

KINDRED HEALTHCARE, INC

Form S-4/A

April 20, 2011

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As filed with the Securities and Exchange Commission on April 20, 2011

Registration No. 333-173050

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1 to
Form S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

KINDRED HEALTHCARE, INC.

(Exact Name of Registrant as Specified in Its Charter)

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Delaware
*(State or Other Jurisdiction of
Incorporation or Organization)*

8050
*(Primary Standard Industrial
Classification Code Number)*

61-1323993
*(I.R.S. Employer
Identification Number)*

680 South Fourth Street
Louisville, Kentucky 40202-2412
(502) 596-7300

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Joseph L. Landenwich, Esq.
Senior Vice President, Corporate Legal Affairs and Corporate Secretary

Kindred Healthcare, Inc.
680 South Fourth Street
Louisville, Kentucky 40202
(502) 596-7300

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

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General Counsel and
Corporate Secretary
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7733 Forsyth Boulevard, Suite 2300
St. Louis, Missouri 63105
(800) 677-1238

William F. Seabaugh, Esq.
Joel N. Lander, Esq.
Bryan Cave LLP
211 North Broadway, Suite 3600
St. Louis, Missouri 63102
(314) 259-2000

Approximate date of commencement of proposed sale to public: As soon as practicable following the effective date of this registration statement and the date on which all other conditions to the merger described herein have been satisfied or waived.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

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If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer " Accelerated filer ☒ Non-accelerated filer " Smaller reporting company "

(Do not check if a smaller reporting company)

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act, or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this joint proxy statement/prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission, of which this document is a part, is effective. This joint proxy statement/prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PRELIMINARY COPY

SUBJECT TO COMPLETION, DATED APRIL 20, 2011

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Kindred Healthcare, Inc., which is referred to as Kindred, and RehabCare Group, Inc., which is referred to as RehabCare, have entered into an agreement and plan of merger, pursuant to which RehabCare will merge with and into Kindred, or at either party's election, a wholly owned subsidiary of Kindred, will merge with and into RehabCare. In either case, upon successful completion of the merger, each issued and outstanding share of common stock, par value \$0.01, of RehabCare (other than any shares owned by Kindred or RehabCare) will automatically be converted into the right to receive \$26.00 per share in cash and 0.471 shares of common stock, par value \$0.25, of Kindred. No fractional shares of Kindred common stock will be issued in the merger, and RehabCare stockholders will receive cash in lieu of fractional shares, if any, of Kindred common stock. Each share of Kindred common stock outstanding immediately prior to the effective time will remain outstanding and will not be affected by the merger. Upon completion of the transaction, RehabCare stockholders will own approximately 23% of Kindred's outstanding common stock (based upon the number of shares of RehabCare and Kindred outstanding common stock as of February 7, 2011).

The exchange of RehabCare common stock for cash and Kindred common stock in the merger will be a taxable transaction for U.S. federal income tax purposes to RehabCare stockholders.

Kindred is holding its annual meeting and RehabCare is holding a special meeting of stockholders in order to obtain the stockholder approvals necessary to consummate the merger. At these meetings Kindred and RehabCare will ask their respective stockholders to adopt the merger agreement. Approval of the proposal to adopt the merger agreement by the Kindred stockholders will also constitute approval of the issuance of Kindred common stock to RehabCare stockholders in the merger. The obligations of Kindred and RehabCare to complete the merger are also subject to the satisfaction (or, to the extent permissible, waiver) of several other conditions to the merger set forth in the merger agreement and described in this joint proxy statement/prospectus. More information about Kindred, RehabCare, and the proposed merger is contained in this joint proxy statement/prospectus. **We urge you to read this joint proxy statement/prospectus, and the documents incorporated by reference into this joint proxy statement/prospectus, carefully and in their entirety. In particular, we urge you to read carefully Risk Factors beginning on page 27.**

After careful consideration, each of the Kindred board of directors and the RehabCare board of directors have unanimously approved and declared advisable the merger agreement and the transactions contemplated thereby, including the merger, and have determined that the merger agreement and the transactions contemplated thereby, including the merger, are fair to, and in the best interests of the stockholders of Kindred and the stockholders of RehabCare, respectively. **Accordingly, the Kindred board of directors unanimously recommends that Kindred stockholders vote FOR the adoption of the merger agreement, and the RehabCare board of directors unanimously recommends that RehabCare stockholders vote FOR the adoption of the merger agreement.**

In addition, Kindred is holding its annual meeting of its stockholders to (1) elect the director nominees named in this joint proxy statement/prospectus; (2) ratify the appointment of PricewaterhouseCoopers LLP as Kindred's independent registered public accounting firm for fiscal year 2011; (3) hold an advisory vote on Kindred's executive compensation program; (4) hold an advisory vote on the frequency of stockholder advisory votes on Kindred's executive compensation program; (5) approve the Kindred 2011 Stock Incentive Plan; (6) approve adjournments or postponements of the Kindred annual meeting, if necessary or appropriate, to permit further solicitation of proxies if there are not sufficient votes at the time of the Kindred annual meeting to adopt the merger agreement; and (7) transact such other business as may properly come before the meeting.

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The Kindred board of directors unanimously recommends that you vote FOR the election of each of the director nominees named in this joint proxy statement/prospectus; FOR one year on the proposal regarding the advisory vote on the frequency of advisory votes to approve Kindred's executive compensation program; and FOR each of the other proposals described in this joint proxy statement/prospectus to be presented at the Kindred annual meeting.

We are very excited about the opportunities the proposed merger brings to both Kindred stockholders and RehabCare stockholders, and we thank you for your consideration and continued support.

Paul J. Diaz
President and Chief Executive Officer
Kindred Healthcare, Inc.

John H. Short
President and Chief Executive Officer
RehabCare Group, Inc.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the merger described in the joint proxy statement/prospectus or the securities to be issued pursuant to the merger or passed upon the adequacy or accuracy of this joint proxy statement/prospectus. Any representation to the contrary is a criminal offense.

Kindred common stock is traded on the New York Stock Exchange under the symbol KND.

This joint proxy statement/prospectus is dated [], 2011, and is first being mailed to Kindred stockholders and RehabCare stockholders on or about [], 2011.

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REFERENCES TO ADDITIONAL INFORMATION

Except where we indicate otherwise, as used in this joint proxy statement/prospectus, Kindred refers to Kindred Healthcare, Inc. and its consolidated subsidiaries, RehabCare refers to RehabCare Group, Inc. and its consolidated subsidiaries, and merger subsidiary refers to Kindred Healthcare Development, Inc. This joint proxy statement/prospectus incorporates important business and financial information about Kindred and RehabCare from documents that each company has filed with the Securities and Exchange Commission, which we refer to as the SEC, that have not been included in or delivered with this joint proxy statement/prospectus. For a list of documents incorporated by reference into this joint proxy statement/prospectus and how you may obtain them, see Where You Can Find More Information beginning on page 225.

This information is available to you without charge upon your written or oral request. You can also obtain the documents incorporated by reference into this joint proxy statement/prospectus by accessing the SEC's website maintained at www.sec.gov.

In addition, Kindred's and RehabCare's filings with the SEC may also be obtained for free by accessing, respectively, Kindred's website at www.kindredhealthcare.com and clicking on the Investors link then clicking on the link for SEC Filings or by accessing RehabCare's website at www.rehabcare.com and clicking on the Investor Information link and then clicking on the link for SEC Filings. Information contained on Kindred's website, RehabCare's website or the website of any other person is not incorporated by reference into this joint proxy statement/prospectus, and you should not consider information contained on those websites as part of this joint proxy statement/prospectus.

Kindred will provide you with copies of this information relating to Kindred, without charge, if you request them in writing or by telephone from:

Kindred Healthcare, Inc.

680 South Fourth Street

Louisville, Kentucky 40202

(502) 596-7300

RehabCare will provide you with copies of this information relating to RehabCare, without charge, if you request them in writing or by telephone from:

RehabCare Group, Inc.

7733 Forsyth Boulevard

Suite 2300

St. Louis, Missouri 63105

(800) 677-1238

If you would like to request documents, please do so by May 19, 2011 in order to receive them before the Kindred annual meeting and by May 19, 2011 in order to receive them before the RehabCare special meeting.

Kindred has supplied all information contained in or incorporated by reference in this joint proxy statement/prospectus relating to Kindred, and RehabCare has supplied all information contained in or incorporated by reference in this joint proxy statement/prospectus relating to RehabCare.

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KINDRED HEALTHCARE, INC.

680 South Fourth Street

Louisville, Kentucky 40202

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 26, 2011

To our fellow Stockholders of Kindred Healthcare, Inc.:

We will hold our annual meeting of stockholders at the offices of Kindred Healthcare, Inc., located at 680 South Fourth Street, Louisville, Kentucky 40202, on May 26, 2011, at 10:00 a.m., local time, unless adjourned or postponed to a later date. This annual meeting will be held for the following purposes:

1. to adopt the Agreement and Plan of Merger, dated as of February 7, 2011, among Kindred Healthcare, Inc., Kindred Healthcare Development, Inc. and RehabCare Group, Inc., pursuant to which (a) RehabCare Group, Inc. will merge with and into Kindred Healthcare, Inc. (or, if either party so elects, Kindred Healthcare Development, Inc. will merge with and into RehabCare Group, Inc.) and (b) following the effective time, Kindred Healthcare, Inc. will pay cash and issue common stock to RehabCare Group, Inc. stockholders;
2. to elect the director nominees named in this joint proxy statement/prospectus;
3. to ratify the appointment of PricewaterhouseCoopers LLP as Kindred's independent registered public accounting firm for fiscal year 2011;
4. to hold an advisory vote on Kindred's executive compensation program;
5. to hold an advisory vote on the frequency of stockholder advisory votes on Kindred's executive compensation program;
6. to approve the Kindred 2011 Stock Incentive Plan;
7. to approve adjournments or postponements of the Kindred annual meeting, if necessary or appropriate, to permit further solicitation of proxies if there are not sufficient votes at the time of the Kindred annual meeting to adopt the merger agreement; and
8. to transact such other business as may properly come before the meeting.

Approval of the proposal to adopt the merger agreement by Kindred stockholders will also constitute approval of the issuance of Kindred common stock to RehabCare stockholders in the merger.

These items of business are described in the accompanying joint proxy statement/prospectus. Only stockholders of record at the close of business on April 26, 2011 are entitled to notice of the annual meeting and to vote at the Kindred annual meeting and any adjournments or postponements of the Kindred annual meeting.

The Kindred board of directors unanimously recommends that you vote (i) FOR the proposal to adopt the Agreement and Plan of Merger; (ii) FOR the election of each of the director nominees named in this joint proxy statement/prospectus; (iii) FOR the ratification of the appointment of PricewaterhouseCoopers LLP as Kindred's independent registered public accounting firm for fiscal year 2011; (iv) FOR the approval, on an advisory basis, of Kindred's executive compensation program; (v) FOR the approval, on an advisory basis, of an annual advisory vote to approve Kindred's executive compensation program; (vi) FOR the approval of the Kindred 2011 Stock Incentive Plan; and (vii) FOR any motion to adjourn or postpone the Kindred annual meeting to a later date or dates if necessary or appropriate to solicit additional proxies.

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In deciding to approve the merger agreement and the transactions contemplated by the merger agreement, including the merger, the Kindred board of directors considered a number of factors, including those listed beginning on page 42.

Your vote is very important. Whether or not you plan to attend the annual meeting in person, please complete, sign and date the enclosed proxy card(s) as soon as possible and return it in the postage-paid envelope provided, or vote your shares by telephone or over the internet as described in the accompanying joint proxy statement/prospectus. Submitting a proxy or voting by telephone or internet now will not prevent you from being able to vote at the annual meeting by attending in person and casting a vote. **However, if you do not return or submit your proxy or vote your shares by telephone or over the internet or vote in person at the Kindred annual meeting, the effect will be the same as a vote AGAINST the proposal to adopt the merger agreement.**

By order of the board of directors,

Joseph L. Landenwich

Senior Vice President, Corporate

Legal Affairs and Corporate Secretary

Please vote your shares promptly. You can find instructions for voting on the enclosed proxy card.

If you have questions, contact:

Kindred Healthcare, Inc.

680 South Fourth Street

Louisville, Kentucky 40202

(502) 596-7300

or

Georgeson Inc.

199 Water Street, 26th Floor

New York, New York 10038

(866) 767-8867

YOUR VOTE IS VERY IMPORTANT.

Please complete, date, sign and return your proxy card(s) or vote your shares by telephone or over the internet at your earliest convenience so that your shares are represented at the Kindred annual meeting.

Louisville, Kentucky, [], 2011

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REHABCARE GROUP, INC.

7733 Forsyth Boulevard

Suite 2300

St. Louis, Missouri 63105

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 26, 2011

Dear Stockholder:

The officers and directors of RehabCare Group, Inc. cordially invite you to attend the special meeting of stockholders to be held at the Pierre Laclede Center, Second Floor, 7733 Forsyth Boulevard, St. Louis, Missouri 63105, on May 26, 2011 at 9:00 a.m., local time, unless adjourned or postponed to a later date. The special meeting will be held for the following purposes:

1. to adopt the Agreement and Plan of Merger, dated as of February 7, 2011, among Kindred Healthcare, Inc., Kindred Healthcare Development, Inc. and RehabCare Group, Inc., pursuant to which (a) RehabCare Group, Inc. will merge with and into Kindred Healthcare, Inc. (or, if either party so elects, Kindred Healthcare Development, Inc. will merge with and into RehabCare Group, Inc.) and (b) following the effective time, Kindred Healthcare, Inc. will pay cash and issue common stock to RehabCare Group, Inc. stockholders;
2. to approve adjournments or postponements of the RehabCare special meeting, if necessary or appropriate, to permit further solicitation of proxies if there are not sufficient votes at the time of the RehabCare special meeting to adopt the merger agreement; and
3. to transact such other business as may properly come before the special meeting.

These items of business are described in the accompanying joint proxy statement/prospectus. Only stockholders of record at the close of business on April 26, 2011, are entitled to notice of the special meeting and to vote at the special meeting and any adjournments or postponements of the special meeting.

The RehabCare board of directors has unanimously approved and declared advisable the merger agreement and the transactions contemplated thereby, including the merger, and has unanimously determined that the merger agreement and the transactions contemplated thereby, including the merger, are fair to, and in the best interests of, RehabCare and RehabCare stockholders. The RehabCare board of directors unanimously recommends that you vote FOR the adoption of the merger agreement and FOR any motion to adjourn or postpone the RehabCare special meeting to a later date or dates if necessary or appropriate to solicit additional proxies.

In deciding to approve the merger agreement and the transactions contemplated by the merger agreement, including the merger, the RehabCare board of directors considered a number of factors, including those listed beginning on page 45. When you consider the recommendation of the RehabCare board of directors, you should be aware that some of our directors and officers have interests in the merger that may be different from, or in addition to, the interests of RehabCare stockholders generally.

RehabCare stockholders who do not vote in favor of the proposal to adopt the merger agreement will have the right to seek appraisal of the fair value of their shares of RehabCare common stock if they deliver a demand for appraisal before the vote is taken on the merger agreement and comply with all the requirements of Delaware

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law, which are summarized in the accompanying joint proxy statement/prospectus and reproduced in their entirety in Annex E to the joint proxy statement/prospectus.

Your vote is very important, regardless of the number of shares of RehabCare common stock you own. The merger cannot be completed unless the merger agreement is adopted by the affirmative vote of the holders of a majority of the outstanding shares of RehabCare common stock entitled to vote thereon. Whether or not you plan to attend the special meeting in person, please complete, sign and date the enclosed proxy card(s) as soon as possible and return it in the postage-prepaid envelope provided, or vote your shares by telephone or over the internet as described in the accompanying joint proxy statement/prospectus. Submitting a proxy or voting by telephone or internet now will not prevent you from being able to vote at the special meeting by attending in person and casting a vote. **However, if you do not return or submit your proxy or vote your shares by telephone or over the internet or vote in person at the RehabCare special meeting, the effect will be the same as a vote AGAINST the proposal to adopt the merger agreement.**

By order of the board of directors,

Patricia S. Williams Senior Vice President, General Counsel and Corporate Secretary

Please vote your shares promptly. You can find instructions for voting on the enclosed proxy card.

If you have questions, contact:

RehabCare Group, Inc.

7733 Forsyth Boulevard

Suite 2300

St. Louis, Missouri 63105

Attention: Corporate Secretary

(800) 677-1238

or

MacKenzie Partners, Inc.

105 Madison Avenue

New York, New York 10016

proxy@mackenziepartners.com

Call Collect: (212) 929-5500

or

Toll-Free: (800) 322-2885

YOUR VOTE IS VERY IMPORTANT.

Please complete, date, sign and return your proxy card(s) or vote your shares by telephone or over the internet at your earliest convenience so that your shares are represented at the RehabCare special meeting.

St. Louis, Missouri, [], 2011

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QUESTIONS AND ANSWERS ABOUT THE KINDRED ANNUAL MEETING, THE REHABCARE SPECIAL MEETING AND THE MERGER

The following questions and answers briefly address some commonly asked questions about the stockholder meetings and the merger. They may not include all the information that is important to you. Kindred and RehabCare urge you to read carefully this entire joint proxy statement/prospectus, including the annexes and the other documents to which we have referred you. We have included page references in certain parts of this section to direct you to a more detailed description of each topic presented elsewhere in this joint proxy statement/prospectus.

The Merger

Q: Why am I receiving this joint proxy statement/prospectus?

A: The boards of directors of each of Kindred Healthcare, Inc., which we refer to as Kindred, and RehabCare Group, Inc., which we refer to as RehabCare, have unanimously agreed to the merger of RehabCare with and into Kindred pursuant to the terms of a merger agreement that is described in this joint proxy statement/prospectus. Either of Kindred or RehabCare may, prior to the effective time of the merger agreement, which we refer to as the effective time, elect to change the method of the transaction by providing for a merger of Kindred Healthcare Development, Inc., a wholly owned subsidiary of Kindred that we refer to as merger subsidiary, with and into RehabCare, and RehabCare will continue as the surviving corporation and a wholly owned subsidiary of Kindred. A copy of the merger agreement is attached to this joint proxy statement/prospectus as Annex A. See The Merger Agreement The Merger; Closing beginning on page 94. In order to complete the transactions contemplated by the merger agreement, including the merger, Kindred stockholders and RehabCare stockholders must adopt the merger agreement and all other conditions to the merger set forth in the merger agreement must be satisfied (or waived, to the extent permitted). Kindred stockholders will vote on the adoption of the merger agreement at the Kindred annual meeting, and RehabCare stockholders will vote on the adoption of the merger agreement at the RehabCare special meeting. Approval of the proposal to adopt the merger agreement by Kindred stockholders will also constitute approval of the issuance of Kindred common stock to RehabCare stockholders in the merger.

This joint proxy statement/prospectus also serves as a proxy statement for the annual meeting of Kindred stockholders, who will vote on matters not related to the merger. See Kindred Annual Meeting beginning on page 5 and The Kindred Annual Meeting Purposes of the Kindred Annual Meeting on page 117.

This joint proxy statement/prospectus contains important information about the merger agreement, the transactions contemplated by the merger agreement, including the merger, and the respective stockholder meetings of Kindred and RehabCare, which you should read carefully and in its entirety. The enclosed proxy materials allow you to grant a proxy or vote your shares by telephone or internet without attending your respective company's stockholder meeting in person.

Your vote is very important. We encourage you to complete, date, sign and return your proxy card(s) or vote your shares by telephone or internet as soon as possible.

Q: What is the proposed transaction for which I am being asked to vote?

A: Kindred and RehabCare stockholders are being asked to adopt the merger agreement at each respective company's stockholder meeting. Approval of the proposal to adopt the merger agreement by the Kindred stockholders will also constitute approval of the issuance of Kindred common stock to RehabCare stockholders in the merger. A copy of the merger agreement is attached to this joint proxy statement/prospectus as Annex A. The approval of the proposal to adopt the merger agreement by Kindred stockholders and RehabCare stockholders is a condition to the obligation of the parties to the merger agreement to complete the merger. See The Merger Agreement Conditions to Completion of the Merger beginning on page 110 and Summary Conditions to Completion of the Merger beginning on page 15.

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Q: What will happen in the merger?

A: In the merger, RehabCare will merge with and into Kindred, which will be the surviving corporation of the merger. However, either of Kindred or RehabCare may, prior to the effective time, elect to change the method of the transaction by providing for a merger of merger subsidiary with and into RehabCare, and RehabCare will continue as the surviving corporation and a wholly owned subsidiary of Kindred.

Q: What will Kindred stockholders and RehabCare stockholders receive in the merger?

A: Each share of Kindred common stock outstanding immediately prior to the effective time will remain outstanding and will not be affected by merger.

Each share of RehabCare common stock, other than shares owned by Kindred or RehabCare or their respective wholly owned subsidiaries, or shares owned by stockholders who have properly exercised and perfected appraisal rights under Delaware law, will be converted into the right to receive 0.471 shares of Kindred common stock and \$26.00 in cash, without interest. Kindred will not issue any fractional shares as a result of the merger. Instead, Kindred will pay cash for fractional shares of its common stock that RehabCare stockholders would otherwise be entitled to receive. For example, if you own 100 shares of RehabCare common stock, you will receive in exchange for your shares of RehabCare common stock (i) \$2,600 in cash, (ii) 47 shares of Kindred common stock, and (iii) the value of one share of Kindred common stock as calculated pursuant to the merger agreement, multiplied by 0.1, less any applicable withholding taxes.

Q: How does the per share merger consideration to be received by RehabCare stockholders compare to the market price of RehabCare common stock prior to the announcement of the merger?

A: The per share merger consideration represents a premium of 38.1% over the closing price of \$25.47 per share of RehabCare common stock on the New York Stock Exchange, which we refer to as NYSE, on February 7, 2011, the last trading day prior to the public announcement of the merger agreement, a 42.3% premium over RehabCare's volume-weighted average daily closing price of \$24.73 during the 30 trading days ending February 7, 2011, and a 60.4% premium over RehabCare's volume-weighted average daily closing price of \$21.93 during the 90 trading days ending February 7, 2011 (each based upon the closing price of \$19.48 per share of Kindred common stock on the NYSE on February 7, 2011).

Q: Why are Kindred and RehabCare proposing the merger?

A: The boards of directors of each of Kindred and RehabCare believe that the merger will provide strategic and financial benefits to the stockholders of both companies. The transaction will create the largest publicly traded post-acute healthcare services company in the United States with over \$6 billion in annual revenues and operations in 46 states. The transaction also will allow RehabCare stockholders to receive a significant cash payment, in addition to a continuing interest in the combined company. To review the reasons for the merger in greater detail, see The Merger Kindred's Reasons for the Merger and Recommendation of Kindred's Board of Directors beginning on page 42 and The Merger RehabCare's Reasons for the Merger and Recommendation of RehabCare's Board of Directors beginning on page 45.

Q: What are the positions of the Kindred board of directors and the RehabCare board of directors regarding the merger and the proposals relating to the adoption of the merger agreement?

A: Both boards of directors have unanimously approved and declared advisable the merger agreement and the transactions contemplated thereby, including the merger, and have unanimously determined that the merger agreement and the transactions contemplated thereby, including the merger, are fair to, and in the best interests of, their respective companies and stockholders. The Kindred board of directors

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unanimously recommends that Kindred stockholders vote **FOR** the proposal to adopt the merger agreement at the Kindred annual meeting. The RehabCare board of directors unanimously recommends that RehabCare stockholders vote **FOR** the proposal to adopt the merger agreement at the RehabCare special meeting. See The Merger Kindred s Reasons for the Merger and Recommendation of Kindred s Board of Directors

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beginning on page 42, The Merger RehabCare s Reasons for the Merger and Recommendation of RehabCare s Board of Directors beginning on page 45, Summary The Merger Kindred s Reasons for the Merger on page 11 and Summary The Merger RehabCare s Reasons for the Merger on page 11.

