Form 5500

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Annual Return/Report of Employee Benefit Plan

This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), and 6058(a) of the Internal Revenue Code (the Code).

▶ **Complete all entries in accordance with the instructions to the Form 5500.**

OMB Nos. 1210-0110
1210-0089

2009

This Form is Open to Public Inspection

Part I Annual Report Identification Information

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A This return/report is for:
- [ ] a multiemployer plan;
- [ ] a multiple-employer plan; or
- [X] a single-employer plan;
- [ ] a DFE (specify) ____

B This return/report is:
- [ ] the first return/report;
- [ ] the final return/report;
- [X] an amended return/report;
- [ ] a short plan year return/report (less than 12 months).

C If the plan is a collectively-bargained plan, check here. . . . . ▶ [ ]

D Check box if filing under:
- [X] Form 5558;
- [ ] automatic extension;
- [ ] the DFVC program;
- [ ] special extension (enter description)

Part II Basic Plan Information—enter all requested information

1a Name of plan
MARSHALL & STERLING ENTERPRISES, INC. 401(K) PLAN

1b Three-digit plan number (PN) ▶ 004

1c Effective date of plan 10/01/2002

2a Plan sponsor's name and address (employer, if for a single-employer plan) (Address should include room or suite no.)
MARSHALL & STERLING ENTERPRISES, INC.

110 MAIN ST
POUGHKEEPSIE, NY 12601-6707

2b Employer Identification Number (EIN) 14-1769290

2c Sponsor's telephone number 845-454-0800

2d Business code (see instructions) 551112

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

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

SIGN HERE	Filed with authorized/valid electronic signature.	10/13/2010	TIM RYCHCIK
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE	Filed with authorized/valid electronic signature.	10/13/2010	TIM RYCHCIK
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

3a Plan administrator's name and address (if same as plan sponsor, enter "Same")
MARSHALL & STERLING ENTERPRISES, INC.

110 MAIN ST
POUGHKEEPSIE, NY 12601-6707

3b Administrator's EIN
14-1769290

3c Administrator's telephone number
845-454-0800

4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report:
a Sponsor's name

4b EIN

4c PN

5	Total number of participants at the beginning of the plan year	**5**	336
6	Number of participants as of the end of the plan year (welfare plans complete only lines **6a, 6b, 6c,** and **6d**).		
a	Active participants	**6a**	289
b	Retired or separated participants receiving benefits	**6b**	0
c	Other retired or separated participants entitled to future benefits	**6c**	43
d	Subtotal. Add lines **6a**, **6b**, and **6c**	**6d**	332
e	Deceased participants whose beneficiaries are receiving or are entitled to receive benefits	**6e**	2
f	Total. Add lines **6d** and **6e**	**6f**	334
g	Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)	**6g**	303
h	Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested	**6h**	17
7	Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	**7**	

8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:
2E 2F 2G 2J 2T 3D 3H

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

9a Plan funding arrangement (check all that apply)

(1)	X	Insurance
(2)		Code section 412(e)(3) insurance contracts
(3)	X	Trust
(4)		General assets of the sponsor

9b Plan benefit arrangement (check all that apply)

(1)	X	Insurance
(2)		Code section 412(e)(3) insurance contracts
(3)	X	Trust
(4)		General assets of the sponsor

10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules

(1)	X	**R** (Retirement Plan Information)
(2)		**MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
(3)		**SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

b General Schedules

(1)	X		**H** (Financial Information)
(2)			**I** (Financial Information – Small Plan)
(3)	X	2	**A** (Insurance Information)
(4)	X		**C** (Service Provider Information)
(5)			**D** (DFE/Participating Plan Information)
(6)			**G** (Financial Transaction Schedules)

SCHEDULE A (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Insurance Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).

▶ **File as an attachment to Form 5500.**

▶ Insurance companies are required to provide the information pursuant to ERISA section 103(a)(2).

OMB No. 1210-0110

2009

This Form is Open to Public Inspection

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A Name of plan
MARSHALL & STERLING ENTERPRISES, INC. 401(K) PLAN

B Three-digit plan number (PN) ▶ 004

C Plan sponsor's name as shown on line 2a of Form 5500.
MARSHALL & STERLING ENTERPRISES, INC.

D Employer Identification Number (EIN)
14-1769290

Part I **Information Concerning Insurance Contract Coverage, Fees, and Commissions** Provide information for each contract on a separate Schedule A. Individual contracts grouped as a unit in Parts II and III can be reported on a single Schedule A.

1 Coverage Information:

(a) Name of insurance carrier
PRINCIPAL LIFE INSURANCE COMPANY

(b) EIN	(c) NAIC code	(d) Contract or identification number	(e) Approximate number of persons covered at end of policy or contract year	Policy or contract year	
				(f) From	(g) To
42-0127290	61271	441462	334	01/01/2009	12/31/2009

2 Insurance fee and commission information. Enter the total fees and total commissions paid. List in item 3 the agents, brokers, and other persons in descending order of the amount paid.

(a) Total amount of commissions paid	(b) Total amount of fees paid
2976	2364

3 Persons receiving commissions and fees. (Complete as many entries as needed to report all persons).

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

CITIGROUP GLOBAL MARKETS INC
ATTN ANTHONY BANJANY
MORGAN STANLEY SMITH BAR
NEW YORK, NY 10019-6018

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	
2976	2364	REFERRAL/SERVICE FEE	3

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		**(e)** Organization code
	(c) Amount	**(d)** Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		**(e)** Organization code
	(c) Amount	**(d)** Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		**(e)** Organization code
	(c) Amount	**(d)** Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		**(e)** Organization code
	(c) Amount	**(d)** Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		**(e)** Organization code
	(c) Amount	**(d)** Purpose	

Part II Investment and Annuity Contract Information

Where individual contracts are provided, the entire group of such individual contracts with each carrier may be treated as a unit for purposes of this report.

4	Current value of plan's interest under this contract in the general account at year end	4	0
5	Current value of plan's interest under this contract in separate accounts at year end	5	0

6 Contracts With Allocated Funds:

a State the basis of premium rates ▶

b	Premiums paid to carrier	6b	
c	Premiums due but unpaid at the end of the year	6c	
d	If the carrier, service, or other organization incurred any specific costs in connection with the acquisition or retention of the contract or policy, enter amount.	6d	

Specify nature of costs ▶

e Type of contract: (1) ☐ individual policies (2) ☐ group deferred annuity

(3) ☐ other (specify) ▶

f If contract purchased, in whole or in part, to distribute benefits from a terminating plan check here ▶ ☐

7 Contracts With Unallocated Funds (Do not include portions of these contracts maintained in separate accounts)

a Type of contract: (1) ☐ deposit administration (2) ☐ immediate participation guarantee

(3) ☐ guaranteed investment (4) ☒ other ▶ CUSTODIAL GUARANTEED FUND CONTRACT

b	Balance at the end of the previous year			7b	1347230
c	Additions: (1) Contributions deposited during the year	7c(1)	241566		
	(2) Dividends and credits	7c(2)			
	(3) Interest credited during the year	7c(3)	51369		
	(4) Transferred from separate account	7c(4)			
	(5) Other (specify below)	7c(5)	689482		
	▶ OUTSIDE INVESTMENT TRANSFER, REWRITE, LOAN PAYMENT				
	(6) Total additions			7c(6)	982417
d	Total of balance and additions (add **b** and **c(6)**)			7d	2329647
e	Deductions:				
	(1) Disbursed from fund to pay benefits or purchase annuities during year	7e(1)	170957		
	(2) Administration charge made by carrier	7e(2)	752		
	(3) Transferred to separate account	7e(3)			
	(4) Other (specify below)	7e(4)	383511		
	▶ LOAN WITHDRAWAL, OUTSIDE INVESTMENT TRANSFER, 415 EXCESS DEFERRAL				
	(5) Total deductions			7e(5)	555220
f	Balance at the end of the current year (subtract **e(5)** from **d**)			7f	1774427

Part III Welfare Benefit Contract Information

If more than one contract covers the same group of employees of the same employer(s) or members of the same employee organization(s), the information may be combined for reporting purposes if such contracts are experience-rated as a unit. Where contracts cover individual employees, the entire group of such individual contracts with each carrier may be treated as a unit for purposes of this report.

