# 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

**2014**

**This Form is Open to Public Inspection**

## Part I Annual Report Identification Information

For calendar plan year 2014 or fiscal plan year beginning 01/01/2014 and ending 12/31/2014

**A** This return/report is for:
- [ ] a multiemployer plan;
- [ ] a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions); or
- [X] a single-employer plan;
- [ ] a DFE (specify) ____

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

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

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

## Part II Basic Plan Information—enter all requested information

**1a** Name of plan
MCCARTHY & HOLTHUS, LLP 401(K) RETIREMENT PLAN

**1b** Three-digit plan number (PN) ▶ 001

**1c** Effective date of plan 01/01/2000

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

THOMAS J. HOLTHUS

1770 FOURTH AVENUE
SAN DIEGO, CA 92101

**2b** Employer Identification Number (EIN)
33-0840381

**2c** Plan Sponsor's telephone number
619-685-4800

**2d** Business code (see instructions)
541110

**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. | 07/21/2015 | THOMAS J HOLTHUS |
| | **Signature of plan administrator** | Date | Enter name of individual signing as plan administrator |
| **SIGN HERE** | | | |
| | **Signature of employer/plan sponsor** | Date | Enter name of individual signing as employer or plan sponsor |
| **SIGN HERE** | | | |
| | **Signature of DFE** | Date | Enter name of individual signing as DFE |

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

Preparer's telephone number (optional)

**3a** Plan administrator's name and address ☐ Same as Plan Sponsor

THOMAS J HOLTHUS

1770 FOURTH AVENUE
SAN DIEGO, CA 92101

**3b** Administrator's EIN: 33-0840381

**3c** Administrator's telephone number: 619-685-4800

**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** | 709 |
| **6** | Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines **6a(1), 6a(2), 6b, 6c,** and **6d**). | | |
| **a(1)** | Total number of active participants at the beginning of the plan year | **6a(1)** | 668 |
| **a(2)** | Total number of active participants at the end of the plan year | **6a(2)** | 600 |
| **b** | Retired or separated participants receiving benefits | **6b** | 1 |
| **c** | Other retired or separated participants entitled to future benefits | **6c** | 45 |
| **d** | Subtotal. Add lines **6a(2)**, **6b**, and **6c**. | **6d** | 646 |
| **e** | Deceased participants whose beneficiaries are receiving or are entitled to receive benefits. | **6e** | 0 |
| **f** | Total. Add lines **6d** and **6e**. | **6f** | 646 |
| **g** | Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) | **6g** | 294 |
| **h** | Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested | **6h** | 27 |
| **7** | Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item) | **7** | |

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

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

**9a** Plan funding arrangement (check all that apply)

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

**9b** Plan benefit arrangement (check all that apply)

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

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

**a Pension Schedules**

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

**b General Schedules**

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

## Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)

**11a** If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) .....…… ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

**11b** Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ……..... ☐ Yes ☐ No

**11c** Enter the Receipt Confirmation Code for the 2014 Form M-1 annual report. If the plan was not required to file the 2014 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code_____

# 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

**2014**

**This Form is Open to Public Inspection**

For calendar plan year 2014 or fiscal plan year beginning 01/01/2014 and ending 12/31/2014

