# 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

**2013**

**This Form is Open to Public Inspection**

## Part I Annual Report Identification Information

For calendar plan year 2013 or fiscal plan year beginning 01/01/2013 and ending 12/31/2013

**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
STRATEGIC PROPERTY ASSOCIATES, LLC 401(K) PROFIT SHARING PLAN

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

**1c** Effective date of plan 01/01/1997

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

STRATEGIC PROPERTY ASSOCIATES, LLC

27422 PORTOLA PARKWAY, STE 150
FOOTHILL RANCH, CA 92630

**2b** Employer Identification Number (EIN)
58-2447158

**2c** Sponsor's telephone number
949-713-5000

**2d** Business code (see instructions)
531210

**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. | 10/09/2014 | SHARON HONG |
| | **Signature of plan administrator** | Date | Enter name of individual signing as plan administrator |
| **SIGN HERE** | | | |
| | **Signature of employer/plan sponsor** | Date | Enter name of individual signing as employer or plan sponsor |
| **SIGN HERE** | | | |
| | **Signature of DFE** | Date | Enter name of individual signing as DFE |

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

Preparer's telephone number (optional)

**3a** Plan administrator's name and address [X] Same as Plan Sponsor Name [ ] Same as Plan Sponsor Address

**3b** Administrator's EIN

**3c** Administrator's telephone number

**4** If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report:

**a** Sponsor's name

**4b** EIN

**4c** PN

| | | | |
|---|---|---|---|
| **5** | Total number of participants at the beginning of the plan year | **5** | 219 |
| **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** | 195 |
| **b** | Retired or separated participants receiving benefits | **6b** | 0 |
| **c** | Other retired or separated participants entitled to future benefits | **6c** | 25 |
| **d** | Subtotal. Add lines **6a**, **6b**, and **6c** | **6d** | 220 |
| **e** | Deceased participants whose beneficiaries are receiving or are entitled to receive benefits. | **6e** | 0 |
| **f** | Total. Add lines **6d** and **6e**. | **6f** | 220 |
| **g** | Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) | **6g** | 96 |
| **h** | Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested | **6h** | 0 |
| **7** | Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item) | **7** | |

**8a** If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions:
2A 2E 2F 2G 2J 2K 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)** [ ] Insurance
- **(2)** [ ] Code section 412(e)(3) insurance contracts
- **(3)** [X] Trust
- **(4)** [ ] General assets of the sponsor

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

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

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

**a Pension Schedules**

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

**b General Schedules**

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

# 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

**2013**

**This Form is Open to Public Inspection**

For calendar plan year 2013 or fiscal plan year beginning 01/01/2013 and ending 12/31/2013

**A** Name of plan
STRATEGIC PROPERTY ASSOCIATES, LLC 401(K) PROFIT SHARING PLAN

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

**C** Plan sponsor's name as shown on line 2a of Form 5500
STRATEGIC PROPERTY ASSOCIATES, LLC

**D** Employer Identification Number (EIN)
58-2447158

## 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) | | |
| **(2)** Participant contributions | 1b(2) | 2472 | 0 |
| **(3)** Other | 1b(3) | | |
| **c** General investments: | | | |
| **(1)** Interest-bearing cash (include money market accounts & certificates of deposit) | 1c(1) | 1287 | 1287 |
| **(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) | 114827 | 84061 |
| **(9)** Value of interest in common/collective trusts | 1c(9) | | |
| **(10)** Value of interest in pooled separate accounts | 1c(10) | | |
| **(11)** Value of interest in master trust investment accounts | 1c(11) | | |
| **(12)** Value of interest in 103-12 investment entities | 1c(12) | | |
| **(13)** Value of interest in registered investment companies (e.g., mutual funds) | 1c(13) | 2227460 | 3010222 |
| **(14)** Value of funds held in insurance company general account (unallocated contracts) | 1c(14) | | |
| **(15)** Other | 1c(15) | | |

