

REHABCARE GROUP INC  
Form 425  
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Filing Person: Kindred Healthcare, Inc.

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Subject Company: RehabCare Group, Inc.

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## **OVERVIEW OF KEY MESSAGES REGARDING THE PROPOSED MERGER BETWEEN KINDRED HEALTHCARE, INC. AND REHAB GROUP, INC.**

### **1. Improving Lives and the Healthcare Delivery System**

First and foremost, this opportunity is about improving lives. By bringing together these two strongly-aligned organizations and our dedicated and compassionate teams of therapists, physicians, nurses and other caregivers, we will deliver on the promises of both companies to provide hope, promote recovery and help our patients regain their lives as we work to improve care coordination and return them home.

### **2. Strategic Opportunity for Kindred/RehabCare and our Colleagues**

Combining the strengths of Kindred and RehabCare will establish the nation's premier provider of post-acute care services nationwide and in many local healthcare markets. We are particularly excited about the opportunity to add RehabCare's services in our Cluster Markets and Inpatient Rehabilitation Services to our service offerings. Together with our growing home care and hospice businesses, the merger offers our patients an expanded continuum of services and the opportunity for us to *Continue the Care* for our patients and residents through an entire episode of treatment and recovery. Both Kindred and RehabCare have been aggressively developing a post-acute continuum of service lines in local markets—long-term acute care hospitals, inpatient rehabilitation facilities, subacute or transitional care, long-term care including Alzheimer's and dementia care, and home care and hospice services—in order to partner with hospitals, health systems and payers to better manage episodes of care while at the same time improving quality and reducing costs. The combination of the two companies will support and accelerate this strategy.

### **3. Growth for Shareholders**

As a result of this transaction, the combined company, with annual revenues of over \$6 billion, will be the largest provider of post-acute care services in the U.S. with 75,000 employees and operations in 46 states. The Company will operate 118 long-term acute care hospitals, 226 nursing and rehabilitation centers, 121 inpatient rehabilitation facilities (primarily hospital-based units) and 1,808 hospital, skilled nursing and assisted living facility rehabilitation therapy service contracts across the country.

**Transaction highly accretive.** Transaction expected to be highly accretive to Kindred's earnings and cash flows and provides significant value to the stockholders of both companies.

**Consideration.** Kindred will acquire RehabCare for \$35 a share (\$26 per share in cash and approximately \$9 per share in Kindred stock, total \$1.3 billion total consideration).

**Financing.** Kindred has obtained committed financing from JPMorgan Chase Bank, Morgan Stanley and Citigroup to complete the transaction.

**Synergies.** Exclusive of one-time expenses related to the merger, the transaction will be immediately accretive upon closing with \$40 million of operating synergies expected within two years and \$25 million in the first year.

**Financial Opportunity.** Combination enhances Kindred's margins throughout the income statement, accelerates our growth prospects, reduces rent expense as a percent of revenue, and CapEx declines as a percent of revenue.

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**Leverage.** Kindred's total adjusted leverage will be approximately 4.5 X EBITDAR as compared to 4.4 X today, with significant free cash flow generated for debt pay-down and deleveraging over time.

**Expected close.** Second quarter of 2011.

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**OVERVIEW OF KEY MESSAGES FOR EMPLOYEES REGARDING THE PROPOSED MERGER BETWEEN KINDRED HEALTHCARE, INC. AND REHAB GROUP, INC.**

**Introductory statement**

I know that all my colleagues at Kindred join me in welcoming the RehabCare team as we jointly pursue the closing of this transaction and the building together of a great new company that is committed to ensuring that our patients and residents continue to receive the best care on their journey to recovery.

**Goals for the merger of Kindred Healthcare & RehabCare Group**

- 1) **Patient care priority.** Ensure that patient safety and quality of care are uninterrupted and improved upon for the nearly 60,000 patients and residents we care for each day.
- 2) **Shared values.** Ensure that the focus and engagement and institutional trusts that both organizations currently enjoy with our 75,000 colleagues is maintained through the process so that, again, patient care and the day-to-day effectiveness of our clinical and business operations continue to be successful.
- 3) **Combining our operations.** Advance at the fastest pace possible the transition of back office operations and systems to enable our operators in the field to continue to have the support they need care for their patients, to run their businesses and continue to achieve our business goals.
- 4) **Commitment to transparency and communication.** In keeping with our values, be as transparent, honest and direct with the folks impacted by the transaction, and communicate as quickly as possible the impact of the merger on each person, including if applicable, their retention bonus and severance opportunities, always keeping in mind that we should be treating each other the way we would want to be treated.
- 5) **Shared responsibility.** With numbers 1-4 in mind, be fiduciaries of our shareholders to support the cost saving synergies available in this combination.
- 6) **Continued focus on operations.** Continue to support our field operators so that they may achieve their clinical and financial goals and commitments each company has set out for 2011 while creating an organizational and system foundation for future growth.