**A** Name of plan
MCCARTHY & HOLTHUS, LLP 401(K) RETIREMENT PLAN

**B** Three-digit plan number (PN) ▶ 001

**C** Plan sponsor's name as shown on line 2a of Form 5500
MCCARTHY & HOLTHUS, LLP

**D** Employer Identification Number (EIN)
33-0840381

## Part I Asset and Liability Statement

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

| Assets | | (a) Beginning of Year | (b) End of Year |
|---|---|---|---|
| **a** Total noninterest-bearing cash | 1a | | |
| **b** Receivables (less allowance for doubtful accounts): | | | |
| **(1)** Employer contributions | 1b(1) | 121397 | 115273 |
| **(2)** Participant contributions | 1b(2) | | |
| **(3)** Other | 1b(3) | | |
| **c** General investments: | | | |
| **(1)** Interest-bearing cash (include money market accounts & certificates of deposit) | 1c(1) | | |
| **(2)** U.S. Government securities | 1c(2) | | |
| **(3)** Corporate debt instruments (other than employer securities): | | | |
| **(A)** Preferred | 1c(3)(A) | | |
| **(B)** All other | 1c(3)(B) | | |
| **(4)** Corporate stocks (other than employer securities): | | | |
| **(A)** Preferred | 1c(4)(A) | | |
| **(B)** Common | 1c(4)(B) | 3740 | 16490 |
| **(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) | 181731 | 203438 |
| **(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) | 4931537 | 5723418 |
| **(14)** Value of funds held in insurance company general account (unallocated contracts) | 1c(14) | | |
| **(15)** Other | 1c(15) | | |

| | | | (a) Beginning of Year | (b) End of Year |
|---|---|---|---|---|
| **1d** | Employer-related investments: | | | |
| | **(1)** Employer securities | 1d(1) | | |
| | **(2)** Employer real property | 1d(2) | | |
| **e** | Buildings and other property used in plan operation | 1e | | |
| **f** | Total assets (add all amounts in lines 1a through 1e) | 1f | 5238405 | 6058619 |
| | **Liabilities** | | | |
| **g** | Benefit claims payable | 1g | | |
| **h** | Operating payables | 1h | | |
| **i** | Acquisition indebtedness | 1i | | |
| **j** | Other liabilities | 1j | | |
| **k** | Total liabilities (add all amounts in lines 1g through1j) | 1k | | |
| | **Net Assets** | | | |
| **l** | Net assets (subtract line 1k from line 1f) | 1l | 5238405 | 6058619 |

## 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) | 115273 | |
| | **(B)** Participants | 2a(1)(B) | 641039 | |
| | **(C)** Others (including rollovers) | 2a(1)(C) | 88534 | |
| | **(2)** Noncash contributions | 2a(2) | | |
| | **(3)** Total contributions. Add lines **2a(1)(A), (B), (C),** and line **2a(2)** | 2a(3) | | 844846 |
| **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) | 7597 | |
| | **(F)** Other | 2b(1)(F) | | |
| | **(G)** Total interest. Add lines **2b(1)(A)** through **(F)** | 2b(1)(G) | | 7597 |
| | **(2)** Dividends: **(A)** Preferred stock | 2b(2)(A) | | |
| | **(B)** Common stock | 2b(2)(B) | | |
| | **(C)** Registered investment company shares (e.g. mutual funds) | 2b(2)(C) | 312811 | |
| | **(D)** Total dividends. Add lines **2b(2)(A)**, **(B)**, and **(C)** | 2b(2)(D) | | 312811 |
| | **(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) | | |
| | **(5)** Unrealized appreciation (depreciation) of assets: **(A)** Real estate | 2b(5)(A) | | |
| | **(B)** Other | 2b(5)(B) | | |
| | **(C)** Total unrealized appreciation of assets. Add lines **2b(5)(A)** and **(B)** | 2b(5)(C) | | |

| | | (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) | | 97138 |
| c Other income | 2c | | |
| d Total income. Add all **income** amounts in column (b) and enter total | 2d | | 1262392 |
| **Expenses** | | | |
| e Benefit payment and payments to provide benefits: | | | |
| (1) Directly to participants or beneficiaries, including direct rollovers | 2e(1) | 442178 | |
| (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) | | 442178 |
| 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) | | |
| (3) Investment advisory and management fees | 2i(3) | | |
| (4) Other | 2i(4) | | |
| (5) Total administrative expenses. Add lines **2i(1)** through **(4)** | 2i(5) | | |
| j Total expenses. Add all **expense** amounts in column (b) and enter total | 2j | | 442178 |
| **Net Income and Reconciliation** | | | |
| k Net income (loss). Subtract line **2j** from line **2d** | 2k | | 820214 |
| l Transfers of assets: | | | |
| (1) To this plan | 2l(1) | | |
| (2) From this plan | 2l(2) | | |

