

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
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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>CARDONE INDUSTRIES, 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>004</u></td> </tr> <tr> <td colspan="2">1c Effective date of plan <u>01/01/1988</u></td> </tr> </table>	1b Three-digit plan number (PN) ▶	<u>004</u>	1c Effective date of plan <u>01/01/1988</u>	
1b Three-digit plan number (PN) ▶	<u>004</u>				
1c Effective date of plan <u>01/01/1988</u>					
2a Plan sponsor's name and address; include room or suite number (employer, if for a single-employer plan) <u>CARDONE INDUSTRIES, INC.</u> <u>5501 WHITAKER AVENUE</u> <u>PHILADELPHIA, PA 19124</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>2b Employer Identification Number (EIN) <u>23-1916269</u></td> </tr> <tr> <td>2c Sponsor's telephone number <u>215-912-3096</u></td> </tr> <tr> <td>2d Business code (see instructions) <u>336300</u></td> </tr> </table>	2b Employer Identification Number (EIN) <u>23-1916269</u>	2c Sponsor's telephone number <u>215-912-3096</u>	2d Business code (see instructions) <u>336300</u>	
2b Employer Identification Number (EIN) <u>23-1916269</u>					
2c Sponsor's telephone number <u>215-912-3096</u>					
2d Business code (see instructions) <u>336300</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	GREGORY MULLER 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 3127
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	2108
b Retired or separated participants receiving benefits.....	6b	50
c Other retired or separated participants entitled to future benefits.....	6c	303
d Subtotal. Add lines 6a , 6b , and 6c	6d	2461
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....	6e	1
f Total. Add lines 6d and 6e	6f	2462
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....	6g	2430
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....	6h	75
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: 2O 2Q		
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) ☐ A (Insurance Information) (4) ☒ C (Service Provider Information) (5) ☐ D (DFE/Participating Plan Information) (6) ☐ G (Financial Transaction Schedules)

SCHEDULE C (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		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 <u>CARDONE INDUSTRIES, INC. EMPLOYEE STOCK OWNERSHIP PLAN</u>	B Three-digit plan number (PN) ▶ <u>004</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>CARDONE INDUSTRIES, INC.</u>	D Employer Identification Number (EIN) <u>23-1916269</u>

Part I Service Provider Information (see instructions)

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

1 Information on Persons Receiving Only Eligible Indirect Compensation

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

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

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

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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)

PROFESSIONAL CAPITAL SERVICES, LLC

1500 MARKET STREET
SUITE 3310E
PHILADELPHIA, PA 19102

(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?
13 15 16 17 36 37 38 64	CONTRACT ADMINISTRATOR	53000	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

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

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

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

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

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

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

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

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

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

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

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

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 <u>01/01/2012</u> and ending <u>12/31/2012</u>		
A Name of plan <u>CARDONE INDUSTRIES, INC. EMPLOYEE STOCK OWNERSHIP PLAN</u>	B Three-digit plan number (PN) ▶	<u>004</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>CARDONE INDUSTRIES, INC.</u>	D Employer Identification Number (EIN) <u>23-1916269</u>	

Part I	Asset and Liability Statement		(a) Beginning of Year	(b) End of Year
1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.				
	Assets			
a	Total noninterest-bearing cash	1a		
b	Receivables (less allowance for doubtful accounts):			
	(1) Employer contributions	1b(1)	1762117	1602155
	(2) Participant contributions	1b(2)		
	(3) Other.....	1b(3)	0	928255
c	General investments:			
	(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	449897	55315
	(2) U.S. Government securities.....	1c(2)		
	(3) Corporate debt instruments (other than employer securities):			
	(A) Preferred	1c(3)(A)		
	(B) All other.....	1c(3)(B)		
	(4) Corporate stocks (other than employer securities):			
	(A) Preferred	1c(4)(A)		
	(B) Common	1c(4)(B)		
	(5) Partnership/joint venture interests	1c(5)		
	(6) Real estate (other than employer real property)	1c(6)		
	(7) Loans (other than to participants)	1c(7)		
	(8) Participant loans	1c(8)		
	(9) Value of interest in common/collective trusts.....	1c(9)		
	(10) Value of interest in pooled separate accounts.....	1c(10)		
	(11) Value of interest in master trust investment accounts	1c(11)		
	(12) Value of interest in 103-12 investment entities	1c(12)		
	(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)		
	(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
	(15) Other	1c(15)		

