

Kentucky Holdings I LLC
Form 424B3
February 10, 2011
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File Pursuant to Rule 424(b)(3)
Registration No. 333-171820

Prospectus

\$225,000,000

Sabra Health Care Limited Partnership

Sabra Capital Corporation

Exchange Offer for

8.125% Senior Notes due 2018

Offer for outstanding 8.125% Senior Notes due 2018, in the aggregate principal amount of \$225,000,000 (which we refer to as the Old Notes) in exchange for up to \$225,000,000 in aggregate principal amount of 8.125% Senior Notes due 2018 that have been registered under the Securities Act of 1933, as amended (the Securities Act) (which we refer to as the Exchange Notes and, together with the Old Notes, the notes).

Terms of the Exchange Offer:

Expires 5:00 p.m., New York City time, March 14, 2011, unless extended.

You may withdraw tendered outstanding Old Notes any time before the expiration or termination of the exchange offer.

The exchange offer is subject to customary conditions that may be waived by us.

We will not receive any proceeds from the exchange offer.

The exchange of Old Notes for the Exchange Notes should not be a taxable exchange for United States federal income tax purposes. See Material United States Federal Income Tax Considerations.

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All Old Notes that are validly tendered and not validly withdrawn prior to the expiration of the exchange offer will be exchanged for the Exchange Notes.

Terms of the Exchange Notes:

The Exchange Notes will mature on November 1, 2018. The Exchange Notes will pay interest semi-annually in cash in arrears on May 1 and November 1 of each year, beginning on May 1, 2011.

The Exchange Notes will be fully and unconditionally guaranteed, jointly and severally, on an unsecured basis, by Sabra Health Care REIT, Inc. and certain of its existing and, subject to certain exceptions, future subsidiaries other than the issuers, Sabra Health Care Limited Partnership and Sabra Capital Corporation.

The Exchange Notes and the related guarantees will rank effectively junior to all secured indebtedness to the extent of the value of the collateral securing such debt, *pari passu* with all existing and future senior unsecured indebtedness and senior to all existing and future indebtedness that by its terms is expressly subordinated to the Exchange Notes.

We may redeem the Exchange Notes in whole or in part from time to time. See Description of Exchange Notes.

Upon a change of control, we must give holders the opportunity to sell their Exchange Notes to us at 101% of their principal amount plus accrued and unpaid interest, if any.

The terms of the Exchange Notes are identical to those of the outstanding Old Notes, except the transfer restrictions, registration rights and additional interest provisions relating to the Old Notes do not apply to the Exchange Notes.

For a discussion of the specific risks that you should consider before tendering your outstanding Old Notes in the exchange offer, see Risk Factors beginning on page 12 of this prospectus.

No public market exists for the outstanding Old Notes. We do not intend to list the Exchange Notes on any securities exchange and, therefore, no active public market is anticipated for the Exchange Notes.

Each broker-dealer that receives Exchange Notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. A broker-dealer who acquired Old Notes as a result of market making or other trading activities may use this exchange offer prospectus, as supplemented or amended from time to time, in connection with any resales of the Exchange Notes.

Neither the Securities and Exchange Commission (the SEC) nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is February 10, 2011.

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Each broker-dealer that receives Exchange Notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. By so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. A broker dealer who acquired Old Notes as a result of market making or other trading activities may use this prospectus, as supplemented or amended from time to time, in connection with any resales of the Exchange Notes. We have agreed that, for a period of up to 180 days after the closing of the exchange offer, we will make this prospectus available for use in connection with any such resale. See **Plan of Distribution**.

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy securities other than those specifically offered hereby or an offer to sell any securities offered hereby in any jurisdiction where, or to any person whom, it is unlawful to make such offer or solicitation. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the Exchange Notes.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements and information. Any statements that do not relate to historical or current facts or matters are forward-looking statements.

Examples of forward-looking statements include all statements regarding the expected future financial position, results of operations, cash flows, liquidity, financing plans, business strategy, budgets, the impact of Sabra Health Care REIT, Inc.'s election and qualification as a real estate investment trust, the expected amounts and timing of dividends and distributions, the outcome and costs of litigation, projected expenses and capital expenditures, competitive position, growth opportunities and potential acquisitions, plans and objectives of management for future operations, and compliance with and changes in governmental regulations. You can identify some of the forward-looking statements by the use of forward-looking words such as anticipate, believe, plan, estimate, expect, intend, should, may and other similar expressions, although forward-looking statements contain these identifying words.