## Part III Accountant's Opinion

**3** Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

**a** The attached opinion of an independent qualified public accountant for this plan is (see instructions):

**(1)** [ ] Unqualified **(2)** [ ] Qualified **(3)** [X] Disclaimer **(4)** [ ] Adverse

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

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

**(1)** Name: HOCKING & REID, LLC **(2)** EIN: 47-0806082

**d** The opinion of an independent qualified public accountant is **not attached** because:

**(1)** [ ] This form is filed for a CCT, PSA, or MTIA. **(2)** [ ] It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

## Part IV Compliance Questions

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

During the plan year:

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

| | | | Yes | No | Amount |
|---|---|---|---|---|---|
| c | Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.) | 4c | | X | |
| d | Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.) | 4d | | X | |
| e | Was this plan covered by a fidelity bond? | 4e | X | | 50000 |
| f | Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty? | 4f | | X | |
| g | Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser? | 4g | | X | |
| h | Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser? | 4h | | X | |
| i | Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.) | 4i | X | | |
| j | Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.) | 4j | | X | |
| k | Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC? | 4k | | X | |
| l | Has the plan failed to provide any benefit when due under the plan? | 4l | | X | |
| m | If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.) | 4m | | X | |
| n | If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3. | 4n | | | |

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

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

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

**5c** If the plan is a defined benefit plan, is it covered under the PBGC insurance program (see ERISA section 4021)? ..... ☐ Yes ☐ No ☐ Not determined

## Part V Trust Information (optional)

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

# McCARTHY & HOLTHUS LLP
# 401(k) RETIREMENT PLAN

## FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

**December 31, 2014 and 2013**

# McCARTHY & HOLTHUS LLP
# 401(k) RETIREMENT PLAN
# INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE
# For the year ending December 31, 2014


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# Hocking & Reid, LLC

Certified Public Accountants

## Independent Auditor's Report

To the Plan Administrator
McCarthy & Holthus LLP
401(k) Retirement Plan

***Report on the Financial Statements***

We were engaged to audit the accompanying financial statements of McCarthy & Holthus LLP 401(k) Retirement Plan (the Plan), which comprise the statements of net assets available for benefits as of December 31, 2014 and 2013, and the related statement of changes in net assets available for benefits for the year ended December 31, 2014, 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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the *Basis for Disclaimer of Opinion* paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

***Basis for Disclaimer of Opinion***

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the Plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 3, which was certified by the trustee of the Plan, except for comparing the information with the related information included in the accompanying financial statements and supplemental schedule. We have been informed by the Plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The Plan administrator has obtained a certification from the trustee as of December 31, 2014 and 2013, and for the year ended December 31, 2014, that the information provided to the Plan administrator by the trustee is complete and accurate.

***Disclaimer of Opinion***

Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

***Other Matter***

The supplemental schedule on page 13 for the year ended December 31, 2014 is required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 and is presented for the purpose of additional analysis and is not a required part of the financial statements. Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* paragraph, we do not express on opinion on this supplemental schedule.

***Report on Form and Content in Compliance with DOL Rules and Regulations***

The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations and Disclosure under the Employee Retirement Income Security Act of 1974.

