REHABCARE GROUP INC
Form S-4
October 04, 2011
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As filed with the Securities and Exchange Commission on October 4, 2011

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

KINDRED HEALTHCARE, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

8050

(Primary standard industrial classification code number)

61-1323993

(I.R.S. Employer Identification No.)

680 South Fourth Street

Louisville, Kentucky 40202-2412

(502) 596-7300

(Address, including zip code, and telephone number,

including area code, of principal executive offices)

and the Guarantors identified in Table of Additional Registrant Guarantors below

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)**	**Janet L. Fisher, Esq.** **Cleary Gottlieb Steen & Hamilton LLP** **One Liberty Plaza** **New York, New York 10006** **(212) 225-2000** **(Copies of all communications, including communications sent to agent for service)**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

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. ¨

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.

Large accelerated filer ¨ Accelerated filer x Non-accelerated filer ¨ (Do not check if a smaller reporting company) Smaller reporting company ¨

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	**Amount to be registered**	**Proposed maximum offering price per unit**	**Proposed maximum aggregate offering price(1)**	**Amount of registration fee(2)**
8.25% Senior Notes due 2019	$550,000,000	100%	$550,000,000	$63,030
Guarantees for the 8.25% Senior Notes due 2019	(3)	(3)	(3)	(3)

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457 under the Securities Act of 1933, as amended (the Securities Act).
(2) Calculated pursuant to Rule 457 under the Securities Act.
(3) Pursuant to Rule 457(n) under the Securities Act, no registration fee is required with respect to the guarantees.

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 the 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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TABLE OF ADDITIONAL REGISTRANT GUARANTORS

Exact Name of Additional Registrant As Specified in its Charter*	State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification No.	Primary Standard Industrial Classification Code Number	Address, including Zip Code, and Telephone Number, including Area Code, of Principal Executive Offices
American VitalCare, LLC	California	22-2646452	8000	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238
Avery Manor Nursing, L.L.C.	Delaware	20-3618851	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Bayberry Care Center, L.L.C.	Delaware	20-4454621	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Braintree Nursing, L.L.C.	Delaware	20-3618766	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
California Nursing Centers, L.L.C.	Delaware	20-4454493	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Cannon & Associates, LLC	Delaware	56-2376676	8000	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105

				(800) 677-1238
Care Center of Rossmoor, L.L.C.	Delaware	20-4454602	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Central Arizona Home Health Care, Inc.	Arizona	86-0714789	8000	3107 Clearwater Drive Prescott, Arizona 86305 (928) 445-2522
Clear Lake Rehabilitation Hospital, L.L.C.	Delaware	20-2971820	8060	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238
Country Estates Nursing, L.L.C.	Delaware	20-3618740	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Courtland Gardens Health Center, Inc.	Connecticut	06-1149454	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300

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Foothill Nursing Company Partnership	California	91-1473634	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Forestview Nursing, L.L.C.	Delaware	20-3618900	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Goddard Nursing, L.L.C.	Delaware	20-3618957	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Greenbrae Care Center, L.L.C.	Delaware	20-4454677	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Greens Nursing and Assisted Living, L.L.C.	Delaware	20-2822083	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Harborlights Nursing, L.L.C.	Delaware	20-3618878	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Haven Health, LLC	Delaware	26-1425546	8000	5292 College Drive, Suite 304 Murray, Utah

				84123 (801) 676-6000
Helian ASC of Northridge, Inc.	California	77-0277817	8000	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Helian Health Group, Inc.	Delaware	95-4070276	8093	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
HHS Healthcare Corp.	Delaware	90-0527683	8000	200 California Street, 3rd Floor San Francisco, California 94111 (925) 891-7000
Highgate Nursing, L.L.C.	Delaware	20-3618795	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Highlander Nursing, L.L.C.	Delaware	20-3618815	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300

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Hillhaven MSC Partnership	California	93-1023838	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Home Health Services, Inc.	Utah	87-0494759	8000	640 East 700 South, Suite 101 St. George, Utah 84770 (435) 634-9300
Homestead Health and Rehabilitation Center, L.L.C.	Delaware	20-3329906	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
J. B. Thomas Hospital, Inc.	Massachusetts	04-3209212	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Kindred Braintree Hospital, L.L.C.	Delaware	20-3618938	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Kindred Development 4, L.L.C.	Delaware	20-2822034	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Kindred Development 7, L.L.C.	Delaware	20-2822097	8050	680 South Fourth Street Louisville, Kentucky

				40202-2412 (502) 596-7300
Kindred Development 8, L.L.C.	Delaware	20-2822116	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Kindred Development 9, L.L.C.	Delaware	20-2822132	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Kindred Development 10, L.L.C.	Delaware	20-2822148	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Kindred Development 11, L.L.C.	Delaware	20-2822172	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Kindred Development 12, L.L.C.	Delaware	20-2822200	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300

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Kindred Development 13, L.L.C.	Delaware	20-2822219	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Kindred Development 15, L.L.C.	Delaware	20-2822255	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Kindred Development 17, L.L.C.	Delaware	20-3329727	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Kindred Development 27, L.L.C.	Delaware	20-3329890	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Kindred Development 29, L.L.C.	Delaware	20-3329915	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Kindred Development Holdings 3, L.L.C.	Delaware	20-2822011	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Kindred Development Holdings 5, L.L.C.	Delaware	20-2822056	8050	680 South Fourth Street Louisville, Kentucky 40202-2412

				(502) 596-7300
Kindred Healthcare Operating, Inc.	Delaware	52-2085484	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Kindred Healthcare Services, Inc.	Delaware	61-1264993	8000	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Kindred Hospice Services, L.L.C.	Delaware	26-0717945	8000	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Kindred Hospital Palm Beach, L.L.C.	Delaware	20-3329716	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Kindred Hospital-Pittsburgh-North Shore, L.L.C.	Delaware	20-2822240	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300

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Kindred Hospitals East, L.L.C.	Delaware	52-2085555	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Kindred Hospitals Limited Partnership	Delaware	52-2085561	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Kindred Hospitals West, L.L.C.	Delaware	52-2085556	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Kindred Hospital-Springfield, L.L.C.	Delaware	20-3329924	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Kindred Hospital-Toledo, L.L.C.	Delaware	20-2821971	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Kindred Nevada, L.L.C.	Delaware	52-2085559	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Kindred Nursing Centers Central Limited Partnership	Delaware	52-2134134	8050	680 South Fourth Street Louisville, Kentucky 40202-2412

				(502) 596-7300
Kindred Nursing Centers East, L.L.C.	Delaware	52-2085557	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Kindred Nursing Centers Limited Partnership	Delaware	52-2085562	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Kindred Nursing Centers North, L.L.C.	Delaware	52-2134130	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Kindred Nursing Centers South, L.L.C.	Delaware	52-2134132	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Kindred Nursing Centers West, L.L.C.	Delaware	52-2085558	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300

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Kindred Rehab Services, Inc.	Delaware	33-0359338	8000	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Kindred Systems, Inc.	Delaware	61-1239343	8000	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Development 50, L.L.C.	Delaware	26-0717534	8000	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Development 51, L.L.C.	Delaware	26-0717557	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Development 52, L.L.C.	Delaware	32-0315911	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Development 53, L.L.C.	Delaware	26-0717649	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Development 54, L.L.C.	Delaware	26-0717650	8060	680 South Fourth Street Louisville, Kentucky 40202-2412

				(502) 596-7300
KND Development 55, L.L.C.	Delaware	26-0717700	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Development 56, L.L.C.	Delaware	26-0717720	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Development 57, L.L.C.	Delaware	26-0717861	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Development 58, L.L.C.	Delaware	26-0717881	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Development 59, L.L.C.	Delaware	26-0717903	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300

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KND Hospital Real Estate Holdings, L.L.C.	Delaware	26-2162659	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 1, L.L.C.	Delaware	26-0709558	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 2, L.L.C.	Delaware	26-0709578	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 3, L.L.C.	Delaware	26-0709614	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 4, L.L.C.	Delaware	26-0709645	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 5, L.L.C.	Delaware	26-0710006	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 6, L.L.C.	Delaware	26-0710041	8050	680 South Fourth Street Louisville, Kentucky 40202-2412

				(502) 596-7300
KND Real Estate 7, L.L.C.	Delaware	26-0710089	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 8, L.L.C.	Delaware	26-0710126	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 9, L.L.C.	Delaware	26-0710175	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 10, L.L.C.	Delaware	26-0710197	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 11, L.L.C.	Delaware	26-0710226	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300

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KND Real Estate 12, L.L.C.	Delaware	26-0710270	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 13, L.L.C.	Delaware	26-0710286	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 14, L.L.C.	Delaware	26-0710314	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 15, L.L.C.	Delaware	26-0710335	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 16, L.L.C.	Delaware	26-0710365	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 17, L.L.C.	Delaware	26-0710427	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 18, L.L.C.	Delaware	26-0710446	8050	680 South Fourth Street Louisville, Kentucky 40202-2412

				(502) 596-7300
KND Real Estate 19, L.L.C.	Delaware	26-0710469	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 20, L.L.C.	Delaware	26-0710495	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 21, L.L.C.	Delaware	26-2162815	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 22, L.L.C.	Delaware	26-2162837	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 23, L.L.C.	Delaware	26-2162857	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300

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KND Real Estate 24, L.L.C.	Delaware	26-2162868	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 25, L.L.C.	Delaware	26-2162889	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 26, L.L.C.	Delaware	26-2165510	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 27, L.L.C.	Delaware	26-2165558	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 28, L.L.C.	Delaware	26-2165581	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 29, L.L.C.	Delaware	26-2165620	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 30, L.L.C.	Delaware	26-2165832	8060	680 South Fourth Street Louisville, Kentucky 40202-2412

				(502) 596-7300
KND Real Estate 31, L.L.C.	Delaware	26-2165913	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 32, L.L.C.	Delaware	26-2165953	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 33, L.L.C.	Delaware	26-2165984	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 34, L.L.C.	Delaware	26-2166047	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 35, L.L.C.	Delaware	26-2166087	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300

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KND Real Estate 36, L.L.C.	Delaware	26-2166429	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 37, L.L.C.	Delaware	26-2166498	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 38, L.L.C.	Delaware	26-2166543	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 39, L.L.C.	Delaware	26-2166600	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 40, L.L.C.	Delaware	26-2166651	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 41, L.L.C.	Delaware	26-2166736	8000	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 42, L.L.C.	Delaware	26-2166781	8000	680 South Fourth Street Louisville, Kentucky 40202-2412

				(502) 596-7300
KND Real Estate 43, L.L.C.	Delaware	26-2166808	8000	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 44, L.L.C.	Delaware	26-2166835	8000	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate 45, L.L.C.	Delaware	26-2166872	8000	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Real Estate Holdings, L.L.C.	Delaware	26-0708352	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
KND Rehab Real Estate Holdings, L.L.C.	Delaware	26-2162539	8000	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300

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KND SNF Real Estate Holdings, L.L.C.	Delaware	26-2162624	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Lafayette Health Care Center, Inc.	Georgia	58-1815590	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Lafayette Specialty Hospital, L.L.C.	Delaware	20-2971752	8060	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238
Laurel Lake Health and Rehabilitation, L.L.C.	Delaware	20-3618836	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Louisiana Specialty Hospital, L.L.C.	Delaware	20-4216909	8060	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238
Maine Assisted Living, L.L.C.	Delaware	20-3618707	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Massachusetts Assisted Living, L.L.C.	Delaware	20-3618679	8050	680 South Fourth Street Louisville, Kentucky

				40202-2412 (502) 596-7300
Meadows Nursing, L.L.C.	Delaware	20-3618981	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
MedEquities, Inc.	California	77-0236579	8000	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Medical Hill Rehab Center, L.L.C.	Delaware	20-4454548	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
New Triumph HealthCare of Texas, LLC	Texas	20-1576450	8060	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238

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New Triumph HealthCare, Inc.	Delaware	20-1601670	8060	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238
New Triumph HealthCare, LLP	Texas	20-1601875	8060	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238
NP Plus, LLC	Delaware	20-5105668	8000	925 Ignacio Valley Road, Suite 101 Walnut Creek, California 94596 (925) 891-7000
Pacific Coast Care Center, L.L.C.	Delaware	20-4454527	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Pacific West Home Care, LLC	Delaware	No I.R.S. Employer Identification No.	8000	200 California Street, 3rd Floor San Francisco, California 94111 (925) 891-7000
Peoplefirst HomeCare & Hospice of California, L.L.C.	Delaware	26-3107002	8000	680 South Fourth Street Louisville, Kentucky 40202-2412

				(502) 596-7300
Peoplefirst HomeCare & Hospice of Colorado, L.L.C.	Delaware	26-0717967	8000	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Peoplefirst HomeCare & Hospice of Indiana, L.L.C.	Delaware	26-0717917	8000	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Peoplefirst HomeCare & Hospice of Massachusetts, L.L.C.	Delaware	26-3106972	8000	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Peoplefirst HomeCare & Hospice of Ohio, L.L.C.	Delaware	26-0718025	8000	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Peoplefirst HomeCare & Hospice of Utah, L.L.C.	Delaware	26-3106957	8000	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300

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Exact Name of Additional Registrant As Specified in its Charter*	State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification No.	Primary Standard Industrial Classification Code Number	Address, including Zip Code, and Telephone Number, including Area Code, of Principal Executive Offices
Peoplefirst HomeCare of Colorado, L.L.C.	Delaware	26-3106983	8000	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
People*first* Virginia, L.L.C.	Delaware	20-4487458	8000	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
PersonaCare of Connecticut, Inc.	Connecticut	06-1152293	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
PersonaCare of Georgia, Inc.	Delaware	58-2182891	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
PersonaCare of Huntsville, Inc.	Delaware	52-1846556	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
PersonaCare of Ohio, Inc.	Delaware	34-1708224	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
PersonaCare of Pompano East, Inc.	Delaware	65-0549911	8050	680 South Fourth Street Louisville, Kentucky 40202-2412

				(502) 596-7300
PersonaCare of Reading, Inc.	Delaware	52-1831134	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
PersonaCare of Shreveport, Inc.	Delaware	58-2182892	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
PersonaCare of Warner Robins, Inc.	Delaware	58-2182890	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
PersonaCare of Wisconsin, Inc.	Delaware	39-1718735	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
PF Development 5, L.L.C.	Delaware	26-0718044	8000	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300

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Exact Name of Additional Registrant As Specified in its Charter*	State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification No.	Primary Standard Industrial Classification Code Number	Address, including Zip Code, and Telephone Number, including Area Code, of Principal Executive Offices
PF Development 6, L.L.C.	Delaware	26-3106899	8000	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
PF Development 7, L.L.C.	Delaware	26-3106911	8000	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
PF Development 8, L.L.C.	Delaware	26-3106922	8000	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
PF Development 9, L.L.C.	Delaware	26-3106934	8000	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
PF Development 10, L.L.C.	Delaware	26-3106949	8000	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
PF Development 15, L.L.C.	Delaware	26-3107011	8000	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
PHH Acquisition Corp.	Delaware	20-5043135	8000	200 California Street, 3rd Floor San Francisco, California

				94111 (925) 891-7000
Professional Healthcare at Home, LLC	California	26-0519402	8000	925 Ignacio Valley Road, Suite 101 Walnut Creek, California 94596 (925) 891-7000
Professional Healthcare, LLC	Delaware	20-5043143	8000	200 California Street, 3rd Floor San Francisco, California 94111 (925) 891-7000
Rehab Staffing, L.L.C.	Delaware	20-3329753	8000	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300