You are cautioned that the forward-looking statements made in this prospectus are not guarantees of future performance and that you should not place undue reliance on these forward-looking statements. The forward-looking statements are based on the information currently available and are applicable only as of the date on the cover of this prospectus. Forward-looking statements involve known and unknown risks and uncertainties that may cause actual results in future periods to differ materially from those projected or contemplated in the forward-looking statements. You should carefully consider the risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements, including those set forth under the heading Risk Factors. We do not intend, nor do we undertake any obligation, to update the forward-looking statements to reflect future events or circumstances, except as required by law.

INDUSTRY AND MARKET DATA

This prospectus includes information with respect to market share and industry conditions from third-party sources or based upon our estimates using such sources when available. While we believe that such information and estimates are reasonable and reliable, we have not independently verified any of the data from third-party sources. Similarly, our internal research is based upon our understanding of industry conditions, and such information has not been independently verified.

NEW SUN INFORMATION

This prospectus includes information regarding Sun Healthcare Group, Inc. (formerly known as SHG Services, Inc.; New Sun), a Delaware corporation. Following completion of the Separation and REIT Conversion Merger described in this prospectus, New Sun was renamed Sun Healthcare Group, Inc. and, through its subsidiaries, continues the business and operations of its former parent, Sun Healthcare Group, Inc. (Old Sun) and its subsidiaries. The liabilities of New Sun and its subsidiaries consists of indebtedness of New Sun incurred at or prior to the time of the Separation and substantially all of the liabilities of Old Sun and its subsidiaries immediately prior to the Separation, excluding indebtedness of Old Sun repaid at the time of the Separation and mortgage indebtedness to third parties assumed by subsidiaries of Sabra Health Care REIT, Inc. The historical consolidated financial statements of Old Sun became the historical consolidated financial statements of New Sun at the time of the Separation. New Sun is subject to the reporting requirements of the SEC and is required to file with the SEC annual reports containing audited financial information and quarterly reports containing unaudited financial information. The information related to New Sun provided in this prospectus has been provided by New Sun or derived from its public filings. We have not independently verified this information. We have no reason to believe that such information is inaccurate in any material respect. We are providing this data for informational purposes only. New Sun's filings with the SEC can be found at www.sec.gov.

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SUMMARY

This summary highlights information contained in this prospectus. It is not complete and does not contain all of the information that you should consider before participating in the exchange offer. To fully understand the exchange offer, you should read carefully this entire prospectus, including the section entitled Risk Factors, the pro forma financial data and the notes thereto, and the Audited Sun Real Properties Combined Balance Sheet and the notes thereto.

As used in this prospectus, unless otherwise specified or the context otherwise requires, the terms Sabra, we, our, and us refer to Sabra Health Care REIT, Inc. and its subsidiaries on a consolidated basis.

Sabra Overview

We are a self-administered, self-managed realty company that, directly or indirectly, owns and invests in real estate serving the healthcare industry. We were formed in connection with a restructuring of our former parent company, Sun Healthcare Group, Inc. (Old Sun), in which Old Sun separated its operating assets and its real estate assets into two separate publicly traded companies SHG Services, Inc. (New Sun), which continues the business and operations of Old Sun and its subsidiaries, and Sabra Health Care REIT, Inc. The separation of Old Sun's operating assets (the Separation) occurred by means of a spin-off transaction pursuant to which Old Sun distributed to its stockholders on a pro rata basis all of the outstanding shares of common stock of New Sun. Immediately following the Separation, Old Sun merged with and into Sabra, with Sabra surviving the merger (the REIT Conversion Merger), and New Sun was renamed Sun Healthcare Group, Inc. The Separation and REIT Conversion Merger were completed on November 15, 2010.

