THE WATERMARK

AT 3030 PARK

Annual Financial Filing

The Watermark at 3030 Park
3030 Park Avenue
Bridgeport, Connecticut 06604

Fiscal Year Ending December 31, 2013

THE WATERMARK
AT 3030 PARK

Annual Financial Filing
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Cross Reference to Connecticut CCRC Regulations Section 17b-527 & 17b-528

Current Entrance Fees and Monthly Fees
Effective December 2013

The Watermark at 3030 Park offers two entrance programs. Pricing is based upon the size and features of the apartment selected, as well as the number of occupants and the type of refund and health care option. Your financial advisor or accountant can discuss the benefits of each contract type and help you decide which fits your needs. Beyond this one-time Entrance Fee, your assets are entirely yours to hold and manage in whatever way you determine.

Entrance Fees – Gold Program:

	Apartment Size (sq ft)	***Declining Refund Contract Plan***	***50% Refund Contract Plan***	***90% Refund Contract Plan***
One Bedroom	553-772	$143,500-$225,900	$193,725-$304,965	$236,775-$372,735
One Bedroom Plus	1,042	$223,000-$285,500	$301,050-$385,500	$367,950-$471,000
Two Bedroom	825-1,350	$229500-$325,000	$310,000-$438,750	$378,750-$53,6250
Two Bedroom Plus	1,203-2,100	$298,500-$560,000	$402,975-$756,000	$492,525-$924,000
Cottages	2,036-2,111	$401,500-$427,900	$542,025-$577,665	$662,475-$706,035

The Second Occupant Entrance Fee is $25,000 and is non-refundable.

Entrance Fees – Life Care Program:

	Apartment Size (sq ft)	***Declining Refund Contract Plan***	***50% Refund Contract Plan***	***85% Refund Contract Plan***
One Bedroom	553-772	$174,995-$278,780	$236,245-$376,355	$288,745-$459,990
One Bedroom Plus	870-1,042	$244,750-$325,500	$330,415-$439,500	$403,840-$537,000
Two Bedroom	825-1,350	$269,500-$378,400	$364,000-$510,840	$444,750-$624,360
Two Bedroom Plus	1,203-2,100	$337,975-$599,500	$456,265-$809,325	$557,660-$989,175
Cottages	2,036-2,111	$448,250-$474,650	$605,138-$639,613	$640,778-$783,173

The Second Occupant Entrance Fee is $40,000 and is non-refundable.

Pricing Effective January 2014

Your other financial obligation to The Watermark at 3030 Park is the Monthly Service Fee. The Monthly Service Fee includes services as outlined in this Disclosure Statement as well as the Resident Handbook.

Monthly Service Fees – Gold Program:

	Single Occupancy	***Double Occupancy***
One Bedroom	$2,825-$3,210	$4,175-$4,560
One Bedroom Plus	$3,550-$3,995	$4,900-$5,345
Two Bedroom	$3,700-$4,625	$5,050-$5,975
Two Bedroom Plus	$4,625-$4,925	$5,975-$6,890
Cottages	$$3,290	$4,640

Monthly Service Fees – Life Care Program:

	Single Occupancy	*Double Occupancy*
One Bedroom	$3,170-$3,545	$4,820-$5,195
One Bedroom Plus	$3,850-$4,340	$5,500-$5,990
One Bedroom Plus and Two Bedroom	$4,050-$4,950	$5,700-$6,600
Two Bedroom Plus	$4,950-$5,240	$6,600-$6,890
Cottages	$3,590	$5,240

* All fees are subject to change to maintain the financial viability of the Community.

Current Additional Fees
Effective May 2014

Dining Services

Item or Service	Charge	Notes
Guest/Resident additional meals	$6.50 breakfast $20.00 dinner	Town Center and 2North If beyond meal plan
Guest meals	$5.50 breakfast $7.50 lunch $12.50 dinner	Inn, Gardens and Springs
Holiday/Special Events meals	From $22.50 per meal	
Children's meals (under age 12)	1/2 price of guest meals	
“W” Lounge and Gallery Café Dining	Prices vary based on menu	
Packaged To Go/Resident Pick Up	$4.00 per meal	
Meal Tray/Room Service	$5.50 per delivery	Included in base rate in Inn, Gardens or Springs If ordered by nurse
Catering services	Prices vary based on requested menu	See Dining Services Director for pricing
Wait service for private party	$25.00 per hour	
Housekeeping service for private party	$25.00 per hour	For events not catered by Watermark. One Hour minimum

Parking/Private Transportation

Item or Service	Charge	Notes
Appointment within Local Area, on scheduled transportation days (typically Monday through Friday)	$7.50 round trip	Local area includes Bridgeport, Fairfield, Trumbull, Stratford, Westport
Appointment outside Local Area	$25.00 per hour plus $.55 mile	Within 10 Mile Radius
Appointment outside normal hours/days (typically 8am to 5pm)	$25.00 per hour	
Garage parking	$45.00 per month	❐ Add ❐ Delete _____/_____/_____

Maintenance

Item or Service	Charge	Notes
Handyman services, basic ❒ Repair furniture and small appliances ❒ Moving furniture/fans, etc ❒ Hanging shelves, mirrors, art, grab bars, etc ❒ Moving items to/from storage ❒ Install TV, stereo, etc	$25.00 per hour plus supplies	One hour minimum
Change light bulbs/batteries on personal fixtures/equipment	No Charge	Resident to provide bulbs/batteries
Replacement keys or fob	$100.00 per key $75.00 per fob	
Replacement lock – Town Center	$225.00 plus supplies	
Replacement lock – Inn, Gardens or Springs	$75.00 plus supplies	

