UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WISCONSIN

In re:

FIRST PHOENIX-WESTON LLC, *et. al*,

Case No. 16-12820-cjf
Chapter 11
Jointly Administered[1]

Debtors.

JOINT DISCLOSURE STATEMENT

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Dated: January ~~2~~30, 2017.

[1] Jointly administered with *In re FPG & LCD, L.L.C.*, Case No. 16-12821-cjf.

First Phoenix-Weston LLC ("Weston") and FPG & LCD, L.L.C. ("FPG"), as Chapter 11 Debtors-in-possession (each individually a "Debtor," and together, the "Debtors"), propose the following Joint Disclosure Statement pursuant to 11 U.S.C. § 1125.

INTRODUCTION

Accompanying this package are copies of the following documents:

1. This Disclosure Statement;
2. The Order of the Court approving this Disclosure Statement and Setting Dates and Deadlines for Confirmation of the Debtors' Joint Plan of Reorganization;
3. The Joint Plan of Reorganization; and
4. The Ballot to Accept or Reject the Plan (the "Ballot"), if you are entitled to vote.

The Debtors filed petitions for relief under Chapter 11 of the United States Bankruptcy Code (the "Code") on August 15, 2016. Pursuant to 11 U.S.C. § 1125(b), the Debtors have obtained approval of this Disclosure Statement. The Bankruptcy Court for the Western District of Wisconsin (the "Court") has set a preliminary hearing on the confirmation of the Debtors' Plan of Reorganization (the "Plan") on ~~________________~~**March 10, 2017** **at _______ p.m.**

At the hearing on this Disclosure Statement, the Court determined that, pursuant to 11 U.S.C. § 1125(a), this Disclosure Statement contains adequate information to enable hypothetical, reasonable investors typical of the holders of claims in the~~i~~se cases to make informed judgments whether to accept or reject the Plan.

THIS DISCLOSURE STATEMENT HAS BEEN DETERMINED BY THE COURT TO CONTAIN ADEQUATE INFORMATION AS REQUIRED BY SECTION 1125 OF THE CODE. THIS DETERMINATION IS NOT A RECOMMENDATION OR APPROVAL OF THE PLAN BY THE COURT.

FOR THE CONVENIENCE OF HOLDERS OF CLAIMS, THIS DISCLOSURE STATEMENT SUMMARIZES THE TERMS OF THE PLAN, BUT THE PLAN ITSELF QUALIFIES ALL SUMMARIES, AND IF ANY INCONSISTENCY EXISTS BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT, **THE TERMS OF THE PLAN CONTROL.** THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN, AND NOTHING CONTAINED IN IT SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE EVIDENCE OF THE TAX OR OTHER LEGAL EFFECTS OF THE REORGANIZATION ON THE DEBTORS.

CERTAIN STATEMENTS, BY THEIR NATURE, ARE FORWARD LOOKING AND CONTAIN ESTIMATES AND ASSUMPTIONS. THERE CAN BE NO ASSURANCE THAT SUCH STATEMENTS WILL BE REFLECTIVE OF ACTUAL OUTCOMES.

Capitalized terms that are not defined in the Disclosure Statement shall have the meaning as they are defined in the Plan.

CONFIRMATION HEARING

The Court has scheduled a hearing to consider the confirmation of the Plan on ________________ **March 10, 2017 at _________ p.m.** (the "Hearing Date"). The Court has directed that (i) Ballots be returned to Counsel for the Debtors on or before ____________ **March 3, 2017** and (ii) objections, if any, to confirmation of the Plan be served and filed with the Court on or before __________________. **March 3, 2017**. The Hearing Date may be adjourned by the Court without further notice except for the announcement of the adjournment made at the hearing or any subsequent adjourned hearing.

HISTORY OF THE DEBTORS AND EVENTS LEADING TO FILING

General Background

The Debtors were formed in 2010 to organize, develop, manage, and own an assisted living and skilled nursing care facility (the "Facility") near three major regional hospitals in Central Wisconsin—including St. Clare's Hospital, which is just a block away. The Facility combines an assisted living facility together with a skilled nursing facility in a resort-like atmosphere for its patients. The business, previously known as "Stoney River" has rebranded itself as "Pride TLC Therapy & Living Campus." Its new website and further details can be found at www.prideTLC.com.

The Facility is comprised of a 35-bed skilled nursing rehabilitation center (commonly referred to as the skilled nursing facility, or "SNF"), and a 60-bed assisted living facility (the "ALF"). The physical location—including the real property, building that comprises the Facility, and other related fixtures and personal property (the "Real Estate")—is owned by Weston. The Real Estate is located at 7805 Birch Street, Weston, Wisconsin and the overall size of the building is approximately 66,741 square feet. Weston owns and operates the ALF side of the business, including required licenses to operate, and other related personal property of the ALF. The ALF provides specialized care to residents, including assisted living, therapy, and medical services on a fee-for-service basis.

The second portion of the Facility, the SNF (including its state license, operating accounts, and personal property), is owned by the co-debtor, FPG. FPG leases one-third of the Facility from Weston to operate the SNF pursuant to a lease dated December 27, 2011 (the "Lease"). As part of the Lease, FPG, as tenant, pays Weston, as landlord, a portion of all operating costs, including payments towards: (a) the mortgage lender, (b) sales and real estate taxes, (c) wages, and (d) maintenance costs of the Facility and other ancillary expenses. In essence, the Debtors act as a joint venture to run the Facility and share costs in doing so. The employees of the ALF and SNF provide services to both entities, depending on the needs of the patients admitted to each. All employees are on payroll through FPG, and Weston reimburses FPG for its share of wages, employment taxes, insurance, and worker's compensation. Reimbursement for wages is based on the census split of patients between the ALF and SNF for

each payroll period. Payroll is made once every two-week period through a third-party payroll processor. Occasionally, the Debtors face three payroll periods within the same month (which is expected to occur in June 2017 and January & July 2018, for example).

A strategic goal of the Facility was to combine these two business under one roof to generate internal demand and patient sharing; e.g., rehab patients from the SNF side could transition on a longer term basis to the ALF component. Further, as a patient's health and symptoms change, he or she could move between the SNF and ALF to receive the type and level of medical care required. Managed Care companies limit the length of allowable stay at a SNF to save money, leaving families with the choice of taking patients home before they might be ready, or admitting the patient into an assisted living facility at a much lower cost than keeping them in a skilled nursing facility. New Medicare rules penalize hospitals for patients that are readmitted too soon; as a result, hospitals choose to admit to facilities that can prevent readmissions. Facilities that can care for residents at different levels of care (SNF for ~~acute~~ recovery and rehabilitation issues; ALF for ~~recovery~~long-term or transitional care) will become the preferred facilities for hospitals. A split facility is in a unique position because it can rely on SNF professionals from time to time when a higher level of medical care is needed for ALF residents.