| | | (a) Beginning of Year | (b) End of Year |
|---|---|---|---|
| **1d** Employer-related investments: | | | |
| **(1)** Employer securities | 1d(1) | | |
| **(2)** Employer real property | 1d(2) | | |
| **e** Buildings and other property used in plan operation | 1e | | |
| **f** Total assets (add all amounts in lines 1a through 1e) | 1f | 2346046 | 3095570 |
| **Liabilities** | | | |
| **g** Benefit claims payable | 1g | | |
| **h** Operating payables | 1h | | |
| **i** Acquisition indebtedness | 1i | | |
| **j** Other liabilities | 1j | 37020 | 7524 |
| **k** Total liabilities (add all amounts in lines 1g through1j) | 1k | 37020 | 7524 |
| **Net Assets** | | | |
| **l** Net assets (subtract line 1k from line 1f) | 1l | 2309026 | 3088046 |

## 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) | 0 | |
| **(B)** Participants | 2a(1)(B) | 264807 | |
| **(C)** Others (including rollovers) | 2a(1)(C) | 7438 | |
| **(2)** Noncash contributions | 2a(2) | 0 | |
| **(3)** Total contributions. Add lines **2a(1)(A), (B), (C),** and line **2a(2)** | 2a(3) | | 272245 |
| **b Earnings on investments:** | | | |
| **(1)** Interest: | | | |
| **(A)** Interest-bearing cash (including money market accounts and certificates of deposit) | 2b(1)(A) | 0 | |
| **(B)** U.S. Government securities | 2b(1)(B) | 0 | |
| **(C)** Corporate debt instruments | 2b(1)(C) | 0 | |
| **(D)** Loans (other than to participants) | 2b(1)(D) | 0 | |
| **(E)** Participant loans | 2b(1)(E) | 0 | |
| **(F)** Other | 2b(1)(F) | 0 | |
| **(G)** Total interest. Add lines **2b(1)(A)** through **(F)** | 2b(1)(G) | | 0 |
| **(2)** Dividends: **(A)** Preferred stock | 2b(2)(A) | 0 | |
| **(B)** Common stock | 2b(2)(B) | 0 | |
| **(C)** Registered investment company shares (e.g. mutual funds) | 2b(2)(C) | 0 | |
| **(D)** Total dividends. Add lines **2b(2)(A)**, **(B)**, and **(C)** | 2b(2)(D) | | 0 |
| **(3)** Rents | 2b(3) | | 0 |
| **(4)** Net gain (loss) on sale of assets: **(A)** Aggregate proceeds | 2b(4)(A) | 0 | |
| **(B)** Aggregate carrying amount (see instructions) | 2b(4)(B) | 0 | |
| **(C)** Subtract line **2b(4)(B)** from line **2b(4)(A)** and enter result | 2b(4)(C) | | 0 |
| **(5)** Unrealized appreciation (depreciation) of assets: **(A)** Real estate | 2b(5)(A) | 0 | |
| **(B)** Other | 2b(5)(B) | 0 | |
| **(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) | | 0 |
| (7) Net investment gain (loss) from pooled separate accounts | 2b(7) | | 0 |
| (8) Net investment gain (loss) from master trust investment accounts | 2b(8) | | 0 |
| (9) Net investment gain (loss) from 103-12 investment entities | 2b(9) | | 0 |
| (10) Net investment gain (loss) from registered investment companies (e.g., mutual funds) | 2b(10) | | 581205 |
| c Other income | 2c | | 0 |
| d Total income. Add all **income** amounts in column (b) and enter total | 2d | | 853450 |
| **Expenses** | | | |
| e Benefit payment and payments to provide benefits: | | | |
| (1) Directly to participants or beneficiaries, including direct rollovers | 2e(1) | 66906 | |
| (2) To insurance carriers for the provision of benefits | 2e(2) | 0 | |
| (3) Other | 2e(3) | 7524 | |
| (4) Total benefit payments. Add lines **2e(1)** through **(3)** | 2e(4) | | 74430 |
| f Corrective distributions (see instructions) | 2f | | 0 |
| g Certain deemed distributions of participant loans (see instructions) | 2g | | 0 |
| h Interest expense | 2h | | 0 |
| i Administrative expenses: (1) Professional fees | 2i(1) | 0 | |
| (2) Contract administrator fees | 2i(2) | 0 | |
| (3) Investment advisory and management fees | 2i(3) | 0 | |
| (4) Other | 2i(4) | 0 | |
| (5) Total administrative expenses. Add lines **2i(1)** through **(4)** | 2i(5) | | 0 |
| j Total expenses. Add all **expense** amounts in column (b) and enter total | 2j | | 74430 |
| **Net Income and Reconciliation** | | | |
| k Net income (loss). Subtract line **2j** from line **2d** | 2k | | 779020 |
| l Transfers of assets: | | | |
| (1) To this plan | 2l(1) | | 0 |
| (2) From this plan | 2l(2) | | 0 |