Housekeeping

Item or Service	Charge	Notes
Additional cleaning: changing bedding, turning mattress, etc	$14.00 per ½ hour	Half hour minimum
Carpet cleaning ❒ Annual assessment and possible cleaning ❒ 1 Room ❒ 2 Rooms ❒ 3 Rooms ❒ 4 Rooms ❒ Spots	 No Charge $25.00 $50.00 $65.00 $75.00 $15.00 per spot	Based on Watermark condition assessment
Blind cleaning – annual assessment and cleaning	No Charge	
Linen Service and Personal Laundry ❒ Sheets/towels – One set laundered per week provided by Resident ❒ Sheets/towels – One set laundered per week provided by Resident ❒ Additional set of sheets or towels (provided by Watermark) ❒ Personal laundry, towels	 No Charge $10.00 per set $10.00 per set $1.50 per pound	 Town Center Full Service, Inn, Gardens & Springs Town Center Classic Plans & Cottages
Dry Cleaning ❒ Pick-up and delivery to apartment	$5.00 per service	Charge is in addition to dry cleaner's fee

Assisted Living Services Agency (ALSA) Services for Town Center

Item or Service	Charge	Notes
Private duty personal services such as medication management, grooming assistance, and assurance checks are available through Watermark at Home, a licensed Assisted Living Services Agency (ALSA)		
Item or Service	**Charge**	**Notes**
CNA Visit	$20.00 per hour	One hour minimum
CNA Private Duty Visit/Companion Services	$20.00 per hour	Four hour minimum
CNA Assurance Check	$10.00 per visit	
LPN Visit	$33.00 per 15 minutes	15 minute minimum
RN Visit	$40.00 per 15 minutes	15 minute minimum
Case Management	$60.00 per hour	30 minute minimum
Social Worker Visit	$60.00 per hour	30 minute minimum
Companion/Escort to provide assistance with short shopping trips and doctor's visit	$25.00 per hour plus transportation charges	
Escort Services to and from Community amenities and events (Dining Room, Gallery Café, Indulge Salon/Spa and special events).	$10.00 per escort each way	$20.00 per hour, one hour minimun for Companion if needed
CNA Assistance with TED Stockings	$10.00 per application	Applies if separate from scheduled visit
Case Management- LPN/RN Services	$50.00 per hour	One hour minimum
Dressing Change	$33.00 per LPN service $40.00 per RN service	Per change includes supplies
Injections	$33.00 per LPN treatment $40.00 per RN treatment	Medication Plan B and C includes treatment at no additional charge
Administration of eye drops	$33.00 per LPN treatment $40.00 per RN treatment	Medication Plan B and C includes treatment at no additional charge
Administration of nebulizer treatments	$33.00 per LPN treatment $40.00 per RN treatment	Medication Plan B and C includes treatment at no additional charge
Lifeline Pendant Replacement	$120.00	Per replacement

Assisted Living Services Agency (ALSA) Services for Town Center – continued

Medication Plans include initial and quarterly assessments, bi-weekly pre-pour of medications,coodination of prescription renewals and/or refills, consultations with physicians, pharmacists and families. Medication Plans are available through Watermark at Home, a licensed Assisted Living Services Agency (ALSA)		
Medication Plan A	$400.00 per month	Medication set-up (pre pour) bi-weekly
Medication Plan B	$525.00 per month	Medication set-up (pre pour) bi-weekly Medication Administration or reminder once daily
Medication Plan C	$670.00 per month	Medication set-up (pre pour) bi-weekly Medication Administration or reminder twice daily
Medication Plan - Weekly	$400.00 per month, in addition to cost of Plan A, B or C	Medication Plans A, B and C weekly set-up (pre pour)
Medication Administration- Storage Containers	$15.00 per container	
Medication Administration/Reminders	$5.00 per reminder	Per day beyond twice daily

Inn and Gardens Additional Assisted Living Services

Additional Assisted Living services available through a tiered point system. The tiered rates are based on individual needs and determined through a personal assessment by Watermark nursing staff.		
❒ Tier Levels – Inn	Tier I $600 per month Tier II $1,200 per month Tier III $1,800 per month Tier IV $2,400 per month Custom Charge $2,400 per month plus $1.00 per additional points.	
❒ Tier Levels – Gardens	Tier I $900 per month Tier II $1,800 per month Tier III $2,700 per month Custom Charge $2,700 per month plus$1.00 per additional points.	

Inn, Gardens and Springs Ancillary Services

Town Center Life Care residents at the Inn, Gardens or Springs either temporarily or permanently		
Meal and Miscellaneous Fee	$35.00 per day	
Personal Grooming/Incontinent Supplies	Varies per item	See ALSA Program Director and Springs Administrator for pricing

Therapy Services

Item or Service	Charge	Notes
CNA Visit	$20.00 per hour	One hour minimum

Administration/Community Life

Item or Service	Charge	Notes
Guest Suite ❒ Single Occupancy ❒ Double Occupancy ❒ Rollaway Cot	 $135.00 per night $145.00 per night $15.00 per night	Meal Card provided for two meals per day per person.
Faxes, sending and receiving	$2.00 for first page $1.00 each additional page	See Front Desk
Copies – Black and White	$0.25 per page	See Front Desk
Notary Service	See Bank's price list	People's Bank
Shredding Service	$5.00 per envelope	See Front Desk
Long Term Insurance Claim Filing	$20.00-$35.00 per month	Varies based on filing
Postage	At cost	
Overnight Packages: FedEx, UPS, DHL	$5.00	Charge is in addition to overnight carrier's fees
Envelopes (standard sizes)	$0.25 - $1.00 each	
Storage space	No charge	One per apartment, if available
Additional storage space	$40.00 per month	❒ Add ❒ Delete ______/______/______
Non-refundable Pet Fee	$750.00 per pet	
Non-refundable Electric Cart Fee	$250.00 per cart	
Beauty/Barber services	Prices vary	See Beautician/Barber
Local Telephone Service	Included	
Long Distance Call	Based on Usage	
Basic Cable	$55.00 per month	Included in base rate in Inn, Gardens or Springs
Admission to off-site events/outings	Prices vary	See Community Life Calendar

Watermark shall have the right to add, delete and modify the services below at its sole discretion; provided however, Watermark shall give you at least thirty (30) days prior written notice of any such addition, deletion or modification.

