

KINDRED HEALTHCARE, INC

Form 424B5

November 21, 2014

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Filed pursuant to Rule 424(b)(5)  
SEC File No. 333-196804

**CALCULATION OF REGISTRATION FEE**

| <b>Title of Each Class of<br/>Securities to be Registered</b> | <b>Amount to be<br/>Registered (1)</b> | <b>Maximum<br/>Offering Price<br/>per Unit</b> | <b>Maximum<br/>Aggregate<br/>Offering Price</b> | <b>Amount of<br/>Registration Fee (2)</b> |
|---|--|--|---|---|
| 7.50% Tangible Equity Units                                   | 172,500                                | \$1,000.00                                     | \$172,500,000                                   | \$20,045                                  |

(1) Assumes exercise in full of the underwriters' over-allotment option to purchase up to 22,500 additional units.

(2) Calculated in accordance with Rule 457(r) of the Securities Act of 1933, as amended.

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**Filed Pursuant to Rule 424(b)(5)  
SEC File No. 333-196804**

**PROSPECTUS SUPPLEMENT**

**(To Prospectus Dated November 17, 2014)**

# **Kindred Healthcare, Inc.**

## **150,000 7.50% Tangible Equity Units**

This is an offering of tangible equity units ( Units ) issued by Kindred Healthcare, Inc. ( we or the Company ). Each Unit has a stated amount of \$1,000. Each Unit is comprised of a prepaid stock purchase contract issued by the Company (a Purchase Contract ) and one share of Mandatory Redeemable Preferred Stock, Series A of the Company (the Mandatory Redeemable Preferred Stock ) having a final preferred stock installment payment date (as defined herein) of December 1, 2017 and an initial liquidation preference of \$201.58 per share of Mandatory Redeemable Preferred Stock.

Unless settled or redeemed earlier as described herein, each Purchase Contract will automatically settle on December 1, 2017 (subject to postponement in certain limited circumstances) and we will deliver a number of shares of our common stock, par value \$0.25 per share ( Common Stock ), based on the applicable market value of our Common Stock. The applicable market value is the average of the daily volume-weighted average prices ( VWAPs ) of our Common Stock for the 20 consecutive trading days beginning on, and including, the 23rd scheduled trading day immediately preceding December 1, 2017. On the mandatory settlement date, each Purchase Contract will settle, unless earlier settled or redeemed, as follows (subject to adjustment):

- if the applicable market value is greater than \$23.21, you will receive 43.0918 shares of Common Stock for each Purchase Contract;
- if the applicable market value is less than or equal to \$23.21 but greater than or equal to \$19.75, you will receive a number of shares of Common Stock (and any cash in lieu of fractional shares) for each Purchase Contract equal to \$1,000 divided by the applicable market value; and
- if the applicable market value is less than \$19.75, you will receive 50.6329 shares of Common Stock for each Purchase Contract.

At any time prior to 5:00 p.m., New York City time, on the third scheduled trading day immediately preceding December 1, 2017, you may settle any or all of your Purchase Contracts early, and we will deliver 43.0918 shares of our Common Stock per Purchase Contract (subject to adjustment). In addition, if a fundamental change (as defined herein) occurs and you elect to settle your Purchase Contracts early in connection with such fundamental change, you will receive a number of shares of our Common Stock based on the fundamental change early settlement rate, as described herein. We may elect to settle all, but not less than all, outstanding Purchase Contracts on or after May 1, 2015 and prior to December 1, 2017, at the early mandatory settlement rate (as defined herein), upon a date fixed by us upon not less than five business days notice. In addition, if the Merger Agreement (as defined herein) relating to our pending acquisition of Gentiva Health Services, Inc. ( Gentiva ) has terminated, we may elect within the five business days immediately following May 1, 2015 to redeem all, but not less than all, outstanding Purchase Contracts on the terms described herein. Except for cash in lieu of fractional shares or, under certain circumstances, in the event of a merger termination redemption (as defined herein), the Purchase Contract holders will not receive any cash distributions under the Purchase Contracts.

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We will make equal quarterly preferred stock installment payments (as defined herein) of \$18.75 per share (or in the case of the first preferred stock installment payment, \$20.00 per share) on the Mandatory Redeemable Preferred Stock on March 1, June 1, September 1 and December 1 of each year, commencing on March 1, 2015 to, and including, December 1, 2017, in each case, to the extent that we have funds lawfully available for such purpose with respect to any such payments in cash and, with respect to the dividend portion of such payment, such dividend is declared by our board of directors. In the aggregate, the preferred stock installment payments will be equivalent to a 7.50% cash payment per year with respect to each \$1,000 stated amount of Units. Such preferred stock installment payments will be payable in cash, shares of our Common Stock or a combination thereof, at our election, to the extent that we have funds lawfully available for such purpose with respect to any such payments in cash.

Each preferred stock installment payment will constitute a dividend payment as well as a payment of consideration (the Redemption Amount) for the partial reduction in liquidation preference of the Mandatory Redeemable Preferred Stock (the Partial Redemption). Under the terms of the Mandatory Redeemable Preferred Stock, we will partially reduce the liquidation preference of the Mandatory Redeemable Preferred Stock on every quarterly preferred stock installment payment date until no liquidation preference remains. All shares of Mandatory Redeemable Preferred Stock will be fully redeemed on the last preferred stock installment payment date. The portion of a preferred stock installment payment that constitutes a dividend will be payable on the relevant preferred stock installment payment date only if our board of directors (or an authorized committee thereof) declares a dividend with respect to such date and to the extent that we have funds lawfully available for such purpose with respect to any such payments in cash, except that we will be required to pay, to the extent that we have funds lawfully available for such purpose with respect to any such payments in cash, all accumulated dividends (whether or not declared) on the portion of the liquidation preference that is subject to Partial Redemption on such preferred stock installment payment date. If we elect to settle all the Purchase Contracts early or if a merger termination redemption occurs, holders of Mandatory Redeemable Preferred Stock will have the right to require us to redeem their shares of Mandatory Redeemable Preferred Stock for cash at the redemption price (as defined herein).

Each Unit may be separated into its constituent Purchase Contract and its constituent Mandatory Redeemable Preferred Stock after the initial issuance date of the Units, and the separate components may be combined to recreate a Unit, except at certain times as described herein.

We do not intend to apply to list the Units, the separate Purchase Contracts or the separate shares of Mandatory Redeemable Preferred Stock on any securities exchange or automated inter-dealer quotation system.

Our Common Stock is listed on the New York Stock Exchange (the NYSE) under the symbol KND. On November 19, 2014, the last reported sale price of our Common Stock on the NYSE was \$19.76 per share.

The underwriters have an option, exercisable for settlement within 13 calendar days from, and including, the date of the initial issuance of the Units to purchase up to an additional 22,500 Units from us at the price to public less underwriting discounts and commissions, solely to cover over-allotments, if any.

Concurrently with this offering of Units, pursuant to a separate prospectus supplement, we are offering 5,000,000 shares of our Common Stock (Common Stock Offering) for a total price to public of approximately \$98.8 million (or 5,750,000 shares, for a total price to public of approximately \$113.6 million, if the underwriters exercise their over-allotment option to purchase up to an additional 750,000 shares of Common Stock in full). The completion of this offering is not contingent on the completion of the concurrent Common Stock Offering, and the completion of the concurrent Common Stock Offering is not contingent on the completion of this offering. This offering is not contingent on completion of the Merger (as defined herein) or completion of the other Financing Transactions (as defined herein). For more information, see The Transactions in this prospectus supplement.

*Investing in the Units involves risks that are described in the Risk Factors section on page S-34 of this prospectus supplement and the Risk Factors sections of our Annual Report on Form 10-K for the year ended December 31, 2013 and our Quarterly Report on Form 10-Q for the nine months ended September 30, 2014, as such discussion may be amended or updated in other reports filed by us with the Securities and Exchange Commission (the SEC), which are incorporated by reference herein.*

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Neither the SEC nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

|          | <b>Public Offering<br/>Price</b> | <b>Underwriting<br/>Discounts<br/>and<br/>Commissions</b> | <b>Proceeds, Before<br/>Expenses, to Us</b> |
|----------|----------------------------------|---|---|
| Per Unit | \$ 1,000.00                      | \$ 30.00  | \$ 970.00                                   |
| Total    | \$ 150,000,000.00                | \$ 4,500,000.00   | \$ 145,500,000.00                           |

The underwriters expect to deliver the Units to purchasers on or about November 25, 2014 through the book-entry facilities of The Depository Trust Company ( DTC ).

### *Book-Running Managers*

**Citigroup  
Guggenheim Securities**

**J. P. Morgan  
Morgan Stanley**

### *Co-Managers*

**BMO Capital Markets**

**Deutsche Bank Securities**

**SunTrust Robinson Humphrey**

November 19, 2014

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We are responsible for the information contained and incorporated by reference in this prospectus supplement, the accompanying prospectus and any related free writing prospectus we prepare or authorize. We have not and the underwriters have not authorized anyone to give you any other information, and neither we nor the underwriter take responsibility for any other information that others may give you. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the securities offered by this prospectus supplement in any jurisdiction where action for that purpose is required. The securities offered by this prospectus supplement may not be offered or sold, directly or indirectly, nor may this prospectus supplement, the accompanying prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. You should not assume that the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus or in any related free writing prospectus we prepare or authorize is accurate as of any date other than the date of the document containing the information.

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**Prospectus**

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part is the accompanying prospectus, which describes more general information, some of which may not apply to this offering. It is important for you to read and consider all information contained in this prospectus supplement and in the accompanying prospectus, including the documents incorporated by reference herein and therein, in making your investment decision. You should also read and consider the information in the documents to which we have referred you in the sections entitled *Where You Can Find More Information* and *Documents Incorporated by Reference* in this prospectus supplement and in the accompanying prospectus.

If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

Any statement made in this prospectus supplement or in a document incorporated or deemed to be incorporated by reference in this prospectus supplement will be deemed to be modified or superseded for purposes of this prospectus supplement to the extent that a statement contained in this prospectus supplement or in any other subsequently filed document that is also incorporated or deemed to be incorporated by reference in this prospectus supplement modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement. The information we have included in this prospectus supplement and the accompanying prospectus is accurate only as of the date of this prospectus supplement or the accompanying prospectus, and any information we have incorporated by reference is accurate only as of the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since any such dates.