8 Benefit and contract type (check all applicable boxes)

a ☐ Health (other than dental or vision) **b** ☐ Dental **c** ☐ Vision **d** ☐ Life insurance
e ☐ Temporary disability (accident and sickness) **f** ☐ Long-term disability **g** ☐ Supplemental unemployment **h** ☐ Prescription drug
i ☐ Stop loss (large deductible) **j** ☐ HMO contract **k** ☐ PPO contract **l** ☐ Indemnity contract
m ☐ Other (specify) ▶

9 Experience-rated contracts:				
a Premiums: (1) Amount received	**9a(1)**			
(2) Increase (decrease) in amount due but unpaid	**9a(2)**			
(3) Increase (decrease) in unearned premium reserve	**9a(3)**			
(4) Earned (**(1)** + **(2)** - **(3)**)			**9a(4)**	
b Benefit charges (1) Claims paid	**9b(1)**			
(2) Increase (decrease) in claim reserves	**9b(2)**			
(3) Incurred claims (add **(1)** and **(2)**)			**9b(3)**	
(4) Claims charged			**9b(4)**	
c Remainder of premium: (1) Retention charges (on an accrual basis) --				
(A) Commissions	**9c(1)(A)**			
(B) Administrative service or other fees	**9c(1)(B)**			
(C) Other specific acquisition costs	**9c(1)(C)**			
(D) Other expenses	**9c(1)(D)**			
(E) Taxes	**9c(1)(E)**			
(F) Charges for risks or other contingencies	**9c(1)(F)**			
(G) Other retention charges	**9c(1)(G)**			
(H) Total retention			**9c(1)(H)**	
(2) Dividends or retroactive rate refunds. (These amounts were ☐ paid in cash, or ☐ credited.)			**9c(2)**	
d Status of policyholder reserves at end of year: (1) Amount held to provide benefits after retirement			**9d(1)**	
(2) Claim reserves			**9d(2)**	
(3) Other reserves			**9d(3)**	
e Dividends or retroactive rate refunds due. (Do not include amount entered in **c(2)**.)			**9e**	
10 Nonexperience-rated contracts:				
a Total premiums or subscription charges paid to carrier			**10a**	
b If the carrier, service, or other organization incurred any specific costs in connection with the acquisition or retention of the contract or policy, other than reported in Part I, item 2 above, report amount.			**10b**	

Specify nature of costs ▶

Part IV Provision of Information

11 Did the insurance company fail to provide any information necessary to complete Schedule A? ☐ Yes ☒ No

12 If the answer to line 11 is "Yes," specify the information not provided. ▶

SCHEDULE A (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Insurance Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).

▶ **File as an attachment to Form 5500.**

▶ Insurance companies are required to provide the information pursuant to ERISA section 103(a)(2).

OMB No. 1210-0110

2009

This Form is Open to Public Inspection

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A Name of plan
MARSHALL & STERLING ENTERPRISES, INC. 401(K) PLAN

B Three-digit plan number (PN) ▶ 004

C Plan sponsor's name as shown on line 2a of Form 5500.
MARSHALL & STERLING ENTERPRISES, INC.

D Employer Identification Number (EIN)
14-1769290

Part I Information Concerning Insurance Contract Coverage, Fees, and Commissions

Provide information for each contract on a separate Schedule A. Individual contracts grouped as a unit in Parts II and III can be reported on a single Schedule A.

1 Coverage Information:

(a) Name of insurance carrier
PRINCIPAL LIFE INSURANCE COMPANY

(b) EIN	(c) NAIC code	(d) Contract or identification number	(e) Approximate number of persons covered at end of policy or contract year	Policy or contract year	
				(f) From	(g) To
42-0127290	61271	800217	87	01/01/2009	12/31/2009

2 Insurance fee and commission information. Enter the total fees and total commissions paid. List in item 3 the agents, brokers, and other persons in descending order of the amount paid.

(a) Total amount of commissions paid	(b) Total amount of fees paid
0	0

3 Persons receiving commissions and fees. (Complete as many entries as needed to report all persons).

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		**(e)** Organization code
	(c) Amount	**(d)** Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		**(e)** Organization code
	(c) Amount	**(d)** Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		**(e)** Organization code
	(c) Amount	**(d)** Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		**(e)** Organization code
	(c) Amount	**(d)** Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		**(e)** Organization code
	(c) Amount	**(d)** Purpose	

Part II Investment and Annuity Contract Information

Where individual contracts are provided, the entire group of such individual contracts with each carrier may be treated as a unit for purposes of this report.

4	Current value of plan's interest under this contract in the general account at year end	4	182232
5	Current value of plan's interest under this contract in separate accounts at year end	5	0

6 Contracts With Allocated Funds:

a State the basis of premium rates ▶

b	Premiums paid to carrier	6b	
c	Premiums due but unpaid at the end of the year	6c	
d	If the carrier, service, or other organization incurred any specific costs in connection with the acquisition or retention of the contract or policy, enter amount.	6d	

Specify nature of costs ▶

e Type of contract: (1) ☐ individual policies (2) ☐ group deferred annuity

(3) ☐ other (specify) ▶

f If contract purchased, in whole or in part, to distribute benefits from a terminating plan check here ▶ ☐

7 Contracts With Unallocated Funds (Do not include portions of these contracts maintained in separate accounts)

a Type of contract: (1) ☐ deposit administration (2) ☐ immediate participation guarantee

(3) ☐ guaranteed investment (4) ☒ other ▶ FLEXIBLE INVESTMENT ANNUITY

b	Balance at the end of the previous year			7b	380156
c	Additions: (1) Contributions deposited during the year	7c(1)			
	(2) Dividends and credits	7c(2)			
	(3) Interest credited during the year	7c(3)	13805		
	(4) Transferred from separate account	7c(4)			
	(5) Other (specify below)	7c(5)			
	▶				
	(6) Total additions			7c(6)	13805
d	Total of balance and additions (add **b** and **c(6)**)			7d	393961
e	Deductions:				
	(1) Disbursed from fund to pay benefits or purchase annuities during year	7e(1)	44424		
	(2) Administration charge made by carrier	7e(2)			
	(3) Transferred to separate account	7e(3)			
	(4) Other (specify below)	7e(4)	167305		
	▶ REWRITE				
	(5) Total deductions			7e(5)	211729
f	Balance at the end of the current year (subtract **e(5)** from **d**)			7f	182232

Part III Welfare Benefit Contract Information

If more than one contract covers the same group of employees of the same employer(s) or members of the same employee organization(s), the information may be combined for reporting purposes if such contracts are experience-rated as a unit. Where contracts cover individual employees, the entire group of such individual contracts with each carrier may be treated as a unit for purposes of this report.

