

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 2012 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2012 or fiscal plan year beginning <u>01/01/2012</u> and ending <u>12/31/2012</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>EVY OF CALIFORNIA, INC. EMPLOYEE STOCK OWNERSHIP PLAN</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1b Three-digit plan number (PN) ▶</td> <td style="width: 20%; text-align: center;"><u>001</u></td> </tr> <tr> <td colspan="2">1c Effective date of plan <u>01/01/2012</u></td> </tr> </table>	1b Three-digit plan number (PN) ▶	<u>001</u>	1c Effective date of plan <u>01/01/2012</u>	
1b Three-digit plan number (PN) ▶	<u>001</u>				
1c Effective date of plan <u>01/01/2012</u>					
2a Plan sponsor's name and address; include room or suite number (employer, if for a single-employer plan) <u>EVY OF CALIFORNIA, INC.</u> <u>810A S. FLOWER STREET</u> <u>LOS ANGELES, CA 90017</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>2b Employer Identification Number (EIN) <u>95-2295981</u></td> </tr> <tr> <td>2c Sponsor's telephone number <u>213-763-6100</u></td> </tr> <tr> <td>2d Business code (see instructions) <u>315990</u></td> </tr> </table>	2b Employer Identification Number (EIN) <u>95-2295981</u>	2c Sponsor's telephone number <u>213-763-6100</u>	2d Business code (see instructions) <u>315990</u>	
2b Employer Identification Number (EIN) <u>95-2295981</u>					
2c Sponsor's telephone number <u>213-763-6100</u>					
2d Business code (see instructions) <u>315990</u>					

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

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

SIGN HERE	Filed with authorized/valid electronic signature. Signature of plan administrator	10/15/2013 Date	KURT KREISER 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 ☒ 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		5 148
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 138	
b Retired or separated participants receiving benefits.....	6b 0	
c Other retired or separated participants entitled to future benefits.....	6c 0	
d Subtotal. Add lines 6a , 6b , and 6c	6d 138	
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....	6e 0	
f Total. Add lines 6d and 6e	6f 138	
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....	6g 138	
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....	6h 0	
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 2I 2P 3I		
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) ☒ Trust (4) ☐ General assets of the sponsor		9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor
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) ☐ <u>0</u> A (Insurance Information) (4) ☐ C (Service Provider Information) (5) ☐ D (DFE/Participating Plan Information) (6) ☐ G (Financial Transaction Schedules)

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 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 EVY OF CALIFORNIA, INC. EMPLOYEE STOCK OWNERSHIP PLAN	B Three-digit plan number (PN) ►	001
C Plan sponsor's name as shown on line 2a of Form 5500 EVY OF CALIFORNIA, INC.	D Employer Identification Number (EIN) 95-2295981	

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	0	0
b	Receivables (less allowance for doubtful accounts):			
	(1) Employer contributions	1b(1)	0	2276860
	(2) Participant contributions	1b(2)	0	0
	(3) Other.....	1b(3)	0	53012
c	General investments:			
	(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	0	0
	(2) U.S. Government securities.....	1c(2)	0	0
	(3) Corporate debt instruments (other than employer securities):			
	(A) Preferred	1c(3)(A)	0	0
	(B) All other.....	1c(3)(B)	0	0
	(4) Corporate stocks (other than employer securities):			
	(A) Preferred	1c(4)(A)	0	0
	(B) Common	1c(4)(B)	0	0
	(5) Partnership/joint venture interests	1c(5)	0	0
	(6) Real estate (other than employer real property)	1c(6)	0	0
	(7) Loans (other than to participants)	1c(7)	0	0
	(8) Participant loans	1c(8)	0	0
	(9) Value of interest in common/collective trusts.....	1c(9)	0	0
	(10) Value of interest in pooled separate accounts.....	1c(10)	0	0
	(11) Value of interest in master trust investment accounts	1c(11)	0	0
	(12) Value of interest in 103-12 investment entities	1c(12)	0	0
	(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)	0	0
	(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
	(15) Other	1c(15)	0	0

1d Employer-related investments:

		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)	0	18210000
(2) Employer real property	1d(2)	0	0
e Buildings and other property used in plan operation	1e	0	0
f Total assets (add all amounts in lines 1a through 1e)	1f	0	20539872

Liabilities

g Benefit claims payable	1g	0	0
h Operating payables	1h	0	0
i Acquisition indebtedness	1i	0	21000000
j Other liabilities	1j	0	53012
k Total liabilities (add all amounts in lines 1g through 1j)	1k	0	21053012

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	0	-513140
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Part II Income and Expense Statement