Based on the Debtors' review of admissions, approximately 5-6% of the SNF admissions are referred to the ALF after discharge each month. For the 2016 calendar year for example, the Debtors' records show that approximately 40 patients were admitted into the ALF directly after discharge from the SNF. Some of those admissions were short term, but others were long-term stays at the ALF. Currently, approximately 43% of the residents in the ALF came as direct referrals from the SNF. Further, these patients are typically the highest paying residents (between $5,000-$6,000 per month) due to the level of care needed~~ and existing Medicare coverage~~. In December 2016 alone, the ALF admitted 4 patients from the SNF which expect to reside in the ALF on a long-term basis. Further information on revenues and Medicare/Medicaid considerations are discussed under the "Funding the Plan & Feasibility" section below. The Debtors believe that this symbiotic relationship was not properly utilized by the prior management team of the Facility—in fact, the Debtors' records indicate that prior management declined over 20 SNF referrals to the ALF since the Facility opened, which the Debtors believe should have been admitted.

Revenues for the SNF are generated primarily through health care insurance reimbursements. Approximately 50% of the SNF's gross income is derived from Medicare payments from the Centers for Medicare and Medicaid Services ("CMS"); 45% from Medicare replacement (i.e., from insurance companies that are acting on behalf of the government); and 5% from private-pay or Medicaid. Revenues for the ALF are generated 90% from private pay, and 10% public assistance through Medicaid/Medicaid Waiver.

Formation & Ownership

A company called First Phoenix Group LLC (run primarily by Terrance Howard and Lee Tuchfarber) approached Philip Castleberg ("Castleberg") to invest in ~~geriatric~~ assisted living health facilities in and around the Wisconsin area, including the Facility involved with this proceeding. Castleberg has owned, operated, and developed numerous nursing homes (both SNF

and ALF) over the past few decades in Florida and Wisconsin. The owners invested multiple millions of dollars to acquire and build the Facility, with the goal of becoming operationally profitable and eventually either holding the Facility for profits, or selling the Facility.

The original owners of Weston were: (1) First Phoenix Group LLC, (2) Wanxiang America Real Estate Group, LLC ("Wanxiang"), an equity partner, managed by Lawrence Krueger, (3) LJK Investments, LLC, wholly owned by Lawrence Krueger, and (4) Mark Winkels, a minority shareholder. Castleberg was (and remains) a minority member in First Phoenix Group LLC. The principal owners of FPG originally included the 4 investors of Weston (listed above), plus Landcastle Diversified LLC, an entity owned and controlled by Castleberg. Wanxiang, as a major equity investor, had managerial control over major business decisions of both Weston and FPG.

Construction Phase

Construction of the Facility began in March 2012, with the construction financing of approximately $13,000,000 provided by an investment bank out of New Jersey. A certificate of occupancy was issued in February 2013. Later that year, Weston was able to take out the construction loan with new financing from an entity known as Sabra Phoenix TRS Venture, LLC, in a total amount just shy of $15,000,000. The note is currently held by an affiliated entity called Sabra Phoenix Wisconsin, LLC ("Sabra").

The original ownership group required that a company called Browns Living, L.L.C. d/b/a LifeQuest ("Browns Living") be employed to oversee and manage the Facility, its employees, and operations. Browns Living was owned and controlled by Terrance Howard (a principal owner of the original parent company of the Debtors, First Phoenix Group LLC). Sabra agreed to the selection of Browns Living as the manager. Terrance Howard made multiple representations to Castleberg that in the event Browns Living was terminated, Weston would default under its loan obligations to Sabra.

Weston gave a mortgage to Sabra, which was recorded against the Real Estate; additionally, Sabra has a secured interest in the general business assets of Weston, including its cash collateral. FPG, Weston, and Sabra are parties to a Subordination, Non-Disturbance and Attornment Agreement, which is also recorded against the Facility and is expected to remain in place, as amended by the Plan. Additionally, Sabra was provided an Option Agreement, which Weston believes either expired prior to the Petition Date or is otherwise null and void; currently, Sabra's claim pursuant to the Option Agreement remains an unliquidated claim against Weston, which may be liquidated or estimated during these cases and may or may not have any value in excess of Sabra's filed claim amount of $17,773,438.

These agreements with Sabra, and other supporting and related documents, have been filed by Sabra as part of its claim against Weston (Claim No. 16) and can be viewed on the Court's electronic docket or requested from the Debtors' counsel listed below. ~~o~~Other than these agreements, Weston~~FPG~~ does not have any lending or other relationship with Sabra and these agreements will continue to control the relationship between the parties, except as modified by the Plan.

Operational Issues & Chapter 11 Planning

Despite a strong opening in early 2013, the Facility soon faced management and cash flow problems. Just four months after opening, Castleberg was asked to provide a temporary operating loan to support the Debtors' financial viability. Castleberg agreed to do so and provided approximately $500,000 to FPG at that time, which, in turn, was funneled to Weston to support Weston's loan with Sabra, and pay other obligations. For the first year, payments to Sabra accrued interest only, which allowed the Debtors to increase cash flow, but also provided a false sense of security for the management team and Browns Living. Employee turnover was high and the Debtors burned through three nursing directors and two administrators in the first year. The census level and quality of care was substandard under Browns Living's control. During this period of time, Castleberg made requests to have Browns Living either take corrective action, or otherwise be removed as the manager of the Facility.

Castleberg was repeatedly asked to supply more operational loans to the Facility to keep things running and cure Weston's defaults with Sabra. From time to time, Castleberg provided additional loans throughout 2015-2016, with an expectation that things would improve; but things did not improve under Browns Living's management. As of the Petition Date, Castleberg's outstanding loans to FPG (much of which was used to support Weston's liabilities) totaled $2,142,039.

Despite the loans, Sabra asserts that Weston had defaulted on payments owed to Sabra by August 2015. Castleberg provided additional operational funds, with the expectation that Weston's defaults with Sabra were being cured. Eventually, in December 2015 Castleberg inserted himself into a managerial role to ensure that residents were properly cared for and assist with the stabilization of the Facility~~ in December 2015~~. Additionally in mid-2016 due to Weston's defaults and discussions with Castleberg about the status of the Facility, Wanxiang assumed management of Weston's operations under the terms of the Weston operating agreement. Since that time, and with Wanxiang's oversight and approval, Castleberg has continued to play an active role in the day-to-day operations of the Facility.

Castleberg also turned to Wanxiang (the other silent equity investor) in an attempt to secure support and financial assistance to save the Facility. Wanxiang also believed that the Facility was being mismanaged and agreed to become more involved. Castleberg and Wanxiang negotiated with the other equity owners of the Debtors to obtain a majority of membership interests in consideration for assuming responsibility for the Facility (including its residents and patients), and the obligations that were expected to occur in the event of an imminent Chapter 11 filing.

Prior to the Debtors' Chapter 11 filings, Landcastle Diversified LLC (through Castleberg) and Wanxiang (through Lawrence Krueger) negotiated an agreement with the other owners of the Debtors to transfer ownership and control of the Debtors. As a result of those negotiations, as of the Petition Date (and currently), Weston is owned, in approximate amounts by: Wanxiang (manager), LJK Investments, LLC (together, 60% of the membership interests), Landcastle Diversified LLC (39.5%), and Mark Winkels (0.5%). FPG is owned by: Landcastle Diversified, LLC (manager) (80%), Wanxiang (19.5%), and Mark Winkels (0.5%). Those transactions were completed in early August 2016, prior to filing. Winkels is a minority shareholder who owns

less than a percent of each Debtor and has not been involved with the Debtors operations pre- or post-petition. Currently, both the ALF and the SNF are managed by Anchor Management Group L.L.C. ("Anchor"), a Florida limited liability company owned by Castleberg and his son, Benjamin Castleberg; but Phil Castleberg has been the on-site manager throughout these Chapter 11 proceedings. The Debtors have been accruing management fees during these proceedings on their books, but the Debtors will not pay and Anchor has no expectation of being paid any fees for post-petition services until after Confirmation of a Plan and unless and until unsecured creditors in Classes 7 and 8 are paid in full.