Hocking & Reid, LLC

Lincoln, Nebraska
July 20, 2015

# McCARTHY & HOLTHUS LLP
# 401(k) RETIREMENT PLAN
# STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
as of December 31, 2014 and 2013

| | 2014 | 2013 |
|---|---|---|
| **ASSETS** | | |
| Investments, at fair value | $ 5,739,908 | $ 4,935,277 |
| Receivables: | | |
| Employer's | 115,273 | 121,397 |
| Notes receivable from participants | 203,438 | 181,731 |
| Net assets available for benefits | $ 6,058,619 | $ 5,238,405 |

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

# McCARTHY & HOLTHUS LLP
# 401(k) RETIREMENT PLAN
# STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

for the year ended December 31, 2014

| | |
|---|---|
| Additions to net assets attributed to: | |
| Contributions: | |
| Employer | $ 115,273 |
| Participants | 641,039 |
| Rollovers | 88,534 |
| | 844,846 |
| Investment income: | |
| Dividends and interest | 320,408 |
| Net appreciation in fair value of investments | 97,138 |
| | 417,546 |
| Total additions | 1,262,392 |
| Deductions from net assets attributed to: | |
| Benefit payments | 442,178 |
| Total deductions | 442,178 |
| Net increase in net assets available for benefits | 820,214 |
| Net assets available for benefits, beginning of period | 5,238,405 |
| Net assets available for benefits, end of period | $ 6,058,619 |

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

# McCARTHY & HOLTHUS LLP
# 401(k) RETIREMENT PLAN
# NOTES TO FINANCIAL STATEMENTS
# For the year ending December 31, 2014

## 1. Plan Description:

The following description of the McCarthy & Holthus LLP 401(k) Retirement Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions. Certain 2013 amounts have been reclassified to conform with 2014 presentation.

### General

The Plan is a multi-employer, defined contribution plan covering employees of McCarthy & Holthus, LLP (the "Company"), Quality Claims Management, IDSolutions, Inc., Quality Loan Service, Quality Loan Service Washington and Quality Escrow who have one year of service (which includes completion of 1,000 hours or more of service) and are age eighteen or older. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

### Contributions

Each year the Company contributes to each eligible participant an amount equal to 50% of the participant's elective deferral up to a maximum of $1,000. Each participant must meet the 1,000 hours of service requirement and be employed on the last day of the plan year, determined annually. Each year, participants may contribute up to the maximum percentage of compensation and dollar amount permissible under the Internal Revenue Code, subject to certain limitations. Participants who have attained age fifty before the end of the Plan year are eligible to make catch-up contributions. The Plan allows participants to designate all or any part of their elective deferral as Roth 401(k). Participants may also contribute amounts representing distributions from other qualified plans. Participants can increase or decrease their deferral amounts on a daily basis or as soon as administratively possible.

### Participant Accounts

Each participant's account is credited with the participant's contribution and allocations of (a) the Company's contribution, (b) Plan earnings, and (c) administrative expenses. Allocations are based on participant earnings or account balances, as defined by the Plan. Forfeitures of non-vested amounts are used to reduce the employer contribution. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. Participant accounts are valued on a daily basis based on each participant's share balance in mutual funds.

## 1. Plan Description, Continued:

### Investment Options

Participants direct the investment of their contributions into various investment options offered by the Plan. The Plan offers various mutual funds as investment options for participants.

### Vesting

Participants are vested in their respective participant accounts attributable to employer contributions based on years of continuous service. A participant is 100 percent vested after six years of service.

### Notes Receivable from Participants

The loan provisions of the Plan allow plan participants with a vested account balance to borrow an amount not to exceed $50,000 or one-half of the fair market value of the participant's vested account balance, whichever is less. All loans shall bear interest at a rate reasonable at the time of application. The terms of participant loans shall not exceed five years except in the case of a loan for the purpose of acquiring any house, apartment, condominium or mobile home that is used or is to be used as the principal residence of the participant.

### Payment of Benefits

Benefits to a participant will commence to be distributed in the year in which the participant attains age 70 ½ (unless the participant is still working and elects to postpone benefit payments), or the tax year in which the participant terminates service for any reason. Qualifying participants have the option to receive retirement benefits in the form of a lump sum distribution, in equal annual installments over a certain period of years, or in a combination of both above-mentioned options. Installments are limited to a time period of life expectancy based on mortality tables published by the Internal Revenue Service. If a participant terminates employment with the Company for any reason, the vested portion of his or her account shall be distributed in a single lump sum payment, if the vested account balance is less than $1,000.