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

Income**a Contributions:**

		(a) Amount	(b) Total
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	2276860	
(B) Participants	2a(1)(B)	0	
(C) Others (including rollovers)	2a(1)(C)	53012	
(2) Noncash contributions	2a(2)	0	
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		2329872

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

(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	0	
(B) U.S. Government securities	2b(1)(B)	0	
(C) Corporate debt instruments	2b(1)(C)	0	
(D) Loans (other than to participants)	2b(1)(D)	0	
(E) Participant loans	2b(1)(E)	0	
(F) Other	2b(1)(F)	0	
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		0

(2) Dividends: (A) Preferred stock	2b(2)(A)	0	
(B) Common stock	2b(2)(B)	0	
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	0	
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		0

(3) Rents	2b(3)		0
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(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)	0	
(B) Aggregate carrying amount (see instructions)	2b(4)(B)	0	
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		0

(5) Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)	0	
(B) Other	2b(5)(B)	-2790000	
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		-2790000

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts	2b(6)		0
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		0
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		0
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		0
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		0
c Other income.....	2c		0
d Total income. Add all income amounts in column (b) and enter total.....	2d		-460128

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	0	
(2) To insurance carriers for the provision of benefits	2e(2)	0	
(3) Other	2e(3)	0	
(4) Total benefit payments. Add lines 2e(1) through (3).....	2e(4)		0
f Corrective distributions (see instructions)	2f		0
g Certain deemed distributions of participant loans (see instructions).....	2g		0
h Interest expense.....	2h		53012
i Administrative expenses: (1) Professional fees	2i(1)	0	
(2) Contract administrator fees	2i(2)	0	
(3) Investment advisory and management fees	2i(3)	0	
(4) Other	2i(4)	0	
(5) Total administrative expenses. Add lines 2i(1) through (4).....	2i(5)		0
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		53012

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d.....	2k		-513140
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: **MARCUM LLP**

(2) EIN: **11-1986323**

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:

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.).....

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.).....

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

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

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

5b(1) Name of plan(s)

5b(2) EIN(s)	5b(3) PN(s)

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

A Name of plan <u>EVY OF CALIFORNIA, INC. EMPLOYEE STOCK OWNERSHIP PLAN</u>	B Three-digit plan number (PN) ▶ <u>001</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>EVY OF CALIFORNIA, INC.</u>	D Employer Identification Number (EIN) <u>95-2295981</u>

Part I	Distributions
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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): _____		
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)
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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
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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
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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.
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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

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

Schedule R (Form 5500) 2012
v. 120126

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): _____

EVY OF CALIFORNIA, INC.
EMPLOYEE STOCK OWNERSHIP PLAN
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2012

**EVY OF CALIFORNIA, INC.
EMPLOYEE STOCK OWNERSHIP PLAN**

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INDEPENDENT AUDITORS' REPORT

To the ESOP Committee of
Evy of California, Inc. Stock Ownership Plan

Report on the Financial Statements

We have audited the accompanying financial statements of Evy of California Inc. Stock Ownership Plan (the "Plan"), which comprise the statement of net assets (deficit) available for plan benefits as of December 31, 2012, and the related statement of changes in net assets (deficit) available for plan benefits for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets (deficit) available for plan benefits of Evy of California, Inc. Employee Stock Ownership Plan as of December 31, 2012, and the changes in its net assets (deficit) available for plan benefits for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental Schedule of Assets (Held at End of Year) and Schedule of Reportable Transactions, together referred to as "supplemental information," are presented for the purpose of additional analysis and are not a required part of the financial statements but are supplemental 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 as a whole.

Marcum LLP

Los Angeles, CA
October 14, 2013

EVY OF CALIFORNIA, INC.
EMPLOYEE STOCK OWNERSHIP PLAN

STATEMENT OF NET ASSETS (DEFICIT) AVAILABLE FOR PLAN BENEFITS

DECEMBER 31, 2012

	Allocated	Unallocated	Total
Assets			
Investment in Sponsor Company convertible preferred stock, at fair value	\$ 1,485,635	\$ 16,724,365	\$ 18,210,000
Receivables:			
Employer contributions	--	2,329,872	2,329,872
Dividends	--	76,521	76,521
Total Assets	<u>1,485,635</u>	<u>19,130,758</u>	<u>20,616,393</u>
Liabilities			
Interest payable	--	53,012	53,012
Notes payable to related parties	--	21,000,000	21,000,000
Total Liabilities	<u>--</u>	<u>21,053,012</u>	<u>21,053,012</u>
Net Assets (Deficit) Available for Plan Benefits	<u>\$ 1,485,635</u>	<u>\$ (1,922,254)</u>	<u>\$ (436,619)</u>