Statistical Information

Independent Living	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual
Resident Turnover									
Individual	33	26	23	20	28	14	21	16	19
Percentage	25.0%	19.7%	18.5%	16.1%	23.0%	13%	18%	15%	15%
Average Age of Residents	86.6	86.6	84.9	84.1	85.5	87	TBD	85.5	87
Utilization Rates	n/a	n/a	n/a	n/a	4.7%	TBD	TBD	28.5%	TBD
Occupancy Rate									
Retirement Community	64%	59%	62%	62%	57%	58%	71%	65%	74%
Nursing Home	0.0%	0.0%	0.0%	0.0%	73%	88%	95%	89%	90%
Nursing Home Admissions	0	0	0	0	187	170	208	251	255
Total Nursing Home Patient Days	n/a	n/a	n/a	n/a	4,219	7,344	7,300	7,635	7,511
Permanent Transfers	20	13	20	16	3	2	TBD	5	6

Income Statement and Cash Flow Projections

The Watermark at 3030 Park
Cash Flow Statement
Projections

	2013	2014	2015	2016	2017
Operating Revenues					
Entry Fee Amortization	3,114,400	3,238,975	3,368,534	2,717,541	2,826,243
Independent Living Revenues	7,141,803	8,335,520	9,613,307	10,704,435	11,132,613
Assisted Living Revenues	1,605,049	1,669,251	1,736,021	1,805,462	1,877,680
Memory Care Revenues	668,756	695,506	723,326	752,259	782,350
Health Center Revenues	4,057,114	4,219,399	4,388,175	4,563,702	4,746,250
Total Operating Revenue	**16,587,122**	**18,158,651**	**19,829,364**	**20,543,399**	**21,365,135**
Operating Expenses					
Administration	4,357,252	4,703,956	5,041,636	5,315,875	5,537,772
Security	105,537	109,231	113,054	117,011	121,106
Maintenance	1,980,191	2,130,127	2,271,916	2,406,543	2,508,083
Housekeeping/Laundry	563,409	606,069	646,411	684,716	713,606
Community Service	377,919	406,535	433,595	459,289	478,667
Transportation	83,804	90,149	96,150	101,847	106,144
Food Service	2,472,958	2,660,205	2,837,279	3,005,407	3,132,214
Nursing-IL	1,169,457	1,210,388	1,252,752	1,296,598	1,341,979
Nursing-AL/ALZ	24,027	24,868	25,738	26,639	27,571
Nursing-SNF	2,099,674	2,173,163	2,249,223	2,327,946	2,409,424
Marketing/Sales	905,842	937,547	970,361	1,004,323	1,039,475
Operating Expenses Before Interest	**14,140,070**	**15,052,237**	**15,938,115**	**16,746,195**	**17,416,043**
Tax NOI	**2,447,052**	**3,106,414**	**3,891,249**	**3,797,205**	**3,949,093**
Less Amortized Entry Fees	(3,114,400)	(3,238,975)	(3,368,534)	(2,717,541)	(2,826,243)
Plus Net Entry Fees	4,190,669	4,358,296	4,532,628	3,656,665	3,802,932
Cash NOI Before Routine Capex	**3,523,321**	**4,225,734**	**5,055,342**	**4,736,328**	**4,925,781**
Less Routine Capex	(439,033)	(452,204)	(465,770)	(479,743)	(494,136)
Cash NOI Before Debt Service	**3,084,288**	**3,773,530**	**4,589,572**	**4,256,585**	**4,431,646**
Less Debt Service	(1,811,006)	(1,811,006)	(1,811,006)	(1,811,006)	(1,811,006)
Net Increase in Cash	**1,273,283**	**1,962,524**	**2,778,566**	**2,445,579**	**2,620,640**

Assumptions Used in Projections

Fees

All Entrance Fees and Monthly Service Fees are based on projected occupancy and a 4.5% increase each year after 2013.

Amortization of Entrance Fees

Amortization of Entrance Fees is projected based on occupancy, Continuing Care Contract type, and the actuarially determined remaining lifespan of the residents holding Continuing Care Contracts dated prior to August 15, 2006.

Other Income

Other Income includes laundry, housekeeping, additional meals, ancillary services, and Assisted Living Services Agency (ALSA) revenue. Other Income is forecasted based on The Watermark at 3030 Park's historical three-year average adjusted for the elimination of extraordinary items, trended by an annual 4.5% inflation rate.

Operating Expenses

Operating Expenses and benefits are projected to increase at an average rate of 4% per annum.

Basis for Amortization/Depreciation of Capital Cost

Fixed Asset	**Useful Life**	**Depreciation Method**
Land	n/a	Not Depreciated
Building and Land Improvement	25-40 years	Straight Line
Fixed Equipment	5-25 years	Straight Line
Movable Equipment	5-15 years	Straight Line

Assessment of Actuarial Soundness

The Watermark at 3030 Park ("The Watermark at 3030 Park" or "Community") began operations as a continuing care retirement community ("CCRC") in 1968. It has been in continual operations since that time. In November 2005 the State of Connecticut put the prior owner and the Community into Receivership to protect the residents of the Community. Watermark 3030 Park, L.L.C. ("Watermark LLC") acquired the property from the Receiver on August 15, 2006 and has renovated and expanded the Community. The financial and statistical projections contained in this filing are based on the past several years of actual operating data of the Community and on the experience of the team of individuals representing Watermark LLC in the preparation of this filing.

