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).

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

OMB Nos. 1210-0110
1210-0089

2012

This Form is Open to Public Inspection

Part I Annual Report Identification Information

For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

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

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

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

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

Part II Basic Plan Information—enter all requested information

1a Name of plan
PEOPLES PHARMACY, INC. 401(K) PLAN

1b Three-digit plan number (PN) ▶ 001

1c Effective date of plan 01/01/2002

2a Plan sponsor's name and address; include room or suite number (employer, if for a single-employer plan)

PEOPLES PHARMACY, INC.

3801-C SOUTH LAMAR
AUSTIN, TX 78704

2b Employer Identification Number (EIN)
74-2256665

2c Sponsor's telephone number
512-447-1799

2d Business code (see instructions)
446110

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.	09/05/2013	WILLIAM SWAIL
	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

Preparer's name (including firm name, if applicable) and address; include room or suite number. (optional)

Preparer's telephone number (optional)

3a Plan administrator's name and address [X] Same as Plan Sponsor Name [ ] Same as Plan Sponsor Address

3b Administrator's EIN

3c Administrator's telephone number

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

a Sponsor's name

4b EIN

4c PN

5	Total number of participants at the beginning of the plan year	**5**	200
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**	216
b	Retired or separated participants receiving benefits	**6b**	1
c	Other retired or separated participants entitled to future benefits	**6c**	17
d	Subtotal. Add lines **6a**, **6b**, and **6c**	**6d**	234
e	Deceased participants whose beneficiaries are receiving or are entitled to receive benefits	**6e**	0
f	Total. Add lines **6d** and **6e**	**6f**	234
g	Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)	**6g**	113
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**	

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

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

9a Plan funding arrangement (check all that apply)

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

9b Plan benefit arrangement (check all that apply)

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

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

a Pension Schedules

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

b General Schedules

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

SCHEDULE C (Form 5500)	Service Provider Information	OMB No. 1210-0110
Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	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.**	**2012** **This Form is Open to Public Inspection.**

For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

A Name of plan
PEOPLES PHARMACY, INC. 401(K) PLAN

B Three-digit plan number (PN) ▶ 001

C Plan sponsor's name as shown on line 2a of Form 5500
PEOPLES PHARMACY, INC.

D Employer Identification Number (EIN)
74-2256665

Part I Service Provider Information (see instructions)

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

1 Information on Persons Receiving Only Eligible Indirect Compensation

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

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

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

ERIK ANDERSON
12466 LOS INDIOS TRAIL
SUITE 200
AUSTIN, TX 78729

(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)

EMPLOYEE INCENTIVE PLANS, INC.

12466 LOS INDIOS TRAIL
SUITE 200
AUSTIN, TX 78759

(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?
12 13 15 29 37 38 64	TPA, RK	36592	Yes [X] No [ ]	Yes [X] No [ ]	0	Yes [ ] No [ ]

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

RICE INVESTMENT ADVISORY

12466 LOS INDIOS TRAIL
SUITE 200
AUSTIN, TX 78729

(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?
16 26 31 51 70	INV ADV	10324	Yes [X] No [ ]	Yes [X] No [ ]	0	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.	

Part II Service Providers Who Fail or Refuse to Provide Information

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

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

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

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

(complete as many entries as needed)

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

Explanation:

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

Explanation:

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

Explanation:

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

Explanation:

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

Explanation:

SCHEDULE H (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Financial Information

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

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

OMB No. 1210-0110

2012

This Form is Open to Public Inspection

For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

A Name of plan
PEOPLES PHARMACY, INC. 401(K) PLAN

B Three-digit plan number (PN) ▶ 001

C Plan sponsor's name as shown on line 2a of Form 5500
PEOPLES PHARMACY, INC.

D Employer Identification Number (EIN)
74-2256665

Part I Asset and Liability Statement

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

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)	9022	0
(2) Participant contributions	1b(2)	12889	0
(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)	46176	32652
(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)	3480639	4226092
(14) Value of funds held in insurance company general account (unallocated contracts)	1c(14)		
(15) Other	1c(15)		

			(a) Beginning of Year	(b) End of Year
1d	Employer-related investments:			
	(1) Employer securities	1d(1)		
	(2) Employer real property	1d(2)		
e	Buildings and other property used in plan operation	1e		
f	Total assets (add all amounts in lines 1a through 1e)	1f	3548726	4258744
	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 through1j)	1k	0	0
	Net Assets			
l	Net assets (subtract line 1k from line 1f)	1l	3548726	4258744

