# Form 5500

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

# Annual Return/Report of Employee Benefit Plan

This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), 6057(b), and 6058(a) of the Internal Revenue Code (the Code).

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

OMB Nos. 1210-0110
1210-0089

**2012**

**This Form is Open to Public Inspection**

## Part I Annual Report Identification Information

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

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

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

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

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

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

**1a** Name of plan
WATTS HEALTHCARE CORPORATION MONEY PURCHASE PLAN

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

**1c** Effective date of plan 04/01/2003

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

WATTS HEALTHCARE CORPORATION

10300 COMPTON AVENUE
LOS ANGELES, CA 90002

**2b** Employer Identification Number (EIN)
75-3110613

**2c** Sponsor's telephone number
323-357-6690

**2d** Business code (see instructions)
621498

**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. | 10/12/2013 | MONICA COWARD |
| | **Signature of plan administrator** | Date | Enter name of individual signing as plan administrator |
| **SIGN HERE** | Filed with authorized/valid electronic signature. | 10/12/2013 | MONICA COWARD |
| | **Signature of employer/plan sponsor** | Date | Enter name of individual signing as employer or plan sponsor |
| **SIGN HERE** | | | |
| | **Signature of DFE** | Date | Enter name of individual signing as DFE |

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

Preparer's telephone number (optional)

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

WATTS HEALTHCARE CORPORATION

10300 COMPTON AVENUE
LOS ANGELES, CA 90002

**3b** Administrator's EIN
75-3110613

**3c** Administrator's telephone number
323-357-6690

**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** | 287 |
| **6** | Number of participants as of the end of the plan year (welfare plans complete only lines **6a, 6b, 6c,** and **6d**). | | |
| **a** | Active participants | **6a** | 294 |
| **b** | Retired or separated participants receiving benefits | **6b** | 0 |
| **c** | Other retired or separated participants entitled to future benefits | **6c** | 14 |
| **d** | Subtotal. Add lines **6a**, **6b**, and **6c** | **6d** | 308 |
| **e** | Deceased participants whose beneficiaries are receiving or are entitled to receive benefits | **6e** | 0 |
| **f** | Total. Add lines **6d** and **6e** | **6f** | 308 |
| **g** | Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) | **6g** | 308 |
| **h** | Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested | **6h** | 5 |
| **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:
2C 2F 2G 2T 3D

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

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

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

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

**a Pension Schedules**

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

**b General Schedules**

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

# SCHEDULE A (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

## Insurance Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).

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

▶ Insurance companies are required to provide the information pursuant to ERISA section 103(a)(2).

OMB No. 1210-0110

**2012**

**This Form is Open to Public Inspection**

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

**A** Name of plan
WATTS HEALTHCARE CORPORATION MONEY PURCHASE PLAN

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

**C** Plan sponsor's name as shown on line 2a of Form 5500
WATTS HEALTHCARE CORPORATION

**D** Employer Identification Number (EIN)
75-3110613

**Part I** **Information Concerning Insurance Contract Coverage, Fees, and Commissions** Provide information for each contract on a separate Schedule A. Individual contracts grouped as a unit in Parts II and III can be reported on a single Schedule A.

**1** Coverage Information:

**(a)** Name of insurance carrier

PRUDENTIAL RETIREMENT INSURANCE & ANNUITY CO.

| **(b)** EIN | **(c)** NAIC code | **(d)** Contract or identification number | **(e)** Approximate number of persons covered at end of policy or contract year | Policy or contract year | |
|---|---|---|---|---|---|
| | | | | **(f)** From | **(g)** To |
| 06-1050034 | 93629 | 39108-001 | 308 | 01/01/2012 | 12/31/2012 |

**2** Insurance fee and commission information. Enter the total fees and total commissions paid. List in line 3 the agents, brokers, and other persons in descending order of the amount paid.

| **(a)** Total amount of commissions paid | **(b)** Total amount of fees paid |
|---|---|
| 0 | 0 |

**3** Persons receiving commissions and fees. (Complete as many entries as needed to report all persons).

**(a)** Name and address of the agent, broker, or other person to whom commissions or fees were paid

| **(b)** Amount of sales and base commissions paid | Fees and other commissions paid | | **(e)** Organization code |
|---|---|---|---|
| | **(c)** Amount | **(d)** Purpose | |
| | | | |

**(a)** Name and address of the agent, broker, or other person to whom commissions or fees were paid

| **(b)** Amount of sales and base commissions paid | Fees and other commissions paid | | **(e)** Organization code |
|---|---|---|---|
| | **(c)** Amount | **(d)** Purpose | |
| | | | |

**(a)** Name and address of the agent, broker, or other person to whom commissions or fees were paid

| **(b)** Amount of sales and base commissions paid | Fees and other commissions paid | | **(e)** Organization code |
|---|---|---|---|
| | **(c)** Amount | **(d)** Purpose | |
| | | | |

**(a)** Name and address of the agent, broker, or other person to whom commissions or fees were paid

| **(b)** Amount of sales and base commissions paid | Fees and other commissions paid | | **(e)** Organization code |
|---|---|---|---|
| | **(c)** Amount | **(d)** Purpose | |
| | | | |

**(a)** Name and address of the agent, broker, or other person to whom commissions or fees were paid

| **(b)** Amount of sales and base commissions paid | Fees and other commissions paid | | **(e)** Organization code |
|---|---|---|---|
| | **(c)** Amount | **(d)** Purpose | |
| | | | |

**(a)** Name and address of the agent, broker, or other person to whom commissions or fees were paid

| **(b)** Amount of sales and base commissions paid | Fees and other commissions paid | | **(e)** Organization code |
|---|---|---|---|
| | **(c)** Amount | **(d)** Purpose | |
| | | | |

**(a)** Name and address of the agent, broker, or other person to whom commissions or fees were paid

| **(b)** Amount of sales and base commissions paid | Fees and other commissions paid | | **(e)** Organization code |
|---|---|---|---|
| | **(c)** Amount | **(d)** Purpose | |
| | | | |

## Part II Investment and Annuity Contract Information

Where individual contracts are provided, the entire group of such individual contracts with each carrier may be treated as a unit for purposes of this report.

| | | | |
|---|---|---|---|
| 4 | Current value of plan's interest under this contract in the general account at year end | 4 | 5912330 |
| 5 | Current value of plan's interest under this contract in separate accounts at year end | 5 | 1056801 |

6 Contracts With Allocated Funds:

a State the basis of premium rates ▶

| | | | |
|---|---|---|---|
| b | Premiums paid to carrier | 6b | |
| c | Premiums due but unpaid at the end of the year | 6c | |
| d | If the carrier, service, or other organization incurred any specific costs in connection with the acquisition or retention of the contract or policy, enter amount. | 6d | |

Specify nature of costs ▶

e Type of contract: (1) ☐ individual policies (2) ☐ group deferred annuity

(3) ☐ other (specify) ▶

f If contract purchased, in whole or in part, to distribute benefits from a terminating plan check here ▶ ☐

7 Contracts With Unallocated Funds (Do not include portions of these contracts maintained in separate accounts)

a Type of contract: (1) ☐ deposit administration (2) ☐ immediate participation guarantee

(3) ☐ guaranteed investment (4) ☒ other ▶ GUARANTEED GENERAL ACCOUNT CONTRACT

| | | | | | |
|---|---|---|---|---|---|
| b | Balance at the end of the previous year | | | 7b | 5762442 |
| c | Additions: (1) Contributions deposited during the year | 7c(1) | 421874 | | |
| | (2) Dividends and credits | 7c(2) | | | |
| | (3) Interest credited during the year | 7c(3) | 98683 | | |
| | (4) Transferred from separate account | 7c(4) | | | |
| | (5) Other (specify below) | 7c(5) | 2573 | | |
| | ▶ FORF CREDITS | | | | |
| | (6) Total additions | | | 7c(6) | 523130 |
| d | Total of balance and additions (add lines **7b** and **7c(6)**). | | | 7d | 6285572 |
| e | Deductions: | | | | |
| | (1) Disbursed from fund to pay benefits or purchase annuities during year | 7e(1) | 357570 | | |
| | (2) Administration charge made by carrier | 7e(2) | | | |
| | (3) Transferred to separate account | 7e(3) | 4580 | | |
| | (4) Other (specify below) | 7e(4) | 11092 | | |
| | ▶ MISC OUT FORF DEBITS | | | | |
| | (5) Total deductions | | | 7e(5) | 373242 |
| f | Balance at the end of the current year (subtract line **7e(5)** from line **7d**) | | | 7f | 5912330 |

## Part III Welfare Benefit Contract Information

If more than one contract covers the same group of employees of the same employer(s) or members of the same employee organizations(s), the information may be combined for reporting purposes if such contracts are experience-rated as a unit. Where contracts cover individual employees, the entire group of such individual contracts with each carrier may be treated as a unit for purposes of this report.

