



GENESIS HEALTHCARE CORPORATION

CORPORATE GOVERNANCE PROFILE

A. Role of the Board of Directors

1. General

The business and affairs of the Company shall be managed under the direction of the Board of Directors. The Directors will exercise their business judgment and act, at all times, in what they reasonably believe to be in the best interests of the Company after considering the interests of its stakeholders, customers, employees, suppliers and the communities in which the Company operates.

The Chief Executive Officer, together with the other executive officers of the Company, has been delegated the authority and responsibility for managing the business of the Company in a manner consistent with the standards and practices of the Company, in accordance with the Company's *Corporate Integrity Program* and *Code of Business Conduct and Ethics*, and at the direction of, and pursuant to delegation of authority by, the Board of Directors. The Chief Executive Officer and management are shall seek the advice and, where appropriate, approval of the Board of Directors with respect to fundamental or extraordinary actions to be undertaken by the Company.

2. Corporate Integrity Program; Code of Business Conduct and Ethics

Members of the Board of Directors shall act at all times in accordance with the requirements of the Company's *Corporate Integrity Program* and *Code of Business Conduct and Ethics*, which shall be applicable to each Director in connection with his or her activities relating to the Company. This obligation shall at all times include, without limitation, adherence to the Company's policies with respect to conflicts of interest, corporate opportunity, protection of the Company's assets, confidentiality, ethical conduct in business dealings and respect for and compliance with applicable law.

B. Composition of the Board of Directors

1. Chairman and CEO

The Chairman of the Board may also hold the office of the Chief Executive Officer. Currently, the positions of Chairman of the Board and Chief Executive Officer are combined in one person. The offices of Chairman and Chief

Executive Officer are separately evaluated by the Nominating and Corporate Governance Committee annually.

2. **Lead Director**

Genesis has a Lead Director who is not a current employee of the Company and who is appointed by the Board. The Lead Director serves as a liaison between the Board and the Chairman of the Board and assists in establishing the agenda and orientation and continuing education programs for the Board.

3. **Size of the Board**

The Board currently has 8 members in accordance with the Company's Articles of Incorporation and periodically reviews the appropriate size of the Board.

4. **Combination of Independent and Management Directors**

The Board shall consist of a substantial majority of independent Directors. The Board also believes that it is useful and appropriate to have members of management, e.g., the Chief Executive Officer, as Directors.

5. **Independent Directors**

The Company defines an "independent" Director in accordance with the Nasdaq Stock Market, Inc. Marketplace Rules. The Nasdaq Rules define independence to include a series of objective tests, such as that the director is not an employee of the Company and has not engaged in various types of business dealings with the Company. Because it is not possible to anticipate or explicitly provide for all potential conflicts of interest that may affect independence, the Board is also responsible to affirmatively determine as to each independent director that no relationships exist which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director. In making these determinations, the Board will review information provided by the Directors and the Company with regard to each Director's business and personal activities as they may relate to the Company and management.

6. **Board Membership Criteria**

The Nominating and Corporate Governance Committee is responsible for recommending to the Board the slate of nominees of Directors to be proposed for election by the Company's shareholders, including individuals to be considered by the Board to fill vacancies. Among other things, the Nominating and Corporate Governance Committee's assessment should include age, diversity, business experience, other business and professional commitments of the candidate, knowledge about the issues affecting the long-term care industry, and moral character. These factors, and others as considered useful by the Board, are

reviewed in the context of an assessment of the perceived needs of the Board at a particular point in time.

7. Selection of New Director Candidates

The Board is responsible for selecting its own members. The Board delegates the screening process involved to the Nominating and Corporate Governance Committee, with the expectation that other members of the Board, and of management, will be requested to take part in the process as appropriate. The Nominating and Governance Committee considers director candidates recommended or nominated by shareholders in accordance with its Policy with Respect to Nominations of Director Candidates.

8. Term Limits

While the Board has not established a fixed maximum term for a Director; the Nominating and Corporate Governance Committee shall consider a Director's tenure in making a recommendation to the Board whether or not a Director shall be a nominated for reelection to another three-year term.

C. Board Compensation

1. Board Remuneration

The Nominating and Corporate Governance Committee is responsible for recommending compensation plans for Directors to the Board. It is the general policy of the Board that Board compensation should be a combination of cash and equity-based compensation. Employee Directors will not be paid for Board membership in addition to their regular employee compensation. Independent Directors may not receive consulting, advisory or other compensatory fees from the company in addition to their Board compensation. Compensation to Directors is disclosed in the Company's annual proxy statement.

The Nominating and Corporate Governance Committee will report from time to time to the Board on the status of Board compensation in relation to other companies and with regard to trends and developments in director compensation.

D. Board Meetings; Materials

1. Scheduling; Agenda

The Board of Directors shall meet at least quarterly to review and discuss various reports presented by management. Special meetings of the Board may be called upon appropriate notice on an as-needed basis. Directors are expected to prepare for, attend, and participate in all Board and applicable Committee meetings either in person or telephonically, if necessary, subject to reasonable or unavoidable absences.