## 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: KUSHNER, SMITH, JOANOU & GREGSON **(2)** EIN: 95-3322166

**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 | | 200000 |
| f | Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty? | 4f | | X | |
| g | Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser? | 4g | | X | |
| h | Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser? | 4h | | X | |
| i | Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.) | 4i | X | | |
| j | Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.) | 4j | | X | |
| k | Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC? | 4k | | X | |
| l | Has the plan failed to provide any benefit when due under the plan? | 4l | | X | |
| m | If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.) | 4m | | X | |
| n | If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3. | 4n | | | |

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

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

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

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

## Part V Trust Information (optional)

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

ACCOUNTING + CONSULTING

# STRATEGIC PROPERTY ASSOCIATES, LLC
# 401(k) PROFIT SHARING PLAN

**Financial Statements**
**and**
**Supplementary Information**
**For the Years Ended December 31, 2013 and 2012**
**(With Independent Auditor's Report Thereon)**

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KSJG
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# INDEPENDENT AUDITOR'S REPORT

To the Plan Administrator and Participants of the
Strategic Property Associates, LLC 401(k) Profit Sharing Plan

## Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Strategic Property Associates, LLC 401(k) Profit Sharing Plan (the Plan), which comprise the statements of net assets available for benefits as of December 31, 2013 and 2012, and the related statements of changes in net assets available for benefits for the years ended December 31, 2013 and 2012, and the related notes to the financial statements.

## *Management's Responsibility for the Financial Statements*

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

## *Auditor's Responsibility*

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

## *Basis for Disclaimer of Opinion*

As permitted by 29 CFR 2520.103-8 of the Department of Labor's (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 5, which was certified by Capital Bank and Trust Company, the trustee of the Plan, except for comparing such 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 investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of and for the years ended December 31, 2013 and 2012, 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 Schedules 1 and 2 as of and for the year ended December 31, 2013 are required by the DOL's Rules and Regulations for Reporting and Disclosure under ERISA and are presented for the purpose of additional analysis and are 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 these supplemental schedules.

**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 schedules, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA.

Kushner Smith Joanou & Gregson, LLP

October 2, 2014

**Kushner, Smith, Joanou, and Gregson, LLP**
8105 Irvine Center Drive, Suite 1000, Irvine, California 92618

# STRATEGIC PROPERTY ASSOCIATES, LLC
# 401(k) PROFIT SHARING PLAN

## Statements of Net Assets Available for Benefits
## December 31, 2013 and 2012

### ASSETS

| | 2013 | 2012 |
|---|---|---|
| Investments at fair value (Notes 3 and 4): | | |
| Interest-bearing cash | $ 1,287 | $ 1,287 |
| Registered investment companies | 3,010,222 | 2,227,460 |
| Total investments | 3,011,509 | 2,228,747 |
| Receivables: | | |
| Notes receivable from participants | 84,061 | 114,827 |
| Participants' contributions | -- | 2,472 |
| Total receivables | 84,061 | 117,299 |
| Total assets | 3,095,570 | 2,346,046 |