8 Benefit and contract type (check all applicable boxes)

a ☐ Health (other than dental or vision) **b** ☐ Dental **c** ☐ Vision **d** ☐ Life insurance
e ☐ Temporary disability (accident and sickness) **f** ☐ Long-term disability **g** ☐ Supplemental unemployment **h** ☐ Prescription drug
i ☐ Stop loss (large deductible) **j** ☐ HMO contract **k** ☐ PPO contract **l** ☐ Indemnity contract
m ☐ Other (specify) ▶

9 Experience-rated contracts:				
a Premiums: (1) Amount received	**9a(1)**			
(2) Increase (decrease) in amount due but unpaid	**9a(2)**			
(3) Increase (decrease) in unearned premium reserve	**9a(3)**			
(4) Earned (**(1)** + **(2)** - **(3)**)			**9a(4)**	
b Benefit charges (1) Claims paid	**9b(1)**			
(2) Increase (decrease) in claim reserves	**9b(2)**			
(3) Incurred claims (add **(1)** and **(2)**)			**9b(3)**	
(4) Claims charged			**9b(4)**	
c Remainder of premium: (1) Retention charges (on an accrual basis) --				
(A) Commissions	**9c(1)(A)**			
(B) Administrative service or other fees	**9c(1)(B)**			
(C) Other specific acquisition costs	**9c(1)(C)**			
(D) Other expenses	**9c(1)(D)**			
(E) Taxes	**9c(1)(E)**			
(F) Charges for risks or other contingencies	**9c(1)(F)**			
(G) Other retention charges	**9c(1)(G)**			
(H) Total retention			**9c(1)(H)**	
(2) Dividends or retroactive rate refunds. (These amounts were ☐ paid in cash, or ☐ credited.)			**9c(2)**	
d Status of policyholder reserves at end of year: (1) Amount held to provide benefits after retirement			**9d(1)**	
(2) Claim reserves			**9d(2)**	
(3) Other reserves			**9d(3)**	
e Dividends or retroactive rate refunds due. (Do not include amount entered in **c(2)**.)			**9e**	
10 Nonexperience-rated contracts:				
a Total premiums or subscription charges paid to carrier			**10a**	
b If the carrier, service, or other organization incurred any specific costs in connection with the acquisition or retention of the contract or policy, other than reported in Part I, item 2 above, report amount.			**10b**	

Specify nature of costs ▶

Part IV Provision of Information

11 Did the insurance company fail to provide any information necessary to complete Schedule A? ☐ Yes ☒ No

12 If the answer to line 11 is "Yes," specify the information not provided. ▶

SCHEDULE C (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Service Provider Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

2009

This Form is Open to Public Inspection.

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A Name of plan
MARSHALL & STERLING ENTERPRISES, INC. 401(K) PLAN

B Three-digit plan number (PN) ▶ 004

C Plan sponsor's name as shown on line 2a of Form 5500
MARSHALL & STERLING ENTERPRISES, INC.

D Employer Identification Number (EIN)
14-1769290

Part I Service Provider Information (see instructions)

You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, $5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

a Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions).. . . . . [X] Yes [ ] No

b If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

PRINCIPAL LIFE INSURANCE COMPANY

42-0127290

(b) Enter name and EIN or address of person who provided you disclosure on eligible indirect compensation

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(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, $5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

PRINCIPAL LIFE INSURANCE COMPANY

42-0127290

(b) Service Code(s)	**(c)** Relationship to employer, employee organization, or person known to be a party-in-interest	**(d)** Enter direct compensation paid by the plan. If none, enter -0-.	**(e)** Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	**(f)** Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	**(g)** Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	**(h)** Did the service provider give you a formula instead of an amount or estimated amount?
13 37 50 64	CONTRACT ADMINISTRATOR	5376	Yes [X] No [ ]	Yes [X] No [ ]	0	Yes [ ] No [X]

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	**(c)** Relationship to employer, employee organization, or person known to be a party-in-interest	**(d)** Enter direct compensation paid by the plan. If none, enter -0-.	**(e)** Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	**(f)** Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	**(g)** Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	**(h)** Did the service provider give you a formula instead of an amount or estimated amount?
			Yes [ ] No [ ]	Yes [ ] No [ ]		Yes [ ] No [ ]

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	**(c)** Relationship to employer, employee organization, or person known to be a party-in-interest	**(d)** Enter direct compensation paid by the plan. If none, enter -0-.	**(e)** Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	**(f)** Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	**(g)** Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	**(h)** Did the service provider give you a formula instead of an amount or estimated amount?
			Yes [ ] No [ ]	Yes [ ] No [ ]		Yes [ ] No [ ]

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	**(c)** Relationship to employer, employee organization, or person known to be a party-in-interest	**(d)** Enter direct compensation paid by the plan. If none, enter -0-.	**(e)** Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	**(f)** Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	**(g)** Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	**(h)** Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	**(c)** Relationship to employer, employee organization, or person known to be a party-in-interest	**(d)** Enter direct compensation paid by the plan. If none, enter -0-.	**(e)** Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	**(f)** Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	**(g)** Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	**(h)** Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	**(c)** Relationship to employer, employee organization, or person known to be a party-in-interest	**(d)** Enter direct compensation paid by the plan. If none, enter -0-.	**(e)** Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	**(f)** Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	**(g)** Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	**(h)** Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received $1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	**(b)** Service Codes (see instructions)	**(c)** Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	**(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

(a) Enter service provider name as it appears on line 2	**(b)** Service Codes (see instructions)	**(c)** Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	**(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

(a) Enter service provider name as it appears on line 2	**(b)** Service Codes (see instructions)	**(c)** Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	**(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	**(b)** Nature of Service Code(s)	**(c)** Describe the information that the service provider failed or refused to provide

(a) Enter name and EIN or address of service provider (see instructions)	**(b)** Nature of Service Code(s)	**(c)** Describe the information that the service provider failed or refused to provide

(a) Enter name and EIN or address of service provider (see instructions)	**(b)** Nature of Service Code(s)	**(c)** Describe the information that the service provider failed or refused to provide

(a) Enter name and EIN or address of service provider (see instructions)	**(b)** Nature of Service Code(s)	**(c)** Describe the information that the service provider failed or refused to provide

(a) Enter name and EIN or address of service provider (see instructions)	**(b)** Nature of Service Code(s)	**(c)** Describe the information that the service provider failed or refused to provide

(a) Enter name and EIN or address of service provider (see instructions)	**(b)** Nature of Service Code(s)	**(c)** Describe the information that the service provider failed or refused to provide

Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)

(complete as many entries as needed)

a Name:	**b** EIN:
c Position:	
d Address:	**e** Telephone:

Explanation:

a Name:	**b** EIN:
c Position:	
d Address:	**e** Telephone:

Explanation:

a Name:	**b** EIN:
c Position:	
d Address:	**e** Telephone:

Explanation:

a Name:	**b** EIN;
c Position:	
d Address:	**e** Telephone:

Explanation:

a Name:	**b** EIN;
c Position:	
d Address:	**e** Telephone:

Explanation:

SCHEDULE H (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Financial Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

2009

This Form is Open to Public Inspection

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A Name of plan
MARSHALL & STERLING ENTERPRISES, INC. 401(K) PLAN

B Three-digit plan number (PN) ▶ 004

C Plan sponsor's name as shown on line 2a of Form 5500
MARSHALL & STERLING ENTERPRISES, INC.