Our portfolio consists of 86 properties: (i) 67 skilled nursing facilities, or SNFs, (ii) ten combined skilled nursing, assisted and independent living facilities, (iii) five assisted living facilities, or ALFs, (iv) two mental health facilities, (v) one independent living facility, or ILF, and (vi) one continuing care retirement community (collectively, the Sabra Properties). As of September 30, 2010, the Sabra Properties had a total of 9,603 licensed beds, or units, spread across 19 states. Pro forma for the Separation and REIT Conversion Merger, our revenues and Adjusted FFO would have been \$52.7 million and \$27.0 million, respectively, for the nine months ended September 30, 2010. See Note 3 under Summary Summary Adjusted Unaudited Pro Forma Condensed Consolidated Financial Data for a reconciliation of pro forma net income to pro forma Adjusted FFO.

Subsidiaries of Sabra lease all of the Sabra Properties to subsidiaries of New Sun pursuant to master lease agreements (the Lease Agreements). The Lease Agreements are triple-net leases, which have initial terms of between 10 and 15 years and pursuant to which the tenants are responsible for all facility maintenance, insurance required in connection with the leased properties and the business conducted on the leased properties, taxes levied on or with respect to the leased properties (other than taxes on our income) and all utilities and other services necessary or appropriate for the leased properties and the business conducted on the leased properties. The initial annual aggregate base rent payable by subsidiaries of New Sun under the Lease Agreements is approximately \$70.2 million, which translated to a lease coverage ratio of 1.6x (based on estimates of the 2011 EBITDAR (defined as EBITDA before center rent expense) of New Sun from the Sabra Properties, divided by the contractual rent to be paid by subsidiaries of New Sun on the Sabra Properties, at the time subsidiaries of Sabra and New Sun entered into the Lease Agreements).

We expect initially to grow our portfolio through the acquisition of skilled nursing and senior housing facilities, including assisted living, independent living and continuing care retirement community facilities. As we acquire additional properties and expand our portfolio, we expect to further diversify by geography, asset class and tenant within the healthcare sector. For example, we expect to pursue the acquisition of medical office buildings, life science facilities (commercial facilities that are primarily focused on life sciences research,

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development or commercialization, including properties that house biomedical and medical device companies) and hospitals. We plan to be opportunistic in our healthcare real estate investment strategy while investing in assets that allow us to maintain balance sheet strength and liquidity.

Corporate Information

Sabra Health Care Limited Partnership, a Delaware limited partnership (the Operating Partnership), and Sabra Capital Corporation, a Delaware corporation (together with the Operating Partnership, the Issuers), are wholly owned subsidiaries of Sabra Health Care REIT, Inc., a Maryland corporation. Sabra Health Care REIT, Inc. is a self-administered, self-managed realty company that owns and invests in real estate serving the healthcare industry through the Operating Partnership and other subsidiaries. Sabra Capital Corporation is a wholly owned subsidiary of the Operating Partnership formed for the purpose of acting as a co-issuer of the notes and does not and will not have any substantial operations, assets or revenues.

The subsidiary guarantors of the notes are all organized in the state of Delaware, except Orchard Ridge Nursing Center LLC, Oakhurst Manor Nursing Center LLC, Sunset Point Nursing Center LLC, West Bay Nursing Center LLC, HHC 1998-1 Trust, and Bay Tree Nursing Center LLC, which are organized in the state of Massachusetts.

Sabra's principal executive offices are located at 18500 Von Karman, Suite 550, Irvine, CA 92612 and our telephone number is (888) 393-8248. We maintain a website at www.sabrahealth.com. **None of the information contained on our website or on websites linked to our website is part of this prospectus.**

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The Exchange Offer

On October 27, 2010, the Issuers sold, through a private placement exempt from the registration requirements of the Securities Act of 1933, as amended (the Securities Act), \$225,000,000 principal amount of 8.125% Senior Notes due 2018 (the Old Notes), all of which are eligible to be exchanged for notes which have been registered under the Securities Act (the Exchange Notes). The Old Notes and the Exchange Notes are referred to together as the notes.

Simultaneously with the private placement, we entered into a registration rights agreement with the initial purchasers of the Old Notes (the Registration Rights Agreement). Under the Registration Rights Agreement, we are required to cause a registration statement for substantially identical notes, which will be issued in exchange for the Old Notes, to be filed with the Securities and Exchange Commission (the SEC) and to use our commercially reasonable efforts to complete the exchange offer within 240 days following the date on which we issued the Old Notes. You may exchange your Old Notes for Exchange Notes in this exchange offer. You should read the discussion under the headings The Exchange Notes, The Exchange Offer and Description of Exchange Notes for further information regarding the Exchange Notes.