### LIABILITIES

| | | |
|---|---|---|
| Corrective distributions payable | 7,524 | 37,020 |
| Net assets available for benefits | $ 3,088,046 | $ 2,309,026 |

See accompanying notes to financial statements

# STRATEGIC PROPERTY ASSOCIATES, LLC
# 401(k) PROFIT SHARING PLAN

## Statements of Changes in Net Assets Available for Benefits
## Years Ended December 31, 2013 and 2012

| | 2013 | 2012 |
|---|---|---|
| Additions to net assets attributed to: | | |
| Investment income: | | |
| Net appreciation in fair value of investments | $ 589,037 | $ 284,223 |
| Interest income from notes receivable from participants | 5,216 | 4,799 |
| Contributions: | | |
| Participants | 264,807 | 242,569 |
| Rollovers | 7,438 | 16,019 |
| | 272,245 | 258,588 |
| Total additions | 866,498 | 547,610 |
| Deductions from net assets attributed to: | | |
| Benefits paid to participants | 66,906 | 27,197 |
| Deemed distributions of participant loans | 11,835 | -- |
| Administrative expenses | 1,213 | 1,105 |
| Corrective distributions | 7,524 | 37,020 |
| Total deductions | 87,478 | 65,322 |
| Net increase in assets | 779,020 | 482,288 |
| Net assets available for benefits: | | |
| Beginning of year | 2,309,026 | 1,826,738 |
| End of year | $ 3,088,046 | $ 2,309,026 |

See accompanying notes to financial statements

# STRATEGIC PROPERTY ASSOCIATES, LLC
# 401(k) PROFIT SHARING PLAN

## Notes to Financial Statements
## December 31, 2013 and 2012

### NOTE 1 - DESCRIPTION OF PLAN

The following description of the Strategic Property Associates, LLC 401(k) Profit Sharing Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for more detailed information of the Plan's provisions.

**General** - The Plan is a defined contribution plan and profit sharing/401(k) plan that was established on January 1, 1997. The Plan covers all employees of Strategic Property Associates, LLC, Strategic Asset Services, LLC and Strategic Assets Services of California, Inc., (collectively the Company) who have six months of employment and 1,000 hours worked in any consecutive six month period. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

**Contributions** - Participants' contributions are made to the Plan by means of salary deferral by which the participant is entitled to defer the lesser of 100% of their compensation or a fixed amount determined annually by the Internal Revenue Service. The Company may also make discretionary matching contributions. No discretionary matching contributions were made by the Company during the years ended December 31, 2013 and 2012, respectively. In addition, the Company, at its option, may make discretionary profit sharing contributions. For the years ended December 31, 2013 and 2012, no profit sharing contributions were allocated to the Plan.

**Participant Accounts** - Each participant's account is credited with the participant's contributions, the Company's matching contributions, and an allocation of (a) the Company's discretionary profit sharing contributions and (b) Plan earnings. Allocations of discretionary profit sharing contributions are based on participant wages, as defined. Allocations of plan earnings are based on participant balances. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested interest in their account.

**Notes Receivable from Participants** - The Plan allows participants to borrow up to 50% of their vested account balances, but not less than $1,000 nor more than $50,000. Generally, the loan repayment period may not exceed five years with the interest rate determined based on prevailing rates at the date of the loan. Home loans can be repaid over a period greater than five years.