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Exact Name of Additional Registrant As Specified in its Charter*	State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification No.	Primary Standard Industrial Classification Code Number	Address, including Zip Code, and Telephone Number, including Area Code, of Principal Executive Offices
RehabCare Group East, Inc.	Delaware	43-1802466	8000	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238
RehabCare Group Management Services, Inc.	Delaware	36-4204216	8000	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238
RehabCare Group of Amarillo, LP	Texas	41-2185466	8060	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238
RehabCare Group of Arlington, LP	Texas	11-3746563	8060	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238
RehabCare Group of California, LLC	Delaware	77-0473927	8000	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238
RehabCare Group of Midland, LP	Texas	20-4727094	8060	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238

RehabCare Group of Texas, LLC	Texas	75-2742089	8000	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238
RehabCare Group, Inc.	Delaware	51-0265872	8060	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238
RehabCare Hospital Holdings, L.L.C.	Delaware	20-3044067	8060	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238
Salt Lake Physical Therapy Associates, Inc.	Utah	87-0484010	8000	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238

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SCCI Health Services Corporation	Delaware	75-2572322	8060	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238
SCCI Hospital Easton, Inc.	Delaware	20-5508507	8060	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238
SCCI Hospital El Paso, Inc.	Delaware	74-2983423	8060	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238
SCCI Hospital Mansfield, Inc.	Delaware	20-5508472	8060	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238
SCCI Hospital Ventures, Inc.	Delaware	75-2670892	8060	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238
SCCI Hospitals of America, Inc.	Delaware	75-2695684	8060	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238

Siena Care Center, L.L.C.	Delaware	20-4454646	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Smith Ranch Care Center, L.L.C.	Delaware	20-4454574	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Southern California Specialty Care, Inc.	California	95-4494847	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Southern Nevada Home Health Care, Inc.	Nevada	87-0494757	8000	6773 West Charleston Boulevard Las Vegas, Nevada 89146 (702) 228-0282

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Exact Name of Additional Registrant As Specified in its Charter*	State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification No.	Primary Standard Industrial Classification Code Number	Address, including Zip Code, and Telephone Number, including Area Code, of Principal Executive Offices
Southern Utah Home Health, Inc.	Utah	87-0480180	8000	640 East 700 South, Suite 101 St. George, Utah 84770 (435) 634-9300
Southern Utah Home Oxygen & Medical Equipment, Inc.	Utah	87-0548601	8000	640 East 700 South, Suite 102 St. George, Utah 84770 (435) 674-5488
Specialty Healthcare Services, Inc.	Delaware	75-2663189	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Specialty Hospital of Cleveland, Inc.	Ohio	34-1901793	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Specialty Hospital of Philadelphia, Inc.	Pennsylvania	52-2166228	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Specialty Hospital of South Carolina, Inc.	South Carolina	57-1064023	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
	Delaware	20-3618921	8060	680 South Fourth Street

Springfield Park View Hospital, L.L.C.				Louisville, Kentucky 40202-2412 (502) 596-7300
Symphony Health Services, LLC	Delaware	55-0839302	8000	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238
THC Chicago, Inc.	Illinois	36-3915965	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
THC Houston, Inc.	Texas	75-2504884	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
THC North Shore, Inc.	Illinois	61-1316854	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
THC Orange County, Inc.	California	33-0629983	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300

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Exact Name of Additional Registrant As Specified in its Charter*	State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification No.	Primary Standard Industrial Classification Code Number	Address, including Zip Code, and Telephone Number, including Area Code, of Principal Executive Offices
THC Seattle, Inc.	Washington	91-1637321	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Tower Hill Nursing, L.L.C.	Delaware	20-3618774	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Transitional Hospitals Corporation of Indiana, Inc.	Indiana	35-1896219	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Transitional Hospitals Corporation of Louisiana, Inc.	Louisiana	72-1224577	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Transitional Hospitals Corporation of Nevada, Inc.	Nevada	88-0304473	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Transitional Hospitals Corporation of New Mexico, Inc.	New Mexico	85-0415191	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Transitional Hospitals Corporation of Tampa, Inc.	Florida	59-3170069	8060	680 South Fourth Street Louisville, Kentucky 40202-2412

				(502) 596-7300
Transitional Hospitals Corporation of Texas, Inc.	Texas	75-2451969	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Transitional Hospitals Corporation of Wisconsin, Inc.	Wisconsin	39-1766624	8060	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Triumph HealthCare Holdings, Inc.	Delaware	20-1601788	8060	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238
Triumph HealthCare Second Holdings, LLC	Delaware	20-3379275	8060	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238
Triumph HealthCare Third Holdings, LLC	Delaware	20-5265393	8060	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238

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Exact Name of Additional Registrant As Specified in its Charter*	State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification No.	Primary Standard Industrial Classification Code Number	Address, including Zip Code, and Telephone Number, including Area Code, of Principal Executive Offices
Triumph Hospital Medical Center, L.P.	Texas	No I.R.S. Employer Identification No.	8060	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238
Triumph Hospital Northwest Indiana, Inc.	Missouri	43-1726280	8060	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238
Triumph Rehabilitation Hospital Northern Indiana, LLC	Indiana	27-4061273	8060	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238
Triumph Rehabilitation Hospital of Northeast Houston, LLC	Delaware	45-2956602	8060	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238
Tucker Nursing Center, Inc.	Georgia	58-1218686	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300
Tulsa Specialty Hospital L.L.C.	Delaware	20-2971691	8060	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238

VTA Management Services, LLC	Delaware	55-0839383	8000	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238
VTA Staffing Services, LLC	Delaware	01-0826753	8000	7733 Forsyth Boulevard, Suite 1700 St. Louis, Missouri 63105 (800) 677-1238
Ygnacio Valley Care Center, L.L.C.	Delaware	20-4454714	8050	680 South Fourth Street Louisville, Kentucky 40202-2412 (502) 596-7300

* The name, address, including zip code of the agent for service for each of the additional registrants are the same as Kindred Healthcare, Inc.

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is neither an offer to sell nor a solicitation of an offer to purchase these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED OCTOBER 4, 2011

PROSPECTUS

Kindred Healthcare, Inc.

Offer to Exchange any and all of our outstanding unregistered 8.25% Senior Notes due 2019

for $550,000,000 aggregate principal amount of our new 8.25% Senior Notes due 2019

that have been registered under the Securities Act of 1933, as amended (the Securities Act)

Terms of the Exchange Offer

We are offering to exchange any and all of our outstanding unregistered 8.25% Senior Notes due 2019 that were issued on June 1, 2011 (the Old Notes) for an equal amount of new 8.25% Senior Notes due 2019 (the New Notes, and together with the Old Notes, the notes).

The exchange offer expires at 5:00 p.m., New York City time, on , 2011 (such date and time, the Expiration Date, unless we extend or terminate the exchange offer, in which case the Expiration Date will mean the latest date and time to which we extend the exchange offer).

Tenders of the Old Notes may be withdrawn at any time prior to the Expiration Date.

All Old Notes that are validly tendered and not validly withdrawn will be exchanged.

The exchange of the Old Notes for the New Notes will not be a taxable exchange for U.S. federal income tax purposes.

We will not receive any proceeds from the exchange offer.

The terms of the New Notes to be issued in the exchange offer are substantially the same as the terms of the Old Notes, except that the offer of the New Notes is registered under the Securities Act, and the New Notes have no transfer restrictions, registration rights or rights to additional interest.

The New Notes will not be listed on any securities exchange. A public market for the New Notes may not develop, which could make selling the New Notes difficult.

Each broker-dealer that receives the New Notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. The letter of transmittal accompanying this prospectus states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of the New Notes received in exchange for the Old Notes where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. For a period of 120 days after the Expiration Date, we will make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale. See Plan of Distribution.

Investing in the New Notes to be issued in the exchange offer involves certain risks. See Risk Factors beginning on page 9.

We are not making an offer to exchange the Old Notes in any jurisdiction where the offer is not permitted.

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

The date of this prospectus is , 2011.

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We have not authorized anyone to give any information or make any representation about the offering that is different from, or in addition to, that contained in this prospectus, the related registration statement or any of the materials that we have incorporated by reference into this prospectus. If you are in a jurisdiction where offers to sell, or solicitations of offers to purchase, the securities offered by this document are unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this document does not extend to you. The information contained in this document speaks only as of the date of this document unless the information specifically indicates that another date applies.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-4 to register this exchange offer of the New Notes, which you can access on the SEC s website at *www.sec.gov*. This prospectus, which forms part of the registration statement, does not contain all of the information included in that registration statement. For further information about us and about the New Notes offered in this prospectus, you should refer to the registration statement and its exhibits. You may read and copy any materials we file with the SEC at the Public Reference Room maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain further information about the operation of the SEC s Public Reference Room by calling the SEC at 1-800-SEC-0330. These materials are also available to the public from the SEC s website at *www.sec.gov*.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

We incorporate by reference into this prospectus certain information filed by Kindred Healthcare, Inc. with the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus. Certain information that we subsequently file with the SEC will automatically update and supersede information in this prospectus and in our other filings with the SEC. We incorporate by reference the documents listed below, which we have already filed with the SEC, and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), after the date of the initial registration

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statement and prior to the termination of the exchange offer, except that we are not incorporating any information included in a Current Report on Form 8-K that has been or will be furnished (and not filed) with the SEC, unless such information is expressly incorporated herein by a reference in a furnished Current Report on Form 8-K or other furnished document:

- our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, filed on February 23, 2011 (other than the financial statements therein, which have been superseded by the financial statements included in our Current Report on Form 8-K filed on October 4, 2011);

- our Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2011, filed on April 29, 2011 and ended June 30, 2011, filed on August 9, 2011 (other than the financial statements therein, which have been superseded by the financial statements included in our Current Report on Form 8-K filed on October 4, 2011); and

- our Current Reports on Form 8-K, as filed on February 8, 2011 (regarding the RehabCare Acquisition (as defined below)), February 10, 2011, March 1, 2011, April 11, 2011, April 29, 2011, May 12, 2011, May 16, 2011, May 20, 2011, May 24, 2011, May 26, 2011 (as amended by Amendment No. 1 thereto filed on June 8, 2011), June 3, 2011 (as amended by Amendment No. 1 thereto filed on June 8, 2011 and Amendment No. 2 thereto filed on July 29, 2011 (other than the financial statements of RehabCare Group, Inc. as of and for the year ended December 31, 2010, which have been superseded by the financial statements included in our Current Report on Form 8-K filed on October 4, 2011)), August 11, 2011, September 2, 2011, September 28, 2011 and October 4, 2011.

Copies of these filings may be obtained at no cost by writing or calling us at the following address and telephone number:

Corporate Secretary

Kindred Healthcare, Inc.

680 South Fourth Street

Louisville, Kentucky 40202

Telephone: (502) 596-7300

To obtain timely delivery of any copies of filings requested, please write or call us no later than five business days before the Expiration Date of the exchange offer.

The above filings are also available to the public on our website *http://www.kindredhealthcare.com.* (We have included our website address as an inactive textual reference and do not intend it to be an active link to our website. Information on our website is not part of this prospectus.)

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SUMMARY

The following summary contains basic information about our Company and the offering. It does not contain all the information that may be important to you and is qualified in its entirety by more detailed information appearing elsewhere in, or incorporated by reference into, this prospectus. You should carefully read this entire prospectus, including the information set forth under Risk Factors before making an investment decision.

In this prospectus, unless we indicate otherwise or the context requires:

RehabCare refers to RehabCare Group, Inc. and its consolidated subsidiaries;

Kindred, the issuer, the Company, we, our, ours, and us refer to Kindred Healthcare, Inc., the issuer of the notes, and its consolidated subsidiaries, excluding RehabCare for periods prior to the consummation of the RehabCare Acquisition (as defined below) and including RehabCare for periods following the consummation of the RehabCare Acquisition; and

The combined company refers to the Company following the consummation of the RehabCare Acquisition.

With respect to the discussion of the terms of the notes on the cover page, in the section entitled Summary Summary of the Exchange Offer, in the section entitled Summary Summary of the New Notes and in the section entitled Description of the Notes, references to we, us or our include only Kindred Healthcare, Inc. and not any other consolidated subsidiaries of Kindred Healthcare, Inc.

Company Overview

General

Our Company is a healthcare services company that through our subsidiaries operates long-term acute care (LTAC) hospitals, inpatient rehabilitation hospitals, nursing and rehabilitation centers, assisted living facilities and a contract rehabilitation services business across the United States. At June 30, 2011, our hospital division operated 120 LTAC hospitals (8,609 licensed beds) and five inpatient rehabilitation hospitals (183 licensed beds) in 26 states. Our nursing center division operated 224 nursing and rehabilitation centers and six assisted living facilities (27,585 licensed beds) in 27 states. Our rehabilitation division provided rehabilitative services primarily in hospital and long-term care settings in 46 states.

RehabCare Acquisition

On June 1, 2011, we completed the acquisition of RehabCare (the RehabCare Acquisition). Upon consummation of the RehabCare Acquisition, each issued and outstanding share of RehabCare common stock was converted into the right to receive 0.471 of a share of Kindred common stock and $26 per share in cash, without interest. We issued approximately 12 million shares of our common stock in connection with the RehabCare Acquisition. The purchase price totaled $963 million and was comprised of $662 million in cash and $301 million of our common stock at fair value. We also assumed $356 million of long-term debt in the RehabCare Acquisition, of which $345 million was refinanced on June 1, 2011.

At the RehabCare Acquisition date, we acquired 32 LTAC hospitals, five inpatient rehabilitation hospitals, approximately 1,200 rehabilitation therapy sites of service and 102 hospital-based inpatient rehabilitation units.

Corporate and Other Information

Our business is conducted through Kindred Healthcare, Inc., a Delaware corporation and the issuer of the New Notes offered hereby, and its consolidated subsidiaries. Our principal executive offices are located at 680 South

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Fourth Street, Louisville, Kentucky 40202 and our telephone number is (502) 596-7300. Our corporate website address is *www.kindredhealthcare.com*. We do not incorporate the information contained on, or accessible through, our corporate website into this prospectus, and you should not consider it part of this prospectus.

Recent Developments

On September 1, 2011, our subsidiary acquired the equity of Professional Healthcare, LLC (Professional) for a purchase price of $51 million in cash. Professional is a provider of home health, hospice, private duty nursing services and durable medical equipment. We used our operating cash flows and borrowings from our ABL Facility (as defined below) to finance the transaction. Professional had no outstanding long-term debt at closing.

Professional operates 27 locations in northern California, Arizona, Nevada and Utah that currently generate annualized revenues of approximately $53 million.

