

Form 5500-SF Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Short Form Annual Return/Report of Small Employee Benefit Plan This form is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA), and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code). Complete all entries in accordance with the instructions to the Form 5500-SF.	OMB Nos. 1210-0110 1210-0089 <div style="border: 1px solid black; padding: 5px; text-align: center; font-weight: bold; font-size: 1.2em;">2011</div> This Form is Open to Public Inspection
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Part I Annual Report Identification Information			
For calendar plan year 2011 or fiscal plan year beginning <u>01/01/2011</u> and ending <u>12/31/2011</u>			
A	This return/report is for:	<input checked="" type="checkbox"/> a single-employer plan <input type="checkbox"/> a multiple-employer plan (not multiemployer) <input type="checkbox"/> a one-participant plan	
B	This return/report is:	<input checked="" type="checkbox"/> the first return/report <input type="checkbox"/> the final return/report <input checked="" type="checkbox"/> an amended return/report <input type="checkbox"/> a short plan year return/report (less than 12 months)	
C	Check box if filing under:	<input type="checkbox"/> Form 5558 <input type="checkbox"/> automatic extension <input type="checkbox"/> DFVC program <input type="checkbox"/> special extension (enter description)	

Part II Basic Plan Information —enter all requested information			
1a Name of plan LOYALTY METHODS, INC. 401(K)		1b Three-digit plan number (PN)	001
		1c Effective date of plan	01/01/2011
2a Plan sponsor's name and address; include room or suite number (employer, if for a single-employer plan) LOYALTY METHODS, INC. 80 YESLER WAY SUITE 310 SEATTLE, WA 98104		2b Employer Identification Number (EIN)	20-8741196
		2c Sponsor's telephone number	206-669-6532
		2d Business code (see instructions)	541512
3a Plan administrator's name and address (if same as plan sponsor, enter "Same") LOYALTY METHODS, INC. 80 YESLER WAY SUITE 310 SEATTLE, WA 98104		3b Administrator's EIN	20-8741196
		3c Administrator's telephone number	206-669-6532
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	
5a Total number of participants at the beginning of the plan year		5a	14
b Total number of participants at the end of the plan year		5b	13
c Number of participants with account balances as of the end of the plan year (defined benefit plans do not complete this item)		5c	3
6a Were all of the plan's assets during the plan year invested in eligible assets? (See instructions.)		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
b Are you claiming a waiver of the annual examination and report of an independent qualified public accountant (IQPA) under 29 CFR 2520.104-46? (See instructions on waiver eligibility and conditions.)		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
If you answered "No" to either 6a or 6b, the plan cannot use Form 5500-SF and must instead use Form 5500.			

Part III Financial Information			
7 Plan Assets and Liabilities		(a) Beginning of Year	(b) End of Year
a Total plan assets	7a		8266
b Total plan liabilities	7b		
c Net plan assets (subtract line 7b from line 7a)	7c	0	8266
8 Income, Expenses, and Transfers for this Plan Year		(a) Amount	(b) Total
a Contributions received or receivable from:			
(1) Employers	8a(1)		
(2) Participants	8a(2)	7875	
(3) Others (including rollovers)	8a(3)		
b Other income (loss)	8b	391	
c Total income (add lines 8a(1), 8a(2), 8a(3), and 8b)	8c		8266
d Benefits paid (including direct rollovers and insurance premiums to provide benefits)	8d		
e Certain deemed and/or corrective distributions (see instructions)	8e		
f Administrative service providers (salaries, fees, commissions)	8f		
g Other expenses	8g		
h Total expenses (add lines 8d, 8e, 8f, and 8g)	8h		0
i Net income (loss) (subtract line 8h from line 8c)	8i		8266
j Transfers to (from) the plan (see instructions)	8j		

Part IV Plan Characteristics**9a** 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 3D 3F

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

	Yes	No	Amount
10 During the plan year:			
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? (See instructions and DOL's Voluntary Fiduciary Correction Program)		X	
b Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 10a.)		X	
c Was the plan covered by a fidelity bond?	X		1000
d Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
e Were any fees or commissions paid to any brokers, agents, or other persons by an insurance carrier, insurance service or other organization that provides some or all of the benefits under the plan? (See instructions.)		X	
f Has the plan failed to provide any benefit when due under the plan?		X	
g Did the plan have any participant loans? (If "Yes," enter amount as of year end.)		X	
h If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)		X	
i If 10h was answered "Yes," check the box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3			

Part VI Pension Funding Compliance

11 Is this a defined benefit plan subject to minimum funding requirements? (If "Yes," see instructions and complete Schedule SB (Form 5500)) ☐ Yes ☐ No

12 Is this a defined contribution plan subject to the minimum funding requirements of section 412 of the Code or section 302 of ERISA? .. ☐ Yes ☒ No
(If "Yes," complete 12a or 12b, 12c, 12d, and 12e below, as applicable.)

a 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 letter ruling granting the waiver. Month _____ Day _____ Year _____

If you completed line 12a, complete lines 3, 9, and 10 of Schedule MB (Form 5500), and skip to line 13.

b Enter the minimum required contribution for this plan year	12b	
c Enter the amount contributed by the employer to the plan for this plan year	12c	
d Subtract the amount in line 12c from the amount in line 12b. Enter the result (enter a minus sign to the left of a negative amount)	12d	

e Will the minimum funding amount reported on line 12d be met by the funding deadline? ☐ Yes ☐ No ☐ N/A

Part VII Plan Terminations and Transfers of Assets

13a Has a resolution to terminate the plan been adopted in any plan year? ☐ Yes ☒ No
If "Yes," enter the amount of any plan assets that reverted to the employer this year **13a**

b Were all the plan assets distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC? ☐ Yes ☒ No

c 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.)

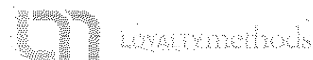
13c(1) Name of plan(s):	13c(2) EIN(s)	13c(3) PN(s)

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, if applicable, a Schedule SB or Schedule MB completed and signed by an enrolled actuary, 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.	09/19/2012	PADMA KILARU
	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

80 Yester way, Suite#310, Seattle, WA 98104
800-493-2040 (Phone) 206-299-3554(Fax)



Department of Treasury
Internal Revenue Service
Ogden, UT 84201-0020

September13, 2012

To whom it may concern,

We started our 401K plan in september2011 and terminated our plan in March2012 and didn't realize that Form 5500-SF is due on July31, 2012. This is the first year of filling this form and we are not aware of the filling deadline until we received an email from ADP advising our annual return is available now to E file on Aug31, 2012. Unfortunately we didn't receive any form of communication prior to this email regarding the deadline of this form 5500-SF. In the plan termination booklet we received from ADP didn't talk about this Annual return other than the Final form 5500 which need to be filed no later than seven months from the date of last distribution of the plan assets which is due in October 2012.

We have every intention of complying with reporting and disclosure rules. We believe that the late filing of this Form 5500 is the result of reasonable cause, not willful neglect. Since this is the first year of doing this new procedure, we do not anticipate the same issues in the future and the filings in the future will be timely. We would ask for abatement of the proposed late filing penalty.

We have always filed and paid our taxes on time. We appreciate your prompt attention to this matter, and if you need any additional information, please feel free to contact me at ph#206 669 6532.

Sincerely,

K. Padma Kilaru

Padma Kilaru

Contracts/Accounts Manager

Loyalty Methods Inc

Ph#206 669 6532

Fax#206 299 3554