In this prospectus supplement, unless otherwise specified or the context requires otherwise:

References to *we*, *us*, *our*, *the Company* and *Kindred* are references to Kindred Healthcare, Inc. and its consolidated subsidiaries as of the date hereof;

References to *Gentiva* are references to Gentiva Health Services, Inc. and its consolidated subsidiaries as of the date hereof;

References to the *Merger* are references to the merger of Kindred Healthcare Development 2, Inc. (the *Merger Sub*), a wholly owned subsidiary of the Company, with and into Gentiva, with Gentiva surviving the merger as a wholly owned subsidiary of Kindred;

References to the *combined company* are references to Kindred Healthcare, Inc. and its consolidated subsidiaries (including Gentiva and its consolidated subsidiaries) after the completion of the Transactions (as defined herein), including the Merger, and assume that the Merger is completed; and

References to *pro forma* are references to the pro forma information as defined in *Unaudited Pro Forma Condensed Combined Financial Information* in this prospectus supplement.

**Although Kindred's acquisition of Gentiva has not yet occurred, the pro forma information in this prospectus supplement gives pro forma effect to the Merger and the related Financing Transactions (as defined herein) as of September 30, 2014, in the case of balance sheet data, and as of January 1, 2013, in the case of statement of operations data, unless otherwise specified. The pro forma statement of**

operations in this prospectus supplement also gives effect of Gentiva's acquisition of Harden Healthcare Holdings, Inc. ( Harden ) in October 2013, the effect of Kindred's refinancing of certain debt obligations in April 2014 and Kindred's Common Stock offering in June 2014. The pro forma information is for illustrative purposes only, is based on various adjustments and assumptions, and is not necessarily an indication of the financial condition or the results of operations of Kindred that would have been achieved had the Merger and the Financing Transactions been completed as of the dates indicated or that may be achieved in the future. See Risk Factors Risks Relating to the Merger and Unaudited Pro Forma Condensed Combined Financial Information.

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**This offering is not contingent on completion of the Merger. If the Merger is not completed, none of the transactions described under The Transactions, other than this offering and the concurrent Common Stock Offering, if completed, will occur, the other pieces of our current capital structure will remain in place as described herein or in the documents incorporated by reference herein and we will use the net proceeds from this offering as described under Use of Proceeds. See Risk Factors Risks Relating to the Merger.**

In connection with the Merger, we plan to file a registration statement on Form S-4 (the Merger S-4 ) to register shares of our Common Stock to be issued as the Stock Consideration (as defined herein) at the closing of the Merger. The Merger S-4 will include certain information related to the Merger and Kindred and Gentiva s businesses that is substantially similar to the information included in or incorporated by reference into this prospectus supplement. The Merger S-4 is subject to SEC review, and as a result, we may receive comments from the SEC that require us to make changes, modifications or additions to the Merger S-4. Any such changes, modifications or additions to the Merger S-4 could be significant and may be different from the information included or incorporated by reference in this prospectus supplement.

Unless otherwise indicated, all information in this prospectus supplement assumes (i) no exercise by the underwriters of their right to purchase up to 22,500 additional Units from us and (ii) our board of directors (or an authorized committee thereof) declares any and all dividends with respect to the Mandatory Redeemable Preferred Stock and we have funds lawfully available to pay the preferred stock installment payments in full with respect to any such payments in cash on each quarterly preferred stock installment payment date.

Market data and other statistical information used in this prospectus supplement or the accompanying prospectus or incorporated by reference into this prospectus supplement or the accompanying prospectus are based on independent industry publications, government publications, reports by market research firms and other published independent sources. Some data is also based on our good faith estimates, which we derive from our review of internal surveys and independent sources. Although we believe these sources are reliable, we have not independently verified the information. We neither guarantee their accuracy nor undertake a duty to provide or update such data in the future.

This prospectus supplement, the accompanying prospectus or the documents incorporated by reference into this prospectus supplement or the accompanying prospectus may include trademarks, service marks and trade names owned by us or other companies. All trademarks, service marks and trade names included or incorporated by reference in this prospectus supplement, the accompanying prospectus or the documents incorporated by reference into this prospectus supplement or the accompanying prospectus are the property of their respective owners.

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**NON-GAAP FINANCIAL MEASURES**

The SEC has adopted rules to regulate the use in filings with the SEC and in public disclosures of non-GAAP financial measures, such as EBITDA, EBITDAR, Adjusted EBITDA, Adjusted EBITDAR, Acquisition Adjusted EBITDA and Acquisition Adjusted EBITDAR.

We define EBITDA of Kindred ( Kindred EBITDA ) as earnings before interest, income taxes, depreciation and amortization and EBITDAR of Kindred ( Kindred EBITDAR ) as earnings before interest, income taxes, depreciation, amortization and rent. Adjusted EBITDA of Kindred ( Kindred Adjusted EBITDA ) and Adjusted EBITDAR of Kindred ( Kindred Adjusted EBITDAR ) exclude the effects of impairment charges, litigation costs, one-time bonus costs, facility closing costs, customer bankruptcy costs, severance and retirement costs, acquisition-related expenses and certain other items. Kindred Adjusted EBITDA also excludes the effect of lease cancellation charges.

We define EBITDA of Gentiva ( Gentiva EBITDA ) as earnings before interest, income taxes, depreciation and amortization and EBITDAR of Gentiva ( Gentiva EBITDAR ) as earnings before interest, income taxes, depreciation, amortization and rent. Adjusted EBITDA of Gentiva ( Gentiva Adjusted EBITDA ) and Adjusted EBITDAR of Gentiva ( Gentiva Adjusted EBITDAR ) exclude the effects of impairment charges, legal settlements, cost savings initiatives and other restructuring costs, gain on sale of business, dividend income, acquisition, merger and integration costs, and the impact of closed locations.

We define Acquisition Adjusted EBITDA as Kindred Adjusted EBITDA and Gentiva Adjusted EBITDA for the relevant period, combined, without further adjustment. We define Acquisition Adjusted EBITDAR as Kindred Adjusted EBITDAR and Gentiva Adjusted EBITDAR for the relevant period, combined, without further adjustment.

We believe that the presentation of these measurements included in this prospectus supplement provides useful information to investors with which to analyze Kindred's and Gentiva's operating trends and performance and ability to service and incur debt. Further, we believe these measurements facilitate company-to-company operating performance comparisons by backing out potential differences caused by variations in capital structures, taxation and the age and depreciation of property and equipment, which may vary for different companies for reasons unrelated to operating performance. In addition, we believe that these measurements are frequently used by securities analysts, investors and other interested parties in their evaluation of companies. These measurements are not measurements of financial performance under accounting principles generally accepted in the United States ( GAAP ) and should not be considered as an alternative to net income as a measure of performance or to net cash flows provided by (used in) operations as a measure of liquidity. In addition, other companies may define these measurements differently and, as a result, our measures may not be directly comparable. Furthermore, these measurements have limitations as an analytical tool and you should not consider them in isolation, or as a substitute for analysis of Kindred or Gentiva's results as reported under GAAP. Some of these limitations are:

EBITDA and EBITDAR do not reflect Kindred or Gentiva's cash expenditures, or future requirements, for capital expenditures or contractual commitments;

EBITDA and EBITDAR do not reflect changes in, or cash requirements for, Kindred or Gentiva's working capital needs;

EBITDAR and Adjusted EBITDAR do not reflect rent expense or cash requirements necessary to make rent payments;

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EBITDA and EBITDAR do not reflect the significant interest expense on Kindred or Gentiva's debts, or the cash requirements necessary to service interest or principal payments;

EBITDA and EBITDAR do not reflect a provision for income taxes, which may vary significantly from period to period;

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EBITDA and EBITDAR do not reflect a provision for (earnings) loss attributable to noncontrolling interests, which may vary significantly from period to period;

although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and EBITDAR do not reflect any cash requirements for such replacements; and

other companies in Kindred or Gentiva's industry may calculate EBITDA and EBITDAR differently than Kindred or Gentiva does, limiting its usefulness as a comparative measure.

You should compensate for these limitations by relying primarily on Kindred or Gentiva's GAAP results, such as income (loss) from continuing operations and net income (loss), and using EBITDA and EBITDAR only supplementally.

You are encouraged to evaluate each adjustment to Adjusted EBITDA and Adjusted EBITDAR and the reasons we consider them appropriate for supplemental analysis. As an analytical tool, Adjusted EBITDA and Adjusted EBITDAR are subject to all of the limitations applicable to EBITDA and EBITDAR, so you should rely primarily on Kindred or Gentiva's GAAP results and use Adjusted EBITDA and Adjusted EBITDAR only supplementally. In addition, in evaluating Adjusted EBITDA and Adjusted EBITDAR, you should be aware that in the future we may incur expenses similar to the adjustments we use in deriving Adjusted EBITDA or Adjusted EBITDAR and Kindred or Gentiva's presentation of Adjusted EBITDA or Adjusted EBITDAR should not be construed as an inference that Kindred or Gentiva's future results will be unaffected by unusual or nonrecurring items.

Investors should be aware that Gentiva EBITDA, Gentiva EBITDAR, Gentiva Adjusted EBITDA and Gentiva Adjusted EBITDAR may not be entirely comparable to Kindred EBITDA, Kindred EBITDAR, Kindred Adjusted EBITDA and Kindred Adjusted EBITDAR. Neither Acquisition Adjusted EBITDA nor Acquisition Adjusted EBITDAR has been prepared in accordance with the requirements of Regulation S-X or any other securities laws relating to the presentation of pro forma financial information and does not include pro forma information as defined in Unaudited Pro Forma Condensed Combined Financial Information. Acquisition Adjusted EBITDA and Acquisition Adjusted EBITDAR are presented for information purposes only and do not purport to represent what our actual financial position or results of operations would have been if the pending acquisition of Gentiva had been completed as of an earlier date or that may be achieved in the future.

See Summary Summary Historical Consolidated Financial Information Kindred Healthcare, Inc. in this prospectus supplement for descriptions of Kindred EBITDA, Kindred EBITDAR, Kindred Adjusted EBITDA, Kindred Adjusted EBITDAR, Acquisition Adjusted EBITDA and Acquisition Adjusted EBITDAR and a reconciliation of these measures to Kindred's directly comparable GAAP measures. See

Summary Summary Historical Consolidated Financial Information Gentiva Health Services, Inc. in this prospectus supplement for descriptions of Gentiva EBITDA, Gentiva EBITDAR, Gentiva Adjusted EBITDA and Gentiva Adjusted EBITDAR and a reconciliation of these measures to Gentiva's directly comparable GAAP measures.

