

---

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**SCHEDULE 13D**

**Under the Securities Exchange Act of 1934  
(Amendment No. )\***

**KINDRED HEALTHCARE, INC.**

(Name of Issuer)

**Common Stock, \$0.25 par value per share**  
(Title of Class of Securities)

**494580103**  
(CUSIP Number)

Aaron Michael Daniels, Esq.  
Brigade Capital Management, LP  
399 Park Ave, 16<sup>th</sup> Floor  
New York, NY 10022  
(212) 745-9700

with a copy to:

Steven E. Siesser, Esq.  
Lawrence M. Rolnick, Esq.  
Lowenstein Sandler LLP  
1251 Avenue of the Americas, 17th Floor  
New York, New York 10020  
(212) 204-8688

(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

**December 19, 2017**  
(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box.

---

**Note:** Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See §240.13d-7 for other parties to whom copies are to be sent.

---

\* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

---

|   |  |                          |
|---|--|--------------------------|
| 1.  | Names of Reporting Persons.<br>I.R.S. Identification Nos. of above persons (entities only)                   |                          |
|   | Brigade Capital Management, LP (I.R.S. Identification No. 20-4895879)  |                          |
| 2.  | Check the Appropriate Box if a Member of a Group (See Instructions)  |                          |
|   | (a) <input type="checkbox"/> (b) <input checked="" type="checkbox"/>   |                          |
| 3.  | SEC Use Only   |                          |
| 4.  | Source of Funds (See Instructions)   |                          |
|   | WC   |                          |
| 5.  | Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) <input type="checkbox"/> |                          |
|   | N/A  |                          |
| 6.  | Citizenship or Place of Organization   |                          |
|   | Delaware   |                          |
| Number of Shares Beneficially Owned by Each Reporting Person With | 7.   | Sole Voting Power        |
|   |  | 0                        |
|   | 8.   | Shared Voting Power      |
|   |  | 5,157,306                |
|   | 9.   | Sole Dispositive Power   |
|   |  | 0                        |
|   | 10.  | Shared Dispositive Power |
|   |  | 5,157,306                |
| 11.   | Aggregate Amount Beneficially Owned by Each Reporting Person   |                          |
|   | 5,157,306  |                          |
| 12.   | Check if the Aggregate Amount in Row (11) Excludes Certain Shares  |                          |
|   | <input type="checkbox"/>   |                          |
| 13.   | Percent of Class Represented by Amount in Row (11)   |                          |
|   | 5.8%*  |                          |
| 14.   | Type of Reporting Person   |                          |
|   | PN, IA   |                          |

\* Based on a total of 86,932,592 shares of Common Stock outstanding as of October 31, 2017, as set forth in the Issuer's most recent Form 10-Q, filed November 6, 2017, and 1,500,000 shares of Common Stock issuable upon the exercise of the call options described in Item 5 of this Schedule 13D.

|   |  |                          |
|---|--|--------------------------|
| 1.  | Names of Reporting Persons.<br>I.R.S. Identification Nos. of above persons (entities only)                   |                          |
|   | Brigade Capital Management GP, LLC   |                          |
| 2.  | Check the Appropriate Box if a Member of a Group (See Instructions)  |                          |
|   | (a) <input type="checkbox"/> (b) <input checked="" type="checkbox"/>   |                          |
| 3.  | SEC Use Only   |                          |
| 4.  | Source of Funds (See Instructions)   |                          |
|   | WC   |                          |
| 5.  | Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) <input type="checkbox"/> |                          |
|   | N/A  |                          |
| 6.  | Citizenship or Place of Organization   |                          |
|   | Delaware   |                          |
| Number of Shares Beneficially Owned by Each Reporting Person With | 7.   | Sole Voting Power        |
|   |  | 0                        |
|   | 8.   | Shared Voting Power      |
|   |  | 5,157,306                |
|   | 9.   | Sole Dispositive Power   |
|   |  | 0                        |
|   | 10.  | Shared Dispositive Power |
|   |  | 5,157,306                |
| 11.   | Aggregate Amount Beneficially Owned by Each Reporting Person   |                          |
|   | 5,157,306  |                          |
| 12.   | Check if the Aggregate Amount in Row (11) Excludes Certain Shares  |                          |
|   | <input type="checkbox"/>   |                          |
| 13.   | Percent of Class Represented by Amount in Row (11)   |                          |
|   | 5.8%*  |                          |
| 14.   | Type of Reporting Person   |                          |
|   | OO, HC   |                          |

\* Based on a total of 86,932,592 shares of Common Stock outstanding as of October 31, 2017, as set forth in the Issuer's most recent Form 10-Q, filed November 6, 2017, and 1,500,000 shares of Common Stock issuable upon the exercise of the call options described in Item 5 of this Schedule 13D.