Pursuant to a May 25, 2016 letter to FPG, the State of Wisconsin Department of Health Services ("DHS") determined that the Facility was not in compliance with State and Federal requirements for nursing homes. The StateDHS issued an "immediate jeopardy" citation due to an incident with a patient that occurred on October 1, 2015. The immediate jeopardy citation carries significant fines and penalties, as described further below. The citations were issued against FPG as the operator of the SNF, but resulted from the overall prior mismanagement of the Facility by Browns Living. It was just after this time period that Castleberg assumed managerial control of the Facility's day-to-day operations. FPG immediately began efforts to resolve the DHS citation and substandard care that existed under Browns Living's management. FPG utilized Deana Westby, a certified nurse with a reputation for turning around struggling skilled nursing centers, promoted Sally Conway to the executive director of the Facility, implemented strenuous safety and patient care policies and procedures, hired new staff members who were competent and genuinely interested in caring for patients, and submitted corrective action plans to DHS for review and approval.

Surveyors from DHS visited the Facility on May 12, 2016 and found that situations of immediate jeopardy had been removed; however, DHS still found that the Facility was not in substantial compliance with other less-serious regulatory requirements related to proper training, administration of medication, and food safety compliance. DHS visited the Facility again in June and July of 2016 for further inspections, and eventually found that the Facility was in compliance with all rules and regulations effective July 29, 2016. DHS' personnel informed FPG's staff that such procedures, including the multiple attempts to approve the corrective action plan and gain compliance, were not uncommon. FPG's license and Medicare certification were not suspended, but the citation resulted in a finecivil monetary penalty, plus recoupment of government-backed health insurance payments through the Centers for Medicare/Medicare Services ("CMS"). As discussed further below, DHS certified FPG's compliance effective July 29, 2016 and FPG eventually received case closure and final imposition of penalties from CMS by a letter dated September 8, 2016, just after filing Chapter 11. The penalties and other amounts owed to CMS will be paid by FPG as part of the Plan. The SNF has remained in compliance since receiving DHS' July 29th approval.

By late summer of 2016, in addition to the default under the loan with Sabra, the Debtors were concerned that DHS or CMS would begin suspension/recoupment of payments; doing so would have caused both Debtors to default on their obligations to employees and properly care for their residents and patients, among other items, which would have completely halted the Debtors' operations. The low cash flows and threat of revenue suspension caused the Debtors to seek protection under Chapter 11. The Debtors decided that seeking protection under Chapter 11 would be the best way to utilize their assets to pay creditors, protect the patients and residents of

the Facility, and reorganize their businesses.

Relevant Post-Petition Developments

The Debtors faced an uncertain first couple of months of their bankruptcy due, in part, to their unknown position with CMS. Only after filing these cases did FPG obtain a final closure letter from CMS. As a result, CMS denied Medicare/Medicaid reimbursements from the period of June 14, 2016 through July 28, 2016, which totals approximately $208,288. Due to the denial of payment period (which was anticipated by FPG prior to filing bankruptcy), FPG made the decision to reduce the census in the SNF substantially (to fewer than 5 patients). Doing so helped curb the total amount of recoupment that would eventually be sought by CMS during the denial of payment period and also allowed FPG to better manage its operations, patients, and implementation of its corrective action plan, which was eventually approved by DHS on July 29, 2016. In other words, the lower the Medicare/Medicaid reimbursement amount due to a lower census, the lower the recoupment amount.

During the pendency of FPG's Chapter 11 case, CMS has already recouped its entire share of reimbursements from FPG for the denial of payments issue. What remains to be paid to CMS are claims for three items (a) a civil monetary penalty ("CMP"), (b) certain "claims accounts receivable," and (c) future, contingent cost report reconciliations.

The CMP issued by CMS totaled $208,500 (which was reduced to $135,525 due to FPG waiving its right to appeal). The penalty must be paid as part of FPG's Chapter 11 plan, and no interest will accrue until after confirmation of the Plan. The Plan currently provides that the CMP may be paid over 60 months, with interest at 9.625%; however, FPG anticipates paying the CMP in full within two years from the Effective Date and FPG's budget reflect this goal. In the event that FPG cannot make such payments without jeopardizing its operations, such payments may be reduced and paid off over a longer period of time. CMS, however, has asked that the CMP be paid upon confirmation of the Plan, and those discussions will remain ongoing after approval of the Disclosure Statement.

Claims accounts receivable occur due to adjustments made in the processing of claims (e.g., duplicative claims, incorrect rates, intermediary adjustments). Claims accounts receivable are adjusted in the normal course of business (monthly) when remittance advices are provided to FPG. CMS has filed a proof of claim alleging that it is owed $82,849.29 for pre-petition claims accounts receivable, which have not been recovered since the petition date. FPG, however, believes that this amount is actually tied to amounts owed for the denial of payments issue. The parties will continue discussions as these cases continue.

Cost report reconciliations, on the other hand, occur at the end of a cost year (in FPG's case, May of each year). As part of a cost report, FPG must adequately report and provide support for reimbursements received throughout the prior year. CMS reviews the cost report and makes any necessary adjustments (whether positively or negatively) to reconcile the annual cost reporting. These amounts are a contingent claim of CMS, and will be paid in the normal course of the Debtors' operations. At this time, FPG does not anticipate any significant payments necessary to reconcile the annual Medicare cost report with CMS that would be due in 2017.

Due to the financial stress on the Debtors (primarily FPG) the Debtors also sought authority to obtain credit to ensure that post-petition obligations—primarily wages—would be met. In addition, after roofing shingles were blown off of the building in June 2016 during a severe windstorm, the Debtors became aware that the existing roof of the Facility may not have been installed properly. The damage caused by the windstorm (totaling approximately $45,000) was repaired by a third-party roofing contractor during the case, with Weston's insurance covering all but a couple thousand dollars of the repairs. As a result, the Debtors' owners committed to loaning the Debtors sufficient funds to replace the entire roof, in the event it becomes necessary to do so to continue insurance coverage. However, since the repair work was completed, there have been no problems with the roof; further, Weston's current insurance company has extended its insurance coverage for the building through August 2017.

Upon filing bankruptcy, Weston sought authority to use cash collateral of Sabra pursuant to § 363(c)(2)(B) and (3) and Rule 4001(b) to continue its operations. The Court held various preliminary hearings on Weston's request and granted interim relief; a final hearing on the use of cash collateral and approval of two Debtor-in-Possession loans was held October 31, 2016. As a result of the hearing, the Court granted Weston's request to use cash collateral and provide adequate protection to Sabra—and also approved post-petition financing for both FPG and Weston as described below.