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)	298397	
	(B) Participants	2a(1)(B)	429122	
	(C) Others (including rollovers)	2a(1)(C)	15390	
	(2) Noncash contributions	2a(2)		
	(3) Total contributions. Add lines **2a(1)(A), (B), (C),** and line **2a(2)**	2a(3)		742909
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)	1437	
	(F) Other	2b(1)(F)		
	(G) Total interest. Add lines **2b(1)(A)** through **(F)**	2b(1)(G)		1437
	(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
	(5) Unrealized appreciation (depreciation) of assets: **(A)** Real estate	2b(5)(A)		
	(B) Other	2b(5)(B)		
	(C) Total unrealized appreciation of assets. Add lines **2b(5)(A)** and **(B)**	2b(5)(C)		0

		(a) Amount	(b) Total
(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)		375175
c Other income	2c		
d Total income. Add all **income** amounts in column (b) and enter total	2d		1119521
Expenses			
e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	358981	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)	-448	
(4) Total benefit payments. Add lines **2e(1)** through **(3)**	2e(4)		358533
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)		
(2) Contract administrator fees	2i(2)	39441	
(3) Investment advisory and management fees	2i(3)	10324	
(4) Other	2i(4)	1205	
(5) Total administrative expenses. Add lines **2i(1)** through **(4)**	2i(5)		50970
j Total expenses. Add all **expense** amounts in column (b) and enter total	2j		409503
Net Income and Reconciliation			
k Net income (loss). Subtract line **2j** from line **2d**	2k		710018
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)** [X] Disclaimer **(4)** [ ] Adverse

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

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

(1) Name: BOUNDS, CHATELAIN & PHARR, PC **(2)** EIN: 74-2617174

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 lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

		Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)	4a		X	
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)	4b		X	

			Yes	No	Amount
c	Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)	4c		X	
d	Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)	4d		X	
e	Was this plan covered by a fidelity bond?	4e	X		400000
f	Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?	4f		X	
g	Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?	4g		X	
h	Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?	4h		X	
i	Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	4i	X		
j	Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.)	4j		X	
k	Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?	4k		X	
l	Has the plan failed to provide any benefit when due under the plan?	4l		X	
m	If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	4m		X	
n	If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.	4n			

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

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

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

Part V Trust Information (optional)

6a Name of trust	**6b** Trust's EIN

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

2012

This Form is Open to Public Inspection.

For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

A Name of plan
PEOPLES PHARMACY, INC. 401(K) PLAN

B Three-digit plan number (PN) ▶ 001

C Plan sponsor's name as shown on line 2a of Form 5500
PEOPLES PHARMACY, INC.

D Employer Identification Number (EIN)
74-2256665

Part I Distributions

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

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

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

EIN(s): 04-3523567

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

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

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

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

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

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

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

6 **a** Enter the minimum required contribution for this plan year (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 lines 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 lines 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 lines 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 lines 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 lines 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 lines 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 line 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 lines (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 line 19(b)?
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify):

EIN 74-2256665
PLAN NUMBER 001

PEOPLES PHARMACY, INC.
401(K) PLAN

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

DECEMBER 31, 2012 AND 2011

PEOPLES PHARMACY, INC.
401(K) PLAN

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Financial Statements	
Statements of Net Assets Available for Benefits	2
Statements of Changes in Net Assets Available for Benefits	3
Notes to Financial Statements	4-10
Supplemental Schedule	
Form 5500 - Schedule H, Part IV, Line 4 (i) - Schedule of Assets Held at End of Year	12-13

Bounds Chatelain & Pharr
A Professional Corporation
Certified Public Accountants

AUSTIN ✪ TEXAS

EIN 74-2256665
PLAN NUMBER 001

INDEPENDENT AUDITORS' REPORT

To the Trustees
Peoples Pharmacy, Inc. 401(k) Plan

We were engaged to audit the accompanying statements of net assets available for benefits of Peoples Pharmacy, Inc. 401(k) Plan as of December 31, 2012 and 2011 and the related statements of changes in net assets available for benefits for the years ended December 31, 2012 and 2011 and the supplemental schedule as of and for the year ended December 31, 2012 as listed in the accompanying table of contents. These financial statements and schedule are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note E, which was certified by Fidelity Investments, the investment custodian of the Plan, except for comparing the information with the related information included in the 2012 and 2011 financial statements and supplemental schedule. We have been informed by the plan administrator that the investment custodian holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the investment custodians as of and for the years ended December 31, 2012 and December 31, 2011 that the information provided to the plan administrator by the investment custodian is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedule taken as a whole as of or for the years ended December 31, 2012 and December 31, 2011. The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by Fidelity Investments, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Bounds Chatelain & Pharr, PC

