

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), 6057(b), and 6058(a) of the Internal Revenue Code (the Code). <p style="text-align: center;">▶ Complete all entries in accordance with the instructions to the Form 5500.</p>	OMB Nos. 1210-0110 1210-0089 <div style="text-align: center; font-size: 1.5em; font-weight: bold;">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:	☐ 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	<u>SEBESTA BLOMBERG & ASSOCIATES, INC. EMPLOYEE STOCK OWNERSHIP PLAN</u>		1b Three-digit plan number (PN) ▶ <u>002</u>
			1c Effective date of plan <u>01/01/2001</u>
2a Plan sponsor's name and address, including room or suite number (Employer, if for single-employer plan)	<u>SEBESTA BLOMBERG & ASSOCIATES, INC.</u> <u>2381 ROSEGATE</u> <u>ROSEVILLE, MN 55113</u>		2b Employer Identification Number (EIN) <u>41-1787792</u>
			2c Sponsor's telephone number <u>651-634-0775</u>
			2d Business code (see instructions) <u>541330</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	<u>Filed with authorized/valid electronic signature.</u>	<u>10/11/2012</u>	<u>TODD GILLES</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 (2011)
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3a Plan administrator's name and address (if same as plan sponsor, enter "Same") SEBESTA BLOMBERG & ASSOCIATES, INC. 2381 ROSEGATE ROSEVILLE, MN 55113	3b Administrator's EIN 41-1787792 3c Administrator's telephone number 651-634-0775
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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 4c PN
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5 Total number of participants at the beginning of the plan year	5	227
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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	179
b Retired or separated participants receiving benefits.....	6b	0
c Other retired or separated participants entitled to future benefits.....	6c	71
d Subtotal. Add lines 6a , 6b , and 6c	6d	250
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....	6e	1
f Total. Add lines 6d and 6e	6f	251
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....	6g	220
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....	6h	7

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:

2I 2P

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)	9b Plan benefit arrangement (check all that apply)
(1) ☐ Insurance	(1) ☐ Insurance
(2) ☐ Code section 412(e)(3) insurance contracts	(2) ☐ Code section 412(e)(3) insurance contracts
(3) ☒ Trust	(3) ☒ Trust
(4) ☐ General assets of the sponsor	(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)** ☒ **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 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
		2011
		This Form is Open to Public Inspection.

For calendar plan year 2011 or fiscal plan year beginning 01/01/2011 and ending 12/31/2011

A Name of plan SEBESTA BLOMBERG & ASSOCIATES, INC. EMPLOYEE STOCK OWNERSHIP PLAN	B Three-digit plan number (PN) ▶ 002
C Plan sponsor's name as shown on line 2a of Form 5500 SEBESTA BLOMBERG & ASSOCIATES, INC.	D Employer Identification Number (EIN) 41-1787792

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)..... ☒ 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
MARSHALL & ILSLEY TRUST COMPANY NA

39-1186267

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

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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)

(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 ☐

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)

(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.	

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
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(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) <small>Department of the Treasury Internal Revenue Service</small> <small>Department of Labor Employee Benefits Security Administration</small> <small>Pension Benefit Guaranty Corporation</small>	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 2011 This Form is Open to Public Inspection
For calendar plan year 2011 or fiscal plan year beginning <u>01/01/2011</u> and ending <u>12/31/2011</u>		
A Name of plan <u>SEBESTA BLOMBERG & ASSOCIATES, INC. EMPLOYEE STOCK OWNERSHIP PLAN</u>		B Three-digit plan number (PN) <u>002</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>SEBESTA BLOMBERG & ASSOCIATES, INC.</u>		D Employer Identification Number (EIN) <u>41-1787792</u>

Part I	Asset and Liability Statement		(a) Beginning of Year	(b) End of Year
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	Total noninterest-bearing cash	1a		
b	Receivables (less allowance for doubtful accounts):			
	(1) Employer contributions	1b(1)	1590678	
	(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)	10830	5618
	(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)	10501397	10000764
(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	12102905	10006382