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**SUMMARY**

*The following information supplements, and should be read together with, the information contained or incorporated by reference in other parts of this prospectus supplement or the accompanying prospectus. This summary highlights selected information from this prospectus supplement. As a result, it does not contain all of the information you should consider before investing in the Units. You should carefully read the entire prospectus supplement and the accompanying prospectus, including the documents incorporated by reference herein and therein, which are described under *Where You Can Find More Information* and *Documents Incorporated by Reference*, before deciding whether to invest in the Units. You should pay special attention to the *Risk Factors* section of this prospectus supplement and the *Risk Factors* sections of our Annual Report on Form 10-K for the year ended December 31, 2013 and our Quarterly Report on Form 10-Q for the nine months ended September 30, 2014 to determine whether to invest in the Units.*

*In this prospectus supplement, unless otherwise specified or the context requires otherwise: (i) references to *we*, *us*, *our*, *the Company* and *Kindred* are references to Kindred Healthcare, Inc. and its consolidated subsidiaries as of the date hereof; (ii) references to *Gentiva* are references to Gentiva Health Services, Inc. and its consolidated subsidiaries as of the date hereof; (iii) references to *the combined company* are references to Kindred Healthcare, Inc. and its consolidated subsidiaries (including Gentiva and its consolidated subsidiaries) after the completion of the Transactions, including the Merger (each as defined herein), and assume that the Merger is completed; and (iv) references to *pro forma* are references to the pro forma information as defined in *Unaudited Pro Forma Condensed Combined Financial Information*.*

**Our Company**

***General***

Kindred is one of the largest diversified post-acute healthcare providers in the United States. At September 30, 2014, Kindred, through its subsidiaries, provided healthcare services in 2,376 locations across 47 states.

We have organized our business into four operating divisions:

***Hospital Division*** Our hospital division provides long-term acute care ( LTAC ) services to medically complex patients through the operation of a national network of 97 transitional care ( TC ) hospitals with 7,145 licensed beds and five inpatient rehabilitation hospitals ( IRFs ) with 215 licensed beds in 22 states as of September 30, 2014. We operate the second largest network of TC hospitals and IRFs in the United States based upon number of facilities.

***Nursing Center Division*** Our nursing center division provides quality, cost-effective care through the operation of a national network of 99 nursing centers (12,478 licensed beds) and six assisted living facilities (341 beds) located in 21 states as of September 30, 2014. Through our nursing centers, we provide short stay patients and long stay residents with a full range of medical, nursing, rehabilitative, pharmacy and routine services, including daily dietary, social and recreational services.

***Rehabilitation Division*** Our rehabilitation division provides rehabilitation services, including physical and occupational therapies and speech pathology services, to residents and patients of nursing centers, acute and LTAC hospitals, outpatient clinics, home health

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agencies and assisted living facilities under the name RehabCare. Within our rehabilitation division, we are organized into two reportable operating segments: skilled nursing rehabilitation services ( SRS ) and hospital rehabilitation services ( HRS ). Our SRS operations provide contract therapy services primarily to freestanding nursing centers, school districts and hospice providers. As of September 30, 2014, our SRS segment provided rehabilitative services to 1,896 nursing centers in 45 states. Our HRS operations provide program management and

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therapy services on an inpatient basis in hospital-based inpatient rehabilitation units, LTAC hospitals, sub-acute (or skilled nursing) units, as well as on an outpatient basis to hospital-based and other satellite programs. As of September 30, 2014, our HRS segment operated 102 hospital-based inpatient rehabilitation units and provided rehabilitation services in 117 LTAC hospitals, 10 sub-acute (or skilled nursing) units and 139 outpatient clinics.

**Care Management Division** Our care management division primarily provides home health, hospice and private duty services, under the name Kindred at Home, to patients in a variety of settings, including homes, nursing centers and other residential settings. As of September 30, 2014, we operated 152 Kindred at Home hospice, home health and non-medical home care locations in 13 states. While minor in scope at this time, our care management division is also developing (1) physician coverage across sites of service, (2) care managers to improve care transitions, (3) information sharing and technology connectivity, (4) patient placement tools, and (5) condition-specific clinical programs and outcome measures.

We believe that the independent focus of each of our divisions on the unique aspects of its business enhances its ability to improve the quality of its operations and achieve operating efficiencies.

For the nine months ended September 30, 2014 and year ended December 31, 2013, Kindred generated net operating revenue of approximately \$3.8 billion and \$4.8 billion, respectively, and Kindred Adjusted EBITDAR of approximately \$518 million and \$658 million, respectively. For a reconciliation of Kindred Adjusted EBITDAR to income (loss) from continuing operations for Kindred, see Summary Historical Consolidated Financial Information Kindred Healthcare, Inc.

## ***Recent Developments***

On November 11, 2014, we entered into a definitive agreement (the Centerre Merger Agreement) to acquire Centerre Healthcare Corporation (Centerre), a national company that operates IRFs in partnership with leading acute care hospitals and health systems, for a purchase price of approximately \$195 million in cash (the Centerre Acquisition). Centerre currently operates 11 IRFs with a total of 612 beds in joint ventures with acute-care hospital systems in eight states. Centerre has two additional hospitals with a total of 90 beds under construction and scheduled to open in 2015, and additional potential hospitals in various stages of development. The Centerre Acquisition is subject to several conditions to closing, including, among others, approval of the merger agreement by the requisite vote of Centerre's stockholders, regulatory approvals, consents from certain joint venture partners and certain other customary conditions to closing, including the expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act). The Centerre Acquisition is expected to close in the first quarter of 2015.

On November 5, 2014, we announced that upon closing of our acquisition of Gentiva, which is expected in the first quarter of 2015, David A. Causby will become the President of the combined Kindred at Home business. Mr. Causby, currently Gentiva's President and Chief Operating Officer, will be responsible for the combined company's home health, hospice, palliative, and community care offerings. Mr. Causby will serve on the Company's Executive Committee and will report to Benjamin A. Breier, Kindred's President and Chief Operating Officer.

On October 30, 2014, we announced that Benjamin A. Breier will become Chief Executive Officer on March 31, 2015, succeeding Paul J. Diaz who will become Executive Vice Chairman of Kindred's board of directors. Mr. Breier will also become a member of Kindred's board of directors, effective March 31, 2015.

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On October 9, 2014, we entered into a definitive agreement to acquire Gentiva, a leading national provider of home health, hospice and community care services in the United States, for a total consideration of approximately \$1.8 billion. For additional information, see Acquisition of Gentiva Health Services.

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### ***Competitive Strengths***

We believe that there are several competitive strengths supporting Kindred's and, after the completion of the Merger, the combined company's business strategy, including:

***Diversified service offerings allow us to Continue the Care<sup>®</sup> across the post-acute continuum.*** We have a diversified portfolio of service offerings including TC hospitals, IRFs, nursing centers, contract rehabilitation services, home health and hospice operations. We have designated 23 markets across the United States as current or potential Integrated Care Markets. We focus on developing our diverse services in these Integrated Care Markets, which allows us to coordinate and manage the continuum of care for our patients, reduce lengths of stay, implement physician services strategies, prevent avoidable re-hospitalizations and reduce costs. This array of services across our four operating divisions creates multiple earnings streams and avenues for growth and development. Our acquisition of Gentiva, if completed, will enhance our ability to offer a diverse array of services.

***Well positioned for bundled or episodic payment environment.*** As healthcare reform continues to be implemented, we believe that healthcare providers that can operate with scale across the continuum of care will have a competitive advantage in an episodic payment environment. Our diversified service offerings across our four operating divisions enable us to do this effectively and to participate with other healthcare providers in determining the most appropriate setting for patients as they continue their care throughout a post-acute episode. Our acquisition of Gentiva, if completed, will significantly expand our home health and hospice operations. As a leading provider in four critical segments of the post-acute continuum, we are well positioned to deliver the right care at the right site of service. We also are positioned to become a valuable partner to short-term acute care hospitals and managed care organizations, which are seeking to increase care coordination, reduce re-hospitalizations, reduce lengths of stay, more effectively manage healthcare costs and develop new care delivery and payment models.

***Strong asset base including owned real estate.*** We have been focused on adding high quality assets to our balance sheet through opportunistic acquisitions and the development of TC hospitals and transitional care centers (licensed as nursing centers). We own the real estate of 17 TC hospitals, one IRF, 28 nursing centers and two assisted living facilities as of September 30, 2014, a significant increase from the 16 facilities we owned in 2006. We also have taken steps to reduce our lease portfolio and exit 114 leased nursing centers through transactions with Ventas, Inc. (Ventas). We believe that over time increased facility ownership and reduced lease obligations will improve our future growth and profitability.

***Strong cash flow generation.*** We have demonstrated the ability to generate strong operating cash flows in a highly regulated environment. We believe our acquisition of Gentiva, if completed, will further strengthen our operating cash flows. Our operating cash flows offer opportunities to fund our acquisition and development strategies, as well as reduce our leverage over time. In addition, we initiated a quarterly cash dividend to our shareholders in 2013, which reflects confidence in our ability to generate meaningful and sustainable free cash flows.

### ***Business Strategy***

We are one of the largest diversified post-acute healthcare providers in the United States, and accordingly, we believe that we are well-positioned to grow and succeed in what will be an increasingly integrated healthcare delivery system. Our core strategy is to provide superior clinical outcomes and quality care with an approach that is patient-centered and focused on lowering costs by reducing lengths of stay in short-term acute care hospitals and transitioning patients to their homes at the highest possible level of function, thereby preventing avoidable re-hospitalizations.



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The key elements of our business strategy include:

***Providing quality, clinical-based care with a focus on operating efficiency.*** We are committed to succeeding in the core by maintaining and improving the quality of our patient care by dedicating appropriate resources at each site of service and continuing to refine our clinical initiatives and objectives. We are implementing technology enhancements and clinical protocols that will promote best practices and improve the operating efficiency of our caregivers. We are continuing our Company-wide program to re-engineer processes, improve efficiencies and focus on the provision of shared services across our divisions that will help us reduce costs while maintaining quality patient care.

***Aggressively grow Kindred at Home and RehabCare.*** We continue to expand our presence in the home health and hospice business, and provide services in 152 locations in 13 states as of September 30, 2014. In October 2014, we announced our entrance into a definitive agreement to acquire Gentiva. If we complete the acquisition of Gentiva, Kindred at Home will have approximately 650 locations in 41 states and will be one of the largest home health and hospice companies in the United States based on revenues. In addition, we have committed significant resources to develop a senior management team for these growing operations, which will enable and support future growth. We intend to continue expanding our home health and hospice operations through additional acquisitions, joint ventures and de novo site development, particularly in our Integrated Care Markets.