Austin, Texas
August 13, 2013

✪
5750 Balcones Dr. · Suite 208 · Austin · Texas · 78731
voice 512-458-2178 · fax 512-458-8376
http://www.bcpcpa.com

PEOPLES PHARMACY, INC.
401(K) PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 2012 AND 2011

ASSETS	2012	2011
Investments, at fair value (Notes A, E and F)		
Investments in registered companies	$ 4,226,092	$ 3,480,639
Receivables		
Employee contributions	-	12,889
Employer contributions	-	9,022
Notes receivable - participant loans (Note B)	32,652	46,176
Total receivables	32,652	68,087
Total assets	4,258,744	3,548,726
LIABILITIES	-	-
Net Assets Available for Benefits	$ 4,258,744	$ 3,548,726

See auditors' report and notes to financial statements.

PEOPLES PHARMACY, INC.
401(K) PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
ADDITIONS		
Contributions		
Employer contributions, net of forfeitures applied of $17,219 in 2012 and $3,132 in 2011 (Note B)	$ 298,397	$ 271,953
Employee deferrals	429,122	392,979
Rollovers	15,390	42,606
Total contributions	742,909	707,538
Investment income		
Gain (loss) on investment	375,175	(182,202)
Loan interest	1,437	2,091
Total investment income (loss)	376,612	(180,111)
Total increases	1,119,521	527,427
DEDUCTIONS		
Benefits paid to participants/beneficiaries (Note B)	358,533	78,834
Contract administrator fees (Note B)	39,441	34,794
Investment advisory and management fees	10,324	7,428
Other fees	1,205	1,030
Total deductions	409,503	122,086
Net increase in asset balance available for benefits	710,018	405,341
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	3,548,726	3,143,385
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	$ 4,258,744	$ 3,548,726

See auditors' report and notes to financial statements.

PEOPLES PHARMACY, INC.
401(K) PLAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting. The financial statements for the Plan are prepared using the accrual method of accounting.

2. 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.

3. Investment Valuation. The Plan's investments are held and maintained by an investment custodian in a pooled separate account which is regulated, supervised and subject to periodic examination by Federal agencies. The Plan investments are valued at the net asset value per share computed for each fund. In the computation of net asset values, securities held by the various funds are valued at prices which equal or approximate market value. Cash equivalents are stated at cost which approximates market value.

4. Risk and Uncertainties. The Plan invests in a variety of investment funds. Investments in general are exposed to various risks, such as interest rate, credit and overall volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

5. Payment of Benefits. Benefits are recorded when paid.

B. DESCRIPTION OF PLAN

The following description of Peoples Pharmacy, Inc. 401(k) Plan (the Plan) is provided for general information only. Participants should refer to the plan agreement for a more complete description of the Plan's provisions.

1. General. The Plan is a 401(k) profit sharing plan, formed on January 1, 2002, covering all eligible employees of Peoples Pharmacy, Inc. (the Company). It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

2. Participation. All employees, except union employees and nonresident aliens, are eligible to participate in this Plan immediately upon reaching one thousand (1,000) hours of employment with the Company and having attained the age of eighteen (18).

3. Contributions. All employee contributions are elective deferrals pursuant to a salary reduction up to the maximum percentage allowable not to exceed the limits of Internal Revenue Code (IRC) Sections 401(k), 402(g), 404 and 415. For 2012 and 2011, a participant's compensation taken into account under the Plan was limited to $250,000 and $245,000, respectively, as required by IRC Section 401(a)(17) as amended by OBRA '93. Total elective deferrals are limited to a maximum of $17,000 and $16,500 for plan years ended December 31, 2012 and 2011. Compensation includes the employees elective contributions.

   Participants age 50 or older, may elect to defer additional amounts, called "catch-up" contributions. The additional amounts may be deferred regardless of any other limitations. The maximum additional contribution amount for plan years ended December 31, 2012 and 2011 is $5,500.