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

EVY OF CALIFORNIA, INC.
EMPLOYEE STOCK OWNERSHIP PLAN

STATEMENT OF CHANGES IN NET ASSETS (DEFICIT) AVAILABLE FOR PLAN BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Allocated	Unallocated	Total
Additions to Net Assets			
Contributions			
Employer contributions	\$ --	\$ 2,329,872	\$ 2,329,872
Allocation of 2,447.5039 shares of convertible preferred stock of the Sponsor Company, at fair value	<u>1,485,635</u>	<u>--</u>	<u>1,485,635</u>
Total Additions to Net Assets	<u>1,485,635</u>	<u>2,329,872</u>	<u>3,815,507</u>
Deductions from Net Assets			
Investment loss:			
Net depreciation in fair value of investments	--	2,790,000	2,790,000
Dividend income	--	(76,521)	(76,521)
Allocation of 2,447.5039 shares of convertible preferred stock of the Sponsor Company, at fair value	--	1,485,635	1,485,635
Interest expense	<u>--</u>	<u>53,012</u>	<u>53,012</u>
Total Deductions from Net Assets	<u>--</u>	<u>4,252,126</u>	<u>4,252,126</u>
Net Increase (Decrease)	1,485,635	(1,922,254)	(436,619)
Net Assets Available for Plan Benefits - Beginning	<u>--</u>	<u>--</u>	<u>--</u>
Net Assets (Deficit) Available for Plan Benefits - Ending	<u>\$ 1,485,635</u>	<u>\$ (1,922,254)</u>	<u>\$ (436,619)</u>

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

EVY OF CALIFORNIA, INC.
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 1 - PLAN DESCRIPTION

The following brief description of the Evy of California, Inc. Employee Stock Ownership Plan (the "Plan") is provided for general information purposes only. Participants should refer to the Plan Agreement for complete information.

On December 12, 2012, Evy of California, Inc. (the "Sponsor Company") established the Evy of California, Inc. Employee Stock Ownership Plan (the "Plan") to be retroactively effective as of January 1, 2012. The Plan operates, in relevant part, as a leveraged employee stock ownership plan, and is designed to comply with Section 4975(e)(7) and the regulations thereunder of the Internal Revenue Code of 1986, as amended (the "Code") and is subject to the applicable provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The Plan is administered by the Evy of California Ownership Plan Committee ("ESOP Committee") consisting of the Sponsor Company's president, vice president and chief financial officer as appointed by the Sponsor Company's Board of Directors. Wilmington Trust Retirement and Institutional Services Company is the Plan's trustee ("Trustee").

The Plan purchased the Sponsor Company's convertible preferred stock from the then existing two selling shareholders upon the execution of promissory notes payable to the selling shareholders (Note 7) and holds the convertible preferred stock in a trust established under the Plan. The Plan was amended effective as of January 1, 2012 to provide that any repayments of the notes payable to related parties (Note 7) that were made before the date that the Sponsor Company's contribution for a Plan Year is required to be made under Section 404(a)(6) of the Code in order for such contribution to be deductible on the Sponsor Company's income tax return for such Plan Year shall be accounted for as if it were made in the Plan Year with respect to which the contribution is deductible and shares are released as a result of such repayment with respect to such Plan Year. An appropriate percentage of convertible preferred stock will be allocated to eligible employees' accounts in accordance with applicable regulations under the Code.

The notes payable to related parties are collateralized by the unallocated shares of convertible preferred stock and are guaranteed by the Sponsor Company. The lender has no rights against the shares once they are allocated under the Plan. Accordingly, the financial statements of the Plan as of December 31, 2012 present separately the assets and liabilities and changes therein pertaining to:

1. the accounts of employees with vested rights in allocated convertible preferred stock ("Allocated")
2. convertible preferred stock not yet allocated to employees ("Unallocated")

EVY OF CALIFORNIA, INC.
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 1 - PLAN DESCRIPTION (CONTINUED)

ELIGIBILITY

Employees are eligible to participate in the Plan if they have completed one (1) year of service and are at least 19 years of age unless they are non-resident aliens who receive no earned income from sources within the United States of America or they are union employees. Employees become participants on either January 1st or July 1st of each year nearest the date they satisfy the Plan's eligibility requirements. Participants who do not have at least 500 hours of service during such plan year or are not employed on the last working day of a plan year are generally not eligible for an allocation of the Sponsor Company's contributions for that such year.