The following facts refer specifically to Watermark LLC and The Watermark at 3030 Park:

1. Resident turnover was based on the actual turnover experiences at the Community for the past five years.
2. Occupancy in the apartments at the Community will will steadily and moderately increase in each of the following five years.
3. Cash inflows (primarily from new Entrance Fee deposits) will exceed cash outflows.
4. Adequate funding has been made available to Watermark LLC to provide ample funds for the renovation and expansion of the Community to help make it competitive in the market.
5. Investments by Watermark LLC will comply with the reserve requirements established by the State of Connecticut for CCRCs.
6. The current Continuing Care Contract with residents does not entail any prepaid healthcare obligations and provides that refunds of Entrance Fees will be made only after an apartment is reoccupied.
7. Debt service in the Watermark LLC will be the Community's primary long term liability. During the next five years, the cash flow generated by operations at the Community is projected to be sufficient to service the debt of the organization.

THE WATERMARK
AT 3030 PARK

Annual Financial Filing

Exhibit A

Audited Financial Statements

Watermark 3030 Park, LLC

Financial Statements
(Income Tax Basis)
December 31, 2013 and 2012

Watermark 3030 Park, LLC
Index
(Income Tax Basis)
December 31, 2013 and 2012

Independent Auditor's Report

To Management of
Watermark 3030 Park, LLC

We have audited the accompanying financial statements of Watermark 3030 Park, LLC (the "Company"), which comprise the statements of assets, liabilities, and members' deficit (income tax basis) as of December 31, 2013 and 2012, and the related statements of revenue and expenses (income tax basis), members' deficit (income tax basis), and of cash flows (income tax basis) for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting the Company uses for income tax purposes as described in Note 2; this includes determining that the income tax basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 the 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 our 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, we consider internal control relevant to the Company'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 Company'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and members' deficit of Watermark 3030 Park, LLC as of December 31, 2013 and 2012, its revenue and expenses, members' deficit and its cash flows for the years then ended, in accordance with the basis of accounting the Company uses for income tax purposes as described in Note 2.

Emphasis of Matter

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of accounting the Company uses for federal income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers LLP

March 31, 2014

Watermark 3030 Park, LLC
Statements of Assets, Liabilities and Members' Deficit
(Income Tax Basis)
December 31, 2013 and 2012

	2013	2012
Assets		
Property and equipment, net	$ 44,479,520	$ 45,244,904
Cash	181,941	1,549,185
Restricted cash	1,733,781	1,579,859
Accounts receivable	990,521	758,748
Prepaid expenses and other	182,839	196,388
Goodwill, net	7,074,631	8,002,452
Total assets	$ 54,643,233	$ 57,331,536
Liabilities and Members' Deficit		
Accounts payable and accrued expenses	$ 1,257,535	$ 1,235,799
Notes payable, related party	55,666,140	55,666,140
Accrued interest, related party	7,095,230	6,653,973
Unearned entry fees	5,147,973	4,658,467
Resident refund liabilities	22,197,958	23,552,862
Refundable deposits	250,650	120,832
Resident advance payments	14,229	-
Total liabilities	91,629,715	91,888,073
Commitments and contingencies (Note 9)		
Total members' deficit	(36,986,482)	(34,556,537)
Total liabilities and members' deficit	$ 54,643,233	$ 57,331,536

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

Watermark 3030 Park, LLC
Statements of Revenues and Expenses
(Income Tax Basis)
Years Ended December 31, 2013 and 2012

	2013	2012
Revenue		
Resident	$ 8,514,161	$ 7,533,889
Healthcare	4,593,468	4,038,776
Amortization of resident refund and entry fees	3,175,418	3,591,145
Other	102,784	97,475
Total revenue	16,385,831	15,261,285
Operating expenses		
Wages and benefits	5,974,549	5,841,154
Management fee	784,185	730,968
General and administrative	392,599	478,159
Professional services	597,323	920,066
Repairs and maintenance	641,517	563,370
Occupancy costs	2,562,674	2,757,080
Supplies	905,662	903,178
Ancillaries/therapies	1,138,437	840,629
Amortization	927,821	927,821
Depreciation	2,147,349	2,208,865
Total operating expenses	16,072,116	16,171,290
Excess of revenue over operating expenses (operating expenses over revenue)	313,715	(910,005)
Other (expense) income		
Interest expense	(2,284,014)	(2,328,425)
Interest income	734	874
Forgiveness of interest	-	20,060,887
Gain (loss) on disposal of assets	5,982	(200,347)
Total other (expense) income	(2,277,298)	17,532,989
Excess of (expenses over revenue) revenue over expenses	$ (1,963,583)	$ 16,622,984

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

Watermark 3030 Park, LLC
Statements of Members' Deficit
(Income Tax Basis)
Years Ended December 31, 2013 and 2012

	FSPP II 3030 Park, LLC	Watermark 3030 Investment, LLC	Total
Balances at December 31, 2011	$ (35,825,664)	$ (15,353,857)	$ (51,179,521)
Excess of revenue over expenses	13,596,616	3,026,368	16,622,984
Reallocations of expenses over revenue	(1,981,314)	1,981,314	-
Balances at December 31, 2012	(24,210,362)	(10,346,175)	(34,556,537)
Distributions to members	(263,850)	(202,512)	(466,362)
Excess of expenses over revenue	(1,963,583)	-	(1,963,583)
Balances at December 31, 2013	$ (26,437,795)	$ (10,548,687)	$ (36,986,482)