   Employer matching contributions are equal to a discretionary percentage of the participant's contributions and are determined by the employer at the end of each plan year. The employer matching contributions for the plan years ended December 31, 2012 and 2011 was based on a formula of seventy percent (70%) of salary deferrals up to one hundred percent (100%) of compensation.

PEOPLES PHARMACY, INC.
401(K) PLAN

NOTES TO FINANCIAL STATEMENTS
(Continued)

DECEMBER 31, 2012 AND 2011

B. DESCRIPTION OF PLAN (Continued)

4. Employee Rollovers. Employee rollovers from other qualified plans are accepted by the Plan for any eligible employee, even if they are not a current participant.

5. Participant Accounts. Accounting records for individual participant accounts are maintained by a third-party administrator. Each participant account is credited with the participant's income deferral and a portion of the Company's matching contribution. Plan earnings and losses, including realized and unrealized gains and losses, are also allocated to the individual participant accounts. Participants are allowed to direct their investments under the Plan.

6. Administrative Expenses. All reasonable expenses of administration including, but not limited to, those involved in retaining necessary professional assistance may be paid from the assets of the Plan. The Company may, in its discretion, pay such expenses. The Plan paid administrative and investment fees totaling $50,970 and $43,252 for the plan years ended December 31, 2012 and 2011, respectively.

7. Vesting. Participants are twenty percent (20%) vested in employer contributions after two years of service and twenty percent (20%) for each year thereafter. A participant is one-hundred percent (100%) vested after six years of service. Employer contributions also become 100% vested when the participant dies, becomes disabled or attains normal retirement age. Participants are immediately and fully vested in their elective salary deferral contributions.

8. Participant Accounts and Payments of Benefits. A separate account is maintained for each plan participant. The participant account balance includes employee deferrals, employer matching contributions and net allocated investment income and losses. Upon termination of service, a participant may elect a lump-sum payment, a direct rollover or a partial withdrawal provided the minimum withdrawal is $500 or more. An annuity payout option is not available.

9. Forfeitures. Participant forfeitures of non-vested matching contributions are applied to future employer matching contributions. Forfeitures are not used to pay administrative expenses. Forfeitures totaled $17,219 and $3,132 for the plan years ended December 31, 2012 and 2011, respectively.

10. Loans to Participants. Participants may borrow from their fund accounts a minimum of $1,000 of their vested accounts. A participant may only have one loan outstanding at any time. Loans are treated as participant directed investments. Loan terms range from 1 to 5 years and are secured by the vested balance in the participant's account. Interest rates are determined at funding using the prime interest rate plus one percent. Principal and interest are paid ratably through payroll period deductions. The interest rates on participant loans outstanding as of December 31, 2012 was 5.25%.

C. PLAN REVISION, AMENDMENT AND TERMINATION

The Company has revised and/or amended the Plan as deemed necessary to comply with changes in the Federal pension plan statutes and ERISA. Although Peoples Pharmacy, Inc. has not expressed any intent to do so, the Company has the right to terminate the Plan at any time, subject to the provisions of ERISA. Upon the full termination of the Plan, the employer shall direct the distribution of the Plan assets to all eligible participants.

D. TAX STATUS

The Internal Revenue Service has issued an opinion letter for this prototype plan dated March 31, 2008. The plan administrator and tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code.

PEOPLES PHARMACY, INC.
401(K) PLAN

NOTES TO FINANCIAL STATEMENTS
(Continued)

DECEMBER 31, 2012 AND 2011

D. TAX STATUS (Continued)

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 by the Internal Revenue Service. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits of any tax periods in progress. The plan administrator believes it is no longer subject to income tax examinations for years prior to 2009.

E. INVESTMENTS CERTIFIED BY INVESTMENT CUSTODIAN

The following information included in the accompanying financial statements and supplemental schedule was obtained from data that has been prepared and certified as complete and accurate by Fidelity Investments for the plan years ending December 31, 2012 and 2011.