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Summary of the Exchange Offer

Background	On June 1, 2011, we issued $550 million aggregate principal amount of the Old Notes in an unregistered offering. In connection with that offering, we entered into a registration rights agreement on June 1, 2011, as supplemented and amended on June 1, 2011 by the joinder agreement to the registration rights agreement and on September 28, 2011 by the second joinder agreement to the registration rights agreement (the Registration Rights Agreement) in which we agreed, among other things, to complete this exchange offer. Under the terms of the exchange offer, you are entitled to exchange the Old Notes for the New Notes evidencing the same indebtedness and with substantially similar terms. You should read the discussion under the heading Description of the Notes for further information regarding the New Notes.
The Exchange Offer	We are offering to exchange, for each $1,000 aggregate principal amount of our Old Notes validly tendered and accepted, $1,000 aggregate principal amount of our New Notes in authorized denominations.
	We will not pay any accrued and unpaid interest on the Old Notes that we acquire in the exchange offer. Instead, interest on the New Notes will accrue (a) from the later of (i) the last interest payment date on which interest was paid on the Old Note surrendered in exchange for the New Note or (ii) if the Old Note is surrendered for exchange on a date in a period that includes the record date for an interest payment date to occur on or after the date of such exchange and as to which interest will be paid, the date of such interest payment date, or (b) if no interest has been paid, from and including June 1, 2011, the original issue date of the Old Notes.
	As of the date of this prospectus, $550 million aggregate principal amount of the Old Notes are outstanding.
Denominations of New Notes	Tendering holders of the Old Notes must tender the Old Notes in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof. The New Notes will be issued in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof.
Expiration Date	The exchange offer will expire at 5:00 p.m., New York City time, on , 2011, unless we extend or terminate the exchange offer in which case the Expiration Date will mean the latest date and time to which we extend the exchange offer.
Settlement Date	The settlement date of the exchange offer will be as soon as practicable after the Expiration Date of the exchange offer.
Withdrawal of Tenders	Tenders of the Old Notes may be withdrawn at any time prior to the Expiration Date.

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Conditions to the Exchange Offer	Our obligation to consummate the exchange offer is subject to certain customary conditions, which we may assert or waive. See Description of the Exchange Offer Conditions to the Exchange Offer.
Procedures for Tendering	To participate in the exchange offer, you must follow the automatic tender offer program (ATOP) procedures established by The Depository Trust Company (DTC) for tendering the Old Notes held in book-entry form. The ATOP procedures require that the exchange agent receive, prior to the Expiration Date of the exchange offer, a computer-generated message known as an agent s message that is transmitted through ATOP and that DTC confirm that: DTC has received instructions to exchange your Old Notes; and you agree to be bound by the terms of the letter of transmittal. For more details, please read Description of the Exchange Offer Terms of the Exchange Offer and Description of the Exchange Offer Procedures for Tendering. If you elect to have the Old Notes exchanged pursuant to this exchange offer, you must properly tender your Old Notes prior to the Expiration Date. All Old Notes validly tendered and not properly withdrawn will be accepted for exchange. The Old Notes may be exchanged only in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof.
Consequences of Failure to Exchange	If we complete the exchange offer and you do not participate in it, then: your Old Notes will continue to be subject to the existing restrictions upon their transfer; we will have no further obligation to provide for the registration under the Securities Act of those Old Notes except under certain limited circumstances; and the liquidity of the market for your Old Notes could be adversely affected.
Certain Income Tax Consequences	The exchange pursuant to the exchange offer will not be a taxable event for U.S. federal income tax purposes. See Certain U.S. Federal Income Tax Consequences in this prospectus.
Use of Proceeds	We will not receive any cash proceeds from the issuance of the New Notes in this exchange offer.
Exchange Agent	Wells Fargo Bank, National Association is the exchange agent for the exchange offer.

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Summary of the New Notes

Issuer	Kindred Healthcare, Inc., a Delaware corporation.
Securities Offered	$550 million aggregate principal amount of 8.25% Senior Notes due 2019.
Maturity Date	June 1, 2019.
Interest Rate	8.25% per annum, payable semi-annually in arrears on June 1 and December 1 of each year, commencing on December 1, 2011. Interest on the New Notes will accrue (a) from the later of (i) the last interest payment date on which interest was paid on the Old Note surrendered in exchange for the New Note or (ii) if the Old Note is surrendered for exchange on a date in a period that includes the record date for an interest payment date to occur on or after the date of such exchange and as to which interest will be paid, the date of such interest payment date, or (b) if no interest has been paid, from and including June 1, 2011, the original issue date of the Old Notes.
Optional Redemption	The New Notes will be redeemable at our option, in whole or in part, at any time on or after June 1, 2014, at the redemption prices set forth in this prospectus, together with accrued and unpaid interest, if any, to the date of redemption.
	At any time prior to June 1, 2014, we may redeem up to 35% of the aggregate original principal amount of the New Notes with the proceeds of one or more equity offerings of our common shares at a redemption price of 108.25% of the principal amount of the New Notes, together with accrued and unpaid interest, if any, to the date of redemption.
	At any time prior to June 1, 2014, we may also redeem some or all of the New Notes at a price equal to 100% of the principal amount of the New Notes plus accrued and unpaid interest plus a make-whole premium.
	See Description of the Notes Optional Redemption.
Change of Control, Asset Sales	The occurrence of certain changes of control will require us to offer to purchase from you all or a portion of your New Notes at a price equal to 101% of their principal amount, together with accrued and unpaid interest, if any, to the date of purchase. See Description of the Notes Repurchase at the Option of Holders Change of Control.
	Certain asset dispositions may require us, under certain circumstances, to use the proceeds from those asset dispositions to make an offer to purchase the New Notes at 100% of their principal amount, together with accrued and unpaid interest, if any, to the date of purchase. See Description of the Notes Repurchase at the Option of Holders Sales of Assets and Subsidiary Stock.

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Guarantees

The New Notes will be fully and unconditionally guaranteed, except as provided in Description of the Notes Subsidiary Guarantees, on a senior unsecured basis by all of our domestic 100% owned restricted subsidiaries that guarantee our indebtedness under our new credit facilities that we entered into in connection with the RehabCare Acquisition (the New Credit Facilities), which include a new $650 million senior secured asset-based revolving credit facility (the ABL Facility) and a new $700 million senior secured term loan facility (the Term Loan Facility). Certain non-100% owned restricted subsidiaries that guarantee the New Credit Facilities will not guarantee the New Notes. All future domestic 100% owned restricted subsidiaries that guarantee our indebtedness under the New Credit Facilities will also fully and unconditionally guarantee the New Notes, except as provided in Description of the Notes Subsidiary Guarantees. The guarantees will be released when the guarantees of our indebtedness under our New Credit Facilities are released and in certain other circumstances as described in Description of the Notes Subsidiary Guarantees.

The guarantees will be unsecured senior indebtedness of our guarantors and will have the same ranking with respect to indebtedness of our guarantors as the New Notes will have with respect to our indebtedness.

Ranking

The New Notes will:

- be our general unsecured senior obligations;
- rank equally in right of payment with all of our existing and future senior debt;
- be effectively junior in right of payment to our secured debt, including the New Credit Facilities, to the extent of the value of the assets securing such debt;
- be structurally subordinated to all of the existing and future liabilities (including trade payables) of each of our subsidiaries that do not guarantee the New Notes; and
- be senior in right of payment to all of our existing and future subordinated debt.

As of June 30, 2011, (1) the New Notes and related guarantees ranked effectively junior to approximately $890 million of senior secured indebtedness consisting solely of borrowings under the New Credit Facilities, (2) we had additional borrowing capacity under the ABL Facility of approximately $447 million (subject to a borrowing base and after giving effect to approximately $13 million of letters of credit outstanding on June 30, 2011) and (3) the New Notes ranked effectively junior to approximately $10 million of secured indebtedness of our non-guarantor subsidiaries, consisting of secured capital lease obligations and a bank note.

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Form and Denomination	The New Notes will be issued in fully-registered form. The New Notes will be represented by one or more global notes, deposited with Wells Fargo Bank, National Association, as trustee (the Trustee) as custodian for DTC and registered in the name of Cede & Co., DTC s nominee. Beneficial interests in the global notes will be shown on, and any transfers will be effective only through, records maintained by DTC and its participants.
	The New Notes will be issued in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof.
Certain Covenants	The indenture governing the New Notes contains certain covenants that, among other things, limit our and our restricted subsidiaries ability to:
	incur, assume or guarantee additional indebtedness;
	issue redeemable stock and preferred stock;
	pay dividends, make distributions or redeem or repurchase capital stock;
	prepay, redeem or repurchase debt that is junior in right of payment to the notes;
	make loans and investments;
	grant or incur liens;
	restrict dividends, loans or asset transfers from our subsidiaries;
	sell or otherwise dispose of assets, including capital stock of subsidiaries;
	enter into transactions with affiliates; and
	consolidate or merge with or into, or sell substantially all of our assets to, another person.
Absence of Public Market for the New Notes	The New Notes are a new issue of securities and there is currently no established trading market for the New Notes. We do not intend to apply for a listing of the New Notes on any securities exchange or an automated dealer quotation system. Accordingly, there can be no assurance as to the development or liquidity of any market for the New Notes. The initial purchasers have advised us that they currently intend to make a market in the New Notes. However, they are not obligated to do so, and any market making with respect to

	the New Notes may be discontinued without notice.
Governing Law	The New Notes are governed by, and construed in accordance with, the internal laws of the State of New York.
Book-Entry Depository	The Depository Trust Company.

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Trustee	Wells Fargo Bank, National Association.
Risk Factors	In evaluating an investment in the New Notes, prospective investors should carefully consider, along with the other information included in this prospectus, the specific factors set forth under Risk Factors for risks involved with an investment in the New Notes.

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RISK FACTORS

Investing in the New Notes involves risk. In addition to the other information included or incorporated by reference in this prospectus, including the matters addressed under Cautionary Statement Regarding Forward-Looking Statements, you should carefully consider the risks and uncertainties described below, as well as the risks discussed in our public filings with the SEC (including under the caption Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2010), before deciding to participate in the exchange offer and to invest in the New Notes. The risks and uncertainties described below and incorporated by reference into this prospectus are not the only ones related to our business, the exchange offer or the New Notes. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also materially and adversely affect our business operations, results of operations, financial condition or prospects. The trading price of the New Notes could decline due to the materialization of any of these risks, and you may lose all or part of your original investment in the New Notes.

Risk Factors Relating to Our Indebtedness and the New Notes

Our indebtedness could adversely affect our cash flow and prevent us from fulfilling our obligations, including the New Notes.

We have a substantial amount of indebtedness. As of June 30, 2011, we had total indebtedness of approximately $1.4 billion in addition to availability of approximately $447 million (subject to a borrowing base and after giving effect to approximately $13 million of letters of credit outstanding on June 30, 2011) under our ABL Facility. Our substantial amount of indebtedness could have important consequences for you. For example it could:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness, including with respect to the New Notes;
- increase our vulnerability to general adverse economic and industry conditions;
- expose us to fluctuations in the interest rate environment because the interest rates under the New Credit Facilities are variable;
- require us to dedicate a substantial portion of our cash flow from operations to make payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes;
- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions and other general purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate, which may place us at a competitive disadvantage compared to our competitors that have less debt; and
- restrict us from exploiting business opportunities.

Our indebtedness may restrict our current and future operations, which could adversely affect our ability to respond to changes in our business and manage our operations.

The indenture governing the New Notes and the terms of the New Credit Facilities include a number of restrictive covenants that impose significant operating and financial restrictions on us and our restricted subsidiaries, including restrictions on our and our restricted subsidiaries ability to, among other things:

incur additional indebtedness;

create liens;

consolidate or merge;

- sell assets, including capital stock of our subsidiaries;
- engage in transactions with our affiliates;
- create restrictions on the payment of dividends or other amounts to us from our restricted subsidiaries;
- pay dividends on our capital stock or redeem, repurchase or retire our capital stock or indebtedness; and
- make investments, loans, advances and acquisitions.

The terms of the New Credit Facilities also include certain additional restrictive covenants that impose significant operating and financial restrictions on us and our restricted subsidiaries, including restrictions on our and our restricted subsidiaries ability to, among other things:

- change the date on which our fiscal years or quarters end;
- engage in business other than relating to owning, operating or managing healthcare facilities;
- enter into sale and lease-back transactions;
- modify certain agreements;
- make or incur capital expenditures; and
- hold cash and temporary cash investments outside of collateral accounts.

In addition, the New Credit Facilities require us to comply with financial covenants, including a maximum leverage ratio and a minimum fixed charge coverage ratio.

Our ability to comply with these agreements may be affected by events beyond our control, including prevailing economic, financial and industry conditions. These covenants could have an adverse effect on our business by limiting our ability to take advantage of financing, merger and acquisition or other corporate opportunities. The breach of any of these covenants or restrictions could result in a default under the indenture governing the New Notes or the New Credit Facilities.

Our failure to comply with the agreements relating to our outstanding indebtedness, including as a result of events beyond our control, could result in an event of default that could materially and adversely affect our business, financial condition and results of operations.

If there were an event of default under any of the agreements relating to our outstanding indebtedness, including the New Credit Facilities and the indenture governing the New Notes, we may not be able to incur additional indebtedness under the New Credit Facilities and the holders of the defaulted debt could cause all amounts outstanding with respect to that debt to be due and payable immediately. Upon acceleration of certain of our other indebtedness, holders of the New Notes could declare all amounts outstanding under the New Notes immediately due and payable. We cannot assure you that our assets or cash flow would be sufficient to fully repay borrowings under our outstanding debt instruments if accelerated upon an event of default, which could have a material adverse effect on our ability to continue to operate as a going concern. Further, if we are unable to repay, refinance or restructure our secured debt, the holders of such debt could proceed against the collateral securing that indebtedness. In addition, any event of default or declaration of acceleration under one debt instrument could also result in an event of default under one or more of our other debt instruments or under our master lease agreements with Ventas, Inc. and its affiliates (Ventas) (as amended, the Master Lease Agreements). In addition, counterparties to some of our contracts material to our business may have the right to amend or terminate those contracts if we have an event of default or a declaration of acceleration under certain of our indebtedness, which could adversely affect our business, financial condition or results of operations.

We, including our subsidiaries, will have the ability to incur substantially more indebtedness, including senior secured indebtedness, which could further increase the risks associated with our leverage.

Subject to the restrictions in the New Credit Facilities and the indenture governing the New Notes, we, including our subsidiaries, may incur significant additional indebtedness. As of June 30, 2011:

- we had $550 million of senior unsecured indebtedness under the Old Notes;
- we had $890 million of senior secured indebtedness under the New Credit Facilities;
- we had approximately $447 million (subject to a borrowing base and after giving effect to approximately $13 million of letters of credit outstanding on June 30, 2011) available for borrowing under the ABL Facility which, if borrowed, would be senior secured indebtedness;
- subject to our compliance with certain covenants and other conditions, we had the option to incur additional incremental term loans under our Term Loan Facility or increase the asset-based revolving credit facility commitments under the ABL Facility by up to an aggregate of $200 million, which, if borrowed, would be senior secured indebtedness; and
- subject to our compliance with certain covenants and other conditions, we had the option to incur certain additional secured indebtedness and/or additional unsecured indebtedness which would rank pari passu with the New Notes.

Although the terms of the New Credit Facilities and the indenture governing the New Notes include restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of important exceptions, and indebtedness incurred in compliance with these restrictions could be substantial. If we incur significant additional indebtedness, the related risks that we face could increase.

If the New Notes are rated investment grade at any time by both Standard & Poor s (S&P) and Moody s, certain covenants included in the indenture will be suspended, and the holders of the New Notes will lose the protection of these covenants.