Weston sought to obtain post-petition financing from Wanxiang, in the form of a $900,000 line of credit (the "Weston DIP Loan") to be used to pay for the following items: (i) 2014 and 2015 taxes, interest, penalties, and other charges totaling $577,090.16 owed to Marathon County which remained unpaid as of the Petition Date, (ii) the first installment of 2016 taxes, due January 31, 2017 of $136,157.71, (iii) one-half ($25,000) of the marketing costs for the Facility, (iv) two-thirds ($14,602.75) of the anticipated monthly tax escrow, and (v) one-half of any needed roof replacement costs. The balance of the Weston DIP Loan is $650,000; at this time, Weston does not expect the need to borrow additional funds at this time. The balance of the Weston DIP Loan will be repaid by Weston within one year of the Effective Date, which Wanxiang has agreed to extend to two years upon request of Weston. The balance owed on the Weston DIP Loan accrues interest at 3% per annum.

At the same time, FPG sought to obtain post-petition financing from Castleberg in the form of a line of credit in an amount of up to $500,000 (the "FPG DIP Loan"). As part of the FPG DIP Loan, FPG provided Castleberg with liens on all property of FPG's estate that is not otherwise subject to a lien, pursuant to § 364(c)(2) of the Bankruptcy Code. The purpose of the FPG DIP Loan was to offset the DHS/CMS recoupment and allow FPG to continue operations while it goes through the denial of payments period. The funds will also be used to pay (i) FPG's ongoing rent to Weston including FPG's share of operational expenses according to the terms of the Lease, (ii) one-half ($25,000) of the marketing costs for the Facility, (iii) one-third of the anticipated tax escrow, and (iv) one-half of any necessary roof replacement costs. The balance of the FPG DIP Loan is $300,000; at this time, FPG anticipates that it may need to draw an additional $100,000 on the FPG DIP Loan to make necessary payments to Weston (for post-petition administrative rent claims that remain due) and to pay accruing professional fees during these cases. The balance of the FPG DIP Loan will be repaid by FPG within one year of the Effective Date, which Castleberg has agreed to extend to two years upon request of FPG. The balance owed on the FPG DIP Loan accrues interest at 3% per annum.

As additional adequate protection to Sabra, Weston also began making payments to Sabra of $45,000 per month in November 2016; those payments will continue throughout these cases. Additionally, pursuant to the Court's holding as a result of Sabra's Motion to Compel Rent from FPG, FPG began making rental payments to Weston in November 2016. The payment, per month, totals $52,763.50. FPG has paid Weston for all post-petition rents from October 15, 2016 through January 2017. Weston has an administrative expense claim against FPG for $105,527.00 for post-petition rents incurred from the Petition Date through October 14, 2016, which have not yet been paid. Consistent with the Court's decision, FPG will not pay any administrative claims of professionals unless and until the post-petition rents owed to Weston have been paid in full. To pay such administrative expense claims to Weston, FPG will use operating funds, or will otherwise draw on the FPG DIP Loan to make such payments on the Effective Date.

Recently, Sabra has filed a motion to terminate the Debtors' exclusive periods to obtain acceptances of a plan ("Exclusivity Motion"), and has also objected to the Debtors' proposed classification in the Plan ("Classification Motion"). The Debtors have objected to Sabra's motions and disagree with Sabra; the Court has scheduled a hearing on these motions for February 17, 2017. In the event the Exclusivity Motion is granted by the Court, Sabra has stated that it may file its own plan or reorganization, which would be in competition with the Debtors' proposed Plan. In such event, creditors would be able to vote on either, or both, of the competing plans. Creditors will receive further notice in the event that either motion is granted.

The Debtors' Financial Performance During Chapter 11

During the Chapter 11 cases, the Debtors have operated the Facility, maintained the Debtors' bank accounts, and paid expenses, consistent with the Court's Orders authorizing the use of cash collateral. Operationally, things have improved for both Debtors since the Petition Date. New policies have been implemented, staff turnover has been reduced below industry standards, the patient census has stabilized and increased substantially, and the Facility is becoming self-sufficient.

On the Petition Date, the patient census for FPG was approximately 5; the resident census for Weston was 42. As stated in the prior section, FPG deliberately reduced its census around the time of filing its Chapter 11 case to reduce the expected exposure that would be owed to CMS during the denial of payments period. Three months ~~later~~after the Petition Date, FPG had increased its census to 24 patients, and Weston increased its census to 46 long term residents (the high for December 2016). These numbers are consistent with the Debtors' projected cash flows that are attached to this Disclosure Statement. Since Anchor's management of the Facility, there have been no self-discharges of unsatisfied residents, which was not true when Browns Living managed the Facility.

Weston paid all delinquent, unpaid real estate taxes, penalties, and interest on December 8, 2016. The 2016 property tax bill totals $270,716.71, of which $136,157.71 is due on or before January 31, 2017 and Weston has sufficient funds on hand to make this payment. The funds to make such payments came from the Weston DIP Loan. Weston has also made its first three adequate protection payments to Sabra as of the date of this filing, which Weston intends on

continuing until such time as payments under the Debtors' Plan commence.

Status of Professionals

Attorneys. *Michael Best & Friedrich LLP.* The Debtors applied to the Court to retain Michael Best & Friedrich LLP ("Michael Best") to act as their legal counsel during the pendency of these bankruptcy cases. The employment of Michael Best was approved by the Court over the objection of Sabra, which raised questions about Michael Best's disinterestedness. Through November 2016, Michael Best is owed $121,212.63 in legal fees and $1,787.52 in disbursements from Weston. As of the date of this filing, Michael Best has received a total of $88,307.10 for services rendered and $1,330.46 in disbursements accrued from Weston after the Petition Date.

Through November 2016, Michael Best is owed $45,541.85 in legal fees and $457.05 in disbursements from FPG. No amounts have been received from or will be paid by FPG to Michael Best until FPG's post-petition administrative rent claim owed to Weston is paid. No special counsel has been retained by the Debtors for any matter.

Accountants. *Barbara DeBaere Poppy CPA.* The Debtors applied to the Court to retain Barbara DeBaere Poppy, CPA ("Poppy") to act as their accountants during the pendency of these bankruptcy cases. The employment of Poppy was approved by the Court. Through November 2016, Poppy is owed $24,616.25 in fees by Weston. As of the date of this filing, Poppy has received a total of $15,040.00 from Weston for services rendered after the Petition Date.

Through November 2016, Poppy is owed $13,720.00 in fees by FPG. No amounts have been received from or will be paid by FPG to Poppy until FPG's post-petition administrative rent claim owed to Weston is paid.

Others. The Office of the United States Trustee accrues quarterly fees while the Debtors' cases remains open. The Debtors will continue to pay U.S. Trustee's fees as they become due.

The Debtors reserve the right to employ other professionals as may be necessary to administer the Debtors' cases. The Debtors anticipate that retaining one or more expert witnesses may likely be necessary for the hearing on confirmation of the Debtors' Plan, or any potential valuation hearing of the Facility. The Debtors estimate that employing such expert(s) will cost the Debtors' estates between $25,000 and $50,000. Any such employment will be done only after Court approval.

STATUS OF ANY PENDING LITIGATION

The Debtors are not plaintiffs under any current litigation outside of these bankruptcy cases. The reserve their right to bring any Cause of Action that they may have against any party as part of the~~i~~se ~~C~~cases or in any other state or federal court of appropriate jurisdiction.