EMPLOYER CONTRIBUTIONS

The Sponsor Company is obligated to make contributions in cash to the Plan, which, when aggregated with the Plan's dividend earnings, equal the amount necessary to enable the Plan to make its regularly scheduled payments of principal and interest due on its notes payable to related parties. For the year ended December 31, 2012, the Plan recorded a receivable for Sponsor Company contributions in the amount of \$2,329,872 which provided for 2,447,5039 shares to be allocated to eligible Plan participants with a fair value of \$1,485,635. As such, the \$1,485,635 is both a non-cash contribution to the Plan (allocated) and non-cash distribution to the Plan (unallocated) which is shown on the Statement of Changes in Net Assets (Deficit) Available for Plan Benefits.

PAYMENT OF BENEFITS

Distributions on account of death, disability or normal retirement commence within one year following the occurrence of the specified event, unless the participant elects a later date. Distributions for other separations from service commence in the fifth Plan year following the separation from service. Distributions are paid in equal annual installments over a period not to exceed 5 years. However, the minimum period over which distributions are made may be increased by 1 year up to 5 additional years for each \$200,000 or a fraction thereof by which a participant's account exceeds \$1,015,000. These amounts are subject to cost-of-living adjustments prescribed by the Commissioner of Internal Revenue. The amount to be distributed is based upon the account valuation date immediately preceding the distribution. All distributions are made in cash.

Under the provisions of the Plan, the Sponsor Company is obligated to repurchase participant shares, which have been distributed under the terms of the Plan, if the shares are not publicly traded or if the shares are subject to trading limitations. During the year ended December 31, 2012, the Sponsor Company did not repurchase any shares from participants.

**EVY OF CALIFORNIA, INC.
EMPLOYEE STOCK OWNERSHIP PLAN**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 1 - PLAN DESCRIPTION (CONTINUED)

ADMINISTRATIVE EXPENSES

All administrative expenses to maintain the Plan are paid by the Sponsor Company.

VOTING RIGHTS

Each participant is entitled to exercise voting rights, in certain matters, attributable to the shares allocated to his or her account and is notified by the Trustee prior to the time that such rights are to be exercised. The Trustee is not permitted to vote any allocated share for which instructions have not been given by a participant. The Trustee is required, however, to vote, under certain matters, any unallocated shares on behalf of the collective best interest of Plan participants and beneficiaries.

PLAN TERMINATION

The Sponsor Company reserves the right to terminate the Plan at any time, subject to Plan provisions. Upon such termination of the Plan, the interest of each participant in the trust fund will be distributed to such participant or his or her beneficiary at the time prescribed by the Plan terms and the Code. Upon termination of the Plan, the ESOP Committee shall direct the Trustee to pay all liabilities and expenses of the trust fund and to sell unallocated shares of the investment in the Sponsor Company's convertible preferred stock held by the Plan to the extent it determines such sale to be necessary in order to repay the loans.

CONCENTRATIONS

Substantially all of the Plan's assets are invested in the Sponsor Company's convertible preferred stock.

PARTICIPANT ACCOUNTS

The Plan is a defined contribution plan under which a separate individual account is established for each participant. Each participant's account is credited as of the last day of each plan year with an allocation of shares of the Sponsor Company's convertible preferred stock released by the Trustee from the unallocated account and forfeitures of terminated participants' non-vested accounts. Only those participants who are eligible employees of the Company as of the last day of the plan year will receive an allocation. Allocations are based on a participant's eligible compensation, relative to total eligible compensation. Plan earnings are allocated to each participant's account based on the ratio of the participant's

EVY OF CALIFORNIA, INC.
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 1 - PLAN DESCRIPTION (CONTINUED)

PARTICIPANT ACCOUNTS (CONTINUED)

account balance to the total of all participants' account balances. On December 31, 2012, 2,447.5039 shares of the Sponsor Company's convertible preferred stock were released and allocated to eligible participants (Note 5).

VESTING

If a participant's employment with the Company ends for any reason other than retirement, permanent disability or death, he or she will vest in the balances in his or her account based on total years of service with the Company. A participant vests 20% after two (2) years of service, an additional 20% for each year of service thereafter and are 100% vested after six (6) years of service.

PUT OPTION

Under federal income tax regulations, the Sponsor Company's convertible convertible preferred stock that is held by the Plan and its participants, which is not readily tradable on an established market, and is subject to trading limitations, includes a put option. The put option is a right to demand that the Sponsor Company buy any shares of its convertible preferred stock previously allocated to participants for which there is no market. The put price is representative of the current value of the convertible preferred stock. The Sponsor Company can pay for the purchase over a period of five (5) years with interest determined by the Plan administrator. The purpose of the put option is to ensure that the participant has the ability to ultimately obtain cash.