|   |  |                                       |
|---|--|---------------------------------------|
| 1.  | Names of Reporting Persons.<br>I.R.S. Identification Nos. of above persons (entities only)                   |                                       |
|   | Brigade Leveraged Capital Structures Fund Ltd. (I.R.S. Identification No. 98-0513519)                        |                                       |
| 2.  | Check the Appropriate Box if a Member of a Group (See Instructions)  |                                       |
|   | (a) <input type="checkbox"/> (b) <input checked="" type="checkbox"/>   |                                       |
| 3.  | SEC Use Only   |                                       |
| 4.  | Source of Funds (See Instructions)   |                                       |
|   | WC   |                                       |
| 5.  | Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) <input type="checkbox"/> |                                       |
|   | N/A  |                                       |
| 6.  | Citizenship or Place of Organization   |                                       |
|   | Cayman Islands   |                                       |
| Number of Shares Beneficially Owned by Each Reporting Person With | 7.   | Sole Voting Power<br>0                |
|   | 8.   | Shared Voting Power<br>4,631,735      |
|   | 9.   | Sole Dispositive Power<br>0           |
|   | 10.  | Shared Dispositive Power<br>4,631,735 |
| 11.   | Aggregate Amount Beneficially Owned by Each Reporting Person<br>4,631,735                                    |                                       |
| 12.   | Check if the Aggregate Amount in Row (11) Excludes Certain Shares<br><input type="checkbox"/>                |                                       |
| 13.   | Percent of Class Represented by Amount in Row (11)<br>5.2%*  |                                       |
| 14.   | Type of Reporting Person<br>CO   |                                       |

\* Based on a total of 86,932,592 shares of Common Stock outstanding as of October 31, 2017, as set forth in the Issuer's most recent Form 10-Q, filed November 6, 2017, and 1,500,000 shares of Common Stock issuable upon the exercise of the call options described in Item 5 of this Schedule 13D.

|   |  |                                     |
|---|--|-------------------------------------|
| 1.  | Names of Reporting Persons.<br>I.R.S. Identification Nos. of above persons (entities only)                   |                                     |
|   | Brigade Distressed Value Master Fund Ltd. (I.R.S. Identification No. 98-0682414)                             |                                     |
| 2.  | Check the Appropriate Box if a Member of a Group (See Instructions)  |                                     |
|   | (a) <input type="checkbox"/> (b) <input checked="" type="checkbox"/>   |                                     |
| 3.  | SEC Use Only   |                                     |
| 4.  | Source of Funds (See Instructions)   |                                     |
|   | WC   |                                     |
| 5.  | Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) <input type="checkbox"/> |                                     |
|   | N/A  |                                     |
| 6.  | Citizenship or Place of Organization   |                                     |
|   | Cayman Islands   |                                     |
| Number of Shares Beneficially Owned by Each Reporting Person With | 7.   | Sole Voting Power<br>0              |
|   | 8.   | Shared Voting Power<br>425,571      |
|   | 9.   | Sole Dispositive Power<br>0         |
|   | 10.  | Shared Dispositive Power<br>425,571 |
| 11.   | Aggregate Amount Beneficially Owned by Each Reporting Person<br>425,571                                      |                                     |
| 12.   | Check if the Aggregate Amount in Row (11) Excludes Certain Shares<br><input type="checkbox"/>                |                                     |
| 13.   | Percent of Class Represented by Amount in Row (11)<br>0.5% *   |                                     |
| 14.   | Type of Reporting Person<br>CO   |                                     |

\* Based on a total of 86,932,592 shares of Common Stock outstanding as of October 31, 2017, as set forth in the Issuer's most recent Form 10-Q, filed November 6, 2017, and 1,500,000 shares of Common Stock issuable upon the exercise of the call options described in Item 5 of this Schedule 13D.

|   |  |                                     |
|---|--|-------------------------------------|
| 1.  | Names of Reporting Persons.<br>I.R.S. Identification Nos. of above persons (entities only)                   |                                     |
|   | Tasman Fund LP (I.R.S. Identification No. 36-4725474)  |                                     |
| 2.  | Check the Appropriate Box if a Member of a Group (See Instructions)  |                                     |
|   | (a) <input type="checkbox"/> (b) <input checked="" type="checkbox"/>   |                                     |
| 3.  | SEC Use Only   |                                     |
| 4.  | Source of Funds (See Instructions)   |                                     |
|   | WC   |                                     |
| 5.  | Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) <input type="checkbox"/> |                                     |
|   | N/A  |                                     |
| 6.  | Citizenship or Place of Organization   |                                     |
|   | Cayman Islands   |                                     |
| Number of Shares Beneficially Owned by Each Reporting Person With | 7.   | Sole Voting Power<br>0              |
|   | 8.   | Shared Voting Power<br>100,000      |
|   | 9.   | Sole Dispositive Power<br>0         |
|   | 10.  | Shared Dispositive Power<br>100,000 |
| 11.   | Aggregate Amount Beneficially Owned by Each Reporting Person<br>100,000                                      |                                     |
| 12.   | Check if the Aggregate Amount in Row (11) Excludes Certain Shares<br><input type="checkbox"/>                |                                     |
| 13.   | Percent of Class Represented by Amount in Row (11)<br>0.1% *   |                                     |
| 14.   | Type of Reporting Person<br>PN   |                                     |