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

Watermark 3030 Park, LLC
Statements of Cash Flows
(Income Tax Basis)
Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Excess of (expenses over revenue) revenue over expenses	$ (1,963,583)	$ 16,622,984
Adjustments to reconcile excess of (expenses over revenue) revenue over expenses to net cash flows provided by operating activities		
Amortization of resident refund and entry fees	(3,175,418)	(3,556,145)
Amortization	927,821	927,821
Depreciation	2,147,349	2,208,865
(Gain) loss on disposal of assets	(5,982)	200,347
Forgiveness of interest	-	(20,060,887)
Change in operating assets and liabilities		
Accounts receivable	(264,511)	348,550
Prepaid expenses and other	13,549	(2,516)
Accounts payable and accrued expenses	(67,847)	(841,266)
Accrued interest, related party	434,638	476,697
Unearned entry fee and resident refund liabilities received	7,303,563	6,737,995
Unearned entry fee and resident refund liabilities refunded	(4,960,827)	(1,927,261)
Refundable deposits	129,818	(381,058)
Resident advance payments	14,229	(18,361)
Net cash flows provided by operating activities	532,799	735,765
Cash flows from investing activities		
Property and equipment additions	(1,290,255)	(797,382)
Proceeds from the sale of assets	10,496	1,850
Changes in restricted cash	(143,023)	470,689
Net cash flows used in investing activities	(1,422,782)	(324,843)
Cash flows from financing activities		
Changes in restricted cash for debt service	(10,899)	(309,179)
Member distributions	(466,362)	-
Proceeds from notes payable, related party	-	388,419
Net cash flows (used in) provided by financing activities	(477,261)	79,240
Net (decrease) increase in cash	(1,367,244)	490,162
Cash		
Beginning of year	1,549,185	1,059,023
End of year	$ 181,941	$ 1,549,185
Supplemental cash flow information		
Interest paid	$ 1,849,376	$ 1,851,731
Noncash investing activity		
Property and equipment additions included in accounts payable and accrued expense	106,483	16,900
Noncash financing activity		
Refundable entry fees applied to accounts receivable	32,738	31,200

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

1. Organization and Business

Watermark 3030 Park, LLC (the "Company" or "3030 Park") was organized on June 19, 2006 as a limited liability company ("LLC") pursuant to the laws of the State of Delaware. The purpose of the Company was to acquire, own and operate a residential retirement community in Bridgeport, Connecticut (the "Community"). The Company is 70% owned by FSPP II 3030 Park, LLC ("FSPP II"), a Delaware limited liability company and is 30% owned by Watermark 3030 Park Investment, LLC ("Investments"), a Delaware limited liability company (collectively, the "Members"). In conjunction with the amendments to the Mezzanine loan and Senior loan as discussed in Note 7, the LLC Agreement was amended effective January 1, 2012. In the amendment, $15 million of accrued and unpaid mezzanine interest was deemed converted into additional capital contributions by FSPP II. Furthermore, the percentage interests of the Company were adjusted accordingly, such that FSPP II shall hold a 90% percentage interest in the Company and that Investments shall hold a 10% percentage interest in the Company.

Taxable income or loss generated by the Company shall be allocated in accordance with the Limited Liability Company Agreement of the Company and amendments (the "LLC Agreement") which states that special allocations as defined in the LLC Agreement shall take effect, then allocations of net income or losses shall be allocated prior to reducing capital accounts for any distributions for that year. Special allocations include an allocation to the extent of member nonrecourse deductions, and a limitation of the allocation of losses to the extent a member is in a negative members' deficit position. Thereafter, net income or loss shall be allocated among the Members to cause the adjusted capital account of each Member to equal the amounts that would be distributed to such Member if the Company distributed all net cash flows plus the amount that would be distributed if the Company liquidated its assets for their adjusted tax basis. The allocation of excess of expenses over revenue for 2011 has been corrected as of December 31, 2012 to properly account for special allocations, resulting in the allocation of additional excess of expenses over revenue in the amount of $1,981,314 to FSPP II, resulting in a $0 net impact to total members' deficit.

Distributions are made as follows:

(1) First, pari passu, to any accrued but unpaid interest on the Member Loans as of the date of such payment until all accrued and unpaid interest on the Member Loans has been paid;

(2) Second, pari passu, to the outstanding principal amounts of such Member Loans as of the date of such payment until all Member Loans have been paid in full;

(3) Third, to repay Protective Contributions, pro rata, based on total Protective Contributions, including without limitation a 20% Contribution Return thereon; and

(4) Fourth, (i) 90% to FSPP II and (ii) 10% to Investments.

During the year ended December 31, 2013, the Company distributed $263,850 and $202,512 to FSPP II and Investments, respectively, for the payment of taxes due on the 2012 forgiveness of debt.

2. Significant Accounting Policies

Basis of Presentation
The Company's policy is to present its financial statements on the same basis of accounting used for federal income tax purposes in the United States of America; consequently, the accompanying financial statements are not intended to present the Company's financial position and results of operations in conformity with accounting principles generally accepted in the United States of America ("GAAP"). For purpose of the financial statements, the principal differences between the income tax basis of accounting and GAAP relate to the timing of the recognition of certain revenue and expenses, the depreciation of property and equipment, the recognition of long lived asset impairments, the valuation of assets acquired and liabilities assumed in a business combination, amortization of goodwill and capitalization of interest expense.

The Company recognizes residential income as paid or due, whichever is earlier, under the terms of the residency agreement. GAAP would require the Company to recognize minimum rent increases on a straight-line basis over the original term of the respective residency agreement.

The Company recognizes certain expenses and the related liability are recognized when they become fixed and determinable for income tax purposes whereas such amounts are recognized when incurred under GAAP.

The Company uses an accelerated depreciation method for rental property as set forth in the Internal Revenue Code ("IRC"). GAAP would require the Company to depreciate rental property on a straight-line basis over the useful life of the asset.