DIVERSIFICATION

Diversification is offered to participants close to retirement so that they may have the opportunity to move part of the value of their investment in the Sponsor Company convertible preferred stock into investments which are more diversified. Participants who are at least age fifty-five (55) with at least ten (10) years of participation in the Plan may elect to diversify a portion of their account. Diversification is offered to each eligible participant over a 6-year period. In each of the first 5 years, a participant may diversify up to 25 percent of the number of post 1986 shares allocated to his or her account, unless previously diversified. In the sixth year, the percentage increases to 50 percent. Participants who elect to diversify their account will receive a cash distribution. Since this is the initial year of the Plan, no participants are qualified to diversify their account balance.

EVY OF CALIFORNIA, INC.
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 1 - PLAN DESCRIPTION (CONTINUED)

FORFEITURES

Plan forfeitures are allocated to each participant's account based upon the relation of the participant's compensation to total compensation for the Plan year. There were no forfeitures of terminated non-vested account balances allocated to remaining participants at December 31, 2012.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Accordingly, actual results could differ from those estimates. The Plan's significant estimate includes the determination of the fair value of the investment in the Sponsor Company's convertible preferred stock.

INVESTMENT VALUATION AND INCOME RECOGNITION

The shares of the Sponsor Company's convertible preferred stock are valued at fair value. See Note 6 for discussion of fair value measurements. Dividend income is accrued on the ex-dividend date. Purchases and sales of securities are recorded on a trade-date basis. Realized gains and losses from security transactions are reported on the average cost method. Net appreciation or depreciation includes the changes in the fair value of the Sponsor Company's convertible preferred stock plus the Plan's gains and losses on investments bought and sold as well as held during the Plan year.

NOTE 3 - TAX STATUS

The Plan has applied for, but has not yet received a favorable determination letter as of October 14, 2013. However, the Plan administrator and the Plan's tax counsel believe that the Plan is currently designed and is being operated in compliance with the applicable

EVY OF CALIFORNIA, INC.
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 3 - TAX STATUS (CONTINUED)

requirements of the Code. Therefore, they believe that the Plan was qualified, and the related trust was tax-exempt as of December 31, 2012.

U.S. GAAP requires that Plan management evaluate tax positions taken by the Plan and recognize a tax liability if the organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by the applicable taxing authorities. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Since this is the initial year of the Plan, there are no years prior to 2012 that are subject to income tax examinations.

NOTE 4 - ADMINISTRATION OF PLAN ASSETS

The Plan's assets, which consist of the Sponsor Company's convertible preferred stock, are held by the Trustee of the Plan.

The Sponsor Company's contributions are held and managed by the Trustee, which invests the cash received, dividend income and makes distributions to participants. The Trustee also administers the payment of principal and interest on the notes payable to related parties.

Focus Pension, LLC is the Plan's third party administrator and record keeper. Certain administrative functions are also performed by officers or employees of the Sponsor Company. No such officer or employee receives compensation from the Plan. Administrative expenses for the Trustee's fees are paid directly by the Sponsor Company.

NOTE 5 - INVESTMENTS

The Plan's investment in the Sponsor Company's convertible preferred stock as of December 31, 2012, which represents greater than 5% of the Plan's net assets, is presented in the following table:

	December 31, 2012		
	Allocated	Unallocated	Total
Number of shares	2,447.5039	27,552.4961	30,000.0000
Cost	\$2,329,872	\$18,670,128	\$21,000,000
Fair Value	\$1,485,635	\$16,724,365	\$18,210,000

EVY OF CALIFORNIA, INC.
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 5 - INVESTMENTS (CONTINUED)

DESCRIPTION OF SPONSOR COMPANY'S CONVERTIBLE PREFERRED STOCK

The holder of the Sponsor Company's convertible preferred stock is not entitled to voting privileges except on certain matters, in which case, the holder is entitled to vote on an as-if converted basis. The holder has the option to convert the Sponsor Company's convertible preferred stock into shares of Sponsor Company's common stock at a 1:1 ratio at any time.

The holder is entitled to receive cumulative preferential dividends ("Class B Preferred Dividends") in cash at the rate of \$49 per share per year payable each year on dividend payment dates determined by the Sponsor Company's board of directors (the "Board") from time to time. As of December 31, 2012, the Plan recorded dividend receivable of \$76,521. The holder is also entitled to receive other amounts when declared by the Board from time to time in its sole discretion ("Special Class B Dividends"). The Class B preferred dividends will terminate when the aggregate amount of all Class B Preferred Dividends and Special Class B Dividends equals or exceeds \$343 per share. At such time that the payment of dividends and other distributions equal \$343 per share on each outstanding share of the Sponsor Company's convertible preferred stock, or sooner at such time as the entire principal and interest owed under all promissory notes issued to finance the acquisition of the Sponsor Company's convertible preferred stock (Note 7) has been paid in full, all of the shares of the Sponsor Company's convertible preferred stock will be automatically converted into the Sponsor Company's common stock at a 1:1 ratio. In the event that the Board elects to declare or pay any cash dividend on shares of the Sponsor Company's common stock, the Sponsor Company's convertible preferred stock is also entitled to receive dividends equal to the per share amount payable on the Sponsor Company's common stock on an as-if converted basis.