1d Employer-related investments:

		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)	27294885	25892427
(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	29506899	28478152

Liabilities

g Benefit claims payable	1g	87824	0
h Operating payables	1h		
i Acquisition indebtedness	1i		
j Other liabilities	1j		
k Total liabilities (add all amounts in lines 1g through 1j)	1k	87824	0

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	29419075	28478152
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Part II Income and Expense Statement

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

Income

		(a) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	1602155	
(B) Participants	2a(1)(B)		
(C) Others (including rollovers)	2a(1)(C)		
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		1602155
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)		
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)		
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		0
(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)	1555405	
(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)		1555405
(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)	199040	
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		199040

		(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)		
c Other income.....	2c		
d Total income. Add all income amounts in column (b) and enter total.....	2d		3356600

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	3735538	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3).....	2e(4)		3735538
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)	53000	
(3) Investment advisory and management fees	2i(3)		
(4) Other	2i(4)		
(5) Total administrative expenses. Add lines 2i(1) through (4).....	2i(5)		53000
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		3788538

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d.....	2k		-431938
l Transfers of assets:			
(1) To this plan.....	2l(1)		
(2) From this plan	2l(2)		508985

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		500000
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)

CARDONE INDUSTRIES, INC. 401(K) SAFE HARBOR PLAN

5b(2) EIN(s)	5b(3) PN(s)
23-1916269	003

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 <u>CARDONE INDUSTRIES, INC. EMPLOYEE STOCK OWNERSHIP PLAN</u>	B Three-digit plan number (PN) ▶ <u>004</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>CARDONE INDUSTRIES, INC.</u>	D Employer Identification Number (EIN) <u>23-1916269</u>

Part I	Distributions
---------------	----------------------

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

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....	1	<u>0</u>
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): <u>84-0519832</u>		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....	3	

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

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?.....	☐ Yes	☐ No	☐ N/A
If the plan is a defined benefit plan, go to line 8.			
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.			
6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived)	6a		
b Enter the amount contributed by the employer to the plan for this plan year	6b		
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....	6c		
If you completed line 6c, skip lines 8 and 9.			
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?	☐ Yes	☐ No	☐ N/A
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?.....	☐ Yes	☐ No	☐ N/A

Part III	Amendments
-----------------	-------------------

9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box.....	☐ Increase	☐ Decrease	☐ Both	☐ No
--	-----------------------------------	-----------------------------------	-------------------------------	-----------------------------

Part IV	ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
----------------	---

10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?.....	☐ Yes	☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes	☐ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.).....	☐ Yes	☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes	☐ No

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete 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): _____

CARDONE INDUSTRIES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

CARDONE INDUSTRIES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Cardone Industries, Inc.
Employee Stock Ownership Plan

Report on the Financial Statements

We have audited the accompanying financial statements of Cardone Industries, Inc. Employee Stock Ownership Plan ("the Plan"), which comprise the statements of net assets available for benefits as of December 31, 2012 and 2011, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 available for benefits of the Plan as of December 31, 2012 and 2011, and the changes in its net assets available for benefits for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Reports on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of assets (held at end of year) as of December 31, 2012 and of reportable (5%) transactions for the year ended December 31, 2012, together referred to as "supplemental information," is presented for the purpose of additional analysis and is not a required part of the financial statements but is 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

Bala Cynwyd, PA
October 14, 2013

CARDONE INDUSTRIES, INC.

EMPLOYEE STOCK OWNERSHIP PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Assets		
Investments, at fair value:		
Cash and cash equivalents	\$ 55,315	\$ 449,897
Cardone Industries, Inc. common stock	<u>25,892,427</u>	<u>27,294,885</u>
Total Investments	<u>25,947,742</u>	<u>27,744,782</u>
Receivables:		
Employer contribution receivable	1,602,155	1,762,117
Dividends receivable	<u>928,255</u>	<u>--</u>
Total Receivables	<u>2,530,410</u>	<u>1,762,117</u>
Total Assets	28,478,152	29,506,899
Liabilities		
Distributions payable	<u>--</u>	<u>87,824</u>
Net Assets Available for Benefits	<u>\$28,478,152</u>	<u>\$29,419,075</u>

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

CARDONE INDUSTRIES, INC.