D Employer Identification Number (EIN)
14-1769290

Part I Asset and Liability Statement

1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)	0	0
(2) Participant contributions	1b(2)	0	0
(3) Other	1b(3)	0	0
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)		
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)	474666	587058
(9) Value of interest in common/collective trusts	1c(9)		
(10) Value of interest in pooled separate accounts	1c(10)	0	0
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds)	1c(13)	8246047	11568747
(14) Value of funds held in insurance company general account (unallocated contracts)	1c(14)	1727386	1956659
(15) Other	1c(15)		

			(a) Beginning of Year	(b) End of Year
1d	Employer-related investments:			
	(1) Employer securities	1d(1)		
	(2) Employer real property	1d(2)		
e	Buildings and other property used in plan operation	1e		
f	Total assets (add all amounts in lines 1a through 1e)	1f	10448099	14112464
	Liabilities			
g	Benefit claims payable	1g	0	
h	Operating payables	1h	0	
i	Acquisition indebtedness	1i	0	
j	Other liabilities	1j	0	
k	Total liabilities (add all amounts in lines 1g through1j)	1k	0	0
	Net Assets			
l	Net assets (subtract line 1k from line 1f)	1l	10448099	14112464

Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

	Income		(a) Amount	(b) Total
a	**Contributions:**			
	(1) Received or receivable in cash from: **(A)** Employers	2a(1)(A)	704094	
	(B) Participants	2a(1)(B)	1433525	
	(C) Others (including rollovers)	2a(1)(C)	109020	
	(2) Noncash contributions	2a(2)		
	(3) Total contributions. Add lines **2a(1)(A), (B), (C),** and line **2a(2)**	2a(3)		2246639
b	**Earnings on investments:**			
	(1) Interest:			
	(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	0	
	(B) U.S. Government securities	2b(1)(B)	0	
	(C) Corporate debt instruments	2b(1)(C)	0	
	(D) Loans (other than to participants)	2b(1)(D)	0	
	(E) Participant loans	2b(1)(E)	32960	
	(F) Other	2b(1)(F)	65174	
	(G) Total interest. Add lines **2b(1)(A)** through **(F)**	2b(1)(G)		98134
	(2) Dividends: **(A)** Preferred stock	2b(2)(A)	0	
	(B) Common stock	2b(2)(B)	0	
	(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	266823	
	(D) Total dividends. Add lines **2b(2)(A)**, **(B)**, and **(C)**	2b(2)(D)		266823
	(3) Rents	2b(3)		0
	(4) Net gain (loss) on sale of assets: **(A)** Aggregate proceeds	2b(4)(A)	0	
	(B) Aggregate carrying amount (see instructions)	2b(4)(B)	0	
	(C) Subtract line **2b(4)(B)** from line **2b(4)(A)** and enter result	2b(4)(C)		0

		(a) Amount	(b) Total
2b (5) Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)	0	
(B) Other	2b(5)(B)	0	
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		0
(6) Net investment gain (loss) from common/collective trusts	2b(6)		0
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		0
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		0
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		0
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds)	2b(10)		1914586
c Other income	2c		0
d Total income. Add all **income** amounts in column (b) and enter total	2d		4526182
Expenses			
e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	700003	
(2) To insurance carriers for the provision of benefits	2e(2)	167305	
(3) Other	2e(3)	0	
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		867308
f Corrective distributions (see instructions)	2f		156438
g Certain deemed distributions of participant loans (see instructions)	2g		0
h Interest expense	2h		
i Administrative expenses: (1) Professional fees	2i(1)	0	
(2) Contract administrator fees	2i(2)	5376	
(3) Investment advisory and management fees	2i(3)	0	
(4) Other	2i(4)	0	
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		5376
j Total expenses. Add all **expense** amounts in column (b) and enter total	2j		1029122
Net Income and Reconciliation			
k Net income (loss). Subtract line 2j from line 2d	2k		3497060
l Transfers of assets:			
(1) To this plan	2l(1)		167305
(2) From this plan	2l(2)		0

Part III Accountant's Opinion

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

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

(1) [ ] Unqualified (2) [ ] Qualified (3) [X] Disclaimer (4) [ ] Adverse

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

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

(1) Name: BAILEY BROWNE CPA & ASSOCIATES (2) EIN: 83-0387479

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

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

Part IV Compliance Questions

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

During the plan year:

		Yes	No	Amount
a	Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)	**4a**		X	0
b	Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)	**4b**		X	0
c	Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)	**4c**		X	0
d	Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)	**4d**		X	0
e	Was this plan covered by a fidelity bond?	**4e**	X		5000000
f	Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?	**4f**		X	
g	Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?	**4g**		X	
h	Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?	**4h**		X	
i	Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	**4i**	X		
j	Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.)	**4j**		X	
k	Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?	**4k**		X	
l	Has the plan failed to provide any benefit when due under the plan?	**4l**		X	
m	If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	**4m**		X	
n	If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.	**4n**			

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

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

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

SCHEDULE R (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Retirement Plan Information

This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

2009

This Form is Open to Public Inspection.

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A Name of plan
MARSHALL & STERLING ENTERPRISES, INC. 401(K) PLAN

B Three-digit plan number (PN) ▶ 004

C Plan sponsor's name as shown on line 2a of Form 5500
MARSHALL & STERLING ENTERPRISES, INC.

D Employer Identification Number (EIN)
14-1769290

Part I Distributions

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions **1** 0

2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits):

EIN(s): 42-0127290

Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.

3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year. **3**

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

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

If the plan is a defined benefit plan, go to line 8.

5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. **Date:** Month _____ Day _____ Year _____

If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.

6 **a** Enter the minimum required contribution for this plan year **6a**

b Enter the amount contributed by the employer to the plan for this plan year **6b**

c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount) **6c**

If you completed line 6c, skip lines 8 and 9.

7 Will the minimum funding amount reported on line 6c be met by the funding deadline? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

Part III Amendments

9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box(es). If no, check the "No" box. ..... ☐ **Increase** ☐ **Decrease** ☐ **Both** ☐ **No**

Part IV ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.

10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan? ..... ☐ **Yes** ☐ **No**

11 **a** Does the ESOP hold any preferred stock? ..... ☐ **Yes** ☐ **No**

b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.) ..... ☐ **Yes** ☐ **No**

12 Does the ESOP hold any stock that is not readily tradable on an established securities market? ..... ☐ **Yes** ☐ **No**

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

14 Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

a The current year	**14a**	
b The plan year immediately preceding the current plan year	**14b**	
c The second preceding plan year	**14c**	

15 Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year	**15a**	
b The corresponding number for the second preceding plan year	**15b**	

16 Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year	**16a**	
b If item 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	**16b**	

17 If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

18 If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐

19 If the total number of participants is 1,000 or more, complete items (a) through (c)

a Enter the percentage of plan assets held as:
Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

b Provide the average duration of the combined investment-grade and high-yield debt:
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

c What duration measure was used to calculate item 19(b)?
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify):

MARSHALL & STERLING ENTERPRISES, INC.