In June 2016, Browns Living commenced an action against Weston in Wood County, Wisconsin as Case No. 16-204. That matter was dismissed upon Weston's filing for bankruptcy. However, on November 29, 2016, Browns Living appears to have docketed a judgment against Weston in Marathon County. Weston believes this is in violation of the automatic stay and will initially reach out to Browns Living to assess this matter and discuss resolution with or without Court assistance.

CLASSIFICATION OF CLAIMS AND INTERESTS

Class 1: ***Allowed Administrative Expenses.*** Class 1 is comprised of claims of professionals for fees and expenses that have accrued during the Debtors' cases, as well as post-petition tax claims of Marathon County, and post-petition rental claims that Weston may have against FPG pursuant to the Lease.

Class 2: ***Allowed Priority Claims.*** Class 2 is comprised of municipal and state taxing authorities to which the Debtors owe money for pre-petition obligations. Class 2 also includes claims of CMS related to the civil money penalty against FPG.

Class 3: ***Allowed Secured Claim of Sabra.*** The Secured Claims of Sabra consist of the secured portion of the balance of the promissory note held by Sabra that is secured by a mortgage on the real estate and business assets of Weston. FPG owes no Class 3 Claims.

Class 3A: ***Allowed Secured Claim of Simplicity Credit Union.*** The Secured Claim of Simplicity Credit Union shall be paid by Weston in equal monthly installments of principal and interest at 4% per annum, amortized over 7 years from the Effective Date. There are no Class 3A Claims against FPG.

Class 4: ***Allowed DIP Loan Claims.*** Class 4 consists of the Persons that provided post-petition financing to the Debtors, pursuant to the Court's Orders authoring the Debtors to obtain post-petition credit.

Class 5: ***Allowed Intercompany Claims.*** Class 5 is comprised of the claims that Weston may have against FPG; and/or the claims that FPG may have against Weston.

Class 6: ***Allowed Unsecured Claim of Sabra.*** Class 6 is comprised of Sabra's unsecured claim against Weston, if any. FPG owes no Class 6 Claims.

Class 7: ***Allowed General Unsecured Claims.*** Class 7 consists of general creditors that hold unsecured claims against either Debtor in an allowed amount that is greater than $2,500.

Class 8: ***Allowed Unsecured Convenience Claims.*** Class 8 consists of general creditors that hold unsecured claims against either Debtor, the allowed amount of which is $2,500 or less.

Class 9: ***Allowed Unsecured Insider Claims.*** Class 9 consists of Phil Castleberg, who holds claims against FPG for pre-petition loans provided to FPG. Castleberg holds no Class 9 Claim against Weston.

Class 10: ***Allowed Equity Interests.*** Class 10 consists of the equity interests of the Debtors.

A summary of the above Classes and estimated Claims is attached to this Disclosure

Statement in excel format as **Exhibit 1**. The first spreadsheet (Exhibit 1-Weston) details the anticipated Claims against Weston. The second page (Exhibit 1-FPG) details the anticipated Claims against FPG. The last date for creditors to file any proof of claim against either of the Debtors was December 23, 2016. Exhibit 1 reflects any updated amounts as indicated on a creditor's proof of claim form. Further, claims that were disputed on the Debtors' schedules and for which no subsequent proof of claim was filed have been disallowed and discounted to $0 as indicated on Exhibit 1.

Exhibit 1 contains estimated allowed amounts of each claim. The Debtors have the right to object to any filed claim within 30 days of the Effective Date of the Plan. At this time, without full review of the filed proof of claim documents, and without waiving the right to object to other claims, the Debtors anticipate filing objections to the claims of (a) Copeland Building Corporation, (b) Hoff, Barry & Kozar, and (c) Sabra Phoenix Wisconsin, LLC. Additionally, the Debtors believe that the claims of Nurses PRM (Claim No. 14 of $27,053.32) and Ruder Ware, L.L.S.C. (Claim No. 3 of $12,383.54) were improperly filed against Weston and should be properly asserted against FPG; objections will be filed by Weston if necessary.

OVERVIEW OF PAYMENT PORTIONS OF THE PLAN

The material highlights of the payment portions of the Plan are set forth below. This outline below is intended solely as an overview of some of the material portions of the Plan. The Plan should be read in its entirety. **Any conflict between this Disclosure Statement and the Plan will be resolved in favor of the Plan**. The proposed treatment of the various Classes and their estimated allowed amounts are detailed below.

Class	Description	Debtor	Estimated Allowed Claim	Treatment and Details
1	Administrative Expenses	Weston FPG	$540,000 $~~167,000~~272,527	The Administrative Expenses incurred during the cases shall be paid in full in Cash on or before the Effective Date. This class is unimpaired by the Plan. The post-petition accrued taxes owed to Marathon County will be paid in installments when they are due. Weston's administrative claim for post-petition rental payments will be paid by FPG upon the Effective Date.
2	Priority Claims	Weston FPG	$627,848 $~~135,525~~208,288	All pre-petition tax Claims of Marathon County have been paid in full by Weston during these cases; no amounts will be due at confirmation. FPG shall pay the civil penalty claim of CMS within 5 years of the Effective Date with interest at 9.625%, unless otherwise determined by the Court; however, FPG's cash flow projections anticipate paying CMS' claims sooner than 5 years to reduce the amount of interest to be paid on the claim.
3	Sabra- Secured	Weston FPG	$13,000,000 None	Weston will retain the Facility against which Sabra holds a mortgage. Sabra's Class 3 Claim shall be reduced by the payments it has received by Weston since the Petition Date through the Effective Date and the balance of the Class 3 Claim shall be paid at a rate of 4%, over 35 years with no prepayment penalties.
3A	Simplicity- Secured	Weston FPG	$31,182 None	Weston shall retain the vehicle against which Simplicity holds a lien position. Simplicity's Claim shall be paid by Weston in equal

				monthly installments, amortized over 7 years at a rate of 4% p.a.
4	Weston DIP Loan FPG DIP Loan	Weston FPG	$650,000 $400,000	The balance of the Weston DIP Loan (estimated to be $650,000 on the Effective Date) shall be paid by Weston according to its terms. The balance of FPG DIP Loan (estimated to be $400,000 on the Effective Date) shall be paid by FPG according to its terms.
5	Intercompany Claims	Weston FPG	None $600,405	Claims will be offset and any remaining balance will be paid in quarterly installments in amounts equal to 10% of such Debtor's net income after estimating for necessary, accrued income taxes. FPG reserves the right to object to Weston's filed claim within thirty days of the Effective Date.
6	Sabra-Unsecured	Weston FPG	$4,773,438 None	Weston will pay Sabra's Class 6 Claim at a rate of 4% per annum over 35 years with no prepayment penalties.
7	General Unsecured	Weston FPG	$~~153,152~~120,561 $~~193,652~~113,940	Class 7 Claims will be paid the full amount of their Claims by the Debtors in four installments, occurring 3, 9, 15, and 21 months after the Effective Date. First Phoenix Group LLC shall waive any distribution to which it may be entitled under the Plan by either Debtor. Any Creditor in Class 7 may elect to have its claim reduced to $2,500 and paid as a Class 8 Claim.
8	Convenience Claims	Weston FPG	$13,550 $~~13,423~~10,408	Class 8 Claims shall be paid, with no interest, within 3 months of the Effective Date.
9	Insider Claims	Weston FPG	$0 $2,142,039	Castleberg's Class 9 unsecured claim shall be subordinated to and not paid until Class 7 and 8 Claims are paid in full. FPG may pay the Class 9 Claim from time to time as its operations allow, provided that FPG has the financial ability to do so and otherwise remains in compliance with the obligations under the Plan.
10	Allowed Equity Interests		$0	Allowed Equity Interests shall retain their interests.