***Develop care management capabilities.*** In August 2013, we announced the creation of a new care management division to improve care transitions and patient outcomes by further developing capabilities to deliver integrated care across various care settings. Our care management division is expected to develop programs that will enable us and our partners to better manage episodes of care, create more seamless transitions between care settings and improve patient satisfaction, thereby reducing lengths of stay and re-hospitalizations at a lower cost to Medicare and other payors. Our care management division includes our home health and hospice business, and if our acquisition of Gentiva is completed, will include the operations of Gentiva. In addition to expanding the home health and hospice business, the care management division is responsible for leveraging our service offerings as we develop and support care models, including medical homes and accountable care organizations that meet consumer preference and support integrated care delivery. We believe that the new division will grow our home health and hospice business, test new delivery and payment models and develop capabilities to support our Integrated Care Markets and Continue the Care<sup>®</sup> strategies. These capabilities are expected to include (1) physician coverage across sites of service, (2) care managers to improve care transitions, (3) information sharing and technology connectivity, (4) patient placement tools and (5) condition-specific clinical programs and outcome measures.

***Advance Integrated Care Market strategy.*** Our operating divisions are increasingly focused on enabling our patients to Continue the Care<sup>®</sup> during an episode of care at a Kindred facility or site of service in markets where we operate multiple facilities or sites of service. Our Integrated Care Markets allow our caregivers to coordinate and manage the continuum of care for our patients, as well as implement physician services strategies. The Integrated Care Markets provide opportunities to improve quality and patient satisfaction, lower hospital re-admissions, increase volumes and lower costs.

During the last few years, we have focused our development activities on expanding our Integrated Care Markets. In addition to the significant planned expansion of our home health and hospice operations discussed above, we continue to grow our transitional care centers and hospital-based sub-acute units. During 2014, we opened a new 100-bed transitional care center in Indianapolis, Indiana. During 2013, we began construction of a new 120-bed transitional care center in Phoenix, Arizona and a 160-bed transitional care center in Las Vegas, Nevada, each of which should open in the second half of 2015. Also during 2013, we opened a TC hospital that is co-located within a host hospital (a HIH) in St. Louis, Missouri with 54 beds. In 2012, we opened a 30 bed co-located sub-acute unit in our Seattle TC hospital, completed the construction of a new freestanding IRF with

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46 licensed beds in Humble, Texas and opened a newly constructed, freestanding replacement IRF with 50 licensed beds in Austin, Texas. In addition, the Centerre Acquisition, if completed, will add seven of its 13 operational or in development IRFs to our Integrated Care Markets.

***Improve capital structure and enhance shareholder returns.*** We seek to improve our capital structure by owning more of our operating facilities, which lowers our lease obligations and allows us to dispose of non-strategic or underperforming assets. During 2014, we completed the previously announced acquisition of two leased nursing centers for \$22 million. Seven additional nursing centers, associated with this acquisition, were acquired in the fourth quarter of 2013 for \$61 million. In addition, since initiating a quarterly dividend of \$0.12 per share in the third quarter of 2013, we have declared six regular quarterly cash dividends to shareholders, which reflects and reaffirms confidence in our ability to generate meaningful and sustainable free cash flows. If completed, we believe that the acquisition of Gentiva will be significantly accretive to earnings and cash flows, exclusive of transaction and integration costs, and enhance shareholder value.

**Corporate Information**

Kindred Healthcare, Inc. is headquartered in Louisville, Kentucky and was incorporated in 1998. Our principal office is located at 680 South Fourth Street, Louisville, Kentucky 40202, and our telephone number is (502) 596-7300. Our website is [www.kindredhealthcare.com](http://www.kindredhealthcare.com). The information on, or accessible through, our website is not part of this prospectus supplement or the accompanying prospectus and should not be relied upon in connection with making any investment decision with respect to the securities offered by this prospectus supplement and the accompanying prospectus.

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**Acquisition of Gentiva Health Services**

***Acquisition Overview***

On October 9, 2014, Kindred and Gentiva jointly announced their entry into the Agreement and Plan of Merger, dated as of October 9, 2014 (the Merger Agreement), under which Kindred will acquire Gentiva and its subsidiaries for (i) \$14.50 in cash (the Cash Consideration), without interest, and (ii) 0.257 shares of a validly issued, fully paid and nonassessable share of our Common Stock (the Stock Consideration and, together with the Cash Consideration, the Merger Consideration) per share of Gentiva's common stock, \$0.10 par value (each a Gentiva Share). The Merger Agreement provides for the merger of the Merger Sub, a wholly owned subsidiary of the Company, with and into Gentiva, with Gentiva surviving the Merger as a wholly owned subsidiary of the Company. See The Transactions Merger Agreement.

**We cannot assure you that we will complete the Merger. The completion of this offering is not contingent upon the completion of the Merger, and the completion of the Merger is not contingent upon the completion of this offering.** Nothing in this prospectus supplement or the accompanying prospectus should be construed as an offer to purchase any of the Gentiva Shares, our Common Stock or the Senior Notes (as defined below).

The combination of Kindred and Gentiva will create a nation-wide integrated care delivery system. The transaction combines two market leaders in complementary specialties and creates a combined company with significantly increased diversity and scale. Further, the transaction will enhance Kindred's leading position in the post-acute and rehabilitation services market in the United States and will make Kindred at Home one of the largest and most geographically diversified home health and hospice providers in the United States. By combining two market leaders, we believe that the Merger will advance the development of our integrated approach to patient care, creating significant value for both companies' patients, employees and shareholders. The combined company will operate across 47 states with more than 2,860 locations.

If the Merger is completed, we intend to use the net proceeds of this offering, combined with proceeds from the other Financing Transactions (as defined below), to fund the Cash Consideration for the Merger, to repay Gentiva's existing debt and to pay related fees and expenses. If the Merger is not completed, we may use the net proceeds of this offering to redeem the Purchase Contracts and (if required) the Mandatory Redeemable Preferred Stock or for general corporate purposes, which may include the financing of potential acquisitions or paying down our existing indebtedness. Pending use, the net proceeds may be invested temporarily in short-term marketable securities or applied to repay short-term debt. Our management will have broad discretion in the application of the net proceeds, and the purposes for which the net proceeds are used may change from those described above. See Use of Proceeds. See Risk Factors Risks Relating to the Offering Our management will have broad discretion over the use of the net proceeds from this offering.

For the nine months ended September 30, 2014 and the year ended December 31, 2013, the combined company would have generated pro forma revenue of approximately \$5.3 billion and \$6.9 billion, respectively, and pro forma income attributable to Kindred from continuing operations of \$54 million and pro forma loss attributable to Kindred from continuing operations of \$626 million, respectively. See Unaudited Pro Forma Condensed Combined Financial Statements. For the twelve months ended September 30, 2014, Acquisition Adjusted EBITDA was \$518 million and Acquisition Adjusted EBITDAR was \$885 million. For a reconciliation of Kindred Adjusted EBITDA, Kindred Adjusted EBITDAR, Acquisition Adjusted EBITDA and Acquisition Adjusted EBITDAR to income (loss) from continuing operations for Kindred and a reconciliation of Gentiva Adjusted EBITDA and Gentiva Adjusted EBITDAR to net income (loss) from continuing operations for Gentiva, see Summary Historical Consolidated Financial Information.

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### ***Gentiva Overview***

Gentiva Health Services, Inc. is a leading provider of home health services, hospice services and community care services serving patients through approximately 493 locations in 40 states as of September 30, 2014. Gentiva provides a single source for skilled nursing; physical, occupational, speech and neuro-rehabilitation services; hospice services; social work; nutrition; disease management education; help with daily living activities; and other therapies and services. Gentiva's revenues are generated predominantly from federal and state government programs and, to a minor extent, commercial insurance and individual consumers.

Gentiva organizes its business into three operating segments:

*Home Health Segment* provides direct home nursing and therapy services operations, including specialty programs, through approximately 294 locations located in 38 states as of September 30, 2014;

*Hospice Segment* serves terminally ill patients and their families through approximately 165 locations operating in 30 states as of September 30, 2014; and

*Community Care Segment* serves patients who have chronic or long-term disabilities who need help with routine personal care through approximately 34 locations in four states as of September 30, 2014. These services include help with personal needs, such as bathing and dressing, and household activities, such as laundry and shopping, all of which help enable the patient to remain at home.

On October 18, 2013, Gentiva completed the acquisition of certain assets relating to the home health, hospice and community care businesses of Harden pursuant to an agreement and plan of merger dated as of September 18, 2013 for a total consideration of \$426.8 million, exclusive of transaction costs, in a combination of cash and stock.

During 2013, Gentiva undertook a corporate restructuring initiative, referred to as *One Gentiva*, to better align its home health, hospice and community care businesses under a common regional management structure. In addition, it undertook a branch rationalization initiative to review under-performing branches. As a result of this review, Gentiva has closed or consolidated 94 branches through the first half of 2014.

For the nine months ended September 30, 2014, and the year ended December 31, 2013, Gentiva generated net operating revenue of approximately \$1.5 billion and \$1.7 billion, respectively, and Gentiva Adjusted EBITDA of approximately \$142 million and \$135 million, respectively. For a reconciliation of Gentiva Adjusted EBITDA to net income (loss) from continuing operations for Gentiva, see *Summary Historical Consolidated Financial Information* Gentiva Health Services, Inc.

### ***Strategic Rationale***

***Build on Kindred's industry leadership.*** We believe the combination of Kindred and Gentiva will advance Kindred's leadership in integrated post-acute care, and will create one of the largest and most geographically diversified home health and hospice organizations in the United States.

*Significantly diversifies our service offerings and transforms our business mix.* The combination with Gentiva uniquely positions Kindred as one of the leading and most diversified healthcare providers in the United States across a broad spectrum of critical services, including long-term acute care, rehabilitation services,

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skilled nursing, home health and hospice care. The following charts illustrate the percentage of revenue for the twelve months ended September 30, 2014 for each of Kindred, Gentiva and the combined company by division:

***Expand our presence in home health and hospice business, furthering Kindred's position as one of the leading post-acute care service providers.*** We expect that the acquisition of Gentiva would continue to expand our care management division, and further establish Kindred as a leader within the home health and hospice industry. As of September 30, 2014, we provided home health and hospice services in 152 locations in 13 states. The Merger would also allow us to solidify and extend our leadership in post-acute care, with a diverse array of services operating in 47 states supported by more than 109,000 employees. By leveraging Gentiva's home health and hospice capabilities, we believe we are building a service platform that will facilitate seamless transitions between care settings from hospital to outpatient facility to the patient's home and improve patient satisfaction, thereby reducing lengths of stay and avoidable re-hospitalizations at a lower cost to Medicare and other payors.

