect the right of a Shareholder to attend the meeting and vote in person.

The solicitation of proxies in the proxy form is made on behalf of the Board of Directors of the Company. The entire cost of soliciting these proxies will be borne by the Company. In addition to use of mail, proxies may be solicited personally or by telephone or telegraph by officers, directors and employees of the Company who will receive no additional compensation for such activities. Arrangements will also be made with brokerage houses and other custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of shares held of record by such persons, who will be reimbursed for reasonable expenses incurred in such connection. This proxy statement and form of proxy included herewith are being electronically provided or mailed to Shareholders on or about March 29, 2017.

OUTSTANDING VOTING SECURITIES

Only shareholders of record on March 27, 2017 are entitled to notice of and to vote at the Annual Meeting. On that date, there were 425,249 shares of Common Stock issued and outstanding. Each share has one vote.

As of March 27, 2017, director Bachman owned 53,782 shares (12.6%) of the Company's outstanding Common Stock, director Cantrell owned 33,519 shares (7.8%) of the Company's outstanding Common Stock, director Smith owned 142,403 shares (33.3%), and director Whaley owned 143,181 shares (33.5%). Additionally, David E. Line, President, Treasurer and CEO owned 1,044 shares (less than 1%). As of March 27, 2017, no other Shareholder of the Company owned beneficially more than five percent of the outstanding shares of the Common Stock of the Company.

At March 27, 2017, the directors and officers of the Company, as a group, have sole or shared voting or dispositive power with respect to an aggregate 373,929 shares, or 87.9% of the outstanding Common Stock of the Company.

ELECTION OF DIRECTORS

The Bylaws of the Company provide that the number of directors shall be as determined from time to time by the Board of Directors, but shall not be less than three nor more than nine. The Board of Directors of the Company presently consists of five members. The term of each of these directors expires with this Annual Meeting.

The Board of Directors has determined that as of the date of the Annual Meeting, there shall be five members of the Board of Directors. The Board of Directors has nominated the following five persons for election as directors for terms of one year. Each director will continue in office until a successor has been elected. If any nominee is unable to serve, which the Board of Directors has no reason to expect, the persons named in the accompanying proxy intend to vote for the balance of those named.

Management recommends that the following five nominees be elected to serve on the Board of Directors until the next Annual Meeting:

NOMINEES FOR ELECTION TO THE BOARD

PHILIP M. BACHMAN, JR., President of Bachman-Bernard Motors, Greeneville, Tennessee. He has served as a director since 1988 and owns beneficially 53,782 shares, or 12.6%, of the Company's Common Stock.

W. ALEX CANTRELL, President of Cantrell and Associates, Knoxville, Tennessee. He has been a director of the Company since its inception in 1983 and owns beneficially 33,519 shares, or 7.8%, of the Company's Common Stock.

DAVID E. LINE, President, Treasurer and CEO of Mountain Life Insurance Company, Alcoa, Tennessee. He has been an officer of the Company since 2000. He owns beneficially 1,044 shares, or less than 1%, of the Company's Common Stock.

RAY SMITH, President of Ray Smith Chevrolet-Buick, Camden, Tennessee. He has been a director of the Company since its inception in 1983 and owns beneficially 142,403 shares, or 33.3%, of the Company's Common Stock.

EARL R. WHALEY, Chairman and CEO of Earl R. Whaley and Company, Alcoa, Tennessee. He has been a director of the Company since its inception in 1983 and owns beneficially 143,181 shares, or 33.5%, of the Company's Common Stock.

DIRECTORS' FEES AND MEETINGS

Each director of the Company receives \$1,000.00 per calendar quarter. No compensation shall be paid to any director also serving the Company as an officer or full-time employee. During 2016, the Board of Directors met four times with all members attending each meeting.

EXECUTIVE COMPENSATION

The following table shows the remuneration paid by the Company and its subsidiary to each executive officer of the Company whose aggregate remuneration exceeded \$100,000 and to all executive officers of the Company as a group during the year ended December 31, 2016.

<u>Name of Individual or Number of Persons in Group</u>	<u>Capacities in which served</u>	<u>Cash Compensation</u>
All executive officers as a group (2 persons)	Officers	\$126,058.37

TRANSACTIONS WITH MANAGEMENT AND DIRECTORS

Mountain Life has in place general agency agreements with Earl R. Whaley and Company, of Alcoa, and Cantrell and Associates, Inc., of Knoxville. Earl R. Whaley, Chairman of Earl R. Whaley and Company, and W. Alex Cantrell, President of Cantrell and Associates, Inc., are founders and principal Shareholders of the Company, and are members of its Board of Directors. Under its agreement, Cantrell and Associates is the exclusive agent for Mountain Life in Tennessee for credit life and credit accident and sickness insurance sold through automobile dealers. Similarly, Earl R. Whaley and Company is Mountain Life's exclusive agent for soliciting credit life and credit accident and sickness insurance from commercial banks in Tennessee and Missouri. These agreements may be terminated by Mountain Life upon 30 days written notice and by the general agents on 90 days notice. In addition, at this time, Mr. Whaley is a non-exclusive general agent in Tennessee and Missouri for all life insurance written by the Company in Tennessee and Missouri, other than credit life. In 2016, Mountain Life paid or accrued to Cantrell and Associates \$21,584.97 and paid or accrued to Earl R. Whaley and Company \$132,132.28 in override commissions for insurance written in that year. Amounts paid to Earl R. Whaley and Company includes expenses and allowances pursuant to various Administrative Service Agreements between Earl R. Whaley and Company and one reinsurance company and three limited partnerships writing credit insurance through Mountain Life Insurance Company. Management anticipates that the relationships between Mountain Life and these brokers will continue.

OTHER MATTERS

The Company's subsidiary's, Mountain Life Insurance Company, statutory financial statements for the year ended December 31, 2016 are being audited by Coulter & Justus P.C.

The Board of Directors, at the time of the preparation of this Proxy Statement knows of no business to come before the meeting other than that referred to herein. If any other business should come before the meeting, the persons named in the enclosed Proxy will have discretionary authority to vote all proxies in accordance with the recommendations of the Board of Directors.

**BY ORDER OF THE BOARD
OF DIRECTORS**

A handwritten signature in black ink that reads "David E. Line". The signature is written in a cursive style with a large initial "D".

**David E. Line
President, Treasurer & CEO**

**Alcoa, Tennessee
March 29, 2017**