Funding the Plan & Feasibility

Monthly cash flow projections from 2017 through 2021 are included as **Exhibit 2** to the Disclosure Statement. Funding of the cash payments due on the Effective Date will be from the Debtors' operations during the Chapter 11 cases. Funding of the Plan's future installments to creditors will come from the normal operations of the Debtors' business after confirmation of the Plan.

The cash flow projections were prepared internally by the Debtors, with input from their accountants and attorneys. Future projections were determined by reviewing (i) historical revenues and expenses of the Debtors, (ii) the Debtors' current operations, (iii) anticipated events that the Debtors believe will impact the ability to operate positively and negatively, and (iv) the obligations that will be owed pursuant to the Debtors' Plan.

Some items to note on the cash flow projections include the following: (a) some months (e.g., June 2017, January 2018, July 2018) include three payroll periods, which is the reason for increased labor costs during those months; and (b) the Debtors have anticipated making income

tax payments to the IRS in the spring of each year in the event they are profitable, which is the reason for the large tax payments within the projections (e.g., Weston: February 2020, February 2021; FPG: April 2018, February 2019).

Financial Details of the SNF. Revenue sources for the SNF originate through Medicaid, Medicare A, Medicare B, and miscellaneous managed care companies. As of December 2016, the SNF was treating three Medicaid patients and one private pay patient in total; the remainder were Medicare or Medicare Advantage. Medicare and Medicare Advantage determine payments to the SNF based off of various Resource Utilization Group ("RUG") scores, which is a Medicare pricing model that reviews a patient's resource needs (e.g., necessary rehab, services, specialized care, clinical complexity, impaired cognition, behavior issue, and physical functionality) and sets a corresponding reimbursement to the SNF based on the RUG score. RUG scores also vary by geographic region.

The census on the SNF, which is currently averaging around 20 residents per month, is projected to grow by 2-3% per month until reaching a sustainable limit of 29 residents, at which point a 29 census was utilized for the remainder of the projection (the maximum occupancy based off of the bed count is 35). Although census is one of the drivers of revenue, FPG does not believe that achieving 100% occupancy is a necessary goal of the SNF operations. FPG could increase census to 100% capacity very quickly if it began accepting Medicaid patients or other patients with lower RUG scores; however, as discussed below, providing care to Medicaid patients costs more than what the state would reimburse FPG for such patients. So, alternatively the goal of the SNF is to increase revenue per patient while maintaining a profitable census level. One way to achieve that is to have the entire census be Medicare patients (as opposed to Medicaid patients) as the SNF's operations continue, thereby realizing higher revenues per patient as explained below.

The census will fluctuate based on a number of factors, but is primarily tied to the census within surrounding hospitals, patient referrals, and relationships that the SNF has with medical organizations in the area. Since the Petition Date, the Facility has rebranded itself (as "Pride TLC: Therapy & Living Campus"), has implemented a newly designed and consistently updated website, and is in the process of a mass-marketing plan that will include radio and printed advertising directing customers to the new website at www.PrideTLC.com. Further, prior to the Petition Date (during Browns Living's control) residents from the Facility were being transported via ambulance to neighboring Saint Clare's Hospital Emergency Room on a regular basis; however, now that the Facility's staff can effectively care and treat for its patients, the need to transport patients to the emergency room has been almost eliminated. This has drastically improved the reputation of the Facility from the viewpoint of outside professionals, thereby increasing the likelihood that the Facility will receive referrals. During the course of these cases, FPG's census projections have been consistent with the actuals they are experiencing at the SNF. ~~The goal of the SNF is to have the entire census be 100%, or nearly 100% Medicare patients~~. The current average length of stay in the SNF is 13 days. FPG expects that total admissions and discharges will average about 700 patients every year.

The SNF utilizes an average daily rate per patient as a primary indicator to measure and predict profitability for the SNF; indeed, the projections on Exhibit 2 were formulated and then checked against an average daily rate per patient that the SNF is currently experiencing, and

expect to receive after confirmation. The current Medicaid average daily rate is $160 per patient; the current Medicare average daily rate is $400 per patient. The Medicaid rate is low due to the recent immediate jeopardy citation and the delinquent real estate taxes (which were cured in January 2017). Both of those items negatively impact the rate received by the SNF. The Medicare rate, on the other hand, is not impacted by these issues; it will continue to trend upwards as the SNF is able to be more selective towards quality of patient being admitted. The SNF projects that the Medicare average daily rate will slowly rise and stabilize at approximately $450 per patient, which is anticipated to occur about 2 years after emerging from Chapter 11. Revenue for the SNF is directly tied to the RUG score and the census; as census increases, revenue will increase so long as the payer mix (RUG) remains the same. FPG also projects that over the projected period, labor expenses will rise as additional therapist time is required to meet increased census and increased RUG score requirements. However, labor costs tied to existing overhead should remain relatively stable, with a 3% labor cost increase budgeted at the beginning in the fall of 2017, and additional moderate increases in subsequent years.

Since filing Chapter 11, the SNF has established a cooperative agreement with Bone & Joint Orthopedic Center and Clinics, one of Central Wisconsin's largest out-patient surgical centers. Patients, who have their surgical procedures conducted through Bone & Joint, will be exclusively referred to FPG for the recovery process and rehabilitation; Bone & Joint cannot hold patients for more than 24 hours, and referrals to FPG will be a less costly alternative for the patients. This referral program is in the initial stages of implementation; however, based on a similar relationship that Bone & Joint has in another location (Appleton, Wisconsin) with an unrelated skilled nursing center, FPG projects that at least 5 and up to 15 patients per month will be referred from Bone & Joint to the SNF. FPG expects that this will significantly contribute to the census of the SNF as well as the average daily revenue recognized (the reimbursement rates of Bone & Joint referrals are projected to be $200 per day higher than the SNF's existing average revenue per patient per day based on their higher RUG scores due to surgery). This relationship is factored into the cash flow projections attached as Exhibit 2, as indicated by the continued increase in the census over time; however, given the relationship's current status, FPG has very conservatively factored in any benefits that are expected to be gained through Bone & Joint.

FPG believes that what has begun and will continue to change (given the increased awareness in the community, increased reputation of the quality of care since the Petition Date, and repaired and new relationships with hospitals and medical groups) is that the SNF's percentage of the rehab admissions in the Wausau area (its market share) will increase over time. The Debtors' management team has experienced positive feedback within the community coupled with drastically improved ratings/surveys that support this conclusion. This increased market share of available patients is what will allow FPG to sustain its census projections, with higher-paying patients, on a long-term basis.