***Expand our presence and density in Integrated Care Markets and further advance our Continue the Care® strategy.*** During the last few years, we have focused our development activities on expanding our Integrated Care Markets. Integrating Gentiva's home health, hospice and community care services would expand and enhance our presence in our Integrated Care Markets, deepening Kindred's leadership in coordinating and delivering high-quality care at a lower cost. The acquisition of Gentiva would allow us to provide greater access to more efficient, cost-effective patient care. Our operating divisions are also increasingly focused on enabling our patients to Continue the Care® during an episode of care at a Kindred facility or site of service in markets where we operate multiple facilities or sites of service. We believe the proposed acquisition of Gentiva represents an important strategic initiative to advance and accelerate our Continue the Care® strategy.

***Financially attractive and accretive acquisition.*** We expect the enhanced scale and capabilities of the combined company to deliver revenue and cost synergies that will be accretive to Kindred's earnings and operating cash flows, exclusive of transaction and integration costs. Kindred expects the majority of cost synergies to be achieved through combining information technology functions, merging supply chains and eliminating redundant public company expenses. In addition, we believe we can realize revenue synergies by improving patient care transitions and choice, and drive volume growth as a result of our expanded service offerings across the combined company. Kindred has a history of successfully integrating acquisitions and achieving cost synergies. See Risk Factors Risks Relating to Acquisitions Generally. We believe Gentiva represents another opportunity to build on this track record of success. See Risk Factors Risks Relating to the Merger. The Merger may not achieve its intended results, including anticipated synergies.

***Well-positioned to take advantage of current trends in the American healthcare system.*** We believe the Gentiva acquisition would enhance and diversify our business, strengthen our operations and position us to



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benefit from a healthcare delivery model that is trending towards a more patient-centered, outcome-based approach, with an emphasis on post-acute care services. The combination of our two companies would also allow us to further implement our strategy to create value and risk-based payment models, and become an even better partner with accountable care organizations and managed care organizations around the country. Together, we anticipate accelerating value-based care through our combined national platform as well as the adoption of best practices in innovation and clinical care in more local communities. We believe that the combined company would be well-positioned to grow and succeed in what will be an increasingly integrated healthcare delivery system in a favorable demographic environment.

***Greater employee opportunity.*** The acquisition of Gentiva would create a stronger workforce by uniting the talented employees of Kindred and Gentiva, who share a commitment to high-quality and compassionate patient care. We believe Kindred and Gentiva employees would benefit from being part of a stronger, larger company with greater career and professional development opportunities created by the Merger.

See Risk Factors Risks Relating to the Merger and Note Regarding Forward-Looking Statements for risks, uncertainties and other factors that may influence the outcome of our acquisition of Gentiva.

## ***Financing Transactions***

As described in more detail below, the following transactions (collectively, the Financing Transactions ) are expected to occur in connection with the Merger:

we plan to issue 150,000 Units in this offering;

we plan to issue approximately 5,000,000 shares of our Common Stock in the concurrent Common Stock Offering; and

we plan to amend the Credit Facilities and borrow approximately \$194 million under the ABL Facility (each, as defined below);

we plan to issue between \$1.3 billion and \$1.4 billion aggregate principal amount of the Senior Notes (as defined below).

## **Credit Facilities Amendments**

We have entered into an amendment and restatement agreement dated as of October 31, 2014 (the ABL Amendment ) to our ABL Credit Agreement dated as of June 1, 2011, as previously amended and restated from time to time (as amended, the ABL Facility ), to, among other items, modify certain provisions to permit the issuance of Senior Notes (as defined below) into an escrow account. Upon the completion of the Merger and the satisfaction of certain other conditions, the ABL Amendment provides for a further amendment and restatement of the ABL Facility to, among other items, modify certain provisions related to the incurrence of debt and the making of acquisitions, investments and restricted payments.

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Concurrently with or following the offering of the Units, we also intend to enter into an amendment and restatement agreement (the Term Loan Amendment ) to our Term Loan Credit Agreement dated as of June 1, 2011, as previously amended and restated from time to time (as amended, the Term Loan Facility and, together with the ABL Facility, the Credit Facilities ), to, among other items, modify certain provisions to permit the issuance of Senior Notes (as defined below) into an escrow account, increase the applicable margin on the term loans, temporarily increase the maximum total leverage ratio permitted under the financial maintenance covenants and modify certain provisions related to the incurrence of debt and the making of acquisitions, investments and restricted payments. As the final terms of the Term Loan Amendment have not been agreed upon, they may differ from those set forth herein.

The amendments to the Credit Facilities as contemplated by the ABL Amendment and the Term Loan Amendment are referred to in this prospectus supplement as the Credit Facilities Amendments.

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### **Concurrent Common Stock Offering**

Concurrently with this offering, pursuant to a separate prospectus supplement, we are offering to sell 5,000,000 shares of our Common Stock (or 5,750,000 shares, if the underwriters exercise their over-allotment option to purchase up to an additional 750,000 shares of Common Stock in full) for cash. We estimate that the net proceeds of the concurrent Common Stock Offering, after deducting the underwriting discounts and commissions and the estimated offering expenses, will be approximately \$93.5 million (or approximately \$107.7 million if the underwriters exercise their over-allotment option to purchase additional shares with respect to such offering in full), although there can be no assurance that the concurrent Common Stock Offering will be completed. The completion of this offering is not contingent on the completion of the concurrent Common Stock Offering, and the concurrent Common Stock Offering is not contingent on the completion of this offering.

### **Senior Notes Offering**

Prior to the completion of the Merger and subject to market and other conditions, we plan to offer between \$1.3 billion and \$1.4 billion aggregate principal amount of senior unsecured notes (the Senior Notes ) in a private placement (the Senior Notes Offering ). We expect the Senior Notes to be issued initially by a wholly owned subsidiary of Kindred (the Escrow Issuer ), and we plan to deposit the net proceeds from the Senior Notes Offering, together with any additional amount sufficient to fund the redemption price and any accrued interest, in an escrow account until the Merger is completed. If the Merger is completed, the Escrow Issuer will be merged into Kindred, and as a result we will assume the Escrow Issuer's obligations under the Senior Notes and the Senior Notes will be guaranteed on a senior unsecured basis by each of our domestic 100% owned restricted subsidiaries that guarantee the Credit Facilities. If the Merger is not completed, the Escrow Issuer will redeem all of the Senior Notes at a redemption price to be specified in the indenture governing the Senior Notes. The indenture governing the Senior Notes is expected to contain customary covenants, including, among others, covenants that restrict our ability and our subsidiaries' ability to pay dividends, make distributions or redeem or repurchase our capital stock.

The foregoing description and any other information regarding the Senior Notes Offering is included herein solely for informational purposes. There can be no assurance that we will commence or complete the Senior Notes Offering. If commenced, the Senior Notes Offering will not be registered with the SEC, and the Senior Notes will be sold privately by means of a confidential offering memorandum and not by means of this or any other prospectus supplement. The Senior Notes will not be registered under the Securities Act of 1933, as amended (the Securities Act ) or any state securities laws, and may not be offered or sold in the United States or to U.S. persons unless registered under the Securities Act and applicable state securities laws or an exemption from such registration as available. The amount and terms and conditions of the Senior Notes Offering will be subject to market conditions. There can be no assurance that we will be able to issue any such Senior Notes on terms and conditions acceptable to us or at all. This offering is not contingent on the completion of the Senior Notes Offering, and the Senior Notes Offering, if commenced, will not be contingent on the completion of this offering.

The Merger, the Credit Facilities Amendments, the concurrent Common Stock Offering, the Senior Notes Offering, this offering of Units and the payment of associated fees and expenses are collectively referred to in this prospectus supplement as the Transactions. We cannot assure you that we will complete other Financing Transactions on the terms contemplated by this prospectus supplement or at all. For additional information concerning the Merger and its effects, see Use of Proceeds, Capitalization, The Transactions and Unaudited Pro Forma Condensed Combined Financial Information.

### **Sources and Uses**

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We estimate that the net proceeds to us from the sale of 150,000 Units we are offering pursuant to this prospectus supplement will be approximately \$145.5 million (or approximately \$167.3 million if the

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underwriters exercise their over-allotment option to purchase 22,500 additional Units in full). If the Merger is completed, we intend to use the net proceeds of this offering, the concurrent Common Stock Offering, if completed, and the Senior Notes Offering, if completed, together with borrowings under the ABL Facility, to fund the Cash Consideration for the Merger, to repay Gentiva's existing debt and to pay related fees and expenses. See Use of Proceeds. This offering is not contingent on completion of the Merger. If the Merger is not consummated, we may use the net proceeds from this offering to redeem the Purchase Contracts and (if required) the Mandatory Redeemable Preferred Stock or for general corporate purposes, which may include the financing of potential acquisitions or paying down our existing indebtedness. If the Merger is not completed, we may redeem all, but not less than all, of the outstanding Purchase Contracts by issuing a redemption notice within the five business days immediately following May 1, 2015. If we elect to redeem the outstanding Purchase Contracts, we will pay a merger redemption amount (as defined herein) to be determined based on the Common Stock price at that time in cash and/or in shares of Common Stock in accordance with the terms of the Purchase Contracts. If we elect to redeem the Purchase Contracts, we may be required by the holders thereof to redeem the Mandatory Redeemable Preferred Stock at the redemption price as described under Description of the Mandatory Redeemable Preferred Stock Redemption of Mandatory Redeemable Preferred Stock at the Option of the Holder.