The indenture includes certain covenants that will be suspended and cease to have any effect from and after the first date when the New Notes are rated investment grade by both S&P and Moody s. See Description of the Notes Certain Covenants Suspension of Covenants. These covenants restrict, among other things, our ability to pay dividends, incur additional debt and to enter into certain types of transactions. Because we would not be subject to these restrictions at any time that the New Notes are rated investment grade, we would be able to make dividends and distributions and incur substantial additional debt without satisfying the terms of the suspended covenants. If after these covenants are suspended, S&P or Moody s were to downgrade their ratings of the New Notes to a non-investment grade level, the covenants would be reinstated and the holders of the New Notes would again have the protection of these covenants. However, any indebtedness incurred or other transactions entered into during such time as the New Notes were rated investment grade would be permitted.

We may not be able to generate sufficient cash to pay rents related to our leased properties and service all of our indebtedness, including the New Notes, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

A substantial portion of our cash flows from operations is dedicated to the payment of rents related to our leased properties as well as principal and interest obligations on our indebtedness, including the New Notes and borrowings under the New Credit Facilities. Our ability to generate cash depends on many factors beyond our control, and any failure to meet our debt service obligations could harm our business, financial condition and results of operations. Our ability to make payments on and to refinance our indebtedness, including the New Notes, and to fund working capital needs and planned capital expenditures will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, business, legislative, regulatory and other factors that are beyond our control.

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If our business does not generate sufficient cash flow from operations or if future borrowings are not available to us in an amount sufficient to enable us to pay our indebtedness, including the New Notes, or to fund our other liquidity needs, we may need to refinance all or a portion of our indebtedness, including the New Notes, on or before the maturity thereof, sell assets, reduce or delay capital investments or seek to raise additional capital, any of which could have a material adverse effect on our operations. In addition, we may not be able to effect any of these actions, if necessary, on commercially reasonable terms or at all. The terms of existing or future debt instruments, including the New Credit Facilities and the indenture governing the New Notes, may limit or prevent us from taking any of these actions. Our ability to restructure or refinance our indebtedness, including the New Notes, will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. In addition, any failure to make scheduled payments of interest and principal on our outstanding indebtedness would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness on commercially reasonable terms or at all. Our inability to generate sufficient cash flow to satisfy our debt service obligations, or to refinance or restructure our obligations on commercially reasonable terms or at all, would have an adverse effect, which could be material, on our business, financial condition and results of operations, as well as on our ability to satisfy our obligations in respect of the New Notes.

If we are unable to meet our debt service obligations under the New Notes, the holders of the New Notes would have the right following a cure period to cause the entire principal amount of the New Notes to become immediately due and payable. If the amounts outstanding under these instruments are accelerated, we cannot assure you that our assets will be sufficient to repay in full the money owed to our debt holders, including holders of the New Notes.

In addition, our Master Lease Agreements and/or the New Credit Facilities:

- require us to dedicate a substantial portion of our cash flow to payments on our rent and interest obligations, thereby reducing the availability of cash flow to fund working capital, capital expenditures and other general corporate activities;
- require us to pledge as collateral substantially all of our assets;
- require us to maintain a certain defined fixed coverage ratio above a specified level and a certain defined total indebtedness ratio below a specified level, thereby reducing our financial flexibility;
- require us to limit the amount of capital expenditures we can incur in any fiscal year and also limit the aggregate amount we can expend on acquisitions; and
- restrict our ability to discontinue the operation of any leased property despite its level of profitability and otherwise restrict our operational flexibility.

These provisions:

- could have a material adverse effect on our ability to withstand competitive pressures or adverse economic conditions (including adverse regulatory changes);
- could adversely affect our ability to make material acquisitions, obtain future financing or take advantage of business opportunities that may arise; and
- could increase our vulnerability to a downturn in general economic conditions or in our business.

Our failure to pay rent or otherwise comply with the provisions of any of our Master Lease Agreements could materially adversely affect our business, financial position, results of operations and liquidity.

As of June 30, 2011, we leased 38 of our hospitals and 159 of our nursing and rehabilitation centers from Ventas under our Master Lease Agreements. Our failure to pay the rent or otherwise comply with the provisions of any

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of our Master Lease Agreements would result in an event of default under such Master Lease Agreement and also could result in a default under the New Credit Facilities. Upon an event of default, remedies available to Ventas include, without limitation, terminating such Master Lease Agreement, repossessing and reletting the leased properties and requiring us to remain liable for all obligations under such Master Lease Agreement, including the difference between the rent under such Master Lease Agreement and the rent payable as a result of reletting the leased properties, or requiring us to pay the net present value of the rent due for the balance of the term of such Master Lease Agreement. The exercise of such remedies would have a material adverse effect on our business, financial position, results of operations and liquidity.

The New Notes will not be secured by any of our assets and therefore will be effectively junior to any secured indebtedness we may incur.

The New Notes will be general unsecured obligations ranking effectively junior in right of payment to all existing and future secured indebtedness to the extent of the collateral securing such indebtedness. Our obligations under the New Notes and our guarantors obligations under their guarantees of the New Notes are unsecured, but our obligations under the New Credit Facilities are secured by a security interest in substantially all of the assets of the combined company and subsidiary guarantors. As of June 30, 2011, we had $890 million of senior secured indebtedness outstanding, approximately $447 million (subject to a borrowing base and after giving effect to approximately $13 million of letters of credit outstanding on June 30, 2011) available to us under the ABL Facility which, if borrowed, would be senior secured indebtedness, and the option (subject to certain conditions) to incur additional incremental term loans under the Term Loan Facility or increase the asset-based revolving credit facility commitments under the ABL Facility by up to an aggregate of $200 million, which, if borrowed, would be senior secured indebtedness.

In the event that we are declared bankrupt, become insolvent or are liquidated or reorganized or if we default under the New Credit Facilities, the lenders could foreclose on the pledged assets to the exclusion of holders of the New Notes, even if an event of default exists under the indenture governing the New Notes at such time. Furthermore, if the lenders foreclose upon and sell the pledged equity interests in any note guarantor of the New Notes offered hereby, then that note guarantor will be released from its guarantee of the New Notes automatically and immediately upon such sale. In any such event, because the New Notes offered hereby will not be secured by any of our assets or the equity interests in the note guarantors, it is possible that there would be no assets remaining from which your claims could be satisfied or, if any assets remained, they might be insufficient to satisfy your claims in full.

The New Notes will be structurally subordinated to all indebtedness of our existing subsidiaries that are not guarantors of the New Notes and our future subsidiaries that do not become guarantors of the New Notes.

The New Notes will not be guaranteed by any of our existing or future non-U.S. subsidiaries or any of our less than 100% owned U.S. subsidiaries. Certain of these non-guarantor subsidiaries will guarantee our obligations under the New Credit Facilities. As of June 30, 2011, the New Notes were structurally subordinated to the New Credit Facilities with respect to our non-guarantor subsidiaries that guarantee our obligations under the New Credit Facilities but not the New Notes and approximately $10 million of secured indebtedness of our non-guarantor subsidiaries, consisting of secured capital lease obligations and a bank note. Accordingly, claims of holders of the New Notes will be structurally subordinated to the claims of creditors of these non-guarantor subsidiaries, including trade creditors. All obligations of our non-guarantor subsidiaries will have to be satisfied before any of the assets of such subsidiaries would be available for distribution, upon a liquidation or otherwise, to us or a guarantor of the New Notes.

In addition, the indenture governing the New Notes permits, subject to some limitations, these non-guarantor subsidiaries to incur additional indebtedness and does not include any limitation on the amount of other liabilities, such as trade payables, that may be incurred by these subsidiaries.

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Repayment of our indebtedness, including the New Notes, is dependent on cash flow generated by our subsidiaries.

Our subsidiaries own a significant portion of our assets and conduct a significant portion of our operations. Accordingly, repayment of our indebtedness, including the New Notes, is dependent, to a significant extent, on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Unless they are guarantors of the New Notes, our subsidiaries do not have any obligation to pay amounts due on the New Notes or to make funds available for that purpose. Certain of our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness, including the New Notes. Each subsidiary is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. While the indenture governing the New Notes limits the ability of our restricted subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are subject to certain qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness, including the New Notes.

An increase in interest rates would increase the cost of servicing our debt and could reduce our profitability.

Borrowings under the New Credit Facilities bear interest at variable rates. Interest rate changes will not affect the market value of any debt incurred under the New Credit Facilities, but could affect the amount of our interest payments, and accordingly, our future earnings and cash flows, assuming other factors are held constant. Pursuant to the terms of the New Credit Facilities, we plan to enter into an interest rate swap that involves the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility; however, this swap may not fully mitigate our interest rate risk. As a result, an increase in interest rates, whether because of an increase in market interest rates or an increase in our own cost of borrowing, would increase the cost of servicing our debt and could materially reduce our profitability. A change of one-eighth percent in the interest rates for the New Credit Facilities would increase or decrease annual interest expense by approximately $1 million.

Under certain circumstances a court could cancel the New Notes or the related guarantees under fraudulent conveyance laws. If that occurs, you may not receive any payments on the New Notes.

Federal and state fraudulent transfer and conveyance statutes may apply to the issuance of the New Notes and the incurrence of the guarantees. Under federal bankruptcy law and comparable provisions of state fraudulent transfer or conveyance laws, which may vary from state to state, the New Notes or guarantees could be voided as a fraudulent transfer or conveyance if we or any of the guarantors, as applicable: (1) issued the notes or incurred the guarantees with the intent of hindering, delaying or defrauding creditors or (2) received less than reasonably equivalent value or fair consideration in return for either issuing the notes or incurring the guarantees and, in the case of (2) only, one of the following is also true at the time thereof:

- we or any of the guarantors, as applicable, were insolvent or rendered insolvent by reason of the issuance of the notes or the incurrence of the guarantees;
- the issuance of the notes or the incurrence of the guarantees left us or any of the guarantors, as applicable, with an unreasonably small amount of capital to carry on the business;
- we or any of the guarantors intended to, or believed that we or such guarantor would, incur debts beyond our or such guarantor s ability to pay as they mature; or
- we or any of the guarantors was a defendant in an action for money damages, or had a judgment for money damages docketed against us or such guarantor if, in either case, after final judgment, the judgment is unsatisfied.

If a court were to find that the issuance of the notes or the incurrence of the guarantees was a fraudulent transfer or conveyance, the court could void the payment obligations under the New Notes or such guarantee or subordinate the New Notes or such guarantee to presently existing and future indebtedness of ours or of the

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related guarantor, or require the holders of the New Notes to repay any amounts received with respect to such guarantee. In the event of a finding that a fraudulent transfer or conveyance occurred, you may not receive any repayment on the New Notes. Further, the voidance of the New Notes could result in an event of default with respect to our and our subsidiaries other debt that could result in acceleration of such debt.

As a general matter, value is given for a transfer or an obligation if, in exchange for the transfer or obligation, property is transferred or an antecedent debt is secured or satisfied. A debtor will generally not be considered to have received value in connection with a debt offering if the debtor uses the proceeds of that offering to make a dividend payment or otherwise retire or redeem equity securities issued by the debtor. We cannot be certain as to the standards a court would use to determine whether or not we or the guarantors were solvent at the relevant time or, regardless of the standard that a court uses, that the issuance of the notes and the guarantees would not be subordinated to our or any of our guarantors other debt.

Generally, an entity would be considered insolvent if, at the time it incurred debt:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts and liabilities, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

If the guarantees were legally challenged, any guarantee could also be subject to the claim that, since the guarantee was incurred for our benefit, and only indirectly for the benefit of the guarantor, the obligations of the applicable guarantor were incurred for less than fair consideration. A court could thus void the obligations under the guarantees, subordinate them to the applicable guarantor s other debt or take other action detrimental to the holders of the New Notes.

The indenture governing the New Notes includes a savings clause intended to limit each guarantor s liability under its guarantee to the maximum amount that it could incur without causing the guarantee to be a fraudulent transfer under applicable law. There can be no assurance that this provision will be upheld as intended. In a recent court case (overturned subsequently on other grounds), the U.S. Bankruptcy Court in the Southern District of Florida found this kind of provision in that case to be ineffective, and held the guarantees to be fraudulent transfers and voided them in their entirety.

There is no established trading market for the New Notes and you may not be able to sell the New Notes readily or at all or at or above the price that you paid.

The New Notes are a new issue of securities and there is no established trading market for them. We do not intend to apply for the New Notes to be listed on any securities exchange or to arrange for quotation on any automated dealer quotation system. The initial purchasers have advised us that they intend to make a market in the New Notes but they are not obligated to do so and may discontinue any market making in the New Notes at any time, in their sole discretion. You may not be able to sell the New Notes at a particular time or at favorable prices. As a result, we cannot assure you as to the liquidity of any trading market for the New Notes. Accordingly, you may be required to bear the financial risk of your investment in the New Note indefinitely. If a trading market were to develop, future trading prices of the New Notes may be volatile and will depend on many factors, including:

- our operating performance and financial condition;
- the interest of securities dealers in making a market for them;
- prevailing interest rates; and

the market for similar securities.

In addition, the market for non-investment grade debt historically has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the New Notes. The market for the New Notes, if any, may be subject to similar disruptions that could adversely affect their value.

We may not have the ability to raise the funds necessary to finance the change of control offer required by the indenture governing the New Notes.

Upon the occurrence of a change of control, as defined in the indenture governing the New Notes, we must offer to buy back the New Notes at a price equal to 101% of the principal amount, together with any accrued and unpaid interest, if any, to the date of the repurchase. Our failure to purchase, or give notice of purchase of, the New Notes would be a default under the indenture governing the New Notes. See Description of the Notes Repurchase at the Option of Holders Change of Control.

Furthermore, we anticipate that certain change of control events would also constitute an event of default under the New Credit Facilities. Upon the occurrence of a change of control, the lenders under the New Credit Facilities may have the right, among other things, to terminate their lending commitments or to cause all outstanding debt obligations under the New Credit Facilities to become due and payable and proceed against the assets securing such debt, any of which actions would prevent us from borrowing under the New Credit Facilities to finance a repurchase of the New Notes. We cannot assure you that we will have available funds sufficient to repurchase the New Notes and satisfy other payment obligations that could be triggered upon the change of control. If we do not have sufficient financial resources to effect a change of control offer, we would be required to seek additional financing from outside sources to repurchase the New Notes. We cannot assure you that financing would be available to us on satisfactory terms, or at all.

The definition of change of control in the indenture governing the New Notes includes a phrase relating to the sale, assignment, conveyance, transfer or other disposition of all or substantially all of our and our subsidiaries assets, taken as a whole. Although there is a limited body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of all or substantially all of the property or assets of a person. As a result, it may be unclear as to whether a change of control has occurred and whether a holder of New Notes may require us to make an offer to repurchase the New Notes as described above. A Delaware Chancery Court decision suggests that, in the event incumbent directors are replaced as a result of a contested election, the issuer may nevertheless avoid triggering a change of control under a clause similar to clause (2) of the definition of change of control set forth in the indenture governing the New Notes if the outgoing directors were to approve the new directors.

The trading prices for the New Notes will be directly affected by many factors, including our credit rating.

Credit rating agencies continually revise their ratings for companies they follow, including us. Any ratings downgrade could adversely affect the trading prices of the New Notes, to the extent a trading market for the New Notes develops. The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future and any fluctuation may impact the trading prices of the New Notes.