**8** Benefit and contract type (check all applicable boxes)

**a** ☐ Health (other than dental or vision) **b** ☐ Dental **c** ☐ Vision **d** ☐ Life insurance

**e** ☐ Temporary disability (accident and sickness) **f** ☐ Long-term disability **g** ☐ Supplemental unemployment **h** ☐ Prescription drug

**i** ☐ Stop loss (large deductible) **j** ☐ HMO contract **k** ☐ PPO contract **l** ☐ Indemnity contract

**m** ☐ Other (specify) ▶

| | | | | |
|---|---|---|---|---|
| **9** Experience-rated contracts: | | | | |
| **a** Premiums: (1) Amount received | **9a(1)** | | | |
| (2) Increase (decrease) in amount due but unpaid | **9a(2)** | | | |
| (3) Increase (decrease) in unearned premium reserve | **9a(3)** | | | |
| (4) Earned (**(1)** + **(2)** - **(3)**) | | | **9a(4)** | |
| **b** Benefit charges (1) Claims paid | **9b(1)** | | | |
| (2) Increase (decrease) in claim reserves | **9b(2)** | | | |
| (3) Incurred claims (add **(1)** and **(2)**) | | | **9b(3)** | |
| (4) Claims charged | | | **9b(4)** | |
| **c** Remainder of premium: (1) Retention charges (on an accrual basis) -- | | | | |
| (A) Commissions | **9c(1)(A)** | | | |
| (B) Administrative service or other fees | **9c(1)(B)** | | | |
| (C) Other specific acquisition costs | **9c(1)(C)** | | | |
| (D) Other expenses | **9c(1)(D)** | | | |
| (E) Taxes | **9c(1)(E)** | | | |
| (F) Charges for risks or other contingencies | **9c(1)(F)** | | | |
| (G) Other retention charges | **9c(1)(G)** | | | |
| (H) Total retention | | | **9c(1)(H)** | |
| (2) Dividends or retroactive rate refunds. (These amounts were ☐ paid in cash, or ☐ credited.) | | | **9c(2)** | |
| **d** Status of policyholder reserves at end of year: (1) Amount held to provide benefits after retirement | | | **9d(1)** | |
| (2) Claim reserves | | | **9d(2)** | |
| (3) Other reserves | | | **9d(3)** | |
| **e** Dividends or retroactive rate refunds due. (Do not include amount entered in line **9c(2)**.) | | | **9e** | |
| **10** Nonexperience-rated contracts: | | | | |
| **a** Total premiums or subscription charges paid to carrier | | | **10a** | |
| **b** If the carrier, service, or other organization incurred any specific costs in connection with the acquisition or retention of the contract or policy, other than reported in Part I, line 2 above, report amount. | | | **10b** | |

Specify nature of costs ▶

## Part IV Provision of Information

**11** Did the insurance company fail to provide any information necessary to complete Schedule A? ☐ Yes ☒ No

**12** If the answer to line 11 is "Yes," specify the information not provided. ▶

| SCHEDULE C (Form 5500) | Service Provider Information | OMB No. 1210-0110 |
|---|---|---|
| Department of the Treasury<br>Internal Revenue Service<br>Department of Labor<br>Employee Benefits Security Administration<br>Pension Benefit Guaranty Corporation | This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).<br>▶ **File as an attachment to Form 5500.** | **2012**<br>**This Form is Open to Public Inspection.** |

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

**A** Name of plan
WATTS HEALTHCARE CORPORATION MONEY PURCHASE PLAN

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

**C** Plan sponsor's name as shown on line 2a of Form 5500
WATTS HEALTHCARE CORPORATION

**D** Employer Identification Number (EIN)
75-3110613

## Part I Service Provider Information (see instructions)

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

### 1 Information on Persons Receiving Only Eligible Indirect Compensation

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

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

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

PRUDENTIAL RETIREMENT INSURANCE AND

06-1050034

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

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

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

PRUDENTIAL RETIREMENT INSURANCE AND

06-1050034

| (b) Service Code(s) | (c) Relationship to employer, employee organization, or person known to be a party-in-interest | (d) Enter direct compensation paid by the plan. If none, enter -0-. | (e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | (h) Did the service provider give you a formula instead of an amount or estimated amount? |
|---|---|---|---|---|---|---|
| 13 15 50 64 | NONE | 1050 | Yes [X] No [ ] | Yes [X] No [ ] | 0 | Yes [X] No [ ] |

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

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

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

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

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

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

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

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

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

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

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

## Part I Service Provider Information (continued)

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

| **(a)** Enter service provider name as it appears on line 2 | **(b)** Service Codes (see instructions) | **(c)** Enter amount of indirect compensation |
|---|---|---|
| PRUDENTIAL RETIREMENT INSURANCE AND | 15 64 | 0 |

| **(d)** Enter name and EIN (address) of source of indirect compensation | **(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |
|---|---|
| PRUDENTIAL RETIREMENT INSURANCE AND<br><br>06-1050034 | 95.000 BPS AND $0.00 PER PARTICIPANT INVESTED IN THE FUND FROM 1/1/2012 TO 12/31/2012 GUARANTEED INCOME FUND |

| **(a)** Enter service provider name as it appears on line 2 | **(b)** Service Codes (see instructions) | **(c)** Enter amount of indirect compensation |
|---|---|---|
| | | |

| **(d)** Enter name and EIN (address) of source of indirect compensation | **(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |
|---|---|
| | |

| **(a)** Enter service provider name as it appears on line 2 | **(b)** Service Codes (see instructions) | **(c)** Enter amount of indirect compensation |
|---|---|---|
| | | |

| **(d)** Enter name and EIN (address) of source of indirect compensation | **(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |
|---|---|
| | |

## Part II Service Providers Who Fail or Refuse to Provide Information

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

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

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

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

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

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

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

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

(complete as many entries as needed)

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

Explanation:

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

Explanation:

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

Explanation:

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

Explanation:

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

Explanation:

# SCHEDULE D (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

## DFE/Participating Plan Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).

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

OMB No. 1210-0110

**2012**

**This Form is Open to Public Inspection.**

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

**A** Name of plan
WATTS HEALTHCARE CORPORATION MONEY PURCHASE PLAN

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

**C** Plan or DFE sponsor's name as shown on line 2a of Form 5500
WATTS HEALTHCARE CORPORATION

**D** Employer Identification Number (EIN)
75-3110613

**Part I** **Information on interests in MTIAs, CCTs, PSAs, and 103-12 IEs (to be completed by plans and DFEs)**
(Complete as many entries as needed to report all interests in DFEs)

**a** Name of MTIA, CCT, PSA, or 103-12 IE: LIFETIME AGGRESSIVE

**b** Name of sponsor of entity listed in (a): PRUDENTIAL RETIREMENT INS.

| **c** EIN-PN | **d** Entity code | **e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|---|---|---|
| 06-1050034-166 | P | 219342 |

**a** Name of MTIA, CCT, PSA, or 103-12 IE: LIFETIME GROWTH FD

**b** Name of sponsor of entity listed in (a): PRUDENTIAL RETIREMENT INS.

| **c** EIN-PN | **d** Entity code | **e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|---|---|---|
| 06-1050034-167 | P | 163233 |

**a** Name of MTIA, CCT, PSA, or 103-12 IE: LIFETIME BALANCED FD

**b** Name of sponsor of entity listed in (a): PRUDENTIAL RETIREMENT INS.

| **c** EIN-PN | **d** Entity code | **e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|---|---|---|
| 06-1050034-168 | P | 226224 |

**a** Name of MTIA, CCT, PSA, or 103-12 IE: LIFETIME CONSERVATIVE

**b** Name of sponsor of entity listed in (a): PRUDENTIAL RETIREMENT INS.

| **c** EIN-PN | **d** Entity code | **e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|---|---|---|
| 06-1050034-169 | P | 129734 |

**a** Name of MTIA, CCT, PSA, or 103-12 IE: LIFETIME INCOME & EQUITY

**b** Name of sponsor of entity listed in (a): PRUDENTIAL RETIREMENT INS.

| **c** EIN-PN | **d** Entity code | **e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|---|---|---|
| 06-1050034-170 | P | 27075 |

**a** Name of MTIA, CCT, PSA, or 103-12 IE: DRYDEN S & P 500 INDEX FUND

**b** Name of sponsor of entity listed in (a): PRUDENTIAL RETIREMENT INS.

| **c** EIN-PN | **d** Entity code | **e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|---|---|---|
| 06-1050034-123 | P | 291193 |

**a** Name of MTIA, CCT, PSA, or 103-12 IE:

**b** Name of sponsor of entity listed in (a):

| **c** EIN-PN | **d** Entity code | **e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|---|---|---|
| | | |

**a** Name of MTIA, CCT, PSA, or 103-12 IE:

**b** Name of sponsor of entity listed in (a):

| **c** EIN-PN | **d** Entity code | **e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|---|---|---|

**a** Name of MTIA, CCT, PSA, or 103-12 IE:

**b** Name of sponsor of entity listed in (a):

| **c** EIN-PN | **d** Entity code | **e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|---|---|---|

**a** Name of MTIA, CCT, PSA, or 103-12 IE:

**b** Name of sponsor of entity listed in (a):

| **c** EIN-PN | **d** Entity code | **e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|---|---|---|

**a** Name of MTIA, CCT, PSA, or 103-12 IE:

**b** Name of sponsor of entity listed in (a):

| **c** EIN-PN | **d** Entity code | **e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|---|---|---|

**a** Name of MTIA, CCT, PSA, or 103-12 IE:

**b** Name of sponsor of entity listed in (a):

| **c** EIN-PN | **d** Entity code | **e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|---|---|---|

**a** Name of MTIA, CCT, PSA, or 103-12 IE:

**b** Name of sponsor of entity listed in (a):

| **c** EIN-PN | **d** Entity code | **e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|---|---|---|

**a** Name of MTIA, CCT, PSA, or 103-12 IE:

**b** Name of sponsor of entity listed in (a):

| **c** EIN-PN | **d** Entity code | **e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|---|---|---|

**a** Name of MTIA, CCT, PSA, or 103-12 IE:

**b** Name of sponsor of entity listed in (a):

| **c** EIN-PN | **d** Entity code | **e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|---|---|---|

**a** Name of MTIA, CCT, PSA, or 103-12 IE:

**b** Name of sponsor of entity listed in (a):

| **c** EIN-PN | **d** Entity code | **e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|---|---|---|

**a** Name of MTIA, CCT, PSA, or 103-12 IE:

**b** Name of sponsor of entity listed in (a):

| **c** EIN-PN | **d** Entity code | **e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|---|---|---|

**a** Name of MTIA, CCT, PSA, or 103-12 IE:

**b** Name of sponsor of entity listed in (a):

| **c** EIN-PN | **d** Entity code | **e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|---|---|---|

## Part II Information on Participating Plans (to be completed by DFEs)

(Complete as many entries as needed to report all participating plans)