\* Based on a total of 86,932,592 shares of Common Stock outstanding as of October 31, 2017, as set forth in the Issuer's most recent Form 10-Q, filed November 6, 2017, and 1,500,000 shares of Common Stock issuable upon the exercise of the call options described in Item 5 of this Schedule 13D.

|   |  |                          |
|---|--|--------------------------|
| 1.  | Names of Reporting Persons.<br>I.R.S. Identification Nos. of above persons (entities only)                   |                          |
|   | Donald E. Morgan, III  |                          |
| 2.  | Check the Appropriate Box if a Member of a Group (See Instructions)  |                          |
|   | (a) <input type="checkbox"/> (b) <input checked="" type="checkbox"/>   |                          |
| 3.  | SEC Use Only   |                          |
| 4.  | Source of Funds (See Instructions)   |                          |
|   | WC   |                          |
| 5.  | Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) <input type="checkbox"/> |                          |
|   | N/A  |                          |
| 6.  | Citizenship or Place of Organization   |                          |
|   | USA  |                          |
| Number of Shares Beneficially Owned by Each Reporting Person With | 7.   | Sole Voting Power        |
|   |  | 0                        |
|   | 8.   | Shared Voting Power      |
|   |  | 5,157,306                |
|   | 9.   | Sole Dispositive Power   |
|   |  | 0                        |
|   | 10.  | Shared Dispositive Power |
|   |  | 5,157,306                |
| 11.   | Aggregate Amount Beneficially Owned by Each Reporting Person   |                          |
|   | 5,157,306  |                          |
| 12.   | Check if the Aggregate Amount in Row (11) Excludes Certain Shares  |                          |
|   | <input type="checkbox"/>   |                          |
| 13.   | Percent of Class Represented by Amount in Row (11)   |                          |
|   | 5.8%*  |                          |
| 14.   | Type of Reporting Person   |                          |
|   | IN   |                          |

\* Based on a total of 86,932,592 shares of Common Stock outstanding as of October 31, 2017, as set forth in the Issuer's most recent Form 10-Q, filed November 6, 2017, and 1,500,000 shares of Common Stock issuable upon the exercise of the call options described in Item 5 of this Schedule 13D.

## Item 1. Security and Issuer

This statement relates to shares of common stock of Kindred Healthcare, Inc. (the “Issuer”), par value \$0.25 per share (the “Common Stock”). The address and principal executive office of the Issuer is 680 South Fourth Street, Louisville, Kentucky 40202.

## Item 2. Identity and Background

This statement is being filed on behalf of Brigade Capital Management, LP, a Delaware limited partnership (“Brigade”), Brigade Capital Management GP, LLC, a Delaware limited liability company (“GP”), Brigade Leveraged Capital Structures Fund Ltd., a Cayman Islands exempted company (“LCS”), Brigade Distressed Value Master Fund Ltd., a Cayman Islands exempted company (“DSTR”), Tasman Fund LP, a Cayman Islands exempted limited partnership (“TASM”) and Donald E. Morgan, III, a U.S. citizen (collectively, the “Reporting Persons”). The principal executive offices of Brigade, GP and Donald E. Morgan, III are located at 399 Park Ave, 16<sup>th</sup> Floor, New York, NY 10022. The principal executive offices of LCS, DSTR and TASM are at c/o Intertrust Fiduciary Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KYI-9007, Cayman Islands. Brigade is a global investment management firm specializing in credit investment strategies that was founded in 2006. The principal business of GP is acting as the general partner of Brigade. The principal business of LCS, DSTR and TASM is investing in securities.

Information regarding each executive officer, director and controlling person of LCS and DSTR and the general partner and controlling person of each of Brigade, GP and TASM is set forth in Schedule I hereto and incorporated herein by reference.

During the last five years, none of Brigade, GP, LCS, DSTR or TASM, nor, to the best knowledge of the foregoing, any of their controlling persons or any other person named on Schedule I have been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).

During the last five years, none of Brigade, GP, LCS, DSTR or TASM, nor, to the best knowledge of the foregoing, any of their controlling persons or any other persons named on Schedule I is or has been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

## Item 3. Source and Amount of Funds or Other Consideration

LCS used approximately \$79.2 million (excluding brokerage commissions) of the working capital of LCS to purchase shares of Common Stock (including the shares of Common Stock reported in this Schedule 13D and shares of Common Stock previously sold by LCS), DSTR used approximately \$4.3 million (excluding brokerage commissions) of the working capital of DSTR to purchase shares of Common Stock (including the shares of Common Stock reported in this Schedule 13D and shares of Common Stock previously sold by DSTR) and TASM used approximately \$4.8 million (excluding brokerage commissions) of the working capital of TASM to purchase shares of Common Stock (including the shares of Common Stock reported in this Schedule 13D and shares of Common Stock previously sold by TASM).