The Sponsor Company's convertible preferred stock is redeemable, in whole or in part, at the option of the Sponsor Company at any time. The redemption price is equal to one share of the Sponsor Company's common stock plus a payment in cash equal to the present value (calculated using a discount rate of 11% per annum) of all unpaid Class B preferred dividends and declared and unpaid Special Class B Dividends from the date of issuance through December 31, 2019. If the entire principal amount and interest owed under all promissory notes (Note 7) have been paid in full, the redemption price is equal to one share of the Sponsor Company's common stock.

In the event of any voluntary or involuntary liquidation prior to the payment of dividends and other distribution in the aggregate of \$343 per share on each outstanding share of Convertible Preferred Stock, the holders are entitled to receive a payment in cash equal to the present value (calculated using a discount rate of 11% per annum) of all unpaid Class B Preferred Dividends and declared and unpaid Special Class B Dividends less the aggregate

EVY OF CALIFORNIA, INC.
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 5 - INVESTMENTS (CONTINUED)

amount of dividends and other distributions previously paid prior to the date fixed for liquidation (the "Class B Liquidation Payment"). If the entire principal amount and interest owed under all promissory notes (Note 8) has been paid in full, then the Class B Liquidation Payment is zero.

NOTE 6 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value 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 market prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The 3 levels of the fair value hierarchy are described as follows:

LEVEL 1

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

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;

LEVEL 2

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.

**EVY OF CALIFORNIA, INC.
EMPLOYEE STOCK OWNERSHIP PLAN**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 6 - FAIR VALUE MEASUREMENTS (CONTINUED)

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

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2012:

Description	Fair Value Measurements as of December 31, 2012			
	Level 1	Level 2	Level 3	Total
Sponsor Company convertible preferred stock	\$ --	\$ --	\$18,210,000	\$18,210,000
Total	<u>\$ --</u>	<u>\$ --</u>	<u>\$18,210,000</u>	<u>\$18,210,000</u>

LEVEL 3 GAINS AND LOSSES

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the year ended December 31, 2012:

Level 3 Assets	
Description	Sponsor Company convertible preferred stock
Beginning Balance	\$ --
Purchases, issuances and settlements	21,000,000
Unrealized gains (losses) relating to assets still held at the reporting date	<u>(2,790,000)</u>
Ending Balance	<u>\$18,210,000</u>

The amount of total gains or losses for the year included in changes in net assets (deficit) available for benefits attributable to the change in unrealized gains or losses related to investments still held at the reporting date	<u>\$ (2,790,000)</u>
--	-----------------------

Gains and losses (realized and unrealized) included in changes in net assets for the year ended December 31, 2012 are reported as net depreciation in fair value of investments in the Statement of Changes in Net Assets (Deficit) Available for Plan Benefits.

EVY OF CALIFORNIA, INC.
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 6 - FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a description of the valuation methodologies used for assets measured at fair value:

Sponsor Company convertible preferred stock: The aggregate fair value of the Sponsor Company's convertible preferred stock held by the Plan is based upon an independent appraisal. The appraiser's opinion of fair value was determined using standard valuation approaches and methodologies. The appraiser took into account the Sponsor Company's historical and projected cash flows, net income, return on assets, return on equity, and market comparables. The appraiser also considered the effects of the put option on the perceived lack of marketability of the Sponsor Company's convertible preferred stock and other relevant factors.

The valuation process involves Plan management's selection of the independent appraiser. Plan management accumulates the historical and projected financial data from the Sponsor Company for use by the appraiser. The appraiser prepares a preliminary report which Plan management, along with the Trustee, reviews in detail, discusses and approves.

The appraiser's calculation of fair value may produce a value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate, the use of different methodologies or assumptions to determine the fair value of the Sponsor Company's convertible preferred stock could result in a different fair value measurement at the reporting date.