Q: What vote is needed by Kindred stockholders to adopt the merger agreement?

A: Kindred s adoption of the merger agreement requires the affirmative vote of a majority of the outstanding shares of Kindred common stock entitled to vote. If you are a Kindred stockholder and you fail to vote or abstain from voting, that will have the same effect as a vote **AGAINST** the adoption of the merger agreement. See The Kindred Annual Meeting Quorum and Vote Required beginning on page 117.

Q: What vote is needed by RehabCare stockholders to adopt the merger agreement?

A: RehabCare s adoption of the merger agreement requires the affirmative vote of a majority of the outstanding shares of RehabCare common stock entitled to vote. If you are a RehabCare stockholder and you fail to vote or abstain from voting, that will have the same effect as a vote **AGAINST** the adoption of the merger agreement. See The RehabCare Special Meeting Quorum and Vote Required on page 197.

Q: Who will be the directors and officers of Kindred after the merger?

A: The board of directors of Kindred will be comprised of the members elected during the Kindred annual meeting as described in more detail under The Kindred Annual Meeting Purposes of the Kindred Annual Meeting on page 117. Additionally, at or prior to the effective time, Kindred will appoint two current members of the RehabCare board of directors to serve as additional members of the Kindred board of directors, such service to be effective immediately following the effective time. Kindred anticipates that one of the two current members of the RehabCare board of directors to join the Kindred board of directors will be Dr. John Short, President and Chief Executive Officer of RehabCare, who is expected to be invited to join as non-executive vice chairman. It is anticipated that the executive officers of Kindred following the merger will be as set forth in The Merger Board of Directors and Management of Kindred Following the Merger on page 83.

Q: Do RehabCare stockholders have appraisal rights?

A: Yes. Under the Delaware General Corporation Law, which we refer to as the DGCL, holders of RehabCare common stock who do not vote for the adoption of the merger agreement have the right to seek appraisal of the fair value of their shares as determined by the Delaware Court of Chancery, which we refer to as the Court of Chancery, if the merger is completed, but only if they comply with all requirements of Delaware law, which are summarized in this joint proxy statement/prospectus. See The Merger RehabCare Stockholders Rights of Appraisal beginning on page 86 and Summary Appraisal Rights on page 15. Please see Annex E for the text of the applicable provisions of the DGCL as in effect with respect to this transaction.

Q: What happens if I sell or transfer my shares of RehabCare common stock after the record date but before the special meeting?

A: The record date for RehabCare stockholders entitled to vote at the RehabCare special meeting is earlier than both the date of the RehabCare special meeting and the consummation of the merger. If you sell or transfer your shares of RehabCare common stock after the record date but before the special meeting, you will, unless other arrangements are made (such as provision of a proxy), retain your right to vote at the special meeting but will transfer the right to receive the merger consideration to the person to whom you sell or transfer your shares.

Q: What are the federal income tax consequences of the merger to RehabCare stockholders?

A: In general, the exchange of shares of RehabCare common stock for cash and Kindred common stock pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes. See Material

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United States Federal Income Tax Consequences beginning on page 90 for more information. We urge RehabCare stockholders to consult a tax advisor about the tax consequences of the exchange of the shares of RehabCare common stock for cash pursuant to the merger in light of the particular circumstances of each RehabCare stockholder.

Q: When do you expect to complete the merger?

A: If the merger agreement is adopted at the Kindred annual meeting and at the RehabCare special meeting, we expect to complete the merger as soon as possible after the satisfaction of the other conditions to the merger. The closing of the merger, which we refer to as the closing, will occur at a date and time agreed to by the parties, but no later than the third business day following the date on which all of the conditions to the merger, other than conditions that, by their nature are to be satisfied at the closing (but subject to satisfaction, or, to the extent permissible, waiver of those conditions at closing) have been satisfied or, to the extent permissible, waived, unless the parties agree on another time. Kindred and RehabCare expect that the transaction will be completed on or about June 30, 2011. However, we cannot assure you that such timing will occur or that the merger will be completed as expected. See The Merger Agreement The Merger; Closing beginning on page 94 .

Q: What happens if the merger is not consummated?

A: If the merger agreement is not adopted by Kindred or RehabCare stockholders or if the merger is not consummated for any other reason, RehabCare stockholders will not receive any payment for their shares in connection with the merger. Instead, RehabCare will remain an independent public company and RehabCare common stock will continue to be listed and traded on the NYSE.

Under specified circumstances, RehabCare may be required to pay to Kindred, or may be entitled to receive from Kindred, a fee with respect to the termination of the merger agreement, as described under The Merger Agreement Termination Fees and Expenses beginning on page 114.

Q: Should I send in my stock certificates now?

A: **NO, PLEASE DO NOT SEND YOUR STOCK CERTIFICATE(S) WITH YOUR PROXY CARD(S).** If the merger is completed, RehabCare stockholders will be sent written instructions for sending in their stock certificates or, in the case of book-entry shares, for surrendering their book-entry shares. See The RehabCare Special Meeting Proxy Solicitations and Expenses on page 200, and The Merger Agreement Exchange of Shares beginning on page 96.

Kindred stockholders will not need to send in their share certificates or surrender their book-entry shares.

Q: Who can answer my questions about the merger?

A: If you have any questions about the merger or your stockholder meeting, need assistance in voting your shares, or need additional copies of this joint proxy statement/prospectus or the enclosed proxy card(s), you should contact:

Kindred stockholders

Georgeson Inc.

199 Water Street, 26th Floor

New York, New York 10038

Banks and Brokers call collect: (212) 440-9800

All others call toll-free: (866) 767-8867

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RehabCare stockholders

MacKenzie Partners, Inc.

105 Madison Avenue

New York, New York 10016

Call collect: (212) 929-5500 or toll-free: (800) 322-2885

Kindred Annual Meeting

Q: In addition to the vote on the proposal to adopt the merger agreement what matters will be voted on at the Kindred annual meeting?

A: In addition to the proposal to adopt the merger agreement described above, Kindred stockholders will be asked to vote on the following proposals:

the election of each of the director nominees named in this joint proxy statement/prospectus;

the ratification of the appointment of PricewaterhouseCoopers LLP as Kindred's independent registered public accounting firm for fiscal year 2011;

an advisory vote on Kindred's executive compensation program;

an advisory vote on the frequency of advisory votes on Kindred's executive compensation program;

the approval of the Kindred 2011 Stock Incentive Plan; and

approval of adjournments or postponements of the Kindred annual meeting, if necessary or appropriate, to permit further solicitation of proxies if there are not sufficient votes at the time of the Kindred annual meeting to adopt the merger agreement.

See The Kindred Annual Meeting Purposes of the Kindred Annual Meeting on page 117.

Procedures

Q: When and where are the stockholder meetings?

A: The Kindred annual meeting will be held at the offices of Kindred Healthcare, Inc., located at 680 South Fourth Street, Louisville, Kentucky 40202, at 10:00 a.m., local time, on May 26, 2011.

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The RehabCare special meeting will be held at the Pierre Laclede Center, Second Floor, 7733 Forsyth Boulevard, St. Louis, Missouri 63105, at 9:00 a.m., local time, on May 26, 2011.

Q: Who is eligible to vote at the Kindred annual meeting and the RehabCare special meeting?

A: Owners of Kindred common stock are eligible to vote at the Kindred annual meeting if they were stockholders of record at the close of business on April 26, 2011. See The Kindred Annual Meeting Record Date; Outstanding Shares; Shares Entitled to Vote on page 117. Owners of RehabCare common stock are eligible to vote at the RehabCare special meeting if they were stockholders of record at the close of business on April 26, 2011. See The RehabCare Special Meeting Record Date; Outstanding Shares; Shares Entitled to Vote on page 196.

Q: What is a proxy?

A: A proxy is a stockholder's legal designation of another person, referred to as a proxy, to vote shares of such stockholder's common stock at a stockholders' meeting. The document used to designate a proxy to vote your shares of Kindred or RehabCare common stock is called a proxy card.

Q: What should I do now?

A: You should read this joint proxy statement/prospectus carefully, including the annexes, and return your completed, signed and dated proxy card(s) by mail in the enclosed postage-paid envelope or submit your

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voting instructions by telephone or over the internet as soon as possible so that your shares will be represented and voted at your stockholders' meeting. A number of banks and brokerage firms participate in a program that also permits stockholders whose shares are held in "street name" to direct their vote by telephone or over the internet. This option, if available, will be reflected in the voting instructions from the bank or brokerage firm that accompany this joint proxy statement/prospectus. If your shares are held in an account at a bank or brokerage firm that participates in such a program, you may direct the vote of these shares by telephone or over the internet by following the voting instructions enclosed with the proxy form from the bank or brokerage firm. See "The Kindred Annual Meeting - How to Vote" beginning on page 131 and "The RehabCare Special Meeting - How to Vote" beginning on page 198.

Q: May I attend the stockholder meetings?

A: All Kindred stockholders of record as of the close of business on April 26, 2011, the record date for the Kindred annual meeting, may attend the Kindred annual meeting. All RehabCare stockholders of record as of the close of business on April 26, 2011, the record date for the RehabCare special meeting, may attend the RehabCare special meeting. If your shares are held in "street name" by your broker, bank or other nominee, and you plan to attend the Kindred annual meeting or the RehabCare special meeting, you must present proof of your ownership of Kindred or RehabCare common stock, as applicable, such as a bank or brokerage account statement, to be admitted to the meeting. You also must present at the meeting a proxy issued to you by the holder of record of your shares.

Q: If I am going to attend my stockholder meeting, should I return my proxy card(s)?

A: Yes. Returning your completed, signed and dated proxy card(s) or voting by telephone or over the internet ensures that your shares will be represented and voted at your stockholder meeting. See "The Kindred Annual Meeting - How to Vote" beginning on page 131, and "The RehabCare Special Meeting - How to Vote" beginning on page 198.

Q: How will my proxy be voted?

A: If you complete, sign and date your proxy card(s) or vote by telephone or over the internet, your shares will be voted in accordance with your instructions. If you sign and date your proxy card(s) but do not indicate how you want to vote at your stockholder meeting:

for Kindred stockholders, your shares will be voted **FOR** the adoption of the merger agreement; **FOR** the election of the director nominees named in this joint proxy statement/prospectus; **FOR** the approval of Kindred's executive compensation program; **FOR** an annual advisory vote to approve Kindred's executive compensation program; **FOR** the adoption of the Kindred 2011 Stock Incentive Plan; **FOR** the proposal to approve adjournments or postponements of the Kindred annual meeting, if necessary or appropriate, to permit further solicitation of proxies if there are not sufficient votes at the time of the Kindred annual meeting to adopt the merger agreement; and **FOR** each of the other proposals described in this joint proxy statement/prospectus to be presented at the Kindred annual meeting; and

for RehabCare stockholders, your shares will be voted **FOR** the adoption of the merger agreement and **FOR** the proposal to approve adjournments or postponements of the RehabCare special meeting, if necessary or appropriate, to permit further solicitation of proxies if there are not sufficient votes at the time of the RehabCare special meeting to adopt the merger agreement.

Q: What if my broker holds my shares in "street name"?

A:

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If a broker holds your shares for your benefit but not in your own name, your shares are in street name. A number of banks and brokerage firms participate in a program that also permits stockholders whose shares are held in street name to direct their vote by telephone or over the internet. If your shares are held in an account at a bank or brokerage firm that participates in such a program, you may direct the vote of these shares by telephone or over the internet by following the voting instructions enclosed with the proxy form from the bank or brokerage firm. The internet and telephone proxy procedures are designed to authenticate stockholders' identities, to allow stockholders to give their proxy voting instructions and to confirm that

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those instructions have been properly recorded. Please follow the instructions from your bank or brokerage firm to vote your shares. Directing the voting of your shares will not affect your right to vote in person if you decide to attend your stockholder meeting. If your shares are held in *street name* by your broker, bank or other nominee, and you plan to attend the Kindred annual meeting or the RehabCare special meeting, you must present proof of your ownership of Kindred or RehabCare common stock, as applicable, such as a bank or brokerage account statement, to be admitted to the meeting. In addition, you must first obtain a signed and properly executed legal proxy from your bank, broker or other nominee to vote your shares held in *street name* at your stockholder meeting. Requesting a legal proxy prior to the deadline described above will automatically cancel any voting directions you have previously given by telephone or over the internet with respect to your shares.

Q. Can I change my vote after I mail my proxy card(s) or vote by telephone or over the internet?

A: Yes. If you are a stockholder of record (that is, you hold your shares in your own name), you can change your vote by:

sending a written notice to the corporate secretary of the company in which you hold shares, bearing a date later than the date of the proxy, that is received prior to your stockholder meeting and states that you revoke your proxy;

voting again by telephone or over the internet by 11:59 p.m., Eastern Daylight Time, on May 25, 2011;

signing, dating and delivering a new valid proxy card(s) bearing a later date that is received prior to your stockholder meeting; or

attending your stockholder meeting and voting in person, although your attendance alone will not revoke your proxy.

If your shares of Kindred common stock or RehabCare common stock are held in *street name* by your broker, you will need to follow the instructions you receive from your broker to revoke or change your proxy.

Q: What if I don't provide my broker with instructions on how to vote?

A: Generally, a broker may vote the shares that it holds for you only in accordance with your instructions. However, if your broker has not received your instructions, your broker has the discretion to vote on certain matters that are considered routine. A *broker non-vote* occurs if your broker cannot vote on a particular matter because your broker has not received instructions from you and because the proposal is not routine.

Kindred stockholders

If you wish to vote on the proposal to adopt the merger agreement, or any of the other proposals listed in the notice of Kindred's annual meeting, other than the ratification of the appointment of PricewaterhouseCoopers LLP as Kindred's independent registered public accounting firm, you must provide instructions to your broker because these proposals are not routine. If you do not provide your broker with instructions, your broker will not be authorized to vote with respect to adopting the merger agreement or the other non-routine proposals, and a broker non-vote will occur. This will have the same effect as a vote **AGAINST** the adoption of the merger agreement. A broker non-vote will have no effect on the other non-routine proposals. Broker non-votes will be counted for purposes of determining whether a quorum is present at the Kindred annual meeting.

RehabCare stockholders

If you wish to vote on the proposal to adopt the merger agreement, you must provide instructions to your broker because this proposal is not routine. If you do not provide your broker with instructions, your broker will not be authorized to vote with respect to the adoption of the merger agreement, and a broker non-vote

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will occur. This will have the same effect as a vote **AGAINST** the adoption of the merger agreement. A broker non-vote will have no effect on the adjournment or postponement proposal. Broker non-votes will be counted for purposes of determining whether a quorum is present at the RehabCare special meeting.

Q: What if I abstain from voting?

A: Your abstention from voting will have the following effect:

Kindred stockholders

Abstentions will be counted in determining whether a quorum is present at the Kindred annual meeting. If you abstain from voting with respect to the proposal to adopt the merger agreement, it will have the same effect as a vote **AGAINST** the adoption of the merger agreement. With respect to the other proposals listed in the notice of Kindred's annual meeting, abstentions will have the same effect as a vote **AGAINST** these proposals, except with respect to the proposal regarding the advisory vote on the frequency of advisory votes on Kindred's executive compensation program, for which your abstention will have no effect.

RehabCare stockholders

Abstentions will be counted in determining whether a quorum is present at the RehabCare special meeting. If you abstain from voting with respect to the proposal to adopt the merger agreement, it will have the same effect as a vote **AGAINST** the proposal to adopt the merger agreement. With respect to the proposal to adjourn or postpone the RehabCare special meeting, if necessary or appropriate, to solicit further proxies in connection with the merger agreement adoption proposal, abstentions will have the same effect as a vote **AGAINST** the proposal to adjourn or postpone the RehabCare special meeting.

Q: What does it mean if I receive multiple proxy cards?

A: Your shares may be registered in more than one account, such as brokerage accounts and 401(k) accounts. It is important that you complete, sign, date and return each proxy card or voting instruction form you receive or vote using the telephone or over the internet as described in the instructions included with your proxy card(s) or voting instruction form(s).

Q: Where can I find more information about Kindred and RehabCare?

A: You can find more information about Kindred and RehabCare from various sources described under "Where You Can Find More Information" beginning on page 225.

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SUMMARY

This summary highlights material information from this joint proxy statement/prospectus. It may not contain all of the information that is important to you. You should read carefully this entire joint proxy statement/prospectus and the other documents to which this joint proxy statement/prospectus refers to understand fully the merger and the related transactions. See **Where You Can Find More Information** beginning on page 225. Most items in this summary include a page reference directing you to a more complete description of those items.

Information About Kindred (beginning on page 202)

Kindred is a healthcare services company that through its subsidiaries operates hospitals, nursing and rehabilitation centers, assisted living facilities and a contract rehabilitation services business across the United States. As of December 31, 2010, Kindred's hospital division operated 89 long-term acute care (which we refer to as LTAC) hospitals (6,887 licensed beds) in 24 states and Kindred's nursing center division operated 226 nursing and rehabilitation centers and seven assisted living facilities (27,905 licensed beds) in 28 states. Kindred also operated a contract rehabilitation services business that provides rehabilitative services primarily in long-term care settings.

Kindred is headquartered in Louisville, Kentucky and was incorporated in 1998. Kindred's principal offices are located at 680 South Fourth Street, Louisville, Kentucky 40202 and its telephone number is (502) 596-7300. Kindred's website is www.kindredhealthcare.com. Kindred common stock is listed on the NYSE and trades under the symbol KND. Additional information about Kindred is included in documents incorporated by reference into this joint proxy statement/prospectus. See the section entitled **Where You Can Find More Information** beginning on page 225.

Information About RehabCare (page 204)

RehabCare is a leading provider of rehabilitation program management services in more than 1,250 hospitals, skilled nursing facilities, outpatient facilities and other long-term care facilities located in 42 states and Puerto Rico. RehabCare also owns and operates 29 LTAC hospitals and five rehabilitation hospitals. These hospitals provide total medical care to patients with medically complex diagnoses and to patients in need of rehabilitation.

RehabCare is headquartered in St. Louis, Missouri and was incorporated in 1982. RehabCare's principal offices are located at 7733 Forsyth Boulevard, Suite 2300, St. Louis, Missouri 63105 and its telephone number is (800) 677-1238. RehabCare's website is www.rehabcare.com. RehabCare common stock is listed on the NYSE and trades under the symbol RHB. Additional information about RehabCare is included in documents incorporated by reference into this joint proxy statement/prospectus. See the section entitled **Where You Can Find More Information** beginning on page 225.

Information About Merger Subsidiary (page 205)

Kindred Healthcare Development, Inc., a wholly owned indirect subsidiary of Kindred, is a Delaware corporation formed on January 31, 2011 for the purpose of effecting the merger in case either party elects to change the method of effecting the transaction by providing for a merger of merger subsidiary with and into RehabCare, which we refer to as the subsidiary merger election. If either party makes the subsidiary merger election, then merger subsidiary will merge with and into RehabCare at the effective time with RehabCare continuing as the surviving corporation and a wholly owned subsidiary of Kindred.

The Merger (beginning on page 35)

Upon the terms and subject to the conditions of the merger agreement, and in accordance with Delaware law, at the effective time, RehabCare will merge with and into Kindred. The separate corporate existence of

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RehabCare will cease and Kindred will continue as the surviving corporation after the merger. However, the merger agreement provides that either Kindred or RehabCare may make the subsidiary merger election to effect the merger by providing for merger subsidiary to merge with and into RehabCare with RehabCare continuing as the surviving corporation. We refer to the surviving corporation in this joint proxy statement/prospectus as Kindred, or in the case of a subsidiary merger election, the surviving corporation.

We encourage you to read the merger agreement, which governs the merger and is attached as Annex A to this joint proxy statement/prospectus, because it sets forth the terms of the merger.

Merger Consideration (page 75)

Kindred Stockholders. Each share of Kindred common stock outstanding immediately prior to the effective time will remain outstanding and will not be altered by the merger.

RehabCare Stockholders. At the effective time, each share of RehabCare common stock outstanding immediately prior to the effective time will be converted into the right to receive 0.471 shares of Kindred common stock (which we refer to as the exchange ratio) and \$26.00 in cash, without interest (collectively, we refer to this as the merger consideration).

No fractional shares of Kindred common stock will be issued in the merger. Instead, holders of RehabCare common stock who would otherwise be entitled to receive a fractional share of Kindred common stock will receive an amount in cash (rounded up to the nearest whole cent and without interest) determined by multiplying the fractional share interest by the volume-weighted average price (rounded to the nearest one-tenth of a cent) of one share of Kindred common stock on the NYSE for the five trading days immediately prior to the closing date of the merger.

The exchange ratio is a fixed ratio. Therefore, the number of shares of Kindred common stock to be received by holders of RehabCare common stock as a result of the merger will not change between now and the time the merger is completed to reflect changes to the trading price of Kindred common stock.

Ownership of Kindred After the Merger. Upon completion of the merger, former RehabCare stockholders will own approximately 23% of Kindred's outstanding common stock, based upon the number of shares of Kindred and RehabCare common stock issued and outstanding as of February 7, 2011.

Effect of the Merger on RehabCare's Equity Awards (beginning on page 97)

Upon completion of the merger, each outstanding option to purchase RehabCare common stock will be canceled in exchange for the right to receive an amount of cash equal to \$26.00 plus the value of the stock portion of the merger consideration for a share of RehabCare common stock, less the exercise price of the option. Any options with an exercise price greater than the value of the merger consideration will be canceled without consideration as of the effective time.

Each RehabCare restricted share that is outstanding immediately prior to the merger and is subject solely to time-based vesting will fully vest and the holder will be entitled to receive the merger consideration for each such restricted share. With respect to RehabCare restricted shares that are outstanding immediately prior to the merger and are subject to performance-based vesting, the number of restricted shares that would vest upon attainment of target performance will vest and the holder will be entitled to receive the merger consideration for those vested shares. Any RehabCare restricted shares that do not vest as of the effective time will be canceled without consideration as of the effective time.

Participants in the RehabCare Employee Stock Purchase Plan, or ESPP, will be entitled to receive the merger consideration for shares of RehabCare common stock purchased through the ESPP prior to the effective time. No new offering periods under the ESPP will commence after the date of the merger agreement.

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Financing Relating to the Merger (beginning on page 85)

Funds needed to complete the merger include funds to:

pay RehabCare stockholders (and holders of RehabCare's equity-based interests and any payable cash awards) amounts due to them under the merger agreement, which based upon the shares (and RehabCare's other equity-based interests) outstanding as of February 7, 2011 would total approximately \$653 million;

refinance RehabCare's and Kindred's outstanding indebtedness, which, as of March 31, 2011, was approximately \$719 million; and

pay fees and expenses related to the merger and the debt financing, will be funded through a combination of:

receipts from the debt financing in an aggregate principal amount of approximately \$1.600 billion; and

existing cash balances of Kindred and RehabCare.

Kindred's obligation to consummate the merger is subject to receipt of the proceeds from the debt financing on the terms and conditions set forth in the debt commitment letter from J.P. Morgan Securities LLC, which we refer to as JPMorgan, JPMorgan Chase Bank, N.A., which we refer to as JPMorgan Chase Bank, Citigroup Global Markets Inc., which we refer to as CGMI, and, together with Citibank, N.A., Citicorp North America, Inc. and/or any of their affiliates, which we refer to as Citi, and Morgan Stanley Senior Funding, Inc., which we refer to as MSSF, and collectively, the debt commitment parties. The financing commitments are in an aggregate amount of \$1.900 billion and are subject to certain conditions, as further described under The Merger Financing Relating to Merger beginning on page 85. Kindred has agreed under the merger agreement to use its reasonable best efforts to obtain the financing and RehabCare has agreed under the merger agreement to cooperate with Kindred's efforts to secure the financing.