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h		117417
i Acquisition indebtedness	1i	4494230	2919200
j Other liabilities	1j		
k Total liabilities (add all amounts in lines 1g through 1j)	1k	4494230	3036617

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	7608675	6969765
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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) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	175219	
(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)		175219
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)		0
(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)		0
(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)		0

		(a) Amount	(b) Total
2b (5) Unrealized appreciation (depreciation) of assets: (A) Real estate.....	2b(5)(A)		
(B) Other	2b(5)(B)	-500633	
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		-500633
(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		-325414

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	180431	
(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)		180431
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions).....	2g		
h Interest expense.....	2h		133065
i Administrative expenses: (1) Professional fees	2i(1)		
(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)		0
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		313496

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		-638910
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: HLB TAUTGES REDPATH, LTD.

(2) EIN: 41-0975573

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		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?		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.			
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 2011 This Form is Open to Public Inspection.
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For calendar plan year 2011 or fiscal plan year beginning 01/01/2011 and ending 12/31/2011

A Name of plan <u>SEBESTA BLOMBERG & ASSOCIATES, INC. EMPLOYEE STOCK OWNERSHIP PLAN</u>	B Three-digit plan number (PN) ▶ <u>002</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>SEBESTA BLOMBERG & ASSOCIATES, INC.</u>	D Employer Identification Number (EIN) <u>41-1787792</u>

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	<u>0</u>
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): <u>39-6436442</u>		
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 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 (include any prior year accumulated funding deficiency not waived)	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 or other authority 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. 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): _____

- 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): _____



TAUTGES REDPATH, LTD.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors, the Trustees and Participants
Sebesta Blomberg & Associates, Inc.
Employee Stock Ownership Plan
Roseville, Minnesota

We have audited the accompanying statements of net assets available for benefits of Sebesta Blomberg & Associates, Inc. Employee Stock Ownership Plan (the Plan) as of December 31, 2011 and 2010, 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 management. 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 audit 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Sebesta Blomberg & Associates, Inc. Employee Stock Ownership Plan as of December 31, 2011 and 2010, and the changes in net assets available for benefits 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, as listed in the table of contents, 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 in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

October 9, 2012

HLB Tautges Redpath, Ltd.

HLB TAUTGES REDPATH, LTD.
Certified Public Accountants

4810 White Bear Parkway White Bear Lake, MN 55110 651.426.7000 651.426.5004 fax www.hlbtr.com
Equal Opportunity Employer 100-Percent Employee-Owned

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SEBESTA BLOMBERG & ASSOCIATES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2011 and 2010

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SEBESTA BLOMBERG & ASSOCIATES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN
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TAUTGES REDPATH, LTD.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors, the Trustees and Participants
Sebesta Blomberg & Associates, Inc.
Employee Stock Ownership Plan
Roseville, Minnesota

We have audited the accompanying statements of net assets available for benefits of Sebesta Blomberg & Associates, Inc. Employee Stock Ownership Plan (the Plan) as of December 31, 2011 and 2010, 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 management. 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 audit 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Sebesta Blomberg & Associates, Inc. Employee Stock Ownership Plan as of December 31, 2011 and 2010, and the changes in net assets available for benefits 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, as listed in the table of contents, 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 in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

October 9, 2012

HLB Tautges Redpath, Ltd.

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FINANCIAL STATEMENTS

Statement 1

	2010		
	Allocated	Unallocated	Total
Assets:			
Investment in Sebesta Blomberg & Associates, Inc. common stock, at estimated fair value	\$4,728,051	\$5,773,346	\$10,501,397
Investment in money market account	10,830	-	10,830
Employer contributions receivable	-	1,590,678	1,590,678
Liabilities:			
Notes payable	-	(4,494,230)	(4,494,230)
Net assets available for benefits	\$4,738,881	\$2,869,794	\$7,608,675

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SEBESTA BLOMBERG & ASSOCIATES, INC.**EMPLOYEE STOCK OWNERSHIP PLAN****Statement 2****STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