NOTE 7 - NOTES PAYABLE TO RELATED PARTIES

On December 12, 2012, the Plan purchased 30,000 shares of the Sponsor Company's convertible preferred stock from the then existing two selling shareholders for a total purchase price of \$21,000,000 upon the execution of promissory notes payable to the selling shareholders. These notes are guaranteed by the Sponsor Company. Any unallocated shares held by the Plan are used as collateral against these notes. The outstanding notes payable to related parties at December 31, 2012 are as follows:

**EVY OF CALIFORNIA, INC.
EMPLOYEE STOCK OWNERSHIP PLAN**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 7 - NOTES PAYABLE TO RELATED PARTIES (CONTINUED)

Note payable that is due in December 2042; bears interest at the LIBOR base rate plus 4% (4.8495% per annum at December 31, 2012); payable in thirty annual payments of principal and accrued interest commencing on December 31, 2013	\$ 15,750,000
Note payable that is due in December 2042; bears interest at the LIBOR base rate plus 4% (4.8495% per annum at December 31, 2012); payable in thirty annual payments of principal and accrued interest commencing on December 31, 2013	3,689,000
Note payable that is due in December 2042; bears interest at the LIBOR base rate plus 4% (4.8495% per annum at December 31, 2012); payable in thirty annual payments of principal and accrued interest commencing on December 31, 2013	<u>1,561,000</u>
Total	<u>\$ 21,000,000</u>

As discussed in Note 1, any repayments of the notes payable that were made before the date that the Sponsor Company's contribution for a Plan Year is required to be made under Section 404(a)(6) of the Code in order for such contribution to be deductible on the Sponsor Company's income tax return for such Plan Year shall be accounted for as if it were made in the Plan Year with respect to which the contribution is deductible and shares are released as a result of such repayment with respect to such Plan Year. An appropriate percentage of convertible preferred stock will be allocated to eligible employees' accounts in accordance with applicable regulations under the Code.

The following table that summarizes the aggregate maturities based on the notes' stated maturities as well as the Sponsor Company's expectations:

For the Years Ending December 31,	Stated Amount	Sponsor Company Expectations (unaudited)
2013	\$ 2,907,268	\$ 4,838,019
2014	623,887	2,879,672
2015	623,887	3,022,467
2016	623,887	3,172,344
2017	623,887	3,329,653
Thereafter	<u>15,597,184</u>	<u>3,757,845</u>
Total	<u>\$21,000,000</u>	<u>\$21,000,000</u>

EVY OF CALIFORNIA, INC.
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 7 - NOTES PAYABLE, RELATED PARTIES (CONTINUED)

Interest expense accrued on these notes payable amounted to \$53,012 for the year ended December 31, 2012.

NOTE 8 - RELATED PARTIES AND PARTIES IN INTEREST TRANSACTIONS

The Plan has invested in the Sponsor's Company convertible preferred stock and has indebtedness to the shareholders of the Sponsor Company that are guaranteed by the Sponsor Company. As described in Notes 1 and 2, the Plan has a number of service providers. Such parties are parties-in-interest under ERISA.

NOTE 9 - RISKS AND UNCERTAINTIES

The Plan's investments consist primarily of the Sponsor Company's convertible preferred stock, which is exposed to various risks such as interest rate, market and credit risks, as well as valuation assumptions based on earnings, cash flows and/or other such techniques. Due to the level of risk associated with the investment in the convertible preferred stock and to uncertainties inherent in the determination of the investment's fair value, it is at least reasonably possible that changes in the value of the convertible preferred stock will occur in the near term and such changes could materially affect the amounts reported in the Statement of Net Assets (Deficit) Available for Plan Benefits.

For the year ended December 31, 2012, the Plan was not covered by a fidelity bond. As of August 28, 2013, the Plan obtained a fidelity bond in the amount equal to the lesser of 10% of the Plan's net asset value or \$1,000,000. Since this bond was not in place at the beginning of the Plan year, the Plan did not meet the bonding requirements as set forth by ERISA, Title I, Section 412. This event of non-compliance is disclosed in the Plan's December 31, 2012 IRS Form 5500.

**EVY OF CALIFORNIA, INC.
EMPLOYEE STOCK OWNERSHIP PLAN**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 10 - RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of the Plan's net assets (deficit) available for plan benefits per the financial statements at December 31, 2012 to Form 5500:

Net assets (deficit) available for plan benefits, per the financial statements	\$ (436,619)
Less: Dividend receivable, December 31, 2012	<u>(76,521)</u>

Net Assets (Deficit) Available for Plan Benefits per Form 5500	<u><u>\$ (513,140)</u></u>
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The following is a reconciliation of dividend income per the financial statements for the year ended December 31, 2012 to Form 5500:

Dividend income per the financial statements	\$ 76,521
Less: Dividend receivable, December 31, 2012	<u>(76,521)</u>

Total Dividend Income per Schedule H of Form 5500	<u><u>\$ --</u></u>
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NOTE 11 - SUBSEQUENT EVENTS

On February 15, 2013, the Sponsor Company assumed the notes payable issued by the Plan in the aggregate amount of \$21,000,000 (Note 7).