EMPLOYEE STOCK OWNERSHIP PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Additions to Net Assets Attributed to:		
Employer Contributions:		
Cardone Industries, Inc. common stock, 59,449 and 65,862 shares, respectively	<u>\$ 1,602,155</u>	<u>\$ 1,769,702</u>
Deductions from Net Assets Attributed to:		
Benefits paid to participants and terminated employees	<u>3,735,538</u>	<u>4,848,058</u>
Administrative expenses	<u>53,000</u>	<u>50,408</u>
	3,788,538	4,898,466
Transfer:		
To the Cardone Industries, Inc. 401(k) Safe Harbor Plan	<u>508,985</u>	<u>252,210</u>
Total Deductions	<u>4,297,523</u>	<u>5,150,676</u>
Investment Income (Loss):		
Interest and dividends	1,555,405	558,887
Net appreciation (depreciation) in the fair value of investments	<u>199,040</u>	<u>(3,241,861)</u>
Net Investment Income (Loss)	<u>1,754,445</u>	<u>(2,682,974)</u>
Net Decrease	(940,923)	(6,063,948)
Net Assets Available for Benefits:		
Beginning	<u>29,419,075</u>	<u>35,483,023</u>
Ending	<u>\$28,478,152</u>	<u>\$29,419,075</u>

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

CARDONE INDUSTRIES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1 - DESCRIPTION OF PLAN

The following description of the Cardone Industries, Inc. (the "Company") Employee Stock Ownership Plan (the "Plan") is provided for general information purposes only. Participants should refer to the plan agreement for a more complete description of the Plan's provisions.

GENERAL

The Plan is a defined contribution plan established on January 1, 1998 covering all eligible employees who are employed by the Company. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and designed to comply with Section 4975(e)(7) and regulations thereunder of the Internal Revenue Code.

EMPLOYER CONTRIBUTIONS

The Company contributes two percent of an employee's eligible compensation in the form of Company stock and (or) cash. Employer contributions are allocated to each participant's account based upon the relation of the participant's compensation to total compensation for the plan year. The employer contribution shall not be limited to years in which the Company has current or accumulated net profit. Additionally, to the extent necessary, the Company shall contribute to the Plan the amount necessary to provide for top heavy minimum contribution. No such contribution was necessary for the years ended December 31, 2012 and 2011.

PARTICIPANT ACCOUNTS

The administrator shall establish and maintain an account in the name of each participant. Each participant's account is credited as of the last day of each plan year with an allocation of the Company's common stock contribution and plan earnings, and is charged with an allocation of administrative expenses. Benefit payments, if any, are specifically charged to the participant's account. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

ELIGIBILITY

Employees of the Company are generally eligible to participate in the Plan after one year of service provided that they worked at least 1,000 hours during such plan year. Participants who do not have at least 1,000 hours of service during such plan year or are not employed on the last working day of the plan year are not eligible for an allocation of Company contributions for such year.

CARDONE INDUSTRIES, INC.

EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1 - DESCRIPTION OF PLAN (CONTINUED)

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 the balance in his or her account based on total years of service with the Company.

Vesting in the Company's contribution portion of their accounts plus actual earnings thereon is based on years of continuous service according to the following schedule:

Years of Service	Vested Percentage
Less than 2	--%
2	20%
3	40%
4	60%
5	80%
6	100%

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 Company stock into investments which are more diversified. Participants who are at least age 55 with at least 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 six-year period. In each of the first five years, a participant may diversify up to 25% of the number of post-1986 shares allocated to his or her account, less any shares previously diversified. In the sixth year, the percentage changes to 50%. Participants who elect to diversify receive a distribution to their 401(k) account.

CARDONE INDUSTRIES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN
NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1 - DESCRIPTION OF PLAN (CONTINUED)

VOTING RIGHTS

Each participant is entitled to exercise voting rights attributable to the shares allocated to his or her account and is notified by the custodian, TD Ameritrade Trust Company, prior to the time that such rights are to be exercised. The custodian is required, however, to vote any unallocated shares on behalf of the collective best interest of plan participants and beneficiaries. As of December 31, 2012 and 2011, all shares held by the Plan have been allocated to participants.