For The Years Ended December 31, 2011 and 2010

	2011		Total
	Allocated	Unallocated	
Additions:			
Employer contributions	\$175,219	\$ -	\$175,219
Deductions:			
Net depreciation in fair value of the investment in Sebesta Blomberg & Associates, Inc. common stock	328,433	172,200	500,633
Distributions to participants	180,431	-	180,431
Interest expense	-	133,065	133,065
Total deductions	508,864	305,265	814,129
Net (decrease) before allocation	(333,645)	(305,265)	(638,910)
Allocation of common stock of Sebesta Blomberg & Associates, Inc.	2,161,246	(2,161,246)	-
Net increase (decrease)	1,827,601	(2,466,511)	(638,910)
Net assets available for benefits:			
Beginning of year	4,738,881	2,869,794	7,608,675
End of year	<u>\$6,566,482</u>	<u>\$403,283</u>	<u>\$6,969,765</u>
	2010		Total
	Allocated	Unallocated	
Investment results:			
Net appreciation in fair value of the investment in Sebesta Blomberg & Associates, Inc. common stock	\$906,969	\$1,107,488	\$2,014,457
Interest income	3	-	3
Employer contributions	203,715	1,957,895	2,161,610
Net investment results and contributions	1,110,687	3,065,383	4,176,070
Deductions:			
Distributions to participants	199,737	-	199,737
Interest expense	-	130,740	130,740
Total deductions	199,737	130,740	330,477
Net increase before allocation	910,950	2,934,643	3,845,593
Allocation of common stock of Sebesta Blomberg & Associates, Inc.	954,202	(954,202)	-
Net increase	1,865,152	1,980,441	3,845,593
Net assets available for benefits:			
Beginning of year	2,873,729	889,353	3,763,082
End of year	<u>\$4,738,881</u>	<u>\$2,869,794</u>	<u>\$7,608,675</u>

The accompanying notes are an integral part of these financial statements

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SEBESTA BLOMBERG & ASSOCIATES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

Note 1 DESCRIPTION OF PLAN

The following description of the Sebesta Blomberg & Associates, Inc. Employee Stock Ownership Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

- A. General. The Plan was established by Sebesta Blomberg & Associates, Inc. (the Company). The Plan, as amended and restated effective January 1, 2007, is intended to meet the requirements of Section 401(a) and to constitute an employee stock ownership plan (ESOP) within the meaning of Section 4975 (e)(7) and to comply with the related regulations of the Internal Revenue Code of 1986 (Code), as amended, and is subject to the applicable provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

The Plan's assets were held by Alerus Financial, N.A., the Plan's named fiduciary and custodian. Effective March 2010, Marshall & Ilsley Trust Company N.A. has been named the Plan's fiduciary and custodian. Certain administrative functions are performed by officers or employees of the Company. No such officer or employee receives compensation from the Plan.

The Plan purchased Sebesta Blomberg & Associates, Inc. common stock (Company stock) from the Company and former shareholders on January 15, 2008, thereby becoming a leveraged ESOP. As the Plan makes each payment of principal and interest, an appropriate percentage of Company stock is allocated to eligible participant accounts in accordance with applicable provisions of the Plan. The Company and former shareholders have no rights against shares once they are allocated under the ESOP. Accordingly, the financial statements of the Plan present separately the assets and liabilities and changes therein pertaining to:

- a. The accounts of participants with vested rights in allocated stock (allocated)
- b. Stock not yet allocated to participants (unallocated)

Unallocated shares which are allocated to accounts of participants as a result of principal and interest payments made by the Plan are valued using the most recent valuation of the Company stock, as determined by an annual independent appraisal of Company stock, at the time of the payment. Unallocated shares are allocated to accounts of participants in the year principal and interest payments are paid.