Kindred's Reasons for the Merger (beginning on page 42)

In evaluating the merger, the Kindred board of directors consulted with Kindred's management, as well as Kindred's legal and financial advisors and, in reaching its decision to approve the merger agreement and the transactions contemplated thereby and to recommend that Kindred stockholders adopt the merger agreement, the Kindred board of directors considered a number of factors, including those listed in The Merger Kindred's Reasons for the Merger and Recommendation of Kindred's Board of Directors beginning on page 42.

RehabCare's Reasons for the Merger (beginning on page 45)

In evaluating the merger, the RehabCare board of directors consulted with RehabCare's management, as well as RehabCare's legal and financial advisors and, in reaching its decision to approve the merger agreement and the transactions contemplated thereby and to recommend that RehabCare stockholders adopt the merger agreement, the RehabCare board of directors considered a number of factors, including those listed in The Merger RehabCare's Reasons for the Merger and Recommendation of RehabCare's Board of Directors beginning on page 45.

Recommendations of the Boards of Directors to Kindred Stockholders and RehabCare Stockholders (beginning on page 42 for Kindred Stockholders and page 45 for RehabCare Stockholders)

Kindred Stockholders. The Kindred board of directors has unanimously determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are advisable and

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fair to, and in the best interests of, Kindred and its stockholders and has unanimously approved the merger agreement and the transactions contemplated by the merger agreement, including the merger. The Kindred board of directors has resolved to recommend that Kindred stockholders vote **FOR** the adoption of the merger agreement. Approval of the adoption of the merger agreement by Kindred stockholders will also constitute approval of the issuance of Kindred common stock to RehabCare stockholders in the merger. The Kindred board of directors also has resolved to recommend that Kindred stockholders vote on the other proposals to be discussed at the Kindred annual meeting in the manner indicated below in *The Kindred Annual Meeting* *Purposes of the Kindred Annual Meeting* on page 117.

RehabCare Stockholders. The RehabCare board of directors has unanimously determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are advisable and fair to, and in the best interests of, RehabCare and its stockholders and has unanimously approved the merger agreement and the transactions contemplated by the merger agreement, including the merger. The RehabCare board of directors has resolved to recommend that RehabCare stockholders vote **FOR** the adoption of the merger agreement.

Opinions of Financial Advisors (beginning on page 49 for Kindred's financial advisor and page 55 for RehabCare's financial advisors)

Opinion of Kindred's Financial Advisor

Morgan Stanley & Co. Incorporated, which we refer to as *Morgan Stanley*, was retained by the Kindred board of directors to provide it with financial advisory services and a financial opinion in connection with the proposed transaction. The Kindred board of directors selected Morgan Stanley to act as its financial advisor based upon Morgan Stanley's qualifications, expertise and reputation and its knowledge of the business and affairs of Kindred. On February 6, 2011, Morgan Stanley rendered its oral opinion to the Kindred board of directors, subsequently confirmed in writing, that, as of February 7, 2011, and based upon and subject to the assumptions made, matters considered and qualifications and limitations on the scope of review undertaken by Morgan Stanley as set forth in its opinion, the merger consideration to be paid by Kindred pursuant to the merger agreement was fair from a financial point of view to Kindred.

The full text of Morgan Stanley's written opinion, dated February 7, 2011, is attached as Annex D to this joint proxy statement/prospectus. You should read the opinion in its entirety for a discussion of the assumptions made, procedures followed, factors considered and limitations upon the review undertaken by Morgan Stanley in rendering the opinion. This summary is qualified in its entirety by reference to the full text of such opinion. Morgan Stanley's opinion is directed to the Kindred board of directors and addresses only the fairness from a financial point of view of the merger consideration pursuant to the merger agreement to Kindred as of the date of the opinion. It does not address any other aspects of the merger and does not constitute a recommendation to any stockholder of Kindred or RehabCare on how to vote at any stockholders' meeting related to the merger or take any other action with respect to the proposed transaction. See *The Merger* *Opinion of Kindred's Financial Advisor* beginning on page 49.

Opinions of RehabCare's Financial Advisors

Opinion of CGMI. In connection with the merger, RehabCare retained CGMI to render an opinion to the RehabCare board of directors as to the fairness, from a financial point of view, of the merger consideration to be received in the merger by holders of RehabCare common stock. On February 7, 2011, at a meeting of the RehabCare board of directors, CGMI rendered to the RehabCare board of directors an oral opinion, which was confirmed by delivery of a written opinion dated February 7, 2011, to the effect that, as of that date and based upon and subject to the factors, assumptions and limitations described in its opinion, the merger consideration was fair, from a financial point of view, to the holders of RehabCare common stock (other than shares of RehabCare common stock owned by RehabCare, Kindred or their wholly owned subsidiaries, or as to which dissenters' rights are perfected).

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The full text of CGMI's written opinion, which is attached to this joint proxy statement/prospectus as Annex B, sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken. The summary of CGMI's opinion in this joint proxy statement/prospectus is qualified in its entirety by reference to the full text of its written opinion. CGMI's opinion was provided to the RehabCare board of directors in connection with its evaluation of the merger consideration from a financial point of view. CGMI's opinion does not address any other aspects or implications of the merger and does not constitute a recommendation to any stockholder as to how such stockholder should vote or act on any matters relating to the proposed merger. CGMI's opinion does not address the underlying business decision of RehabCare to effect the merger, the relative merits of the merger as compared to any alternative business strategies that might exist for RehabCare or the effect of any other transaction in which RehabCare may engage. See *The Merger Opinion of RehabCare's Financial Advisor CGMI* beginning on page 55.

Opinion of RBC. On February 7, 2011, RBC Capital Markets, LLC (which we refer to as *RBC*) delivered its oral opinion, subsequently confirmed in writing, to the RehabCare board of directors to the effect that, as of such date, based upon and subject to the factors and assumptions made, matters considered and limits of the review undertaken by RBC set forth therein, the merger consideration was fair from a financial point of view to the holders of RehabCare common stock. The full text of RBC's written opinion, dated February 7, 2011, which, among other things, sets forth the assumptions made, procedures followed, matters considered, and limitations of the review undertaken by RBC in connection with the opinion, is attached as Annex C. RBC provided its opinion for the information and assistance of the RehabCare board of directors in connection with its consideration of the merger. All advice and opinions (written and oral) rendered by RBC were intended for the use and benefit of the RehabCare board of directors. The RBC opinion was not a recommendation to any stockholder as to how such stockholder should vote with respect to the merger. RehabCare stockholders are urged to read the RBC opinion in its entirety. See *The Merger Opinion of RehabCare's Financial Advisor RBC* beginning on page 62.

Record Date; Outstanding Shares; Shares Entitled to Vote (page 117 for Kindred and page 196 for RehabCare)

Kindred Stockholders. The record date for the Kindred annual meeting is April 26, 2011. This means that you must be a stockholder of record of Kindred common stock at the close of business on April 26, 2011, in order to vote at the Kindred annual meeting. You are entitled to one vote for each share of Kindred common stock you own. At the close of business on [], 2011, there were [] shares of Kindred common stock outstanding and entitled to vote at the Kindred annual meeting.

RehabCare Stockholders. The record date for the special meeting of RehabCare stockholders is April 26, 2011. This means that you must be a stockholder of record of RehabCare common stock at the close of business on April 26, 2011 in order to vote at the RehabCare special meeting. You are entitled to one vote for each share of RehabCare common stock you own. At the close of business on [], there were [] shares of RehabCare common stock outstanding and entitled to vote at the RehabCare special meeting. A majority of the shares of RehabCare common stock outstanding at the close of business on the record date and entitled to vote, present in person or represented by proxy, at the special meeting constitutes a quorum for purposes of the special meeting.

Vote Required (beginning on page 117 for Kindred and page 197 for RehabCare)

Kindred. Approval of the proposal to adopt the merger agreement requires the affirmative vote of at least a majority of the outstanding shares of Kindred common stock entitled to vote at the annual meeting. With respect to the election of directors, each director-nominee will be elected if the votes cast **FOR** such director-nominee's election exceed the votes cast **AGAINST** such nominee's election. With respect to the advisory vote on the frequency of stockholder advisory votes on executive compensation, the choice receiving the most **FOR** votes will be the frequency that has been selected by stockholders. Approval of all of the other proposals at the Kindred annual meeting requires the affirmative vote of a majority of the shares of Kindred common stock present in person or represented by proxy and entitled to vote at the Kindred annual meeting.

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RehabCare. Approval of the proposal to adopt the merger agreement requires the affirmative vote of at least a majority of the outstanding shares of RehabCare common stock entitled to vote at the special meeting. Approval of the proposal to adjourn or postpone the special meeting requires the affirmative vote of the majority of stockholders present, in person or by proxy, and entitled to vote at the special meeting, whether or not a quorum is present.

Stock Ownership of Directors and Executive Officers (page 75 for Kindred and page 75 for RehabCare)

Kindred. At the close of business on [], 2011, the directors and executive officers of Kindred beneficially owned and were entitled to vote [] shares of Kindred common stock, collectively representing approximately []% of the shares of Kindred common stock outstanding on that date.

RehabCare. At the close of business on [], 2011, the directors and executive officers of RehabCare beneficially owned and were entitled to vote [] shares of RehabCare common stock, collectively representing approximately []% of the shares of RehabCare common stock outstanding on that date.

Interests of RehabCare Directors and Executive Officers in the Merger (beginning on page 76)

In considering the recommendation of RehabCare board of directors, you should be aware that RehabCare directors and executive officers may have financial interests in the merger that are in addition to or different from their interests as stockholders and the interests of RehabCare stockholders generally and may present actual or potential conflicts of interest. RehabCare's board of directors was aware of these interests and considered them, among other matters, in unanimously approving the merger agreement and the transactions contemplated thereby. You should consider these and other interests of RehabCare directors and executive officers that are described in this joint proxy statement/prospectus.

Such interests of RehabCare directors and executive officers include:

the accelerated vesting of restricted shares held by RehabCare directors and executive officers;

the cash payment for stock options held by RehabCare directors and executive officers;

the payment of severance benefits pursuant to agreements with RehabCare executive officers in connection with certain qualifying terminations of employment that may occur following the merger;

the accelerated vesting and payment of long-term and annual cash awards issued to RehabCare executive officers in accordance with the terms of the applicable plans pursuant to which such awards were granted;

the appointment of two current members of the RehabCare board of directors to serve as additional members of the Kindred board of directors, such service to be effective as of immediately following the effective time (Kindred anticipates that one of the two current members of the RehabCare board of directors to join the Kindred board of directors will be Dr. John Short, President and Chief Executive Officer of RehabCare, who is expected to be invited to join as non-executive vice chairman);

the appointment of three current executive officers of RehabCare to serve as officers of Kindred, such service to be effective as of immediately following the time of the merger and to be subject to the terms of new employment agreements; and

the right to continued indemnification and insurance coverage by Kindred for acts or omissions occurring prior to the merger.

Board of Directors and Management of Kindred Following the Merger (page 83)

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At the effective time, the directors and officers of Kindred shall continue as the directors and officers of Kindred, respectively. The merger agreement provides that at or prior to the effective time, Kindred will appoint

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two current members of the RehabCare board of directors to serve as additional members of the Kindred board of directors, such service to be effective as of immediately following the effective time. Kindred anticipates that one of the two current members of the RehabCare board of directors to join the Kindred board of directors will be Dr. John Short, who is expected to be invited to join as non-executive vice chairman. Kindred also anticipates that three of the current officers of RehabCare will become officers of Kindred following the effective time.

Listing of Kindred Common Stock and De-listing of RehabCare Common Stock (page 83)

It is a condition to the merger that the shares of common stock to be issued by Kindred in connection with the merger be authorized for listing on the NYSE subject to official notice of issuance. Shares of Kindred common stock are currently traded on the NYSE under the symbol KND. Shares of RehabCare common stock are currently traded on the NYSE under the symbol RHB. If the merger is completed, RehabCare common stock will no longer be listed on the NYSE and will be deregistered under the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act, and RehabCare will no longer file periodic reports with the SEC.

Appraisal Rights (beginning on page 86)

RehabCare stockholders have the right under Delaware law to dissent from the approval and adoption of the merger agreement, to exercise appraisal rights and to receive payment in cash of the judicially determined fair value for their shares, plus interest, if any, on the amount determined to be the fair value, in accordance with Delaware law. The fair value of shares of RehabCare common stock, as determined in accordance with Delaware law, may be more or less than, or equal to, the merger consideration to be paid to non-dissenting stockholders in the merger. To preserve their rights, RehabCare stockholders who wish to exercise appraisal rights must not vote in favor of the proposal to adopt the merger agreement and must follow the specific procedures provided under Delaware law for perfecting appraisal rights. Dissenting stockholders must precisely follow these specific procedures to exercise appraisal rights or their appraisal rights may be lost. These procedures are described in this joint proxy statement/prospectus, and a copy of Section 262 of the DGCL (which we refer to as Section 262), which grants appraisal rights and governs such procedures, is attached as Annex E to this joint proxy statement/prospectus. See The Merger RehabCare Stockholders Rights of Appraisal beginning on page 86. Appraisal rights are not available to holders of Kindred common stock.

Kindred's Dividend Policy (page 85)

Kindred and RehabCare stockholders have historically not received quarterly dividends. The payment of dividends by Kindred after the merger will be subject to the determination of the Kindred board of directors. Decisions by the Kindred board of directors regarding whether or not to pay dividends on Kindred common stock and the amount of any dividends will be based on compliance with the DGCL, compliance with agreements governing Kindred's indebtedness, earnings, cash requirements, results of operations, cash flows and financial condition and other factors that the Kindred board of directors considers important.

Conditions to Completion of the Merger (beginning on page 110)

The respective obligations of Kindred and RehabCare to complete the merger are subject to the satisfaction or, if permissible, waiver, of certain conditions, including:

the adoption of the merger agreement by the Kindred stockholders at the Kindred annual meeting and by the RehabCare stockholders at the RehabCare special meeting;

the absence of legal prohibitions on the consummation of the merger;

the expiration or early termination of the waiting periods applicable to the consummation of the merger under the HSR Act (as defined below) (which waiting period was terminated on April 8, 2011) and any similar non-U.S. laws;

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the authorization for listing on the NYSE, subject to official notice of issuance, of the shares of Kindred common stock to be issued in the merger;

the effectiveness of the registration statement on Form S-4 of which this joint proxy statement/prospectus forms a part and absence of any stop order by the SEC, or proceedings of the SEC seeking a stop order, suspending the effectiveness of such registration statement; and

the accuracy of the representations and warranties of the parties and compliance by the parties with their respective obligations under the merger agreement.

The obligation of Kindred to consummate the merger is also subject to obtaining certain regulatory approvals or licenses and delivery of certain notices by RehabCare as set forth in the merger agreement and consummation of the financing on terms contemplated by the debt commitment letter.

Regulatory Approvals Required for the Merger (beginning on page 83)

The completion of the merger is subject to compliance with the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (which we refer to as the "HSR Act"), which requires the filing of notifications with the U.S. Federal Trade Commission (which we refer to as the "FTC") and the Antitrust Division of the U.S. Department of Justice (which we refer to as the "Antitrust Division") and the expiration or termination of the applicable waiting period. Kindred and RehabCare initially filed the required notifications on February 11, 2011 and, on April 8, 2011, the FTC notified Kindred that the FTC had granted early termination of the waiting period. The obligation of Kindred to consummate the merger is also subject to obtaining certain regulatory approvals or licenses and delivery of certain notices by RehabCare as set forth in the merger agreement.

Termination of the Merger Agreement (beginning on page 112)

The merger agreement may be terminated at any time before the effective time, whether or not both the Kindred stockholders and the RehabCare stockholders have adopted the merger agreement:

by mutual written agreement of Kindred and RehabCare;

by either Kindred or RehabCare if:

the merger has not been consummated on or before September 30, 2011 (which we refer to as the "outside date"), unless the breach of the merger agreement by the party seeking to terminate resulted in the failure to consummate the merger by the outside date;

any applicable law, judgment or decree makes consummation of the merger illegal or otherwise prohibited or permanently enjoins consummation of the merger and such injunction has become final and non-appealable, unless the breach of the merger agreement by the party seeking to terminate was the direct cause of such action;

the adoption of the merger agreement by the Kindred stockholders was not obtained at the Kindred annual stockholder meeting (or adjournment or postponement of the meeting); or

the adoption of the merger agreement by the RehabCare stockholders was not obtained at the RehabCare special meeting (or adjournment or postponement of the meeting); or

by Kindred if:

RehabCare breaches its representations or warranties or fails to perform any covenants set forth in the merger agreement, which breach or failure would cause the conditions to the closing relating to the accuracy of the representations and warranties of RehabCare or compliance by RehabCare with its obligations under the merger agreement not to be satisfied and such breach, if curable, is not cured by the earlier of the outside date or 30 days after the receipt of written notice thereof or is incapable of being cured, provided that, at the time of the delivery of written notice of breach, Kindred is not in material breach of its obligations under the merger agreement;

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the RehabCare board of directors has effected a RehabCare board adverse recommendation change (as defined on page 104);

RehabCare intentionally and knowingly breaches in any material respect its non-solicitation obligations set forth in the merger agreement;

a third party not affiliated with Kindred commences a tender or exchange offer relating to RehabCare securities, and RehabCare does not disclose a recommendation that its stockholders reject such tender or exchange offer within 10 business days after such offer is first made; or

the RehabCare board of directors fails to publicly confirm its recommendation that the RehabCare stockholders approve the adoption of the merger agreement within 10 business days of a written request by Kindred that it do so, provided that Kindred cannot make such a request more frequently than once in any 30 calendar day period;

by RehabCare if:

Kindred breaches its representations or warranties or fails to perform any covenants set forth in the merger agreement, which breach or failure would cause the conditions to the closing relating to the accuracy of the representations and warranties of Kindred or compliance by Kindred with its obligations under the merger agreement not to be satisfied and such breach, if curable, is not cured by the earlier of the outside date or 30 days after the receipt of written notice thereof or is incapable of being cured, provided that, at the time of the delivery of written notice of breach, Kindred is not in material breach of its obligations under the merger agreement;

the Kindred board of directors has effected a Kindred board adverse recommendation change (as defined on page 105);

Kindred intentionally and knowingly breaches in any material respect its obligations related to the Kindred board recommendation;

the Kindred board of directors fails to publicly confirm its recommendation that the Kindred stockholders approve the adoption of the merger agreement within 10 business days of a written request by RehabCare that it do so, provided that RehabCare cannot make such a request more frequently than once in any 30 calendar day period;

at any time prior to the adoption of the merger agreement by RehabCare stockholders, RehabCare enters into an alternative acquisition agreement with respect to a superior proposal (as defined on page 104), provided that (1) RehabCare did not violate its non-solicitation obligations under the merger agreement, (2) after receipt of the superior proposal, the RehabCare board of directors determines in good faith, after consultation with outside legal counsel, that failure to effect an adverse change in its recommendation to stockholders to adopt the merger agreement would reasonably be expected to be inconsistent with its fiduciary duties under applicable law, and the RehabCare board of directors approves or recommends to RehabCare stockholders the superior proposal, (3) RehabCare provides Kindred with a written notice that it intends to change its recommendation, (4) RehabCare thereafter satisfies its obligations to negotiate with Kindred in good faith, during a three-day period following such written notice, to make adjustments to the terms and conditions of the merger agreement, (5) the RehabCare board of directors determines in good faith, after consultation with outside counsel, after such three business day period if Kindred makes a binding proposal to amend the merger agreement, that failure to effect an adverse change in recommendation would reasonably be expected to be inconsistent with its fiduciary duties under applicable law, and (6) RehabCare, concurrently with the termination of the merger agreement, pays to Kindred the \$26 million termination fee discussed under The Merger Agreement Termination Fees and Expenses beginning on page 114; or

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(1) all conditions to the obligation of Kindred to effect the merger have been satisfied (other than the conditions relating to the authorization of Kindred common stock for listing on the NYSE, the delivery of a certificate signed by an executive officer of RehabCare and the consummation of the financing contemplated by the debt commitment letter) and assuming for such purposes that the effective time shall be deemed to be the time of delivery of RehabCare's notice set forth below and the time RehabCare terminates the merger agreement, (2) the marketing period provided for with respect to the financing to be obtained by Kindred has elapsed, (3) Kindred (and in the event of a merger subsidiary election, merger subsidiary) fails to complete the closing during the period (which may not be less than three business days, commencing with the first business day) following the date on which RehabCare has given written notice to Kindred that it believes the conditions to the merger (other than conditions that by their nature are to be satisfied at the closing) have been satisfied or waived, and (4) RehabCare stands ready, willing and able to consummate the closing following delivery of such notice.

Termination Fees and Expenses (beginning on page 114)

If the merger agreement is terminated in certain circumstances described under The Merger Agreement Termination of the Merger Agreement beginning on page 112:

RehabCare may be obligated to pay to Kindred a termination fee of \$26 million; or

Kindred may be obligated to pay RehabCare a termination fee of \$62 million.

In general, each of Kindred and RehabCare will bear its own expenses in connection with the merger agreement and the related transactions.

Litigation Related to the Merger (page 84)

Kindred and RehabCare are aware of five purported class actions (of which the three filed in the Court of Chancery have been consolidated into one purported class action) filed by purported stockholders of RehabCare relating to the merger against RehabCare, RehabCare's directors, Kindred and, in one case, CGMI. The complaints allege, among other things, that RehabCare's directors breached their fiduciary duties to the RehabCare stockholders, and that RehabCare and Kindred aided and abetted RehabCare's directors in such alleged breaches of their fiduciary duties. The plaintiffs seek injunctive relief preventing the defendants from consummating the transactions contemplated by the merger agreement, or in the event the defendants consummate the transactions contemplated by the merger agreement, rescission of such transactions and attorneys' fees and expenses. Kindred, RehabCare and the other defendants believe that the lawsuits are without merit and intend to defend against them.

Material United States Federal Income Tax Consequences (beginning on page 90)

The merger will be a taxable transaction to U.S. holders of RehabCare common stock for U.S. federal income tax purposes. You should read Material United States Federal Income Tax Consequences of the Merger beginning on page 90 for a more complete discussion of the U.S. federal income tax consequences of the transaction. Tax matters can be complicated, and the tax consequences of the transaction to RehabCare stockholders will depend on their particular tax situations. RehabCare stockholders should consult their tax advisors to determine the tax consequences of the transaction to them.

Accounting Treatment (page 89)

The merger will be accounted for under the acquisition method of accounting in conformity with U.S. generally accepted accounting principles (which we refer to as GAAP), for accounting and financial reporting purposes.

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Risk Factors (beginning on page 27)

In evaluating the merger and the merger agreement, you should read carefully this joint proxy statement/prospectus and especially consider the factors discussed in the section titled "Risk Factors" beginning on page 27.

Comparison of Rights of Stockholders (beginning on page 206)

As a result of the merger, the holders of RehabCare common stock will become holders of Kindred common stock and their rights will be governed by the DGCL and by Kindred's certificate of incorporation and bylaws. Following the merger, RehabCare stockholders may have different rights as stockholders of Kindred than as stockholders of RehabCare. For a summary of the material differences between the rights of RehabCare stockholders and Kindred stockholders, see "Comparison of Rights of Stockholders" beginning on page 206.

Table of Contents**FINANCIAL SUMMARY****Comparative Market Price Data and Dividends**

Kindred common stock is traded on the NYSE under the symbol **KND** and RehabCare common stock is traded on the NYSE under the symbol **RHB**. The following table shows the high and low daily closing sales prices per share during the period indicated for Kindred and RehabCare common stock on the NYSE. For current price information, you are urged to consult publicly available sources.