On February 15, 2013, the Plan received the contribution for the 2012 Plan year of \$2,329,872 and the preferred dividends of \$76,521.

The Plan has evaluated subsequent events through October 14, 2013, the date the financial statements were available to be issued and except for the matters discussed above, the Plan did not identify any additional subsequent events requiring disclosure in these financial statements.

EVY OF CALIFORNIA, INC.
EMPLOYEE STOCK OWNERSHIP PLAN

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

EIN: 95-2295981
PLAN NUMBER: 001

DECEMBER 31, 2012

(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
*	Evy of California, Inc.	30,000 shares of convertible preferred stock of which 27,552.4961 shares are held as collateral for the notes payable to related parties reported by the Plan	<u>\$ 21,000,000</u>	<u>\$ 18,210,000</u>

- * The Sponsor Company of the Plan is a related party, and therefore, a party-in-interest as defined by ERISA.

See accompanying independent auditors' report.

**EVY OF CALIFORNIA, INC.
EMPLOYEE STOCK OWNERSHIP PLAN**

**SCHEDULE H, LINE 4j
SCHEDULE OF REPORTABLE TRANSACTIONS**

EIN: 95-2295981

PLAN NUMBER: 001

DECEMBER 31, 2012

(a) Identity of party involved	(b) Description of asset (include interest rate and maturity in case of a loan)	(c) Purchase Price	(d) Selling Price	(e) Lease rental	(f) Expense incurred with transaction	(g) Cost of asset	(h) Current value of asset on transaction date	(i) Net gain or (loss)
Evy of California, Inc.	30,000 shares of convertible preferred stock	\$ <u>21,000,000</u>	N/A	N/A	N/A	<u>\$21,000,000</u>	N/A	N/A

See accompanying independent auditors' report.

Form 5500Department of the Treasury
Internal Revenue ServiceDepartment 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

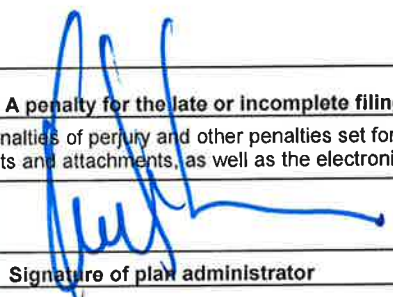
- A** This return/report is for: ☐ a multiemployer plan; ☐ a multiple-employer plan; or
☒ a single-employer plan; ☐ a DFE (specify) _____
- B** This return/report is: ☒ the first return/report; ☐ the final return/report;
☐ an amended return/report; ☐ a short plan year return/report (less than 12 months).
- 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 Evy Of California, Inc. Employee Stock Ownership Plan	1b Three-digit plan number (PN) ▶ <u>001</u>
	1c Effective date of plan 01/01/2012
2a Plan sponsor's name and address; include room or suite number (employer, if for a single-employer plan) Evy Of California, Inc. 810a S. Flower Street Los Angeles CA 90017	2b Employer Identification Number (EIN) 95-2295981
	2c Sponsor's telephone number 213-763-6100
	2d Business code (see instructions) 315990

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>12/14/13</u>	Kurt Kreiser
	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)

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

Form 5500 (2012)
v. 120126

**EVY OF CALIFORNIA, INC.
EMPLOYEE STOCK OWNERSHIP PLAN**

**SCHEDULE H, LINE 4j
SCHEDULE OF REPORTABLE TRANSACTIONS**

EIN: 95-2295981

PLAN NUMBER: 001

DECEMBER 31, 2012

(a) Identity of party involved	(b) Description of asset (include interest rate and maturity in case of a loan)	(c) Purchase Price	(d) Selling Price	(e) Lease rental	(f) Expense incurred with transaction	(g) Cost of asset	(h) Current value of asset on transaction date	(i) Net gain or (loss)
Evy of California, Inc.	30,000 shares of convertible preferred stock	\$ 21,000,000	N/A	N/A	N/A	<u>\$21,000,000</u>	N/A	N/A

See accompanying independent auditors' report.

EVY OF CALIFORNIA, INC.
EMPLOYEE STOCK OWNERSHIP PLAN

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

EIN: 95-2295981
PLAN NUMBER: 001

DECEMBER 31, 2012

	(b)	(c)		(e)
	Identity of issue,	Description of investment		Current
	borrower, lessor,	including maturity date, rate	(d)	Value
(a)	or similar party	of interest, collateral, par, or	Cost	
		maturity value		
		</		

- * The Sponsor Company of the Plan is a related party, and therefore, a party-in-interest as defined by ERISA.

See accompanying independent auditors' report.