The following table outlines the sources and uses of funds for the Transactions, as if the Transactions were completed on September 30, 2014 (the assumed closing date of the Merger for purposes of the unaudited pro forma condensed combined financial information contained in Unaudited Pro Forma Condensed Combined Financial Information ), assuming no full or partial exercise by the underwriters of their option to purchase additional Units with respect to this offering or additional shares of Common Stock in the concurrent Common Stock Offering. The table assumes we complete the Merger and consummate the Financing Transactions simultaneously, although this offering and the concurrent Common Stock Offering are expected to occur before completion of the Merger and the Senior Notes Offering is expected to occur after the completion of this offering and the concurrent Common Stock Offering and before the completion of the Merger. The actual amounts may vary from estimated amounts depending on the actual closing date of the Merger and the amount of our Senior Notes that are issued, and any additional proceeds will be used for general corporate purposes, which may include financing other potential acquisitions or paying down our existing indebtedness. See Risk Factors Risks Relating to the Merger There can be no assurance that we will successfully complete the Merger on the terms or timetable currently proposed or at all. You should read the following together with the information included under the headings The Transactions, Unaudited Pro Forma Condensed Combined Financial Information and Use of Proceeds.

| Sources of funds  | (in millions)   | Uses of funds  | (in millions)   |
|---|-----------------|--|-----------------|
| Units offered hereby <sup>(1)</sup>                         | \$ 150          | Cash Consideration for Gentiva's outstanding shares <sup>(6)</sup> | \$ 553          |
| Concurrent Common Stock Offering <sup>(2)</sup>             | 99              | Repayment of Gentiva's debt <sup>(7)</sup>                         | 1,190           |
| Senior Notes Offering <sup>(3)</sup>                        | 1,350           | Transaction fees and expenses <sup>(8)</sup>                       | 172             |
| ABL Facility <sup>(4)</sup>                                 | 194             | Equity consideration to Gentiva shareholders <sup>(5)</sup>        | 198             |
| Cash on hand  | 122             |  |                 |
| Equity consideration to Gentiva shareholders <sup>(5)</sup> | 198             |  |                 |
| <b>Total sources of funds</b>                               | <b>\$ 2,113</b> | <b>Total uses of funds</b>   | <b>\$ 2,113</b> |

- (1) This offering is not contingent on completion of the Merger. If the Merger is not completed, we may use the net proceeds from this offering to redeem the Purchase Contracts and (if required) the Mandatory Redeemable Preferred Stock or for general corporate purposes, which may include the financing of potential acquisitions or paying down our existing indebtedness. If the offering is completed but the Merger is not

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- completed, we may redeem all, but not less than all, of the outstanding Purchase Contracts by issuing a redemption notice within the five business days immediately following May 1, 2015. We will pay a merger redemption amount to be determined based on the Common Stock price at that time in cash and/or in shares of Common Stock in accordance with the terms of the Purchase Contracts. If we elect to redeem the Purchase Contracts, we may be required by the holders thereof to redeem the Mandatory Redeemable Preferred Stock at the redemption price for the Mandatory Redeemable Preferred Stock as described under Description of the Mandatory Redeemable Preferred Stock Redemption of Mandatory Redeemable Preferred Stock at the Option of the Holder.
- (2) Concurrently with this offering, pursuant to a separate prospectus supplement, we are offering 5,000,000 shares of our Common Stock (or 5,750,000 shares, if the underwriters exercise their over-allotment option to purchase up to an additional 750,000 shares of Common Stock in full). Calculated based on a public offering price of \$19.75 per share, and assumes no full or partial exercise by the underwriters of their over-allotment option to purchase additional shares. The concurrent Common Stock Offering is not contingent on completion of the Merger. The completion of this offering is not contingent on the completion of the concurrent Common Stock Offering, and the completion of the concurrent Common Stock Offering is not contingent on the completion of this offering.
  - (3) Prior to the completion of the Merger and subject to market and other conditions, we plan to offer between \$1.3 billion and \$1.4 billion aggregate principal amount of Senior Notes in a private placement. There is no assurance that we will commence or complete the Senior Notes Offering. If commenced, the Senior Notes Offering will not be registered with the SEC, and the Senior Notes will be sold privately by means of a confidential offering memorandum and not by means of this prospectus supplement. We expect the Senior Notes to be issued initially by the Escrow Issuer, which will be merged into Kindred if the Merger is completed. If the Merger is not completed, the Escrow Issuer will redeem all of the Senior Notes at a redemption price to be specified in the indenture governing the Senior Notes. See The Transactions The Financing Transactions Senior Notes Offering.
  - (4) We also expect to finance the Centerre Acquisition with borrowings from the ABL Facility. See Summary Recent Developments.
  - (5) Each share of Gentiva common stock outstanding immediately prior to the effective time of the Merger (subject to certain exceptions) will be converted into the right to receive 0.257 of a share of Common Stock and \$14.50 in cash, without interest. No fractional shares of Common Stock will be issued in the Merger and Gentiva stockholders will receive cash in lieu of fractional shares. The Merger Agreement also provides for the vesting and conversion of certain Gentiva stock options and the vesting and lapse of restrictions on certain Gentiva restricted shares. The value of the equity consideration portion of the Merger Consideration is subject to change based upon changes in the market price of Common Stock for the 10 trading days prior to the date the Merger is consummated.
  - (6) Represents the cash payment of \$14.50 per share for Gentiva's outstanding shares, assuming 37,328,005 outstanding Gentiva Shares as of November 13, 2014 and cash payment of certain Gentiva Options outstanding as of November 13, 2014 based upon a weighted average intrinsic value of \$6.59 per outstanding stock option (using the closing price of Common Stock on November 13, 2014). Under the terms of the Merger Agreement, Gentiva stockholders will receive Cash Consideration of \$14.50 per Gentiva Share and Stock Consideration of 0.257 share of our Common Stock per Gentiva Share. Holders of Gentiva Options (as defined herein), restricted Gentiva Shares or Gentiva deferred share units may also receive an amount in cash equal to the Cash Consideration, subject to certain conditions set forth in The Transactions Gentiva Stock Options and Other Awards.
  - (7) Represents repayment of \$665 million under Gentiva's Term Loan B facility, \$146 million under Gentiva's Term Loan C facility and \$27 million under Gentiva's revolving credit facility and redemption of \$325 million aggregate principal amount of Gentiva's 11.5% Senior Notes due 2018 (including \$19 million make-whole premium for early redemption and accrued interest of \$8 million).
  - (8) Includes estimated fees and expenses related to the Transactions, including underwriting discounts and commissions, legal, accounting and advisory fees, fees associated with the Financing Transactions and other transaction costs.

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**The Offering**

*The summary below describes the principal terms of the Units, the Purchase Contracts and the Mandatory Redeemable Preferred Stock. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of the Units, Description of the Purchase Contracts and Description of the Mandatory Redeemable Preferred Stock sections of this prospectus supplement and the Description of Common Stock and Description of Preferred Stock sections of the accompanying prospectus contain a more detailed description of the terms and conditions of the Units, the Purchase Contracts, the Mandatory Redeemable Preferred Stock and our Common Stock. As used in this section, the terms we, our and us refer to Kindred Healthcare, Inc. and do not include its subsidiaries and affiliates.*

**The Units**

|   |  |
|---|--|
| Issuer  | Kindred Healthcare, Inc., a Delaware corporation.  |
| Number of Units offered                               | 150,000 Units. We have also granted the underwriters an option to purchase within 13 days from, and including, the date of initial issuance of the Units up to an additional 22,500 Units, solely to cover over-allotments, if any.  |
| Stated amount and initial offering price of each Unit | \$1,000 for each Unit.   |
| Components of each Unit                               | Each Unit is comprised of two parts: <ul style="list-style-type: none"> <li>a Purchase Contract; and</li> <li>one share of Mandatory Redeemable Preferred Stock.</li> </ul> <p>Unless earlier redeemed by us in connection with a merger termination redemption (as defined herein) or settled earlier at the holder's option or our option, each Purchase Contract will, subject to postponement in certain limited circumstances, automatically settle on December 1, 2017 (such date, as so postponed (if applicable), the mandatory settlement date), and we will deliver not more than 50.6329 shares of our Common Stock and not less than 43.0918 shares of our Common Stock per Purchase Contract, subject to adjustment, based upon the applicable settlement rate, which will be determined through reference to the applicable market value of our Common Stock, as described below under Description of the Purchase Contracts Delivery of Common Stock.</p> <p>No fractional shares of our Common Stock will be issued to holders upon settlement or redemption of Purchase Contracts. In lieu of fractional shares, holders will be entitled to receive a cash payment calculated as described herein.</p> |

Other than cash payments in lieu of fractional shares or, under certain circumstances, in the event of a merger termination redemption, the Purchase Contract holders will not receive any cash distributions under the Purchase Contracts.

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Each share of Mandatory Redeemable Preferred Stock will have an initial liquidation preference of \$201.58, will be entitled to dividends, when, as and if declared by our board of directors (or an authorized committee thereof), to the extent that we have funds lawfully available for such purpose with respect to any such payments in cash, at the rate of 7.25% per annum on the liquidation preference of the Mandatory Redeemable Preferred Stock and will have a final preferred stock installment payment date of December 1, 2017. On each March 1, June 1, September 1 and December 1 of each year, commencing on March 1, 2015 (each, a preferred stock installment payment date), in each case, to the extent that we have funds lawfully available for such purpose with respect to any such payments in cash and, with respect to the dividend portion of such payment, such dividend is declared by our board of directors (or an authorized committee thereof), we will make equal quarterly preferred stock installment payments of \$18.75 per share of Mandatory Redeemable Preferred Stock (except for the March 1, 2015 preferred stock installment payment, which will be \$20.00 per share), which in the aggregate per year will be equivalent to a 7.50% cash payment per year with respect to each \$1,000 stated amount of Units. However, we may elect to deliver shares of our Common Stock in lieu of all or any portion of such cash payments, as described under Preferred stock installment payments below. Each preferred stock installment payment will constitute a payment of dividends and a payment of consideration (the Redemption Amount) for the partial reduction in the liquidation preference of the Mandatory Redeemable Preferred Stock (a Partial Redemption), allocated as set forth on the redemption schedule set forth under Description of the Mandatory Redeemable Preferred Stock Redemption Schedule.

The return to an investor on a Unit will depend upon the return provided by each component. The overall return will depend on the number and value of the shares of our Common Stock delivered upon settlement of the Purchase Contracts and the amount of cash paid and/or the number and value of the shares of our Common Stock delivered to such holder in respect of preferred stock installment payments on the Mandatory Redeemable Preferred Stock.

The stated amount of each Unit must, for United States federal income tax purposes, be allocated between the share of Mandatory Redeemable Preferred Stock and the Purchase Contract based upon their relative fair market values. We have determined that the fair market value of each share of Mandatory Redeemable Preferred Stock is \$201.58 and the fair market value of each Purchase Contract is \$798.42. As discussed in Description of the Units Deemed Actions by Holders by Acceptance, each holder agrees to such allocation.

Each Unit may be separated into its components

Each Unit may be separated by a holder into its constituent Purchase Contract and its constituent share of Mandatory Redeemable

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Preferred Stock on any business day during the period beginning on, and including, the business day immediately following the date of initial issuance of the Units to, but excluding, the third scheduled trading day immediately preceding (i) December 1, 2017, (ii) any early mandatory settlement date or (iii) any merger redemption settlement date, and also excluding the business day immediately preceding any preferred stock installment payment date (provided that, for the avoidance of doubt, such right to separate the Units will resume after such business day), each as defined herein. Prior to separation, the Purchase Contracts and Mandatory Redeemable Preferred Stock may only be purchased and transferred together as Units. See Description of the Units Separating and Recreating Units.