Investments at December 31, 2012:	Fair Market Value	
Dreyfus Greater China A	$ 149,910	
Dreyfus Technology Growth A	90,834	
Eaton Vance Large-Cap Value A	110,871	
Wells Fargo Advantage Precious Metals A	75,686	
Fidelity Select MM	522,113	*
Federated Total Return Govt	145,933	
Invesco MC Core Equity	344,916	*
Heartland Select Value	79,354	
Heartland Value Plus	71,535	
Columbia Small-Cap Core	111,100	
Blackrock S&P 500 Index A	211,379	*
Neuberger Berman Real Estate A	25,550	
Oppenheimer Gold & Special Minerals A	158,948	
Pimco Low Duration D	1,276	
Pimco Total Return D	672,932	*
Capital World Bond R3	17,331	
Europacific R3	133,560	
Fundamental Investors R3	231,699	*
Growth Fund of America R3	320,339	*
Income Fund of America R3	302,289	*
Capital World Growth & Income R3	238,564	*
Rydex Internet Adv	76,469	
Ivy Mid Cap Growth Y	101,136	
Ivy Small Cap Growth Y	15,775	
Cash Clearing Account	16,593	
Account value at Fidelity Investments as of December 31, 2012	$ 4,226,092	

* Investment represents 5% or more of net assets available for benefits.

PEOPLES PHARMACY, INC.
401(K) PLAN

NOTES TO FINANCIAL STATEMENTS
(Continued)

DECEMBER 31, 2012 AND 2011

E. INVESTMENTS CERTIFIED BY INVESTMENT CUSTODIAN (Continued)

Investments at December 31, 2011:	Fair Market Value	
Dreyfus Greater China A	$ 19,934	
Dreyfus Technology Growth A	49,389	
Eaton Vance Large-Cap Value A	79,267	
Wells Fargo Advantage Precious Metals A	163,849	
Fidelity Select MM	661,488	*
Federated Total Return Govt	117,696	
Invesco MC Core Equity	271,311	*
Heartland Select Value	100,277	
Heartland Value Plus	37,730	
Keeley Small Cap Value A	70,995	
Blackrock S&P 500 Index A	121,215	
Neuberger Berman Real Estate A	44,560	
Oppenheimer Gold & Special Minerals A	157,149	
Pimco Total Return D	534,372	*
Capital World Bond R3	21,621	
Europacific R3	84,402	
Fundamental Investors R3	135,542	
Growth Fund of America R3	239,151	*
Income Fund of America R3	243,961	*
Capital World Growth & Income R3	175,219	*
Rydex Internet Adv	69,748	
Ivy Mid Cap Growth Y	75,702	
Ivy Small Cap Growth Y	4,699	
Cash Clearing Account	1,362	
Account value at Fidelity Investments as of December 31, 2011	$ 3,480,639	

* Investment represents 5% or more of net assets available for benefits.

PEOPLES PHARMACY, INC.
401(K) PLAN

NOTES TO FINANCIAL STATEMENTS
(Continued)

DECEMBER 31, 2012 AND 2011

F. FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB), Accounting Standards Codification (ACS) 820 regarding *Fair Value Measurements*, establishes 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 ASC 820 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 with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

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, 2012 and 2011.

Common stocks, corporate bonds and U.S. Government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value of shares held by the plan at year end.

Insurance contracts: Valued at cash value less surrender value at year end.

Participant loans: Valued at amortized cost, which approximates fair value.

Guaranteed investment contract: Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

PEOPLES PHARMACY, INC.
401(K) PLAN

NOTES TO FINANCIAL STATEMENTS
(Continued)

DECEMBER 31, 2012 AND 2011

F. FAIR VALUE MEASUREMENTS (Continued)

	Assets at Fair Value as of December 31, 2012			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 4,226,092	$ -	$ -	$ 4,226,092
Insurance contracts	-	-	-	-
Common stocks	-	-	-	-
Corporate bonds	-	-	-	-
U.S. government securities	-	-	-	-
Guaranteed investment contract	-	-	-	-
Participant loans	32,652	-	-	32,652
Total assets at fair value	$ 4,258,744	$ -	$ -	$ 4,258,744

	Assets at Fair Value as of December 31, 2011			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 3,480,639	$ -	$ -	$ 3,480,639
Insurance contracts	-	-	-	-
Common stocks	-	-	-	-
Corporate bonds	-	-	-	-
U.S. government securities	-	-	-	-
Guaranteed investment contract	-	-	-	-
Participant loans	46,176	-	-	46,176
Total assets at fair value	$ 3,526,815	$ -	$ -	$ 3,526,815

The Plan does not have Level 3 assets so a separate table representing the changes in those assets is not presented.