Securities to be Exchanged	Up to \$225,000,000 principal amount of 8.125% Senior Notes due 2018.
The Exchange Offer; Securities Act Registration	<p>We are offering to exchange the Old Notes for an equal principal amount of the Exchange Notes. Old Notes may be exchanged only in denominations of \$2,000 of principal amount and any integral multiple of \$1,000 in excess thereof.</p> <p>The exchange offer is being made pursuant to the Registration Rights Agreement, which grants the initial purchasers and any subsequent holders of the Old Notes certain exchange and registration rights. This exchange offer is intended to satisfy those exchange and registration rights with respect to the Old Notes. After the exchange offer is complete and except for our obligations to file a shelf registration statement under the circumstances described below, you will no longer be entitled to any exchange or registration rights with respect to Old Notes.</p> <p>You may tender your outstanding Old Notes for Exchange Notes by following the procedures described under the heading The Exchange Offer.</p>
Expiration Date	The exchange offer will expire at 5:00 p.m., New York City time, on March 14, 2011, or a later date and time to which the Issuers may extend it.
Withdrawal Rights	You may withdraw your tender of the Old Notes at any time prior to the expiration date of the exchange offer. Any Old Notes not accepted by us for exchange for any reason will be returned to you at our expense promptly after the expiration or termination of the exchange offer.

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Conditions to the Exchange Offer

The exchange offer is subject to customary conditions, some of which we may waive.

We intend to conduct the exchange offer in accordance with the provisions of the Registration Rights Agreement and the applicable requirements of the Securities Act, the Securities Exchange Act of 1934, as amended (the Exchange Act), and the rules and regulations of the SEC.

For more information, see The Exchange Offer Conditions to the Exchange Offer.

Procedures for Tendering Old Notes Through Brokers and Banks

Since the Old Notes are represented by global book-entry notes, the Depository Trust Company (DTC), as depository, or its nominee is treated as the registered holder of the Old Notes and will be the only entity that can tender your Old Notes for Exchange Notes.

To tender your outstanding Old Notes, you must instruct the institution where you keep your Old Notes to tender your Old Notes on your behalf so that they are received on or prior to the expiration of this exchange offer. By tendering your Old Notes you will be deemed to have acknowledged and agreed to be bound by the terms set forth under The Exchange Offer. Your outstanding Old Notes must be tendered in denominations of \$2,000 of principal amount and any integral multiple of \$1,000 in excess thereof.

In order for your tender to be considered valid, the exchange agent must receive a confirmation of book-entry transfer of your outstanding Old Notes into the exchange agent's account at DTC, under the procedure described in this prospectus under the heading The Exchange Offer, on or before 5:00 p.m., New York City time, on the expiration date of the exchange offer.

See The Exchange Offer for more information regarding the procedures for tendering Old Notes.

Effect of Not Tendering Old Notes

If you do not tender your Old Notes or if you do tender them but they are not accepted by us, your Old Notes will continue to be subject to the existing restrictions upon transfer. Except for our obligation to file a shelf registration statement under the circumstances described below, we will have no further obligation to provide for the registration under the Securities Act of Old Notes. If your outstanding Old Notes are not tendered and accepted in the exchange offer, it may become more difficult for you to sell or transfer your outstanding Old Notes.

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Resale of the Exchange Notes

Under existing interpretations by the staff of the SEC as set forth in no-action letters issued to unrelated third parties and referenced below, we believe that the Exchange Notes issued in the exchange offer in exchange for Old Notes may be offered for resale, resold and otherwise transferred by you without compliance with the registration and prospectus delivery provisions of the Securities Act, if you:

are not an affiliate of ours within the meaning of Rule 405 of the Securities Act;

are acquiring the Exchange Notes in the ordinary course of business; and

have no arrangement or understanding with any person to participate in a distribution of the Exchange Notes.

In addition, each participating broker-dealer that receives Exchange Notes for its own account pursuant to the exchange offer in exchange for Old Notes that were acquired as a result of market-making or other trading activity must also acknowledge that it will deliver a prospectus in connection with any resale of the Exchange Notes. For more information, see Plan of Distribution.