**a** Plan name

| **b** Name of plan sponsor | **c** EIN-PN |
|---|---|

**a** Plan name

| **b** Name of plan sponsor | **c** EIN-PN |
|---|---|

**a** Plan name

| **b** Name of plan sponsor | **c** EIN-PN |
|---|---|

**a** Plan name

| **b** Name of plan sponsor | **c** EIN-PN |
|---|---|

**a** Plan name

| **b** Name of plan sponsor | **c** EIN-PN |
|---|---|

**a** Plan name

| **b** Name of plan sponsor | **c** EIN-PN |
|---|---|

**a** Plan name

| **b** Name of plan sponsor | **c** EIN-PN |
|---|---|

**a** Plan name

| **b** Name of plan sponsor | **c** EIN-PN |
|---|---|

**a** Plan name

| **b** Name of plan sponsor | **c** EIN-PN |
|---|---|

**a** Plan name

| **b** Name of plan sponsor | **c** EIN-PN |
|---|---|

**a** Plan name

| **b** Name of plan sponsor | **c** EIN-PN |
|---|---|

**a** Plan name

| **b** Name of plan sponsor | **c** EIN-PN |
|---|---|

**a** Plan name

| **b** Name of plan sponsor | **c** EIN-PN |
|---|---|

# SCHEDULE H (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

# Financial Information

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

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

OMB No. 1210-0110

**2012**

**This Form is Open to Public Inspection**

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

**A** Name of plan
WATTS HEALTHCARE CORPORATION MONEY PURCHASE PLAN

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

**C** Plan sponsor's name as shown on line 2a of Form 5500
WATTS HEALTHCARE CORPORATION

**D** Employer Identification Number (EIN)
75-3110613

## 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) | 57080 | 40384 |
| **(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) | | |
| **(5)** Partnership/joint venture interests | 1c(5) | | |
| **(6)** Real estate (other than employer real property) | 1c(6) | | |
| **(7)** Loans (other than to participants) | 1c(7) | | |
| **(8)** Participant loans | 1c(8) | | |
| **(9)** Value of interest in common/collective trusts | 1c(9) | | |
| **(10)** Value of interest in pooled separate accounts | 1c(10) | 849074 | 1056801 |
| **(11)** Value of interest in master trust investment accounts | 1c(11) | | |
| **(12)** Value of interest in 103-12 investment entities | 1c(12) | | |
| **(13)** Value of interest in registered investment companies (e.g., mutual funds) | 1c(13) | | |
| **(14)** Value of funds held in insurance company general account (unallocated contracts) | 1c(14) | 5762442 | 5912330 |
| **(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 | 6668596 | 7009515 |
| | **Liabilities** | | | |
| **g** | Benefit claims payable | 1g | | |
| **h** | Operating payables | 1h | | |
| **i** | Acquisition indebtedness | 1i | | |
| **j** | Other liabilities | 1j | | |
| **k** | Total liabilities (add all amounts in lines 1g through1j) | 1k | 0 | 0 |
| | **Net Assets** | | | |
| **l** | Net assets (subtract line 1k from line 1f) | 1l | 6668596 | 7009515 |

## 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) | 503746 | |
| | **(B)** Participants | 2a(1)(B) | | |
| | **(C)** Others (including rollovers) | 2a(1)(C) | | |
| | **(2)** Noncash contributions | 2a(2) | | |
| | **(3)** Total contributions. Add lines **2a(1)(A), (B), (C),** and line **2a(2)** | 2a(3) | | 503746 |
| **b** | **Earnings on investments:** | | | |
| | **(1)** Interest: | | | |
| | **(A)** Interest-bearing cash (including money market accounts and certificates of deposit) | 2b(1)(A) | | |
| | **(B)** U.S. Government securities | 2b(1)(B) | | |
| | **(C)** Corporate debt instruments | 2b(1)(C) | | |
| | **(D)** Loans (other than to participants) | 2b(1)(D) | | |
| | **(E)** Participant loans | 2b(1)(E) | | |
| | **(F)** Other | 2b(1)(F) | 98683 | |
| | **(G)** Total interest. Add lines **2b(1)(A)** through **(F)** | 2b(1)(G) | | 98683 |
| | **(2)** Dividends: **(A)** Preferred stock | 2b(2)(A) | | |
| | **(B)** Common stock | 2b(2)(B) | | |
| | **(C)** Registered investment company shares (e.g. mutual funds) | 2b(2)(C) | | |
| | **(D)** Total dividends. Add lines **2b(2)(A)**, **(B)**, and **(C)** | 2b(2)(D) | | 0 |
| | **(3)** Rents | 2b(3) | | |
| | **(4)** Net gain (loss) on sale of assets: **(A)** Aggregate proceeds | 2b(4)(A) | | |
| | **(B)** Aggregate carrying amount (see instructions) | 2b(4)(B) | | |
| | **(C)** Subtract line **2b(4)(B)** from line **2b(4)(A)** and enter result | 2b(4)(C) | | 0 |
| | **(5)** Unrealized appreciation (depreciation) of assets: **(A)** Real estate | 2b(5)(A) | | |
| | **(B)** Other | 2b(5)(B) | | |
| | **(C)** Total unrealized appreciation of assets. Add lines **2b(5)(A)** and **(B)** | 2b(5)(C) | | 0 |

| | | (a) Amount | (b) Total |
|---|---|---|---|
| (6) Net investment gain (loss) from common/collective trusts | 2b(6) | | |
| (7) Net investment gain (loss) from pooled separate accounts | 2b(7) | | 115434 |
| (8) Net investment gain (loss) from master trust investment accounts | 2b(8) | | |
| (9) Net investment gain (loss) from 103-12 investment entities | 2b(9) | | |
| (10) Net investment gain (loss) from registered investment companies (e.g., mutual funds) | 2b(10) | | |
| c Other income | 2c | | |
| d Total income. Add all **income** amounts in column (b) and enter total | 2d | | 717863 |
| **Expenses** | | | |
| e Benefit payment and payments to provide benefits: | | | |
| (1) Directly to participants or beneficiaries, including direct rollovers | 2e(1) | 375891 | |
| (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) | | 375891 |
| 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) | 1053 | |
| (5) Total administrative expenses. Add lines **2i(1)** through **(4)** | 2i(5) | | 1053 |
| j Total expenses. Add all **expense** amounts in column (b) and enter total | 2j | | 376944 |
| **Net Income and Reconciliation** | | | |
| k Net income (loss). Subtract line **2j** from line **2d** | 2k | | 340919 |
| 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: VASQUEZ & COMPANY LLP **(2)** EIN: 33-0700332

**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 | | 500000 |
| f | Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty? | 4f | | X | |
| g | Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser? | 4g | | X | |
| h | Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser? | 4h | | X | |
| i | Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.) | 4i | X | | |
| j | Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.) | 4j | | X | |
| k | Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC? | 4k | | X | |
| l | Has the plan failed to provide any benefit when due under the plan? | 4l | | X | |
| m | If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.) | 4m | | X | |
| n | If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3. | 4n | | | |

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

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

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

## Part V Trust Information (optional)

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

# SCHEDULE R (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

## Retirement Plan Information

This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code).

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

OMB No. 1210-0110

**2012**

**This Form is Open to Public Inspection.**

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

**A** Name of plan
WATTS HEALTHCARE CORPORATION MONEY PURCHASE PLAN

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

**C** Plan sponsor's name as shown on line 2a of Form 5500
WATTS HEALTHCARE CORPORATION

**D** Employer Identification Number (EIN)
75-3110613

## Part I Distributions

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

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

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

EIN(s): 22-1211670

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

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

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

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

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

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

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

**6 a** Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived) ..... **6a** 503746

**b** Enter the amount contributed by the employer to the plan for this plan year ..... **6b** 503746

**c** Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount) ..... **6c** 0

**If you completed line 6c, skip lines 8 and 9.**

**7** Will the minimum funding amount reported on line 6c be met by the funding deadline? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

**8** If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

## Part III Amendments

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

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

**10** Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan? ..... ☐ **Yes** ☐ **No**

**11 a** Does the ESOP hold any preferred stock? ..... ☐ **Yes** ☐ **No**

**b** If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.) ..... ☐ **Yes** ☐ **No**

**12** Does the ESOP hold any stock that is not readily tradable on an established securities market? ..... ☐ **Yes** ☐ **No**

## Part V Additional Information for Multiemployer Defined Benefit Pension Plans

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

**a** Name of contributing employer

**b** EIN **c** Dollar amount contributed by employer

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

**e** Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

**a** Name of contributing employer

**b** EIN **c** Dollar amount contributed by employer

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

**e** Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

**a** Name of contributing employer

**b** EIN **c** Dollar amount contributed by employer

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

**e** Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

**a** Name of contributing employer

**b** EIN **c** Dollar amount contributed by employer

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

**e** Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

**a** Name of contributing employer

**b** EIN **c** Dollar amount contributed by employer

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

**e** Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

**a** Name of contributing employer

**b** EIN **c** Dollar amount contributed by employer

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

**e** Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

**14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

| | | | |
|---|---|---|---|
| **a** | The current year | **14a** | |
| **b** | The plan year immediately preceding the current plan year | **14b** | |
| **c** | The second preceding plan year | **14c** | |

**15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

| | | | |
|---|---|---|---|
| **a** | The corresponding number for the plan year immediately preceding the current plan year | **15a** | |
| **b** | The corresponding number for the second preceding plan year | **15b** | |

**16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

| | | | |
|---|---|---|---|
| **a** | Enter the number of employers who withdrew during the preceding plan year | **16a** | |
| **b** | If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers | **16b** | |

**17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

## Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

**18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐

**19** If the total number of participants is 1,000 or more, complete lines (a) through (c)

**a** Enter the percentage of plan assets held as:
Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

**b** Provide the average duration of the combined investment-grade and high-yield debt:
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

**c** What duration measure was used to calculate line 19(b)?
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify):

# Watts Healthcare Corporation Money Purchase Pension Plan
## Financial Statements and Supplemental Schedule
***as of and for the Years ended December 31, 2012 and 2011***
***with Report of Independent Auditors***

**Watts Healthcare Corporation Money Purchase Pension Plan**
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# Report of Independent Auditors

**Board of Directors**
**Watts Healthcare Corporation**

## Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Watts Healthcare Corporation Money Purchase Pension Plan (the Plan), which comprise the statements of net assets available for benefits as of December 31, 2012 and 2011, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matters 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 Section 2520.103-8 of the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 (ERISA), the Plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 4, which was certified by Prudential Retirement Insurance and Annuity Company, the trustee of the Plan, except for comparing the information with the related information included in the financial statements. We have been informed by the Plan administrator that the trustee holds the Plan's assets and executes investment transactions. The Plan administrator has obtained a certification from the trustee as of and for the years ended December 31, 2012 and 2011, 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 of assets (held at end of year) as of December 31, 2012 is required by the DOL's Rules and Regulations for Reporting and Disclosure under ERISA and is presented for the purposes 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 an opinion on the 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 custodian, 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 DOL's Rules and Regulations for Reporting and Disclosure under ERISA.