PEOPLES PHARMACY, INC.
401(K) PLAN

NOTES TO FINANCIAL STATEMENTS
(Continued)

DECEMBER 31, 2012 AND 2011

G. SUBSEQUENT EVENTS

The Plan did not have any subsequent events through August 13, 2013, the date that the financial statements were available to be issued, for events requiring disclosure or recording in the financial statements, for the plan year ended December 31, 2012.

SUPPLEMENTAL SCHEDULE

PEOPLES PHARMACY, INC.
401(K) PLAN

YEAR ENDED DECEMBER 31, 2012

SUPPLEMENTAL SCHEDULE

FORM 5500 - SCHEDULE H, PART IV, LINE 4(i) - SCHEDULE OF ASSETS HELD AT END OF YEAR

(a) Party at Interest	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity date.	(d) Cost **	(e) Current value
None	Fidelity Investments	Equities Dreyfus Greater China A		$ 149,910
None	Fidelity Investments	Equities Dreyfus Technology Growth A		90,834
None	Fidelity Investments	Equities Eaton Vance Large-Cap Value A		110,871
None	Fidelity Investments	Equities Wells Fargo Advantage Precious Metals A		75,686
None	Fidelity Investments	Equities Fidelity Select MM		522,113
None	Fidelity Investments	Equities Federated Total Return Govt		145,933
None	Fidelity Investments	Equities Invesco MC Core Equity		344,916
None	Fidelity Investments	Equities Heartland Select Value		79,354
None	Fidelity Investments	Equities Heartland Value Plus		71,535
None	Fidelity Investments	Equities Columbia Small-Cap Core		111,100
None	Fidelity Investments	Equities Blackrock S&P 500 Index A		211,379
None	Fidelity Investments	Equities Neuberger Berman Real Estate A		25,550
None	Fidelity Investments	Equities Oppenheimer Gold & Special Minerals A		158,948
None	Fidelity Investments	Equities Pimco Low Duration D		1,276

(Continued)

See auditors' report and notes to financial statements.

PEOPLES PHARMACY, INC.
401(K) PLAN

YEAR ENDED DECEMBER 31, 2012

SUPPLEMENTAL SCHEDULE
(Continued)

FORM 5500 - SCHEDULE H, PART IV, LINE 4(i) - SCHEDULE OF ASSETS HELD AT END OF YEAR

(a) Party at Interest	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity date.	(d) Cost **	(e) Current value
None	Fidelity Investments	Equities Pimco Total Return D		$ 672,932
None	Fidelity Investments	Equities Capital World Bond R3		17,331
None	Fidelity Investments	Equities Europacific R3		133,560
None	Fidelity Investments	Equities Fundamental Investors R3		231,699
None	Fidelity Investments	Equities Growth Fund of America R3		320,339
None	Fidelity Investments	Equities Income Fund of America R3		302,289
None	Fidelity Investments	Equities Capital World Growth & Income R3		238,564
None	Fidelity Investments	Equities Rydex Internet Adv		76,469
None	Fidelity Investments	Equities Ivy Mid Cap Growth Y		101,136
None	Fidelity Investments	Equities Ivy Small Cap Growth Y		15,775
None	Fidelity Investments	Cash Cash Clearing Account		16,593
None	Participant Loans	Interest Rate 5.25% Various Maturity Dates		32,652
		Total		$ 4,258,744

**Cost omitted due to participant directed transactions under individual account plan

See auditors' report and notes to financial statements.

PEOPLES PHARMACY, INC.
401(K) PLAN

YEAR ENDED DECEMBER 31, 2012

SUPPLEMENTAL SCHEDULE

FORM 5500 - SCHEDULE H, PART IV, LINE 4(i) - SCHEDULE OF ASSETS HELD AT END OF YEAR

(a) Party at Interest	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity date.	(d) Cost **	(e) Current value
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None	Fidelity Investments	Equities Oppenheimer Gold & Special Minerals A		158,948
None	Fidelity Investments	Equities Pimco Low Duration D		1,276

(Continued)

See auditors' report and notes to financial statements.

PEOPLES PHARMACY, INC.
401(K) PLAN

YEAR ENDED DECEMBER 31, 2012

SUPPLEMENTAL SCHEDULE
(Continued)

FORM 5500 - SCHEDULE H, PART IV, LINE 4(i) - SCHEDULE OF ASSETS HELD AT END OF YEAR

(a) Party at Interest	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity date.	(d) Cost **	(e) Current value
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**Cost omitted due to participant directed transactions under individual account plan

See auditors' report and notes to financial statements.