Fiscal Year Ended	Kindred		Dividends Paid	RehabCare	
	Price Range of Common Stock High	Low		Price Range of Common Stock High	Low
December 31, 2009:					
First Quarter	\$ 17.81	\$ 11.56		\$ 18.75	\$ 12.45
Second Quarter	16.99	10.91		23.93	16.04
Third Quarter	17.13	11.97		25.65	20.63
Fourth Quarter	19.84	14.65		31.29	18.75
December 31, 2010:					
First Quarter	19.59	16.30		34.19	25.10
Second Quarter	18.79	12.84		31.52	21.78
Third Quarter	13.57	11.61		22.21	16.25
Fourth Quarter	19.35	12.71		23.77	18.89
December 31, 2011:					
First Quarter	25.88	18.59		37.76	24.24
Second Quarter (through April [])	[]	[]		[]	[]

The Kindred board of directors has the power to determine the amount and frequency of the payment of dividends. Decisions regarding whether to pay dividends and the amount of any dividends are based upon compliance with the DGCL, compliance with agreements governing Kindred's indebtedness, earnings, cash requirements, results of operations, cash flows and financial condition and other factors that the Kindred board of directors considers important. Kindred does not currently pay dividends. While Kindred anticipates that if the merger were not consummated it would continue not to pay dividends, it cannot assure that will be the case. Under the merger agreement, until the closing of the merger Kindred is not permitted to declare, set aside or pay any dividends on, or make any other distributions in respect of, any of its capital stock.

The RehabCare board of directors has the power to determine the amount and frequency of the payment of dividends. Decisions regarding whether to pay dividends and the amount of any dividends are based upon compliance with the DGCL, compliance with agreements governing RehabCare's indebtedness, earnings, cash requirements, results of operations, cash flows, financial condition and other factors that the board of directors considers important. While RehabCare anticipates that if the merger were not consummated it would continue not to pay dividends, it cannot assure that will be the case. Under the merger agreement, until the effective time, RehabCare will not declare, set aside or pay any dividends on, or make any other distributions in respect of, any of its capital stock.

Table of Contents**Selected Historical Consolidated Financial Data of Kindred**

The following table shows selected historical financial data for Kindred. The selected financial data as of December 31, 2010, 2009, 2008, 2007 and 2006, and for each of the five years then ended were derived from the audited historical consolidated financial statements and related footnotes of Kindred.

Detailed historical financial information included in the audited consolidated balance sheets as of December 31, 2010 and 2009, and the consolidated statements of operations, stockholders' equity, cash flows and related notes for each of the years in the three-year period ended December 31, 2010, are included in Kindred's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and incorporated by reference in this joint proxy statement/prospectus. You should read the following selected financial data together with Kindred's historical consolidated financial statements, including the related notes, and the other information contained or incorporated by reference in this joint proxy statement/prospectus. See **Where You Can Find More Information** beginning on page 225. The selected consolidated balance sheet data as of December 31, 2008, 2007 and 2006 and the selected consolidated financial and operating data for the years ended December 31, 2007 and 2006 have been derived from Kindred's audited consolidated financial statements and related notes for such years, which have not been incorporated by reference into this joint proxy statement/prospectus.

Kindred Selected Financial Data

(In thousands, except per share amounts)

		Year ended December 31,				
	2010	2009	2008	2007	2006	
Statement of Operations Data:						
Revenues	\$ 4,359,697	\$ 4,270,007	\$ 4,093,864	\$ 4,128,649	\$ 4,041,786	
Salaries, wages and benefits	2,505,690	2,483,086	2,374,163	2,325,417	2,185,316	
Supplies	342,197	333,056	317,149	542,986	669,023	
Rent	357,372	348,248	338,673	337,769	289,080	
Other operating expenses	948,609	886,205	854,383	730,965	650,045	
Other income	(11,422)	(11,512)	(17,407)	(7,701)		
Depreciation and amortization	121,552	125,730	120,022	118,574	115,057	
Interest expense	7,090	7,880	15,373	17,044	13,920	
Investment income	(1,245)	(4,413)	(7,096)	(16,105)	(14,488)	
	4,269,843	4,168,280	3,995,260	4,048,949	3,907,953	
Income from continuing operations before income taxes	89,854	101,727	98,604	79,700	133,833	
Provision for income taxes	33,708	39,115	38,144	36,567	52,739	
Income from continuing operations	56,146	62,612	60,460	43,133	81,094	
Discontinued operations, net of income taxes:						
Income (loss) from operations	798	931	(3,399)	(12,982)	(2,351)	
Loss on divestiture of operations	(453)	(23,432)	(20,776)	(77,021)	(32)	
Net income (loss)	\$ 56,491	\$ 40,111	\$ 36,285	\$ (46,870)	\$ 78,711	
Earnings (loss) per common share:						
Basic:						
Income from continuing operations	\$ 1.42	\$ 1.61	\$ 1.56	\$ 1.09	\$ 2.02	
Discontinued operations:						
Income (loss) from operations	0.02	0.02	(0.09)	(0.33)	(0.06)	
Loss on divestiture of operations	(0.01)	(0.60)	(0.53)	(1.94)		
Net income (loss)	\$ 1.43	\$ 1.03	\$ 0.94	\$ (1.18)	\$ 1.96	

Diluted:

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Income from continuing operations	\$	1.42	\$	1.60	\$	1.54	\$	1.06	\$	1.95
Discontinued operations:										
Income (loss) from operations		0.02		0.02		(0.09)		(0.32)		(0.06)
Loss on divestiture of operations		(0.01)		(0.60)		(0.53)		(1.90)		
Net income (loss)	\$	1.43	\$	1.02	\$	0.92	\$	(1.16)	\$	1.89
Shares used in computing earnings (loss) per common share:										
Basic		38,738		38,339		37,830		38,791		39,108
Diluted		38,954		38,502		38,397		39,558		40,677
Financial Position:										
Working capital	\$	214,654	\$	241,032	\$	403,917	\$	294,878	\$	295,389
Total assets		2,337,415		2,022,224		2,181,761		2,079,552		2,016,127
Long-term debt		365,556		147,647		349,433		275,814		130,090
Stockholders' equity		1,031,759		966,594		914,975		862,124		995,578

Table of Contents**Selected Historical Consolidated Financial Data of RehabCare**

The following table shows selected historical financial data for RehabCare. The selected financial data as of December 31, 2010, 2009, 2008, 2007, and 2006 and for each of the five years then ended were derived from the audited historical consolidated financial statements and related footnotes of RehabCare.

Detailed historical financial information included in the audited consolidated balance sheets as of December 31, 2010 and 2009, and the consolidated statements of earnings, comprehensive income, changes in equity, cash flows and related notes for each of the years in the three-year period ended December 31, 2010, are included in RehabCare's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and incorporated by reference in this joint proxy statement/prospectus. You should read the following selected financial data together with RehabCare's historical consolidated financial statements, including the related notes, and the other information contained or incorporated by reference in this joint proxy statement/prospectus. See *Where You Can Find More Information* beginning on page 225. The selected consolidated balance sheet data as of December 31, 2008, 2007 and 2006 and the selected consolidated financial and operating data for the years ended December 31, 2007 and 2006 have been derived from RehabCare's audited consolidated financial statements and related notes for such years, which have not been incorporated by reference into this joint proxy statement/prospectus. The following table presents selected financial data for the periods indicated for RehabCare's continuing operations only.

RehabCare Selected Financial Data

(in thousands, except per share amounts)

	2010 (1)	2009 (1)	2008	2007	2006
Consolidated statement of earnings data:					
Operating revenues	\$ 1,329,443	\$ 848,612	\$ 714,030	\$ 675,600	\$ 585,923
Operating earnings	133,559	40,920	28,299	24,861	19,758
Amounts attributable to RehabCare:					
Earnings from continuing operations	\$ 61,213	\$ 21,590	\$ 16,711	\$ 11,402	\$ 6,500
Basic EPS from continuing operations	\$ 2.53	\$ 1.17	\$ 0.95	\$ 0.66	\$ 0.38
Diluted EPS from continuing operations	\$ 2.48	\$ 1.14	\$ 0.94	\$ 0.65	\$ 0.38
Weighted average shares outstanding:					
Basic	24,231	18,481	17,583	17,226	17,008
Diluted	24,706	18,862	17,798	17,459	17,243
Consolidated balance sheet data:					
Working capital	\$ 117,613	\$ 110,882	\$ 97,284	\$ 80,285	\$ 85,982
Total assets	1,126,569	1,109,980	438,406	408,560	428,296
Total long-term debt	390,888	455,267	57,000	74,500	120,559
Total liabilities	605,586	650,360	160,606	163,271	217,431
Total equity	520,983	459,620	277,800	245,289	210,865

- (1) Effective November 24, 2009, RehabCare acquired all of the outstanding common stock of Triumph HealthCare Holdings, Inc. (*Triumph*). The Triumph acquisition was among the primary reasons for the changes in the consolidated statement of earnings data in 2010 and in the balance sheet data in 2009.

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Selected Unaudited Pro Forma Condensed Combined Financial Information

The following selected unaudited pro forma condensed combined financial information is based upon the historical audited consolidated financial information of Kindred and RehabCare incorporated by reference in this joint proxy statement/prospectus and has been prepared to reflect the merger in which Kindred will acquire all of the outstanding common stock of RehabCare. The unaudited pro forma condensed combined balance sheet is presented as if the merger and related financing had occurred on December 31, 2010. The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2010 was prepared assuming the merger occurred on January 1, 2010. The historical consolidated financial information has been adjusted to give effect to estimated pro forma events that are (1) directly attributable to the merger, (2) factually supportable, and (3) with respect to the statement of operations, expected to have a continuing impact on the combined results of operations. The historical consolidated financial statements of RehabCare have been adjusted to reflect certain reclassifications to conform with Kindred's financial statement presentation.

The following selected unaudited pro forma condensed combined financial information should be read in conjunction with the Unaudited Pro Forma Condensed Combined Financial Information beginning on page 212 and the historical consolidated financial statements and accompanying notes of Kindred and RehabCare, which are incorporated by reference in this joint proxy statement/prospectus. See **Where You Can Find More Information** beginning on page 225.

The following selected unaudited pro forma condensed combined financial information has been prepared for illustrative purposes only and is not necessarily indicative of the consolidated financial position or results of operations in future periods or the results that actually would have been realized had Kindred and RehabCare been a combined company during the periods specified. The pro forma adjustments are based upon estimates and current preliminary information and may differ materially from actual amounts. For purposes of this selected unaudited pro forma condensed combined financial information, the merger consideration has been preliminarily allocated to the tangible and intangible assets being acquired and liabilities being assumed based upon various estimates of fair value. The merger consideration will be allocated among the fair values of the assets acquired and liabilities assumed based upon their estimated fair values as of the date of the merger. Any excess of the merger consideration over the fair value of RehabCare identifiable net assets will be recorded as goodwill. The final allocation is dependent upon the completion of the aforementioned valuations and other analyses that cannot be completed prior to the merger. The actual amounts recorded at the completion of the merger may differ materially from the information presented in the selected unaudited pro forma condensed combined financial information and those differences could have a material impact on the unaudited pro forma condensed combined financial information and the combined company's future results of operations and financial performance. Additionally, the selected unaudited pro forma condensed combined financial information does not reflect the cost of any integration activities or benefits from synergies that may be derived from any integration activities, nor does the selected unaudited pro forma condensed combined statement of operations include the effects of any other items directly attributable to the merger that are not expected to have a continuing impact on the combined results of operations.

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	Pro forma as of December 31, 2010
(Dollars in thousands, except per share amounts)	
Balance sheet data:	
Cash and cash equivalents	\$ 40,373
Working capital	361,700
Total assets	3,971,660
Long-term debt	1,533,042
Stockholders' equity	1,244,045

	Pro forma fiscal year ended December 31, 2010
Statement of operations data:	
Revenues	\$ 5,689,140
Total expenses	5,569,216
Income from continuing operations	73,753
Income from continuing operations attributable to Kindred	70,076
Diluted earnings from continuing operations per common share	\$ 1.36

Table of Contents**UNAUDITED COMPARATIVE PER SHARE INFORMATION**

The following table sets forth income from continuing operations, cash dividends declared and book value per common share separately for Kindred and RehabCare on a historical basis, on an unaudited pro forma combined basis per Kindred common share and on an unaudited pro forma combined basis per RehabCare equivalent common share. It has been assumed for purposes of the unaudited pro forma combined financial information provided below that the merger was completed on January 1, 2010 for income from continuing operations per common share purposes, and on December 31, 2010 for book value per common share purposes. The following selected unaudited pro forma financial information should be read in conjunction with the historical audited consolidated financial statements and notes thereto of Kindred, which are incorporated by reference in this joint proxy statement/prospectus, and RehabCare, which are incorporated by reference in this joint proxy statement/prospectus. See *Where You Can Find More Information* beginning on page 225.

The unaudited pro forma combined income from continuing operations per Kindred common share is based upon the historical weighted average number of Kindred common shares outstanding, adjusted to include the estimated number of additional shares of Kindred common stock to be issued in the merger. The unaudited pro forma combined book value per Kindred common share is based upon the number of shares of Kindred common stock outstanding as of December 31, 2010, adjusted to include the estimated number of additional shares of Kindred common stock to be issued in the merger. See *Unaudited Pro Forma Condensed Combined Financial Information* beginning on page 212. The unaudited pro forma combined data per RehabCare equivalent common share is based upon the unaudited pro forma combined per Kindred common share amounts, multiplied by the exchange ratio. This data shows how each share of RehabCare common stock would have participated in the income from continuing operations and book value of Kindred if the companies had been consolidated for accounting and financial reporting purposes for all periods presented.

The following unaudited pro forma information reflects the acquisition method of accounting, with Kindred treated as the acquirer. The following unaudited pro forma information reflects adjustments, which are based upon preliminary estimates, to allocate the merger consideration to RehabCare's identifiable net assets. The merger consideration allocation reflected herein is preliminary, and final allocation of the merger consideration will be based upon the actual merger consideration and the fair value of the assets and liabilities of RehabCare as of the date of the completion of the merger. Accordingly, the final acquisition accounting adjustments may differ materially from the pro forma adjustments reflected herein.

The following unaudited pro forma information is presented for illustrative purposes only and is not necessarily indicative of what Kindred's actual financial position or results of operations would have been had the merger been completed on the dates indicated above. The following unaudited pro forma information does not give effect to (1) Kindred's or RehabCare's results of operations or other transactions or developments since December 31, 2010, (2) the synergies, cost savings and one-time expenses or charges expected to result from the merger, or (3) the effects of any integration activities which may occur subsequent to the merger. The foregoing matters could cause both Kindred's pro forma historical financial position and results of operations, and Kindred's actual future financial position and results of operations, to differ materially from those presented in the following unaudited pro forma condensed combined financial information.

	Kindred historical per share data	RehabCare historical per share data	Kindred pro forma	RehabCare equivalent pro forma
As of or for the year ended December 31, 2010:				
Income from continuing operations per common share:				
Basic	\$ 1.42	\$ 2.53	\$ 1.37	\$ 0.65
Diluted	\$ 1.42	\$ 2.48	\$ 1.36	\$ 0.64
Cash dividends declared per common share	\$	\$	\$	\$
Book value of stockholder's equity per common share	\$ 26.12	\$ 20.58	\$ 24.30	\$ 11.45

Table of Contents**COMPARATIVE MARKET VALUE INFORMATION**

The following table presents:

the closing prices per share of Kindred common stock and RehabCare common stock, in each case based on the last reported sales prices as reported by the NYSE on February 7, 2011, the last trading day prior to the public announcement of the proposed merger, and April [], 2011, the last trading day for which this information could be calculated prior to the date of this joint proxy statement/prospectus; and

the implied value of the merger consideration for each share of RehabCare common stock, which was calculated by adding the cash portion of the merger consideration of \$26.00 to the product obtained by multiplying the closing price of a share of Kindred common stock on those dates by 0.471, the exchange ratio.

	Kindred Common Stock	RehabCare Common Stock	Implied Value of RehabCare Common Stock
February 7, 2011	\$ 19.48	\$ 25.47	\$ 35.18
April [], 2011	\$ []	\$ []	\$ []

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RISK FACTORS

In deciding whether to vote for the adoption of the merger agreement, we urge you to consider carefully all of the information included or incorporated by reference in this joint proxy statement/prospectus. See *Where You Can Find More Information* beginning on page 225. You should also read and consider the risks associated with each of the businesses of Kindred and RehabCare because these risks will also affect Kindred after the effective date. The risks associated with the business of Kindred can be found in the Kindred Annual Report on Form 10-K for the year ended December 31, 2010, which is incorporated by reference in this joint proxy statement/prospectus. The risks associated with the business of RehabCare can be found in the RehabCare Annual Report on Form 10-K for the year ended December 31, 2010, which is incorporated by reference in this joint proxy statement/prospectus.

Kindred and RehabCare must obtain governmental and regulatory approvals to consummate the merger, which, if delayed, not granted or granted with unacceptable conditions, may jeopardize or delay the consummation of the merger, result in additional expenditure of time and resources and reduce the anticipated benefits of the acquisition.

The merger is conditioned on the receipt of certain governmental authorizations, consents, orders and approvals, including certain state licensure and regulatory approvals. If Kindred and RehabCare do not receive such approvals, or do not receive such approvals on terms that satisfy the conditions set forth in the merger agreement, then Kindred will not be obligated to consummate the merger.

The governmental authorities from which Kindred and RehabCare must seek these regulatory approvals have broad discretion in their review of the transaction. As a condition to their approval of the merger, the governmental authorities may impose requirements, limitations or costs on the combined company, require divestitures of the combined company or place restrictions on the conduct of the business of the combined company. These requirements, limitations, costs, divestitures or restrictions could jeopardize or delay the consummation of the merger and could reduce its anticipated benefits to Kindred. Kindred cannot make any assurances that it will obtain all of the required regulatory approvals or that Kindred will obtain them on any particular terms. See *The Merger Regulatory Approvals Required for the Merger* beginning on page 83.

Kindred and RehabCare must obtain approval of their respective stockholders to consummate the merger, which, if delayed or not obtained, may jeopardize or delay the consummation of the merger.

The merger is conditioned on the Kindred and RehabCare stockholders adopting the merger agreement at the Kindred annual meeting and RehabCare special meeting, respectively. If the Kindred stockholders or the RehabCare stockholders do not adopt the merger agreement, then Kindred and RehabCare cannot consummate the merger.

Kindred may not be able to successfully integrate RehabCare's operations with its own or realize the anticipated benefits of the merger, which could materially and adversely affect Kindred's financial condition, results of operations and business prospects.

Kindred may not be able to successfully integrate RehabCare's operations with its own, and Kindred may not realize all or any of the expected benefits of the merger as and when planned. The integration of RehabCare's operations with Kindred's will be complex, costly and time-consuming. Kindred expects that it will require significant attention from senior management and will impose substantial demands on Kindred's operations and personnel, potentially diverting attention from other important pending projects. The difficulties and risks associated with the integration of RehabCare include:

the possibility that Kindred will fail to implement its business plans for the combined company, including as a result of new legislation or regulation in the healthcare industry that affects the timing or costs associated with the operations of the combined company or its integration plan;

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possible inconsistencies in the standards, controls, procedures, policies and compensation structures of Kindred and RehabCare;

limitations prior to the consummation of the merger on the ability of management of each of Kindred and RehabCare to work together to develop an integration plan;

the increased scope and complexity of Kindred's operations;

the potential loss of key employees and the costs associated with Kindred's efforts to retain key employees;

provisions in Kindred's and RehabCare's contracts with third parties that may limit Kindred's flexibility to take certain actions;

risks and limitations on Kindred's ability to consolidate corporate and administrative infrastructures of the two companies;

the possibility that Kindred may have failed to discover liabilities of RehabCare during Kindred's due diligence investigation as part of the merger for which Kindred, as a successor owner, may be responsible;

obligations that Kindred will have to joint venture partners and other counterparties of RehabCare that arise as result of the change in control of RehabCare;

obligations that Kindred will have to its lenders under the new financing arrangements to be put in place upon the closing of the merger, including Kindred's obligations to comply with significant new financial covenants; and

the possibility of unanticipated delays, costs or inefficiencies associated with the integration of RehabCare's operations with Kindred's.

As a result of these difficulties and risks, Kindred may not accomplish the integration of RehabCare's business smoothly, successfully or within Kindred's budgetary expectations and anticipated timetable. Accordingly, Kindred may fail to realize some or all of the anticipated benefits of the merger, such as increase in Kindred's scale, diversification, cash flows and operational efficiency and meaningful accretion to Kindred's diluted earnings per share.

Kindred may be unable to realize anticipated cost synergies or may incur additional and/or unexpected costs in order to realize them.

Kindred expects to realize approximately \$40 million of operating synergies within a period of two years following the completion of the merger, of which \$25 million are expected to be realized within the first year. Kindred may be unable to realize all of these cost synergies within the timeframe expected, or at all, and Kindred may incur additional and/or unexpected costs in order to realize them.

Kindred and RehabCare will incur significant transaction and merger-related integration costs in connection with the merger.

Kindred and RehabCare expect to incur a number of costs associated with completing the merger and integrating the operations of the two companies. The substantial majority of these costs will be non-recurring expenses and will primarily consist of transaction costs related to the merger, facilities and systems consolidation costs and employment-related costs. Additional unanticipated costs may be incurred in the integration of the businesses of Kindred and RehabCare. Although Kindred and RehabCare expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, may offset incremental transaction and merger-related costs over time, this net benefit may not be achieved in the near term, or at all.

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The price of Kindred common stock might decline prior to the completion of the merger, which would decrease the value of the merger consideration to be received by RehabCare stockholders in the merger.

Upon completion of the merger, RehabCare stockholders will be entitled to receive for each share of RehabCare common stock that they own, \$26.00 in cash and 0.471 shares of Kindred common stock. The exchange ratio will not be adjusted to reflect stock price changes prior to the completion of the merger.

The market price of Kindred common stock at the time the merger is completed may vary significantly from the price on the date of the merger agreement or from the price on the date of the Kindred annual meeting and RehabCare special meeting. On February 7, 2011, the last full trading day prior to the public announcement of the proposed merger, Kindred common stock closed at \$19.48 per share as reported on the NYSE. From February 8, 2011 (the next trading day following February 7, 2011), through [], 2011 (the last trading day prior to the printing of this joint proxy statement/prospectus for which it was practicable to include this information), the trading price of Kindred common stock ranged from a low of \$[] per share to a high of \$[] per share.

Kindred and RehabCare are working to complete the transaction as promptly as practicable and expect that the transaction will be completed on or about June 30, 2011. Because the date when the transaction is completed will be later than the date of the Kindred annual meeting and RehabCare special meeting, Kindred and RehabCare stockholders will not know the exact value of the Kindred common stock that will be issued in the merger at the time they vote on the proposal to adopt the merger agreement. As a result, if the market price of Kindred common stock upon the completion of the merger is lower than the market price on the date of the RehabCare special meeting, the market value of the merger consideration received by RehabCare stockholders in the merger will be lower than the market value of the merger consideration at the time of the vote by the RehabCare stockholders. Moreover, during this interim period, events, conditions or circumstances could arise that could have a material impact or effect on Kindred, RehabCare, or the industries in which they operate.

Kindred's actual financial position and results of operations may differ materially from the unaudited pro forma financial information included in this joint proxy statement/prospectus.

The unaudited pro forma financial information included in this joint proxy statement/prospectus is presented for illustrative purposes only and is not necessarily indicative of what Kindred's actual financial position or results of operations would have been had the merger been completed on the dates indicated. This information reflects adjustments, which are based upon preliminary estimates, to allocate the merger consideration to RehabCare's identifiable net assets. The merger consideration allocation reflected in this joint proxy statement/prospectus is preliminary, and final allocation of the merger consideration will be based upon the actual merger consideration and the fair value of the assets and liabilities of RehabCare as of the date of the completion of the merger. In addition, subsequent to the closing date of the merger, there may be further refinements of the merger consideration allocation as additional information becomes available. Accordingly, the final acquisition accounting adjustments may differ materially from the pro forma adjustments reflected herein. See Unaudited Pro Forma Condensed Combined Financial Information beginning on page 212 for more information.

