

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
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Part I	Annual Report Identification Information
For calendar plan year 2009 or fiscal plan year beginning <u>10/01/2009</u> and ending <u>09/30/2010</u>	
A This return/report is for:	☐ a multiemployer plan; ☐ a multiple-employer plan; or ☒ a single-employer plan; ☐ a DFE (specify) ____
B This return/report is:	☐ the first return/report; ☐ the final return/report; ☐ 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:	☒ Form 5558; ☐ automatic extension; ☐ the DFVC program; ☐ special extension (enter description)

Part II	Basic Plan Information —enter all requested information
1a Name of plan KARLSBERGER COMPANIES EMPLOYEE STOCK OWNERSHIP PLAN	1b Three-digit plan number (PN) ▶ <u>003</u>
	1c Effective date of plan <u>10/01/1987</u>
2a Plan sponsor's name and address (employer, if for a single-employer plan) (Address should include room or suite no.) KARLSBERGER COMPANIES 99 EAST MAIN STREET COLUMBUS, OH 43215	2b Employer Identification Number (EIN) <u>31-0822139</u> 2c Sponsor's telephone number <u>614-461-9500</u> 2d Business code (see instructions) <u>541310</u>

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

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

SIGN HERE	Filed with authorized/valid electronic signature.	<u>07/15/2011</u>	<u>KENNETH LEACHMAN</u>
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Form 5500 (2009)
v.092307.1

3a Plan administrator's name and address (if same as plan sponsor, enter "Same") KARLSBERGER COMPANIES KENNETH B. LEACHMAN, RECEIVER 1463 BRIARMEADOW DRIVE COLUMBUS, OH 43235	3b Administrator's EIN 31-0822139 <hr/> 3c Administrator's telephone number 614-537-7246
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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 <hr/> 4c PN
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5 Total number of participants at the beginning of the plan year	5	105
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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	67
b Retired or separated participants receiving benefits.....	6b	10
c Other retired or separated participants entitled to future benefits.....	6c	
d Subtotal. Add lines 6a , 6b , and 6c	6d	77
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....	6e	
f Total. Add lines 6d and 6e	6f	77
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....	6g	
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....	6h	

7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	7	
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8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:
 2E 2O

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) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor
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10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules

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

b General Schedules

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

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 10/01/2009 and ending 09/30/2010		
A Name of plan KARLSBERGER COMPANIES EMPLOYEE STOCK OWNERSHIP PLAN	B Three-digit plan number (PN) ▶	003
C Plan sponsor's name as shown on line 2a of Form 5500 KARLSBERGER COMPANIES	D Employer Identification Number (EIN) 31-0822139	

Part I	Asset and Liability Statement
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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)		
(2) Participant contributions	1b(2)		
(3) Other.....	1b(3)		
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)		
(9) Value of interest in common/collective trusts.....	1c(9)		
(10) Value of interest in pooled separate accounts.....	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)		
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
(15) Other	1c(15)		

1d Employer-related investments:

		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)	1140397	187930
(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	1140397	187930

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h		
i Acquisition indebtedness	1i		
j Other liabilities	1j		
k Total liabilities (add all amounts in lines 1g through 1j)	1k		

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	1140397	187930
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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 Contributions:**

		(a) Amount	(b) Total
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)		
(B) Participants	2a(1)(B)		
(C) Others (including rollovers)	2a(1)(C)		
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		

b Earnings on investments:**(1) Interest:**

(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)		
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)		
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		
(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)		
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)		
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		
(3) Rents	2b(3)		
(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		

		(a) Amount	(b) Total
2b (5) Unrealized appreciation (depreciation) of assets: (A) Real estate.....	2b(5)(A)		
(B) Other	2b(5)(B)	-825058	
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		-825058
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		
c Other income.....	2c		
d Total income. Add all income amounts in column (b) and enter total.....	2d		-825058

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	115675	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		115675
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions).....	2g		
h Interest expense.....	2h		
i Administrative expenses: (1) Professional fees	2i(1)	11734	
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)		
(4) Other	2i(4)		
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		11734
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		127409

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		-952467
l Transfers of assets:			
(1) To this plan.....	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

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

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

(1) ☒ Unqualified (2) ☐ Qualified (3) ☐ Disclaimer (4) ☐ Adverse

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

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

(1) Name: HIRTH NORRIS & GARRISON

(2) EIN: 31-1158488

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.).....		X	
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.).....		X	
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.)		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.).....		X	
e Was this plan covered by a fidelity bond?.....		X	
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
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?		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?		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.).....	X		
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.).....		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?.....		X	
l Has the plan failed to provide any benefit when due under the plan?		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.).....		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.			