401(K) PLAN

FINANCIAL REPORT

DECEMBER 31, 2009

MARSHALL & STERLING ENTERPRISES, INC. 401 (K) PLAN
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Bailey Browne CPA & Associates

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Marshall & Sterling Enterprises, Inc. 401(k) Plan
110 Main Street
Poughkeepsie, NY 12601

We were engaged to audit the financial statements of Marshall & Sterling Enterprises, Inc. 401(k) Plan as of December 31, 2009 and 2008, and for the year ended December 31, 2009, and the supplemental schedules as of and for the year ended December 31, 2009 as listed in the accompanying index. These financial statements and schedules are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 4 and 5, which was certified by Principal Life Insurance Company, the Administrator of the Plan, except for comparing the information with the related information included in the financial statements and supplemental schedules. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of and for the years ended December 31, 2009 and 2008, that the information provided to the plan administrator by the trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and schedules taken as a whole. The form and content of the information included in the financial statements and schedules, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulation for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Bailey Browne CPA & Associates

Bailey Browne CPA & Associates

Deborah Bailey Browne, CPA MBA
President/Managing Partner
July 26, 2010

MARSHALL & STERLING ENTERPRISES, INC. 401(K) PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2009 AND 2008
SEE INDEPENDENT AUDITOR'S REPORT

		2009		2008
Assets:				
Investments at Fair Value- Schedule 1:				
General Fund Accounts	**$**	**1,774,427**	$	1,727,386
Registered Investments		**11,568,747**		8,246,047
Participant Notes Receivables		**587,058**		474,666
Total Assets	**$**	**13,930,232**	$	10,448,099
Liabilities:				
Excess Contributions Payable	**$**	**121,839**	$	184,789
Net Assets Available for Plan Benefits	**$**	**13,808,393**	$	10,263,310

See Notes to Financial Statements.

MARSHALL AND STERLING ENTERPRISES, INC. 401 (K) PLAN
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEARS ENDED DECEMBER 2009 and 2008
SEE INDEPENDENT AUDITOR'S REPORT

		2009		2008
Additions:				
Investment Income:				
Net Appreciation in Fair Value	**$**	**1,914,586**	$	-
Interest		**318,192**		45,225
Loan Interest Repayments		**32,960**		45,190
Total Investment Income	$	**2,265,738**	$	90,415
Contributions:				
Transfers		**167,305**		-
Company		**704,094**		763,539
Participants		**1,238,658**		1,710,272
Rollovers		**109,020**		76,887
Total Contributions	$	**2,219,077**	$	2,550,698
Total Additions	$	**4,484,815**	$	2,641,113
Deductions:				
Net Depreciation in Fair Value		**-**		3,079,396
Benefits Paid to Participants		**655,580**		771,053
Administrative Expenses		**5,375**		4,256
Refunds		**278,277**		393,670
Total Deductions	$	**939,232**	$	4,248,375
Net Increase/(Decrease) in Net Assets	$	**3,545,583**	$	(1,607,262)
Net Assets Available for Benefits, January 1	$	**10,263,310**	$	11,870,572
Net Assets Available for Benefits, December 31	**$**	**13,808,393**	$	10,263,310

See Notes to Financial Statements.

Note 1. Description of Plan

Organization

The Marshall and Sterling Enterprises, Inc. 401(k) plan ("the Plan") was formed on October 1, 2002. The Plan is a defined contribution plan within the meaning of Section 401(a) and 401(k) of the Internal Revenue Code of 1986. Plan participants include full-time employees who have twelve months of service. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). For a complete description of the Plan's provisions, refer to the plan agreement.

Contributions

Contributions to the Plan are based on payroll deductions paid directly by the Company to the Custodian, Principal Life Insurance Company. Contributions are classified as elective deferrals. Employees may defer 1% or more of their base rate of salary. The Plan also provides for a Company match of 100% of the elective deferral which is not over 3% of the participant's pay, plus 50% of the elective deferral which is over 3% but under 5% of the participant's pay. Contributions are invested in the Plan's authorized investment funds based on participants' designations.

The Company may make a discretionary contribution each plan year. The Company decides the amount of the contribution. This contribution, as applicable, is divided among all eligible participants at the end of the plan year.

Participant Accounts

Each participant's account is credited with the participant's contribution and allocations of (a) the Company's contribution and (b) plan earnings, and charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting

Participants are fully vested after 7 years of services in all participant and company contributions and earnings on such contributions.

All contributions to the Plan in 2009 and 2008 were directed by the participants of the Plan into the following investment options based upon each individual's investment elections.

Note 1. Description of Plan, continued:

Investment Funds

The Guaranteed Interest Investment Account holds private-market bonds, commercial mortgages and mortgage-backed securities.

The Principal LifeTime 2010 R5 fund, the Principal LifeTime 2020 R5 Fund, the Principal LifeTime 2030 R5 Fund, the Principal LifeTime 2040 R5 Fund and the Principal LifeTime 2050 R5 Fund seek a total return consisting of long-term growth of capital and current income. The funds invest in underlying Principal domestic and foreign equity, hybrid, and fixed-income funds according to an asset allocation strategy designed for investors having an investment time horizon comparable to that of the fund. They allocate the assets more conservatively over time. The funds may invest in any of the Institutional Class shares of the equity funds or fixed-income funds of Principal Funds, at the sub-advisors discretion.

The Principal Lifetime Strategic Income R5 Fund seeks current income and as a second objective, capital appreciation. The fund invests in underlying fixed-income funds, but also invests in underlying equity and hybrid funds according to an asset allocation strategy designed for investors seeking current income from their investment. It invests most of the assets in underlying funds which are intended primarily to give the fund broad exposure to income-producing securities through their investments in fixed-income securities, "hybrid" securities and dividend generating domestic and foreign stocks.

The American Funds Fundamental Investors R3 Fund seeks long-term growth of capital and income. The fund invests primarily in common stocks or securities convertible into common stocks and may invest significantly in securities of issuers domiciled outside the United States and Canada and not included in the Standard & Poor's 500 Composite Index. It may also hold cash or money market instruments.

The Principal LargeCap Growth R5 Fund seeks long-term growth of capital. The fund normally invests at least 80% of net assets (plus any borrowings for investment purposes) in equity securities of companies with market capitalizations within the range of companies in the Russell 1000 Growth index at the time of purchase. It may also invest in initial public offerings and foreign securities.

Note 1. Description of Plan, continued:

The Oppenheimer Value A Fund seeks long-term growth of capital; realization current income is a secondary consideration. The fund mainly invests in common stocks of companies that the portfolio managers believe are undervalued in the marketplace. It may also invest in other equity securities, such as preferred stock, rights, warrants and securities convertible into common stock. The fund may invest up to 25% of its assets in foreign securities of companies or governments in any country, including in developed and emerging market countries. It may invest up to 10% of its net assets in debt securities.

The Principal Money Market R5 Fund seeks as high a level of current income as is considered consistent with preservation of principal and maintenance of liquidity. The fund invests assets in a portfolio of high-quality, short-term money market instruments. The investments are U.S. dollar denominated securities which the management believes present minimal credit risks. It maintains a dollar weighted average portfolio maturity of 90 days or less. The fund intends to hold its investments until maturity.

The Principal MidCap S&P 400 Index R5 Fund seeks long-term growth of capital. The fund normally invests at least 80% of assets in common stocks of companies that compose the SP MidCap 400 index. It attempts to mirror the investment performance of the index by allocating assets in approximately the same weightings as in the S&P 400 index.