Risk Factors Relating to the RehabCare Acquisition

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

We may not be able to successfully integrate RehabCare s operations with our own, and we may not realize all or any of the expected benefits of the acquisition as and when planned. The integration of RehabCare s operations with our own will be complex, costly and time-consuming. We expect that it will require significant attention from senior management and will impose substantial demands on our 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 we will fail to implement our 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 our integration plan;
- possible inconsistencies in the standards, controls, procedures, policies and compensation structures of the two companies;
- the increased scope and complexity of our operations;
- the potential loss of key employees and the costs associated with our efforts to retain key employees;
- provisions in our and RehabCare s contracts with third parties that may limit our flexibility to take certain actions;
- risks and limitations on our ability to consolidate corporate and administrative infrastructures of the two companies, including integrating the information systems of the two companies;
- the possibility that we may have failed to discover liabilities of RehabCare during our due diligence investigation as part of the acquisition for which we, as a successor owner, may be responsible;
- the possibility that we may be impaired in our ability to settle on expected or favorable terms or otherwise dispose of claims and liabilities against RehabCare, whether known or unknown as of the date of the RehabCare Acquisition;
- obligations that we will have to joint venture partners and other counterparties of RehabCare that arise as result of the change in control of RehabCare;
- obligations that we will have to holders of the New Notes and our lenders under the New Credit Facilities, including our 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 our own.

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

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

We expect to realize approximately $55 million of operating synergies during 2012 from the completion of the RehabCare Acquisition, and approximately $65 million in synergies by 2013. These operating synergies do not include costs to be incurred in order to realize such operating synergies. We may be unable to realize all of these cost synergies within the timeframe expected, or at all, and we may incur additional and/or unexpected costs in order to realize them.

Risk Factors Relating to Reimbursement and Regulation of Our Business

Healthcare reform has initiated significant reforms to the United States healthcare system.

Various healthcare reform provisions became law upon enactment of the Patient Protection and Affordable Care Act and the Healthcare Education and Reconciliation Act, both enacted in 2010 (collectively, the ACA). The reforms contained in the ACA will impact each of our businesses in some manner. Several of the reforms are very significant and could ultimately change the nature of our services, the methods of payment for our services and the underlying regulatory environment. The reforms include possible modifications to the conditions of qualification for payment, bundling payments to cover both acute and post-acute care and the imposition of enrollment limitations on new providers. The ACA creates a series of robust transparency and reporting requirements for skilled nursing facilities including requirements to disclose information on organizational structures, financial, clinical and other related data as well as information on officers, directors, trustees or managing employees. Skilled nursing facilities are required to certify to the Secretary of the U.S. Department of Health and Human Services (HHS) and the U.S. Department of Health and Human Services Office of Inspector General (the OIG) that the information submitted is accurate and current. In addition, a primary goal of healthcare reform is to reduce costs, which includes reductions in the reimbursement paid to us and other healthcare providers. Moreover, healthcare reform could negatively impact insurance companies, other third party payors, our customers, as well as other healthcare providers, which may in turn negatively impact our business. As such, these healthcare reforms or other similar healthcare reforms could have a material adverse effect on our business, financial position, results of operations and liquidity.

Changes in the reimbursement rates or methods or timing of payment from third party payors, including the Medicare and Medicaid programs, or the implementation of other measures to reduce reimbursement for our services and products could result in a substantial reduction in our revenues and operating margins.

We depend on reimbursement from third party payors, including the Medicare and Medicaid programs, for substantially all of our revenues. For both the year ended December 31, 2010 and for the six months ended June 30, 2011, we derived approximately 63% of our total revenues (before eliminations) from the Medicare and Medicaid programs and the balance from other third party payors, such as commercial insurance companies, health maintenance organizations, preferred provider organizations and contracted providers. The Medicare and Medicaid programs are highly regulated and subject to frequent and substantial changes.

There are continuing efforts to reform governmental healthcare programs, both as part of the ACA enacted in 2010 and otherwise, that could result in major changes in the healthcare delivery and reimbursement system on a national and state level. Potential reforms include changes directly impacting the government and private reimbursement systems for our LTAC hospitals, our nursing and rehabilitation centers, our inpatient rehabilitation facilities (IRFs) as well as our rehabilitation operations. Reforms or other changes to the payment systems, including modifications to the conditions of qualification for payment, bundling payments to cover both acute and post-acute care or the imposition of enrollment limitations on new providers, may be proposed or could be adopted by Congress or Centers for Medicare and Medicaid Services (CMS). This could result in attempts to reduce or eliminate payments for federal and state healthcare programs, including Medicare and Medicaid, and could result in an increase in taxes and assessments on our activities. Moreover, weak economic conditions are also adversely affecting the budgets of individual states and of the federal government.

CMS issued a final rule on July 29, 2011 updating Medicare payment rates for skilled nursing centers effective October 1, 2011. The final rule imposes (1) a negative adjustment to the therapy rates for Medicare patient classification system known as RUGs IV, and (2) a net market basket increase of 1.7% consisting of (a) a 2.7% market basket inflation increase, less (b) a 1.0% adjustment to account for the effect of a productivity adjustment, beginning on October 1, 2011. CMS has projected the impact of these changes will result in an 11.1% decrease in payments to skilled nursing centers. Under the final rule, group therapy would be defined as therapy sessions with four patients who are performing similar therapy activities. In addition, for purposes of assigning patients to RUGs IV payment categories, the minutes of group therapy would be allocated based upon the number of patients in the therapy session, consistent with the rules for concurrent therapy that have been in place since October 1, 2010. The final rule also clarifies circumstances for reporting breaks of three or more days of therapy and implements a new change of therapy assessment to capture those changes in a patient s therapy status that would be sufficient to affect the RUGs IV classification and payment. We believe that these rules could reduce our annual revenues by approximately $85 million to $95 million in our nursing center business and approximately $10 million to $15 million in our rehabilitation therapy business. In addition, we believe that other technical changes required under the final rules may increase rehabilitation therapy costs by approximately $10 million to $15 million on an annual basis.

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The Budget Control Act of 2011, enacted on August 2, 2011, increased the United States debt ceiling in connection with deficit reductions over the next ten years. The Budget Control Act of 2011 also establishes a 12 member joint committee of Congress known as the Joint Select Committee on Deficit Reduction. The goal of the Joint Select Committee on Deficit Reduction is to propose legislation to reduce the United States federal deficit by $1.5 trillion for fiscal years 2012-2021. Reductions in Medicare and Medicaid spending could be included as part of these deficit reduction measures. Moreover, if such legislation is not enacted by December 23, 2011, approximately $1.2 trillion in domestic and defense spending reductions will automatically begin on January 1, 2013, split evenly between domestic and defense spending. Payments to Medicare providers would be subject to these automatic spending reductions, subject to a 2% cap. At this time it is unclear how this automatic reduction may be applied to various Medicare healthcare programs. Reductions to Medicare and Medicaid reimbursement from the Budget Control Act of 2011 could have a material adverse effect on our business, financial position, results of operations and liquidity.

In addition, private third party payors are continuing their efforts to control healthcare costs through direct contracts with healthcare providers, increased utilization review and greater enrollment in managed care programs and preferred provider organizations. These private payors increasingly are demanding discounted fee structures and are requesting that healthcare providers assume more financial risk.

Though we cannot predict what other reform proposals will be adopted or finally implemented, healthcare reform and regulations, such as those described above, could have a material adverse effect on our business, financial position, results of operations and liquidity through, among other things, decreasing funds available for our services or increased operating costs. We could be affected adversely by the continuing efforts of governmental and private third party payors to contain healthcare costs. We cannot assure you that reimbursement payments under governmental and private third party payor programs, including Medicare supplemental insurance policies, will remain at levels comparable to present levels or will be sufficient to cover the costs allocable to patients eligible for reimbursement pursuant to these programs. Future changes in third party payor reimbursement rates or methods, including the Medicare, Medicare Advantage and Medicaid programs, or the implementation of other measures to reduce reimbursement for our services and products could result in a material reduction in our revenues. Our operating margins continue to be under pressure because of deterioration in pricing flexibility, changes in payor mix, changes in length of stay and growth in operating expenses in excess of increases in payments by third party payors. In addition, as a result of competitive pressures, our ability to maintain operating margins through price increases to private patients or commercial payors remains limited. These results could have a material adverse effect on our business, financial position, results of operations and liquidity.

Future cost containment initiatives undertaken by third party payors may limit our revenues and profitability.

Initiatives undertaken by major insurers and managed care companies to contain healthcare costs or to respond to healthcare reform could affect the profitability of our services. These payors attempt to control healthcare costs by contracting with providers of healthcare to obtain services on a discounted basis. We believe that this trend will continue and intensify and may further limit reimbursements for healthcare services. If insurers or managed care companies from whom we receive substantial payments reduce the amounts they pay for services, our profit margins may decline, or we may lose patients if we choose not to renew our contracts with these insurers at lower rates. These results could have a material adverse effect on our business, financial position, results of operations and liquidity.

Further consolidation of managed care organizations and other third party payors may adversely affect our profits.

Managed care organizations and other third party payors have continued to consolidate in order to enhance their ability to influence the delivery and cost structure of healthcare services. Consequently, the healthcare needs of a large percentage of the United States population are increasingly served by a smaller number of managed care organizations. These organizations generally enter into service agreements with a limited number of providers for needed services. In addition, third party payors, including managed care payors, increasingly are demanding discounted fee structures. To the extent that these organizations terminate us as a preferred provider, engage our competitors as a preferred or exclusive provider or demand discounted fee structures, our business, financial position, results of operations and liquidity could be materially and adversely affected.

We conduct business in a heavily regulated industry, and changes in regulations, the enforcement thereof or violations of regulations may result in increased costs or sanctions that reduce our revenues and profitability.

In the ordinary course of our business, we are subject regularly to inquiries and audits by federal and state agencies that oversee applicable healthcare program participation and payment regulations. We also have been subject to government investigations. We believe that the regulatory environment surrounding most segments of the healthcare industry will remain intense.

The extensive federal, state and local regulations affecting the healthcare industry include, but are not limited to, regulations relating to licensure, conduct of operations, ownership of facilities, addition of facilities, coding, allowable costs, services and prices for services, facility staffing requirements, qualifications and licensure of staff, environmental and occupational health and safety, the confidentiality and security of health-related information and relationships with referral sources and referral recipients. In particular, various laws including anti-kickback, physician referral and other anti-fraud and abuse laws codified under the Social Security Act and other federal statutes prohibit certain business practices and relationships that might affect the provision and cost of healthcare services reimbursable under Medicare and Medicaid and other federal healthcare programs, including the payment or receipt of remuneration for the referral of patients. Sanctions for violating these laws include criminal penalties, civil sanctions, fines and possible exclusion from government healthcare programs such as Medicare and Medicaid.

Federal and state governments continue to pursue intensive enforcement policies resulting in a significant number of inspections, audits, investigations, citations of regulatory deficiencies and other regulatory sanctions including demands for refund of overpayments, terminations from the Medicare and Medicaid programs, bans on Medicare and Medicaid payments for new admissions and civil monetary penalties or criminal penalties. Recovery Audit Contractor (RAC) audits and other audits evaluating the medical necessity of services provided are expected to further intensify the regulatory environment surrounding the healthcare industry as third party firms engaged by CMS commence or continue extensive reviews of claims data and medical and other records to identify improper payments to healthcare providers under the Medicare program. If we fail to comply with the extensive laws and regulations applicable to our businesses, we could become ineligible to receive government program reimbursement, suffer civil or criminal penalties or be required to make significant changes to our operations. In addition, we could be forced to expend considerable resources responding to investigations, audits or other enforcement actions under these laws or regulations. Furthermore, should we lose the licenses for one or more of our facilities as a result of regulatory action or otherwise, we could be in default under our Master Lease Agreements and the New Credit Facilities. Failure of our staff to satisfy applicable licensure requirements or of our hospitals, our nursing and rehabilitation centers or our IRFs to satisfy applicable licensure and certification requirements could have a material adverse effect on our business, financial position, results of operations and liquidity.

We are unable to predict the future course of federal, state and local regulation or legislation, including Medicare and Medicaid statutes and regulations, or the intensity of federal and state enforcement actions. Changes in the regulatory framework, including those associated with healthcare reform, and sanctions from various enforcement actions could have a material adverse effect on our business, financial position, results of operations and liquidity.

We face and are currently subject to reviews, audits and investigations under our contracts with federal and state government agencies and other payors, and these reviews, audits and investigations could have adverse findings that may negatively impact our business.

As a result of our participation in the Medicare and Medicaid programs, we face and are currently subject to various governmental reviews, audits and investigations to verify our compliance with these programs and applicable laws and regulations. An increasing level of governmental and private resources is being devoted to the investigation of allegations of fraud and abuse in the Medicare and Medicaid programs, and federal and state regulatory authorities are taking an increasingly strict view of the requirements imposed on healthcare providers by the Social Security Act, Medicare and Medicaid programs and other laws. We are routinely subject to audits under various government programs, including the RAC program, in which third party firms engaged by CMS conduct extensive reviews of claims data and medical and other records to identify potential improper payments to healthcare providers under the Medicare program. In addition, we, like other operators of nursing centers and hospitals, and providers of rehabilitation services, are subject to ongoing investigations by the HHS-OIG and the U.S. Department of Justice into the billing of rehabilitation services provided to Medicare patients, the medical necessity of services billed to government programs and our general compliance with the conditions of participation for Medicare and Medicaid. Further, ACA requires that certified providers must report and refund overpayments to Medicare and Medicaid within 60 days from the date of identification or the date that the corresponding cost report is due, as applicable. Private pay sources also often reserve the right to conduct audits and demand the refund of overpayments. Our costs to respond to and defend reviews, audits and investigations are significant and are likely to increase in the current enforcement environment. In the past, some of these audits and investigations have required us to refund or retroactively adjust amounts that have been paid under the relevant program or from other payors. We may be subject to similar obligations in the future. Moreover, an adverse review, audit or investigation could also result in other adverse consequences, particularly if the underlying conduct is found to be systemic. These consequences include:

- state or federal agencies imposing fines, penalties and other sanctions on us;
- loss of our right to participate in the Medicare or Medicaid programs or one or more third party payor networks; or
- damage to our reputation in various markets, which could adversely affect our ability to attract patients, residents and employees.

If they were to occur, these consequences could have a material adverse effect on our business, financial position, results of operations and liquidity.

We are subject to extensive and complex federal and state government laws and regulations which govern and restrict our relationships with physicians and other referral sources.

The federal anti-kickback statute set forth in Section 1128B(b) of the Social Security Act (the Anti-Kickback Statute), the federal physician self-referral laws (commonly called the Stark Law), the federal False Claims Act (the FCA) and similar state laws materially restrict our relationships with physicians and other referral sources. We have a variety of financial relationships with physicians and others who either refer or influence the referral of patients to our healthcare facilities, and these laws govern those relationships. The OIG has enacted safe harbor regulations that outline practices deemed protected from prosecution under the Anti-Kickback Statute. While we endeavor to comply with the safe harbors, most of our current arrangements, including with physicians and other referral sources, do not qualify for safe harbor protection. Failure to qualify for a safe harbor does not mean the arrangement necessarily violates the Anti-Kickback Statute, but may subject the arrangement to greater scrutiny. However, we cannot offer assurance that practices outside of a safe harbor will not be found to violate the Anti-Kickback Statute. Allegations of violations of the Anti-Kickback Statute may be brought under federal civil monetary penalty laws, which require a lower burden of proof than other fraud and abuse laws, including the Anti-Kickback Statute.