- 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)

KARLSBERGER COMPANIES
EMPLOYEE STOCK OWNERSHIP PLAN

FINANCIAL STATEMENTS

* * * * *

SEPTEMBER 30, 2010 AND 2009

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Partners

JAMES E. NORRIS, CPA
JODI L. GARRISON, CPA
TIMOTHY R. HARRIS, CPA

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Kenneth B. Leachman, Receiver for Karlsberger Companies
Karlsberger Companies Employee Stock Ownership Plan

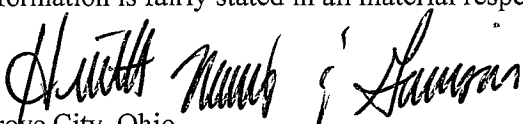
We have audited the accompanying statements of net assets available for benefits of the Karlsberger Companies Employee Stock Ownership Plan as of September 30, 2010 and 2009, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's administrative committee. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 8 to the financial statements, the Board of Directors of Karlsberger Companies, the Plan's sponsor, on June 23, 2011, filed an application for Receivership with the courts. As part of this filing the plan will be terminated. In accordance with accounting principles generally accepted in the United States of America, the Plan has changed its basis of accounting used from the ongoing plan basis to the liquidation basis for periods after June 23, 2011.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Karlsberger Companies Employee Stock Ownership Plan as of September 30, 2010 and 2009, and the changes in its financial status for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets held for investment purposes as of September 30, 2010, is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied audit of the financial statements or to the statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.


Grove City, Ohio
July 14, 2011



KARLSBERGER COMPANIES
EMPLOYEE STOCK OWNERSHIP PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
SEPTEMBER 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Investments:		
At fair value as determined by independent appraisal:		
Sponsor company common stock	\$ <u>187,930</u>	\$ <u>1,140,397</u>
TOTAL ASSETS	187,930	1,140,397
LIABILITIES	<u>0</u>	<u>0</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 187,930</u>	<u>\$ 1,140,397</u>

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

KARLSBERGER COMPANIES
EMPLOYEE STOCK OWNERSHIP PLAN
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
INCREASES		
Investment income		
Unrealized gain on investment as determined by independent appraisal	\$ <u>0</u>	\$ <u>0</u>
TOTAL ADDITIONS	0	0
DECREASES		
Unrealized loss in investment as determined by independent appraisal	825,058	670,822
Distributions to participants	115,675	139,022
Professional fees	<u>11,734</u>	<u>0</u>
CHANGE IN NET ASSETS DURING THE YEAR	(952,467)	(809,844)
NET ASSETS AVAILABLE FOR BENEFITS		
Beginning of Year	<u>1,140,397</u>	<u>1,950,241</u>
End of Year	<u>\$ 187,930</u>	<u>\$ 1,140,397</u>

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

KARLSBERGER COMPANIES
EMPLOYEE STOCK OWNERSHIP PLAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - PLAN DESCRIPTION

General

Karlsberger Companies (Plan sponsor and Employer) established the Karlsberger Companies Employee Stock Ownership Plan (Plan) effective October 1, 1987. The Plan has been amended several times since its inception to comply with applicable Federal tax and retirement laws. The Plan is administered by the Employer as well as appointed Trustees. The Employer has the option of appointing a Retirement Committee.

The Plan originally purchased the shares of the Plan sponsor's common stock from Mr. Karlsberger, upon his retirement, with the proceeds of a bank loan which has since been repaid. Minor additions have been made to the Plan from repurchase of stock over the years. A 5:1 stock split was declared on September 1, 2006. The split resulted in the Plan shares increasing by 49,193.056. The Plan owns 45,836.5462 shares of the Plan sponsor's common stock as of September 30, 2010.