(Note 1 continued on the following page)

STRATEGIC PROPERTY ASSOCIATES, LLC
401(k) PROFIT SHARING PLAN

Notes to Financial Statements
(Continued)
December 31, 2013 and 2012

## NOTE 1 - DESCRIPTION OF PLAN (Continued)

**Vesting** - The participants are immediately vested in their voluntary contributions and the Company's Safe Harbor contributions, plus actual earnings thereon. Employer profit sharing contributions vest according to the following schedule:

| Years of Service [Year(s)] | Vested Percentage [%] |
|---|---|
| Less than 2 years | 0 |
| 2 | 20 |
| 3 | 40 |
| 4 | 60 |
| 5 | 80 |
| 6 | 100 |

**Payment of Benefits** - Upon reaching retirement age of 65 or upon termination of service, a participant may elect to receive a lump-sum payment or other optional forms offered under the Plan in an amount equal to the vested value of his or her account.

**Forfeitures** - Amounts forfeited from terminating participants' nonvested portion of their Company profit sharing contributions and earnings on Company contributions can be used to reduce future employer contributions or to pay administrative expenses. At December 31, 2013 and 2012, there were forfeitures of $267 and none, respectively. No forfeitures were used to reduce Company contributions during the years ended December 31, 2013 and 2012. No forfeitures used to pay administrative expenses were during the years ended December 31, 2013 and 2012.

**Investments** - Each participant directs the allocation of his or her contribution, and employer matching and discretionary profit sharing contributions to one or more of eighteen investment options.

STRATEGIC PROPERTY ASSOCIATES, LLC
401(k) PROFIT SHARING PLAN

Notes to Financial Statements
(Continued)
December 31, 2013 and 2012

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation** - The financial statements have been prepared in compliance with the Department of Labor Rules and Regulations for reporting and disclosure under ERISA.

**Basis of Accounting** - The financial statements of the Plan are prepared under the accrual method of accounting.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Investment Valuation and Income Recognition** - Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

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

**Administrative Expenses** - Administrative expenses are paid by both the Plan and the Company. Administrative expenses paid for by the Plan amounted to $1,213 and $1,105 for the plan years ended December 31, 2013 and 2012, respectively.

**Risk and Uncertainties** - The Plan provides for various investment options in any combination of investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level or risk associated with certain investment securities and the level of uncertainty related to changes in the value of investments securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants account balances and the amounts reported in the Statements of Net Assets Available for Benefits and the Statement of Changes in Net Assets Available for Benefits.

(Note 2 continued on the following page)

**STRATEGIC PROPERTY ASSOCIATES, LLC**
**401(k) PROFIT SHARING PLAN**

**Notes to Financial Statements**
**(Continued)**
**December 31, 2013 and 2012**

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Subsequent Events** - The Plan evaluated subsequent events through October 2, 2014, the date these financial statements were issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

## NOTE 3 - INVESTMENTS

The following participant directed investments as of December 31, 2013 and 2012 are summarized as follows:

| | | 2013 | 2012 |
|---|---|---|---|
| Investments greater than five percent of the Plan's net assets: | | | |
| American Funds | American Balanced Fund | $ 248,048 | $ 207,603 |
| American Funds | Bond Fund of America | -- ♦ | 152,651 |
| American Funds | Capital World Growth and Income Fund | 414,831 | 337,866 |
| American Funds | Growth Fund of America | 895,921 | 604,381 |
| American Funds | New Perspective Fund | 624,301 | 444,489 |
| American Funds | Washington Mutual Investors Fund | 466,824 | 341,304 |
| | | 2,649,925 | 2,088,294 |
| Aggregate of investments less than five percent of the Plan's net assets: | | 361,584 | 140,453 |
| | | $ 3,011,509 | $ 2,228,747 |

♦ - Value is less than five percent of the Plan's net assets at December 31, 2013

During 2013 and 2012, the Plan's net investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value as follows:

| | 2013 | 2012 |
|---|---|---|
| Registered investment companies | $ 589,037 | $ 284,223 |