## Item 4. Purpose of Transaction

Brigade, as the investment manager of LCS, DSTR and TASM, acquired the shares of Common Stock reported herein for investment purposes in the ordinary course of business. Brigade acquired such shares of Common Stock because it believed that the shares of Common Stock reported herein, when purchased, represented an attractive investment opportunity.

---



Representatives of Brigade intend to engage in discussions with the Issuer's management and members of the Issuer's board of directors (the "Board") and other interested persons regarding, among other things, the Issuer's business, management, capital structure and allocation, corporate governance, Board composition, strategic alternatives and direction, and strategies to enhance shareholder value, including regarding the recently announced proposed acquisition of the Issuer by affiliates of TPG Capital ("TPG"), Welsh, Carson, Anderson & Stowe ("WCAS") and Humana Inc. ("Humana") (TPG, WCAS and Humana collectively, the "Consortium"), pursuant to the Agreement and Plan of Merger (the "Merger Agreement") with Kentucky Hospital Holdings, LLC, a Delaware limited liability company ("HospitalCo Parent"), Kentucky Homecare Holdings, Inc., a Delaware corporation ("Parent"), and Kentucky Homecare Merger Sub, Inc., a Delaware corporation and wholly-owned subsidiary of Parent ("Merger Sub"), and other potential strategic alternatives to the merger contemplated by the Merger Agreement (the "Merger"). Concurrently with the execution of the Merger Agreement, the Issuer also entered into a Separation Agreement (the "Separation Agreement") with Parent, HospitalCo Parent and Kentucky Hospital Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of HospitalCo Parent. Any such actions or transactions that may be taken, advocated by, or involve Brigade alone or in conjunction with other shareholders, financing sources and/or other third parties, could include proposing or considering one or more of the actions described in subsections (a) through (j) of Item 4 of Schedule 13D.

On December 27, 2017, Brigade delivered a letter to the Board (the "Letter") stating its opposition to the Merger and noting the material inadequacy of the terms of the proposed transaction. Brigade's belief is that the \$9.00 per share cash merger price significantly undervalues the Issuer's Common Stock.

The Letter notes that from the perspective of maximizing shareholder value, Brigade believes it is premature for the Issuer to engage in a sale transaction. Over the past year, Brigade noted that the Issuer has overcome numerous challenges and calmed most of the headwinds against its business, positioning it for substantial stock price appreciation in 2018 and beyond. Brigade expected management to continue operating the business to enable the shareholders who have patiently supported the Issuer throughout its challenges to realize the benefits of the business improvements through their continued ownership in the going concern. Instead, Brigade stated in the Letter, that it believes management has chosen to pursue a transaction with the Consortium that severely undervalues the Issuer and ensures that the Consortium – rather than existing shareholders – will reap the benefits of the value enhancement the improved business is expected to generate. For these and the reasons stated in the Letter, Brigade advised the Issuer that it does not believe the proposed transaction is in the best interests of the Issuer's shareholders and intends to actively oppose it.

The foregoing description of the Letter is qualified in its entirety by reference to the Letter, a copy of which is filed herewith as Exhibit 1 and is incorporated by reference herein.

Brigade intends to review its investment in the Issuer on a continuing basis. Depending on various factors, including, without limitation, the outcome of any discussions referenced above, Brigade's financial position and strategic direction, actions taken by the Board, price levels of the Common Stock, other investment opportunities available to Brigade, conditions in the securities market and general economic and industry conditions, Brigade may in the future take such actions with respect to its investment in the Issuer as it deems appropriate, including, without limitation, purchasing additional shares of Common Stock and/or other equity, debt, notes, instruments or other securities of the Issuer (collectively, "Securities"), disposing of any or all of its Securities, in the open market or otherwise, at any time and from time to time, and engaging in any hedging or similar transactions with respect to the Securities. Brigade may participate in and influence the affairs of the Issuer through the exercise of its voting rights with respect to the shares of Common Stock owned by the Reporting Persons.

Brigade reserves the right to change its intention with respect to any and all matters referred to in subparagraphs (a) – (j) of Item 4 of Schedule 13D. Brigade may, at any time and from time to time, review or reconsider its position and/or change its purpose and/or formulate plans or proposals with respect thereto and carry out any of the actions or transactions described in paragraphs (a) through (j) of the instructions to Item 4 of Schedule 13D, to the extent it deems advisable.

---

#### **Item 5. Interest in Securities of the Issuer**

(a) Brigade beneficially owns 3,657,306 shares of Common Stock (excluding the shares of Common Stock subject to the OTC Equity Call Option and the Listed Equity Call Option, as defined below), of which 3,281,735 shares of Common Stock and 375,571 shares of Common Stock are owned by each of LCS and DSTR. 1,650,000 of such shares of Common Stock were acquired in connection with the settlement of the transactions contemplated by the Swap Agreement (as defined below in Item 6).

On January 9, 2017, LCS, TASM and DSTR entered into a call option agreement (the “OTC Equity Call Option Agreement”) with Goldman Sachs pursuant to which LCS, TASM and DSTR each acquired a call option that gives LCS, TASM and DSTR the right to purchase 850,000 shares of Common Stock, 100,000 shares of Common Stock and 50,000 shares of Common Stock, respectively, for an exercise price of \$9.00 per share (the “OTC Equity Call Option”). The OTC Equity Call Option will expire and terminate on January 19, 2018, and is exercisable at LCS’s election any time on or prior to its expiration.