The Plan is a defined contribution profit sharing plan. Contributions by the sponsor are optional and can be up to 15% of eligible compensation. Two accounts are maintained by the Plan trustee for each participant in the Plan. The stock account of a participant contains all the stock of the Plan sponsor credited or allocated to him. The investment account of a participant contains any interest in other Plan assets credited to or allocated to him or investments made by the participant under the Plan's diversification procedures. Forfeitures of nonfully vested terminated employees are reallocated to active participants based on the relationship of an acting participant's compensation to total compensation paid all participants. Forfeitures redistributed were \$0 in 2010 and \$0 in 2009. No employee contributions are permitted.

Diversification

Diversification is offered to participants close to retirement age pursuant to Internal Revenue Code Section 401(a)(28). Under this code section, a qualified participant has the opportunity to move part of the value of his investment in Company stock to investments which are more diversified. Diversification is offered to each eligible participant over a six-year period. In each of the first five years, a qualified participant may diversify 25% of his Company stock account. In the sixth year, 50% of the Company stock account may be diversified.

A qualified participant may direct the Plan trustee to convert the stock into cash and: a) transfer the cash to another qualified plan of the Company that is not invested primarily in the Company's common stock; b) elect a direct rollover of such cash, and c) transfer such cash to his investment account within the Plan for investment in no less than four investment options.

Eligibility

Any employee age 21 or over with one year of service (1,000 or more hours of service) with the Plan sponsor and participating subsidiaries is eligible to participate in the Plan. Employees who do not have at least 1,000 hours of service or are not employed on the last day of the year are generally not eligible to participate in the Plan nor are they eligible for an allocation of sponsor contributions and forfeitures, if any, for such year.

KARLSBERGER COMPANIES
EMPLOYEE STOCK OWNERSHIP PLAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - PLAN DESCRIPTION (Continued)

Vesting

A participant shall become fully vested in his stock and investment accounts after completion of 5 years of vesting service.

Benefits

No distributions from the Plan will be made until a participant retires, dies, is disabled or otherwise terminates employment with the Plan sponsor. Distributions of vested account balances are to be paid in 5 substantially equal annual installments, unless the account balance is \$5,000 or less. Accounts under \$5,000 are permitted to be paid in one lump sum payment.

Prior Period Adjustment

The financial statements for the prior year ended September 30, 2009, have been restated for presentation of these comparative financial statements. An error occurred resulting in a miscalculation regarding the beginning number of allocated shares of sponsor's common stock on September 30, 2008. The adjustment required the total number of shares held by the plan to be increased by 1,823.662.

This adjustment caused net assets at fair value at September 30, 2009 to be increased by \$40,303, as well as total net assets available for benefits by the same amount. Additionally, unrealized loss on investments for the year ended September 30, 2009 was increased by \$23,708 on the statement of changes in net assets available for benefits. Net assets available for benefits at September 30, 2008 was also increased by \$64,011 to reflect the additional shares at the respective fair market value.

NOTE 2 - ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Plan are prepared using the accrual method of accounting.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Investment Valuation and Income Recognition

The common shares of the Plan sponsor are valued at fair value on September 30, 2010 and 2009. Fair value is determined by independent appraisal.

The Plan's other investment assets, if any, are stated at fair value based on quoted market prices.

KARLSBERGER COMPANIES
EMPLOYEE STOCK OWNERSHIP PLAN
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - ACCOUNTING POLICIES (Continued)

Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

Benefits

Benefits are recorded when paid.

Expenses

The Plan Sponsor pays all administrative expenses of the Plan.

NOTE 3 - INVESTMENTS

The Plan's investments at September 30, are as follows:

	2010		2009	
	<u>Allocated</u>	<u>Unallocated</u>	<u>Allocated</u>	<u>Unallocated</u>
Sponsor Company common stock				
Number of shares	45,836.5462	0	51,070.695	530.975
Fair value	\$ 187,930	\$ 0	\$ 1,128,662	\$ 11,735

NOTE 4 - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Statement No. 157 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 – Inputs to the valuations methodology include quoted market prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value. The methodologies used for 2010 were first adopted October 1, 2008, for valuation and disclosure purposes.