A Unit may be recreated from its components

If you hold a separate Purchase Contract and a separate share of Mandatory Redeemable Preferred Stock, you may combine the two components to recreate a Unit. See Description of the Units Separating and Recreating Units.

Trading

We do not intend to apply to list the Units, the separate Purchase Contracts or the separate shares of Mandatory Redeemable Preferred Stock on any securities exchange or automated inter-dealer quotation system.

New York Stock Exchange symbol

Our Common Stock is listed on NYSE under the symbol KND.

Use of proceeds

We estimate that the net proceeds from this offering, after deducting underwriting discounts and commissions and the estimated offering expenses payable by us, will be approximately \$144.5 million (or approximately \$166.3 million if the underwriters exercise their over-allotment option to purchase additional Units in full).

We intend to use the net proceeds of this offering, combined with proceeds from the related Financing Transactions, to fund the Cash Consideration for the Merger, to repay Gentiva's existing debt and to pay related fees and expenses, if the Merger is completed. If the Merger is not completed, we intend to use the net proceeds of this offering to finance other potential acquisitions or for general corporate purposes, including paying down our existing indebtedness, or to redeem the Purchase Contracts and (if required) the Mandatory Redeemable Preferred Stock, as described below. This offering is not contingent on completion of the Merger.

See Use of Proceeds.

Certain U.S. federal income tax considerations

By acquiring a Unit, unless otherwise required by law, you agree to treat the Unit as an investment unit composed of two separate instruments in accordance with its form, and to treat the Purchase Contract as a prepaid contract to acquire our Common Stock and the

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Mandatorily Redeemable Preferred Share as a share of our preferred stock that will be completely redeemed by December 1, 2017.

Prospective investors should consult their tax advisors regarding the tax treatment of an investment in Units, whether a purchase of a Unit is advisable in light of the investor's particular tax situation and the tax treatment described under Certain U.S. Federal Income Tax Considerations.

Risk factors Investing in the Units involves risks. See Risk Factors for a description of certain risks you should consider before investing in the Units.

*The Purchase Contracts*

Mandatory settlement date December 1, 2017, subject to postponement in limited circumstances.

Mandatory settlement On the mandatory settlement date, unless such Purchase Contract has been earlier redeemed by us in connection with a merger termination redemption or settled at the holder's option or our option, each Purchase Contract will automatically settle, and we will, based on the applicable settlement rate, deliver to the holder thereof the number of shares of our Common Stock to which such holder is entitled.

Settlement rate for the mandatory settlement date The settlement rate for each Purchase Contract will be not more than 50.6329 shares of our Common Stock and not less than 43.0918 shares of our Common Stock (each subject to adjustment as described herein), depending on the applicable market value of our Common Stock, calculated as described below.

If the applicable market value is greater than \$23.21 (the threshold appreciation price), you will receive 43.0918 shares of Common Stock per Purchase Contract (the minimum settlement rate).

If the applicable market value is greater than or equal to \$19.75 (the reference price) but less than or equal to the threshold appreciation price, you will receive a number of shares of Common Stock (and any cash in lieu of fractional shares) per Purchase Contract equal to \$1,000, *divided by* the applicable market value.

If the applicable market value is less than the reference price, you will receive 50.6329 shares of Common Stock per Purchase Contract (the maximum settlement rate).

Each of the maximum settlement rate, the minimum settlement rate, the reference price and the threshold appreciation price is subject to adjustment as described below under Description of the Purchase Contracts Adjustments to the Fixed Settlement Rates.

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The applicable market value means the average of the daily VWAPs (as defined below) of our Common Stock for the 20 consecutive trading days beginning on, and including, the 23rd scheduled trading day immediately preceding December 1, 2017.

The reference price is the public offering price of our Common Stock in the concurrent Common Stock offering described under The Transactions.

The threshold appreciation price shall be equal to \$1,000, *divided by* the minimum settlement rate (rounded to the nearest \$0.0001), representing an approximately 17.5% appreciation over the reference price.

No fractional shares of our Common Stock will be issued to holders upon settlement of Purchase Contracts on the mandatory settlement date. In lieu of fractional shares, holders will be entitled to receive a cash payment of the fair value of such fraction of a share calculated as described herein. Other than cash payments in lieu of fractional shares or, under certain circumstances, in the event of a merger termination redemption, the Purchase Contract holders will not receive any cash distributions under the Purchase Contracts.

The following table illustrates the settlement rate per Purchase Contract and the value of our Common Stock issuable upon settlement on the mandatory settlement date, determined using the applicable market value shown, subject to adjustment.

| Applicable Market Value of<br>Our Common Stock                     | Settlement Rate  | Value of Common Stock Delivered (Based<br>on the Applicable Market Value Thereof) |
|--|--|---|
| Less than \$19.75  | 50.6329 shares of our Common Stock   | Less than \$1,000   |
| Greater than or equal to \$19.75 but less than or equal to \$23.21 | A number of shares of our Common Stock equal to \$1,000, <i>divided by</i> the applicable market value | \$1,000   |
| Greater than \$23.21   | 43.0918 shares of our Common Stock   | Greater than \$1,000  |

Early settlement at your election

At any time prior to 5:00 p.m., New York City time, on the third scheduled trading day immediately preceding December 1, 2017, you may elect early settlement of any or all of your Purchase Contracts, in which case we will deliver a number of shares of our Common Stock per Purchase Contract equal to the minimum settlement rate, which is subject to adjustment as described below under Description of the Purchase Contracts Adjustments to the Fixed Settlement Rates, unless such early settlement occurs in connection with a fundamental change, in which case the provisions described under Early

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settlement at your election upon a fundamental change below will apply. The market value of our Common Stock on the early settlement date will not affect the early settlement rate. Your right to settle your Purchase Contract prior to 5:00 p.m., New York City time, on the third scheduled trading day immediately preceding December 1, 2017 is subject to the delivery of your Purchase Contract.

Upon early settlement of a Purchase Contract that is a component of a Unit at the holder's election, the corresponding share of Mandatory Redeemable Preferred Stock will remain outstanding and beneficially owned by or registered in the name of, as the case may be, the holder who elected to settle the related Purchase Contract early.

Early settlement at your election upon a fundamental change

At any time prior to 5:00 p.m., New York City time, on the third scheduled trading day immediately preceding December 1, 2017, if a fundamental change (as defined herein) occurs, you may settle any or all of your Purchase Contracts early. If you elect to settle your Purchase Contracts early in connection with such fundamental change, you will receive a number of shares of our Common Stock based on the fundamental change early settlement rate as described under Description of the Purchase Contracts Early Settlement Upon a Fundamental Change.

Upon early settlement at the holder's election in connection with a fundamental change of a Purchase Contract that is a component of a Unit, the corresponding share of Mandatory Redeemable Preferred Stock will remain outstanding and beneficially owned by or registered in the name of, as the case may be, the holder who elected to settle the related Purchase Contract early.

Early mandatory settlement at our election

We may elect to settle all, but not less than all, outstanding Purchase Contracts on or after May 1, 2015 at the early mandatory settlement rate (as defined below) upon a date fixed by us upon not less than five business days' notice (the early mandatory settlement date).

The early mandatory settlement rate will be the maximum settlement rate, unless the daily VWAP of our Common Stock for 20 or more trading days in a period of 30 consecutive trading days ending on, and including, the trading day immediately preceding the notice date (as defined under Description of the Purchase Contracts Early Mandatory Settlement at Our Election) exceeds 130% of the threshold appreciation price in effect on each such trading day, in which case the early mandatory settlement rate will be the minimum settlement rate.

If we elect to settle all the Purchase Contracts early, you will have the right to require us to redeem your share of Mandatory Redeemable Preferred Stock on the redemption date and at the redemption price as

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described under Description of the Mandatory Redeemable Preferred Stock Redemption of Mandatory Redeemable Preferred Stock at Option of Holder.

Merger termination redemption

If the Merger Agreement has terminated, we may elect to redeem all, but not less than all, of the outstanding Purchase Contracts (a merger termination redemption ), for the applicable redemption amount, as described below, by delivering notice within the five business days immediately following May 1, 2015.

If the merger termination stock price is equal to or less than the reference price, the redemption amount will be an amount of cash as described under Description of the Purchase Contracts Merger Termination Redemption. Otherwise, the redemption amount will be a number of shares of our Common Stock equal to the merger redemption rate, calculated in the manner described under Description of the Purchase Contracts Merger Termination Redemption ; *provided, however*, that we may elect to pay cash in lieu of any or all of such shares in an amount equal to the redemption market value thereof.

The redemption market value means the average of the daily VWAPs (as defined below) of our Common Stock for 20 consecutive trading days beginning on, and including, the 23rd scheduled trading day immediately preceding the scheduled merger redemption settlement date.

In the event of a merger termination redemption, you will have the right to require us to redeem your Mandatory Redeemable Preferred Stock, as described under Description of the Mandatory Redeemable Preferred Stock Redemption of Mandatory Redeemable Preferred Stock at Option of Holder.

*The Mandatory Redeemable Preferred Stock*

Title of securities

7.25% Mandatory Redeemable Preferred Stock, Series A, par value \$0.25 per share, with a liquidation preference of \$201.58 per share.

Preferred stock installment payments

Each quarterly preferred stock installment payment of \$18.75 per share of Mandatory Redeemable Preferred Stock (except for the first preferred stock installment payment, which will be \$20.00 per share) will be payable in cash, shares of our Common Stock or a combination thereof, at our election, to the extent that we have funds lawfully available for such purpose with respect to any such payments in cash, and will constitute a dividend payment as well as a payment of the Redemption Amount. On each quarterly preferred stock installment payment date, we will partially reduce the liquidation preference of the Mandatory Redeemable Preferred Stock until no liquidation preference remains. All shares of Mandatory Redeemable Preferred Stock will be fully redeemed on the last preferred stock

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installment payment date. The portion of any preferred stock installment payment that constitutes a dividend will be payable on the relevant preferred stock installment payment date only if our board of directors (or an authorized committee thereof) declares a dividend with respect to such date and to the extent that we have funds lawfully available for such purpose with respect to any such payments in cash, except that we will be required to pay, to the extent that we have funds lawfully available for such purpose with respect to any such payments in cash, all accumulated dividends (whether or not declared) on the portion of the liquidation preference that is subject to the Partial Redemption on such preferred stock installment payment date. Assuming the board of directors (or an authorized committee thereof) makes such declarations and subject to the existence of lawfully available funds therefor, the preferred stock installment payments in the aggregate per year will be equivalent to a 7.50% cash payment per year with respect to each \$1,000 stated amount of Units, subject to our ability to deliver shares of Common Stock in lieu of part or all of such payments.