Our financial relationships with referring physicians and their immediate family members must comply with the Stark Law by meeting an exception. We attempt to structure our relationships to meet an exception to the Stark Law, but the regulations implementing the exceptions are detailed and complex, and we cannot provide assurance that every relationship complies fully with the Stark Law. Unlike the Anti-Kickback Statute, failure to meet an exception under the Stark Law results in a violation of the Stark Law, even if such violation is technical in nature.

Additionally, if we violate the Anti-Kickback Statute or the Stark Law, or if we improperly bill for our services, we may be found to violate the FCA, either under a suit brought by the government or by a private person under a qui tam, or whistleblower, lawsuit.

If we fail to comply with the Anti-Kickback Statute, the Stark Law, the FCA or other applicable laws and regulations, we could be subjected to liabilities, including civil penalties (including the loss of our licenses to operate one or more facilities), exclusion of one or more facilities from participation in the Medicare, Medicaid and other federal and state healthcare programs and, for violations of certain laws and regulations, and criminal penalties.

We do not always have the benefit of significant regulatory or judicial interpretation of these laws and regulations. In the future, different interpretations or enforcement of these laws and regulations could subject our current or past practices to allegations of impropriety or illegality or could require us to make changes in our facilities, equipment, personnel, services, capital expenditure programs and operating expenses. A determination that we have violated these laws, or the public announcement that we are being investigated for possible violations of these laws, could have a material adverse effect on our business, financial position, results of operations and liquidity, and our business reputation could suffer significantly. In addition, other legislation or regulations at the federal or state level may be adopted that adversely affect our business.

If our LTAC hospitals fail to maintain their certification as long-term acute care hospitals, our profitability would decline.

If our LTAC hospitals, satellite LTAC facilities or hospital-in-hospitals (HIH) fail to meet or maintain the standards for certification as LTAC hospitals, such as average minimum length of patient stay, they will receive payments under the prospective payment system applicable to general acute care hospitals rather than payment under the system applicable to LTAC hospitals. Payments at rates applicable to general acute care hospitals would result in our LTAC hospitals receiving less Medicare reimbursement than they currently receive for patient services and our profitability would decline. In addition, implementation of additional LTAC hospital certification criteria and medical necessity reviews may limit the population of patients eligible for our services or change the basis upon which we are paid, which could have a material adverse effect on our business, financial position, results of operations and liquidity.

Implementation of additional patient or facility criteria for LTAC hospitals that limit the population of patients eligible for our hospital services or change the basis upon which we are paid could adversely affect our revenues and profitability.

CMS has, for a number of years, considered the development of facility and patient certification criteria for LTAC hospitals, potentially as an alternative to the current payment system under Long-Term Acute Care Prospective Payment System (LTAC PPS). In 2004, the Medicare Payment Advisory Commission, a commission chartered by Congress to advise it on Medicare payment issues (MedPAC) recommended to Congress the adoption by CMS of new facility staffing and services criteria and patient clinical characteristics and treatment requirements for LTAC hospitals in order to ensure that only appropriate patients are admitted to these facilities. Since the MedPAC recommendation, CMS has initiated studies to examine such recommendations and those studies are ongoing.

On August 2, 2011, the Long-Term Care Hospital Improvement Act of 2011 was introduced into the United States Senate (the LTAC Legislation). If enacted, the LTAC Legislation would implement new patient and facility criteria for LTAC hospitals and alleviate the negative impact of various scheduled Medicare reimbursement adjustments. The LTAC Legislation provides for patient criteria to ensure that LTAC hospital patients are physician screened prior to admission and throughout their stay for appropriateness of their stay in an LTAC hospital. In addition, facility criteria would establish common requirements for the programmatic,

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personnel and clinical operations of an LTAC hospital. The LTAC Legislation further provides that at least 70% of patients must be medically complex in order for a hospital to maintain its Medicare certification as a LTAC hospital. The LTAC Legislation also would repeal the 25 Percent Rule for all LTAC hospitals, the scheduled very short-stay outlier payment reductions and the one-time budget neutrality adjustment requirement. There can be no assurances that the LTAC Legislation will be enacted in its current form or at all.

Implementation of additional criteria that may limit the population of patients eligible for our hospital services or change the basis upon which we are paid could have a material adverse effect on our business, financial position, results of operations and liquidity.

The temporary moratorium on the Medicare certification of new LTAC hospitals and beds in existing LTAC hospitals limits our ability to increase LTAC hospital bed capacity, expand into new areas or increase services in existing areas we serve.

The Medicare, Medicaid and SCHIP Extension Act of 2007 (the SCHIP Extension Act) imposed a three-year moratorium beginning on December 29, 2007 on the establishment and classification of new LTAC hospitals, LTAC satellite facilities and LTAC beds in existing LTAC hospitals or satellite hospitals. The ACA extended this moratorium to five years. The moratorium does not apply to LTAC hospitals that, before December 29, 2007, (1) began the qualifying period for payment under LTAC PPS, (2) had a written agreement with an unrelated party for the construction, renovation, lease or demolition for a LTAC hospital and had expended at least 10% of the estimated cost of the project or $2.5 million or (3) had obtained an approved certificate of need. The moratorium also does not apply to an increase in beds in an existing hospital or satellite facility if the LTAC hospital is located in a state where there is only one other LTAC hospital and the LTAC hospital requests an increase in beds following the closure or the decrease in the number of beds of the other LTAC hospital. This moratorium may adversely affect our ability to increase LTAC bed capacity, expand into new areas or increase bed capacity in existing markets that we serve.

Expiration of the moratorium imposed on certain federal regulations otherwise applicable to LTAC hospitals, including HIHs and satellite hospitals, will have an adverse effect on our future revenues and profitability.

The SCHIP Extension Act, among other things, placed a three-year moratorium beginning on December 29, 2007 on (1) the application of a one-time budget neutrality adjustment to payment rates to LTAC hospitals under LTAC PPS, and (2) the very short stay outlier payment reductions to LTAC hospitals. The ACA extended this moratorium to five years. The expiration of this moratorium could have a material adverse effect on our business, financial position, results of operations and liquidity.

CMS has regulations governing payments to LTAC hospitals that are co-located with another hospital, such as a HIH. The rules generally limit Medicare payments to the HIH if the Medicare admissions to the HIH from its co-located hospital exceed 25% of the total Medicare discharges for the HIH s cost reporting period. There are limited exceptions for admissions from rural hospitals, urban single hospitals and hospitals that generate more than 25% of the Medicare discharges in a metropolitan statistical area (MSA Dominant hospitals). Patients transferred after they have reached the short-term acute care outlier payment status are not counted toward the admission threshold. Patients admitted prior to meeting the admission threshold, as well as Medicare patients admitted from a non co-located hospital, are eligible for the full payment under LTAC PPS. If the HIH s admissions from the co-located hospital exceed the limit in a cost reporting period, Medicare will pay the lesser of (1) the amount payable under LTAC PPS or (2) the amount payable under Medicare s prospective payment system (IPPS).

On May 1, 2007, CMS issued regulatory changes regarding Medicare reimbursement for LTAC hospitals (the 2007 Final Rule). Under the 2007 Final Rule, CMS expanded the 25 Percent Rule to all LTAC hospitals, regardless of whether they are co-located with another hospital. Under the 2007 Final Rule, all LTAC hospitals were to be paid LTAC PPS rates for admissions from a single referral source up to 25% of aggregate Medicare

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admissions. Patients reaching high cost outlier status in the short-term hospital were not to be counted when computing the 25% limit. Admissions beyond the 25% threshold were to be paid at a lower amount based upon IPPS rates.

Under the 2007 Final Rule, the 25% threshold was to be phased in over three years. Hospitals having fiscal years beginning on or after July 1, 2007 and before July 1, 2008, including most of our hospitals, had their admission cap initially established at the lesser of 75% of Medicare referrals or the actual percentage of Medicare referrals received from a primary referral source for that hospital in the base year of 2005. For most of our hospitals, this initial first year cap began on September 1, 2007. Beginning on September 1, 2008, the cap would have been reduced to the lesser of 50% of Medicare referrals or the actual percentage of Medicare referrals for that hospital in the 2005 base year. The fully phased-in cap of 25% would have applied to most of our hospitals after September 1, 2009.

The SCHIP Extension Act initially placed a three-year moratorium on the expansion of the 25 Percent Rule to freestanding hospitals. That moratorium was extended to five years by the ACA. In addition, the SCHIP Extension Act initially provided for a three-year period during which (1) LTAC hospitals may admit up to 50% of their patients from their co-located hospitals and still be paid according to LTAC PPS; and (2) LTAC hospitals that are co-located with an urban single hospital or a MSA Dominant hospital may admit up to 75% of their patients from such urban single or MSA Dominant hospital and still be paid according to LTAC PPS. Those periods also were extended to five years under the ACA. The five-year moratorium of the 25 Percent Rule threshold payment adjustment for freestanding hospitals and grandfathered hospitals with a host hospital will expire for cost reporting periods beginning on or after July 1, 2012. The expansion of the admission limit to 50% for non-grandfathered LTAC hospitals from their co-located hospital will expire for cost reporting periods beginning on or after October 1, 2012, the same time at which the 75% limit for MSA Dominant hospitals will expire.

Since these rules are complex and are based upon the volume of Medicare admissions and the source of those admissions, we cannot predict with any certainty the impact on our future revenues or operations from these regulations. If the 25 Percent Rule is applied as currently written, it could have a material adverse effect on our business, financial position, results of operations and liquidity when the moratorium expires.

Healthcare reform and other regulations could adversely affect the liquidity of our customers, which could have an adverse effect on their ability to make timely payments to us for our products and services.

The ACA and other laws and regulations that limit or restrict Medicare and Medicaid payments to our customers could adversely impact the liquidity of our customers, resulting in their inability to pay us, or to timely pay us, for our products and services. In addition, if our customers fail to comply with applicable laws and regulations they could be subject to possible sanctions, including loss of licensure or eligibility to participate in reimbursement programs as well as civil and criminal penalties. These developments could have a material adverse effect on our business, financial position, results of operations and liquidity.

If we do not manage admissions in the IRFs that we manage or operate in compliance with a 60% threshold, reimbursement for services rendered by us in IRFs will be based upon less favorable rates.

IRFs are subject to a requirement that 60% or more of the patients admitted to the facilities have one or more of 13 specific conditions in order to qualify for the inpatient rehabilitation facility prospective payment system (IRF-PPS). If that compliance threshold is not maintained, the inpatient rehabilitation facility will be reimbursed at the lower prospective payment system applicable to acute care hospitals. That may lead to reduced revenue in the IRFs we manage or operate and may also lead clients of IRFs to attempt to renegotiate the terms of their contracts or terminate their contracts, in either case adversely affecting our revenues and profitability.

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Risk Factors Relating to Our Operations

Acquisitions, investments and strategic alliances that we have made or may make in the future may use significant resources, may be unsuccessful and could expose us to unforeseen liabilities.

We intend to continue to selectively pursue strategic acquisitions of, investments in, and strategic alliances with LTAC hospitals, nursing centers, rehabilitation operations and other related healthcare operations, particularly where an acquisition may assist us in scaling our operations more rapidly and efficiently than internal growth. Acquisitions may involve significant cash expenditures, debt incurrence, additional operating losses, amortization of certain intangible assets of acquired companies, dilutive issuances of equity securities and expenses that could have a material adverse effect on our business, financial position, results of operations and liquidity. Our ability to pursue attractive acquisition targets, at least in the near term, may be adversely affected by the significant resources and management attention that we expect to devote to the integration of the RehabCare s operations with our own.

Acquisitions, investments and strategic alliances involve numerous risks, which can be more significant if we complete additional acquisitions while still completing the integration of RehabCare s operations. These risks include:

- limitations on our ability to identify acquisitions that meet our target criteria and limitations on our ability to complete such acquisitions on reasonable terms and valuations;
- limitations on our ability to access equity or capital to fund acquisitions, including difficulty in obtaining financing for acquisitions at a reasonable cost, or that such financing will not include restrictive covenants that limit our operating flexibility or ability to access additional capital when needed;
- entry into markets or businesses in which we may have limited or no experience;
- difficulties integrating acquired operations, personnel and information systems, and in realizing projected efficiencies and cost savings, particularly in the case of significant acquisitions;
- diversion of management s time from existing operations;
- potential loss of key employees or customers of acquired companies;
- inaccurate assessment of assets and liabilities and exposure to undisclosed or unforeseen liabilities of acquired companies, including liabilities for failure to comply with healthcare laws;
- inability to operate acquired facilities profitably or succeed in achieving improvements in their financial performance; and
- impairment of acquired goodwill and intangible assets.

We continue to seek acquisitions and other strategic opportunities for each of our businesses that may negatively impact our business, financial position, results of operations and liquidity.

We continue to seek acquisitions and other strategic opportunities for each of our businesses, particularly where an acquisition may assist us in scaling our operations more rapidly and efficiently than internal growth. Accordingly, we are often engaged in evaluating potential transactions and other strategic alternatives, some of which may be significant in size, such as the RehabCare Acquisition, and we engage in preliminary discussions that may result in one or more transactions. Although there is uncertainty that any of our discussions will result in definitive agreements or the timing of announcement or completion of any transaction, our business, short-term and long-term financial position, results of operations and liquidity may be impacted if we announce or complete any such transaction or if we incur substantial costs or other losses in connection with such transaction, whether or not it is completed. Moreover, although we intend to enter into transactions that enhance long-term shareholder value, our ability to achieve this objective would be subject to integration risks, the ability to retain and attract key personnel, the ability to realize synergies and other risks, all of which would be more material with transactions of significant size.

In addition to acquisitions, we also may pursue strategic opportunities involving the construction of new hospitals or nursing and rehabilitation centers. The construction of new facilities involves numerous risks, including construction delays, cost over-runs, and the satisfaction of zoning and other regulatory requirements. We may be unable to operate newly constructed facilities profitably and such facilities may involve significant cash expenditures, debt incurrence, additional operating losses, and expenses that could have a material adverse effect on our business, financial position, results of operations and liquidity.

We could experience significant increases to our operating costs due to shortages of qualified nurses, therapists and other healthcare professionals or union activity.

The market for qualified nurses, therapists and other healthcare professionals is highly competitive. We, like other healthcare providers, have experienced difficulties in attracting and retaining qualified personnel such as nurses, certified nurse s assistants, nurse s aides, therapists and other providers of healthcare services. Our hospitals, nursing and rehabilitation centers and IRFs are particularly dependent on nurses for patient care. Our rehabilitation division continues to seek qualified therapists to fill open positions. The difficulty we have experienced in hiring and retaining qualified personnel has increased our average wage rates and may force us to increase our use of contract personnel.

In addition, healthcare providers are continuing to see an increase in the amount of union activity across the country. At June 30, 2011, approximately 3,161 of the employees at 35 of our facilities were unionized. Though we cannot predict the degree to which we will be affected by future union activity, there are continuing legislative proposals that could result in increased union activity. We could experience an increase in labor and other costs from such union activity. Furthermore, we could experience a disruption of our operations if our employees were to engage in a strike or other work stoppage.

We expect to continue to experience increases in our labor costs primarily due to higher wages and greater benefits required to attract and retain qualified healthcare personnel. Salaries, wages and benefits were approximately 57% of our consolidated revenues for the year ended December 31, 2010 and were approximately 58% of our consolidated revenues for the six months ended June 30, 2011. We expect that salaries, wages and benefits will continue to be a significant percentage of our consolidated revenues. Our ability to manage labor costs will significantly affect our future operating results.