### Forfeited Accounts

During 2014 and 2013, forfeited non-vested accounts totaled $16,057 and $17,552, respectively. These amounts were used to reduce employer contributions.

## 1. Plan Description, Continued:

### Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of the Plan termination, participants would become 100 percent vested in their employer contributions.

### Administrative Expenses

Administrative expenses paid by the Plan relate primarily to certain trustee fees.

## 2. Summary of Significant Accounting Policies:

The following is a summary of the significant accounting policies followed in the preparation of these financial statements:

### Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis and present the net assets available for benefits and changes in those net assets in accordance with accounting principles generally accepted in the United States of America.

### Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

The Plan presents in the statement of changes in net assets available for benefits the net appreciation in fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments.

### Notes Receivable from Participants

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Delinquent participant loans are reclassified to distributions based upon the terms of the Plan document.

## 2. Summary of Significant Accounting Policies, Continued:

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Payment of Benefits

Benefits are recorded when paid.

### Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in values of investments securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits and the statement of changes in net assets available for benefits.

### Date of Management's Review

Subsequent events were evaluated through July 20, 2015, which is the date the financial statements were available to be issued.

## 3. Information Prepared and Certified by Trustee:

As permitted by Section 2520.103-8 of the Department of Labor Rules and Regulations for Reporting and Disclosure under Employee Retirement Income Security Act of 1974, the Plan administrator has elected to restrict the auditor's examination of the information certified by the trustee of the Plan.

The following information included in the accompanying financial statements and supplemental schedule was obtained from data that has been prepared and certified to as complete and accurate by the trustee:

| | 2014 | 2013 |
|---|---|---|
| Investments, at fair value | $ 5,739,908 | $ 4,935,277 |
| Notes receivable from participants | 203,438 | 181,731 |
| Investment income | 417,546 | 976,574 |

## 4. Investments:

The Plan's investments are held in a bank-administered trust fund. Investments that represent 5 percent or more of the Plan's net assets at December 31, 2014 and 2013, are as follows:

| | 2014 | 2013 |
|---|---|---|
| Investments at fair value: | | |
| American Funds EuroPacific Growth Fund | $ 559,983 | $ 546,314 |
| American Funds Growth Fund of America | 650,453 | 569,417 |
| American Funds Investment Co. of America | 623,535 | 508,138 |
| Calamos Growth Fund | 625,736 | 509,726 |
| Federated Government Obligations Fund | 400,369 | 135,458 |
| Vanguard 500 Index Fund | 1,093,135 | 950,956 |
| Vanguard Target Retirement - 2030 | 512,985 | 380,748 |
| Vanguard Target Retirement - 2040 | 243,653 | 465,292 |
| Vanguard Target Retirement - 2050 | 593,096 | 497,945 |
| Other, under 5 percent | 436,963 | 371,283 |
| | $ 5,739,908 | $ 4,935,277 |

During 2014, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value of $97,138.

## 5. Fair Value Measurements:

The Plan's investments are reported at fair value in the accompanying statements of net assets available for benefits.

| | | Fair Value Measurements at Reporting Date Using: | | |
|---|---|---|---|---|
| | Fair Value | Quoted Prices in Active Markets for Indentical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| **December 31, 2014** | | | | |
| Mutual funds | $ 5,723,418 | $ 5,723,418 | $ - | $ - |
| Common stock | 16,490 | 16,490 | - | - |
| Total | $ 5,739,908 | $ 5,739,908 | $ - | $ - |
| **December 31, 2013** | | | | |
| Mutual funds | $ 4,931,537 | $ 4,931,537 | $ - | $ - |
| Common stock | 3,740 | 3,740 | - | - |
| Total | $ 4,935,277 | $ 4,935,277 | $ - | $ - |

FASB Accounting Standards Codification section 820, "*Fair Value Measurements and Disclosures,*" establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consists of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Plan uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Plan measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

## 5. Fair Value Measurements - Continued:

*Level 1 Fair Value Measurements*

Fair values are based on quoted prices (unadjusted) in active markets for identical assets that the Plan has the ability to access at the measurement date. The fair values of mutual funds and common stock are based on quoted market prices, when available.