**STRATEGIC PROPERTY ASSOCIATES, LLC**
**401(k) PROFIT SHARING PLAN**

**Notes to Financial Statements**
**(Continued)**
**December 31, 2013 and 2012**

## NOTE 4 - FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements*, 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

| | |
|---|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access. |
| Level 2 | Inputs to the valuation methodology include:<br>• quoted prices for similar assets or liabilities in active markets;<br>• quoted prices for identical or similar assets or liabilities in inactive markets;<br>• inputs other than quoted prices that are observable for the asset or liability;<br>• inputs that are derived principally from or corroborated by observable market data by correlation or other means.<br><br>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. |

(Note 4 continued on the following page)

**STRATEGIC PROPERTY ASSOCIATES, LLC**
**401(k) PROFIT SHARING PLAN**

**Notes to Financial Statements**
**(Continued)**
**December 31, 2013 and 2012**

## NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

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

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

*Interest bearing cash:* Valued at market value of corresponding currency at year end.

*Registered investment companies (Mutual funds)*: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different 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, 2013 and 2012:

| | *Assets at Fair Value as of December 31, 2013* | | | |
|---|---|---|---|---|
| | *Level 1* | *Level 2* | *Level 3* | *Total* |
| Interest-bearing cash | $ 1,287 | $ -- | $ -- | $ 1,287 |
| Mutual funds: | | | | |
| Domestic funds | 1,363,433 | -- | -- | 1,363,433 |
| Balanced funds | 402,986 | -- | -- | 402,986 |
| International funds | 1,068,818 | -- | -- | 1,068,818 |
| Fixed income funds | 128,327 | -- | -- | 128,327 |
| Other funds | 46,658 | -- | -- | 46,658 |
| | 3,010,222 | -- | -- | 3,010,222 |
| Total assets at fair value | $ 3,011,509 | $ -- | $ -- | $ 3,011,509 |

(Note 4 continued on the following page)

STRATEGIC PROPERTY ASSOCIATES, LLC
401(k) PROFIT SHARING PLAN

Notes to Financial Statements
(Continued)
December 31, 2013 and 2012

## NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

| | *Assets at Fair Value as of December 31, 2012* | | | |
|---|---|---|---|---|
| | *Level 1* | *Level 2* | *Level 3* | *Total* |
| Interest-bearing cash | $ 1,287 | $ -- | $ -- | $ 1,287 |
| Mutual funds: | | | | |
| Domestic funds | 945,685 | -- | -- | 945,685 |
| Balanced funds | 250,817 | -- | -- | 250,817 |
| International funds | 808,709 | -- | -- | 808,709 |
| Fixed income funds | 152,651 | -- | -- | 152,651 |
| Other funds | 69,598 | -- | -- | 69,598 |
| | 2,227,460 | -- | -- | 2,227,460 |
| Total assets at fair value | $ 2,228,747 | $ -- | $ -- | $ 2,228,747 |

## NOTE 5 - INFORMATION CERTIFIED BY THE PLAN'S TRUSTEE

The plan administrator has elected the method of compliance permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, Capital Bank and Trust Company, the trustee of the Plan, has certified to the completeness and accuracy of:

- Investments and notes receivable from participants reflected on the accompanying Statements of Net Assets Available for Benefits as of December 31, 2013 and 2012.

- Net appreciation in fair value of investments and interest income reflected on the accompanying Statements of Changes in Net Assets Available for Benefits for the years ended December 31, 2013 and 2012.

## NOTE 6 - PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event the Plan terminates, the net assets of the Plan will be allocated, as prescribed by ERISA and its related regulations, so that each participant receives 100 percent of his or her account balance as of the date of termination.

## NOTE 7 - TAX STATUS

The Plan document is a volume submitter defined contribution plan that received a favorable opinion letter from the Internal Revenue Service (IRS) on March 31, 2008, which stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code (IRC). The Plan has been amended since receiving the opinion letter. However, the plan administrator believes that the Plan is currently designated and being operated in compliance with the applicable requirement of the IRC.

The plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2013 and 2012, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however there are currently no audits for any tax periods in progress. The plan administrator believes it is no longer subject to income tax examinations for years prior to 2010.

