



Revised as of May 1, 2012

CORPORATE GOVERNANCE GUIDELINES
of
SKILLED HEALTHCARE GROUP, INC.

Skilled Healthcare Group, Inc. (the "*Company*") operates within a comprehensive plan of corporate governance for the purpose of defining responsibilities, setting high standards of professional and personal conduct and assuring compliance with such responsibilities and standards. The Company regularly monitors developments in the area of corporate governance. The Company is committed to good business practices, transparency in financial reporting and the highest level of corporate governance.

The Company has adopted a set of Corporate Governance Guidelines, including a policy regarding stockholder communication with non-management members of the Board of Directors (the "*Board*"), as well as specifications for director qualification and responsibility.

The Board

Role of Board and Management

The Company's business is conducted by its and its subsidiaries' employees, managers and officers, under the direction of the chief executive officer (CEO) and the oversight of the Board, to enhance the long-term value of the company for its stockholders. The Board is elected by the stockholders to oversee management and to assure that the long-term interests of the stockholders are being served. Both the Board and management recognize that the long-term interests of stockholders are advanced by responsibly addressing the concerns of other persons with a stake in the Company and interested parties including patients, employees, recruits, customers, suppliers, the community, government officials and the public at large.

Director Qualification Standards

The Corporate Governance, Quality and Compliance Committee (the "*Governance Committee*") is responsible for reviewing with the Board, on an annual basis, the appropriate characteristics, skills and experience required for the Board as a whole and its individual members. In evaluating the suitability of individual candidates (both new candidates and current Board members), the Governance Committee, in recommending candidates for election, and the Board, in approving (and, in the case of vacancies, appointing) such candidates, take into account many factors, including the ability to make independent analytical inquiries, general understanding of marketing, finance and other elements relevant to the success of a publicly-traded company in today's business environment, experience in the Company's industry and with relevant social policy concerns, understanding of the Company's business on a technical level, other board service, educational and professional background and any other qualifications or criteria the Board may establish from time to time. Each candidate nominee must also possess fundamental qualities of intelligence, honesty, good judgment, high ethics and standards of integrity, fairness and responsibility.

The Board evaluates each individual in the context of the Board as a whole, with the objective of assembling a group that can best perpetuate the success of the business and represent stockholder interests through the exercise of sound judgment using its diversity of experience in these various areas. In determining whether to recommend a director for re-election, the Governance Committee also considers the director's past attendance at meetings, participation in and contributions to the activities of the Board and whether the director continues to meet the aforementioned criteria for Board candidates.

Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively, and should be committed to serve on the Board for an extended period of time. Directors should offer their resignation in the event of any significant change in their personal circumstances, including change in their principal job responsibilities, that impairs their ability to devote sufficient time to carrying out their Board duties and responsibilities effectively.

No Specific Limitation on Other Board Service

The Board does not believe that its members should be prohibited from serving on boards of other organizations and has not adopted any guidelines limiting such activities, except with respect to members serving on the Audit Committee, as described below. However, the Governance Committee and the Board will take into account the nature of and time involved in a director's service on other boards and/or committees in evaluating the suitability of individual director candidates and current directors and making its recommendations to the Company's stockholders.

Due to the demanding nature of service on the Audit Committee, the members of the Audit Committee should not serve on the audit committees of the boards of directors of more than three other public companies at the same time as they are serving on the Audit Committee. Service on more than three audit committees concurrently should trigger a Board determination and proxy disclosure that such simultaneous service does not impair the individual's ability to serve the Company.

Director Responsibilities

The business and affairs of the Company will be managed by or under the direction of the Board, including through one or more of its committees as set forth in the Bylaws and committee charters. Each director is expected to spend the time and effort necessary to properly discharge his or her responsibilities. In addition to its general oversight of management, the Board also performs a number of specific functions, including:

- (1) overseeing the conduct of the Company's business, to evaluate whether the business is being properly managed;
- (2) reviewing and, where appropriate, approving the Company's major financial objectives, plans and actions;
- (3) reviewing and, where appropriate, approving major changes in, and determinations of other major issues respecting, the appropriate auditing and accounting principles and practices to be used in the preparation of the Company's financial statements;

- (4) reviewing and, where appropriate, approving major changes in, and determinations under the Company's Corporate Governance Guidelines, Code of Conduct and other Company policies;
- (5) reviewing and, where appropriate, approving actions to be undertaken by the Company that would result in a material change in the financial structure or control of the Company, the acquisition or disposition of any businesses or asset(s) material to the Company or the entry of the Company into any major new line of business;
- (6) assessing major risks facing the Company and reviewing options for their mitigation;
- (7) together with the Compensation Committee, regularly evaluating the performance and approving the compensation of the Chief Executive Officer;
- (8) with the input of the Compensation Committee and the Chief Executive Officer, providing counsel and oversight on the selection, evaluation, development and compensation of principal senior executives;
- (9) planning for succession with respect to the position of Chief Executive Officer and monitoring management's succession planning for other key executives; and
- (10) ensuring that the Company's business is conducted with the highest standards of ethical conduct and in conformity with applicable laws and regulations, and ensuring that the integrity of relationships with patients, suppliers and other stockholders is maintained.