Each participant shall be entitled to direct the custodian as to the manner in which voting rights on shares of common stock which are allocated to the Company stock account of such participant or beneficiary is to be voted.

PAYMENT OF BENEFITS AND FORFEITED ACCOUNTS

On termination of service due to death, disability or retirement, a participant will receive in cash a lump-sum amount equal to the value of the participant's vested interest in his or her account. Forfeitures by terminated employees of amounts not vested are used to reduce employer contributions. Employee forfeited, nonvested amounts were approximately \$456,000 and \$192,000 at December 31, 2012 and 2011, respectively. The forfeited accounts are included in investments at fair value on the accompanying Statements of Net Assets Available for Benefits. Employer contributions were reduced by approximately \$108,000 and \$34,000 for the years ended December 31, 2012 and 2011, respectively.

Under the provisions of the Plan, the Company is obligated to repurchase participant shares which have been distributed under the terms of the Plan as long as the shares are not publicly traded or if the shares are subject to trading limitations. During the years ended December 31, 2012 and 2011, the Company repurchased from participants 139,763 and 160,478 shares, respectively, at prices determined from the independent appraisal.

FUNDING POLICY

The Company's funding policy is to make annual contributions to the Plan in amounts sufficient to provide benefits specified in the Plan. The Company's contributions were \$1,602,155 and \$1,769,702 for 2012 and 2011, respectively.

CARDONE INDUSTRIES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN
NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1 - DESCRIPTION OF PLAN (CONTINUED)

PLAN TERMINATION

The Company has the right under the plan agreement to discontinue funding contributions and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants will become 100% vested in their accounts.

CONCENTRATIONS

Substantially all of the Plan's assets are invested in Cardone Industries, Inc. common stock.

PUT OPTION

Under federal income tax regulations, the employer stock that is held by the Plan and its participants and is not readily tradable on an established market, or is subject to trading limitations, includes a put option. The put option is a right to demand that the Company buy any shares of its stock distributed to participants for which there is no market. The put price is representative of the fair market value of the stock. The Company can pay for the purchase with interest over a period of five years. The purpose of the put option is to ensure that the participant has the ability to ultimately obtain cash.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies followed by the Plan:

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosures of contingent assets and liabilities. Accordingly, actual results may differ from those estimates.

CARDONE INDUSTRIES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

VALUATION OF INVESTMENTS

The Plan's assets consist principally of Cardone Industries, Inc. common stock which is valued at estimated fair value based on an annual independent appraisal.

ADMINISTRATIVE EXPENSES

Certain recordkeeping and administrative expenses of the Plan are borne by the Company. Third party administrator fees and custodian fees are paid by the Plan. Various transaction charges including distributions are charged directly to the respective participants' accounts and represent substantially all of the Plan's administrative expenses.

INVESTMENT VALUATION AND INCOME RECOGNITION

The shares of Company common stock are valued at fair value. See Note 3 for discussion of fair value measurements.

Dividend income is accrued on the ex-dividend date. Interest income is recorded on the accrual basis.

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 (depreciation) includes the Plan's gains and losses on investments bought and sold, as well as held during the year.

NOTE 3 - FAIR VALUE MEASUREMENTS

FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

CARDONE INDUSTRIES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN
NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

Level 1 Fair Value Measurements

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 Fair Value Measurements

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 Fair Value Measurements

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

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

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.

Cash and cash equivalents - The fair value of the money market fund is valued at the closing price reported on the active market on which the individual security is traded.

CARDONE INDUSTRIES, INC.

EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

Common stock - The fair value of the Cardone Industries, Inc. common stock held by the Plan is valued at fair value based upon an independent appraisal. This appraisal was based upon a combination of the market and income valuation techniques consistent with prior years. The appraiser took into account historical and projected cash flow and net income, return on assets, return on equity, market comparables and fair value of Company assets and liabilities. Plan management has concluded that a market participant would also recognize a discount for lack of marketability.

The valuation process involves plan management's selection of an independent appraiser under contract for a one year term with the right to cancel such contract at any time. Plan management accumulates the data for the appraiser from the audited financial statements of the Company. The appraiser prepares a preliminary report which plan management, along with the ESOP trustee, reviews in detail, discusses and approves. The results of this process are documented in minutes of the plan fiduciary.