**Los Angeles, California**
**September 6, 2013**

**Watts Healthcare Corporation Money Purchase Pension Plan**
**Statements of Net Assets Available for Benefits**

| | December 31 | |
|---|---|---|
| | **2012** | 2011 |
| **ASSETS** | | |
| Investments at fair value | | |
| Guaranteed income fund | **$ 5,912,330** | $ 5,762,442 |
| Lifetime funds | **765,608** | 614,190 |
| Index fund | **291,193** | 234,884 |
| **Total investments** | **6,969,131** | 6,611,516 |
| Receivable | | |
| Employer contribution | **40,384** | 57,080 |
| **Total assets** | **7,009,515** | 6,668,596 |
| **LIABILITIES** | | |
| Accounts payable | - | - |
| **Net assets available for benefits** | **$ 7,009,515** | $ 6,668,596 |

*See accompanying report of independent auditors and notes to financial statements.*

## Watts Healthcare Corporation Money Purchase Pension Plan
## Statements of Changes in Net Assets Available for Benefits

| | Years Ended December 31, | |
|---|---|---|
| | **2012** | 2011 |
| **Additions to (deductions from) net assets attributed to:** | | |
| Net appreciation (depreciation) in fair value of investments | **$ 115,434** | $ (304) |
| Employer contributions, net of forfeitures | **503,746** | 484,688 |
| Interest | **98,683** | 116,675 |
| **Total additions** | **717,863** | 601,059 |
| **Deductions from net assets attributed to:** | | |
| Benefits paid to participants | **375,891** | 393,929 |
| Administrative fee | **1,053** | 1,634 |
| **Total deductions** | **376,944** | 395,563 |
| **Net increase in assets available for benefits** | **340,919** | 205,496 |
| Net assets available for benefits, beginning of year | **6,668,596** | 6,463,100 |
| Net assets available for benefits, end of year | **$ 7,009,515** | $ 6,668,596 |

*See accompanying report of independent auditors and notes to financial statements.*

## NOTE 1 DESCRIPTION OF THE PLAN

The following description of the Watts Healthcare Corporation's Money Purchase Pension Plan (Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

### (a) General

The Plan, which became effective April 1, 2003, is a defined contribution pension plan covering all employees who have completed at least 1000 hours of service during a twelve consecutive month period and attained a minimum age of twenty-one (21). It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

### (b) Contributions

The amount of annual contributions to be made in respect to any particular participant by the Watts Healthcare Corporation (WHCC) shall be equal to 5% of the participant's eligible compensation. WHCC is the sole contributor to the Plan, and all of the Plan's administrative costs are paid by WHCC. Contributions by WHCC are designed to fund the Plan on a current basis. The group annuity contract is with Prudential Retirement Insurance and Annuity Company (PRIAC).

Annual additions, as defined, to each participant's account may not exceed the lesser of $50,000 or 100% of the participant's compensation for 2012.

### (c) Participant Accounts

Each participant's account is charged or credited with the contribution, net earnings, gains, losses and expenses as well as any appreciation or depreciation in the fair value. For assets in participant's account that are accounted for as pooled assets or investments, the allocation of earnings, gains and losses of each participant's account shall be based upon the total amount of funds so invested in a manner proportionate to the participant's share of such pooled investment. For assets in the participant's account that are accounted for as segregated assets, the allocation of earnings, gains and losses from such assets shall be made on a separate and distinct basis. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

### (d) Vesting

A Plan participant shall become vested in his or her participant account under the following schedule and is based on vesting whole year periods of service.

**Vesting Schedule**

| Period of Service | Percentage |
|---|---|
| 1 | 20% |
| 2 | 40% |
| 3 | 60% |
| 4 | 80% |
| 5 | 100% |

## NOTE 1 DESCRIPTION OF THE PLAN (CONTINUED)

### (d) Vesting (Continued)

A participant is 100% vested after five years of service or upon death, disability, or retirement.

### (e) Payment of Benefits

Participant is entitled to all his/her accounts under the Plan upon reaching the Normal Retirement age of 65. Participant is also entitled for 100% of his/her account when he/she becomes disabled.

On distribution of benefits due to retirement, termination, or any other event, benefits may be distributed to participant in various methods. The method depends on the participant's marital status, as well as the election the participant and the participant's spouse make. All methods of distribution have equivalent values.

### (f) Forfeitures

If a participant's employment with WHCC is terminated under certain conditions, the participant will forfeit the unvested portion of his or her account. Amounts forfeited by participants will be recorded in the forfeited non-vested accounts which will be used to offset future employer contributions.

At December 31, 2012 and 2011, the balance in the forfeited non-vested accounts amounted to $2,703 and $114, respectively. For the year ended December 31, 2012 and 2011, forfeitures used to offset employer contributions totaled to $10,684 and $11,193, respectively.

### (g) Investment Options

Participants may direct employer contributions, as desired, in any of several investment options held by the custodian and may change their investment options anytime.

### (h) Plan Termination

The Plan can be terminated at WHCC's discretion. In the event of a dissolution, merger, consolidation or reorganization of WHCC, the Plan shall terminate and the Plan's assets shall be liquidated unless the Plan is continued by a successor. Upon termination of the Plan, the accounts of all participants affected thereby shall become fully vested.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Presentation

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Investment contract held by a defined contribution plan is required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Statement of Net Assets Available for Benefits and the Statements of Changes in Net Assets Available for Benefits are prepared on a contract value basis of the investment contracts. The contract value of the investment contracts approximates fair value.

**(b) Recent Accounting Pronouncements**

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. This update changes certain fair value measurement principles and enhances the disclosure requirements, particularly for Level 3 fair value measurements. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. The Plan's adoption of the new guidance as of January 1, 2012 did not have a material effect on the Plan's financial statements.

In October 2012, the FASB issued ASU 2012-04, *Technical Corrections and Improvements*. The amendments in this update cover a wide range of Topics in the Accounting Standards Codification, including plan accounting. These amendments include technical corrections and improvements to the Accounting Standards Codification and conforming amendments related to fair value measurements. The amendment in this update will generally be effective for fiscal periods beginning after December 15, 2013, except for amendments in this update where there was no transition guidance which were immediately effective upon issuance. The adoption of ASU 2012-04 is not expected to have a material impact on the subsequent periods.

**(c) Use of Estimates**

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

**(d) Investment Valuation and Income Recognition**

The Plan's investments are stated at fair value except for its Guaranteed Income Fund which is valued at contract value. The Guaranteed Income Fund is a benefit responsive annuity contract. The concept of market value does not apply as it is record-kept at book 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. Contract value represents deposits made, plus earnings at guaranteed crediting rates, less withdrawals and fees.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Net Appreciation (Depreciation) in Fair Value of Investments

Realized and unrealized appreciation (depreciation) in the fair value of investments is calculated based on the difference between the fair value of the assets at the beginning of the year, or at the time of purchase for assets purchased during the year, and the related fair value on the day investments are sold with respect to realized appreciation (depreciation), or on the last day of the year for unrealized appreciation (depreciation).

Realized and unrealized appreciation (depreciation) is recorded in the accompanying Statements of Changes in Net Assets Available for Benefits as net appreciation (depreciation) in fair value of investments.

### (f) Payment of Benefits

Benefits are recorded when paid.

### (g) Administrative Expenses

Non-investment costs and administrative expenses are paid by the Plan Sponsor which is a party-in-interest. These expenses, which are not reflected in the accompanying financial statements, constitute exempt party-in-interest transactions under ERISA. Fees paid by the Plan participants to the trustee for administrative expenses amounted to $1,053 and $1,634 for the years ended December 31, 2012 and 2011, respectively.

### (h) Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit. Because of the level of uncertainty related to changes in the fair value of investment securities, it is at least reasonably possible that changes in the various risk factors, in the near term, could materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits.

## NOTE 3 TAX STATUS

The Internal Revenue Service has determined and informed WHCC by a letter dated December 27, 2004, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC).

GAAP requires 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. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan Sponsor believes it is no longer subject to income tax examinations for years prior to 2009.

## NOTE 4 INFORMATION CERTIFIED BY TRUSTEE

PRIAC, in accordance with 29 CFR 2520-103-5(c) of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, certified to the administrator the following information used in the preparation of the accompanying financial statements is complete and accurate.

- Investments, as reflected in the Statements of Net Assets Available for Benefits as of December 31, 2012 and 2011
- Investment activity, as reflected in the Statements of Changes in Net Assets Available for Benefits for the years ended December 31, 2012 and 2011
- Investments, as reflected in Schedule H, line 4i - Schedule of Assets (Held at End of Year) - December 31, 2012

Total investments as of December 31, 2012 and 2011 amounted to $6,969,131 and $6,611,516, respectively.

The Plan's independent auditors did not perform any auditing procedures with respect to the foregoing except for comparing such information to the related information included in the financial statements.

## NOTE 5 INVESTMENTS

The following table presents the fair value of Plan investments, with individual investments that exceed 5% of the Plan's net assets:

| | December 31 | |
|---|---|---|
| | **2012** | 2011 |
| Guaranteed Income Fund | **$ 5,912,330** | $ 5,762,442 |

During the year ended December 31, 2012, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value as follows:

| | |
|---|---|
| Lifetime funds | $ 80,297 |
| Index fund | 35,137 |
| Total | $ 115,434 |

## NOTE 6 FAIR VALUE MEASUREMENT

The Plan measures its investments in accordance with Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements*. ASC Topic 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under ASC Topic 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the assets or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 Input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2012 and 2011.