Financial Details of the ALF. Revenue sources for the ALF are generated through private pay patients. Generally speaking, as the census for the ALF increases, revenues for the ALF will also increase, so long as the residents are all private pay. The ALF has historically housed a number of Medicaid patients, but reimbursement rates for Medicaid patients are as low as $1,500 per month per patient, whereas private pay averages $4,000 per month (depending on the level of care needed by patient). Although the ALF could easily maximize its census by admitting Medicaid patients, servicing the Medicaid population would not even cover the labor

costs and overhead at an upscale, properly staffed facility like Weston. As such, Weston's focus is to fill the ALF with private pay patients.

The ALF's highest census occurred in July 2015, averaging 49 residents for the month. Of those residents, an average of 7 were public pay residents. Although that~~e~~ census was higher than what the ALF currently experiences, the average monthly revenue remained around $4,200 per month. As of December 2016, the ALF average monthly revenue per patient was $4,693, and Medicaid residents totaled 3. One of the goals of the ALF is to reduce Medicaid residents to zero (anticipated to occur by mid-2017), thereby continuing to increase the average monthly revenue per patient—which ~~FPG~~ Weston projects will be $4,800 by early 2017, and $5,000 by 2018.

Given ~~FPG's~~ the Facility's trajectory over the past 6 months, the relationship the Facility has established with Bone & Joint, the dramatic reduction of staff turnover, the implementation of new policies and procedures for patient care, the continued marketing efforts, and positive reputation in the community, ~~FPG~~ the Debtors believe~~s~~ these financial projections within Exhibit 2 and other operational goals are currently being met and will be attainable post-confirmation.

Potential Election under 11 U.S.C. § 1111(b).

Sabra has the option to elect to have its Allowed Total Claims against Weston be treated as fully secured pursuant to § 1111(b) of the Code. If such an election is made, Sabra's Allowed Total Claims shall equal its Allowed Secured Claims, and Sabra would not hold any Unsecured Claim against Weston. Such an election must be made by the end of the hearing on this Disclosure Statement.

The Debtors' counsel has initially analyzed the § 1111(b) treatment. Under § 1129(b), Sabra must (a) receive deferred "nominal" cash payments totaling their Allowed Total Claim (in a filed amount of $17,773,438) and (b) the present value of those payments must equal or exceed $13,000,000 (the total secured value of Sabra's Claim). In the event Sabra makes such an election, Weston could amend the Plan, if necessary, to comply with § 1129(b)(2)(A)(i)(II). However, under the terms of the Plan, Weston is proposing equal treatment (payment in full with interest) of both Sabra's Allowed Secured and Allowed Unsecured Claims. As such, any election under § 1111(b) of the Code will not, in the Plan's current form, alter any payments being made to Sabra in the aggregate.

VOTING AND CONFIRMATION

Voting. After carefully reviewing this Disclosure Statement and the Plan, please indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan. Your Claims may be classified in more than one Class and, in such case, you should vote accordingly. Please return the ballot so that it is *received* no later than the date stated on the ballot, ~~__________,~~ **March 3, 2017**. For the Plan to be accepted, two thirds of the dollar amount of the vote in each Class and a majority of Creditors casting ballots in each class must vote to approve the Plan.

If you do not vote to accept the Plan, or if you are the holder of an impaired Claim, you may be bound by the Plan if it is accepted by the requisite holders of the Claims.

If you have any questions about the procedure for voting, or if you did not receive a ballot, received a damaged ballot, or lost your ballot, please contact Justin M. Mertz, attorney for the Debtors, at (414) 271-6560, or email him at jmmertz@michaelbest.com.

Hearing on Confirmation. At the Confirmation Hearing, the Court will determine, among other things, whether the Plan has been accepted by each impaired Class of Creditors.

An impaired Class is deemed to have accepted the Plan if at least two-thirds in amount and more than one-half in number of the Allowed Claims or interests of Class members who have voted to accept or reject the Plan have voted for acceptance of the Plan. Unless there is unanimous acceptance of the Plan by the members of an impaired Class of Claims, the Court must also determine that under the Plan the members of such Class will receive property of a value as of the Effective Date which is not less than the amount that the members of such Class would receive or retain if the Debtors' assets were liquidated under chapter 7 of the Code.

Confirmation of Plan Without Necessary Acceptances. The Plan may be confirmed even if it is not accepted by one or more classes if (a) the Plan is accepted by at least one impaired Class of Claims, and (b) the Court finds that the Plan does not discriminate unfairly against, and is fair and equitable as to each impaired Class which has not accepted the Plan.

THE DEBTORS MAY SEEK CONFIRMATION UNDER 11 U.S.C. § 1129(B) IF LESS THAN THE REQUIRED CLASSES VOTE TO ACCEPT THE PLAN.

With respect to Secured Claims, "fair and equitable" means the Secured Creditors must (a) receive deferred cash with payments equal in value to the value of their Claims and retain the lien securing their Secured Claims, (b) receive a lien on the proceeds of the sale of the property securing their liens, or (c) receive the indubitable equivalent of their Claims.

TREATMENT OF EXECUTORY CONTRACTS

Assumed Contracts. As part of the Plan, the Debtors will assume, as modified in the Plan, the Facility Lease between them. The modifications include a reduction in the shared costs of the Facility, requiring FPG to pay a 33% share of the Facility costs, as opposed to a 39% share, which is currently required by the terms of the Facility Lease. Accordingly, as part of the assumed Facility Lease, FPG will pay to Weston 33% of the "Loan Payment" that Weston owes to Sabra on a monthly basis pursuant to Sabra's Class 3 Allowed Secured Claim. This modification was discussed between the Debtors and approved by the Manager of Weston, Wanxiang. The Debtors believe that using a 33% number accurately reflects the actual square footage occupied by FPG in the Facility (and is consistent with the State's reimbursement formula), and will result in a lease payment that is more consistent with the rental rates within the industry.

Further, Weston filed a claim (Claim No. 7) against FPG asserting that Weston is owed $600,405.06. The basis for the claim is for rent and shared operating expense charges, and the amounts were obtained through an accounting reconciliation conducted by Poppy CPA, the accountant employed by both Debtors in these cases. FPG initially scheduled a claim owed to

Weston in the amount of $1,225,250 (*see* Docket No. 41) and also listed an asset of pre-paid rent held by Weston of $820,387.27. Since FPG filed its schedules, Poppy CPA has reviewed the Debtors' books and records, reconciled the "inter-company" accounts, and offset the pre-paid rent number to conclude that FPG owes Weston the balance of $600,405.06 according to the Debtors' books and records. Despite that reconciliation, FPG still believes that Weston's filed claimed amount isremains overstated due to (a) FPG's prior agreement with Weston to reduce the rental percentage to a 33% share, (b) Weston's prior bookkeepers improperly booking "shared" expense entries, which FPG believes were solely Weston's expenses, and (c) other errors that may exist in the accounting records of Weston. FPG reserves its right to contest Weston's filed claim at a later date in these proceedings. The allowed amount of Weston's Claim against FPG, which represents the necessary amounts to cure FPG's default under the Facility Lease, will be paid by FPG on an annual basis in an amount that is equal to 10% of FPG's net income after accounting for necessary income tax expenditures.

Any unexpired Resident Contracts will be assumed by Weston. Weston is not in default of any Resident Contract, and no cure amounts are necessary. Further the residents that are parties to the Resident Contracts do not pay any stand-alone deposit as part of the Resident Contract, and therefore are not provided classification in the plan under § 507(a)(7) or otherwise.