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

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2012 and 2011. During 2012 and 2011, there were no transfers of financial assets and liabilities between levels within the fair value hierarchy.

Assets at Fair Value as of December 31, 2012				
	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Quoted Prices for Similar Assets in Active or Non- Active Markets (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments:				
Cash and cash equivalents	\$ 55,315	\$55,315	\$ --	\$ --
Cardone Industries, Inc. common stock	<u>25,892,427</u>	<u>--</u>	<u>--</u>	<u>25,892,427</u>
	<u>\$25,947,742</u>	<u>\$55,315</u>	<u>\$ --</u>	<u>\$25,892,427</u>

CARDONE INDUSTRIES, INC.

EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

		Assets at Fair Value as of December 31, 2011		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Quoted Prices for Similar Assets in Active or Non- Active Markets (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
Assets				
Investments:				
Cash and cash equivalents	\$ 449,897	\$449,897	\$ --	\$ --
Cardone Industries, Inc. common stock	<u>27,294,885</u>	<u>--</u>	<u>--</u>	<u>27,294,885</u>
	<u>\$27,744,782</u>	<u>\$449,897</u>	<u>\$ --</u>	<u>\$27,294,885</u>

		Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
Level 3 Gains and Losses Sponsor Company Common Stock		2012	2011
Balance, beginning of year		\$27,294,885	\$33,948,050
Realized gains (losses)		940,035	1,641,698
Unrealized gains (losses)		(740,995)	(4,883,559)
Purchases		6,006,640	6,314,507
Sales		<u>(7,608,138)</u>	<u>(9,725,811)</u>
Balance, end of year		<u>\$25,892,427</u>	<u>\$27,294,885</u>

The amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date

\$(740,995) \$(4,883,559)

Gains and losses (realized and unrealized) included in changes in net assets for the period above are reported in net appreciation (depreciation) in the fair value of investments in the Statements of Changes in Net Assets Available for Benefits.

CARDONE INDUSTRIES, INC.

EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 4 - INVESTMENTS

The Plan's investments as of December 31 representing 5% or more of the Plan's assets are as follows:

	2012		2011	
	<u>Cost</u>	<u>Current Value</u>	<u>Cost</u>	<u>Current Value</u>
Cardone Industries, Inc. common stock, 960,758 and 1,015,921 shares for 2012 and 2011, respectively	<u>\$19,436,827</u>	<u>\$25,892,427</u>	<u>\$20,123,133</u>	<u>\$27,294,885</u>

NOTE 5 - INCOME TAX STATUS

The Plan obtained its latest determination letter on May 17, 2004, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has been amended since receiving the determination letter. However, the plan administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Plan's financial statements.

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 administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosures in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The plan administrator believes it is no longer subject to income tax examinations for years prior to 2009.

NOTE 6 - ADMINISTRATION OF PLAN ASSETS

The Plan's assets consisting of the Cardone Industries, Inc. common stock are held by the Plan's attorney. The cash and cash equivalents are held by the custodian of the Plan, TD Ameritrade. Company contributions are managed by the Trustee, which invests cash received, interest, and dividend income and makes distributions to participants. Certain administrative functions are performed by officers or employees of the Company. No officer or employee receives compensation from the Plan. The third party administrator fees and custodian fees are paid by the Plan.

CARDONE INDUSTRIES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN
NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 7 - RELATED PARTY AND PARTY-IN-INTEREST TRANSACTIONS

The Plan's investments are shares of the Plan's sponsor common stock. These transactions qualify as party-in-interest transactions. The investments with Cardone Industries, Inc. were \$25,892,427 and \$27,294,885 at December 31, 2012 and 2011, respectively. The Plan received \$1,555,405 and \$558,887 of dividends from Cardone Industries, Inc. which were used to purchase additional shares during the years ended December 31, 2012 and 2011, respectively. Sales of Cardone Industries, Inc. common stock were \$7,608,138 and \$9,725,811 for the years ended December 31, 2012 and 2011, respectively.

NOTE 8 - RISKS AND UNCERTAINTIES

The Plan invests in the common stock of Cardone Industries, Inc. Those investment securities are 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 common stock and to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in the values of the common stock will occur in the near term and those changes could materially affect the amounts reported in the statements of net assets available for benefits.