The Chairman of the Board and the Lead Director, in consultation with the other members of the Board, will establish the agenda for each meeting and distribute it in advance to the Board. The Board will review the Company's long-term strategic plan and the principal issues facing the Company during at least one meeting each year. Each Director may propose the inclusion of items on the agenda, request the presence of or a report by any member of management, or at any Board meeting raise subjects that are not on the agenda for that meeting.

2. Distribution of Board Materials in Advance

Information and data that are important to the Board's understanding of the business to be conducted at a Board or Committee meeting, together with the meeting agenda, should generally be distributed in writing to the Board before the meeting. Supplemental written materials will be provided to the Board on a periodic basis and at any time upon request of Board members. Sensitive subject matters may be discussed at the meeting without written materials being distributed in advance or at the meeting. As a general rule, materials on specific subjects should be sent to the Board members in advance so that the Directors have an opportunity to make meaningful contributions to the decision-making process.

3. Access; Non-Director Participation; Board Presentations

The Board has full access to contact and meet with any Genesis employee as well as outside counsel and auditors. Each Director is expected to become familiar with the operations of the Company through the Board and Committee meetings and by personal observation and inquiry. The Board and each Committee have the power to retain independent legal, financial or other advisors as they deem necessary.

The Board may invite members of management and other employees to attend all or portions of Board meetings. The Board encourages management to schedule managers to present at Board Meetings who can provide additional insight into the items being discussed in light of such managers' direct involvement in the operations of the Company.

4. Independent Directors' Sessions

The non-management Directors will meet periodically in executive session. If the non-management directors include any directors who are not independent pursuant to the Board's standards for determining independence, at least two executive sessions will include only independent Directors. The Director who presides at these meetings will be the Chairperson of the Nominating and Corporate Governance Committee with the assistance, where appropriate, of the other Committee Chairpersons.

5. **Director Orientation and Continuing Education**

The Nominating and Corporate Governance Committee is responsible for new-Director orientation programs and for Director continuing education programs. The orientation programs are designed to familiarize new Directors with the Company's businesses, strategies and challenges and to assist new Directors in developing and maintaining skills necessary or appropriate for the performance of their responsibilities. Continuing education programs for Board members may include a mix of in-house and third-party presentations and programs.

6. **Confidentiality**

The proceedings and deliberations of the Board and its Committees are confidential. Each Director is responsible to maintain the confidentiality of information received in connection with his or her service as a Director.

7. **Interaction with Third Parties**

The Board believes that management speaks for the Company. The Chief Executive Officer, Chief Financial Officer and Director of Investor Relations are responsible to serve as the spokespeople for the Company and represent the Company to the public.

E. Board Committees

1. **Committees**

The Board currently has the following five Committees: Audit, Compensation, Nominating and Corporate Governance, Executive and Compliance. The Board may form a new committee or disband a current committee at its discretion; provided that the Board will at all times have an Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. The Audit, Compensation, and Nominating and Corporate Governance Committees shall be composed entirely of independent Directors.

There are formal written charters for the Audit, Compensation, Nominating and Corporate Governance and Compliance Committees, approved by the Board, which describe each Committee's general authority and responsibilities. Each Committee will undertake an annual review of its charter, and will work with the Nominating and Corporate Governance Committee and the Board to make such revisions as are considered appropriate.

Each Committee has the authority to engage outside experts, advisers and counsel to the extent it considers appropriate to assist the Committee in its work. Each Committee will regularly report to the Board concerning the Committee's activities.

2. **Assignment and Term of Service of Committee Members**

The Nominating and Corporate Governance Committee is responsible for reviewing and recommending to the Board the composition of Committees. Committee assignments are reviewed annually. It is the sense of the Board that consideration should be given to rotating committee members periodically, but the Board does not feel that rotation should be mandated as a policy and the emphasis should instead be placed on expertise, past performance and director preference.

3. **Agenda**

The Committee Chairperson, in consultation with the Chairman of the Board and appropriate members of management, will determine the frequency and length of the Committee meetings and develop the Committee's agenda. The meeting minutes of the Committees will be shared with the full Board. Each Committee determines the frequency of required meetings, and other Board members are welcome to attend Committee meetings.

F. Management and Board Review and Responsibility

1. **Evaluation of Chief Executive Officer**

The Nominating and Corporate Governance Committee, together with the Compensation Committee, will perform an annual evaluation of the Chief Executive Officer.

2. **Evaluation of Management**

The Chief Executive Officer, assisted, as appropriate, by other executive officers, shall perform an annual evaluation of management. This review will be shared with the Compensation Committee for its consideration in determining compensation.

3. **Succession Planning and Management Development**

The Nominating and Corporate Governance Committee reviews succession planning and management development with the Board on an annual basis.

4. **Evaluation of the Board**

The Nominating and Corporate Governance Committees manages the Board's process for annual Director self-assessment and evaluation of the Board.