The Company does not assess their long-lived assets for impairment. GAAP would require the Company to review its long-lived assets for impairment whenever an event or changes in circumstances indicate the carrying value of the asset may not be recoverable. When impairment is identified, the Company would be required to record an estimated impairment loss for the amount by which the carrying amount of the asset exceeds its fair value. For income tax purposes, any impairment of long-lived assets is disallowed.

The Company does not record assets acquired and liabilities assumed in a business combination at their fair values using the purchase method of accounting. GAAP would require the Company to recognize these amounts at their fair values using the purchase method of accounting.

The Company amortizes goodwill over a period of 15 years. GAAP would require the Company to assess the fair value of the reported amount of goodwill at each reporting date for impairment or earlier if events or circumstances indicate that the related carrying amount may be impaired.

These accounting methods are subject to review and examination by taxing authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determinations by taxing authorities.

Use of Estimates
The preparation of financial statements requires management to make estimates and assumptions that affect the carrying value of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Property and Equipment, net
Property and equipment obtained as part of the acquisition, is stated at the value determined by the allocation of the purchase price in the purchase agreement at the acquisition date. Property and equipment acquisitions from the date the Community was acquired are recorded at cost less accumulated depreciation. Depreciation is computed using the MACRS method over the tax determined lives of the assets. The tax useful lives are 27.5 years for buildings and improvements, seven years for furniture and five years for equipment.

Routine maintenance and repairs are charged against operations as incurred. Expenditures that significantly change capacities or extend useful lives are capitalized and depreciated over their tax determined useful lives.

In connection with the Company's plan for renovation projects, the Company capitalizes all related expenditures including capitalized interest to construction in progress. Capitalized costs are placed into service based on the date the work is substantially complete and available for use.

Cash
The Company invests its cash with high quality credit institutions. At times, such deposits may be in excess of the FDIC insurance limit; however, management does not believe it is exposed to any significant credit risk on cash.

Restricted Cash
Restricted cash consist of funds required by state regulations for continuing care retirement communities and amounts segregated for future capital improvements. The entry fee deposit escrow, the operating reserve and the interest reserve funds were required to be established per the Connecticut Continuing Care Retirement Community regulations. In addition to the interest reserve fund balance, the Company relies on funds held in a bank account of an affiliate that have been specifically reserved and designated to meet the interest reserve fund requirement as of December 31, 2013 and 2012. Entry fee deposits made by prospective residents are deposited into the entry fee deposit account. Once the resident moves into the community, the funds are transferred into the operating account. The capital expenditure fund represents amounts required by the Company's related party notes payable which can only be used for the renovation project.

Accounts Receivable
Generally, accounts receivable are considered to be past due after 30 days. The Company does not provide for an allowance for doubtful accounts, rather uncollectible accounts are recognized as bad debt when actually written off. Doubtful accounts are periodically reviewed for collectability and are written off when all collection efforts have been exhausted.

Goodwill, net
In connection with the acquisition of the Community, 3030 Park recorded goodwill of $13,917,308. In accordance with IRC section 197, goodwill is being amortized ratably over 15 years.

Unearned Entry Fees
Fees paid by a resident upon entering into a continuing care contract, net of the portion thereof that is refundable to the resident, are recorded as unearned entry fees and are amortized to revenue as amounts become nonrefundable using the straight-line method over the period specified in the declining entry fee resident contract. In conjunction with the acquisition of the Community, 3030 Park assumed certain unearned entry fees which are being amortized to revenue as stated above.

Resident Refund Liabilities
Refundable entry fees are contingent upon re-occupancy, and are recorded as resident refund liabilities and are not amortized. In conjunction with the acquisition of the Community, 3030 Park assumed certain resident refund liabilities which will be required to be repaid to the residents vacating the units, based on the terms of the resident agreement. As these liabilities are fully refundable, 3030 Park has recorded these liabilities to the residents as a resident refund liability.

Resident and Healthcare Revenue
Resident revenue generally includes the amounts due from residents based on residency days provided at the Company's independent, assisted living and Alzheimer's care centers and the rates established for the type of apartment or unit. Healthcare revenue includes the amounts due from patients or other third party payers based on the patient days and level of care provided to the patients at the Company's skilled nursing facility. The resident and healthcare revenue are reported at the contracted amounts due from the residents, Medicare or other third party payers based on the rates established for the level of care provided.

3030 Park obtained a Medicare certification in 2009 and began providing healthcare services to Medicare patients. Laws and regulations governing the Medicare program are complex and subject to interpretation. The Company believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegation of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare program.

Income Taxes
The Company is a limited liability company and is not subject to federal income tax. The Members are taxed on their share of the Company's taxable income, whether or not distributed, and are entitled to deduct their share of net losses to the extent of their tax basis. Accordingly, no provision for income taxes is provided in the accompanying financial statements.

Reclassification
Certain amounts in the financial statements and notes have been reclassified to conform to current year presentation.

3. Property and Equipment, net

Property and equipment, net at December 31, 2013 and 2012 consists of the following:

	2013	2012
Land	$ 7,230,458	$ 7,230,458
Buildings and improvements	46,100,215	46,085,837
Furniture and equipment	10,662,314	9,643,948
	63,992,987	62,960,243
Less: Accumulated depreciation	(19,861,936)	(17,716,411)
Construction in progress	348,469	1,072
	$ 44,479,520	$ 45,244,904

Interest capitalized to construction in progress totaled $6,619 and $9,441 in 2013 and 2012, respectively.