Director Independence Standards

The Company is a "Controlled Company" within the meaning of NYSE Listed Company Manual Section 303A. The Board performs an analysis, at least annually, as to whether each member of the Board is independent. The Board has adopted the definition of "independence" as described under NYSE Listed Company Manual Section 303A.02, as in effect at the time of the Board's determination.

All future non-employee directors will be independent. Directors who do not satisfy the Company's independence guidelines also make valuable contributions to the Board and to the Company by reason of their experience and wisdom.

For a director to be considered independent, the Board must determine that the director does not have any direct or indirect material relationship with the Company. The Board will consider all relevant facts and circumstances in making an independence determination, and not merely from the standpoint of the director, but also from that of persons or organizations with which the director has an affiliation.

The Board will make and publicly disclose its independence determination for each director when the director is first elected to the Board and annually thereafter for all nominees for election as directors.

Size of Board and Selection Process

Each year, at the annual meeting of stockholders, directors shall be elected for a full term of three years to succeed the directors of the class whose terms expire at such annual meeting, in accordance with the Company's Certificate of Incorporation.

The Board determines the number of directors from time to time by resolutions adopted by majority vote. If the number of directors is changed, any increase or decrease will be apportioned among the classes so as to maintain a number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class will hold office for a term that will coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. To the extent reasonably possible, and consistent with the foregoing, any newly created directorships will be added to those classes whose terms of office are to expire at the latest dates following such allocation and newly eliminated directorships will be subtracted from those classes whose terms of office are to expire at the earliest dates following such allocation, unless otherwise provided for from time to time by resolution adopted by a majority of the members of the incumbent Board then in office, although less than a quorum.

Stockholders may propose nominees for consideration by the Governance Committee in accordance with the Company's Bylaws and applicable law.

Committees of the Board

The Board has established three standing committees comprised of members of the Board to assist the Board in discharging its responsibilities: (i) the Audit Committee; (ii) the Compensation Committee and (iii) the Governance Committee. The current charters and key practices of these committees are published on the Company's website and will be mailed to stockholders upon written request. The committee chairs report the highlights of their meetings to the full Board following each meeting of the respective committees. The committees occasionally hold meetings in conjunction with the full Board.

Independence of Committee Members

In addition to the requirement that a majority of the Board satisfy the independence requirements discussed above, members of the Audit Committee must also satisfy the definition of "independence" under Rule 10A-3 of the Securities Exchange Act of 1934. Specifically, members of the Audit Committee may not accept directly or indirectly any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries, other than their directors' compensation.

Compensation

The Company's executive officers shall not receive additional compensation for their service as directors. Senior management of the Company will report once a year to the Compensation Committee regarding the status of the Company's non-management director compensation in relation to other U.S. companies of comparable size and the Company's competitors. Such report will include consideration of both direct and indirect forms of compensation to the Company's non-management directors, including any charitable

contributions by the Company to organizations in which a non-management director is involved. Following a review of the report, the Compensation Committee will recommend any changes in non-management director compensation to the Chairman of the Board, which changes will be approved or disapproved by the Board after a full discussion.

Members of the Audit Committee may not receive any compensation from the Company other than for their service on the Board and its committees.

Related Party Transactions

The Company gives careful attention to its review and disclosure of “related party” transactions - namely, transactions between the Company and its directors or members of senior management, as defined by Item 404 of Regulation S-K of the Securities Act of 1933. Existing related party transactions are reviewed on a biannual basis with the goals of ensuring that such transactions are being pursued in accordance with all of the understandings and commitments made at the time they were previously approved, ensuring that payments being made with respect to such transactions are appropriately reviewed and documented and reaffirming the continuing desirability of and need for each related party arrangement.

Newly proposed related party transactions are fully and carefully reviewed by the Audit Committee of the Board for evaluation and approval. The Audit Committee has the authority to hire and consult with outside financial, legal and other advisors as it deems appropriate in its evaluation of any such proposed transactions. The information provided to the directors reviewing a transaction must be sufficiently comprehensive so that the Audit Committee can reach informed decisions about related party transactions.

In addition, the Board takes active measures to ensure that the entities providing these related party services are being held to the same standards the Company would demand of unaffiliated third-party service providers and there is a clear and articulable reason for procuring the service from a related party.