The financial forecasts included in this joint proxy statement/prospectus involve risks, uncertainties and assumptions, many of which are beyond the control of Kindred and RehabCare. As a result, they may not prove to be accurate and are not necessarily indicative of current values or future performance.

The financial forecasts of RehabCare contained in this joint proxy statement/prospectus involve risks, uncertainties and assumptions and are not a guarantee of future performance. The future financial results of RehabCare and, if the merger is completed, Kindred, may materially differ from those expressed in the financial forecasts due to factors that are beyond RehabCare's and Kindred's ability to control or predict. Neither Kindred nor RehabCare can provide any assurance that RehabCare's financial forecasts will be realized or that RehabCare's future financial results will not materially vary from the financial forecasts. The financial forecasts cover multiple years, and the information by its nature becomes subject to greater uncertainty with each

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successive year. The financial forecasts do not take into account any circumstances or events occurring after the date they were prepared. More specifically, the financial forecasts:

necessarily make numerous assumptions, many of which are beyond the control of Kindred or RehabCare and may not prove to be accurate;

do not necessarily reflect revised prospects for RehabCare's businesses, changes in general business or economic conditions, or any other transaction or event that has occurred or that may occur and that was not anticipated at the time the forecasts were prepared;

are not necessarily indicative of current values or future performance, which may be significantly more favorable or less favorable than is reflected in the forecasts; and

should not be regarded as a representation that the financial forecasts will be achieved.

The market price of Kindred and/or RehabCare common stock may decline as a result of investor perceptions of the merger.

In response to the announcement of the merger, the market price of Kindred and/or RehabCare common stock may decline as a result of investor perceptions about the terms or benefits of the transaction.

RehabCare officers and directors may have financial interests in the merger that are different from, or in addition to, the interests of RehabCare stockholders.

When considering the recommendation of the RehabCare board of directors with respect to the merger, RehabCare stockholders should be aware that some directors and executive officers of RehabCare have interests in the merger that might be different from, or in addition to, their interests as stockholders and the interests of stockholders of RehabCare generally. These interests include, among others, potential payments under severance agreements, acceleration of vesting of restricted stock as a result of the merger, acceleration of annual and long-term cash incentive awards, cash payments in respect of stock options in connection with the merger, the potential to serve as directors and/or officers of Kindred, the potential to enter into new employment agreements with Kindred, and the right to continued indemnification and insurance coverage by Kindred for acts or omissions occurring prior to the merger. See *The Merger* *Interests of RehabCare Directors and Executive Officers in the Merger* beginning on page 76.

As of the close of business on [], 2011, RehabCare directors and executive officers were entitled to vote approximately []% of the then-outstanding shares of RehabCare common stock. See *The Merger* *Stock Ownership of Directors and Executive Officers of Kindred and RehabCare* on page 75 and *Security Ownership of Certain Kindred Beneficial Owners and Management* beginning on page 134.

The condition of the financial markets, including volatility and weakness in the equity, capital and credit markets, could limit the availability and terms of debt and equity financing sources to fund the capital and liquidity requirements of Kindred's businesses, including financing Kindred must undertake in connection with the merger.

In connection with the merger, Kindred obtained the debt commitment letter from the debt commitment parties. These funds, in addition to existing cash balances, will be sufficient to finance the cash consideration to RehabCare stockholders and to refinance certain existing Kindred and RehabCare debt. Subject to certain conditions, Kindred expects to have in place approximately \$1.900 billion of long-term financing, of which approximately \$1.600 billion is expected to be outstanding at the time of consummation of the merger. Kindred cannot make assurances that it will be able to refinance indebtedness under its revolving credit facility on terms acceptable to Kindred, if at all. If an event of default was to occur under its revolving credit facility, Kindred's lenders would be entitled to take various actions, including all actions permitted to be taken by a secured creditor.

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In addition, Kindred may not be able to complete the planned financing of the merger on the terms and the timetable that Kindred and RehabCare anticipate. If Kindred were unable to complete these financings, Kindred would likely be unable to consummate the merger and, depending on the circumstances, could be required to pay a \$62 million termination fee to RehabCare, which would materially adversely affect Kindred's business, financial position, results of operations and liquidity. See *The Merger Agreement Termination of the Merger Agreement* and *The Merger Agreement Termination Fees and Expenses* beginning on pages 112 and 114, respectively, of this joint proxy statement/prospectus.

Kindred expects to incur substantial additional indebtedness to finance the merger and may not be able to meet its substantial debt service requirements.

A substantial portion of Kindred's cash flows from operations is dedicated to the payment of principal and interest obligations on its outstanding indebtedness, including its revolving credit facility. Subject to certain restrictions, Kindred also has the ability to incur substantial additional borrowings under its existing revolving credit facility. In addition, Kindred intends to incur substantial additional indebtedness in connection with the merger. If Kindred is unable to generate sufficient funds to meet its obligations or its revolving credit facility or the new debt financing entered into pursuant to the debt commitment letter otherwise becomes due and payable, Kindred may be required to refinance, restructure or otherwise amend some or all of such obligations, sell assets or raise additional cash through the sale of its equity. Kindred cannot make any assurances that it would be able to obtain such refinancing on terms as favorable as its current financing or that such restructuring activities, sales of assets or issuances of equity can be accomplished or, if accomplished, would raise sufficient funds to meet these obligations. In addition, Kindred's revolving credit facility requires and, upon consummation of the merger the new debt financing entered into pursuant to the debt commitment letter will require, Kindred to:

dedicate a substantial portion of its cash flow to payments on its interest obligations, thereby reducing the availability of cash flow to fund working capital, capital expenditures and other general corporate activities,

maintain a certain defined fixed payment ratio at a specified level, thereby reducing its financial flexibility; and

limit the amount of capital expenditures Kindred can incur in any fiscal year and also limit the aggregate amount Kindred can expend on acquisitions.

These provisions:

could have a material adverse effect on Kindred's ability to withstand competitive pressures or adverse economic conditions (including adverse regulatory changes);

could adversely affect Kindred's ability to make material acquisitions, obtain future financing or take advantage of business opportunities that may arise; and

could increase Kindred's vulnerability to a downturn in general economic conditions or in Kindred's business.

The rights of RehabCare stockholders will change when they become stockholders of Kindred upon completion of the merger.

Upon completion of the merger, RehabCare stockholders will become Kindred stockholders. There are numerous differences between the rights of a stockholder of RehabCare and the rights of a stockholder of Kindred. For a detailed discussion of these differences, see *Comparison of Rights of Stockholders* beginning on page 206.

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RehabCare stockholders will have a reduced ownership and voting interest after the merger and will exercise less influence over the management and policies of Kindred than they do over RehabCare.

RehabCare stockholders currently have the right to vote in the election of the board of directors of RehabCare and on other matters affecting RehabCare. When the merger occurs, each RehabCare stockholder that receives shares of Kindred common stock will become a stockholder of Kindred with a percentage ownership of the combined company that is much smaller than the stockholder's percentage ownership of RehabCare. It is expected that the former stockholders of RehabCare as a group will own approximately 23% of the outstanding shares of Kindred immediately after the merger, based on the number of shares of Kindred and RehabCare common stock issued and outstanding as of February 7, 2011. Because of this, RehabCare stockholders will have less influence over the management and policies of Kindred than they now have over the management and policies of RehabCare.

Legal proceedings in connection with the merger could delay or prevent the completion of the merger.

Purported class action lawsuits have been filed by third parties challenging the proposed merger and seeking, among other things, to enjoin the consummation of the merger. One of the conditions to the closing of the merger is that no governmental authority has enjoined the consummation of the merger. If a plaintiff is successful in obtaining an injunction prohibiting consummation of the merger, then the injunction may delay the merger or prevent the merger from being completed.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This joint proxy statement/prospectus includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (which we refer to as the Securities Act) and Section 21E of the Exchange Act. All statements regarding Kindred's and RehabCare's expected future financial position, results of operations, cash flows, financing plans, business strategy, budgets, capital expenditures, competitive positions, growth opportunities, plans and objectives of management and statements containing words such as anticipate, approximate, believe, plan, estimate, expect, project, could, should, will, intend, may and other similar expressions, are forward-looking statements. The forward-looking statements are made based upon expectations and beliefs concerning future events affecting Kindred, RehabCare and merger subsidiary and are subject to uncertainties and factors relating to their respective operations and business environment, all of which are difficult to predict and many of which are beyond their control, that could cause their actual results to differ materially from those matters expressed or implied by these forward-looking statements. In particular, the unaudited pro forma condensed combined financial information included in, or incorporated into, this joint proxy statement/prospectus reflect assumptions and estimates by the management of Kindred and RehabCare as of the date specified in the unaudited pro forma condensed combined financial information or the date of any document incorporated by reference in this joint proxy statement/prospectus. In addition, the projections by RehabCare management included in this joint proxy statement/prospectus reflect assumptions and estimates by the management of RehabCare as of the date specified in the projections or the date of any document incorporated by reference in this joint proxy statement/prospectus. While Kindred and RehabCare, as applicable, believe these assumptions and estimates to be reasonable in light of the facts and circumstances known as of the date hereof, the projections are necessarily speculative in nature. Many of these assumptions and estimates are driven by factors beyond the control of Kindred or RehabCare, and it can be expected that one or more of them will not materialize as expected or will vary significantly from actual results. No independent accountants have provided any assurance with respect to these projections. Moreover, neither Kindred nor RehabCare undertakes any obligation to update the projections and neither intends to do so. Accordingly, you should not place undue reliance on these projections or any of the other forward-looking statements in this joint proxy statement/prospectus, which are likewise subject to numerous uncertainties, and you should consider all of such information in light of the various risks identified in this joint proxy statement/prospectus and in the reports filed by Kindred and RehabCare with the SEC, as well as the other information that Kindred and RehabCare provide with respect to the merger.

The following factors, among others, could cause actual results to differ from those set forth in the forward-looking statements:

the receipt of all required licensure and regulatory approvals and the satisfaction of the closing conditions of the merger, including approval of the merger by the stockholders of Kindred and RehabCare, and Kindred's ability to complete the required financing as contemplated by the financing commitment;

Kindred's ability to integrate the operations of the acquired operations and realize the anticipated revenues, economies of scale, cost synergies and productivity gains in connection with the merger and any other acquisitions that may be undertaken during 2011, as and when planned, including the potential for unanticipated issues, expenses and liabilities associated with those acquisitions and the risk that RehabCare fails to meet its expected financial and operating targets;

the potential for diversion of management time and resources in seeking to complete the merger and integrate its operations;

the potential failure of Kindred to retain key employees of RehabCare;

the impact of Kindred's significantly increased levels of indebtedness as a result of the merger on Kindred's funding costs, operating flexibility and ability to fund ongoing operations with additional borrowings, particularly in light of ongoing volatility in the credit and capital markets;

the potential for dilution to Kindred stockholders as a result of the merger;

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the ability of Kindred to operate pursuant to the terms of its debt obligations, including Kindred's obligations under financing undertaken to complete the merger, and the ability of Kindred to operate pursuant to its master lease agreements with Ventas, Inc.;

the calculations of, and factors that would impact the calculations of, the acquisition price in accordance with the methodologies of the provisions of the authoritative guidance for business combinations, the allocation of this acquisition price to the net assets acquired, and the effect of this allocation on future results, including Kindred's earnings per share, when calculated on a GAAP basis;

general economic conditions are less favorable than expected;

changes in both companies' businesses during the period between now and the completion of the merger might have adverse impacts on Kindred;

liability for litigation, administrative actions, and similar disputes;

the inability to obtain, renew or modify permits in a timely manner, comply with government regulations or make capital expenditures required to maintain compliance;

changes in laws and regulations or interpretations or applications thereof;

the impact of healthcare reform, which will initiate significant reforms to the United States healthcare system, including potential material changes to the delivery of healthcare services and the reimbursement paid for such services by the government or other third party payors;

changes in the reimbursement rates or the methods or timing of payment from third party payors, including commercial payors and the Medicare and Medicaid programs, changes arising from and related to the Medicare prospective payment system for LTAC hospitals, including potential changes in the Medicare payment rules, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, and changes in Medicare and Medicaid reimbursements for nursing centers, and the expiration of the Medicare Part B therapy cap exception process; and

the effects of additional legislative changes and government regulations, interpretation of regulations and changes in the nature and enforcement of regulations governing the healthcare industry.

Additional factors that may affect future results are contained in Kindred's and RehabCare's filings with the SEC, which are available at the SEC's website at www.sec.gov. Many of these factors are beyond the control of Kindred or RehabCare.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof and are not guarantees of performance or results. There can be no assurance that forward-looking statements will prove to be accurate. Stockholders should also understand that it is not possible to predict or identify all risk factors and that neither this list nor the factors identified in Kindred's and RehabCare's SEC filings should be considered a complete statement of all potential risks and uncertainties. Kindred and RehabCare undertake no obligation to publicly update or release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof except as required by law.

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THE MERGER

The following is a description of the material aspects of the merger, which may not contain all of the information that is important to you and is qualified in its entirety by reference to the merger agreement attached to this joint proxy statement/prospectus as Annex A. We encourage you to read carefully this entire joint proxy statement/prospectus, including the merger agreement attached to this joint proxy statement/prospectus as Annex A, for a more complete understanding of the merger.

Overview

The Kindred board of directors and the RehabCare board of directors have each unanimously approved the merger agreement and the transactions contemplated by the merger agreement, including the merger. Pursuant to the merger agreement, RehabCare will be merged with and into Kindred, with Kindred surviving the merger, provided that either Kindred or RehabCare may, prior to the effective time, elect to change the method of effecting the merger to provide for the subsidiary merger election.

At the effective time, each share of RehabCare common stock outstanding immediately prior to the effective time, other than shares owned by Kindred or RehabCare or their respective wholly owned subsidiaries, or shares owned by stockholders who have properly exercised and perfected appraisal rights under Delaware law will be converted into the right to receive 0.471 shares of Kindred common stock and \$26.00 in cash, without interest. Kindred will not issue any fractional shares as a result of the merger. Instead, RehabCare stockholders will receive cash in lieu of fractional shares, if any, of Kindred common stock. Each share of Kindred common stock outstanding immediately prior to the effective time will remain outstanding and will not be affected by the merger. Upon completion of the transaction, RehabCare stockholders will own approximately 23% of Kindred's outstanding common stock.

As a result of the merger, RehabCare will cease to be a publicly traded company.

Background of the Merger

As part of its continuing evaluation of strategic alternatives, the RehabCare board of directors and management regularly evaluate RehabCare's business strategy and prospects for growth and consider opportunities to improve RehabCare's operations and financial performance in order to create value for RehabCare stockholders. As part of this process, the RehabCare board of directors, in consultation with RehabCare's management and outside legal and financial advisors, evaluates and pursues a number of opportunities to expand and diversify RehabCare's business.

In late 2007 through early 2008, senior management of RehabCare and Kindred engaged in preliminary discussions regarding a possible acquisition of RehabCare by Kindred. The parties considered the complementary aspects of their businesses and the potential benefits that a strategic business combination of RehabCare and Kindred could provide, including cost and revenue related synergies and the related potential benefits to stockholders, employees, patients and other important constituents of both companies. The parties were unable to agree on a mutually acceptable valuation for RehabCare, and those discussions were discontinued.

During the spring and summer of 2010, RehabCare's stock price dropped significantly, which management believed was caused by the general uncertainty surrounding healthcare reform. RehabCare's board of directors and management believed that the uncertainties that RehabCare was facing could limit its ability to grow, including by limiting its ability to finance large transactions which otherwise might be desirable for RehabCare's growth. Consequently, as part of its normal evaluation of strategic alternatives, the RehabCare board of directors requested that CGMI attend the regularly scheduled meeting of the RehabCare board of directors on August 2 and August 3, 2010 to discuss potential strategic alternatives for RehabCare.

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The RehabCare board of directors held a regularly scheduled meeting on August 2 and August 3, 2010 and a special meeting on August 18, 2010. As part of those meetings, CGMI provided a general overview of various strategic alternatives, including analyzing various standalone alternatives, potential acquisition targets, and potential financial and strategic partners. The RehabCare board of directors discussed with management and CGMI the risks and benefits of pursuing those strategic alternatives, including the execution risks associated with pursuing the standalone alternatives and potential acquisitions, and the confidentiality risks associated with commencing a process to gauge interest in the acquisition of RehabCare. The RehabCare board of directors reviewed several healthcare companies and financial sponsors to determine if any of them would be likely partners for a business combination. With input from CGMI and RehabCare management, the RehabCare board of directors concluded that, other than Kindred, there were no logical strategic acquirors of RehabCare at that time. While the RehabCare board of directors believed that Kindred could be a potential strategic acquiror, the board was skeptical of Kindred's ability and willingness to complete an acquisition of RehabCare at an acceptable price, based in large part on the parties' prior discussions with respect to a potential transaction. At the conclusion of the August 18, 2010 meeting, the RehabCare board of directors engaged CGMI to contact certain financial sponsors to determine interest in a potential acquisition of RehabCare. Based on the RehabCare board of directors' analysis, after consultation with RehabCare management and CGMI, of the potential strategic partners and their respective ability and anticipated interest in pursuing a strategic combination, as well as concerns regarding sharing sensitive information with competitors, CGMI was directed by the RehabCare board of directors not to contact potential strategic acquirors at such time.

On September 27, 2010, RehabCare entered into a formal engagement letter with CGMI to serve as its financial advisor in connection with a possible strategic transaction.

As directed by the RehabCare board of directors, beginning on October 1, 2010, CGMI contacted nine financial sponsors to evaluate potential interest in the acquisition of RehabCare. Eight of the nine financial sponsors contacted by CGMI executed confidentiality agreements with RehabCare, and CGMI, as directed by the RehabCare board of directors, thereafter delivered additional information regarding RehabCare to those parties, including RehabCare management's financial model, a business overview and a preliminary financing analysis performed by CGMI. Management presentations were made to five of those financial sponsors, including Party A and Party B.

Throughout 2010, as part of CGMI's regular client coverage of Kindred, CGMI regularly communicated and met with Kindred senior management to discuss various potential transactions and various potential acquisition candidates, including RehabCare. As part of these conversations, CGMI or its affiliates discussed providing acquisition financing to Kindred.

On October 7, 2010, Paul Diaz, Kindred's President and Chief Executive Officer, met with representatives of CGMI, as part of this regular client coverage, to review an analysis of potential targets, including RehabCare and other potential targets, for Kindred's consideration of possible strategic alternatives. Mr. Diaz subsequently asked CGMI to prepare an analysis of a possible combination of Kindred and RehabCare for consideration by the Kindred board of directors. CGMI asked for RehabCare's permission to prepare such analysis, noting that Kindred had actively considered the combination of RehabCare and Kindred as a strategic alternative for several years. After receiving permission from Dr. John Short, President and Chief Executive Officer of RehabCare and a member of RehabCare's board of directors, CGMI prepared an analysis based on publicly available information with respect to RehabCare, including an accretion/dilution analysis of a possible combination at purchase prices ranging from \$30.00 to \$35.00 per share of RehabCare common stock. Mr. Diaz included this analysis in written materials provided to the Kindred board of directors, which discussed a possible combination with RehabCare at its regularly scheduled October 27 and 28, 2010 meeting, which CGMI did not attend. During this period, CGMI also indicated to Mr. Diaz that it had been engaged by the RehabCare board of directors to advise it in connection with strategic alternatives.

On October 28, 2010, Mr. Diaz contacted CGMI to express the Kindred board of directors' interest in exploring a combination with RehabCare and to inquire about appropriate next steps. CGMI reminded Mr. Diaz

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that it would not be able to represent Kindred in connection with a possible transaction with RehabCare, but that it would inform RehabCare of Kindred's interest. Following discussions with Dr. Short, CGMI indicated to Mr. Diaz that he should contact Dr. Short directly to communicate Kindred's desire to explore a potential transaction.

On October 29, 2010, Party A submitted a preliminary indication of interest to acquire RehabCare at a price ranging from \$25.00 to \$27.00 per share. On November 1, 2010, Party B submitted its preliminary indication of interest to acquire RehabCare at a price ranging from \$27.00 to \$30.00 per share. The other seven financial sponsors did not submit indications of interest and withdrew from the process.

On November 2, 2010, the RehabCare board of directors held a regularly scheduled meeting. At this meeting, CGMI updated the RehabCare board of directors on the status of the process with the financial sponsors, including the details of the indications of interest delivered by Party A and Party B. CGMI also discussed its contact with Mr. Diaz and Kindred's interest in pursuing a possible combination, and provided the RehabCare board of directors with preliminary pro forma financial analysis of the two companies on a combined basis, using publicly available information with respect to Kindred. The RehabCare board of directors discussed in detail the proposals received from Party A and Party B, and determined that these proposals did not provide adequate value to the RehabCare stockholders and would not be pursued further at such time. The RehabCare board of directors further discussed the contact from Kindred and the advantages and disadvantages of pursuing a transaction with Kindred. The RehabCare board of directors engaged in a preliminary discussion of the benefits of a transaction with Kindred, including the potential that such a combination would present compelling synergies, but also considered the parties' prior failed discussions. The RehabCare board of directors also discussed various other strategic alternatives, including the potential benefits and the execution risks of continuing as a stand alone entity and implementing its current strategic plans. The RehabCare board of directors tabled further discussion of pursuing a transaction with Kindred pending further contact from Kindred.

On November 4, 2010, Mr. Diaz called Dr. Short to inform him of Kindred's renewed interest in acquiring RehabCare. Mr. Diaz verbally expressed to Dr. Short that Kindred would be interested in pursuing an all cash acquisition of RehabCare, at a price ranging from \$32.00 to \$34.00 per share.

The RehabCare board of directors was informed of the verbal expression of interest made by Kindred during a special meeting held on November 13, 2010. After consideration of Kindred's proposal, the RehabCare board of directors determined to engage in further discussions with Kindred to explore a potential transaction, established a special committee of the RehabCare board of directors (whom we refer to as the RehabCare special committee), consisting of Harry Rich, Anthony Piszal and Theodore Wight, to supervise the process and any negotiations, and authorized the RehabCare special committee to retain legal counsel to represent the RehabCare board of directors in connection with consideration of a potential transaction. In addition, the RehabCare board of directors asked CGMI to prepare, and review with its internal credit committee, an analysis of the ability to finance an acquisition in the proposed range of prices.

On or about November 16, 2010, Dr. Short contacted Mr. Diaz and informed him that the RehabCare board of directors had determined to pursue discussions regarding a potential transaction. Dr. Short conveyed to Mr. Diaz that three threshold issues to be addressed were the commitment of the Kindred board of directors to the proposed transaction, Kindred's ability to finance the transaction, and the need to achieve a price for RehabCare stockholders above the \$32.00 to \$34.00 per share range. Concurrently, CGMI informed Kindred that its internal credit committee would be analyzing the financeability of the acquisition in the proposed range of prices.

On November 27, 2010, RehabCare and Kindred entered into a mutual confidentiality agreement that contained reciprocal standstill obligations of the parties. RehabCare began preparation of a data room containing due diligence materials for Kindred's review.

Dr. Short and Mr. Diaz met on November 29, 2010 in Washington, D.C. at an industry meeting of the American Hospital Association and discussed the key topics to be addressed at an upcoming meeting of representatives of their respective boards of directors. Dr. Short and Mr. Diaz also discussed potential accretion and synergies if a business combination were to occur.

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At a November 30, 2010 meeting of the RehabCare special committee, CGMI presented its analysis of Kindred's ability to finance an acquisition of RehabCare at various prices. Based on this preliminary assessment, CGMI believed Kindred would likely need to include an equity component as part of the transaction consideration if it was to enter into a transaction at a price at or above its initial range.