- B. Eligibility. Employees of the Company are generally eligible to participate in the Plan on their date of hire. Entry dates are the first day of each month. Additionally, participants must have completed 1,000 hours of service and be actively employed on the last day of the Plan year to share in the discretionary contributions for the year, unless the employee terminates during the year and has attained the age of 65 or terminates due to death or disability.
- C. Payment of Benefits. No distributions from the Plan will be made until a participant's retirement upon reaching age 65, total and permanent disability, death (in which case payments shall be made to his or her beneficiary), attainment of age 70 ½, or termination of employment with the Company. Participants who terminate employment with the Company and have an account balance totaling \$10,000 or less will receive their benefits from the Plan in a single lump-sum payment. Participants who terminate employment with the Company and have an account balance greater than \$10,000 will receive their benefits in five or more installments. Distributions may be made in cash or Company

SEBESTA BLOMBERG & ASSOCIATES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

stock or both, as directed by the participant. Distributions during any Plan year shall be made only after the fair market value is determined for December 31 of the preceding Plan year.

- D. Voting Rights. Each Participant will be entitled to direct the voting of stock allocated to their account with respect to certain matters of the Company, as defined by the Plan. The trustees shall vote all shares of stock held by the Plan for which they have received instructions from participants in accordance with those instructions. The trustees shall vote all shares of stock held by the Plan in unallocated accounts, shares of stock in allocated accounts for which no instructions were received, and all shares of stock on voting matters in which participants are not entitled to vote, in accordance with the trustees' discretion.
- E. Plan Amendment and Termination. The Company reserves the right to amend or terminate the Plan at any time, subject to the Plan's provisions. Upon such termination of the Plan, all participants shall become 100 percent vested, and the interest of each participant in the trust will be distributed to each participant or his or her beneficiary at the time prescribed by the Plan terms and the Code. Upon termination of the Plan, the trustees shall pay all liabilities and expenses of the trust and sell shares of financed Company stock held in the loan suspense account to the extent necessary to repay related loans, if any.
- F. Vesting. For participants who have not completed one hour of service after December 31, 2006, vesting is credited at 20 percent after three years of service and increases by 20 percent per year until seven years of service, when participants are fully vested. For participants who have completed one hour of service after December 31, 2006, vesting is credited at 20 percent after one year of service and increases by 20 percent per year until five years of service, when participants are fully vested. Participants will become fully vested in their accounts in the event of reaching normal retirement age of 65, total and permanent disability, or death, while employed by the Company.
- G. Participant Accounts and Forfeitures. The Plan is a defined contribution plan under which separate individual accounts are established for each participant. As of each valuation date, each participant's account is credited with forfeitures of Company stock, any earnings or losses (net appreciation or net depreciation), and the participant's allocable share of employer contributions. Allocations are based on a participant's eligible compensation (as defined) in proportion to total eligible compensation. Forfeitures to be allocated to participants totaled approximately \$45,000 during 2011 and approximately \$76,000 during 2010.
- H. Notes Receivable From Participants. Notes receivable from participants are not allowed by the Plan.
- I. Put Option. Under federal income tax regulations, employer stock held by the Plan and its participants that is not readily tradable on an established market, or is subject to trading limitations, includes a put option (liquidity put). The liquidity put is a right to demand that the Company buy any shares of its stock distributed to participants for which there is no market. The put price is representative of the fair market value of the stock, as determined by the most recent appraised value of the Company stock. The purpose of the liquidity put is to ensure that the participant has the ability to ultimately obtain cash. Neither the Company nor the Plan is obligated to purchase Company stock from participants more than 120 days after the stock has been distributed from the Plan.
- J. Diversification. Participants are allowed to convert Company stock into other investments while still employed by the Company after attaining age 55 and after 10 years of participation in the Plan. Diversification is offered to each eligible participant over a six-year period. Participants may diversify

SEBESTA BLOMBERG & ASSOCIATES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

up to 25 percent of their vested account balance in Company stock during a five-year period, with the maximum increasing to 50 percent in the sixth and final year. The shares that are diversified will be transferred to the Sebesta Blomberg & Associates, Inc. Savings and Retirement Plan.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Method of Accounting. The financial statements of the Plan are prepared under the accrual method of accounting.
- B. Use 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, liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.
- C. Investment Valuation and Income Recognition. The investment in Company stock is stated at estimated fair value as determined by an independent appraisal. The investment in the money market account is carried at cost plus accrued income, which approximates fair value. See Note 5 for discussion of fair value measurements.