*Level 2 Fair Value Measurements*

Fair values are based on inputs other than quoted prices included in Level 1 that are observable for valuing the asset or liability, either directly or indirectly. Observable inputs include quoted price for similar assets or liabilities in active or non-active markets. Level 2 inputs may also include insignificant adjustments to market observable inputs. There were no Level 2 inputs.

*Level 3 Fair Value Measurement*

Fair values are based on unobservable inputs used for valuing the asset or liability. Unobservable inputs are those that reflect the Plan's own assumptions about the assumptions that market participants would use in pricing the asset, based on the best information available in the circumstances. There were no Level 3 inputs.

There have been no changes in the methodologies used at December 31, 2014 and 2013.

Gains and losses (realized and unrealized) included in the statement of changes in net assets available for benefits for the year ended December 31, 2014 are reported in net appreciation (depreciation) in fair value of investments.

## 6. Party-in-Interest Transactions:

Plan investments are shares of mutual funds managed by Cornerstone Bank. Cornerstone Bank is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions.

## 7. Tax Status:

The Internal Revenue Service has determined and informed the Company by letter dated January 31, 2006, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). The Plan has been amended since receiving the determination letter. However, the Plan administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable provisions of the IRC.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination 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, 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are 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 December 31, 2011.

**McCARTHY & HOLTHUS LLP**
**401(k) RETIREMENT PLAN**
**EIN 33-0840381**
**PLAN NUMBER 001**
**SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)**
**December 31, 2014**

| (a) | (b) Identity of Issuer, 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 |
|---|---|---|---|---|
| | Common Stock | | | |
| * | California Business Bank Common Stock | Common Stock | $ 170,000 | $ 16,490 |
| | Cornerstone Bank: | | | |
| * | Federated Government Obligations Fund | Stock Index Mutual Fund | A | 400,369 |
| * | Money Market Account | Stock Mutual Fund | A | 452 |
| * | American Funds EuroPacific Growth Fund | Stock Mutual Fund | A | 559,983 |
| * | American Funds Growth Funds of America | Stock Mutual Fund | A | 650,453 |
| * | American Funds Investment Co. of America | Stock Mutual Fund | A | 623,535 |
| * | Calamos Growth Fund | Stock Mutual Fund | A | 625,736 |
| * | Oppenheimer Strategic Income Fund | Stock Mutual Fund | A | 226,711 |
| * | Vanguard Target Retirement 2020 | Stock Mutual Fund | A | 193,310 |
| * | Vanguard Target Retirement 2030 | Stock Mutual Fund | A | 512,985 |
| * | Vanguard Target Retirement 2040 | Stock Mutual Fund | A | 243,653 |
| * | Vanguard Target Retirement 2050 | Stock Mutual Fund | A | 593,096 |
| * | Vanguard 500 Index | Stock Mutual Fund | A | 1,093,135 |
| | | | | 5,723,418 |
| * | Notes receivable from participants | Rates at 4.25% | | 203,438 |
| | Total | | | $ 5,943,346 |

* Denotes party-in-interest

A Cost not required for participant directed investments

**McCARTHY & HOLTHUS LLP**
**401(k) RETIREMENT PLAN**
**EIN 33-0840381**
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**December 31, 2014**

| (a) | (b) Indentity of Issuer, 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 |
|---|---|---|---|---|
| | Common Stock | | | |
| * | California Business Bank Common Stock | Common Stock | $ 170,000 | $ 16,490 |
| | Cornerstone Bank: | | | |
| * | Federated Government Obligations Fund | Stock Index Mutual Fund | A | 400,369 |
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