We could experience significant legal actions, fines and increases in our operating costs if we fail to comply with federal or state minimum staffing requirements.

Various states in which we operate hospitals and nursing and rehabilitation centers have established minimum staffing requirements or may establish minimum staffing requirements in the future. Staffing requirements in some states is not contingent upon any additional appropriation of state funds in any budget act or other statute. Our ability to satisfy such staffing requirements will, among other things, depend upon our ability to attract and retain qualified healthcare professionals.

While we seek to comply with all applicable staffing requirements, the regulations in this area are complex and we may experience compliance issues from time to time. Failure to comply with such minimum staffing requirements may result in one or more facilities failing to meet the conditions of participation under relevant federal and state healthcare programs and the imposition of fines or other sanctions. Private litigation involving these matters has also become more common, and certain of our facilities are the subject of litigation involving claims brought in 2010 that we did not meet relevant staffing requirements from time to time since 2006.

Moreover, a portion of the staffing costs we incur is funded by states through Medicaid program appropriations or otherwise. If states do not appropriate sufficient additional funds to pay for any additional operating costs resulting from such minimum staffing requirements, our profitability may be materially adversely affected.

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If we lose our key management personnel, we may not be able to successfully manage our business and achieve our objectives.

Our future success depends in large part upon the leadership and performance of our executive management team and key employees and our ability to retain and motivate these individuals. Competition for these individuals is intense and there can be no assurance that we will retain our key officers and employees or that we can attract or retain other highly qualified individuals in the future. If we lose the services of one or more of our key officers or employees, or if one or more of them decides to join a competitor or otherwise compete directly or indirectly with us, we may not be able to successfully manage our business or achieve our business objectives and we may not be able to replace them with similarly qualified personnel. If we lose key personnel, we may be unable to replace them with personnel of comparable experience, reputation in the industry or skills. The loss of any of our key officers or employees could have a material adverse effect on our business, financial position, results of operations and liquidity, as well as on the integration of RehabCare into our operations.

If we fail to attract patients and residents and compete effectively with other healthcare providers or if our referral sources fail to view us as an attractive long-term healthcare provider, our revenues and profitability may decline.

The long-term healthcare services industry is highly competitive. Our hospitals face competition from healthcare providers that provide services comparable to those offered by our hospitals. Many competing hospitals are larger and more established than our hospitals. We may experience increased competition from existing hospitals as well as hospitals converted, in whole or in part, to specialized care facilities. Our nursing and rehabilitation centers compete on a local and regional basis with other nursing centers and other long-term healthcare providers. Some of our competitors operate newer facilities and may offer services not provided by us or are operated by entities having greater financial and other resources than us. Our rehabilitation division competes with national, regional and local rehabilitation service providers within our markets. Several of these competitors may have greater financial and other resources than us, may be more established in the markets in which we compete and may be willing to provide services at lower prices. We cannot assure you that increased competition in the future will not adversely affect our business, financial position, results of operations and liquidity.

In addition, we rely significantly on appropriate referrals from physicians, hospitals and other healthcare providers in the communities in which we deliver our services to attract appropriate patients and residents. Our referral sources are not obligated to refer business to us and may refer business to other healthcare providers. We believe many of our referral sources refer patients and residents to us as a result of the quality of our patient services and our efforts to establish and build a relationship with them. If any of our facilities fail to achieve or maintain a reputation for providing high quality care, or are perceived to provide a lower quality of care than comparable facilities within the same geographic area, or customers of our rehabilitation therapy services perceive that they could receive higher quality services from other providers, our ability to attract and retain patients and customers could be adversely affected. We believe that the perception of our quality of care by potential residents or patients or their families seeking our services is influenced by a variety of factors, including physician and other healthcare professional referrals, community information and referral services, newspapers and other print and electronic media, results of patient surveys, recommendations from family and friends, and published quality care statistics compiled by CMS or other industry data. If we lose, or fail to maintain, existing relationships with our referral resources, fail to develop new relationships or if we are perceived by our referral sources for any reason as not providing high quality patient care, our patient volumes and the quality of our patient mix could suffer and our revenue and profitability could decline.

Significant legal actions could subject us to increased operating costs and substantial uninsured liabilities, which could materially and adversely affect our business, financial position, results of operations and liquidity.

We incur significant costs to investigate and defend against a variety of claims, including professional liability, wage and hour, and minimum staffing claims, among others, particularly in our hospital and nursing and rehabilitation center operations. In addition to large compensatory claims, plaintiffs attorneys increasingly are seeking, and have sometimes been successful in obtaining, significant fines and punitive damages and attorneys fees. Furthermore, there are continuing efforts to limit the ability of healthcare providers to utilize arbitration as a process to resolve these claims. As a result of these factors, our defense costs and potential liability exposure are significant, unpredictable, and likely to increase. We also are subject to ongoing government investigations and lawsuits under the FCA and comparable state laws for submitting fraudulent bills for services to the Medicare and Medicaid programs or bills for services that come from arrangements that are deemed to violate the Anti-Kickback Statute or the physician referral law. These lawsuits, which may be initiated by whistleblowers, can involve significant monetary damages, fines, attorneys fees and the award of bounties to private plaintiffs who successfully bring these suits and to the government programs. We are also subject to payment obligations under contracts we enter into with our rehabilitation division customers to indemnify them against claim denials associated with our services.

While we are able to insure against certain of these costs and liabilities, such as our professional liability risks described below, we are not able to do so in many other cases. In the absence of insurance proceeds, we must fund these costs and liabilities from operating cash flows, which can reduce our operating margins and our funds available for investment in our business, and otherwise limit our operating and financial flexibility.

We insure a substantial portion of our professional liability risks primarily through our limited purpose insurance subsidiary. Provisions for loss for our professional liability risks are based upon management s best available information including actuarially determined estimates. The allowance for professional liability risks includes an estimate of the expected cost to settle reported claims and an amount, based upon past experiences, for losses incurred but not reported. These liabilities are necessarily based upon estimates and, while management believes that the provision for loss is adequate, the ultimate liability may be in excess of, or less than, the amounts recorded. Changes in the number of professional liability claims and the cost to settle these claims significantly impact the allowance for professional liability risks. A relatively small variance between our estimated and actual number of claims or average cost per claim could have a material impact, either favorable or unfavorable, on the adequacy of the allowance for professional liability risks. Differences between the ultimate claims costs and our historical provisions for loss and actuarial assumptions and estimates could have a material adverse effect on our business, financial position, results of operations and liquidity.

Our limited purpose insurance subsidiary insures initial losses up to specified coverage levels per occurrence and in the aggregate. On a per claim basis, coverages for losses in excess of those insured by the limited purpose insurance subsidiary are maintained through unaffiliated commercial insurance carriers. Our limited purpose insurance subsidiary insures all claims in all states up to a per occurrence limit without the benefit of any aggregate coverage limit through unaffiliated commercial insurance carriers, thereby increasing our financial risk. We maintain professional and general liability insurance in amounts and coverage that management believes are sufficient for our operations. However, our insurance may not cover all claims against us or the full extent of our liability nor continue to be available at a reasonable cost. Moreover, the insurance coverage maintained with unaffiliated commercial insurance carriers is costly and may continue to increase. If we are unable to maintain adequate insurance coverage or are required to pay punitive damages that are uninsured, we may be exposed to substantial liabilities.

Federal and state employment-related laws and regulations could increase our cost of doing business and subject us to significant back pay awards, fines and lawsuits.

Our operations are subject to a variety of federal and state employment-related laws and regulations, including, but not limited to, the U.S. Fair Labor Standards Act, which governs such matters as minimum wages, overtime pay, compensable time, recordkeeping and other working conditions, the Americans with Disabilities Act and the Age Discrimination in Employment Act and similar state laws that provide civil rights protections to individuals with disabilities and older workers in the context of employment, public accommodations and other areas, the National Labor Relations Act, regulations of the Equal Employment Opportunity Commission, regulations of the Office of Civil Rights, regulations of state Attorneys General, federal and state wage and hour laws, family leave mandates and a variety of similar laws enacted by the federal and state governments that govern these and other employment-related matters. Accordingly, we are subject to employee-related claims, lawsuits and proceedings in connection with our operations, including, but not limited to, those related to wrongful discharge, discrimination or violations of equal employment or federal and state wage and hour laws. Because labor represents such a large portion of our operating costs, compliance with these evolving federal and state laws and regulations could substantially increase our cost of doing business and subject us to significant back pay awards, fines and lawsuits. In addition, federal proposals to introduce a system of mandated health insurance and flexible work time and other similar initiatives could, if implemented, adversely affect our operations. Our failure to comply with federal and state employment-related laws and regulations could have a material adverse effect on our business, financial position, results of operations and liquidity.

We have limited operational and strategic flexibility since we lease a substantial number of our facilities.

We lease a substantial number of our facilities from Ventas and other third parties. Under our leases, we generally are required to operate continuously our leased properties as a provider of healthcare services. In addition, these leases generally limit or restrict our ability to assign the lease to another party. Our failure to comply with these lease provisions would result in an event of default under the leases and subject us to material damages, including potential defaults under the indenture governing the New Notes and the New Credit Facilities. Given these restrictions, we may be forced to continue operating unprofitable facilities to avoid defaults under our leases.

Possible changes in the acuity of residents and patients as well as payor mix and payment methodologies may significantly affect our profitability.

The sources and amount of our revenues are determined by a number of factors, including the occupancy rates of our facilities, length of stay, the payor mix of residents and patients, rates of reimbursement among payors and patient acuity. Changes in patient acuity as well as payor mix among private pay, Medicare and Medicaid can significantly affect our profitability. In particular, any significant decrease in our population of high acuity patients or any significant increase in our Medicaid population could have a material adverse effect on our business, financial position, results of operations and liquidity, especially if state Medicaid programs continue to limit, or more aggressively seek limits on, reimbursement rates.

We may be unable to reduce costs to offset completely any decreases in our revenues.

Reduced levels of occupancy in our facilities and reductions in reimbursements from Medicare, Medicaid or other payors would adversely impact our revenues and liquidity. We may be unable to put in place corresponding reductions in costs in response to declines in census or other revenue shortfalls. The inability to timely adjust our operations to address a decrease in our revenues could have a material adverse effect on our business, financial position, results of operations and liquidity.

We are exposed to the credit risk of our payors which in the future may cause us to make larger allowances for doubtful accounts or incur bad debt write-offs.

Due to weak economic conditions or other factors, commercial payors and customers may default on their payments to us and individual patients may default on co-payments and deductibles for which they are responsible under the terms of either commercial insurance programs or Medicare. Although we review the credit risk of our commercial payors and customers regularly, such risks may arise from events or circumstances that are difficult to anticipate or control, such as a general economic downturn. If our payors default on their payments to us in the future, we may have to record higher provisions for allowances for doubtful accounts or incur bad debt write-offs, both of which could have a material adverse effect on our business, financial position, results of operations and liquidity.

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Delays in collection of our accounts receivable could adversely affect our business, financial position, results of operations and liquidity.

Prompt billing and collection are important factors in our liquidity. Billing and collection of our accounts receivable are subject to the complex regulations that govern Medicare and Medicaid reimbursement and rules imposed by non-government payors. Our inability, or the inability of our customers, to bill and collect on a timely basis pursuant to these regulations and rules could subject us to payment delays that could negatively impact our business, financial position, results of operations and liquidity. In addition, we may experience delays in reimbursement as a result of the failure to receive prompt approvals related to change of ownership applications for acquired or other facilities or from delays caused by our or other third parties information system failures. Significant delays in billing and/or collections may adversely affect the borrowing base under the ABL Facility, potentially limiting the availability of funds under the ABL Facility.

If we are found to have violated laws protecting the confidentiality of patient health information, we could be subject to civil or criminal penalties, which could increase our liabilities and harm our reputation or our business.

There are a number of federal and state laws protecting the confidentiality of certain patient health information, including patient records, and restricting the use and disclosure of that protected information. In particular, the privacy and security rules under the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) protect medical records and other personal health information by limiting their use and disclosure, giving individuals the right to access, amend and seek accounting of their own health information, limiting most use and disclosures of health information to the minimum amount reasonably necessary to accomplish the intended purpose and requiring measures to protect the safety and security of medical records and other personal health information maintained or transmitted in electronic form. If we are found to be in violation of the privacy or security rules under HIPAA or other federal or state laws protecting the confidentiality of patient health information, we could be subject to sanctions and civil or criminal penalties, which could increase our liabilities, harm our reputation and have a material adverse effect on our business, financial position, results of operations and liquidity.

We depend on the proper function and availability of our information systems.

We are dependent on the proper function and availability of our information systems. We retain confidential patient information and therefore, it is critical that our facilities and infrastructure remain secure. Though we have taken steps to protect the safety and security of our information systems and the data maintained within those systems, there can be no assurance that our safety and security measures and disaster recovery plan will prevent damage or interruption of our systems and operations and we may be vulnerable to losses associated with the improper functioning, security breach or unavailability of our information systems. Failure to maintain proper function and availability of our information systems could have a material adverse effect on our business, financial position, results of operations and liquidity.

In addition, certain software supporting our business and information systems are licensed to us by independent software developers. Our inability, or the inability of these developers, to continue to maintain and upgrade our information systems and software could disrupt or reduce the efficiency of our operations. In addition, costs and potential problems and interruptions associated with the implementation of new or upgraded systems and technology or with maintenance or adequate support of existing systems also could disrupt or reduce the efficiency of our operations and could have a material adverse effect on our business, financial position, results of operations and liquidity.

Terrorist attacks, pandemics or natural disasters could negatively impact our business, financial position, results of operations and liquidity.

Terrorist attacks, pandemics, or acts of nature, such as floods, fires, hurricanes, tornadoes or earthquakes, may cause damage or disruption to us, our employees and our facilities, which could have an adverse impact on our

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residents and patients. In order to provide care for our residents and patients, we are dependent upon consistent and reliable delivery of food, pharmaceuticals, power and other products to our facilities and the availability of employees to provide services at our facilities. If the delivery of goods or the ability of employees to reach our facilities were interrupted due to a natural disaster, pandemic or a terrorist attack, it could have a significant negative impact on our business. Furthermore, the impact, or impending threat, of a natural disaster has in the past and may in the future require that we evacuate one or more facilities, which would be costly and would involve substantial risks to our operations and potentially to our residents and patients. The impact of natural disasters, pandemics and terrorist attacks is inherently uncertain. Such events could severely damage or destroy one or more of our facilities, harm our business, reputation and financial performance or otherwise have a material adverse effect on our business, financial position, results of operations and liquidity.

Climate change poses both regulatory and physical risks that could adversely impact our business, financial position, results of operations and liquidity.

Climate change could have a potential economic impact on us and climate change mitigation programs and regulations could increase our costs. Energy costs could be higher as a result of climate change regulations. Our costs could increase if utility companies pass on their costs, such as those associated with carbon taxes, emission cap and trade programs, or renewable portfolio standards. In addition, climate change may increase the frequency or intensity of natural disasters. As such, we cannot assure you that climate change will not adversely impact our business, financial position, results of operations and liquidity.

Certain events or circumstances could result in the impairment of our assets or other charges, including, without limitation, impairments of goodwill and identifiable intangible assets that result in material charges to earnings.