Mutual funds: Valued on a net unit value basis as determined by Prudential Retirement Insurance Company on the last business day of the Plan year. The fair values of these investments are determined by reference to the respective fund's underlying assets, with Prudential specifying the source(s) to use for underlying investment asset prices. The investments underlying the Plan's mutual funds primarily include domestic and international equities and domestic fixed income securities. Prudential may make adjustments to achieve a price believed to be more reflective of fair value.

Guaranteed Income Fund: This is recorded at contract value which approximates fair value.

## NOTE 6 FAIR VALUE MEASUREMENT (CONTINUED)

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

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2012 and 2011:

| | Assets at Fair Value as of December 31, 2012 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Guaranteed income fund | | | | |
| Stable Value | $ - | $ 5,912,330 | $ - | $ 5,912,330 |
| Lifetime Funds | | | | |
| Balanced | - | 765,608 | - | 765,608 |
| Dryden S&P 500 Index Fund | | | | |
| Large Cap Stock - Blend | 291,193 | - | - | 291,193 |
| Total assets at fair value | $ 291,193 | $ 6,677,938 | $ - | $ 6,969,131 |

| | Assets at Fair Value as of December 31, 2011 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Guaranteed income fund | | | | |
| Stable Value | $ - | $ 5,762,442 | $ - | $ 5,762,442 |
| Lifetime Funds | | | | |
| Balanced | - | 614,190 | - | 614,190 |
| Dryden S&P 500 Index Fund | | | | |
| Large Cap Stock - Blend | 234,884 | - | - | 234,884 |
| Total assets at fair value | $ 234,884 | $ 6,376,632 | $ - | $ 6,611,516 |

## NOTE 7 INVESTMENT CONTRACT WITH INSURANCE COMPANY

In 2003, the Plan entered into an investment agreement with Connecticut General Life Insurance Company, a CIGNA subsidiary. The agreement is a group annuity contract that funds benefits for qualified plans. On April 1, 2004, CIGNA sold its retirement benefits business to Prudential Financial, Inc. A company named CIGNA Life Insurance has agreed to assume the contract's obligation and Prudential purchased CIGNA Life. CIGNA life has changed its name to PRIAC. PRIAC is a wholly-owned subsidiary of the Prudential Insurance Company of America, a Prudential Financial Company. PRIAC maintains each participant's account separately. The accounts are credited with earnings on the underlying investments and charged for withdrawals and administrative expenses. The repayment of principal and interest credited to participants is a financial obligation of the issuer.

## NOTE 7 INVESTMENT CONTRACT WITH INSURANCE COMPANY (CONTINUED)

Because the guaranteed investment contract is fully benefit-responsive, contract value is the relevant measurement attribute for that portion of the net assets available for benefits attributable to the guaranteed investment contract. Contract value represents deposits made to the contract, plus earnings at guaranteed crediting rates, less withdrawals and fees. The contract is effected directly between the plan sponsor (or the trustee) and the issuer. Participants may ordinarily direct permitted withdrawal or transfers of all or a portion of their account balance at contract value within reasonable timeframes.

The contract is included in the financial statements at contract value which is equal to Fair Value. The concept of a value other than contract value does not apply to the Guaranteed Income Fund. The Guaranteed Income fund is not considered guaranteed investment contracts (GIC). This fund is considered evergreen (no maturity date) group annuity contract. Prudential Retirement declares interest crediting rates in advance of each contract's specified guarantee period and guarantees that crediting rate for the guarantee period. Since this contract is not a traditional guaranteed investment contract and there are no known cash flows that could be discounted, the contract value is the same as the fair value amount.

Interest is credited on contract balances using a single "portfolio rate" approach. Under this methodology, a single interest crediting rate is applied to all contributions made to the product regardless of the timing of those contributions. Interest crediting rates are reviewed on a semi-annual basis for resetting. When establishing interest crediting rates for this contract, PRIAC considers many factors, including current economic and market conditions, the general interest rate environment and both the expected and actual experience or a reference portfolio within the issuer's general account. These rates are established without the use of a specific formula. The minimum crediting rate under the contract is 1.50%. The average yields and crediting interest rates were 1.65% for 2012 and 2.05% for 2011.

There are no reserves against contract value for credit risk of the contract issuer or otherwise. Generally there are no events that could limit the ability of the plan to transact at contract value paid within 90 days or in rare circumstances, contract value paid over time. There are no events that allow the issuer to terminate the contract and which require the plan sponsor to settle at an amount different than contract value paid either within 90 days or over time.

## NOTE 8 PARTY-IN-INTEREST TRANSACTIONS

Plan investments consist of investment contracts and funds managed by PRIAC. PRIAC is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions.

WHCC provides to the Plan certain accounting and administrative services for which no fees are charged.

## NOTE 9 SUBSEQUENT EVENTS

The Plan Sponsor has evaluated events or transactions that occurred subsequent to December 31, 2012 through September 6, 2013, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters required disclosure or adjustment to the accompanying financial statements.

# SUPPLEMENTARY SCHEDULE

**Watts Healthcare Corporation Money Purchase Plan**
**Schedule H, Line 4i - Schedule of Assets (Held at End of Year)**
**December 31, 2012**

Employer Identification Number: 75-3110613
Plan Number: 001

| (a) | (b) Identity of Issuer, Borrower, Lessor or Similar Party | (c) Description of Investment | (d) Cost | (e) Fair Value |
|---|---|---|---|---|
| | | *Lifetime funds:* | | |
| * | Prudential Retirement Insurance and Annuity Co. | Lifetime Aggressive Growth Fund | ** | $ 219,342 |
| * | Prudential Retirement Insurance and Annuity Co. | Lifetime Conservative Growth Fund | ** | 129,734 |
| * | Prudential Retirement Insurance and Annuity Co. | Lifetime Balanced Fund | ** | 226,224 |
| * | Prudential Retirement Insurance and Annuity Co. | Lifetime Growth Fund | ** | 163,233 |
| * | Prudential Retirement Insurance and Annuity Co. | Lifetime Income & Equity Fund | ** | 27,075 |
| | | | | 765,608 |
| * | Prudential Retirement Insurance and Annuity Co. | Guaranteed Income Fund | ** | 5,912,330 |
| * | Prudential Retirement Insurance and Annuity Co. | Dryden S&P 500 Index Fund | ** | 291,193 |
| | | Total investments | | $ 6,969,131 |

* *Represents a party-in-interest as defined by ERISA.*

** *The cost of participant-directed investment is not required to be disclosed.*

*See accompanying report of independent auditors and notes to financial statements*

# Watts Healthcare Corporation Money Purchase Pension Plan
## Financial Statements and Supplemental Schedule
***as of and for the Years ended December 31, 2012 and 2011***
***with Report of Independent Auditors***

**Watts Healthcare Corporation Money Purchase Pension Plan**
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# Report of Independent Auditors

**Board of Directors**
**Watts Healthcare Corporation**

## Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Watts Healthcare Corporation Money Purchase Pension Plan (the Plan), which comprise the statements of net assets available for benefits as of December 31, 2012 and 2011, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matters 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 Section 2520.103-8 of the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 (ERISA), the Plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 4, which was certified by Prudential Retirement Insurance and Annuity Company, the trustee of the Plan, except for comparing the information with the related information included in the financial statements. We have been informed by the Plan administrator that the trustee holds the Plan's assets and executes investment transactions. The Plan administrator has obtained a certification from the trustee as of and for the years ended December 31, 2012 and 2011, 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 of assets (held at end of year) as of December 31, 2012 is required by the DOL's Rules and Regulations for Reporting and Disclosure under ERISA and is presented for the purposes 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 an opinion on the 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 custodian, 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 DOL's Rules and Regulations for Reporting and Disclosure under ERISA.



**Los Angeles, California**
**September 6, 2013**

**Watts Healthcare Corporation Money Purchase Pension Plan**
**Statements of Net Assets Available for Benefits**

| | December 31 | |
|---|---|---|
| | **2012** | 2011 |
| **ASSETS** | | |
| Investments at fair value | | |
| Guaranteed income fund | **$ 5,912,330** | $ 5,762,442 |
| Lifetime funds | **765,608** | 614,190 |
| Index fund | **291,193** | 234,884 |
| **Total investments** | **6,969,131** | 6,611,516 |
| Receivable | | |
| Employer contribution | **40,384** | 57,080 |
| **Total assets** | **7,009,515** | 6,668,596 |
| **LIABILITIES** | | |
| Accounts payable | - | - |
| **Net assets available for benefits** | **$ 7,009,515** | $ 6,668,596 |

*See accompanying report of independent auditors and notes to financial statements.*

## Watts Healthcare Corporation Money Purchase Pension Plan
## Statements of Changes in Net Assets Available for Benefits

| | Years Ended December 31, | |
|---|---|---|
| | **2012** | 2011 |
| **Additions to (deductions from) net assets attributed to:** | | |
| Net appreciation (depreciation) in fair value of investments | **$ 115,434** | $ (304) |
| Employer contributions, net of forfeitures | **503,746** | 484,688 |
| Interest | **98,683** | 116,675 |
| **Total additions** | **717,863** | 601,059 |
| **Deductions from net assets attributed to:** | | |
| Benefits paid to participants | **375,891** | 393,929 |
| Administrative fee | **1,053** | 1,634 |
| **Total deductions** | **376,944** | 395,563 |
| **Net increase in assets available for benefits** | **340,919** | 205,496 |
| Net assets available for benefits, beginning of year | **6,668,596** | 6,463,100 |
| Net assets available for benefits, end of year | **$ 7,009,515** | $ 6,668,596 |

*See accompanying report of independent auditors and notes to financial statements.*

## NOTE 1 DESCRIPTION OF THE PLAN

The following description of the Watts Healthcare Corporation's Money Purchase Pension Plan (Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

### (a) General

The Plan, which became effective April 1, 2003, is a defined contribution pension plan covering all employees who have completed at least 1000 hours of service during a twelve consecutive month period and attained a minimum age of twenty-one (21). It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

### (b) Contributions

The amount of annual contributions to be made in respect to any particular participant by the Watts Healthcare Corporation (WHCC) shall be equal to 5% of the participant's eligible compensation. WHCC is the sole contributor to the Plan, and all of the Plan's administrative costs are paid by WHCC. Contributions by WHCC are designed to fund the Plan on a current basis. The group annuity contract is with Prudential Retirement Insurance and Annuity Company (PRIAC).