On December 2, 2010, the members of the RehabCare special committee and Dr. Short met with Edward L. Kuntz, chairman of the Kindred board of directors, Dr. Thomas Cooper, Kindred's lead independent director, and Mr. Diaz to discuss the terms of a potential transaction. Among the topics discussed were transaction value, the availability of financing for the transaction, and RehabCare's request for a go shop feature to be included in any formal proposal to be made by Kindred. In addition, in light of the previous, failed discussions between the parties regarding a business combination, the RehabCare special committee sought assurances that the full Kindred board of directors supported the proposed transaction.

The RehabCare special committee held meetings on December 7, 2010 and December 10, 2010, with Bryan Cave LLP (whom we refer to as Bryan Cave), counsel to the RehabCare board of directors. During these meetings, Bryan Cave reviewed and discussed with the RehabCare special committee the terms of the proposed merger agreement to be provided to Kindred, and a potential timeline for the transaction. The draft merger agreement was delivered to Morgan Stanley, financial advisor to Kindred, following the RehabCare special committee meeting on December 10, 2010.

On December 12, 2010, Mr. Diaz and Dr. Short had a call to continue their discussions on the potential transaction and to discuss an agenda for the meeting between the Kindred and RehabCare management teams. Mr. Diaz updated the Kindred board of directors on the status of the discussions at the regularly scheduled Kindred board of directors meeting on December 15 and 16, 2010. On December 16, 2010, members of Kindred's management team, including representatives from Morgan Stanley, met with representatives of RehabCare's management team, including representatives from CGMI, to discuss RehabCare's businesses and operations and the potential synergies from a combination of the companies.

On or about December 16, 2010, Kindred asked each of JPMorgan, Morgan Stanley and CGMI to independently develop and submit a proposal for the potential financing of a transaction. Kindred, with a market capitalization at the time of under \$700 million, believed that these were the three banks most familiar with its operations and credit profile and therefore would be the banks that would be able to provide financing commitments that would be most favorable to Kindred, from perspectives of conditionality and pricing, as well as from the perspective of the speed with which they could make decisions relating to financing commitments to Kindred. In particular, Kindred took into account the roles, under Kindred's credit facility, of JPMorgan, as bookrunner, lead arranger and a lender, and of an affiliate of CGMI, as syndication agent and a lender.

Upon receipt of Kindred's invitation in December to submit a proposal for the potential financing of a transaction, CGMI informed Mr. Rich and Dr. Short of Kindred's request, as well as the internal procedures that CGMI and its affiliates intended to put in place in the event RehabCare consented to CGMI's or its affiliates' potential participation in the financing. These procedures would include having separate teams of representatives participate in each part of the transaction, and a requirement that RehabCare would engage a separate financial advisor to analyze the proposed transaction from a financial point of view for the RehabCare board of directors and, if appropriate, deliver an opinion to the RehabCare board of directors. Moreover, CGMI agreed that it would reduce its fees in connection with the fees that would be paid for the second financial advisor and that CGMI and its affiliates would neither lead Kindred's financing syndicate nor provide more than 50% of the total amount financed.

At meetings of the RehabCare special committee held on December 17, 2010 and December 23, 2010, Bryan Cave updated the RehabCare special committee on recent conversations with Cleary Gottlieb Steen & Hamilton LLP (whom we refer to as Cleary Gottlieb), legal counsel to Kindred, regarding process, timing and potential transaction structure. In addition, Mr. Rich advised the RehabCare special committee that the leveraged

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finance group of CGMI had been invited to submit a proposal to Kindred to participate in the financing syndication for the proposed transaction, and described the internal procedures CGMI had informed him would be put in place at CGMI and its affiliates regarding the potential dual roles in the transaction. The RehabCare special committee discussed the desirability of permitting CGMI's leveraged finance group to participate in Kindred's financing syndicate to enhance the certainty of Kindred's ability to finance the transaction, and discussed with Bryan Cave the need to engage an additional financial advisor to the RehabCare board of directors in the event CGMI and its affiliates participated in Kindred's financing syndicate. The RehabCare special committee concluded that if acceptable deal terms were reached with Kindred, and CGMI was invited to participate in Kindred's financing syndicate, the RehabCare board of directors would likely consent to CGMI's and its affiliates participation in Kindred's financing syndicate subject to the conditions previously discussed and subject to the requirement that the fees and expenses of the second financial advisor be fully credited against the amount RehabCare had previously agreed to pay CGMI for its financial advisory services. The RehabCare special committee directed Mr. Rich to contact certain parties to discuss potential engagement to evaluate the fairness of the proposed transaction from a financial point of view, and to confirm to CGMI that it and its affiliates were authorized to submit a proposal to Kindred, subject to the conditions discussed.

Throughout December 2010, Kindred continued its due diligence review of RehabCare and participated in various diligence meetings and telephone conferences with RehabCare management. Subsequent to the December invitation to JPMorgan, Morgan Stanley and CGMI to submit proposals to finance the transaction, senior management of Kindred engaged in regular communications with these prospective sources of debt financing, RehabCare and RehabCare's advisors regarding the proposed acquisition financing.

On December 28, 2010, Kindred delivered a written proposal to RehabCare, which proposal was for a price of \$32.00 per share, payable \$27.00 in cash and \$5.00 in Kindred common stock. Kindred's proposal included indicative terms of the debt financing commitments it expected to receive, and provided a summary of key issues identified in the draft merger agreement previously provided by RehabCare, including Kindred's requirement that the closing of the transaction be conditioned on its receipt of financing and that the go shop provision proposed by RehabCare be replaced with a window shop provision.

During a regular meeting of the RehabCare board of directors held on December 29, 2010, the RehabCare board of directors reviewed the proposal delivered by Kindred. Bryan Cave also reviewed with the RehabCare board of directors the legal duties applicable to its consideration of a potential transaction. During the meeting, CGMI reviewed with the RehabCare board of directors certain financial items relating to Kindred's proposal, and Bryan Cave reviewed various legal aspects. CGMI also described to the RehabCare board of directors its preliminary analysis of the indicative financing terms included in Kindred's proposal and confirmed CGMI's belief that at or above the price proposed by Kindred, Kindred would need to complete an equity offering before closing or include stock as a part of the consideration. The RehabCare board of directors discussed its disappointment over the price per share and other aspects of Kindred's proposal. After extensive discussion of the offer and the stand alone prospects of RehabCare, the RehabCare board of directors determined that it would not accept Kindred's offer. Dr. Short also presented an alternative transaction to the RehabCare board of directors to be considered in the event that Kindred was not able to improve its offer to a level acceptable to the RehabCare board of directors, pursuant to which RehabCare would offer to acquire Kindred. After continuing discussions regarding the advantages and disadvantages of a potential transaction with Kindred and the proposed alternative transaction, the RehabCare board of directors instructed Dr. Short to contact Mr. Diaz to determine if Kindred would be willing to increase its offer to a level that the RehabCare board of directors might find attractive, and to express RehabCare's willingness to alternatively explore an acquisition of Kindred. In addition, the RehabCare board of directors, along with Bryan Cave, discussed Kindred's invitation to CGMI's leveraged finance group to submit a proposal to participate in Kindred's financing syndicate and the desirability of permitting CGMI's leveraged finance group to participate in such financing, if chosen by Kindred to do so, in order to enhance the certainty of Kindred's ability to finance the transaction. After this discussion, the RehabCare board of directors acknowledged that, subject to satisfaction of the conditions the RehabCare special committee had previously discussed with CGMI, it would consent to CGMI's leveraged finance group participating in Kindred's financing syndicate if it were invited to do so.

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Dr. Short contacted Mr. Diaz and informed him that the proposal delivered by Kindred on December 28, 2010 was viewed as inadequate and was not supported by the RehabCare board of directors. Dr. Short communicated to Mr. Diaz that the RehabCare board of directors would be willing to continue discussions with Kindred regarding a potential transaction at a price of \$35.50 per share or greater, as well as RehabCare's willingness to explore the alternative structure if Kindred was unable to improve the terms of its offer. RehabCare delivered a letter to Kindred on December 31, 2010 reflecting the principal elements of the conversation between Dr. Short and Mr. Diaz on December 28, 2010, as well as providing RehabCare's response to the key issues in the merger agreement identified by Kindred in its December 28, 2010 proposal.

During the week of January 3, 2011, representatives of RehabCare and Kindred continued to communicate regarding terms of a potential transaction. Given the proposed equity component of the merger consideration, they also discussed whether Kindred would consider providing an appropriate level of representation from the current RehabCare board of directors on the post-transaction Kindred board of directors. In addition, Kindred continued its due diligence process.

On January 7, 2011, Kindred delivered a revised proposal to RehabCare, increasing its offer price to \$35.00 per share, with \$26.00 payable in cash and \$9.00 payable in Kindred common stock. Kindred noted that its ongoing discussions with JPMorgan, Morgan Stanley and CGMI regarding acquisition financing reaffirmed its confidence that it would obtain a firm commitment on financing in the next few weeks. In addition, the revised proposal provided an updated transaction timeline, an outline of certain terms that Kindred would be including in its markup of the merger agreement, and a description of open due diligence items.

At meetings of the RehabCare special committee held on January 9 and January 10, 2011, CGMI and Bryan Cave discussed the terms of Kindred's revised proposal with the RehabCare special committee and Dr. Short. CGMI noted that the increased stock portion of the consideration proposed by Kindred would obviate the need for Kindred to undertake an equity offering between signing and closing the proposed transaction and would assist in the certainty of Kindred obtaining financing for the transaction. CGMI also described the fixed exchange ratio structure proposed by Kindred relating to the stock component, and discussed other potential alternative structures for the stock portion of the proposal that could be considered. The RehabCare special committee considered the accretive nature of the transaction on Kindred common stock, which provided an opportunity for even further value to the RehabCare stockholders from the consideration proposed by Kindred. Bryan Cave described various other aspects of the revised offer, including Kindred's proposed reverse termination fee structure related to its financing, the need for Kindred stockholder approval due to the stock component of the transaction consideration, and Kindred's refusal to allow for a go shop period following the execution of the merger agreement in light of the substantial premium it was offering. The RehabCare special committee discussed the appropriateness of requesting two seats on the Kindred board of directors upon completion of the transaction, given the substantial amount of Kindred common stock that RehabCare stockholders would receive under Kindred's proposal. The RehabCare special committee also discussed the need to undertake a due diligence review of Kindred in light of the amount of Kindred common stock that would be delivered to RehabCare stockholders. The RehabCare special committee discussed the advantages and disadvantages of moving forward with a transaction on the terms contained in Kindred's revised proposal. Based on the foregoing, the RehabCare special committee determined the revised offer price, including the mix of cash and stock consideration, to be adequate to continue discussions with Kindred and, after consultation with CGMI and Bryan Cave, developed a response to Kindred's revised proposal, and directed Dr. Short to present that response to Mr. Diaz.

On January 11, 2011, Dr. Short and Mr. Diaz met at an industry conference in San Francisco, California. Dr. Short informed Mr. Diaz that the RehabCare special committee had determined that Kindred's revised offer price was adequate to continue discussions. Dr. Short and Mr. Diaz then discussed the remaining key issues in Kindred's revised proposal. Mr. Diaz indicated that Kindred would respond shortly with a revised draft of the merger agreement, which would reflect his discussion with Dr. Short.

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Beginning January 11, 2011, RehabCare began contacting additional financial advisors with respect to a potential engagement to evaluate the fairness of the proposed consideration to be received by RehabCare stockholders from a financial point of view and to deliver a fairness opinion if appropriate.

Cleary Gottlieb delivered a revised draft of the merger agreement to Bryan Cave on January 13, 2011. Between January 13 and January 17, 2011, the RehabCare special committee of the RehabCare board of directors, in consultation with CGMI and Bryan Cave, continued to evaluate a transaction based on the terms proposed by Kindred in its revised merger agreement. During this period CGMI was informed that RBC had been selected as a second financial advisor to RehabCare and its board of directors, and CGMI agreed to reduce the fee it was to receive for its financial advisory services by the full amount of the fees and expenses that would be paid to RBC for its services.

On January 17, 2011, Dr. Short and Mr. Diaz met in New York and discussed certain of the key open issues in the revised draft of the merger agreement provided by Kindred. Bryan Cave delivered a revised draft of the merger agreement to Cleary Gottlieb on January 20, 2011.

From January 20 through January 26, 2011, the parties and their respective advisors continued to engage in negotiations regarding the terms of the proposed transaction.

On or about January 24, 2011, Kindred selected JPMorgan to be the lead lender in the provision of debt financing commitments in connection with the proposed transaction. In addition, Kindred selected the leveraged finance groups at Morgan Stanley and CGMI, respectively, to provide financing commitments in connection with the proposed transaction. At this time, RehabCare confirmed its consent to allow CGMI's leveraged finance group to provide this financing commitment to Kindred.

On January 24, 2011, RBC was engaged by the RehabCare board of directors to evaluate the fairness of the proposed consideration to be received by RehabCare stockholders from a financial point of view.

Following receipt of a list of principal open issues delivered by Kindred on January 26, 2011, members of RehabCare's senior management, together with Bryan Cave and CGMI, participated in a conference call with members of Kindred's senior management, Cleary Gottlieb and Morgan Stanley to discuss those open issues. The parties resolved certain of the issues on that call, and instructed Bryan Cave and Cleary Gottlieb to continue negotiating the remaining open terms of the merger agreement. Cleary Gottlieb delivered a revised draft of the merger agreement on January 28, 2011 and an initial draft of the debt commitment letter on January 29, 2011.

At meetings of the RehabCare special committee held on February 1 and February 2, 2011, Dr. Short, Bryan Cave and CGMI updated the RehabCare special committee on the status of the ongoing negotiations with Kindred. The RehabCare special committee also reviewed the reverse due diligence regarding Kindred performed by its legal and financial advisors. The RehabCare special committee reviewed and discussed the current draft of the merger agreement and Kindred's debt financing commitment, and the remaining open issues. The RehabCare special committee then directed Dr. Short, together with Bryan Cave and CGMI, to continue negotiations with Kindred.

From February 1 through February 6, 2011, RehabCare's senior management and legal and financial advisors continued to negotiate with Kindred's senior management and its legal and financial advisors to finalize the terms of the proposed transaction, including exchanging several drafts of the merger agreement and debt commitment letters.

On February 6, 2011, Kindred held a special meeting of its board of directors at which the Kindred board of directors reviewed and discussed the proposed transaction with RehabCare. Kindred's management, Cleary Gottlieb and Morgan Stanley participated in the meeting. The Kindred board of directors discussed with management, Cleary Gottlieb and Morgan Stanley the proposed terms of the merger agreement, as well as the

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proposed terms of the debt commitment letters, both of which had been provided to the Kindred board of directors prior to the meeting. Morgan Stanley reviewed with the Kindred board of directors a presentation setting forth its financial analysis of the proposed transaction and rendered its oral opinion, which was confirmed in writing on February 7, 2011, to the Kindred board of directors that, as of that date, and based upon and subject to the assumptions made, matters considered and qualifications and limitation on the scope of review undertaken by Morgan Stanley, the merger consideration was fair from a financial point of view to Kindred as discussed in the section entitled "Opinion of Kindred's Financial Advisor" beginning on page 49 (such opinion is attached hereto as Annex D). Following review of such presentation, and further discussion among Kindred's board of directors and management, the Kindred board of directors voted unanimously to approve the merger, the merger agreement and the transactions contemplated by the merger agreement.

On February 7, 2011, RehabCare held a regularly scheduled meeting of its board of directors at which, in consultation with Bryan Cave, CGMI and RBC, the RehabCare board of directors reviewed and discussed the final terms and conditions of the merger agreement and debt commitment letters. Bryan Cave reviewed with the RehabCare board of directors the terms and conditions contained in the merger agreement which had been provided to the directors prior to the meeting. CGMI and Bryan Cave also reviewed the debt commitment letters being obtained by Kindred. CGMI and RBC separately presented financial analyses of the proposed transaction, and each delivered its oral opinion to the RehabCare board of directors, which opinions were confirmed by delivery of written opinions dated February 7, 2011, to the effect that, as of such date and based upon and subject to the factors, assumptions and limitations set forth therein, the merger consideration to be received by RehabCare stockholders was fair, from a financial point of view, to holders of RehabCare common stock (other than shares of RehabCare common stock owned by RehabCare, Kindred or their wholly owned subsidiaries, or as to which dissenters' rights are perfected) as discussed in the sections entitled "Opinion of RehabCare's Financial Advisor - CGMI" beginning on page 55 (such opinion is attached hereto as Annex B) and "Opinion of RehabCare's Financial Advisor - RBC" beginning on page 62 (such opinion is attached hereto as Annex C). Following further review and discussion among the members of the RehabCare board of directors, including consideration of the factors described under "RehabCare's Reasons for the Merger and Recommendation of RehabCare's Board of Directors" beginning on page 45, the RehabCare board of directors determined that the merger, the merger agreement and the transactions contemplated by the merger agreement were advisable and fair to and in the best interests of RehabCare and its stockholders, and the RehabCare board of directors voted unanimously to approve the merger, the merger agreement and the transactions contemplated by the merger agreement.

The merger agreement was executed by RehabCare and Kindred on February 7, 2011. On February 8, 2011, prior to the commencement of trading on the NYSE, RehabCare and Kindred issued a joint press release announcing the signing of the merger agreement.

Kindred's Reasons for the Merger and Recommendation of Kindred's Board of Directors

At the meeting of the Kindred board of directors on February 6, 2011, after careful consideration, including detailed discussions with Kindred's management and its legal and financial advisors, the Kindred board of directors unanimously determined that the merger is advisable and fair to and in the best interests of Kindred and its stockholders, approved the merger agreement and recommended that the Kindred stockholders vote **FOR** the adoption of the merger agreement.

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In evaluating the merger, the Kindred board of directors consulted with Kindred's management, as well as Kindred's legal and financial advisors and, in reaching a conclusion to approve the merger and related transactions and to recommend that Kindred stockholders adopt the merger agreement in connection with the merger, the Kindred board of directors reviewed a significant amount of information and considered a number of factors including:

its knowledge of Kindred's business, operations, financial condition, earnings and prospects both before and after the merger;

its knowledge of the current environment in the healthcare industry, including reimbursement and regulatory risks, economic conditions, the potential for continued consolidation, current financial market conditions and the likely effects of these factors on Kindred's and RehabCare's potential growth, development, productivity and strategic direction;

Kindred management's expectation that the combined company will achieve operating synergies of approximately \$40 million within a period of two years following consummation of the merger, with \$25 million expected in the first year after the closing;

the strategic nature of the acquisition, which will create a combined company:

which will be the largest post-acute healthcare services company in the United States with over \$6 billion in annual revenues and with increased geographic diversity;

which will operate 118 LTAC hospitals with 8,492 licensed beds, 226 nursing and rehabilitation centers with 27,442 licensed beds, 121 inpatient rehabilitation hospitals and 1,808 hospital, nursing center and assisted living rehabilitation therapy services across the country;

well-equipped to respond to economic, regulatory, legislative and other industry developments and with the financial strength to make continued strategic investments in the healthcare industry;

that enhances Kindred's cluster market strategy;

with the prospects for an expanded customer base and product offerings to allow for new business relationships and transactions not available to either company on a stand-alone basis;

Kindred management's view, based upon due diligence and discussions with RehabCare's management, that Kindred and RehabCare share complementary core values with respect to culture, regulatory compliance and customer satisfaction;

that the merger will join two experienced healthcare industry management teams with complementary values, established track records, and technical and operational expertise;

that, because the exchange ratio is fixed (and will not be adjusted for fluctuations in the market price of Kindred common stock or RehabCare common stock), the per share value of the merger consideration could be more or less than its implied value upon execution of the merger agreement;

the premiums paid by the acquiring entities in selected transactions;

information concerning the financial conditions, results of operations, prospects and businesses of Kindred and RehabCare, including the respective companies' cash flows from operations, recent performance of common shares and the ratio of Kindred's stock price to RehabCare's stock price over various periods;

that Dr. Short would serve on the Kindred board of directors as non-executive vice chairman, bringing his extensive experience and expertise to Kindred;

the structure of the merger and the terms and conditions of the merger agreement, including the following:

the parties' expectation that significant delays in obtaining regulatory approvals for the transaction are unlikely;

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that RehabCare agreed to pay a termination fee of \$26 million to Kindred if the merger is not consummated for certain reasons as more fully described below in The Merger Agreement Termination Fees and Expenses beginning on page 114;

the probability that the conditions to completion of the merger would be satisfied; and

that, subject to certain exceptions, RehabCare is prohibited from taking certain actions that would be deemed to be a solicitation under the merger agreement, including solicitation, initiation, encouragement of any inquiries or the making of any proposals for certain types of business combination or acquisition of RehabCare (or entering into any agreements for such business combinations or acquisitions of RehabCare or any requirement to abandon, terminate or fail to consummate the merger).

Morgan Stanley's oral opinion, dated February 6, 2011, subsequently confirmed in writing on February 7, 2011 to the Kindred board of directors as to the fairness, from a financial point of view and as of the date of the opinion, to Kindred of the merger consideration provided for in the merger agreement, as more fully described below in Opinion of Kindred's Financial Advisor beginning on page 49.

The Kindred board of directors also considered the potential adverse impact of other factors weighing negatively against the proposed transaction, including, without limitation, the following:

the risks and contingencies relating to the announcement and pendency of the merger and the risks and costs to Kindred if the merger does not close timely or does not close at all, including the impact on Kindred's relationships with employees and with third parties;

the risk that the substantial additional indebtedness to be incurred in the merger could adversely effect Kindred's operational flexibility and increase its vulnerability to a downturn in general economic conditions or Kindred's business;

the potential dilution to Kindred stockholders;

the risk of diverting management focus, employee attention and resources from other strategic opportunities and from operational matters while working to complete the merger and integrate the RehabCare operations;

the challenges of combining the businesses, operations and workforces of RehabCare and Kindred and realizing the anticipated cost savings and operating synergies;

the risk that the parties may incur significant costs and delays resulting from seeking governmental consents and approvals necessary for completion of the merger;

the terms and conditions of the merger agreement, including:

that Kindred must pay to RehabCare a termination fee of \$62 million if the merger agreement is terminated under circumstances specified in the merger agreement, as more fully described below in The Merger Agreement Termination Fees and Expenses beginning on page 114;

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that Kindred is subject to certain restrictions on the conduct of its business prior to the completion of the merger;

that, under certain circumstances and subject to certain conditions more fully described below in The Merger Agreement Covenants and Agreements No Solicitation beginning on page 102, RehabCare may furnish information to, and conduct negotiations with, third parties (not affiliated with Kindred) in connection with unsolicited proposals for a business combination or acquisition of RehabCare that would reasonably expected to be a superior proposal and the RehabCare board of directors can terminate the merger agreement in order to accept a superior proposal or, under certain circumstances, change its recommendation prior to Kindred stockholders adoption of the merger agreement; and

the risks described in the section entitled Risk Factors beginning on page 27.

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The Kindred board of directors concluded that the anticipated benefits of the merger would outweigh the preceding considerations.

The reasons set forth above are not intended to be exhaustive, but include material facts considered by the Kindred board of directors in approving the merger agreement. In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, the Kindred board of directors did not find it useful to and did not attempt to quantify or assign any relative or specific weights to the various factors that it considered in reaching its determination to approve the merger and the merger agreement and to make its recommendations to Kindred stockholders. In addition, individual members of the Kindred board of directors may have given differing weights to different factors. The Kindred board of directors carefully considered all of the factors described above as a whole.

RehabCare's Reasons for the Merger and Recommendation of RehabCare's Board of Directors

At a meeting on February 7, 2011, after careful consideration, including detailed presentations by RehabCare's management and its legal and financial advisors, the RehabCare board of directors unanimously determined that the merger is fair to, and in the best interests of, RehabCare and its stockholders and approved and declared advisable the merger agreement, the merger and other transactions contemplated by the merger agreement. The RehabCare board of directors resolved that the merger agreement be submitted for consideration by the RehabCare stockholders at a special meeting of its stockholders, and recommended that the RehabCare stockholders vote **FOR** the adoption of the merger agreement. The merger agreement was finalized and executed on behalf of RehabCare on February 7, 2011.