Any holder of Old Notes, including any broker-dealer, who:

is our affiliate,

does not acquire the Exchange Notes in the ordinary course of its business, or

tenders in the exchange offer with the intention to participate, or for the purpose of participating, in a distribution of Exchange Notes,

cannot rely on the position of the staff of the SEC expressed in *Exxon Capital Holdings Corporation, Morgan Stanley & Co., Incorporated* or similar no-action letters and, in the absence of an applicable exemption, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with the resale of the Exchange Notes or it may incur liability under the Securities Act. We will not be responsible for, or indemnify against, any such liability.

Minimum Condition

The exchange offer is not conditioned on any minimum aggregate principal amount of Old Notes being tendered for exchange.

Appraisal or Dissenters Rights

Holders of the Old Notes do not have any appraisal or dissenters rights in connection with the exchange offer.

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Material United States Federal Income Tax Considerations

Your exchange of Old Notes for Exchange Notes to be issued in the exchange offer will not be a taxable event for U.S. federal income tax purposes. See [Material United States Federal Income Tax Considerations](#) for a summary of U.S. federal tax consequences associated with the exchange of Old Notes for Exchange Notes and the ownership and disposition of those Exchange Notes.

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Use of Proceeds	We will not receive any proceeds from the issuance of Exchange Notes pursuant to the exchange offer.
Exchange Agent	Wells Fargo Bank, National Association is serving as the exchange agent in connection with the exchange offer. The address and telephone number of the exchange agent are set forth under the heading "The Exchange Offer - Exchange Agent."
Shelf Registration Statement	<p>The Registration Rights Agreement requires that we file a shelf registration statement, in addition to or in lieu of conducting the exchange offer, in the event that:</p> <p>(a) we are not permitted to file the exchange offer registration statement or to consummate the exchange offer due to a change in law or SEC policy; or</p> <p>(b) for any reason, we do not consummate the exchange offer within 240 days following the date on which we issued the Old Notes; or</p> <p>(c) any holder notifies us that:</p> <p>it is not permitted under law or SEC policy to participate in the exchange offer;</p> <p>it cannot publicly resell new notes that it acquires in the exchange offer without delivering a prospectus, and the prospectus contained in the exchange offer registration statement is not appropriate or available for resales by that holder;</p> <p>it is a broker-dealer and holds Old Notes that it has not exchanged and that it acquired directly from us or one of our affiliates; or</p> <p>the initial purchaser so requests (with respect to Old Notes that have not been resold and that it acquired directly from us or one of our affiliates).</p>

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The Exchange Notes

The summary below describes the principal terms of the Exchange Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The terms of the Exchange Notes are identical to the terms of the Old Notes, except that the transfer restrictions, registration rights and provisions for additional interest relating to the Old Notes do not apply to the Exchange Notes. The Description of Exchange Notes section of this prospectus contains a more detailed description of the terms and conditions of the Exchange Notes.

Issuers	Sabra Health Care Limited Partnership and Sabra Capital Corporation.
Securities Offered	\$225,000,000 principal amount of 8.125% Senior Notes due 2018.
Maturity	November 1, 2018.
Interest	Interest on the Exchange Notes will accrue from the date of the original issuance of the Old Notes or from the date of the last payment of interest on the Old Notes, whichever is later. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. We will not pay interest on Old Notes tendered and accepted for exchange.
Interest Rate	Interest will accrue at a rate of 8.125% per annum.
Interest Payment Dates	Each May 1 and November 1, beginning on May 1, 2011.
Ranking	<p>The Exchange Notes and the guarantees thereof will be our and the guarantors' senior unsecured obligations and will rank:</p> <p>senior to all existing and future indebtedness that by its terms is expressly subordinated to the Exchange Notes;</p> <p>pari passu with all existing and future senior unsecured indebtedness;</p> <p>effectively junior to all secured indebtedness to the extent of the value of the collateral securing such debt, including our \$100.0 million senior secured revolving credit facility and our mortgage indebtedness; and</p> <p>structurally subordinate to all of the existing and future liabilities of our subsidiaries that do not guarantee the Exchange Notes.</p>