Annual additions, as defined, to each participant's account may not exceed the lesser of $50,000 or 100% of the participant's compensation for 2012.

### (c) Participant Accounts

Each participant's account is charged or credited with the contribution, net earnings, gains, losses and expenses as well as any appreciation or depreciation in the fair value. For assets in participant's account that are accounted for as pooled assets or investments, the allocation of earnings, gains and losses of each participant's account shall be based upon the total amount of funds so invested in a manner proportionate to the participant's share of such pooled investment. For assets in the participant's account that are accounted for as segregated assets, the allocation of earnings, gains and losses from such assets shall be made on a separate and distinct basis. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

### (d) Vesting

A Plan participant shall become vested in his or her participant account under the following schedule and is based on vesting whole year periods of service.

**Vesting Schedule**

| Period of Service | Percentage |
|---|---|
| 1 | 20% |
| 2 | 40% |
| 3 | 60% |
| 4 | 80% |
| 5 | 100% |

## NOTE 1 DESCRIPTION OF THE PLAN (CONTINUED)

### (d) Vesting (Continued)

A participant is 100% vested after five years of service or upon death, disability, or retirement.

### (e) Payment of Benefits

Participant is entitled to all his/her accounts under the Plan upon reaching the Normal Retirement age of 65. Participant is also entitled for 100% of his/her account when he/she becomes disabled.

On distribution of benefits due to retirement, termination, or any other event, benefits may be distributed to participant in various methods. The method depends on the participant's marital status, as well as the election the participant and the participant's spouse make. All methods of distribution have equivalent values.

### (f) Forfeitures

If a participant's employment with WHCC is terminated under certain conditions, the participant will forfeit the unvested portion of his or her account. Amounts forfeited by participants will be recorded in the forfeited non-vested accounts which will be used to offset future employer contributions.

At December 31, 2012 and 2011, the balance in the forfeited non-vested accounts amounted to $2,703 and $114, respectively. For the year ended December 31, 2012 and 2011, forfeitures used to offset employer contributions totaled to $10,684 and $11,193, respectively.

### (g) Investment Options

Participants may direct employer contributions, as desired, in any of several investment options held by the custodian and may change their investment options anytime.

### (h) Plan Termination

The Plan can be terminated at WHCC's discretion. In the event of a dissolution, merger, consolidation or reorganization of WHCC, the Plan shall terminate and the Plan's assets shall be liquidated unless the Plan is continued by a successor. Upon termination of the Plan, the accounts of all participants affected thereby shall become fully vested.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Presentation

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Investment contract held by a defined contribution plan is required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Statement of Net Assets Available for Benefits and the Statements of Changes in Net Assets Available for Benefits are prepared on a contract value basis of the investment contracts. The contract value of the investment contracts approximates fair value.

**(b) Recent Accounting Pronouncements**

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. This update changes certain fair value measurement principles and enhances the disclosure requirements, particularly for Level 3 fair value measurements. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. The Plan's adoption of the new guidance as of January 1, 2012 did not have a material effect on the Plan's financial statements.

In October 2012, the FASB issued ASU 2012-04, *Technical Corrections and Improvements*. The amendments in this update cover a wide range of Topics in the Accounting Standards Codification, including plan accounting. These amendments include technical corrections and improvements to the Accounting Standards Codification and conforming amendments related to fair value measurements. The amendment in this update will generally be effective for fiscal periods beginning after December 15, 2013, except for amendments in this update where there was no transition guidance which were immediately effective upon issuance. The adoption of ASU 2012-04 is not expected to have a material impact on the subsequent periods.

**(c) Use of Estimates**

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

**(d) Investment Valuation and Income Recognition**

The Plan's investments are stated at fair value except for its Guaranteed Income Fund which is valued at contract value. The Guaranteed Income Fund is a benefit responsive annuity contract. The concept of market value does not apply as it is record-kept at book 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. Contract value represents deposits made, plus earnings at guaranteed crediting rates, less withdrawals and fees.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Net Appreciation (Depreciation) in Fair Value of Investments

Realized and unrealized appreciation (depreciation) in the fair value of investments is calculated based on the difference between the fair value of the assets at the beginning of the year, or at the time of purchase for assets purchased during the year, and the related fair value on the day investments are sold with respect to realized appreciation (depreciation), or on the last day of the year for unrealized appreciation (depreciation).

Realized and unrealized appreciation (depreciation) is recorded in the accompanying Statements of Changes in Net Assets Available for Benefits as net appreciation (depreciation) in fair value of investments.

### (f) Payment of Benefits

Benefits are recorded when paid.

### (g) Administrative Expenses

Non-investment costs and administrative expenses are paid by the Plan Sponsor which is a party-in-interest. These expenses, which are not reflected in the accompanying financial statements, constitute exempt party-in-interest transactions under ERISA. Fees paid by the Plan participants to the trustee for administrative expenses amounted to $1,053 and $1,634 for the years ended December 31, 2012 and 2011, respectively.

### (h) Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit. Because of the level of uncertainty related to changes in the fair value of investment securities, it is at least reasonably possible that changes in the various risk factors, in the near term, could materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits.

## NOTE 3 TAX STATUS

The Internal Revenue Service has determined and informed WHCC by a letter dated December 27, 2004, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC).

GAAP requires 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. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan Sponsor believes it is no longer subject to income tax examinations for years prior to 2009.

## NOTE 4 INFORMATION CERTIFIED BY TRUSTEE

PRIAC, in accordance with 29 CFR 2520-103-5(c) of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, certified to the administrator the following information used in the preparation of the accompanying financial statements is complete and accurate.

- Investments, as reflected in the Statements of Net Assets Available for Benefits as of December 31, 2012 and 2011
- Investment activity, as reflected in the Statements of Changes in Net Assets Available for Benefits for the years ended December 31, 2012 and 2011
- Investments, as reflected in Schedule H, line 4i - Schedule of Assets (Held at End of Year) - December 31, 2012

Total investments as of December 31, 2012 and 2011 amounted to $6,969,131 and $6,611,516, respectively.

The Plan's independent auditors did not perform any auditing procedures with respect to the foregoing except for comparing such information to the related information included in the financial statements.

## NOTE 5 INVESTMENTS

The following table presents the fair value of Plan investments, with individual investments that exceed 5% of the Plan's net assets:

| | December 31 | |
|---|---|---|
| | **2012** | 2011 |
| Guaranteed Income Fund | **$ 5,912,330** | $ 5,762,442 |

During the year ended December 31, 2012, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value as follows:

| | |
|---|---|
| Lifetime funds | $ 80,297 |
| Index fund | 35,137 |
| Total | $ 115,434 |

## NOTE 6 FAIR VALUE MEASUREMENT

The Plan measures its investments in accordance with Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements*. ASC Topic 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under ASC Topic 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the assets or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 Input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2012 and 2011.

Mutual funds: Valued on a net unit value basis as determined by Prudential Retirement Insurance Company on the last business day of the Plan year. The fair values of these investments are determined by reference to the respective fund's underlying assets, with Prudential specifying the source(s) to use for underlying investment asset prices. The investments underlying the Plan's mutual funds primarily include domestic and international equities and domestic fixed income securities. Prudential may make adjustments to achieve a price believed to be more reflective of fair value.

Guaranteed Income Fund: This is recorded at contract value which approximates fair value.

## NOTE 6 FAIR VALUE MEASUREMENT (CONTINUED)

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

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2012 and 2011:

| | Assets at Fair Value as of December 31, 2012 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Guaranteed income fund | | | | |
| Stable Value | $ - | $ 5,912,330 | $ - | $ 5,912,330 |
| Lifetime Funds | | | | |
| Balanced | - | 765,608 | - | 765,608 |
| Dryden S&P 500 Index Fund | | | | |
| Large Cap Stock - Blend | 291,193 | - | - | 291,193 |
| Total assets at fair value | $ 291,193 | $ 6,677,938 | $ - | $ 6,969,131 |

| | Assets at Fair Value as of December 31, 2011 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Guaranteed income fund | | | | |
| Stable Value | $ - | $ 5,762,442 | $ - | $ 5,762,442 |
| Lifetime Funds | | | | |
| Balanced | - | 614,190 | - | 614,190 |
| Dryden S&P 500 Index Fund | | | | |
| Large Cap Stock - Blend | 234,884 | - | - | 234,884 |
| Total assets at fair value | $ 234,884 | $ 6,376,632 | $ - | $ 6,611,516 |

## NOTE 7 INVESTMENT CONTRACT WITH INSURANCE COMPANY

In 2003, the Plan entered into an investment agreement with Connecticut General Life Insurance Company, a CIGNA subsidiary. The agreement is a group annuity contract that funds benefits for qualified plans. On April 1, 2004, CIGNA sold its retirement benefits business to Prudential Financial, Inc. A company named CIGNA Life Insurance has agreed to assume the contract's obligation and Prudential purchased CIGNA Life. CIGNA life has changed its name to PRIAC. PRIAC is a wholly-owned subsidiary of the Prudential Insurance Company of America, a Prudential Financial Company. PRIAC maintains each participant's account separately. The accounts are credited with earnings on the underlying investments and charged for withdrawals and administrative expenses. The repayment of principal and interest credited to participants is a financial obligation of the issuer.

## NOTE 7 INVESTMENT CONTRACT WITH INSURANCE COMPANY (CONTINUED)

Because the guaranteed investment contract is fully benefit-responsive, contract value is the relevant measurement attribute for that portion of the net assets available for benefits attributable to the guaranteed investment contract. Contract value represents deposits made to the contract, plus earnings at guaranteed crediting rates, less withdrawals and fees. The contract is effected directly between the plan sponsor (or the trustee) and the issuer. Participants may ordinarily direct permitted withdrawal or transfers of all or a portion of their account balance at contract value within reasonable timeframes.

The contract is included in the financial statements at contract value which is equal to Fair Value. The concept of a value other than contract value does not apply to the Guaranteed Income Fund. The Guaranteed Income fund is not considered guaranteed investment contracts (GIC). This fund is considered evergreen (no maturity date) group annuity contract. Prudential Retirement declares interest crediting rates in advance of each contract's specified guarantee period and guarantees that crediting rate for the guarantee period. Since this contract is not a traditional guaranteed investment contract and there are no known cash flows that could be discounted, the contract value is the same as the fair value amount.