Additional Information About this Transaction

In connection with the proposed transaction with RehabCare Group, Inc. ( RehabCare ), Kindred Healthcare, Inc. ( Kindred ) will file with the Securities and Exchange Commission (the SEC ) a Registration Statement on Form S-4 that will include a joint proxy statement of Kindred and RehabCare that also constitutes a prospectus of Kindred. Kindred and RehabCare will mail the definitive proxy statement/prospectus to their respective stockholders. **WE URGE INVESTORS AND SECURITY HOLDERS TO READ THE JOINT PROXY STATEMENT/PROSPECTUS REGARDING THE PROPOSED TRANSACTION WHEN IT BECOMES AVAILABLE BECAUSE IT WILL CONTAIN IMPORTANT INFORMATION.** You may obtain a free copy of the joint proxy statement/prospectus (when available) and other related documents filed by Kindred and RehabCare with the SEC at the SEC's website at [www.sec.gov](http://www.sec.gov). The joint proxy statement/prospectus (when available) and the other documents filed by Kindred and RehabCare with the SEC may also be obtained for free by accessing Kindred's website at [www.kindredhealthcare.com](http://www.kindredhealthcare.com) and clicking on the Investors link and then clicking on the link for SEC Filings or by accessing RehabCare's website at [www.rehabcare.com](http://www.rehabcare.com) and clicking on the Investor Information link and then clicking on the link for SEC Filings .

Participants in this Transaction

Kindred, RehabCare and their respective directors, executive officers and certain other members of management and employees may be soliciting proxies from their respective stockholders in favor of the proposed transaction.

Information regarding the persons who may, under the rules of the SEC, be considered participants in the solicitation of stockholders in connection with the proposed transaction will be set forth in the joint proxy statement/prospectus when it is filed with the SEC. You can find information about Kindred's executive officers and directors in Kindred's definitive proxy statement filed with the SEC on April 1, 2010. You can find information about RehabCare's executive officers and directors in its definitive proxy statement filed with the SEC on March 23, 2010. You can obtain free copies of these documents from Kindred or RehabCare, respectively, using the contact information above.

#### Forward-Looking Statements

Information set forth in this document contains forward-looking statements, which involve a number of risks and uncertainties. Kindred and RehabCare caution readers that any forward-looking information is not a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking information. Such forward-looking statements include, but are not limited to, statements about the benefits of the business combination transaction involving Kindred and RehabCare, including future financial and operating results, the combined company's plans, objectives, expectations and intentions and other statements that are not historical facts.

The following factors, among others, could cause actual results to differ from those set forth in the forward-looking statements: (a) the receipt of all required licensure and regulatory approvals and the satisfaction of the closing conditions to the acquisition of RehabCare by Kindred, including approval of the pending transaction by the shareholders of the respective companies, and Kindred's ability to complete the required financing as contemplated by the financing commitment; (b) Kindred's ability to integrate the operations of the acquired hospitals and rehabilitation services operations and realize the anticipated revenues, economies of scale, cost synergies and productivity gains in connection with the RehabCare acquisition 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; (c) the potential for diversion of management time and resources in seeking to complete the RehabCare acquisition and integrate its operations; (d) the potential failure to retain key employees of RehabCare; (e) the impact of Kindred's significantly increased levels of indebtedness as a result of the RehabCare acquisition 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; (f) the potential for dilution to Kindred stockholders as a result of the RehabCare acquisition; and (g) the ability of the Company to operate pursuant to the terms of its debt obligations, including Kindred's obligations under financings undertaken to complete the RehabCare acquisition, and the ability of Kindred to operate pursuant to its master lease agreements with Ventas, Inc. (NYSE:VTR). 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 web site at [www.sec.gov](http://www.sec.gov). Many of these factors are beyond the control of Kindred or RehabCare. Kindred and RehabCare disclaim any obligation to update and revise statements contained in these materials based on new information or otherwise.