FPG will assume and assign the Medicare provider agreement to the Reorganized Debtor, FPG, on the Confirmation Date.

FPG and Weston will enter into a property management agreement with Anchor for the management of the Facility. The management fee shall be no more than 4.5% of gross revenue, and Anchor shall forego any payment on the management agreement until unsecured creditors in Classes 7 and 8 are paid in full. The Debtors believe that entering into the management agreement with Anchor is in the best interests of the Debtors and imperative to their successful reorganization. The management fee of 4.5% is below industry rates (generally 5%), and well below the rate charged by the prior management company, Browns Living, of 6%, which was previously approved Sabra prior to these cases.

Additionally, unless otherwise rejected by a motion filed with the Court and served on interested parties, the Debtors shall assume all executory contracts that may exist for services with various vendors, including medical providers, utility providers, garbage, internet, cable television, water, electricity, as well as the Debtors' Insurance Policies.

Rejected Contracts. Unless otherwise specifically assumed in the Plan or prior to confirmation of the Plan by an appropriate motion filed with the Court, **all other executory contracts and/or leases shall be rejected**.

LIQUIDATION ANALYSIS

In a chapter 7 liquidation scenario, the Debtors estimate that unsecured creditors would be paid 0% of their Claims.

Weston Analysis. The values of the Facility owned by Weston is are based off of the tax-assessed valuation by Marathon County, which indicates that the land (real estate) is valued at

$804,400 and the building (the Facility) is valued at $11,976,800 for a total of $12,781,200~~s, or as otherwise indicated if better information is available such as an appraisal~~. Marathon County also estimates the fair market value (for the land and building together) to be $11,853,100, which is less than the assessed value. The cost of construction of the Facility was approximately $12,000,000. No formal appraisal has been conducted at this time, but for purposes of analyzing liquidation, based off of the construction costs and current assessed valuation, Weston believes that its~~Weston's~~ Assets have an estimated total value of $13,000,000 (Weston has simply rounded up the scheduled value of all of its Assets which is $12,951,181.48 to $13,000,000). Weston believes that in liquidation, this anticipated value may be less than $13,000,000 due to the inability to transfer its licenses to third-party buyers. Sabra's total estimated Claim against Weston of $17,773,438 would not be paid in full by the estimated $13,000,000 that would be realized in liquidation. Because Sabra's secured claim would take priority over all lower classes, including all unsecured creditors, Weston estimates that unsecured creditors would receive nothing in the event of liquidation of Weston's assets.

FPG Analysis. FPG, on the other hand, has no real estate assets, and any personal property it owns will have nominal liquidation value, as its value is primarily achieved through its ongoing operations. Based on its schedules, FPG's assets and liabilities are as follows:

Assets:	*Scheduled*	*Estimated Liquidation Value*
Bank Account Balances	$104,216.88	$104,216.88
Pre-paid Rent to Weston	$820,387.27	$0.00[a]
Accounts Receivable	$83,269.57	$83,269.57
Personal Property	$30,892.11	$30,892.11
SNF Bed Licenses	$875,000.00	$0.00[b]
Totals:	**$1,913,765.83**	**$218,378.56**

Liabilities:		
Administrative Claims	$272,527.00	
Priority Claims	$208,288.00	
FPG DIP Loan Claim	$400,000.00	
Totals:		**$880,815.00**

Notes:

[a] The pre-paid rent held by Weston was offset by Weston as part of its filed claim against FPG (*see* Claim No. 7.) FPG has assumed that the set-off was appropriate; the resulting value of any pre-paid rents would be $0.00 and no available amounts would be available to distribute in liquidation.

[b] The scheduled value of the SNF bed licenses was based off of the original book value on FPG's books. In a liquidation scenario, FPG's licenses would not be transferrable to any third-party purchaser (unless Philip Castleberg retained a majority interest in such purchaser), and therefore would not be saleable or otherwise transferable. As such, FPG estimates a value of $0.00 for the bed licenses in the event of liquidation.

The conclusion of the above analysis for FPG is that FPG's liquidation value of $218,378.56 would not even cover Administrative Claims of FPG—let alone Priority Claims or the FPG DIP Loan Claim (also payable at an administrative expense level, and secured by all of FPG's property). As a result, FPG projects that in liquidation, no funds would be available for distribution to unsecured creditors in any class.

In sum, ~~N~~neither entity will have any value without the licenses associated with the SNF or the ALF due to the inability to transfer the licenses for either entity to a third-party purchaser. The Debtors believe that the value of the SNF and the ALF are entirely dependent on the continued, ongoing operations of the Facility.~~As such, Sabra's total estimated Claim of $17,000,000 would not be paid in full.~~ As such, no other creditors would receive any distribution from the liquidation of the Debtors.

Other than the potential claims listed in the Debtors' Schedule B including the Debtors' claims and/or Causes of Action, the Debtors believe that there are no preference or avoidance actions in these Chapter 11 cases that would provide any net meaningful benefit to the Debtors or the Estate because preference recoveries are not necessary to effectuate the Plan; therefore, the Debtors do not anticipate bringing any preferential transfer, fraudulent conveyance, or other avoidance action under chapter 5 of the Code against any Creditor.

TAX CONSEQUENCES OF PLAN

The Debtors do not believe there will be any material tax consequences as a result of the Plan. Section 108(a)(1)(A) of the Internal Revenue Code excludes discharged indebtedness from gross income if the discharge occurs in a title 11 case. The Debtors' Plan does not anticipate any discharge as all Creditors are projected to be paid in full. However certain tax attributes of the Debtors may otherwise be affected. Further, the Debtors' report on a cash basis; as such, payments made to creditors as part of the Plan will be classified as business expenses of the Debtors on a prospective basis, providing a reduction of the tax liability as Creditors are paid. Creditors are urged to consult with a tax expert to analyze the potential tax effects on them as a result of the Plan.

DISPUTED CLAIMS

If any objection or opposition is made to the allowance of the Claim or interest of any Creditor hereunder and such objection or opposition is pending on the date that payments or distributions are to be made under the Plan, then no payment or distribution shall be made to such Creditor until an order of the Court determining the validity and amount of such Claim or interest is entered and no longer subject to further review or appeal, at which time such payment and distribution of the amount awarded such Creditor shall be made. Unless the Court orders otherwise, objections to claims are due 30 days after the Effective Date.

EFFECT OF CONFIRMATION

Except as otherwise provided in the Plan or the Confirmation Order, the Confirmation Order vests all of the property of the estate in the Reorganized Debtors free and clear of all claims and interests of creditors. Upon completion of the Plan or as otherwise provided in § 1141 of the Code, the Debtors will receive a discharge. Until a discharge is granted, the automatic stay provisions of § 362 of the Code still apply unless otherwise provided for in the Plan.

The provisions of the Plan shall be binding upon the Debtors and any Creditor, whether or not such Creditor has accepted the Plan and regardless of whether the Claims of such Creditor are impaired under the Plan.

CONCLUSION

The Debtors propose their Plan because they believe it is in the best interests of all parties. The Plan maximizes the value of the Debtors' business as a going concern. For these reasons, the Debtors request that Creditors vote in favor of the Plan.

Dated: January ~~23~~30, 2016.

MICHAEL BEST & FRIEDRICH LLP

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