Interest is credited on contract balances using a single "portfolio rate" approach. Under this methodology, a single interest crediting rate is applied to all contributions made to the product regardless of the timing of those contributions. Interest crediting rates are reviewed on a semi-annual basis for resetting. When establishing interest crediting rates for this contract, PRIAC considers many factors, including current economic and market conditions, the general interest rate environment and both the expected and actual experience or a reference portfolio within the issuer's general account. These rates are established without the use of a specific formula. The minimum crediting rate under the contract is 1.50%. The average yields and crediting interest rates were 1.65% for 2012 and 2.05% for 2011.

There are no reserves against contract value for credit risk of the contract issuer or otherwise. Generally there are no events that could limit the ability of the plan to transact at contract value paid within 90 days or in rare circumstances, contract value paid over time. There are no events that allow the issuer to terminate the contract and which require the plan sponsor to settle at an amount different than contract value paid either within 90 days or over time.

## NOTE 8 PARTY-IN-INTEREST TRANSACTIONS

Plan investments consist of investment contracts and funds managed by PRIAC. PRIAC is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions.

WHCC provides to the Plan certain accounting and administrative services for which no fees are charged.

## NOTE 9 SUBSEQUENT EVENTS

The Plan Sponsor has evaluated events or transactions that occurred subsequent to December 31, 2012 through September 6, 2013, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters required disclosure or adjustment to the accompanying financial statements.

# SUPPLEMENTARY SCHEDULE

**Watts Healthcare Corporation Money Purchase Plan**
**Schedule H, Line 4i - Schedule of Assets (Held at End of Year)**
**December 31, 2012**

Employer Identification Number: 75-3110613
Plan Number: 001

| (a) | (b) Identity of Issuer, Borrower, Lessor or Similar Party | (c) Description of Investment | (d) Cost | (e) Fair Value |
|---|---|---|---|---|
| | | *Lifetime funds:* | | |
| * | Prudential Retirement Insurance and Annuity Co. | Lifetime Aggressive Growth Fund | ** | $ 219,342 |
| * | Prudential Retirement Insurance and Annuity Co. | Lifetime Conservative Growth Fund | ** | 129,734 |
| * | Prudential Retirement Insurance and Annuity Co. | Lifetime Balanced Fund | ** | 226,224 |
| * | Prudential Retirement Insurance and Annuity Co. | Lifetime Growth Fund | ** | 163,233 |
| * | Prudential Retirement Insurance and Annuity Co. | Lifetime Income & Equity Fund | ** | 27,075 |
| | | | | 765,608 |
| * | Prudential Retirement Insurance and Annuity Co. | Guaranteed Income Fund | ** | 5,912,330 |
| * | Prudential Retirement Insurance and Annuity Co. | Dryden S&P 500 Index Fund | ** | 291,193 |
| | | Total investments | | $ 6,969,131 |

* *Represents a party-in-interest as defined by ERISA.*

** *The cost of participant-directed investment is not required to be disclosed.*

*See accompanying report of independent auditors and notes to financial statements*

# Watts Healthcare Corporation Money Purchase Pension Plan
## Financial Statements and Supplemental Schedule
***as of and for the Years ended December 31, 2012 and 2011***
***with Report of Independent Auditors***

**Watts Healthcare Corporation Money Purchase Pension Plan**
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# Report of Independent Auditors

**Board of Directors**
**Watts Healthcare Corporation**

## Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Watts Healthcare Corporation Money Purchase Pension Plan (the Plan), which comprise the statements of net assets available for benefits as of December 31, 2012 and 2011, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matters 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 Section 2520.103-8 of the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 (ERISA), the Plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 4, which was certified by Prudential Retirement Insurance and Annuity Company, the trustee of the Plan, except for comparing the information with the related information included in the financial statements. We have been informed by the Plan administrator that the trustee holds the Plan's assets and executes investment transactions. The Plan administrator has obtained a certification from the trustee as of and for the years ended December 31, 2012 and 2011, 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 of assets (held at end of year) as of December 31, 2012 is required by the DOL's Rules and Regulations for Reporting and Disclosure under ERISA and is presented for the purposes 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 an opinion on the 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 custodian, 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 DOL's Rules and Regulations for Reporting and Disclosure under ERISA.



**Los Angeles, California**
**September 6, 2013**

**Watts Healthcare Corporation Money Purchase Pension Plan**
**Statements of Net Assets Available for Benefits**

| | December 31 | |
|---|---|---|
| | **2012** | 2011 |
| **ASSETS** | | |
| Investments at fair value | | |
| Guaranteed income fund | **$ 5,912,330** | $ 5,762,442 |
| Lifetime funds | **765,608** | 614,190 |
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| **Total investments** | **6,969,131** | 6,611,516 |
| Receivable | | |
| Employer contribution | **40,384** | 57,080 |
| **Total assets** | **7,009,515** | 6,668,596 |
| **LIABILITIES** | | |
| Accounts payable | - | - |
| **Net assets available for benefits** | **$ 7,009,515** | $ 6,668,596 |

*See accompanying report of independent auditors and notes to financial statements.*

## Watts Healthcare Corporation Money Purchase Pension Plan
## Statements of Changes in Net Assets Available for Benefits

| | Years Ended December 31, | |
|---|---|---|
| | **2012** | 2011 |
| **Additions to (deductions from) net assets attributed to:** | | |
| Net appreciation (depreciation) in fair value of investments | **$ 115,434** | $ (304) |
| Employer contributions, net of forfeitures | **503,746** | 484,688 |
| Interest | **98,683** | 116,675 |
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| Benefits paid to participants | **375,891** | 393,929 |
| Administrative fee | **1,053** | 1,634 |
| **Total deductions** | **376,944** | 395,563 |
| **Net increase in assets available for benefits** | **340,919** | 205,496 |
| Net assets available for benefits, beginning of year | **6,668,596** | 6,463,100 |
| Net assets available for benefits, end of year | **$ 7,009,515** | $ 6,668,596 |

*See accompanying report of independent auditors and notes to financial statements.*

## NOTE 1 DESCRIPTION OF THE PLAN

The following description of the Watts Healthcare Corporation's Money Purchase Pension Plan (Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

### (a) General

The Plan, which became effective April 1, 2003, is a defined contribution pension plan covering all employees who have completed at least 1000 hours of service during a twelve consecutive month period and attained a minimum age of twenty-one (21). It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

### (b) Contributions

The amount of annual contributions to be made in respect to any particular participant by the Watts Healthcare Corporation (WHCC) shall be equal to 5% of the participant's eligible compensation. WHCC is the sole contributor to the Plan, and all of the Plan's administrative costs are paid by WHCC. Contributions by WHCC are designed to fund the Plan on a current basis. The group annuity contract is with Prudential Retirement Insurance and Annuity Company (PRIAC).

Annual additions, as defined, to each participant's account may not exceed the lesser of $50,000 or 100% of the participant's compensation for 2012.

### (c) Participant Accounts

Each participant's account is charged or credited with the contribution, net earnings, gains, losses and expenses as well as any appreciation or depreciation in the fair value. For assets in participant's account that are accounted for as pooled assets or investments, the allocation of earnings, gains and losses of each participant's account shall be based upon the total amount of funds so invested in a manner proportionate to the participant's share of such pooled investment. For assets in the participant's account that are accounted for as segregated assets, the allocation of earnings, gains and losses from such assets shall be made on a separate and distinct basis. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

### (d) Vesting

A Plan participant shall become vested in his or her participant account under the following schedule and is based on vesting whole year periods of service.

**Vesting Schedule**

| Period of Service | Percentage |
|---|---|
| 1 | 20% |
| 2 | 40% |
| 3 | 60% |
| 4 | 80% |
| 5 | 100% |

## NOTE 1 DESCRIPTION OF THE PLAN (CONTINUED)

### (d) Vesting (Continued)

A participant is 100% vested after five years of service or upon death, disability, or retirement.

### (e) Payment of Benefits

Participant is entitled to all his/her accounts under the Plan upon reaching the Normal Retirement age of 65. Participant is also entitled for 100% of his/her account when he/she becomes disabled.

On distribution of benefits due to retirement, termination, or any other event, benefits may be distributed to participant in various methods. The method depends on the participant's marital status, as well as the election the participant and the participant's spouse make. All methods of distribution have equivalent values.

### (f) Forfeitures

If a participant's employment with WHCC is terminated under certain conditions, the participant will forfeit the unvested portion of his or her account. Amounts forfeited by participants will be recorded in the forfeited non-vested accounts which will be used to offset future employer contributions.

At December 31, 2012 and 2011, the balance in the forfeited non-vested accounts amounted to $2,703 and $114, respectively. For the year ended December 31, 2012 and 2011, forfeitures used to offset employer contributions totaled to $10,684 and $11,193, respectively.

### (g) Investment Options

Participants may direct employer contributions, as desired, in any of several investment options held by the custodian and may change their investment options anytime.

### (h) Plan Termination

The Plan can be terminated at WHCC's discretion. In the event of a dissolution, merger, consolidation or reorganization of WHCC, the Plan shall terminate and the Plan's assets shall be liquidated unless the Plan is continued by a successor. Upon termination of the Plan, the accounts of all participants affected thereby shall become fully vested.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Presentation

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Investment contract held by a defined contribution plan is required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Statement of Net Assets Available for Benefits and the Statements of Changes in Net Assets Available for Benefits are prepared on a contract value basis of the investment contracts. The contract value of the investment contracts approximates fair value.

**(b) Recent Accounting Pronouncements**

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. This update changes certain fair value measurement principles and enhances the disclosure requirements, particularly for Level 3 fair value measurements. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. The Plan's adoption of the new guidance as of January 1, 2012 did not have a material effect on the Plan's financial statements.