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Guarantees

The Exchange Notes will be guaranteed by Sabra Health Care REIT, Inc. and all existing and, subject to certain exceptions, future subsidiaries of the Issuers, other than the Real Property Non-Guarantor Subsidiaries. As used in this prospectus, the Real Property Non-Guarantor Subsidiaries are the subsidiaries that hold properties subject to mortgages whose terms prohibit such subsidiaries from entering into guarantees of other indebtedness. In each instance, the Exchange Notes will be fully and unconditionally guaranteed, jointly and severally, on an unsecured basis by the

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applicable guarantors. If we do not make payments required by the Exchange Notes, the guarantors must make them. The subsidiary guarantees may be released under certain circumstances.

Optional Redemption

We may redeem some or all of the Exchange Notes at any time prior to November 1, 2014 at a price equal to 100% of the principal amount, plus any accrued and unpaid interest to the date of redemption, plus a make-whole premium. The make-whole premium will be based on a discount rate equal to the yield on a comparable United States Treasury security plus 50 basis points. We may also redeem some or all of the Exchange Notes at any time on or after November 1, 2014, at the redemption prices specified under the section Description of Exchange Notes Optional Redemption plus accrued and unpaid interest, if any, to the redemption date.

Optional Redemption After Equity Offering

At any time prior to November 1, 2013, we may also redeem up to 35% of the original aggregate principal amount of the Exchange Notes with the proceeds from specific kinds of equity offerings at a redemption price equal to 108.125% of the aggregate principal amount of the Exchange Notes to be redeemed, plus accrued and unpaid interest, if any, to the redemption date. See Description of Exchange Notes Optional Redemption.

Change of Control Offer

If a change in control of our company occurs, we must give holders the opportunity to sell their Exchange Notes to us at 101% of their principal amount plus accrued and unpaid interest, if any.

We, however, may not be able to pay the required price for our Exchange Notes presented to us at the time of a change of control event because we may have insufficient funds.

Restrictive Covenants

The indenture governing the notes (including the Exchange Notes), dated as of October 27, 2010, among the Issuers, Sabra Health Care REIT, Inc., the guarantors named therein, and Wells Fargo Bank, National Association, as trustee, as supplemented by the First Supplemental Indenture, dated as of November 4, 2010, among the Issuers, Sabra Health Care REIT, Inc., the guarantors named therein, and Wells Fargo Bank, National Association, as trustee (the Indenture) contains covenants that, among other things, limit our ability and the ability of our restricted subsidiaries to:

incur or guarantee additional indebtedness;

incur or guarantee secured indebtedness;

pay dividends or distributions on, or redeem or repurchase, our capital stock;

make certain investments or other restricted payments;

sell assets;

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create liens on our assets;

enter into transactions with affiliates;

merge or consolidate or sell all or substantially all of our assets; and

create restrictions on the ability of our restricted subsidiaries to pay dividends or other amounts to us.

In addition, we are required to maintain Total Unencumbered Assets (as defined in Description of Exchange Notes) of at least 150% of our unsecured indebtedness. These covenants are subject to a number of important limitations and exceptions. See Description of Exchange Notes Covenants.

Absence of a Public Market for the Exchange Notes The Exchange Notes are a new issue of securities with no established public market. We do not intend to apply for listing of the Exchange Notes on any securities exchange.

You should refer to the section titled Risk Factors on page 12 of this prospectus for a description of some of the risks you should consider before investing in the Exchange Notes.

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The following table sets forth summary adjusted unaudited pro forma condensed consolidated financial data for Sabra after giving effect to the offering of the Old Notes and to the Separation and REIT Conversion Merger. You should read this summary in conjunction with the pro forma financial information provided under the caption Unaudited Pro Forma Financial Data. The unaudited pro forma condensed consolidated financial data are presented for informational purposes only. You should not rely on the pro forma financial data as an indication of the financial position or results of operations for future periods or the results that actually would have been realized had the offering of the Old Notes or the Separation and REIT Conversion Merger occurred prior to the periods presented. As described in Note 3 to the Unaudited Pro Forma Financial Data, the pro forma consolidated income statements exclude certain estimated general and administrative expenses expected to be incurred by Sabra in the first year after the Separation.