The Columbia Select Small Cap Z Fund seeks long-term capital appreciation. The fund normally invests at least 80% of net assets in equity securities of small capitalization companies. The fund invests in common stocks and convertibles of companies that tend to be in the early stages of development and the Adviser believes they have the potential to achieve substantial long-term earnings growth.

The Principal SmallCap S&P 600 Index R5 Fund seeks long-term growth of capital. The fund normally invests at least 80% of the assets in common stocks of companies that compose the S&P SmallCap 600 index. It attempts to mirror the investment performance of the index by allocating the fund's assets in approximately the same weightings as the S&P SmallCap 600 index.

Note 1. Description of Plan, continued:

The Columbia SmallCap Value II A Fund seeks long-term growth of capital. The fund normally invests at least 80% of total assets in equity securities of U.S companies in the range as the Russell 2000 value index and that are believed to be undervalued and have the potential for long-term growth of capital. It may invest up to 20% of total assets in foreign securities.

The Principal Real Estate Securities R5 Fund seeks to generate a total return. The fund normally invests at least 80% of the net assets (plus any borrowings for investment purposes) in equity securities of companies principally engaged in the real estate industry, which include real estate investment trusts and companies with substantial real estate holdings such as paper, lumber, hotel and entertainment companies. It is nondiversified.

The American Funds Euro Pacific Growth investment seeks to provide long-term growth of capital. The fund invests primarily in common stocks of issuers in Europe and the Pacific Basin that the investment adviser believes have the potential for growth. It normally invest at least 80% of net assets in securities of issuers in Europe and the Pacific Basin. The fund may invest a portion of its assets in common stocks and other securities of companies in countries with developing and/or markets and may also hold cash, money market instruments and fixed-income securities.

The PIMCO Total Return A Fund seeks total return consistent with preservation of capital. The fund normally invests at least 65% of total assets in a diversified portfolio of Fixed Income Instruments of varying maturities, which may be represented by forwards or derivatives such as options, futures contracts, or swap agreements. It invests primarily in investment grade debt securities, but may invest up to 10% of its total assets in high yield securities ("junk bonds"). The fund may invest all assets in derivative instruments, and may not invest in equity securities

Participant Notes Receivable
Participants may borrow from their fund accounts a minimum of $1,000 up to a maximum equal to the lesser of $50,000 or 50% of their vested account balance. Loan transactions are treated as a transfer to/(from) the investment fund and from/(to) the Participant Notes fund. Loan terms range from 1-5 years.

The loans are secured by the balance in the participant's account and carry interest rates equal to that charged by a bank or other professional lender. Once the rate is established, it remains fixed over the life of the loan. Principal and interest are paid through monthly payroll deductions.

Note 1. Description of Plan, continued:

Distributions

A participant's account will be distributed in a lump-sum payment upon terminations of employment, retirement or death. In the event of such separation prior to age 65, the terminated participant may elect to defer the distribution until the participant reaches the age of 65, or to an earlier date, provided that the participant's eligible distribution exceeds $5,000. In all cases, an active participant's account must be distributed no later than April 1 of the year following the participant's reaching 70 ½ years of age.

The participant may elect to withdraw all or any part of the vested account, prior to termination of employment if it is (1) an amount from the participant's rollover contribution or (2) an amount, in the event of a hardship, from the participant's 401(k) elective deferral contribution (but none of the income earned on such contributions) and from the discretionary contributions.

Administration

The Plan is administered by the Trustee Committee, which is appointed by the Company's Board of Directors. Plan assets are held under an arrangement with Principal Life Insurance Company ("Principal") as custodian. The record keeping with respect to individual participant accounts is also the responsibility of Principal and is based on information provided directly to them by the Company's payroll and human resources departments.

Administrative expenses are paid by the Plan, except for costs incurred for the purchase or sale of securities and investment related costs, such as investment manager fees, which are borne by the respective investment funds.

Payment of Benefits

Benefits are recorded when paid.

Note 2. Adoption of New Accounting Pronouncements

On July 1, 2009, the Financial Accounting Standards Board (FASB) issued FASB Statement of Financial Accounting Standards (SFAS) No. 168, "FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles," which is included in FASB Accounting Standards Codification (ASC) 105 "Generally Accepted Accounting Principles." This new guidance approved the FASB ASC as the single source of authoritative nongovernmental GAAP. The FASB ASC is effective for interim or annual periods ending after September 15, 2009.

Note 2. Adoption of New Accounting Pronouncements, continued:

All existing accounting standards have been superseded and all other accounting literature not included in the FASB ASC will be considered non-authoritative.

The FASB ASC will be considered non-authoritative. The ASC is a restructuring of GAAP designed to simplify access to all authoritative literature by providing a topically organized structure. The adoption of FASB ASC did not impact the Plans' financial statements. Technical references to GAAP included in these notes to the financial statements are provided under the new FASB ASC structure.

In May 2009, the Financial Accounting Standards Board issued a new standard pertaining to subsequent events (incorporated into the Subsequent Events Topic of the FASB Accounting Standards Codification) that established principles and requirements for subsequent events and applied to accounting for and disclosure of subsequent events not addressed in other applicable generally accepted accounting principles. The adoption of the new standard had no impact on the Plan's financial statements.

Note 3. Summary of Significant Accounting Policies

Basis of Accounting
The Plan uses the accrual basis of accounting, which recognizes revenue when it is earned and expenses as they are incurred.

Pervasiveness of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investment Valuation and Income Recognition
The Plan's investments are stated at fair value. Shares of mutual funds are valued at quoted market prices, which represent the net asset value of shares held by the Plan at year-end.

Under the United States Department of Labor Regulation 2520.103, historical cost information is not required to be disclosed for participant directed investments. All Plan investments are participant directed.

Note 3. Summary of Significant Accounting Policies, continued:

Also under the United States Department of Labor Regulation 2520.103, a schedule of five percent reportable transactions is not required for participant directed investments.

Note 4. Fair Value of Financial Instruments

The following information included in the financial statements and supplemental investment schedules was obtained from the data that has been prepared and certified to as complete and accurate by the trustee and administrator.

The Plan adopted Fair Value Measurements, which establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the Principle are described below:

Level 1 Inputs
Fair values are based on quotes prices (unadjusted) in active markets for identical assets that the plan has ability to access at the measurement date.

Level 2 Inputs
Fair values are based on inputs other than quoted prices included within Level 1 that are observable for valuing the asset or liability, either directly or indirectly.

Level 3 Inputs
Fair values are based on unobservable inputs used for valuing the asset or liability. Unobservable inputs are those that reflect the plan's own assumptions about the assumptions that market participants would use in pricing the asset, based on the best information available in the circumstances.