In evaluating the merger agreement, the merger and the other transactions contemplated by the merger agreement, the RehabCare board of directors consulted with certain members of RehabCare's senior management and its legal and financial advisors and reviewed a significant amount of information and considered a number of factors, including but not limited to the material factors discussed below (not in any relative order of importance).

Financial Considerations

The RehabCare board of directors considered the financial terms of the merger based on, among other things, the following factors:

the financial terms of the merger, including:

the fact that the value of the merger consideration represents approximately a 38.1% premium over the \$25.47 closing price of RehabCare common stock on the NYSE on February 7, 2011, the last trading day prior to the public announcement of the merger agreement, approximately a 42.3% premium over RehabCare's volume-weighted average daily closing price of \$24.73 during the 30 trading days ending on February 7, 2011, and approximately a 60.4% premium over RehabCare's volume-weighted average daily closing price of \$21.93 during the 90 trading days ending on February 7, 2011 (each based upon the closing price of \$19.48 per share of Kindred common stock on the NYSE on February 7, 2011);

that a fixed ratio for the merger consideration provides RehabCare stockholders the opportunity to benefit from any increase in the trading price of Kindred common stock between the announcement of the merger agreement and the completion of the merger;

the various background data and analyses relating to the combination of RehabCare and Kindred, reviewed with the RehabCare board of directors by RehabCare's outside financial and legal advisors and management, as well as:

CGMI's opinion rendered to the RehabCare board of directors, dated as of February 7, 2011, that, based on and subject to the various factors, assumptions and limitations described in its opinion, the merger consideration to be received by the stockholders of RehabCare in the merger was fair, from a financial point of view, to such stockholders, as more fully described below in Opinion of RehabCare's Financial Advisor CGMI beginning on page 55; and

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RBC's opinion rendered to the RehabCare board of directors, dated February 7, 2011, that, based upon and subject to the factors and assumptions made, matters considered and limits of the review undertaken by RBC set forth in its opinion, the RehabCare merger consideration to be received by the stockholders of RehabCare in the merger was fair, from a financial point of view, as of the date of the opinion, to such stockholders, as more fully described below in *Opinion of RehabCare's Financial Advisor RBC* beginning on page 62.

Strategic Considerations

The RehabCare board of directors considered a number of strategic advantages of the merger in comparison to a stand-alone strategy, including, but not limited to the following factors:

the view of RehabCare's prospects and potential future financial performance as an independent company and as a combined company, including RehabCare's dependence upon the continued relevance and economic viability of its services and succession considerations;

RehabCare's ability to compete with its current and potential future competitors within its markets, including other larger companies that may have significantly greater resources or market presence;

the concern of RehabCare's management and board that the value of RehabCare's stock in the market reflected continuing concern over healthcare reform legislation and Medicare regulations, despite RehabCare's performance against expectations;

RehabCare's management's view, based on due diligence and discussions with Kindred's management, that RehabCare and Kindred share complementary core values with respect to integrity, safety standards and practices, community development, participation in government affairs and customer satisfaction;

its knowledge of RehabCare's business, operations, financial condition, earnings and prospects and of Kindred's business, operations, financial condition, earnings and prospects, taking into account the results of RehabCare's due diligence of Kindred;

its knowledge of the current environment of the healthcare industry, including economic conditions, the potential for changing laws and regulations, current financial market conditions and the possible effects of these factors on RehabCare's and Kindred's potential growth, development, productivity and strategic options;

RehabCare's management's expectations of synergies that are anticipated to result in cost savings through administrative, sales, purchasing of goods and services and operating synergies;

information concerning the financial conditions, results of operation, prospects and businesses of RehabCare and Kindred, including the respective companies' reserves, cash flows from operations, recent performance of common shares and the ratio of per share prices over various periods; and

the significant information technology costs that RehabCare would incur during the next three to five years, and that merging information technology platforms with Kindred could save RehabCare approximately \$30 million to \$50 million over the course of that period.

Other Considerations

The RehabCare board of directors also considered the following factors, among others:

the fact that the cash portion of the merger consideration will provide RehabCare stockholders with immediate value in cash for their shares, and that the Kindred common stock issued to RehabCare stockholders will be registered, and can be freely traded after issuance;

that the merger consideration would enable RehabCare stockholders to own approximately 23% of the outstanding stock of Kindred, which will provide such stockholders the opportunity to participate in any future earnings or growth of Kindred and future appreciation in the value of Kindred common

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stock following the merger should such stockholders determine to retain the Kindred common stock payable in the merger;

the judgment of the RehabCare board of directors, after consultation with management and its advisors, that continuing discussions with Kindred or soliciting interest from additional third parties would be unlikely to lead to a better offer and could lead to the loss of Kindred's proposed offer;

the structure of the merger and the terms and conditions of the merger agreement, including the following:

the limited conditions to the parties' obligations to complete the merger and the probability that such conditions would be satisfied, including in light of the parties' agreement to use reasonable best efforts, as more fully described below in "The Merger Agreement - Covenants and Agreements - Reasonable Best Efforts; Covenants and Agreements" beginning on page 106;

the provisions that allow RehabCare, under certain circumstances, to engage in negotiations with, and provide information to, third parties, prior to the adoption of the merger agreement by its stockholders, in response to an unsolicited takeover proposal that RehabCare's board of directors determines in good faith, after consultation with outside legal counsel and its financial advisors, constitutes or would reasonably be expected to lead to a superior proposal (as defined on page 104);

the provisions that allow RehabCare, under certain circumstances, to terminate the merger agreement prior to the adoption of the merger agreement by its stockholders, in order to enter into an alternative transaction in response to an unsolicited takeover proposal that RehabCare's board of directors determines in good faith, after consultation with outside legal counsel and financial advisors, constitutes a superior proposal (as defined on page 104);

the fact that the termination date under the merger agreement allows for time that is expected to be sufficient to complete the merger;

the fact that there is a date certain for terminating the transaction if the merger has not been consummated;

the ability of RehabCare to obtain a termination fee of \$62 million from Kindred if the merger is not consummated for certain reasons as more fully described below in "The Merger Agreement - Termination Fees and Expenses" beginning on page 114;

the level of effort that Kindred must use under the merger agreement to obtain the proceeds of the financing under the terms and conditions described in the debt commitment letter, including using its reasonable best efforts to enforce its rights under the debt commitment letter;

the likelihood that the merger would be completed based on, among other things, the receipt of an executed debt commitment letter from the debt commitment parties for the merger, and the terms of the debt commitment letter and the reputation of the debt commitment parties, which, in the reasonable judgment of the RehabCare board of directors, increases the likelihood of such financing being completed;

the availability of appraisal rights under the DGCL to holders of RehabCare common stock who comply with all of the required procedures under the DGCL, which allows such holders to seek appraisal of the fair value of their shares of RehabCare common stock as determined by the Court of Chancery; and

the belief by the RehabCare board of directors that the merger is more favorable to RehabCare stockholders than the alternatives to the merger, which belief was formed based on the review by the RehabCare board of directors, with assistance of its financial advisors, of the strategic alternatives available to RehabCare.

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Consideration of Risks and Other Potentially Negative Factors

The RehabCare board of directors also considered a variety of risks and other potentially negative factors, including, without limitation, the following:

the risks and contingencies relating to the announcement and pendency of the merger and the risks and costs to RehabCare if the merger does not close timely or does not close at all, including the impact on RehabCare's relationships with employees and with third parties;

the risk of diverting management focus, employee attention and resources from other strategic opportunities and from operational matters while working to complete the merger;

the fact that RehabCare stockholders will have a smaller ongoing equity participation in Kindred (and, as a result, a smaller opportunity to participate in any future earnings or growth of Kindred and future appreciation in the value of Kindred common stock following the merger) than they currently have in RehabCare;

the fact that a fixed RehabCare exchange ratio means that RehabCare stockholders could be adversely affected by a decrease in the trading price of Kindred common stock between the announcement of the merger agreement and the completion of the merger;

the challenges of combining the businesses, policies, processes, systems, operations and workforces of Kindred and RehabCare and realizing the anticipated cost savings and operating synergies;

the risk that the parties may incur significant costs and unexpected delays resulting from seeking governmental consents and approvals necessary for completion of the merger;

the fact that, while RehabCare expects that the merger will be consummated, there can be no assurance that all conditions to the parties' obligations to complete the merger agreement (including the condition that the parties obtain all required regulatory approvals) will be satisfied, and, as a result, the merger may not be consummated;

the risk that Kindred may not be able to obtain the financing contemplated by the debt commitment letter;

the fact that the merger consideration would be taxable to RehabCare stockholders that are U.S. holders for U.S. federal income tax purposes;

the fact that RehabCare's directors and executive officers have interests in the merger that are different from, or in addition to, the RehabCare stockholders, as described below in [Interests of RehabCare Directors and Executive Officers in the Merger](#) beginning on page 76;

the terms and conditions of the merger agreement, including:

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that RehabCare generally conduct its business only in the ordinary course and that RehabCare is subject to a variety of other restrictions on the conduct of its business prior to the completion of the merger, any of which may delay or prevent RehabCare from pursuing business opportunities that may arise or may delay or preclude RehabCare from taking actions that would be advisable if it were to remain an independent company;

the non-solicitation covenants and the requirement that RehabCare must pay to Kindred a termination fee of \$26 million if the merger agreement is terminated under circumstances specified in the merger agreement, as described below in The Merger Agreement Termination Fees and Expenses beginning on page 114; and

the risks described in the section entitled Risk Factors beginning on page 27.

RehabCare's board of directors concluded that the anticipated benefits of the merger would outweigh the preceding considerations.

The reasons set forth above are not intended to be exhaustive, but include material facts considered by the RehabCare board of directors in approving the merger agreement. In view of the wide variety of factors

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considered in connection with its evaluation of the merger and the complexity of these matters, the RehabCare board of directors did not find it useful to and did not attempt to quantify or assign any relative or specific weights to the various factors that it considered in reaching its determination to approve the merger and the merger agreement and to make its recommendations to RehabCare stockholders. In addition, individual members of the RehabCare board of directors may have given differing weights to different factors. The RehabCare board of directors carefully considered all of the factors described above as a whole.

The RehabCare board of directors unanimously recommends that you vote FOR the proposal to adopt the merger agreement and FOR the proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies.

The RehabCare stockholders should be aware that RehabCare's directors and executive officers have interests in the merger that are different from, or in addition to, the RehabCare stockholders. The RehabCare board of directors was aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger, and in recommending that the merger agreement be adopted by the RehabCare stockholders, as described below in *Interests of RehabCare Directors and Executive Officers in the Merger* beginning on page 76.

Opinion of Kindred's Financial Advisor

Morgan Stanley was retained by the Kindred board of directors to provide it with financial advisory services and a financial opinion in connection with the proposed transaction. The Kindred board of directors selected Morgan Stanley to act as its financial advisor based on Morgan Stanley's qualifications, expertise and reputation and its knowledge of the business and affairs of Kindred. On February 6, 2011, Morgan Stanley rendered its oral opinion, subsequently confirmed in writing on February 7, 2011, to the Kindred board of directors that, as of that date, and based upon and subject to the assumptions made, matters considered and qualifications and limitations on the scope of review undertaken by Morgan Stanley as set forth in its opinion, the merger consideration to be paid by Kindred pursuant to the merger agreement was fair from a financial point of view to Kindred.

The full text of Morgan Stanley's written fairness opinion, delivered following the Kindred board meeting and dated February 7, 2011, is attached as Annex D to this joint proxy statement/prospectus. You should read the opinion in its entirety for a discussion of the assumptions made, procedures followed, factors considered and limitations upon the review undertaken by Morgan Stanley in rendering the opinion. This summary is qualified in its entirety by reference to the full text of such opinion. Morgan Stanley's opinion is directed to the Kindred board of directors and addresses only the fairness from a financial point of view of the merger consideration pursuant to the merger agreement to Kindred as of the date of the opinion. It does not address any other aspects of the merger and does not constitute a recommendation to any stockholder of Kindred or RehabCare on how to vote at any stockholders' meeting related to the merger or take any other action with respect to the proposed transaction.

In arriving at its opinion, Morgan Stanley, among other things:

reviewed certain publicly available financial statements and other business and financial information of Kindred and RehabCare, respectively;

reviewed certain internal financial statements and other financial and operating data concerning Kindred and RehabCare, respectively;

reviewed certain financial projections prepared by the managements of Kindred and RehabCare, respectively;

reviewed information relating to certain strategic, financial and operational benefits anticipated from the merger, prepared by the managements of Kindred and RehabCare, respectively;

discussed the past and current operations and financial condition and the prospects of RehabCare, with senior executives of RehabCare;

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discussed the past and current operations and financial condition and the prospects of Kindred, including information relating to certain strategic, financial and operational benefits anticipated from the merger, with senior executives of Kindred;

reviewed the pro forma impact of the merger on Kindred's earnings per share, cash flow, consolidated capitalization and financial ratios;

reviewed the reported prices and trading activity for Kindred common stock and RehabCare common stock;

compared the financial performance of Kindred and RehabCare and the prices and trading activity of Kindred common stock and RehabCare common stock with that of certain other publicly-traded companies comparable with Kindred and RehabCare, respectively, and their securities;

reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions;

participated in certain discussions and negotiations among representatives of Kindred and RehabCare and their financial and legal advisors;

reviewed the merger agreement, the draft debt commitment letter from the debt commitment parties dated February 6, 2011 and certain related documents; and

performed such other analyses, reviewed such other information and considered such other factors as Morgan Stanley deemed appropriate.

In arriving at its opinion, Morgan Stanley assumed and relied upon, without independent verification, the accuracy and completeness of the information that was publicly available or supplied or otherwise made available to Morgan Stanley by Kindred and RehabCare, and formed a substantial basis for this opinion. With respect to the financial projections, including information relating to certain strategic, financial and operational benefits anticipated from the merger, Morgan Stanley assumed that they had been reasonably prepared on bases reflecting the best currently available estimates and judgments of the respective managements of Kindred and RehabCare of the future financial performance of Kindred and RehabCare. In addition, Morgan Stanley assumed that the merger will be consummated in accordance with the terms set forth in the merger agreement without any waiver, amendment or delay of any terms or conditions, including, among other things, that Kindred will obtain debt financing in accordance with the terms set forth in the debt commitment letter. Morgan Stanley relied upon, without independent verification, the assessment by the managements of Kindred and RehabCare of: (i) the timing and risks associated with the integration of Kindred and RehabCare; (ii) their ability to retain key employees of Kindred and RehabCare, respectively and (iii) the validity of, and risks associated with, Kindred's and RehabCare's existing and future technologies, intellectual property, products, services and business models. Morgan Stanley assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents required for the proposed merger, no delays, limitations, conditions or restrictions would be imposed that would have a material adverse effect on the contemplated benefits expected to be derived in the proposed merger. Morgan Stanley is not a legal, tax, regulatory or actuarial advisor. They are financial advisors only and relied upon, without independent verification, the assessment of Kindred and RehabCare and their legal, tax, regulatory or actuarial advisors with respect to legal, tax, regulatory or actuarial matters. Morgan Stanley expressed no opinion with respect to the fairness of the amount or nature of the compensation to any of RehabCare's officers, directors or employees, or any class of such persons, relative to the merger consideration to be paid to the holders of shares of RehabCare common stock in the transaction. Morgan Stanley's opinion did not address the relative merits of the merger as compared to any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or were available. Morgan Stanley did not make any independent valuation or appraisal of the assets or liabilities of RehabCare, nor was Morgan Stanley furnished with any such appraisals. Morgan Stanley's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Morgan Stanley as of, the date

of the opinion. Events occurring after the date of the opinion may affect Morgan Stanley's opinion and the assumptions used in preparing it, and Morgan Stanley did not assume any obligation to update, revise or reaffirm its opinion.

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The following is a summary of the material financial analyses performed by Morgan Stanley in connection with preparation of its written opinion to the Kindred board of directors. The financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses used by Morgan Stanley, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. The analyses listed in the tables and described below must be considered as a whole; considering any portion of such analyses and of the factors considered, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying Morgan Stanley's fairness opinion.

For purposes of its financial analyses, Morgan Stanley relied on two sets of projections with Kindred's authorization: a case based on consensus Wall Street research analyst estimates (which we refer to as the "street case") and projections from RehabCare management that were adjusted by Kindred management (which we refer to as the "base case").

RehabCare Trading Range Analysis

Morgan Stanley reviewed the historical trading range of RehabCare common stock for various periods ending February 1, 2011.

Morgan Stanley noted that, as of February 1, 2011, the closing price of RehabCare common stock was \$25.10.

Morgan Stanley also noted that, for the last twelve months ended February 1, 2011 the maximum closing price for a share of RehabCare common stock, rounded to the nearest \$1.00, was \$32.00 and the minimum closing price for a share of RehabCare common stock, rounded to the nearest \$1.00, was \$16.00.

RehabCare Equity Research Price Target Analysis

Morgan Stanley reviewed the price targets for the RehabCare common stock prepared and published by equity research analysts. These targets reflect each analyst's estimate of the future public market-trading price of RehabCare common stock and are not discounted to reflect present value. The range of undiscounted price targets for the RehabCare common stock as of February 1, 2011 was \$25.00 to \$32.00.

In order to better compare the published price targets with the merger consideration, Morgan Stanley discounted the published price targets by an assumed cost of equity of 10.5% for an illustrative one-year period. On a discounted basis, rounded to the nearest \$1.00, the range of price targets for the RehabCare common stock as of February 1, 2011 was \$23.00 to \$29.00. Including a provision for synergy value at the high end of this range, the incremental range for RehabCare common stock, rounded to the nearest \$1.00, was \$34.00 to \$40.00.

The public market trading price targets published by securities research analysts do not necessarily reflect current market trading prices for the RehabCare common stock and these estimates are subject to uncertainties, including the future financial performance of RehabCare and future financial market conditions.

Comparable Company Analysis

Morgan Stanley reviewed and compared, using publicly available information, certain current and historical financial information for RehabCare corresponding to current and historical financial information, ratios and public market multiples for other companies that share similar business characteristics with RehabCare. The following list sets forth the selected comparable companies that were reviewed in connection with this analysis:

The Ensign Group, Inc.

HealthSouth Corp.

Kindred

National Healthcare Corp.

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Select Medical Holdings Corp.

Skilled Healthcare Group, Inc.

Sun Healthcare Group Inc.

Morgan Stanley analyzed the following statistics for comparative purposes:

the ratio of the aggregate value, defined as market capitalization plus total debt and minority interest less cash and cash equivalents, to estimated earnings before interest, income taxes, depreciation, amortization and rent expense (which we refer to as EBITDAR) for calendar year 2011; and

the ratio of stock price to estimated earnings per share (which we refer to as EPS) for calendar year 2011.

The following table reflects the results of the analysis and the corresponding multiples for RehabCare based on the representative ranges of EBITDAR and EPS estimates for these companies:

	Aggregate Value / 2011E EBITDAR	Stock Price / 2011E EPS
Range Derived from Comparable Companies	6.0x - 7.0x	8.5x - 11.5x
Implied Per Share Value of RehabCare Common Stock, Rounded to the Nearest \$1.00		
- Street Case	\$23 - \$32	\$23 - \$32
- Base Case	\$22 - \$31	\$23 - \$30
Implied Per Share Value of RehabCare Common Stock, Rounded to the Nearest \$1.00, Including a Provision of Synergy Value at the High End of the Range		
- Street Case	\$37 - \$43	\$37 - \$43
- Base Case	\$36 - \$41	\$36 - \$41

No company utilized in the comparable company analysis is identical to RehabCare. In evaluating the comparable companies, Morgan Stanley made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Kindred or RehabCare, such as the impact of competition on the businesses of RehabCare and the industry generally, industry growth and the absence of any adverse material change in the financial condition and prospects of RehabCare or the industry or in the financial markets in general. Mathematical analysis (such as determining the average or median) is not in itself a meaningful method of using comparable company data.

Discounted Cash Flow Analysis

Morgan Stanley performed a discounted cash flow analysis, which is designed to provide an implied value of a company by calculating the present value of the estimated future cash flows and terminal value of the company. Morgan Stanley calculated a range of implied equity values per share of RehabCare common stock based on estimates of future cash flows for calendar years 2011 through 2015. In preparing its analysis, Morgan Stanley relied upon the street case and base case projections with respect to the future financial performance of RehabCare. Morgan Stanley first calculated the estimated unlevered free cash flows of RehabCare for the period from January 1, 2011 to December 31, 2015. Morgan Stanley then calculated a terminal value for RehabCare by assuming an exit valuation of 6.0x to 7.0x of aggregate value to next-twelve-months ratio of earnings before interest, taxes, depreciation and amortization (which we refer to as EBITDA). These values were then discounted to present values as of December 31, 2010 assuming a range of discount rates between 8.5% and 9.5% to calculate an aggregate value for RehabCare. This aggregate value was further adjusted for RehabCare's total debt, minority interest, cash and cash equivalents, to calculate a range of implied equity value per share, rounded to the nearest \$1.00.

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	Excluding Synergies	Including Synergies
Implied Per Share Value of RehabCare Common Stock, Rounded to the Nearest \$1.00		
- Street Case	\$ 34 - \$42	\$ 48 - \$53
- Base Case	\$ 33 - \$41	\$ 46 - \$51

Premiums Paid Analysis

Morgan Stanley reviewed the premiums paid in certain acquisition transactions from 1990 to 2010. The acquisition transactions reviewed by Morgan Stanley were limited to those transactions with a transaction value greater than \$1 billion where the target company was a U.S.-based public company. Morgan Stanley reviewed the premium paid to the target company's stock price four weeks prior to the announcement date for each transaction. In certain cases, the premium was adjusted to reflect the presence of information or speculation in the public domain regarding a transaction prior to the formal announcement date. Morgan Stanley noted that the 21-year average premium paid in selected transactions with all cash consideration was 39% and for all selected transactions was 36%.

Morgan Stanley applied a premium range of 30% to 50% to RehabCare's stock price as of February 1, 2011 of \$25.10. The range of implied RehabCare's stock prices, rounded to the nearest \$1.00, was \$33.00 to \$38.00.

Morgan Stanley also reviewed the price paid and calculated the ratio of aggregate value to last-twelve months EBITDA (based on publicly available information), of 15 selected transactions in the healthcare services/facilities sectors since June 30, 2003 (listed below). Based on its analysis of these transactions, Morgan Stanley selected a representative range of financial multiples implied by the precedent transactions and applied this range of multiples to the relevant RehabCare financial statistic to imply a value per share based on such range of multiples.

For this analysis Morgan Stanley reviewed the following transactions:

Healthcare Services / Facilities Precedent Transactions

Acquiror	Target	Announcement Date
Kindred	Vista Healthcare, LLC	08/24/10
Onex Corporation	Res-Care Inc.	08/16/10
Select Medical Holdings Corp.	Regency Hospital Company, LLC	06/21/10
Gentiva Health Services Inc.	Odyssey Healthcare Inc.	05/24/10
Universal Health Services Inc.	Psychiatric Solutions, Inc.	05/18/10
RehabCare	Triumph Healthcare LLC	11/03/09
The Carlyle Group	ManorCare, Inc.	07/02/07
Select Medical Holdings Corp.	HealthSouth's Outpatient Rehab Division	01/29/07
Psychiatric Solutions, Inc.	Horizon Health Corp.	12/20/06
Extendicare Health Services, Inc.	Tendercare Michigan, Inc.	11/01/06
RehabCare	Symphony Health Services LLC	05/03/06
The Carlyle Group	LifeCare Holdings, Inc.	07/21/05
Select Medical Holdings Corp.	SemperCare, Inc.	11/19/04
Thoma Cressey Bravo / Welsh, Carson, Anderson & Stowe	Select Medical Corp.	10/18/04
Select Medical Corp.	Kessler Rehab Corp.	06/30/03

Morgan Stanley applied a multiple range of 7.5x to 11.5x to RehabCare's 2010 estimated (which we refer to as 2010E) EBITDA. The range of implied RehabCare's stock prices, rounded to the nearest \$1.00, was \$34.00 to \$60.00.