4. Restricted Cash

Restricted cash at December 31, 2013 and 2012 consists of the following:

	2013	2012
Entry fee deposit escrow	$ 260,744	$ 117,519
Operating reserve fund	1,181,350	1,171,030
Interest reserve fund	251,920	251,341
Capital expenditure fund	39,767	39,969
	$ 1,733,781	$ 1,579,859

5. Prepaid Expenses and Other

Prepaid expenses and other consists of the following as of December 31, 2013 and 2012:

	2013	2012
Prepaid insurance	$ 151,479	$ 146,612
Oil inventory	26,900	26,900
Other accounts receivables and prepaid amounts	4,460	22,876
	$ 182,839	$ 196,388

6. Goodwill, net

Goodwill, net consists of the following as of December 31, 2013 and 2012:

	2013	2012
Goodwill	$ 13,917,308	$ 13,917,308
Less: Accumulated amortization	(6,842,677)	(5,914,856)
	$ 7,074,631	$ 8,002,452

Amortization expense was $927,821 for the years ended December 31, 2013 and 2012.

The annual estimated amortization expense for future years is as follows:

Years ending December 31,	
2014	$ 927,821
2015	927,821
2016	927,821
2017	927,821
2018	927,821
Thereafter	2,435,526
	$ 7,074,631

7. Notes Payable, Related Party

Notes payable at December 31, 2013 and 2012 consists of the following:

	2013	2012
Mezzanine note	$ 23,085,236	$ 23,085,236
Senior note	23,367,815	23,367,815
Member loan - FSPPII	6,449,162	6,449,163
Member loan - Watermark 3030 Investments	2,763,927	2,763,926
	$ 55,666,140	$ 55,666,140

The Company has a Mezzanine promissory note with FSPP II 3030 Park Mezz Lender, LLC (the "Mezz Lender") a related party of FSPP II 3030 Park, LLC, for up to $23,085,236 with an initial interest rate of 12% compounded monthly, and accruing on any outstanding balance and unpaid interest. No interest or principal payments were scheduled to be paid during the initial term of five years. The note is collateralized by the Community and is further supported by a loan agreement. The financing arrangement was to fund the purchase price and certain future capital expenditures to renovate the buildings. The note was initially due and payable August 15, 2011 but was extended to August 15, 2012. On August 15, 2012, the Fourth Amendment to the Mezzanine Loan Agreement was executed effective January 1, 2012. This amendment extended the maturity date to December 31, 2014, amended and restated the promissory note to reduce the interest rate to 0% effective January 1, 2012. Additionally, the lender converted $15 million of the accrued and unpaid interest to equity and the remainder of the accrued and unpaid interest of $5,060,887 was waived. For income tax purposes, however, the $15 million must be treated as cancelation of debt and therefore the entire $20,060,887 is included as forgiven interest in the statement of revenue and expenses for 2012. In February 2014, the loan was extended to May 1, 2015, at which time all remaining unpaid principal and accrued interest are due and payable.

The Company has a promissory note supported by a loan agreement with FSPP II 3030 Senior Lender, LLC a related party of FSPP II 3030 Park, LLC, for up to $37,381,955 with interest at 30 days LIBOR plus 2.75% (minimum of 7.75%) on a 360 day basis (rate at December 31, 2013 7.75%). Interest is to be paid monthly. The note is collateralized by the Community. The financing arrangement was to fund future capital expenditures to renovate the buildings. The related promissory note contained an initial maturity date of August 14, 2009. Per extension options allowed for in the Senior Loan agreement, the loan was extended in 2009, 2010 and 2011 each for a one year period. On August 15, 2012 in conjunction with the Mezz loan amendment, the Senior

Loan was amended for the fourth time to extend the maturity date to December 31, 2014. Subsequently, in February 2014, the loan was amended to extend the maturity date to May 1, 2015, at which time all remaining unpaid principal and accrued interest are due and payable.

In conjunction with the first amendment to the senior loan in 2009, parties consented to the making of Member Loans in the amount of $9,124,414, and stated that the senior loan amount will be reduced, from time to time, on a dollar for dollar basis, by the amount of the FSPP II Member Loan advances. The Member Loans are to be made by the Members in the amount of the applicable Member's percentage interest. The Member Loans bear interest at the rate of 25% per annum, compounding monthly. The second amendment consented to an increase in Member Loans by $2,500,000 for a total of $11,624,414. Member Loans and accrued interest will be repaid to the applicable lending member from net cash flow as follows i) first, to the accrued, but unpaid interest, on such Member Loans as of the date of such payment, until all accrued and unpaid interest have been paid; and ii) second, to the outstanding principal amount of the Members Loans as of the date of payment, until all Member Loans have been paid in full. It is also the intention of the Members and the Mezz Lender that repayment of the Member Loans be made prior to payment to the Mezz Lender.

The management committee consented to a reduction to the Member Loan interest rate to 2.7% per annum effective January 1, 2012. The Management Committee called for funding of the Member Loans in the total amount of $0 and $388,419 during 2013 and 2012, respectively. In February 2014, in conjunction with the Mezz and Senior Loan amendments, the Member Loans were also extended to May 1, 2015.

Accrued interest related to the above notes was $7,095,230 and $6,653,973 at December 31, 2013 and 2012, respectively.

8. Related Party Transactions

Management fees of $784,185 and $730,968 for the years ended December 31, 2013 and 2012, respectively, were charged to the Company by an affiliate of Watermark 3030 Park, LLC, Watermark Retirement Communities, Inc. ("WRC"), which plays an integral role in the management of the day-to-day operations. The management agreement provides for a monthly fee to be charged at a rate of 4.5% of total net revenue with a minimum monthly fee of $30,000. In addition to the management fee charged by WRC, the Company reimbursed WRC $228,863 and $165,728 for travel, marketing services, project management fees and direct costs incurred by WRC on behalf of the Company during the years ended December 31, 2013 and 2012, respectively.