On November 6, 2017, LCS entered into a call option agreement (the “Listed Equity Call Option Agreement”) with Credit Suisse pursuant to which LCS acquired a call option that gives LCS the right to purchase 500,000 shares of Common Stock for an exercise price of \$7.50 per share (the “Listed Equity Call Option”). The Listed Equity Call Option will expire and terminate on May 18, 2018, and is exercisable at LCS’s election any time on or prior to its expiration.

Together with the shares of Common Stock subject to the OTC Equity Call Option and the Listed Equity Call Option, the Reporting Persons are therefore deemed to beneficially own 5,157,306 shares of Common Stock in the aggregate, 4,631,735 shares of Common Stock by LCS, 425,571 shares of Common Stock by DSTR and 100,000 shares of Common Stock by TASM, representing 5.8% in the aggregate, and 5.2%, 0.5% and 0.1% by LCS, DSTR and TASM, respectively, of the issued and outstanding shares of the Common Stock of the Issuer as of December 26, 2017.

To the knowledge of the Reporting Persons, the executive officers and directors of LCS, the general partner of Brigade and the general partner of DSTR have no beneficial ownership of Common Stock separate from the beneficial ownership held by the Reporting Persons.

(b) Brigade, as the investment manager of LCS, DSTR and TASM, has the shared power to vote and dispose of the 5,157,306 shares of Common Stock described in this Schedule 13D.

(c) Schedule II annexed hereto lists all transactions in the securities of the Issuer by the Reporting Persons in the past 60 days. All such transactions were effected in the open market.

(d) To the knowledge of the Reporting Persons, no other person has the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, shares of Common Stock.

(e) Not applicable.

#### **Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer**

LCS had entered into a total return swap agreement with Bank of America as the counterparty (the “Swap Agreement”). The swap with Bank of America constituted economic exposure to 1,650,000 notional shares of Common Stock. On December 21, 2017, LCS settled the swap with Bank of America and the Swap Agreement terminated with no obligations remaining thereunder of either LCS or Bank of America. As a result of this settlement, LCS took possession of the 1,650,000 shares of Common Stock.

The disclosure in Item 5 relating to the OTC Equity Call Option Agreement and the Listed Equity Call Option Agreement is incorporated into this Item 6 by reference.

Except as set forth herein with respect to the Swap Agreement, OTC Equity Call Option Agreement and the Listed Equity Call Option Agreement, there are no contracts, arrangements, understandings or relationships between the Reporting Persons and any other person with respect to the Common Stock.

#### **Item 7. Material to be Filed as Exhibits**

1. Letter from Brigade to the Board of Directors of the Issuer, dated December 27, 2017.
-

**Signature**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

December 27, 2017

Brigade Capital Management, LP

By: /s/ Donald E. Morgan, III

Name: Donald E. Morgan, III

Title: Managing Member of its General Partner

Brigade Capital Management GP, LLC

By: /s/ Donald E. Morgan, III

Name: Donald E. Morgan, III

Title: Managing Member

Brigade Leveraged Capital Structures Fund Ltd.

By: /s/ Donald E. Morgan, III

Name: Donald E. Morgan, III

Title: Director

Brigade Distressed Value Master Fund Ltd.

By: /s/ Donald E. Morgan, III

Name: Donald E. Morgan, III

Title: Director

Tasman Fund LP

By: /s/ Donald E. Morgan, III

Name: Donald E. Morgan, III

Title: Managing Member of its General Partner

/s/ Donald E. Morgan, III

Donald E. Morgan, III

---

**Schedule I**

**Information Regarding the Instruction C Persons**

The following sets forth the name, position, address, principal occupation, and citizenship of each director and executive officer of the applicable Reporting Persons and the name, state of organization, principal business, and address of the principal place of business and principal office of each general partner and controlling person of the applicable Reporting Persons (such executive officers, directors, general partners and controlling persons, the "Instruction C Persons").

**Brigade Leveraged Capital Structures Fund Ltd.**

Directors and Officers:

| Name                  | Position | Address  | Principal Occupation                                       | Citizenship/Place of Organization |
|-----------------------|----------|--|--|-----------------------------------|
| Donald E. Morgan, III | Director | c/o Brigade Capital Management, LP, 399 Park Avenue, 16 <sup>th</sup> Floor, New York, NY 10022                          | Managing Partner of Brigade Capital Management, LP         | United States                     |
| Scott Dakers          | Director | c/o Intertrust Fiduciary Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KYI-9007, Cayman Islands | Director of Intertrust Fiduciary Services (Cayman) Limited | United Kingdom                    |
| Evan Burtton          | Director | c/o Intertrust Fiduciary Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KYI-9007, Cayman Islands | Director of Intertrust Fiduciary Services (Cayman) Limited | New Zealand                       |

**Brigade Capital Management, LP**

Brigade Capital Management GP, LLC, the General Partner of Brigade Capital Management, LP, is a Delaware limited liability company. Its principal business is acting as the general partner of Brigade Capital Management, LP. Its principal places of business and principal offices are located at 399 Park Avenue, 16<sup>th</sup> Floor, New York, NY 10022. Donald E. Morgan, III is the controlling person of Brigade Capital Management GP, LLC.