In October 2012, the FASB issued ASU 2012-04, *Technical Corrections and Improvements*. The amendments in this update cover a wide range of Topics in the Accounting Standards Codification, including plan accounting. These amendments include technical corrections and improvements to the Accounting Standards Codification and conforming amendments related to fair value measurements. The amendment in this update will generally be effective for fiscal periods beginning after December 15, 2013, except for amendments in this update where there was no transition guidance which were immediately effective upon issuance. The adoption of ASU 2012-04 is not expected to have a material impact on the subsequent periods.

**(c) Use of Estimates**

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

**(d) Investment Valuation and Income Recognition**

The Plan's investments are stated at fair value except for its Guaranteed Income Fund which is valued at contract value. The Guaranteed Income Fund is a benefit responsive annuity contract. The concept of market value does not apply as it is record-kept at book 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. Contract value represents deposits made, plus earnings at guaranteed crediting rates, less withdrawals and fees.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Net Appreciation (Depreciation) in Fair Value of Investments

Realized and unrealized appreciation (depreciation) in the fair value of investments is calculated based on the difference between the fair value of the assets at the beginning of the year, or at the time of purchase for assets purchased during the year, and the related fair value on the day investments are sold with respect to realized appreciation (depreciation), or on the last day of the year for unrealized appreciation (depreciation).

Realized and unrealized appreciation (depreciation) is recorded in the accompanying Statements of Changes in Net Assets Available for Benefits as net appreciation (depreciation) in fair value of investments.

### (f) Payment of Benefits

Benefits are recorded when paid.

### (g) Administrative Expenses

Non-investment costs and administrative expenses are paid by the Plan Sponsor which is a party-in-interest. These expenses, which are not reflected in the accompanying financial statements, constitute exempt party-in-interest transactions under ERISA. Fees paid by the Plan participants to the trustee for administrative expenses amounted to $1,053 and $1,634 for the years ended December 31, 2012 and 2011, respectively.

### (h) Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit. Because of the level of uncertainty related to changes in the fair value of investment securities, it is at least reasonably possible that changes in the various risk factors, in the near term, could materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits.

## NOTE 3 TAX STATUS

The Internal Revenue Service has determined and informed WHCC by a letter dated December 27, 2004, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC).

GAAP requires 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. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan Sponsor believes it is no longer subject to income tax examinations for years prior to 2009.

## NOTE 4 INFORMATION CERTIFIED BY TRUSTEE

PRIAC, in accordance with 29 CFR 2520-103-5(c) of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, certified to the administrator the following information used in the preparation of the accompanying financial statements is complete and accurate.

- Investments, as reflected in the Statements of Net Assets Available for Benefits as of December 31, 2012 and 2011
- Investment activity, as reflected in the Statements of Changes in Net Assets Available for Benefits for the years ended December 31, 2012 and 2011
- Investments, as reflected in Schedule H, line 4i - Schedule of Assets (Held at End of Year) - December 31, 2012

Total investments as of December 31, 2012 and 2011 amounted to $6,969,131 and $6,611,516, respectively.

The Plan's independent auditors did not perform any auditing procedures with respect to the foregoing except for comparing such information to the related information included in the financial statements.

## NOTE 5 INVESTMENTS

The following table presents the fair value of Plan investments, with individual investments that exceed 5% of the Plan's net assets:

| | December 31 | |
|---|---|---|
| | **2012** | 2011 |
| Guaranteed Income Fund | **$ 5,912,330** | $ 5,762,442 |

During the year ended December 31, 2012, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value as follows:

| | |
|---|---|
| Lifetime funds | $ 80,297 |
| Index fund | 35,137 |
| Total | $ 115,434 |

## NOTE 6 FAIR VALUE MEASUREMENT

The Plan measures its investments in accordance with Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements*. ASC Topic 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under ASC Topic 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the assets or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 Input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2012 and 2011.

Mutual funds: Valued on a net unit value basis as determined by Prudential Retirement Insurance Company on the last business day of the Plan year. The fair values of these investments are determined by reference to the respective fund's underlying assets, with Prudential specifying the source(s) to use for underlying investment asset prices. The investments underlying the Plan's mutual funds primarily include domestic and international equities and domestic fixed income securities. Prudential may make adjustments to achieve a price believed to be more reflective of fair value.

Guaranteed Income Fund: This is recorded at contract value which approximates fair value.

## NOTE 6 FAIR VALUE MEASUREMENT (CONTINUED)

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

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2012 and 2011:

| | Assets at Fair Value as of December 31, 2012 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Guaranteed income fund | | | | |
| Stable Value | $ - | $ 5,912,330 | $ - | $ 5,912,330 |
| Lifetime Funds | | | | |
| Balanced | - | 765,608 | - | 765,608 |
| Dryden S&P 500 Index Fund | | | | |
| Large Cap Stock - Blend | 291,193 | - | - | 291,193 |
| Total assets at fair value | $ 291,193 | $ 6,677,938 | $ - | $ 6,969,131 |

| | Assets at Fair Value as of December 31, 2011 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Guaranteed income fund | | | | |
| Stable Value | $ - | $ 5,762,442 | $ - | $ 5,762,442 |
| Lifetime Funds | | | | |
| Balanced | - | 614,190 | - | 614,190 |
| Dryden S&P 500 Index Fund | | | | |
| Large Cap Stock - Blend | 234,884 | - | - | 234,884 |
| Total assets at fair value | $ 234,884 | $ 6,376,632 | $ - | $ 6,611,516 |

## NOTE 7 INVESTMENT CONTRACT WITH INSURANCE COMPANY

In 2003, the Plan entered into an investment agreement with Connecticut General Life Insurance Company, a CIGNA subsidiary. The agreement is a group annuity contract that funds benefits for qualified plans. On April 1, 2004, CIGNA sold its retirement benefits business to Prudential Financial, Inc. A company named CIGNA Life Insurance has agreed to assume the contract's obligation and Prudential purchased CIGNA Life. CIGNA life has changed its name to PRIAC. PRIAC is a wholly-owned subsidiary of the Prudential Insurance Company of America, a Prudential Financial Company. PRIAC maintains each participant's account separately. The accounts are credited with earnings on the underlying investments and charged for withdrawals and administrative expenses. The repayment of principal and interest credited to participants is a financial obligation of the issuer.

## NOTE 7 INVESTMENT CONTRACT WITH INSURANCE COMPANY (CONTINUED)

Because the guaranteed investment contract is fully benefit-responsive, contract value is the relevant measurement attribute for that portion of the net assets available for benefits attributable to the guaranteed investment contract. Contract value represents deposits made to the contract, plus earnings at guaranteed crediting rates, less withdrawals and fees. The contract is effected directly between the plan sponsor (or the trustee) and the issuer. Participants may ordinarily direct permitted withdrawal or transfers of all or a portion of their account balance at contract value within reasonable timeframes.

The contract is included in the financial statements at contract value which is equal to Fair Value. The concept of a value other than contract value does not apply to the Guaranteed Income Fund. The Guaranteed Income fund is not considered guaranteed investment contracts (GIC). This fund is considered evergreen (no maturity date) group annuity contract. Prudential Retirement declares interest crediting rates in advance of each contract's specified guarantee period and guarantees that crediting rate for the guarantee period. Since this contract is not a traditional guaranteed investment contract and there are no known cash flows that could be discounted, the contract value is the same as the fair value amount.

Interest is credited on contract balances using a single "portfolio rate" approach. Under this methodology, a single interest crediting rate is applied to all contributions made to the product regardless of the timing of those contributions. Interest crediting rates are reviewed on a semi-annual basis for resetting. When establishing interest crediting rates for this contract, PRIAC considers many factors, including current economic and market conditions, the general interest rate environment and both the expected and actual experience or a reference portfolio within the issuer's general account. These rates are established without the use of a specific formula. The minimum crediting rate under the contract is 1.50%. The average yields and crediting interest rates were 1.65% for 2012 and 2.05% for 2011.

There are no reserves against contract value for credit risk of the contract issuer or otherwise. Generally there are no events that could limit the ability of the plan to transact at contract value paid within 90 days or in rare circumstances, contract value paid over time. There are no events that allow the issuer to terminate the contract and which require the plan sponsor to settle at an amount different than contract value paid either within 90 days or over time.

## NOTE 8 PARTY-IN-INTEREST TRANSACTIONS

Plan investments consist of investment contracts and funds managed by PRIAC. PRIAC is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions.

WHCC provides to the Plan certain accounting and administrative services for which no fees are charged.

## NOTE 9 SUBSEQUENT EVENTS

The Plan Sponsor has evaluated events or transactions that occurred subsequent to December 31, 2012 through September 6, 2013, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters required disclosure or adjustment to the accompanying financial statements.

# SUPPLEMENTARY SCHEDULE

**Watts Healthcare Corporation Money Purchase Plan**
**Schedule H, Line 4i - Schedule of Assets (Held at End of Year)**
**December 31, 2012**

Employer Identification Number: 75-3110613
Plan Number: 001

| (a) | (b) Identity of Issuer, Borrower, Lessor or Similar Party | (c) Description of Investment | (d) Cost | (e) Fair Value |
|---|---|---|---|---|
| | | *Lifetime funds:* | | |
| * | Prudential Retirement Insurance and Annuity Co. | Lifetime Aggressive Growth Fund | ** | $ 219,342 |
| * | Prudential Retirement Insurance and Annuity Co. | Lifetime Conservative Growth Fund | ** | 129,734 |
| * | Prudential Retirement Insurance and Annuity Co. | Lifetime Balanced Fund | ** | 226,224 |
| * | Prudential Retirement Insurance and Annuity Co. | Lifetime Growth Fund | ** | 163,233 |
| * | Prudential Retirement Insurance and Annuity Co. | Lifetime Income & Equity Fund | ** | 27,075 |
| | | | | 765,608 |
| * | Prudential Retirement Insurance and Annuity Co. | Guaranteed Income Fund | ** | 5,912,330 |
| * | Prudential Retirement Insurance and Annuity Co. | Dryden S&P 500 Index Fund | ** | 291,193 |
| | | Total investments | | $ 6,969,131 |

* *Represents a party-in-interest as defined by ERISA.*

** *The cost of participant-directed investment is not required to be disclosed.*

*See accompanying report of independent auditors and notes to financial statements*