NOTE 9 - PARTIAL PLAN TERMINATION

During 2011 the Company conducted a strategic realignment of its plant operations. As a result of the realignment a significant amount of the participants in the Plan were terminated from the Company. The decrease in plan participants has been deemed a partial termination of the Plan. As a result of the partial plan termination, the affected participants became fully vested in their account balances. Amounts allocated to affected participants, but not yet paid, totaled approximately \$88,000 at December 31, 2011 and is included in distributions payable on the accompanying statement of net assets available for benefits.

NOTE 10 - SUBSEQUENT EVENTS

The Plan's management has indicated that they intend to terminate the Plan by December 31, 2013.

The Plan's management has indicated that effective in 2013 they have changed their custodian and recordkeeper to BMO Harris Bank N.A.

CARDONE INDUSTRIES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN
NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 10 - SUBSEQUENT EVENTS (CONTINUED)

The Plan's management has evaluated subsequent events to determine if events or transactions occurring through October 14, 2013, the date the financial statements were available for issuance, require potential adjustments to, or disclosure in, the accompanying financial statements. Based upon the evaluation, the Plan's management did not identify any subsequent events that require adjustment or disclosure in the financial statements, except as described in Note 10.

CARDONE INDUSTRIES, INC.

EMPLOYEE STOCK OWNERSHIP PLAN

EIN: 23-1916269

PLAN #004

**SCHEDULE H, ITEM 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)
DECEMBER 31, 2012**

(a)	(b)	(c)	(d)	(e)
	Identity of Issue, Borrower, Lessor or Similar Party	Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	Cost	Current Value
	TD Bank USA MMDA	Cash	\$ 55,315	\$ 55,315
*	Cardone Industries, Inc.	960,758 shares of common stock	<u>19,436,827</u>	<u>25,892,427</u>
			<u>\$19,492,142</u>	<u>\$25,947,742</u>

*Party-in-Interest

See independent auditors' report.

CARDONE INDUSTRIES, INC.

EMPLOYEE STOCK OWNERSHIP PLAN

EIN: 23-1916269

PLAN #004

**SCHEDULE H, ITEM 4j – SCHEDULE OF REPORTABLE (5%) TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2012**

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
IDENTITY OF PARTY INVOLVED	DESCRIPTION OF ASSET (INCLUDING INTEREST RATE AND MATURITY IN CASE OF A LOAN)	PURCHASE PRICE	SELLING PRICE	LEASE RENTAL	EXPENSE INCURRED WITH TRANS- ACTION	COST OF ASSET	CURRENT VALUE OF ASSET ON TRANS- ACTION DATE	NET GAIN
Cardone Industries, Inc.	284,416 shares of Cardone Industries, Inc. common stock	\$6,668,103	\$7,608,138			\$6,668,103	\$7,608,138	\$940,035
Cardone Industries, Inc.	224,547 shares of Cardone Industries, Inc. common stock	\$6,006,640				\$6,006,640		

See independent auditors' report.

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
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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 single-employer plan;	☐ a multiple-employer plan; or ☐ a DFE (specify) _____	
B This return/report is:	☐ the first return/report; ☐ an amended return/report;	☐ the final 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; ☐ special extension (enter description)	☐ automatic extension;	☐ the DFVC program;

Part II Basic Plan Information—enter all requested information			
1a Name of plan Cardone Industries, Inc. Employee Stock Ownership Plan	1b Three-digit plan number (PN) 004		
	1c Effective date of plan 01/01/1988		
2a Plan sponsor's name and address; include room or suite number (employer, if for a single-employer plan) Cardone Industries, Inc.	2b Employer Identification Number (EIN) 23-1916269		
	2c Sponsor's telephone number (215) 912-3096		
5501 Whitaker Avenue	2d Business code (see instructions) 336300		
Philadelphia PA 19124			

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		10/15/13	GREGORY MUEER
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE		10/15/13	GREGORY MUEER / MARSHALL ROSEL
	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

Plan Name	Cardone Industries, Inc. Employee Stock Ownership Plan	EIN:	23-1916269
Plan Sponsor's Name	Cardone Industries, Inc.	PN:	004

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