## NOTE 8 - PARTY-IN-INTEREST TRANSACTIONS

The Company, which qualifies as a party-in-interest, absorbs certain administrative expenses of the Plan. Such transactions qualify for a statutory exemption.

Certain Plan investments are managed by American Funds. American Funds and Capital Bank and Trust Company (Capital Bank) are related parties. Capital Bank is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions for which a statutory exemption exists. Additionally, notes receivable from participants are considered party-in-interest transactions.

## NOTE 9 - PROHIBITED TRANSACTIONS

During the year ended December 31, 2013, the Company failed to remit to the Plan's trustee certain employee contributions totaling $1,838 within the period prescribed by Department of Labor regulations. Delays in remitting contributions to the trustee were due to the establishment of the system to handle Roth contributions, and the Company has rectified the matter by paying lost earnings on the employee contributions that were remitted late.

**STRATEGIC PROPERTY ASSOCIATES, LLC**
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**Supplementary Information**
**December 31, 2013**

Schedule H, line 4i – Schedule of Assets (Held at End of Year)
EIN #58-2447158
PN #001

| (a) | (b) | (c) | (d) | (e) |
|---|---|---|---|---|
| | **Identity of issue, borrower, lessor, or similar party** | **Description of investment including maturity date, rate of interest, collateral, par or maturity value** | **Cost** | **Current Value** |
| | American Century | Real Estate Fund | N/A | $ 527 |
| | American Century | Value Fund | N/A | 161 |
| * | American Funds | American Balanced Fund | N/A | 248,048 |
| * | American Funds | Bond Fund of America | N/A | 128,327 |
| * | American Funds | Capital World Growth and Income Fund | N/A | 414,831 |
| * | American Funds | EuroPacific Growth Fund | N/A | 28,476 |
| * | American Funds | Growth Fund of America | N/A | 895,921 |
| * | American Funds | Money Market Fund | N/A | 42,086 |
| * | American Funds | New Economy Fund | N/A | 625 |
| * | American Funds | New Perspective Fund | N/A | 624,301 |
| * | American Funds | Target Date 2010 | N/A | 13,147 |
| * | American Funds | Target Date 2015 | N/A | 35,408 |
| * | American Funds | Target Date 2020 | N/A | 19,597 |
| * | American Funds | Target Date 2025 | N/A | 4,204 |
| * | American Funds | Target Date 2030 | N/A | 51,807 |

(Schedule 1 continued on the following page)

**STRATEGIC PROPERTY ASSOCIATES, LLC**
**401(k) PROFIT SHARING PLAN**

**Supplementary Information**
**December 31, 2013**

Schedule H, line 4i – Schedule of Assets (Held at End of Year)
EIN #58-2447158
PN #001

| (a) | (b) | (c) | (d) | (e) |
|---|---|---|---|---|
| | **Identity of issue, borrower, lessor, or similar party** | **Description of investment including maturity date, rate of interest, collateral, par or maturity value** | **Cost** | **Current Value** |
| * | American Funds | Target Date 2035 | N/A | 5,153 |
| * | American Funds | Target Date 2040 | N/A | 7,674 |
| * | American Funds | Target Date 2045 | N/A | 17,309 |
| * | American Funds | Target Date 2055 | N/A | 639 |
| * | American Funds | Washington Mutual Investors Fund | N/A | 466,824 |
| | Franklin | Gold and Precious Metals Fund | N/A | 2,745 |
| | Franklin | Natural Resources Fund | N/A | 1,827 |
| | Templeton | China World Fund | N/A | 585 |
| | Farmers & Merchants Bank | Interest Bearing Cash | N/A | 1,287 |
| | Total investments at fair value | | | 3,011,509 |
| * | Notes receivable from participants | Interest rates of 4.25% with maturity dates through October 2018. | -- | 84,061 |
| | Total asets held for investment purposes at year end | | | $ 3,095,570 |

* - Party-in-interest as defined by ERISA for which a statutory exemption exists.
N/A – Information not required for participant-directed investments.