(Note 4 continued on page 12)

Note 4. Summary of Significant Accounting Policies, continued:

Input Levels by Investment Category- Fair Value Measurements at Reporting Date

Description	12/31/2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment Contract	**$ 1,685,706**	**$ -**	**$ -**	**$ 1,685,706**
Participant Loans	**587,058**	**-**	**-**	**587,058**
Mutual Fund	**11,568,749**	**11,568,749**	**-**	**-**
	$ 13,841,513	**$ 11,568,749**	**$ -**	**$ 2,272,764**

Effect of Level 3 Inputs on Net Assets or Liabilities

Investment Category	Beginning Balance	Total Gains or Losses	Interest Credited	Purchases, Issuances, Settlements, Net	Ending Balance, 12/31/09	Unrealized Gains or Losses
Investment Contract	**$ 1,660,025**	**$ (21,359)**	**$ 51,369**	**$ (4,329)**	**$ 1,685,706**	**$ (21,359)**
Participant Loans	**474,666**	**-**	**-**	**112,392**	**587,058**	**-**
	$ 2,134,691	**$ (21,359)**	**$ 51,369**	**$ 108,063**	**$ 2,272,764**	**$ (21,359)**

Input Levels by Investment Category- Fair Value Measurements at Reporting Date

Description	12/31/2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment Contract	$ 1,660,025	$ -	$ -	$ 1,660,025
Participant Loans	474,666	-	-	474,666
Mutual Fund	8,246,048	8,246,048	-	-
	$ 10,380,739	$ 8,426,048	$ -	$ 2,134,691

Effect of Level 3 Inputs on Net Assets or Liabilities

Investment Category	Beginning Balance	Total Gains or Losses	Interest Credited	Purchases, Issuances, Settlements Net	Ending Balance, 12/31/09	Unrealized Gains or Losses
Investment Contract	$1,053,914	$(44,211)	$45,225	$605,097	$1,660,025	$(44,211)
Participant Loans	414,732	-	-	59,934	474,666	-
	$1,468,646	$(44,211)	$45,225	$665,031	$2,134,691	$(44,211)

Note 5. Information Certified by Principal Life Insurance Company

The Plan Administrator has elected the method of compliance as permitted by 29 CFR 2520.103-8 of the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under ERISA.

Accordingly, the Plan Administrator instructed the Plan's independent auditors not to perform any auditing procedures with respect to the following information certified by Principal Life Insurance Company (Principal), except for comparing such information certified by Principal to information included in the Plan's financial statements and supplemental schedules.

Principal also certified the completeness and accuracy of $1,914,586 realized and unrealized gain and $3,079,396 of realized and unrealized losses respectively, and $318,192 and $45,225 of interest related to the aforementioned investments for the years ended December 31, 2009 and 2008, respectively.

The following tables present the fair value of the investments in this Plan that were certified by Principal. Single investments representing more than 5% of the Plan's net assets are separately identified as of December 31:

		2009
Investments Held by Principal Life Insurance Company at Fair Value:		
Principal Lifetime 2010 R5 Fund	**$**	**289,593**
Principal Lifetime 2020 R5 Fund		**731,166**
Principal Lifetime 2030 R5 Fund		**993,520**
Principal Lifetime 2040 R5 Fund		**763,586**
Principal Lifetime 2050 R5 Fund		**497,661**
Principal Lifetime STR INC R5 Fund		**5,277**
AM Funds Fdmntl Inv R3 Fund		**875,027**
Oppenheimer Value A Fund		**518,296**
Columbia Select SM CAP Z Fund		**281,578**
Columbia SMCAP Value II A Fund		**527,847**
Real Estate Securities R5 Fund++		**779,966**
PIMCO Total Return Fund		**3,061,447**
Guaranteed Income Option		**1,774,427**
All Other Investments		**2,830,841**
	$	**13,930,232**

Note 5. Information Certified by Principal Life Insurance Company, continued:

Investments Held by Principal Life Insurance Company at Fair Value:		2008
Principal Lifetime 2030 R5 Fund	$	750,388
Principal Real Estate Securities R5 Fund		622,862
PIMCO Total Return A Fund		2,495,386
Guaranteed Interest Investment Account		1,727,386
All Other Investments		4,852,077
	$	10,448,099

Note 6. Guaranteed Interest Investment Account

The Plan has a deposit administration contract with Principal Life Insurance Company (Principal). Principal maintains the Plan's deposits in an unallocated fund of various guaranteed certificates, to which it adds interest at various contracted rates. Withdrawals are permitted at any time without penalty and the contract has been determined to be fully benefit responsive as defined in SOP 94-4. Under SOP 94-4, contracts are required to be reported within net assets available for benefits at contract value and disclosure of adjustment from fair value is required. The investments carried at contract value as reported by Principal which approximates fair value, were $1,774,427 and $1,727,386 as of December 31, 2009 and 2008, respectively.

Accounting for Uncertainty of Income Taxes
The Company's current accounting policy is to provide liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of its tax status

Note 7. Tax Exempt Status

The Plan is qualified pursuant to Section 401(a) of the Internal Revenue Code and, accordingly, the Trust's net investment income is exempt from income taxes. Principal has received a tax determination letter dated August 7, 2001 from the Internal Revenue Service for their prototype plan and the Sponsor has elected to use this prototype plan. The Sponsor believes that the Plan qualifies and operates as designed.

Note 8. Deferred Distributions

As discussed in Note 1, upon termination, retirement or disability under the Company's disability plan prior to age 65, participants may elect to defer their distributions until the participant reaches age 65 or to an earlier date. During this deferral period, the participant's interest in the Plan will share in the actual experience of Plan investments and a subsequent valuation will be made immediately prior to actual distribution. The value of these deferred distributions was $1,436,200 and $172,852 as of December 31, 2009 and 2008, respectively.

Note 9. Reconciliation to Form 5500

Reconciliation of the differences between these financial statements and the financial information required on Form 5500 is as follows as of December 31:

	2009	2008
Net Assets per Financial Statements	**$ 13,808,393**	$ 10,263,310
Add: Excess Contribution Payable Accrual	**121,839**	184,789
Net Assets per Form 5500	**$ 13,930,232**	$ 10,448,099

Note 10. Termination of the Plan

Although it has not expressed any intent to do so, the Company has the right to terminate, amend or modify the Plan at any time, subject to the provisions of ERISA. In the event the Company terminated the Plan, participants or beneficiaries, as applicable, would be entitled to receive the assets allocated to participants' respective accounts.

Note 11. Reclassification of Amounts

Certain amounts for the year ended December 31, 2008 have been reclassified to conform to the presentation of amounts for the year ended December 31, 2009. There is no net effect on the 2008 net increase in net assets.

Note 12. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is July 26, 2010.

Bailey Browne CPA & Associates

INDEPENDENT AUDITOR'S REPORT ON
THE SUPPLEMENTARY INFORMATION PROVIDED BY
PLAN MANAGEMENT AND PRINCIPAL LIFE INSURANCE COMPANY

To the Board of Trustees
Marshall & Sterling Enterprises, Inc. 401(k) Plan
110 Main Street
Poughkeepsie, NY 12601

See the following supplementary investment schedules. Please refer to the Auditor's Report on page 1 referencing our disclaimer opinion. The supplemental schedules are the responsibility of Plan's management. The supplemental schedules of investment listed in the table of contents are presented for additional analysis and are not a required part of basic financial statements but are required by DOL.