Stockholder Communication with the Board

The Company provides a process for stockholders to send communications to the Board, the non-management members as a group, or any of the directors individually. Stockholders may contact any of our directors, including our non-management directors, by writing to them c/o Office of the General Counsel, Skilled Healthcare Group, Inc., 27442 Portola Parkway, Suite 200, Foothill Ranch, California 92610 or by email at rrapp@skilledhealthcare.com or by telephone at 949-282-5800. All communications will be compiled by the Office of the General Counsel and submitted to the Board or the individual directors on a periodic basis.

Board Access to Senior Management

The Board will have complete access to Company management in order to ensure that directors can ask any questions and receive all information necessary to perform their duties. Directors should exercise judgment to ensure that their contact with management does not distract managers from their jobs or disturb the business operations of the Company. Such contact, if in writing, should be copied to the Chief Executive Officer of the Company.

Board Access to Independent Advisors

The Board committees may hire independent advisors as set forth in their applicable charters and pursuant to applicable law. The Board as a whole shall have access to such advisors and such other independent advisors that the Company retains or that the Board considers necessary to discharge its responsibilities.

Board Orientation and Continuing Education of Board Members

The Company provides new directors with a director orientation program to familiarize them with, among other things, the Company's business, strategic plans, significant financial, accounting and management issues, compliance programs, conflicts policies, Code of Conduct, Corporate Governance Guidelines, principal officers, internal auditors and independent auditors.

The Company will make available to directors continuing education programs, and each director is expected to participate in such programs from time to time, as the Board determines desirable.

Annual Self-Evaluation

Following the end of each fiscal year, the Governance Committee will oversee an annual assessment by the Board of the Board's performance. The Governance Committee will be responsible for establishing the evaluation criteria and implementing the process for such evaluation, as well as considering other corporate governance principles that may, from time to time, merit consideration by the Board.

The assessment should include a review of any areas in which the Board or management believes the Board can make a better contribution to the governance of the Company, as well as a review of the committee structure and an assessment of the Board's compliance with the principles set forth in these Corporate Governance Guidelines. The purpose of the review will be to improve the performance of the Board as a unit, and not to target the performance of any individual Board member. The Governance Committee will utilize the results of the Board evaluation process in assessing and determining the characteristics and critical skills required of prospective candidates for election to the Board.

Board Meetings

Director Attendance

A director is expected to spend the time and effort necessary to properly discharge his or her responsibilities. Accordingly, a director is expected to regularly prepare for and attend meetings of the Board and all committees on which the director sits (including separate meetings of non-management directors and the independent directors), with the understanding that, on occasion, a director may be unable to attend a meeting. A director who is unable to attend a meeting is expected to notify the Chairman of the Board or the Chairman of the appropriate committee in advance of such meeting, and, whenever possible, participate in such meeting via teleconference.

In furtherance of our objective to provide investors with open lines of communication to the directors, the Company has adopted a policy that directors will make reasonable efforts to attend annual meetings of stockholders. Directors' attendance at annual meetings can provide investors with an opportunity to communicate with directors about issues affecting the company. In addition, the Company discloses in its annual meeting proxy statement the number of directors who attend the annual meetings.

Setting Board Agenda

The Chairman and Chief Executive Officer will have primary responsibility for preparing the agenda for each meeting and arranging for it to be sent in advance of each meeting to the directors. Directors are encouraged to make suggestions for agenda items, or additional pre-meeting materials, to the Chief Executive Officer, the Chairman of the Board or appropriate committee chair at any time.

Advance Receipt of Meeting Materials

Information regarding the topics to be considered at a meeting is essential to the Board's understanding of the business and the preparation of the directors for a productive meeting. To the extent feasible, the meeting agenda and any written materials relating to each Board meeting will be distributed to the directors sufficiently in advance of each meeting to allow for meaningful review of such agenda and materials by the directors. Directors are expected to have reviewed and be prepared to discuss all materials distributed in advance of any meeting.

Leadership Development

Annual Review of Chief Executive Officer

The Board, with input from the Chief Executive Officer, shall annually establish the performance criteria (including both long-term and short-term goals) to be considered in connection with the Chief Executive Officer's next annual performance evaluation. At the end of each year, the Chief Executive Officer shall make a presentation or furnish a written report to the Board indicating his or her progress against such established performance criteria. Thereafter, with the Chief Executive Officer absent, the Board shall meet to review the Chief Executive Officer's performance. The results of the review and evaluation shall be communicated to the Chief Executive Officer by the Chairman of the Compensation Committee.

Succession Planning

The Governance Committee works on a periodic basis with the Chief Executive Officer to review, maintain and revise, if necessary, the Company's succession plan upon the Chief Executive Officer's retirement and in the event of an unexpected occurrence. The Chief Executive Officer shall report annually to the Board on succession planning for the Chief Executive Officer and senior management positions, including a discussion of assessments, leadership development plans and other relevant factors. There should also be available to the Governance Committee, on a continuing basis, the Chief Executive Officer's recommendations regarding his or her successor should he or she be unexpectedly disabled.