**Brigade Capital Management GP, LLC**

Directors and Officers:

| Name                  | Position        | Address   | Principal Occupation                               | Citizenship/Place of Organization |
|-----------------------|-----------------|---|--|-----------------------------------|
| Donald E. Morgan, III | Managing Member | c/o Brigade Capital Management, LP, 399 Park Avenue, 16 <sup>th</sup> Floor, New York, NY 10022 | Managing Partner of Brigade Capital Management, LP | United States                     |

---

**Brigade Distressed Value Master Fund Ltd.**

Directors and Officers:

| Name                  | Position | Address  | Principal Occupation                                       | Citizenship/Place of Organization |
|-----------------------|----------|--|--|-----------------------------------|
| Donald E. Morgan, III | Director | c/o Brigade Capital Management, LP, 399 Park Avenue, 16 <sup>th</sup> Floor, New York, NY 10022                          | Managing Partner of Brigade Capital Management, LP         | United States                     |
| Scott Dakers          | Director | c/o Intertrust Fiduciary Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KYI-9007, Cayman Islands | Director of Intertrust Fiduciary Services (Cayman) Limited | United Kingdom                    |
| Evan Burtton          | Director | c/o Intertrust Fiduciary Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KYI-9007, Cayman Islands | Director of Intertrust Fiduciary Services (Cayman) Limited | New Zealand                       |

**Tasman Fund LP**

Brigade Capital GP, LLC, the General Partner of Tasman Fund LP, is a Delaware limited liability company. Its principal business is acting as the general partner of Tasman Fund LP. Its principal places of business and principal offices are located at 399 Park Avenue, 16<sup>th</sup> Floor, New York, NY 10022. Donald E. Morgan, III is the controlling person of Brigade Capital GP, LLC.

---

**Schedule II****Transactions in Common Stock by Reporting Persons**

The following table sets forth all transactions in the Common Stock effected in the past sixty days by the Reporting Persons. All such transactions were effected in the open market through brokers and the price per share is net of commissions.

| <b>Transaction Date</b> | <b>Reporting Person</b> | <b>Title of Class</b> | <b>Number of Shares Purchased</b> | <b>Number of Shares Sold</b> | <b>Price Per Share</b> |
|-------------------------|-------------------------|-----------------------|-----------------------------------|------------------------------|------------------------|
| 9/19/2017               | DSTR                    | Common Stock          | 5,703                             | --                           | \$6.05                 |
| 9/20/2017               | DSTR                    | Common Stock          | 28,797                            | --                           | \$6.05                 |
| 9/21/2017               | DSTR                    | Common Stock          | 91                                | --                           | \$5.80                 |
| 9/21/2017               | DSTR                    | Common Stock          | 7614                              | --                           | \$5.80                 |
| 9/21/2017               | LCS                     | Common Stock          | 509                               | --                           | \$5.80                 |
| 9/21/2017               | LCS                     | Common Stock          | 42,386                            | --                           | \$5.80                 |
| 10/11/2017              | DSTR                    | Common Stock          | 2,873                             | --                           | \$6.10                 |
| 10/11/2017              | LCS                     | Common Stock          | 15,990                            | --                           | \$6.10                 |
| 10/12/2017              | DSTR                    | Common Stock          | 3,392                             | --                           | \$6.15                 |
| 10/12/2017              | DSTR                    | Common Stock          | 3,944                             | --                           | \$6.129247             |
| 10/12/2017              | DSTR                    | Common Stock          | 3,128                             | --                           | \$6.122217             |
| 10/12/2017              | LCS                     | Common Stock          | 17,410                            | --                           | \$6.122217             |
| 10/12/2017              | LCS                     | Common Stock          | 21,956                            | --                           | \$6.129247             |
| 10/12/2017              | LCS                     | Common Stock          | 18,880                            | --                           | \$6.15                 |
| 10/13/2017              | DSTR                    | Common Stock          | 3,046                             | --                           | \$6.1278               |
| 10/13/2017              | DSTR                    | Common Stock          | 2,284                             | --                           | \$6.09983333           |
| 10/13/2017              | DSTR                    | Common Stock          | 2,554                             | --                           | \$6.029813             |
| 10/13/2017              | DSTR                    | Common Stock          | 3,807                             | --                           | \$6.0999               |
| 10/13/2017              | LCS                     | Common Stock          | 14,217                            | --                           | \$6.029813             |
| 10/13/2017              | LCS                     | Common Stock          | 21,193                            | --                           | \$6.0999               |
| 10/13/2017              | LCS                     | Common Stock          | 12,716                            | --                           | \$6.09983333           |
| 10/13/2017              | LCS                     | Common Stock          | 16,954                            | --                           | \$6.1278               |