Bailey Browne CPA & Associates

Bailey Browne CPA & Associates

Deborah Bailey Browne, CPA MBA
President/Managing Partner
July 26, 2010

MARSHALL AND STERLING ENTERPRISES, INC. 401 (K) PLAN
SCHEDULE 1- INVESTMENTS
DECEMBER 31, 2009
SEE INDEPENDENT AUDITOR'S REPORT

Attachment to Form 5500

2009 Schedule H, Line 4i: - Schedule of Assets (Held at year end)

EIN: 14-1769290 PN: 004

Identity of Issuer	Description of Investment		Current Value
Princor Financial Services	LIFETIME 2010 R5 FUND	**$**	**289,593**
Princor Financial Services	LIFETIME 2020 R5 FUND		**731,166**
Princor Financial Services	LIFETIME 2030 R5 FUND		**993,520**
Princor Financial Services	LIFETIME 2040 R5 FUND		**763,586**
Princor Financial Services	LIFETIME 2050 R5 Fund		**497,661**
Princor Financial Services	LIFETIME STR INC R5 FUND		**5,277**
The American Funds	FDMNTL INV R3 FUND		**875,027**
Oppenheimer	OPPENHEIMER VALUE A FUND		**518,296**
Columbia Funds	COLUMBIA SELECT SM CAP Z FD		**281,578**
Columbus Circle	LARGECAP GROWTH R4 FUND++		**538,025**
Columbia Funds	COLUMBUA SMCAP VALUE II A FUND		**527,847**
Princor Financial Services	PRIN REAL ESTATE SECS R5 FUND		**779,966**
PIMCO Funds	PIMCO TOTAL RETURN A FUND		**3,061,447**
Principal Life Insurance	PRIN FIXED INCOME 401(A)/(K)		**1,774,427**
Principal Global	MIDCAP S&P INDEX R5 400 FUND++		**407,820**
Principal Global	SMALLCAP S&P INDEX R5 600 FUND++		**380,577**
Capital Research & Mgmt	AM FDS EUROPACIFIC GRTH R3 FUND		**719,311**
Principal Global Investors	MONEY MARKET R5 FUND		**198,050**
Participant Loans	Rates Range from 5.25% to 10.25%		**587,058**
		$	**13,930,232**

MARSHALL AND STERLING ENTERPRISES, INC. 401 (K) PLAN
SCHEDULE 1- INVESTMENTS
DECEMBER 31, 2008
SEE INDEPENDENT AUDITOR'S REPORT

Attachment to Form 5500

2008 Schedule H, Line 4i: - Schedule of Assets (Held at year end)

EIN: 14-1769290 PN: 004

Identity of Issuer	Description of Investment	Current Value
Princor Financial Services	PRIN LIFETIME 2010 R5 FUND	$ 236,277
Princor Financial Services	PRIN LIFETIME 2020 R5 FUND	524,946
Princor Financial Services	PRIN LIFETIME 2030 R5 FUND	750,388
Princor Financial Services	PRIN LIFETIME 2040 R5 FUND	508,777
Princor Financial Services	PRIN LIFETIME 2050 R5 Fund	270,099
Princor Financial Services	PRIN LIFETIME STR INC R5 FUND	942
The American Funds	AM FUNDS FDMNTL INV R3 FUND	491,174
Aston Asset Management	ASTN/FORTIS INV MNY MKT N FD	404,600
Oppenheimer	OPPENHEIMER VALUE A FUND	293,484
Fidelity Investments	FIDELITY ADV LEV CO STK T FUND	102,816
Columbia Funds	COLUMBIA INTL STOCK A FUND	412,059
Columbia Funds	COLUMBIA SELECT SM CAP Z FD	111,622
Oppenheimer	OPPENHEIRMER MAIN ST SM CP A FD	282,457
Columbia Funds	COLUMBUA SMCAP VALUE II A FUND	359,781
Princor Financial Services	PRIN REAL ESTATE SECS R5 FUND	622,862
T. Rowe Price Funds	T. ROWE PRICE GROWTH STCK R FD	378,378
PIMCO Funds	PIMCO TOTAL RETURN A FUND	2,495,386
Principal Life Insurance Company	PRIN FIXED INCOME 401(A)/(K)	1,347,230
Participant Loans	Rates Range from 5.25% to 10.25%	474,666
		$ 10,067,944
Principle Life Insurance Co.	Guaranteed Interest	380,155
		$ 10,448,099

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SCHEDULE H, line 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)

MARSHALL & STERLING ENTERPRISES, INC.
401(K) PLAN
EIN 14 1769290
PLAN NUMBER 004
PLAN YEAR 01/01/2009 TO 12/31/2009

(A)	(B) Identity of issuer, borrower, lessor or similar party.	(C) Description of investment including maturity date, rate of interest, collateral, par or maturity value.	(D) Cost	(E) Current Value
*	Principal Life Insurance Company	Insurance Company General Prin Fixed Income 401(a)/(k)	$ 0.00	$ 1,774,426.95
*	Princor Financial Services	Registered Investment Company PRIN LARGECAP GROWTH R5 FUND	$ 0.00	$ 538,024.68
*	Princor Financial Services	Registered Investment Company PRINCIPAL MONEY MARKET R5 FUND	$ 0.00	$ 198,049.84
*	Princor Financial Services	Registered Investment Company PRIN MIDCAP S&P 400 IDX R5 FD	$ 0.00	$ 407,819.95
*	Princor Financial Services	Registered Investment Company PRIN SMCAP S&P 600 IDX R5 FUND	$ 0.00	$ 380,578.50
*	Princor Financial Services	Registered Investment Company Prin Real Estate Secs R5 Fund	$ 0.00	$ 779,965.64
*	Princor Financial Services	Registered Investment Company Prin LifeTime 2010 R5 Fund	$ 0.00	$ 289,592.81
*	Princor Financial Services	Registered Investment Company Prin LifeTime 2020 R5 Fund	$ 0.00	$ 731,166.15
*	Princor Financial Services	Registered Investment Company Prin LifeTime 2030 R5 Fund	$ 0.00	$ 993,519.63
*	Princor Financial Services	Registered Investment Company Prin LifeTime 2040 R5 Fund	$ 0.00	$ 763,586.42
*	Princor Financial Services	Registered Investment Company Prin LifeTime 2050 R5 Fund	$ 0.00	$ 497,660.53
*	Princor Financial Services	Registered Investment Company Prin LifeTime Str Inc R5 Fund	$ 0.00	$ 5,277.09
	American Funds Service Company	Registered Investment Company AM FDS EUROPACIFIC GRTH R3 FD	$ 0.00	$ 719,311.24
	The American Funds	Registered Investment Company Am Funds Fdmntl Inv R3 Fund	$ 0.00	$ 875,026.62
	PIMCO Funds	Registered Investment Company PIMCO Total Return A Fund	$ 0.00	$ 3,061,446.85

SCHEDULE H, line 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)

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SCHEDULE H, line 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)

MARSHALL & STERLING ENTERPRISES, INC.
401(K) PLAN
EIN 14 1769290
PLAN NUMBER 004
PLAN YEAR 01/01/2009 TO 12/31/2009

(A)	(B) Identity of issuer, borrower, lessor or similar party.	(C) Description of investment including maturity date, rate of interest, collateral, par or maturity value.	(D) Cost	(E) Current Value
	Oppenheimer	Registered Investment Company Oppenheimer Value A Fund	$ 0.00	$ 518,295.81
	Columbia Funds	Registered Investment Company Columbia Select Sm Cap Z Fd	$ 0.00	$ 281,578.48
	Columbia Funds	Registered Investment Company Columbia SmCap Value II A Fund	$ 0.00	$ 527,846.90
	Participant Loans	Range of Interest Rates Rates Range From 5.25% To 10.25%	$ 0.00	$ 587,058.00

SCHEDULE H, line 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)