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No company or transaction utilized in the premiums paid analysis is identical to Kindred, RehabCare or this specific transaction. In evaluating the precedent transactions, Morgan Stanley made judgments and assumptions with regard to general business, market and financial conditions and other matters, which are beyond the control of Kindred and RehabCare, such as the impact of competition on the business of Kindred, RehabCare or the industry generally, industry growth and the absence of any material adverse change in the financial condition of Kindred, RehabCare or the industry or in the financial markets in general, which could affect the public trading value of the companies and the value of the transactions to which they are being compared.

Illustrative Financial Sponsor Analysis

Morgan Stanley performed a hypothetical leveraged buyout analysis to determine the prices at which a financial sponsor might effect a leveraged buyout of RehabCare. Morgan Stanley assumed a transaction date of December 31, 2010 and a ratio of total debt to last-twelve-months EBITDA at the transaction date of 4.5x. Morgan Stanley also assumed a subsequent exit transaction by the financial sponsor at December 31, 2015 with a valuation of RehabCare realized by the financial sponsor in such subsequent exit transaction based on a 6.0x to 7.0x aggregate value to next-twelve-months EBITDA ratio and RehabCare's estimated total debt and cash and cash equivalents balances as of December 31, 2015. The implied acquisition price per share paid by the financial sponsor was based on a target range of internal rates of return for the financial sponsor between December 31, 2010 and December 31, 2015 of 20% to 25%.

Based on this analysis, the range of implied acquisition prices per share is shown in the table below.

Implied Per Share Value of Kindred Common Stock, Rounded to the Nearest \$1.00

- Street Case	\$ 24 - \$30
- Base Case	\$ 24 - \$31

General

In connection with the review of the merger by the Kindred board of directors, Morgan Stanley performed a variety of financial and comparative analyses for purposes of rendering its opinion. The preparation of a financial opinion is a complex process and is not necessarily susceptible to a partial analysis or summary description. In arriving at its opinion, Morgan Stanley considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor it considered. Morgan Stanley believes that selecting any portion of its analyses, without considering all analyses as a whole, would create an incomplete view of the process underlying its analyses and opinion. In addition, Morgan Stanley may have given various analyses and factors more or less weight than other analyses and factors, and may have deemed various assumptions more or less probable than other assumptions. As a result, the ranges of valuations resulting from any particular analysis described above should not be taken to be Morgan Stanley's view of the actual value of RehabCare. In performing its analyses, Morgan Stanley made numerous assumptions with respect to industry performance, general business, regulatory, economic, market and financial conditions and other matters. Many of these assumptions are beyond the control of Kindred or RehabCare. Any estimates contained in Morgan Stanley's analyses are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by such estimates.

Morgan Stanley conducted the analyses described above solely as part of its analysis of the fairness of the merger consideration pursuant to the merger agreement from a financial point of view, to be paid by Kindred and in connection with the delivery of its opinion to the Kindred board of directors. These analyses do not purport to be appraisals or to reflect the prices at which the RehabCare common stock might actually trade.

The merger consideration was determined through arm's-length negotiations between Kindred and RehabCare and was approved by the Kindred board of directors. Morgan Stanley provided advice to the Kindred

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board of directors during these negotiations. Morgan Stanley did not, however, recommend any specific merger consideration to the Kindred board of directors or that any specific merger consideration constituted the only appropriate consideration for the merger.

Morgan Stanley's opinion and its presentation to the Kindred board of directors was one of many factors taken into consideration by the Kindred board of directors in deciding to approve and declare advisable the merger agreement and to recommend that Kindred stockholders approve the proposal to adopt the merger agreement. Consequently, the analyses as described above should not be viewed as determinative of the opinion of the Kindred board of directors with respect to the merger consideration or of whether the Kindred board of directors would have been willing to recommend a different merger consideration.

Morgan Stanley acted as financial advisor to the Kindred board of directors in connection with this transaction and will receive a one-time fee of \$12 million for its services, which fee is contingent upon the closing of the merger. Morgan Stanley is also entitled to receive a portion of any termination fee paid by RehabCare to Kindred pursuant to the merger agreement. In addition, Morgan Stanley expects to receive fees from Kindred for the provision of financing services related to the merger pursuant to the terms of the debt commitment letter. In the two years prior to the date hereof, Morgan Stanley provided financing services for Kindred and received fees in connection with such services. Morgan Stanley may also seek to provide financing or advisory services to Kindred and RehabCare in the future and expects to receive fees for the rendering of these services. Under the terms of its engagement letter, in addition to the fees described above, Kindred has also agreed to reimburse Morgan Stanley for its expenses incurred in performing its services. In addition, Kindred has agreed to indemnify Morgan Stanley and its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Morgan Stanley or any of its affiliates against certain liabilities and expenses, including certain liabilities under the federal securities laws, related to or arising out of Morgan Stanley's engagement.

Morgan Stanley is a global financial services firm engaged in the securities, investment management and individual wealth management businesses. Its securities business is engaged in securities underwriting, trading and brokerage activities, foreign exchange, commodities and derivatives trading, prime brokerage, as well as providing investment banking, financing and financial advisory services. Morgan Stanley, its affiliates, directors and officers may at any time invest on a principal basis or manage funds that invest, hold long or short positions, finance positions, and may trade or otherwise structure and effect transactions, for their own account or the accounts of its customers, in debt or equity securities or loans of Kindred, RehabCare, or any other company, or any currency or commodity, that may be involved in this transaction, or any related derivative instrument.

Morgan Stanley's opinion was approved by a committee of Morgan Stanley investment banking and other professionals in accordance with its customary practice. Morgan Stanley's opinion did not in any manner address the prices at which Kindred common stock will trade at any time and Morgan Stanley expressed no opinion or recommendation as to how the stockholders of Kindred and RehabCare should vote at the stockholders' meetings to be held in connection with the merger.

Opinion of RehabCare's Financial Advisor - CGMI

CGMI was retained to act as financial advisor to RehabCare in connection with the merger. In connection with this engagement, RehabCare requested CGMI to evaluate the fairness, from a financial point of view, of the merger consideration to be received in the merger by holders of RehabCare common stock. On February 7, 2011, at a meeting of the RehabCare board of directors, CGMI rendered to the RehabCare board of directors an oral opinion, which was confirmed by delivery of a written opinion dated February 7, 2011, to the effect that, as of that date and based on and subject to the matters described in its opinion, the merger consideration was fair, from a financial point of view, to the holders of RehabCare common stock (other than shares of RehabCare common stock owned by RehabCare, Kindred or their wholly owned subsidiaries, or as to which dissenters' rights are perfected).

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The full text of CGMI's written opinion, dated February 7, 2011, which describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken, is attached to this joint proxy statement/prospectus as **Annex B** and is incorporated by reference in its entirety into this joint proxy statement/prospectus. You are urged to read the opinion in its entirety. CGMI's opinion was provided to the RehabCare board of directors in connection with its evaluation of the merger consideration from a financial point of view. CGMI's opinion does not address any other aspects or implications of the merger and does not constitute a recommendation to any stockholder as to how such stockholder should vote or act on any matters relating to the proposed merger. CGMI's opinion does not address the underlying business decision of RehabCare to effect the merger, the relative merits of the merger as compared to any alternative business strategies that might exist for RehabCare or the effect of any other transaction in which RehabCare may engage. The following is a summary of CGMI's opinion and the methodology that CGMI used to render its opinion.

In arriving at its opinion, CGMI, among other things:

reviewed the merger agreement;

held discussions with certain senior officers, directors and other representatives and advisors of RehabCare and certain senior officers and other representatives and advisors of Kindred concerning the businesses, operations and prospects of RehabCare and Kindred;

examined certain publicly available business and financial information relating to RehabCare and Kindred;

examined certain financial forecasts and other information and data relating to RehabCare and Kindred which were provided to or discussed with CGMI by the respective managements of RehabCare and Kindred, including information relating to the potential strategic implications and operational benefits (including the amount, timing and achievability thereof) anticipated by the managements of RehabCare and Kindred to result from the merger;

reviewed the financial terms of the merger as set forth in the merger agreement in relation to, among other things, current and historical market prices of RehabCare common stock and Kindred common stock, the historical and projected earnings and other operating data of RehabCare and Kindred and the capitalization and financial condition of RehabCare and Kindred;

considered, to the extent publicly available, the financial terms of certain other transactions which CGMI considered relevant in evaluating the merger;

analyzed certain financial, stock market and other publicly available information relating to the businesses of RehabCare, Kindred and other companies whose operations CGMI considered relevant in evaluating those of RehabCare and Kindred;

evaluated certain potential pro forma financial effects of the merger on Kindred; and

conducted such other analyses and examinations and considered such other information and financial, economic and market criteria as CGMI deemed appropriate in arriving at its opinion.

In rendering its opinion, CGMI assumed and relied, without independent verification, upon the accuracy and completeness of all financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with CGMI and upon the assurances of the managements of RehabCare and Kindred that they were not aware of any relevant information that was omitted or that remained undisclosed to CGMI. With respect to financial forecasts and other information and data relating to RehabCare and Kindred provided to or otherwise reviewed by or discussed with CGMI, CGMI was advised by the respective managements of RehabCare and Kindred that such forecasts and other

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information and data were reasonably prepared on bases reflecting the best currently available estimates and judgments of the managements of RehabCare and Kindred as to the future financial performance of RehabCare and Kindred, the potential strategic implications and operational benefits (including the amount, timing and achievability thereof) anticipated to result from the merger and the other matters

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covered thereby, and CGMI assumed, with RehabCare's consent, that the financial results (including such potential strategic implications and operational benefits anticipated to result from the merger) reflected in such forecasts and other information and data would be realized in the amounts and at the time anticipated.

CGMI assumed, with RehabCare's consent, that the merger would be consummated in accordance with the terms of the merger agreement, without waiver, modification or amendment of any material term, condition or agreement, including, among other things, that Kindred would obtain financing for the merger in accordance with the terms set forth in the debt commitment letter (which letter is described under "Financing Relating to the Merger" beginning on page 85) and that, in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the merger, no delay, limitation, restriction or condition would be imposed that would have an adverse effect on RehabCare, Kindred or the contemplated benefits of the merger. CGMI also assumed, with RehabCare's consent, that the subsidiary merger election would occur and that the merger would be treated as a qualified stock purchase for U.S. federal income tax purposes. CGMI expressed no opinion as to what the value of Kindred common stock actually would be when issued pursuant to the merger or the price at which Kindred common stock would trade at any time subsequent to the announcement of the merger.

CGMI did not make, and it was not provided with, an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of RehabCare or Kindred, and CGMI did not make any physical inspection of the properties or assets of RehabCare or Kindred. CGMI's opinion does not address RehabCare's underlying business decision to effect the merger, the relative merits of the merger as compared to any alternative business strategies that might exist for RehabCare or the effect of any other transaction in which RehabCare might engage. CGMI expressed no view as to, and its opinion does not address, the fairness (financial or otherwise) of the amount or nature or any other aspect of any compensation to any officers, directors or employees of any parties to the merger, or any class of such persons, relative to the merger consideration. CGMI's opinion was necessarily based upon information available to CGMI, and financial, stock market and other conditions and circumstances existing, as of the date of its opinion.

In preparing its opinion, CGMI performed a variety of financial and comparative analyses, including those described below. The summary of these analyses is not a complete description of the analyses underlying CGMI's opinion. The preparation of a financial opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a financial opinion is not readily susceptible to summary description. CGMI arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole, and did not draw, in isolation, conclusions from or with regard to any one factor or method of analysis for purposes of its opinion. Accordingly, CGMI believes that its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying its analyses and opinion. Results of analyses where the merger consideration is lower in some instances (if any) than the implied ratios or values should be evaluated in combination with those instances in which the merger consideration is greater than the implied ratios or values.

In its analyses, CGMI considered industry performance, general business, economic, market and financial conditions and other matters existing as of the date of its opinion, many of which are beyond the control of RehabCare and Kindred. No company, business or transaction used in those analyses as a comparison is identical or directly comparable to RehabCare, Kindred or the merger, and an evaluation of those analyses is not entirely mathematical. Rather, the analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, business segments or transactions analyzed.

The estimates contained in CGMI's analyses and the valuation ranges resulting from any particular analysis are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by its analyses. In addition, analyses relating to the value of

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businesses or securities do not necessarily purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Accordingly, the estimates used in, and the results derived from, CGMI's analyses are inherently subject to substantial uncertainty.

The type and amount of consideration payable in the merger was determined through negotiations between RehabCare and Kindred, and the decision to enter into the merger was solely that of the RehabCare board of directors. CGMI's opinion was only one of many factors considered by the RehabCare board of directors in its evaluation of the merger and should not be viewed as determinative of the views of the RehabCare board of directors or RehabCare management with respect to the merger or the merger consideration.

The following is a summary of the material financial analyses presented to the RehabCare board of directors in connection with the delivery of CGMI's opinion. The financial analyses summarized below include information presented in tabular format. In order to fully understand CGMI's financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of CGMI's financial analyses.

Valuation Analyses of RehabCare

In connection with CGMI's financial analysis summarized below, CGMI reviewed financial forecasts and other information and data relating to RehabCare which were prepared by RehabCare's management, referred to as Case A and Case B. For purposes of the financial analyses summarized below, 2010 and 2011 estimates for RehabCare are identical for Case A and Case B and, accordingly, CGMI did not differentiate these cases for purposes of its analyses with respect to those calendar years. In addition, for purposes of the financial analyses summarized below, the term implied merger consideration refers to the total implied value of \$35.00 per share calculated by (1) multiplying the closing price of Kindred common stock on February 4, 2011 (\$19.22) by an assumed exchange ratio of 0.473, which had a value of \$9.00 per share as of such date, the time CGMI performed its analysis and (2) adding the per share cash consideration of \$26.00. The assumed exchange ratio was calculated based on Kindred's 10-day volume-weighted average stock price as of February 4, 2011. The final exchange ratio of 0.471 included in the merger agreement was calculated on February 7, 2011. The value of the merger consideration is subject to change based on Kindred's stock price.

Historical Trading Range. CGMI observed that during the 52-week period ended February 4, 2011, RehabCare common stock traded in a range of \$15.88 to \$31.93 per share and the closing price per share of RehabCare common stock on February 4, 2011 was \$25.19. CGMI noted that the implied merger consideration was above the 52-week trading range of RehabCare common stock.

Research Price Targets. CGMI compared the implied merger consideration to the 12-month price per share targets for RehabCare's common stock of nine Wall Street research analysts, as of February 4, 2011, found in publicly available equity research on RehabCare. As of that date, the nine research analysts who covered RehabCare and reported price targets published price per share targets for RehabCare's common stock between \$25.00 and \$32.00 (with a mean price target of \$29.33 and a median price target of \$30.00). CGMI noted that the implied merger consideration was above that range.

Premia Paid Analysis. CGMI reviewed publicly available data relating to transactions involving U.S. public targets in excess of \$500 million announced since January 1, 2006, excluding transactions where the target's principal business was as a financial institution or in real estate. CGMI reviewed the implied premia paid in the transactions over the closing stock prices of the target companies in such transactions one trading day prior to public announcement of the relevant transaction based on information publicly available at that time. CGMI observed the interquartile range of premia among the selected transactions of 13.9% (for transactions in the 25th percentile) to 39.9% (for transactions in the 75th percentile). CGMI applied such selected premia to the closing

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price of RehabCare's common stock on February 4, 2011 of \$25.19 per share. This analysis indicated the following implied per share equity value reference range for RehabCare, as compared to the implied merger consideration:

Selected Per Share Equity Reference Range for RehabCare's Common Stock		Implied Merger Consideration
\$28.75	\$35.25	\$ 35.00

Selected Company Trading Analysis. CGMI reviewed financial and stock market information and public market trading multiples of RehabCare and the following five selected publicly held healthcare companies:

HealthSouth Corporation

Kindred

Select Medical Holdings Corporation

Skilled Healthcare Group, Inc.

Sun Healthcare Group, Inc.

CGMI reviewed, among other information, adjusted enterprise values of the selected companies, calculated as market value based on closing stock prices on February 4, 2011, plus debt, less cash, adjusted for rent capitalized at 8.0x (which multiple was selected based on industry convention) and other adjustments, as a multiple of calendar year 2011 estimated EBITDAR. Based on its professional judgment, CGMI selected the high and low multiples of the peer group for its range of 2011 estimated EBITDAR multiples of 6.2x to 7.5x and applied such selected multiples to corresponding data of RehabCare. CGMI also noted the mean and median 2011 estimated EBITDAR multiples in the peer group of 6.9x and 7.0x, respectively. Financial data for the selected companies were based on information available from FactSet and public filings. Financial data for RehabCare were based both on RehabCare management's estimates and publicly available research analysts' estimates relating to RehabCare, referred to as RehabCare consensus estimates. This analysis indicated the following implied per share equity value reference ranges for RehabCare, as compared to the implied merger consideration:

Implied per Share Equity Value Reference Ranges for RehabCare Based on:				Implied Merger Consideration
RehabCare Management Estimates		RehabCare Consensus Estimates		
\$26.00	\$38.75	\$24.50	\$36.75	\$ 35.00

Precedent Transaction Multiples. Using publicly available information, Wall Street research reports and information provided by RehabCare management, CGMI reviewed financial data for the following four selected transactions. These transactions were selected generally because, as is the case with this transaction, they involved the acquisition of healthcare companies that CGMI deemed appropriate based on their general comparability (including attributes such as business and size).

Announcement Date

August 24, 2010
June 21, 2010
November 3, 2009
July 21, 2005

Acquiror

Kindred
Select Medical Holdings Corporation
RehabCare
The Carlyle Group

Target

Vista Healthcare, LLC (5 hospitals)
Regency Hospital Company, L.L.C.
Triumph Healthcare LLC
LifeCare Holdings, Inc.

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As part of its selected comparable transaction analysis, CGMI calculated and analyzed ratio of the transaction value to the target company's EBITDA as measured for the last twelve months (which we refer to as "LTM") prior to the announcement of the transaction. Based on its professional judgment, CGMI selected the high and low multiples from the selected transactions for its range of selected 2010 EBITDA multiples of 6.4x to 7.6x and applied such selected multiples to corresponding data of RehabCare. CGMI also noted the mean 2010

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EBITDA multiple of 6.9x. This analysis implied the following per share equity value reference range for RehabCare, as compared to the implied merger consideration:

Implied per Share Equity Value Reference Range for RehabCare		Implied Merger Consideration	
\$26.25	\$34.00	\$	35.00

Discounted Cash Flow Analysis. CGMI performed a discounted cash flow analysis to calculate the estimated present value of the standalone unlevered, after-tax free cash flow that RehabCare could generate for calendar year 2011 through calendar year 2020. The analysis was conducted on both the Company's Case A and Case B projections. CGMI calculated terminal values for RehabCare by applying to RehabCare's fiscal year 2020 estimated free cash flows a range of perpetuity growth rates of 1.75% to 2.25%, which range was selected taking into consideration long-term growth expectations for the industry. The present value of the cash flows and terminal values were then calculated using discount rates ranging from 9.8% to 11.4% based on RehabCare's weighted average cost of capital calculation. Based on this analysis, CGMI calculated the following implied per share equity reference ranges for RehabCare common stock, shown as compared to the implied merger consideration:

Implied per Share Equity Value Reference Ranges for RehabCare Based on:				Implied Merger Consideration	
Case A		Case B		\$	35.00
\$35.50	\$47.75	\$28.00	\$38.25		

Valuation Analyses of Kindred

Historical Trading Range. CGMI reviewed the daily closing prices per share of Kindred common stock to derive a 52-week trading range for Kindred for the period ended February 4, 2011. CGMI observed that the 52-week trading range for Kindred common stock for such period was \$11.50 to \$20.97 per share. CGMI noted that the closing price per share of Kindred common stock on February 4, 2011 was within that range.

Research Price Targets. CGMI reviewed the 12-month price per share targets for Kindred's common stock of ten Wall Street analysts, as of February 4, 2011, found in publicly available equity research on Kindred. As of that date, the ten research analysts who covered Kindred and reported price targets published price per share targets for Kindred's common stock between \$16.00 and \$26.00 (with a mean price target of \$21.40 and a median price target of \$22.00). CGMI noted that the closing price per share of Kindred's common stock on February 4, 2011 was within that range.

Historical Price to Earnings Analysis. Based on publicly available information, CGMI reviewed the multiple of Kindred's historical stock price to its earnings per share over a 5 year period and observed Kindred's 1-year, 3-year and 5-year average price to earnings multiples (11.0x, 12.8x and 15.1x, respectively) based on such information. Based on its professional judgment, CGMI selected the high and low multiples from the selected averages for its range of 2011 price to earnings multiples of 11.0x to 15.1x and applied such selected multiples to corresponding data of Kindred. Financial data for Kindred were based both on Kindred management's estimates and publicly available research analysts' estimates relating to Kindred, referred to as Kindred consensus estimates. This analysis indicated the following implied per share equity value reference ranges for Kindred, as compared to the closing price of Kindred common stock on February 4, 2011:

Implied per Share Equity Value Reference Ranges for Kindred Based on:				Closing Price of Kindred common stock on February 4, 2011	
Kindred Management Estimates		Kindred Consensus Estimates		\$	19.22
\$16.75	\$23.25	\$16.75	\$24.25		

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Selected Company Trading Analysis. CGMI reviewed financial and stock market information and public market trading multiples of Kindred and the following five selected publicly held healthcare companies:

HealthSouth Corporation

Select Medical Holdings Corporation

Skilled Healthcare Group, Inc.

Sun Healthcare Group, Inc.

RehabCare

CGMI reviewed, among other information, adjusted enterprise values of the selected companies, calculated as market value based on closing stock prices on February 4, 2011, plus debt, less cash, adjusted for rent capitalized at 8.0x (which multiple was selected based on industry convention) and other adjustments, as a multiple of calendar year 2011 estimated EBITDAR. Based on its professional judgment, CGMI selected the high and low multiples of the peer group for its range of 2011 estimated EBITDAR multiples of 6.2x to 7.5x and applied such selected multiples to corresponding data of Kindred. CGMI also noted the mean and median 2011 estimated EBITDAR multiples in the peer group of 6.9x and 7.0x, respectively. Financial data for the selected companies were based on information available from FactSet and public filings. Financial data for Kindred were based both on Kindred management's estimates and publicly available research analysts' estimates relating to Kindred, referred to as Kindred consensus estimates. This analysis indicated the following implied per share equity value reference ranges for Kindred, as compared to the closing price of Kindred common stock on February 4, 2011:

Implied per Share Equity Value Reference Ranges for Kindred Based on:				Closing Price of Kindred common stock on February 4, 2011	
Kindred Management Estimates		Kindred Consensus Estimates			
\$15.25	\$35.00	\$15.25	\$33.75	\$	19.22

Pro Forma Earnings Per Share Impact

CGMI calculated potential accretion/dilution of pro forma EPS of Kindred for calendar years 2011 through 2014 based on RehabCare management's Case A and Case B financial models. In each case, CGMI calculated potential accretion/dilution under two possible scenarios: (i) excluding any synergies and (ii) including RehabCare and Kindred's management estimated synergies in connection with the merger. The following table sets forth the results of this analysis:

Case A

	Excluding Synergies	Including Synergies
2011E EPS Accretion / (Dilution)%	15.9%	