The Company entered into a Development Services Agreement ("DSA") which ended early 2012 with The Freshwater Group (which is wholly owned by the single member of Watermark 3030 Park Investments, LLC which is the 30% equity member of the Company) to provide certain services as defined in the DSA specific to deferred maintenance, to carry out targeted capital improvements and to stabilize the property as a full service continuing care retirement community. The total development fee to be paid over the course of the DSA was estimated to be $1.8 million to be paid as the specified phases are completed. Development fees capitalized to construction in progress per this agreement were $0 and $30,856 during the years ended December 31, 2013 and 2012, respectively.

9. Commitments and Contingencies

Risk of Uninsured Losses
The Company carries comprehensive liability, environmental, fire, extended coverage and rental loss insurance with policy specifications, limits or deductibles customarily carried for similar properties. Should an uninsured loss occur, the Company could lose its investments in and anticipated profits and cash flows from the Community.

Litigation
The Company is party to various legal proceedings incidental to the normal course of business. Management does not expect the outcome of such litigation to have a material adverse effect on the financial position, results of operations or cash flows of the Company.

Construction Projects
At December 31, 2013 the Company has entered into approximately $986,000 in firm commitments for the completion of construction projects.

Employee Agreements
The Company has a Collective Bargaining Agreement (the "Agreement") with Local 217, UNITEHERE! (the "Union"). In November 2013, an agreement was executed to extend the expiration date of the Agreement to December 31, 2014. The Union comprises approximately 43% of the Company's workforce. The Agreement explicitly specifies that, "the Union, agrees that neither it nor its officers, representatives, nor its members will for any reason directly or indirectly authorize, encourage or in any way sanction strikes, sympathy strikes, walkouts, cessation, stoppages or interruption of work, sit-ins, sit-downs or slowdowns, boycott, picketing or any other direct or indirect interference with the Company's operations during the life of this Agreement." All workplace disputes are to be settled in accordance with the grievance procedures outlined in the Agreement.

10. Subsequent Events

Management of the Company has evaluated events occurring from December 31, 2013 through March 31, 2014, determining that no material subsequent events other than those referenced below have transpired requiring recognition and/or disclosure in the financial statements as of or for the year then ended December 31, 2013.

As referenced in Notes Payable, Related Party (Note 7) the maturity dates for both the Mezzanine and Senior Loans as well as the Member Loans were extended to May 1, 2015.

THE WATERMARK
AT 3030 PARK

Annual Financial Filing

Exhibit B

Actuarial Statement

<u>Exhibit B</u>

3030 Park

Future Service Obligation as of December 31, 2013

Present Value of Cash Outflows		$42,349,449
Minus:		
	Present Value of Cash Inflows	49,291,403
Plus:		
	Allocated Depreciation	7,264,618
Plus:		
	Unamortized Initial Acquisition Costs	0
Minus:		
	Unearned Entrance Fees: (Net of projected future refunds)	7,264,618
Net Future Service Obligation		**($7,304,819)**
Amount to be booked in Financial Statement		**$0**

THE WATERMARK
AT 3030 PARK

Annual Financial Filing

Exhibit C

Statement of Material Differences

Watermark at 3030 Park
Statement of Material Differences of Actual Versus Budget Income Statement
January 1, 2013 - December 31, 2013

	Actual	Budget	Variance	%	**Comments**
Revenue					
Resident	8,514,161	8,999,141	(484,980)	-5.4%	Occupancy was below budgeted levels with unfavorable rates in all levels of care.
Health Care	4,593,468	4,004,676	588,792	14.7%	Actual occupancy was below budgeted levels for Private Pay census with an unfavorable rate. Medicare and Managed Care census exceeded budgeted levels. Medicare had favorable rates, where as Managed Care was unfavorable.
Amortization of entry fees	3,175,418	3,471,214	(295,796)	-8.5%	New sales did not meet budgeted expectations.
Other	102,784	102,408	376	0.4%	
Total revenue	16,385,831	16,577,439	(191,608)	-1.2%	
Operating Expenses					
Administration	4,157,198	4,597,060	439,862	9.6%	Primarily favorable in professional fees. This variance was impacted by employee health insurance benefits exceeding budgeted assumptions, as well as bad debt and unanticipated recruitment costs.
Security	122,855	105,535	(17,320)	-16.4%	Primarily wage driven. Salaries and wages exceeded budgeted assumptions.
Maintenance	1,903,417	1,980,189	76,772	3.9%	
Housekeeping	644,171	563,406	(80,765)	-14.3%	Primarily wage driven. Salaries and wages exceeded budgeted assumptions.
Community Service	347,954	378,391	30,437	8.0%	Primarily wage driven. Salaries and wages less than budgeted assumptions.
Transportation	80,991	83,802	2,811	3.4%	
Food Service	2,288,764	2,524,912	236,148	9.4%	Partially wage driven as well as management and cost control measures around food costs.
Nursing	1,486,758	1,423,812	(62,946)	-4.4%	
Ancillaries	1,137,463	766,825	(370,638)	-48.3%	Acuity levels and resident mix exceeded budgeted expectations.
Sales & Marketing	827,366	821,940	(5,426)	-0.7%	
Depreciation and amortization	3,075,170	3,251,648	176,478	5.4%	
Total operating expenses	16,072,107	16,497,520	425,413	2.6%	
(Loss) income from operations	313,724	79,919	233,805	-292.6%	
Other income (expense)					
Interest Income	734	-			
Interest expense	(2,284,014)	(2,320,800)			
Gain (Loss) Asset Disposal	5,982	-			
Other	-	-	-	-	
Total other expense	(2,277,298)	(2,320,800)	-		
Net loss	$ (1,963,574)	$ (2,240,881)	277,307	12.4%	