The fair value of the sponsor company common stock held by the plan is valued at fair value based upon an independent appraisal. This appraisal was based upon a combination of the market and income valuation techniques consistent with prior years. The appraiser took into account historical and projected cash flow and net income, return on assets, return on equity, market comparables and estimated fair value of company assets and liabilities.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of September 30, 2010.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Sponsor company common stock	\$ -	\$ -	\$ 187,930	\$ 187,930
Total fair value	\$ -	\$ -	\$ 187,930	\$ 187,930

The following table sets forth a summary of changes in the fair value of the plan's Level 3 assets for the year ended September 30, 2010.

	<u>Sponsor Company – common stock</u>
Beginning balance	\$ 1,140,397
Realized gains (losses)	0
Unrealized gains (losses)	(825,058)
Purchases, sales, issuances and settlements (net)	(127,409)
Ending balance	\$ 187,930

NOTE 5 - TAX STATUS

The Internal Revenue Service has determined and informed the Plan sponsor that the Plan is qualified as tax exempt under appropriate sections of the Internal Revenue Code (Code). The Plan has been amended since receiving the determination letter. However, the Plan trustee believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Code. See Note 8 for additional information.

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NOTE 6 - PLAN TERMINATION

The Plan sponsor, on June 23, 2011, filed an application to be placed in Receivership. Accordingly, the Plan will be terminated as soon as it is practical to do so. The termination of the Plan shall not decrease any Participant's account balance or accrued benefit or reduce any beneficiary's interest in the Plan or divert any portion of the Plan to a purpose other than the exclusive benefit of the participants and their beneficiaries except as may be required to satisfy liabilities under the Plan, including Plan maintenance and administrative costs.

NOTE 7 - RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The audited financial statements and form 5500 are in agreement.

NOTE 8 - AMENDMENTS AND SUBSEQUENT EVENTS

The Plan sponsor, on June 23, 2011, filed an application to be placed in Receivership with the courts. As part of this filing, the plan will be terminated. The sole asset of the Plan is sponsor common stock, and therefore, it is not yet been determined the overall affect the filing will have on the valuation of the common stock and related funds needed to pay benefits. The Plan will be terminated in accordance with existing DOL and ERISA rules and regulations. The decision to terminate the Plan requires the switch to the liquation basis of accounting for all periods following the decision date of June 23, 2011.

The Plan document was amended and restated effective October 1, 2009. This restated document has been submitted to the Internal Revenue Service for approval, however, as of the date of the audit report no determination has been made. The Plan trustee believes the Internal Revenue Service will render a favorable determination. Subsequent events were evaluated through June 18, 2010, the date which the statements were available to be issued.

The Plan was amended, effective October 1, 2008, to modify several sections of the plan document in accordance with the Pension Protection Act of 2006. Accordingly, several sections were modified or deleted and replaced with new sections.

KARLSBERGER COMPANIES
EMPLOYEE STOCK OWNERSHIP PLAN
EIN: 31-0822139 PN: 003
LINE 4i, SCHEDULE H, FORM 5500
SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES
SEPTEMBER 30, 2010

	<u>Number of Shares or Units</u>	<u>Current Value</u>
Nonparticipant directed:		
*Karlsberger Companies	45,836.5462	\$ <u>187,930</u>
Total Investments		\$ <u>187,930</u>

*Investment in Plan sponsor common stock

KARLSBERGER COMPANIES
EMPLOYEE STOCK OWNERSHIP PLAN
EIN: 31-0822139 PN: 003
LINE 4i, SCHEDULE H, FORM 5500
SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES
SEPTEMBER 30, 2010

	<u>Number of Shares or Units</u>	<u>Current Value</u>
Nonparticipant directed:		
*Karlsberger Companies	45,836.5462	\$ <u>187,930</u>
Total Investments		\$ <u>187,930</u>

*Investment in Plan sponsor common stock