|            |      |              |            |            |            |
|------------|------|--------------|------------|------------|------------|
| 10/17/2017 | DSTR | Common Stock | 5,338      | --         | \$6.1342   |
| 10/17/2017 | LCS  | Common Stock | 29,718     | --         | \$6.1342   |
| 11/2/2017  | LCS  | Common Stock | 50,000     | --         | \$6.1837   |
| 11/3/2017  | LCS  | Common Stock | 50,000     | --         | \$6.05     |
| 11/14/2017 | LCS  | Common Stock | 11,137     | --         | \$7.485409 |
| 11/15/2017 | LCS  | Common Stock | 43,953     | --         | \$7.489364 |
| 11/16/2017 | LCS  | Common Stock | 50,000     | --         | \$7.50     |
| 11/17/2017 | LCS  | Common Stock | 2,206      | --         | \$7.55     |
| 11/30/2017 | LCS  | Common Stock | 192,704    | --         | \$7.5934   |
| 12/1/2017  | LCS  | Common Stock | 14,200     | --         | \$7.292606 |
| 12/1/2017  | LCS  | Common Stock | 50,000     | --         | \$7.4375   |
| 12/1/2017  | LCS  | Common Stock | 50,000     | --         | \$7.334589 |
| 12/4/2017  | LCS  | Common Stock | 25,800     | --         | \$7.40     |
| 12/4/2017  | LCS  | Common Stock | 60,000     | --         | \$7.35     |
| 12/6/2017  | LCS  | Common Stock | 19,806     | --         | \$7.046718 |
| 12/19/2017 | DSTR | Common Stock | 2,273      | --         | \$9.016232 |
| 12/19/2017 | DSTR | Common Stock | 9,091      | --         | \$8.999825 |
| 12/19/2017 | DSTR | Common Stock | 13,636     | --         | \$9        |
| 12/19/2017 | DSTR | Common Stock | 22,727     | --         | \$9        |
| 12/19/2017 | DSTR | Common Stock | 27,273     | --         | \$9        |
| 12/19/2017 | LCS  | Common Stock | 22,727     | --         | \$9.016232 |
| 12/19/2017 | LCS  | Common Stock | 90,909     | --         | \$8.999825 |
| 12/19/2017 | LCS  | Common Stock | 136,364.00 | --         | \$9        |
| 12/19/2017 | LCS  | Common Stock | 227,273.00 | --         | \$9        |
| 12/19/2017 | LCS  | Common Stock | 272,727.00 | --         | \$9        |
| 12/19/2017 | LCS  | Common Stock | 1,650,000* | --         | \$9.028869 |
| 12/19/2017 | LCS  | Common Stock | --         | 1,000,000* | \$8.9881   |
| 12/19/2017 | LCS  | Common Stock | --         | 650,000*   | \$8.9881   |
| 12/20/2017 | DSTR | Common Stock | 110,000    | --         | \$9.125    |

\* See Swap Agreement described in Item 6 of Schedule 13D to which this Schedule II is attached.

December 27, 2017

Benjamin A. Breier  
President and Chief Executive Officer  
Kindred Healthcare, Inc.  
680 South Fourth Street  
Louisville, Kentucky 40202

CC: The Board of Directors

Re: Announced Acquisition of Kindred Healthcare by TPG Capital, Welsh, Carson, Anderson & Stowe and Humana Inc. for  
\$9.00 Per Share in Cash

Dear Mr. Breier:

As large and long-term shareholders of Kindred Healthcare, Inc. (“Kindred” or the “Company”), we were shocked at Kindred’s announcement on December 19, 2017 that it had entered into a merger agreement, pursuant to which the Company will be acquired by affiliates of TPG Capital, Welsh, Carson, Anderson & Stowe, and Humana Inc. for the disappointing and grossly inadequate price of \$9.00 per share.

From the perspective of maximizing shareholder value, this is a terrible time to sell the Company. This acquisition appears timed to enable the buyers and members of management to (i) take advantage of the negative impact that certain recent (but temporary) events have had on the Company’s stock price, and at the same time (ii) avoid paying full value for operational enhancements that are in process but not likely to be fully realized until next year. Over the past year, Kindred’s earnings power has been negatively impacted by significant restructuring, disposition and transition activities which, per recent management commentary, will be largely complete in late 2017. One needs to look no further than management’s discussion during Kindred’s third quarter 2017 earnings call for proof of this point. Time and again during the call, management spoke of how the Company’s underlying businesses faced various challenges in 2017, but have been restructured in a manner that should drive improved performance going forward. These statements are consistent with the FY18 financial guidance that management provided on that call as well. These near-term set-backs should position Kindred for stronger operating performance and substantial stock price appreciation going forward.