We regularly review the carrying value of certain long-lived assets and identifiable finite lived intangible assets with respect to any events or circumstances that indicate an impairment or an adjustment to the amortization period may be necessary, such as when the market value of our common stock is below book equity value. On an ongoing basis, we also evaluate, based upon the fair value of our reporting units, whether the carrying value of our goodwill is impaired. If circumstances suggest that the recorded amounts of any of these assets cannot be recovered based upon estimated future cash flows, the carrying values of such assets are reduced to fair value. If the carrying value of any of these assets is impaired, we may incur a material charge to earnings.

Although we have determined that there were no goodwill or other indefinite lived intangible asset impairments as of December 31, 2010, adverse changes in the operating environment and related key assumptions used to determine the fair value of our reporting units and indefinite lived intangible assets or continued declines in the value of our common stock may result in future impairment charges for a portion or all of these assets. Moreover, the value of our goodwill and other indefinite lived assets could be negatively impacted by potential healthcare reforms. An impairment charge could have a material adverse effect on our business, financial position and results of operations.

The inability or failure of management in the future to conclude that we maintain effective internal control over financial reporting, or the inability of our independent registered public accounting firm to issue a report of our internal control over financial reporting, could have a material adverse effect on our business, financial position, results of operations and liquidity.

We report annually on the effectiveness of our internal control over financial reporting, and our independent registered public accounting firm must also audit the effectiveness of our internal control over financial reporting on an annual basis. If we fail to have, or management or our independent registered public accounting firm is unable to conclude that we maintain, effective internal controls and procedures for financial reporting, we could be unable to provide timely and reliable financial information which could have a material adverse effect on our business, financial position, results of operations and liquidity.

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Different interpretations of accounting principles or changes in generally accepted accounting principles could have a material adverse effect on our business, financial position, results of operations and liquidity.

Generally accepted accounting principles are complex, continually evolving and changing and may be subject to varied interpretation by third parties, including the SEC. Such varied interpretations could result from differing views related to specific facts and circumstances. Differences in interpretation of generally accepted accounting principles or changes in generally accepted accounting principles could have a material adverse effect on our business, financial position, results of operations and liquidity.

If the spin-off of our former institutional pharmacy business, Kindred Pharmacy Services, Inc. (KPS), and the immediate subsequent combination of KPS with the former institutional pharmacy business of AmerisourceBergen Corporation to form a new, independent, publicly traded company named PharMerica Corporation (PharMerica) (the Spin-off Transaction) does not qualify as a tax-free transaction, tax could be imposed on us and our shareholders.

As a condition to closing the Spin-off Transaction in 2007, we received a private letter ruling from the Internal Revenue Service (the IRS) that the spin-off of KPS and the subsequent merger of KPS and distribution of PharMerica common stock qualified for tax-free treatment to holders of our common stock (except with respect to cash received in lieu of a fractional share) and, generally, to us.

The IRS ruling does not address all of the issues that are relevant to determining whether the Spin-off Transaction will qualify for tax-free treatment because the IRS will not rule on certain issues. As a condition to closing, we received an opinion of counsel that the Spin-off Transaction generally qualifies for tax-free treatment to us and our shareholders. The opinion of counsel is intended to address certain of those matters that the ruling does not. The IRS ruling and opinion of counsel do not address, however, state, local or foreign tax consequences of the Spin-off Transaction, merger and distribution of PharMerica common stock.

The IRS ruling and the opinion of counsel relied on representations, assumptions and undertakings made by us and PharMerica (and its subsidiaries), including representations and undertakings from PharMerica regarding the conduct of its business and other matters after the closing of the Spin-off Transaction. If such representations, assumptions or undertakings are incorrect, neither the IRS ruling nor the opinion of counsel would be valid. In addition, current law generally creates a presumption that the spin-off of KPS in the Spin-off Transaction would be taxable to us, but not to our shareholders, if PharMerica or its shareholders were to engage in certain transactions that result in a change in ownership of its stock during the four-year period beginning two years before the Spin-off Transaction, unless it is established that the Spin-off Transaction and such transactions were not part of a plan or series of related transactions to effect a change in ownership of the stock of PharMerica.

Furthermore, notwithstanding the IRS private letter ruling and the opinion of counsel, the IRS could determine that the Spin-off Transaction should be treated as a taxable transaction to us and our shareholders if it determines that any of the representations, assumptions or undertakings that were included in the request for the private letter ruling are false or have been violated or if it disagrees with the conclusions in the opinion of counsel that are not covered by the IRS ruling. If the spin-off of KPS in the Spin-off Transaction fails to qualify for tax-free treatment, the deemed receipt of shares of KPS will be treated as a taxable distribution to our shareholders. In addition, events occurring after the distribution of common stock of PharMerica could cause us to recognize a gain on the spin-off of KPS.

Disruptions in the financial markets could negatively impact our investment portfolio.

The financial market disruptions over the past few years have impacted the value of equity investments, bonds and other securities. We regularly hold cash in depository and money market accounts. If the financial institutions holding or managing these accounts fail or experience other disruptions, we could lose a portion or all of our cash which could have a material adverse effect on our business, financial position, results of operations and liquidity.

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In addition, we hold a substantial investment portfolio in our limited purpose insurance subsidiary. Investments held in our limited purpose insurance subsidiary consist principally of cash and cash equivalents, debt securities, equities and commercial paper that are held to satisfy the payment of claims and expenses related to professional liability and workers compensation risks. Our investment policy governing insurance subsidiary investments precludes the investment portfolio managers from selling any security at a loss without prior authorization from us. The investment managers also limit the exposure to any one issue, issuer or type of investment. We intend, and have the ability, to hold insurance subsidiary investments for a long duration without the necessity of selling securities to fund the underwriting needs of our insurance subsidiary. This ability to hold securities allows sufficient time for recovery of temporary declines in the market value of equity securities and the par value of debt securities as of their stated maturity date. We cannot assure you, however, that we will recover declines in the market value of our investments. There is a continuing risk that declines in fair value may occur and additional material realized losses from sales or other-than-temporary impairments may be recorded in the future. Furthermore, we cannot assure you that declines in the market value of our investments will not require us to further capitalize our limited purpose insurance subsidiary or otherwise have a material adverse effect on our business, financial position, results of operations and liquidity.

Risk Factors Relating to the Exchange Offer

The consummation of the exchange offer may not occur.

We are not obligated to complete the exchange offer under certain circumstances. See Description of the Exchange Offer Conditions to the Exchange Offer. Even if the exchange offer is completed, it may not be completed on the schedule described in this prospectus. Accordingly, holders participating in the exchange offer may have to wait longer than expected to receive their New Notes, during which time those holders of the Old Notes will not be able to effect transfers of their Old Notes tendered in the exchange offer.

You may be required to deliver prospectuses and comply with other requirements in connection with any resale of the New Notes.

If you tender your Old Notes for the purpose of participating in a distribution of the New Notes, you will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the New Notes. In addition, if you are a broker-dealer that receives New Notes for your own account in exchange for Old Notes that you acquired as a result of market-making activities or any other trading activities, you will be required to acknowledge that you will deliver a prospectus in connection with any resale of such New Notes.

Failure to tender the Old Notes in the exchange offer may affect their marketability and will substantially limit, and may effectively eliminate, opportunities to sell your Old Notes in the future.

If the Old Notes are tendered and accepted in the exchange offer, the trading market, if any, for the untendered and tendered but unaccepted Old Notes will be adversely affected. Your failure to participate in the exchange offer will substantially limit, and may effectively eliminate, opportunities to sell your Old Notes in the future.

We issued the Old Notes in a private placement exempt from the registration requirements of the Securities Act. Accordingly, you may not offer, sell or otherwise transfer your Old Notes except in compliance with the registration requirements of the Securities Act and any other applicable securities laws, or pursuant to an exemption from the securities laws, or in a transaction not subject to the securities laws. If you do not exchange your Old Notes for the New Notes in the exchange offer, your Old Notes will continue to be subject to these transfer restrictions after the completion of the exchange offer. In addition, after the completion of the exchange offer, you will no longer be able to obligate us to register the Old Notes under the Securities Act.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including some of the statements made under the heading of Summary and elsewhere in this prospectus, includes and incorporates by reference forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Our representatives may also make forward-looking statements orally from time to time. Statements in this prospectus that are not historical facts, including statements about our 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 the words such as anticipate, approximate, believe, plan, estimate, expect, project, could, should, will, intend, may and othe constitute forward-looking statements. These statements are based upon current plans, estimates and projections, and are subject to change based upon a number of factors, including those outlined in this section. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events, if any.

Such forward-looking statements are inherently uncertain, and you must recognize that actual results may differ materially from our expectations as a result of a variety of factors, including, without limitation, those discussed below. Such forward-looking statements are based upon management s current expectations and include known and unknown risks, uncertainties and other factors, many of which we are unable to predict or control, that may cause our actual results or performance to differ materially from any future results or performance expressed or implied by such forward-looking statements. These statements involve risks, uncertainties and other factors discussed below and detailed from time to time in our filings with the SEC. Factors that may affect our plans or results include, without limitation:

- the impact of a final rule issued by CMS on July 29, 2011 providing for a 11.1% reduction in Medicare reimbursement to nursing centers as well as changes in payments for the provision of group rehabilitation therapy services;

- other potential reimbursement changes resulting from the Budget Control Act of 2011;

- our 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;

- the potential for diversion of management time and resources in seeking to integrate RehabCare s operations;

- the potential failure to retain key employees of RehabCare;

- the impact of our significantly increased levels of indebtedness as a result of the RehabCare Acquisition on our funding costs, operating flexibility and ability to fund ongoing operations, development capital expenditures or other strategic acquisitions with additional borrowings, particularly in light of ongoing volatility in the credit and capital markets;

- 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. Healthcare reform will impact each of our businesses in some manner. Due to the substantial regulatory changes that will need to be implemented by CMS and others, and the numerous processes required to implement these reforms, we cannot predict which healthcare initiatives will be implemented at the federal or state level, the timing of any such reforms, or the effect such reforms or any other future legislation or regulation will have on our business, financial position, results of operations and liquidity;

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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;

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;

our ability to successfully pursue our development activities, including through acquisitions, and successfully integrate new operations, including the realization of anticipated revenues, economies of scale, cost savings and productivity gains associated with such operations;

the impact of the SCHIP Extension Act, including the ability of our hospitals to adjust to potential LTAC certification, medical necessity reviews and the moratorium on future hospital development;

the impact of the expiration of several moratoriums under the SCHIP Extension Act which could impact the short stay rules, the budget neutrality adjustment as well as implement the policy known as the 25 Percent Rule, which would limit certain patient admissions;

failure of our facilities to meet applicable licensure and certification requirements;

the further consolidation and cost containment efforts of managed care organizations and other third party payors;

our ability to meet our rental and debt service obligations;

our ability to operate pursuant to the terms of our debt obligations and our ability to operate pursuant to our Master Lease Agreements with Ventas;

the condition of the financial markets, including volatility and weakness in the equity, capital and credit markets, which could limit the availability and terms of debt and equity financing sources to fund the requirements of our businesses, or which could negatively impact our investment portfolio;

national and regional economic, financial, business and political conditions, including their effect on the availability and cost of labor, credit, materials and other services;

our ability to control costs, particularly labor and employee benefit costs;

increased operating costs due to shortages in qualified nurses, therapists and other healthcare personnel;

our ability to attract and retain key executives and other healthcare personnel;

the increase in the costs of defending and insuring against alleged professional liability and other claims and the ability to predict the estimated costs related to such claims, including the impact of differences in actuarial assumptions and estimates compared to eventual outcomes;

our ability to successfully reduce (by divestiture of operations or otherwise) our exposure to professional liability and other claims;

our ability to successfully dispose of unprofitable facilities;

events or circumstances which could result in the impairment of an asset or other charges;

changes in generally accepted accounting principles or practices, and changes in tax accounting or tax laws (or authoritative interpretations relating to any of these matters); and

our ability to maintain an effective system of internal control over financial reporting.

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Many of these factors are beyond our control. We caution you that any forward-looking statements made by us are not guarantees of future performance. We disclaim any obligation to update any such factors or to announce publicly the results of any revisions to any of the forward-looking statements to reflect future events or developments.

Investors should carefully consider these risk factors and the additional risk factors outlined in more detail in this prospectus under the caption Risk Factors and in Kindred s filings with the SEC.

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RATIO OF EARNINGS TO FIXED CHARGES

Our ratio of earnings to fixed charges for the six months ended June 30, 2011 and each of the five years in the period ended December 31, 2010 is set forth below. For the purpose of computing these ratios, earnings consists of consolidated pretax income from continuing operations before adjustment for noncontrolling interests in consolidated subsidiaries and income or loss from equity investees, plus fixed charges, distributed income of equity investees and amortization of capitalized interest, less interest capitalized; fixed charges consists of interest expense from continuing and discontinued operations, amortized debt discounts and fees, interest capitalized related to indebtedness and an estimated interest component of rental expense.

	Years ended December 31,					Six months ended June 30,
	2006	2007	2008	2009	2010(1)	2011(2)
Ratio of Earnings to Fixed Charges	2.10x	1.55x	1.75x	1.79x	1.69x	1.30x

(1) Earnings for the year ended December 31, 2010 have been reduced by transaction costs related to the RehabCare Acquisition totaling $0.7 million.

(2) Earnings for the six months ended June 30, 2011 have been reduced by transaction costs totaling $37.9 million and financing costs totaling $13.8 million, both related to the RehabCare Acquisition. Fixed charges for the six months ended June 30, 2011 have been increased by financing costs totaling $13.8 million related to the RehabCare Acquisition.

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DESCRIPTION OF THE EXCHANGE OFFER

Purpose of the Exchange Offer

On June 1, 2011, we issued $550 million aggregate principal amount of the Old Notes. In connection with that issuance, we entered into a Registration Rights Agreement on June 1, 2011. Pursuant to the Registration Rights Agreement, the Issuer and the guarantors agreed that they will, at their expense, for the benefit of the holders of the Old Notes:

- file a registration statement (Exchange Offer Registration Statement) covering an offer to the holders of the Old Notes to exchange all Old Notes for the New Notes;
- have the Exchange Offer Registration Statement become and remain effective until 120 days after Expiration Date;
- commence the exchange offer promptly after the Exchange Offer Registration Statement is declared effective by the SEC and use commercially reasonable efforts to complete the exchange offer no later than 60 days after such effective date; and
- use commercially reasonable efforts to consummate the exchange offer on or prior to the 365th day after June 1, 2011.

Upon the effectiveness of the registration statement of which this prospectus is a part, we will offer the New Notes in exchange for the Old Notes. We filed a copy of the Registration Rights Agreement as an exhibit incorporated by reference into the registration statement.

Resale of the New Notes

We are making the exchange offer in reliance on the position of the staff of the SEC as set forth in interpretive letters addressed to other parties in other transactions. For further information on the SEC s position, see *Exxon Capital Holdings Corporation*, available May 13, 1988, *Morgan Stanley & Co. Incorporated*, available June 5, 1991 and *Shearman & Sterling*, available July 2, 1993, and other interpretive letters to similar effect. We have not sought our own interpretive letter, however, and we cannot assure you that the staff would make a similar determination with respect to the exchange offer as it has in interpretive letters to other parties. Based on these interpretations by the staff, we believe that the New Notes issued under the exchange offer may be offered for resale, resold or otherwise transferred by you, without further compliance with the registration and prospectus delivery provisions of the Securities Act