Net appreciation (depreciation) in the estimated fair value of the investment in Company stock is based entirely on the independent appraisal. Interest income is recorded on the accrual basis.

- D. Operating Expenses. All expenses of maintaining the Plan are paid by the Company.
- E. Share Allocation. Shares to be released with debt payments are allocated to participants when the debt payments are made.

Note 3 FUNDING POLICY

The Company is required to make contributions to the Plan in amounts needed for the Plan's debt service. In addition, the Company may make discretionary contributions to the Plan for liquidity requirements, as determined by the Company's Board of Directors. Contributions may be in cash or Company stock. Employee contributions to the Plan are not permitted.

Note 4 INVESTMENTS IN COMPANY STOCK

The Plan is designed to invest primarily in Company stock. To the extent that Company stock is available at a price which is not greater than its fair market value, the assets of the Plan shall be invested in Company stock. During 2010, the Plan made required principal and interest payments on notes payable totaling approximately \$974,000, which resulted in the allocation of 67,008.57 share of Company stock at a fair value of approximately \$954,000. The Company declared an additional discretionary contribution to the Plan for the year ended December 31, 2010, totaling \$1,590,678, which was not paid by the Plan until 2011. Accordingly, the Plan did not allocate the related shares until the additional contributions were received in 2011. During 2011, the Plan allocated 122,658.66 shares in connection with the contribution recorded in 2010, but not paid until 2011.

SEBESTA BLOMBERG & ASSOCIATES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

The Plan's investment in Company stock at December 31, 2011 and 2010 is presented in the following table:

	2011		2010	
	Allocated	Unallocated	Allocated	Unallocated
Number of shares	390,993.00	205,000.00	268,334.34	327,658.66
Cost	\$4,217,678	\$2,919,200	\$2,726,148	\$4,410,730
Estimated fair value	6,560,864	3,439,900	4,728,051	5,773,346

The Company stock is valued by an independent valuation specialist at least annually. Because of the inherent subjectivity in any valuation, the estimated fair values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

The following investment represents 5% or more of the Plan's net assets available for Plan benefits as of December 31, 2011 and 2010:

	2011	2010
Sebesta Blomberg & Associates, Inc. common stock	\$10,000,764	\$10,501,397

Note 5 FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB)'s authoritative guidance, *Fair Value Measurements and Disclosures*, provides a 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's authoritative guidance are described below:

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 valuation methodology include:

- Quoted 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's 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.

SEBESTA BLOMBERG & ASSOCIATES, INC.
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Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2011 and 2010.

Investment in money market account: The investment in money market account is valued by totaling the Investor Class shares' pro rata share of the value of the Fund's investments, cash and other assets, subtracting the shares' pro rata share of the Fund's general liabilities and the liabilities specifically allocated to the Investor Class shares, then dividing the result by the number of Investor Class shares outstanding.

Investment in Sebesta Blomberg & Associates, Inc. common stock: The Company's common stock has been valued at estimated fair value as determined by an independent appraiser as of December 31, 2011 (report dated June 5, 2012), and as of December 31, 2010 (report dated March 16, 2011). The Company's stock is not available for purchase in public markets. Accordingly, an independent appraisal was conducted taking into consideration historical financial data, current business operations, future prospects for the Company, projected cash flows and other factors pertinent to the valuation of investments.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while 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 December 31:

	2011			
	Level 1	Level 2	Level 3	Total
Investment in Sebesta Blomberg & Associates, Inc. common stock	\$ -	\$ -	\$10,000,764	\$10,000,764
Investment in money market account	-	5,618	-	5,618
Total investments at fair value	<u>\$0</u>	<u>\$5,618</u>	<u>\$10,000,764</u>	<u>\$10,006,382</u>
	2010			
	Level 1	Level 2	Level 3	Total
Investment in Sebesta Blomberg & Associates, Inc. common stock	\$ -	\$ -	\$10,501,397	\$10,501,397
Investment in money market account	-	10,830	-	10,830
Total investments at fair value	<u>\$0</u>	<u>\$10,830</u>	<u>\$10,501,397</u>	<u>\$10,512,227</u>

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The table below sets forth a sum of changes in the fair value of the Plan's level 3 assets for the year ended December 31, 2011:

	Sebesta Blomberg & Associates, Inc. Common Stock
Balance, beginning of year	\$10,501,397
Unrealized losses	(500,633)
Balance, end of year	<u>\$10,000,764</u>

Note 6 NOTES PAYABLE

Notes payable are secured by unallocated shares of Company stock. Notes payable at December 31, consisted of the following:

	<u>2011</u>	<u>2010</u>
4.46% note payable to Company, annual interest-only payments due December 31, 2009 to December 31, 2012, at which time annual principal and interest begin again, final payment made in June 2011	\$ -	\$1,341,044
8.00% notes payable to shareholders, due in various annual installments plus interest, final payments made in January 2011	-	233,986
4.00% note payable to Company, due in annual installments of \$264,743 with the final principal and interest payment due March 2026	<u>2,919,200</u>	<u>2,919,200</u>
	<u>\$2,919,200</u>	<u>\$4,494,230</u>

The aggregate annual maturities required on long-term debt outstanding at December 31 are approximately as follows:

<u>Years Ending December 31</u>	
2012	\$123,342
2013	152,908
2014	159,025
2015	165,386
Thereafter	<u>2,318,539</u>
	<u>\$2,919,200</u>

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Note 7 TAX STATUS

The Internal Revenue Service has determined and informed the Company by a letter dated June 21, 2010 that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). Although the Plan has been amended since receiving the determination letter, the Plan administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable provisions of the IRC.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2008.

Note 8 PARTY-IN-INTEREST TRANSACTIONS

The Plan has an investment in a money market account held by Marshall & Ilsley Trust Company N.A., which is the fiduciary and custodian, as defined by the Plan. Therefore, these transactions qualify as party-in-interest transactions. Transactions with the Plan sponsor also qualify as party-in-interest transactions.

Note 9 SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 9, 2012, which is the date the financial statements were available to be issued.

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SUPPLEMENTAL SCHEDULE

SEBESTA BLOMBERG & ASSOCIATES, INC.**EMPLOYEE STOCK OWNERSHIP PLAN**

EIN 41-1787792

Schedule 1

PLAN NUMBER 002

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

December 31, 2011

(a)	(b)	(c)	(d)	(e)
	Identity of Issuer, Borrower etc.	Description	Cost	Current Value
*	Sebesta Blomberg & Associates, Inc. common stock - 390,993 allocated shares	Sponsor Company's Common Stock	\$4,217,678	\$6,560,864
*	Sebesta Blomberg & Associates, Inc. common stock - 205,000 unallocated shares	Sponsor Company's Common Stock	2,919,200	3,439,900
*	Marshall Prime Money Market Cl Y	Money Market	5,618	5,618
			<u>\$7,142,496</u>	<u>\$10,006,382</u>

*Indicates parties-in-interest

SPONSOR: SEBESTA BLOMBERG & ASSOCIATES, INC.

EIN: 41-1787792

PLAN NUMBER: 002

NAME: SEBESTA BLOMBERG & ASSOCIATES, INC. EMPLOYEE STOCK OWNERSHIP PLAN

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

December 31, 2011

(a) (b) Identity of issue, 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
* BMO FUNDS * SEBESTA BLOMBERG - Common stock allocated * SEBESTA BLOMBERG - Common stock unallocated	BMO PRIME MONEY MARKET CL Y # 200 COMMON STOCK COMMON STOCK	5,618 4,217,678 2,919,200	5,618 6,560,864 3,439,900

* A party-in-interest as defined by ERISA