	Nine Months Ended September 30, 2010	Year Ended December 31, 2009
	(dollars in thousands)	
	(unaudited)	
Operating Data:		
Net revenues	\$ 52,684	\$ 70,245
Costs and expenses:		
General and administrative expenses	6,050	8,066
Depreciation and amortization	17,938	23,917
Interest expense(1)	22,702	30,269
Income before income taxes	5,994	7,993
Income tax expense		
Net income	\$ 5,994	\$ 7,993
Balance Sheet and Other Data (at period end):		
Cash and cash equivalents	\$ 71,781	
Real estate investments, net of accumulated depreciation	486,190	
Total assets	599,820	
Total debt	387,185	
Net debt(2)	315,404	
Total stockholders' equity	175,464	
Other Financial Data:		
FFO(3)	\$ 23,932	\$ 31,910
Adjusted FFO(3)	26,973	35,965
Interest expense(1)	22,702	30,269
Ratio of earnings to fixed charges(4)	1.26x	1.26x

- (1) Includes amortization of deferred financing costs of \$1.9 million and \$1.4 million for the year ended December 31, 2009 and the nine months ended September 30, 2010, respectively.
- (2) Net debt consists of total debt less cash and cash equivalents.
- (3) Pro forma funds from operations (FFO) and pro forma adjusted funds from operations (Adjusted FFO), as presented in this Summary Adjusted Unaudited Pro Forma Condensed Consolidated Financial Data and elsewhere in this prospectus, are financial measures that are derived on the basis of methodologies other than in accordance with generally accepted accounting principles (GAAP). Sabra uses FFO and Adjusted FFO in addition to net income to report its operating and financial results and considers both FFO and Adjusted FFO as supplemental measures for the real estate industry and as supplements to GAAP measures. Pro forma FFO as used herein is calculated in accordance with The National Association of Real Estate

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Investment Trusts' definition of funds from operations, which is net income (computed in accordance with GAAP), excluding gains (or losses) from sales of property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures.

Pro forma Adjusted FFO as presented herein is FFO adjusted to include estimated general and administrative expenses and to exclude the effect of stock-based compensation expenses and the amortization of financing fees.

Pro forma FFO and pro forma Adjusted FFO are useful to investors in comparing operating and financial results between periods. This is especially true since FFO excludes real estate depreciation and amortization and Sabra believes that real estate values fluctuate based on market conditions rather than depreciating in value ratably on a straight-line basis over time. In addition, because pro forma FFO as presented herein does not include certain estimated general and administrative expenses that are expected to be incurred in the first year after the Separation that would typically be reflected in both net income and FFO, we have presented Adjusted FFO to include the effect of these estimated general and administrative expenses. Further, consistent with the key objective of Adjusted FFO as a measure of operating performance, we have also excluded the effect of stock-based compensation expenses and the amortization of financing fees in order to provide a more meaningful measure of Sabra's operating performance without reference to these non-cash charges. Sabra also believes that such a presentation will provide investors with a more meaningful measure of Sabra's operating results in comparison to the operating results of other real estate investment trusts (REITs).

Pro forma FFO and pro forma Adjusted FFO do not represent pro forma cash flow from operations as defined by GAAP, should not be considered as an alternative to net income as defined by GAAP and are not indicative of cash available to fund all cash flow needs. Investors are also cautioned that FFO and Adjusted FFO, as presented, may not be comparable to similarly titled measures reported by other REITs due to the fact that not all real estate companies use the same definitions. Sabra compensates for the limitations of FFO and Adjusted FFO by providing investors with pro forma financial statements, along with this detailed discussion of FFO and Adjusted FFO and a reconciliation of FFO and Adjusted FFO to pro forma net income.

The following reconciles pro forma net income to pro forma FFO and pro forma Adjusted FFO (in thousands):

	Nine Months Ended September 30, 2010	Year Ended December 31, 2010
Net income	\$ 5,994	\$ 7,993
Depreciation and amortization	17,938	23,917
FFO	23,932	31,910
Estimated general and administrative expenses(1)	(575)	(766)
Stock-based compensation	2,193	2,924
Amortization of financing fees	1,423	1,897
Adjusted FFO	\$ 26,973	