Given these circumstances, we would have expected the Company’s fiduciaries to stay the course in order to enable shareholders to reap the benefits of these improvements that they patiently awaited from their continued ownership in Kindred. Instead, management and the Board of Directors have chosen to pursue a transaction that severely undervalues the Company and ensures that the buyers – rather than existing shareholders – will reap the benefits of the value enhancement the improved business will generate. For these reasons, Brigade Capital does not believe the proposed transaction is in the best interests of Kindred shareholders, and intends to vote against the transaction.



---

In Brigade's view, these short-term issues render highly misleading the purported 27% premium over the Company's 90-day volume weighted average price for the period ending December 15, 2017 that shareholders are supposed to receive under the proposed transaction. The transitory issues outlined above have created significant financial modeling complexity and have distorted the Company's true earnings potential. All of which has negatively impacted Kindred's stock price, undermining any significance of the premium to the unaffected pre-announcement stock price.

In particular, the following initiatives and other factors can reasonably be expected to increase both long-term growth and shareholder value:

- *Improved Regulatory Environment.* In July 2017, the Company's stock price fell by almost 15% because the Centers for Medicare & Medicaid Services ("CMS") unexpectedly proposed reimbursement methodology changes that could have negatively impacted Kindred's Home Health business segment. Four months later, however, CMS decided not to include these changes in the final rule, removing a major near-term potential threat.
- *Kindred has divested its low multiple Skilled Nursing assets.* Kindred has been actively divesting its skilled nursing facilities throughout the course of 2017. An unfavorable regulatory backdrop, high capital-intensity requirements and earnings volatility in the Skilled Nursing business have depressed this segment's attractiveness and we believe pressured Kindred's recent trading multiple. The bulk of these facilities were sold in the second half of 2017 and now that they have transitioned to new owners, Kindred is in position to remove a significant amount of overhead expense and benefit from the more favorable earnings trajectory and cash flow characteristics of the remaining businesses. The Company also executed contracts to provide rehab services for a number of the transferred skilled nursing facilities, but the economic benefit of these and any additional new contracts is not fully reflected in Kindred's financials for the last twelve months.
- *The Company has strengthened its balance sheet since 3Q17.* In October 2017, Kindred restructured its insurance program in a manner that released \$281 million of cash that was trapped in its captive insurance subsidiary, which the Company then used to pay down its revolver while still adding ~\$100 million in cash to its balance sheet. These changes alone should be worth around \$3.00 per share of value to the Company's stock price. Tellingly, the Company's stock jumped from \$6.00 per share to \$8.40 per share on the day the Company announced this restructuring, and the stock price remained in a range between \$7.15 and \$8.60 per share per share leading up to the announcement of the merger. Furthermore, and again consistent with management commentary, settling the working capital accounts related to the divested skilled nursing assets has had a temporary negative impact on cash flow generation on a trailing twelve month basis.

- 
- *Natural disaster activity in 2017 distorts Kindred's trailing twelve month performance.* Kindred's Home Health and Hospital segments were impacted significantly by hurricanes in the third quarter of 2017. Management commentary suggests these disruptions were transitory and expects both segments to return to year-over-year growth in the fourth quarter and beyond.
  - *Kindred is at an earnings and cash flow generation inflection point.* Management expects the fourth quarter of 2017 to be its strongest cash quarter of the year, and in 2018, it is projecting \$515 million of core EBITDA and \$175 million of core free cash flow.
  - *Kindred's Hospital Division is poised for improved performance.* This segment's trailing twelve month performance has been negatively impacted by a reimbursement change that took effect in 2016. Kindred's hospital division is expected to return to favorable year-over-year growth comparisons starting in the fourth quarter of this year. This reimbursement change has limited the Company's growth and required significant portfolio and infrastructure restructuring. The majority of this repositioning activity has been completed, which should drive positive earnings momentum going forward.
  - *Significant go forward cash tax shield.* The Company anticipates a net operating loss balance of \$550 to \$600 million at the end of 2017. This should provide Kindred shareholders with significant value by limiting the Company's cash income tax for several years.

In light of the foregoing, the \$9.00 per share valuation underlying the proposed transaction is fundamentally inconsistent with management's own statements regarding the Company's positive outlook, performance initiatives and earnings power going forward. In our view, the deal price is not reflective of Kindred's intrinsic value and will short-change existing shareholders. Kindred is positioned for significant stock price appreciation. The Company has ample liquidity, no near-term debt maturities, and is expected to generate around \$175 million of core free cash flow in 2018. There is no urgency to sell the Company, and conducting a sale process utilizing Kindred's significantly distorted trailing twelve month performance seems particularly misguided.

We believe this position is widely held by investors and would note the significant amount of trading activity in Kindred stock since the transaction was officially announced above the proposed \$9 share offer price.

The proposed merger does not come close to maximizing shareholder value, is not in the best interests of shareholders and should not be approved by Kindred's owners. Brigade is disappointed that Kindred's management and board have chosen to move forward with such a poor transaction.

---

We look forward to reviewing additional details supporting this transaction in the definitive proxy materials, including the economic incentives and ongoing participation being offered current management and Directors by the proposed future owners.

Kind regards,

/s/ Donald E. Morgan, III

Donald E. Morgan, III