**STRATEGIC PROPERTY ASSOCIATES, LLC**
**401(k) PROFIT SHARING PLAN**

**Supplementary Information**
**December 31, 2013**

Schedule H, line 4a - Schedule of Delinquent Participant Contributions
EIN #58-2447158
PN #001

| | Total that Constitute Nonexempt Prohibited Transactions | | | Total Fully Corrected Under VFCP and PTE 2002-51 |
|---|---|---|---|---|
| | Contributions Not Corrected | Contributions Corrected Outside VFCP | Contributions Pending Correction in VFCP | |
| Participant contributions transferred late to Plan during the year ended December 31, 2013 | $ -- | $ -- | $ -- | $ 1,838 |

**STRATEGIC PROPERTY ASSOCIATES, LLC**
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**Supplementary Information**
**December 31, 2013**

Schedule H, line 4i – Schedule of Assets (Held at End of Year)
EIN #58-2447158
PN #001

| (a) | (b) | (c) | (d) | (e) |
|---|---|---|---|---|
| | **Identity of issue, borrower, lessor, or similar party** | **Description of investment including maturity date, rate of interest, collateral, par or maturity value** | **Cost** | **Current Value** |
| | American Century | Real Estate Fund | N/A | $ 527 |
| | American Century | Value Fund | N/A | 161 |
| * | American Funds | American Balanced Fund | N/A | 248,048 |
| * | American Funds | Bond Fund of America | N/A | 128,327 |
| * | American Funds | Capital World Growth and Income Fund | N/A | 414,831 |
| * | American Funds | EuroPacific Growth Fund | N/A | 28,476 |
| * | American Funds | Growth Fund of America | N/A | 895,921 |
| * | American Funds | Money Market Fund | N/A | 42,086 |
| * | American Funds | New Economy Fund | N/A | 625 |
| * | American Funds | New Perspective Fund | N/A | 624,301 |
| * | American Funds | Target Date 2010 | N/A | 13,147 |
| * | American Funds | Target Date 2015 | N/A | 35,408 |
| * | American Funds | Target Date 2020 | N/A | 19,597 |
| * | American Funds | Target Date 2025 | N/A | 4,204 |
| * | American Funds | Target Date 2030 | N/A | 51,807 |

(Schedule 1 continued on the following page)

**STRATEGIC PROPERTY ASSOCIATES, LLC**
**401(k) PROFIT SHARING PLAN**

**Supplementary Information**
**December 31, 2013**

Schedule H, line 4i – Schedule of Assets (Held at End of Year)
EIN #58-2447158
PN #001

| (a) | (b) | (c) | (d) | (e) |
|---|---|---|---|---|
| | **Identity of issue, borrower, lessor, or similar party** | **Description of investment including maturity date, rate of interest, collateral, par or maturity value** | **Cost** | **Current Value** |
| * | American Funds | Target Date 2035 | N/A | 5,153 |
| * | American Funds | Target Date 2040 | N/A | 7,674 |
| * | American Funds | Target Date 2045 | N/A | 17,309 |
| * | American Funds | Target Date 2055 | N/A | 639 |
| * | American Funds | Washington Mutual Investors Fund | N/A | 466,824 |
| | Franklin | Gold and Precious Metals Fund | N/A | 2,745 |
| | Franklin | Natural Resources Fund | N/A | 1,827 |
| | Templeton | China World Fund | N/A | 585 |
| | Farmers & Merchants Bank | Interest Bearing Cash | N/A | 1,287 |
| | Total investments at fair value | | | 3,011,509 |
| * | Notes receivable from participants | Interest rates of 4.25% with maturity dates through October 2018. | -- | 84,061 |
| | Total asets held for investment purposes at year end | | | $ 3,095,570 |

* - Party-in-interest as defined by ERISA for which a statutory exemption exists.
N/A – Information not required for participant-directed investments.