Dividends on the Mandatory Redeemable Preferred Stock will be cumulative from the date of original issuance, and will accumulate at a rate of 7.25% per annum on the outstanding liquidation preference (after giving effect to any prior Partial Redemptions) of the Mandatory Redeemable Preferred Stock. Dividends will be payable when, as and if declared by our board of directors (or an authorized committee thereof), to the extent that we have funds lawfully available for such purpose with respect to any such payments in cash, *provided* that any undeclared and unpaid dividends with respect to outstanding liquidation preference (after giving effect to any prior Partial Redemptions) will continue to accumulate. Dividends that are declared will be payable on the preferred stock installment payment dates as part of preferred stock installment payments to holders of record of the shares of Mandatory Redeemable Preferred Stock on the immediately preceding February 15, May 15, August 15 or November 15. Accumulations of dividends on shares of the Mandatory Redeemable Preferred Stock will not bear interest.

If we elect to effect a preferred stock installment payment by delivering shares of our Common Stock, (i) we will notify holders of such election and, if applicable, the portion of such payment that will be made through delivery of shares no later than the tenth scheduled trading day prior to the relevant preferred stock installment payment date, and (ii) such shares will be valued at 97% of the average of daily VWAPs over the five consecutive trading days beginning on, and including, the seventh scheduled trading day immediately preceding the related preferred stock installment payment date.

Dividends will be calculated on the basis of a 360-day year consisting of twelve 30-day months, and, in the case of partial months, the number of days actually elapsed in the relevant period. Preferred

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stock installment payments will be applied (i) first to all accumulated dividends (whether or not declared) on the portion of the liquidation preference that is subject to Partial Redemption on the applicable preferred stock installment payment date, (ii) second to the Redemption Amount and (iii) then to any other declared and unpaid dividends, allocated as set forth on the redemption schedule set forth under Description of the Mandatory Redeemable Preferred Stock Redemption Schedule.

Preferred stock installment payment dates

Each March 1, June 1, September 1 and December 1 of each year, commencing on March 1, 2015, with a final preferred stock installment payment date of December 1, 2017.

Ranking of the Mandatory Redeemable Preferred Stock

The Mandatory Redeemable Preferred Stock will rank with respect to dividend rights and rights upon our liquidation, winding-up or dissolution:

senior to all of our Common Stock and to each other class or series of our capital stock issued in the future unless the terms of that class or series of capital stock expressly provide that it ranks senior to, or on a parity with, the Mandatory Redeemable Preferred Stock;

on a parity with any class or series of our capital stock issued in the future the terms of which expressly provide that it will rank on a parity with the Mandatory Redeemable Preferred Stock;

junior to each class or series of our capital stock issued in the future the terms of which expressly provide that it will rank senior to the Mandatory Redeemable Preferred Stock; and

junior to all of our existing and future indebtedness.

It is possible a bankruptcy court may not respect the priority of the preferred stock. See Risks Relating to this Offering We may not be able to settle or redeem your Purchase Contracts and deliver shares of Common Stock, or make payments on the Mandatory Redeemable Preferred Stock or redeem the Mandatory Redeemable Preferred Stock, in the event that we file for bankruptcy.

In addition, the Mandatory Redeemable Preferred Stock, with respect to dividend rights or rights upon our liquidation, winding-up or dissolution, will be structurally subordinated to existing and future indebtedness of our subsidiaries as well as the capital stock of our subsidiaries held by third parties.

As of September 30, 2014, we had total indebtedness of approximately \$1.5 billion in addition to the availability of approximately \$652 million under the ABL Facility (subject to a borrowing base and after giving effect to approximately \$5 million of



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letters of credit outstanding on September 30, 2014). We intend to borrow approximately \$194 million under the ABL Facility in connection with closing the Merger. In addition, we also expect to finance the Centerre Acquisition with borrowings from the ABL Facility. We have the ability to, and may incur, additional indebtedness in the future.

See Description of Mandatory Redeemable Preferred Stock Ranking below.

Redemption of Mandatory Redeemable Preferred Stock at the option of the holder

If we elect to settle all the Purchase Contracts early or a merger termination redemption occurs, holders of Mandatory Redeemable Preferred Stock will have the right to require us to redeem their Mandatory Redeemable Preferred Stock for cash, shares of our Common Stock or a combination thereof, at our election, at the redemption price as described under Description of the Mandatory Redeemable Preferred Stock Redemption of Mandatory Redeemable Preferred Stock at Option of Holder.

Voting rights

Except as specifically required by Delaware law or our amended and restated certificate of incorporation, which will include the certificate of designations for the Mandatory Redeemable Preferred Stock, the holders of Mandatory Redeemable Preferred Stock will have no voting rights.

Whenever dividends on shares of Mandatory Redeemable Preferred Stock (i) have not been declared and paid or (ii) have been declared but a sum of cash or number of shares of our Common Stock, as the case may be, sufficient for payment thereof has not been set aside for the benefit of the holders thereof, for six or more dividend periods, whether or not consecutive, the holders of Mandatory Redeemable Preferred Stock, voting together as a single class with holders of all other series of our preferred stock of equal rank having similar voting rights, will be entitled at our next special or annual meeting of stockholders to vote for the election of a total of two additional members of our board of directors, subject to applicable exchange listing rules.

We will not, without the affirmative vote or consent of holders of at least two-thirds in voting power of the outstanding shares of Mandatory Redeemable Preferred Stock and all other series of preferred stock of equal rank having similar voting rights, voting together as a single class (1) authorize or create, or increase the authorized or issued amount of, any class or series of our capital stock ranking senior to the Mandatory Redeemable Preferred Stock; (2) amend, alter or repeal the provisions of our amended and restated certificate of incorporation so as to adversely affect the rights, powers or preferences of the Mandatory Redeemable Preferred Stock; or (3) consummate a binding share exchange or reclassification

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involving shares of Mandatory Redeemable Preferred Stock or a merger or consolidation of us with another entity, or any similar transaction, unless the shares of Mandatory Redeemable Preferred Stock (x) in the case of any such merger or consolidation or similar transaction in which we are not the surviving or resulting entity, are converted into or exchanged for preferred securities of the surviving or resulting entity or the direct or indirect parent of such entity or (y) in the case of any other such transaction, (i) remain outstanding or (ii) are converted into or exchanged for (or for the right to receive) preferred securities of the direct or indirect parent of us, with, in each case of clause (x) and (y), rights, powers and preferences that are not less favorable to the holders thereof than the rights, powers and preferences of the Mandatory Redeemable Preferred Stock immediately prior to such transaction.

In the event we require a vote or consent of the holders of Mandatory Redeemable Preferred Stock, each holder of record of Mandatory Redeemable Preferred Stock will initially be entitled to vote according to the aggregate liquidation preference of shares of Mandatory Redeemable Preferred Stock that it owns. Therefore, each holder's voting power will decrease proportionately relative to other series of preferred stock after any Partial Redemptions on each quarterly preferred stock installment payment date. See Redemption Schedule.

See Description of Mandatory Redeemable Preferred Stock - Voting Rights.

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**Table of Contents****Summary Historical Consolidated Financial Information*****Kindred Healthcare, Inc.***

The table below sets forth Kindred's summary historical consolidated financial information for the periods indicated. The summary historical financial data presented below for the years ended December 31, 2013, 2012 and 2011 and as of December 31, 2013 and 2012 have been derived from and should be read in conjunction with Kindred's audited consolidated financial statements and the notes thereto, incorporated by reference in this prospectus supplement. The summary financial data for the nine months ended September 30, 2014 and 2013 and as of September 30, 2014 have been derived from and should be read in conjunction with Kindred's unaudited condensed consolidated financial statements and the notes thereto incorporated by reference in this prospectus supplement. The unaudited condensed consolidated financial statements have been prepared on a basis consistent with our audited consolidated financial statements and include, in the opinion of management, all adjustments of a normal recurring nature to provide a fair statement of the results for the reporting periods presented. Results for interim periods are not necessarily indicative of results that might be expected for any other interim period or for an entire year.

The summary historical consolidated financial information presented below should be read in conjunction with the information contained in Use of Proceeds, Capitalization and Unaudited Pro Forma Condensed Combined Financial Information, in each case, included in this prospectus supplement, Management's Discussion and Analysis of Financial Condition and Results of Operations and the audited consolidated financial statements and the notes thereto for the year ended December 31, 2013 included in Kindred's Current Report on Form 8-K filed with the SEC on November 14, 2014, which are incorporated by reference in this prospectus supplement, and Management's Discussion and Analysis of Financial Condition and Results of Operations and the unaudited condensed consolidated financial statements and the notes thereto included in Kindred's Quarterly Report on Form 10-Q for the nine months ended September 30, 2014, which are incorporated by reference in this prospectus supplement.

|  | Year ended December 31, |              |              | Nine months ended<br>September 30, |              |
|--|-------------------------|--------------|--------------|------------------------------------|--------------|
|  | 2013                    | 2012         | 2011         | 2014                               | 2013         |
|  | (in thousands)          |              |              |                                    |              |
| <b>Consolidated operating data:</b>              |                         |              |              |                                    |              |
| <b>Revenues:</b>                                 |                         |              |              |                                    |              |
| Hospital division                                | \$ 2,465,560            | \$ 2,543,829 | \$ 2,227,048 | \$ 1,888,066                       | \$ 1,858,572 |
| Nursing center division                          | 1,070,828               | 1,071,512    | 1,085,268    | 837,718                            | 800,748      |
| Rehabilitation division:                         |                         |              |              |                                    |              |
| Skilled nursing rehabilitation services          | 997,007                 | 1,007,335    | 766,973      | 755,286                            | 753,727      |
| Hospital rehabilitation services                 | 286,613                 | 293,580      | 200,824      | 224,096                            | 212,596      |
| Care management division                         | 224,927                 | 143,340      | 60,736       | 261,876                            | 158,461      |
| Eliminations                                     | (209,350)               | (203,454)    | (180,741)    | (161,023)                          | (158,195)    |
| Totals   | \$ 4,835,585            | \$ 4,856,142 | \$ 4,160,108 | \$ 3,806,019                       | \$ 3,625,909 |
| <b>Income (loss) from continuing operations:</b> |                         |              |              |                                    |              |
| Operating income (los                            |                         |              |              |                                    |              |