

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

| | | | |
|--|---|--|----------------------|
| 1 Issuer's name THE ENSIGN GROUP INC. | | 2 Issuer's employer identification number (EIN) 33-0861263 | |
| 3 Name of contact for additional information CHAD A. KEETCH | 4 Telephone No. of contact (949) 487-9500 | 5 Email address of contact IR@ENSIGNGROUP.NET | |
| 6 Number and street (or P.O. box if mail is not delivered to street address) of contact 27101 PUERTA REAL, SUITE 450 | | 7 City, town, or post office, state, and Zip code of contact MISSION VIEJO, CA 92691 | |
| 8 Date of action DECEMBER 23, 2015 | | 9 Classification and description COMMON STOCK | |
| 10 CUSIP number 29358P101 | 11 Serial number(s) | 12 Ticker symbol ENSG | 13 Account number(s) |

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ **THE ISSUER COMPLETED A TWO-FOR-ONE STOCK SPLIT OF THE ISSUER'S OUTSTANDING COMMON STOCK. THE ISSUER IMPLEMENTED THE STOCK SPLIT BY WAY OF A STOCK DIVIDEND PAID ON DECEMBER 23, 2015 TO SHAREHOLDERS OF RECORD AT THE CLOSE OF BUSINESS ON DECEMBER 17, 2015. EVERY SHAREHOLDER OF RECORD RECEIVED ONE ADDITIONAL SHARE OF COMMON STOCK FOR EACH SHARE HELD AS OF THE CLOSE OF BUSINESS ON THE RECORD DATE.**

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ **SHAREHOLDERS ARE URGED TO CONSULT WITH THEIR TAX ADVISORS AS TO THE SPECIFIC U.S. FEDERAL, STATE AND LOCAL, AND NON-U.S. TAX CONSEQUENCES OF THE STOCK SPLIT IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES AND THE EFFECT OF POSSIBLE CHANGES IN LAW THAT MIGHT AFFECT THE TAX CONSEQUENCES DESCRIBED ON THIS FORM.**

EACH SHAREHOLDER WILL EVENLY ALLOCATE THE BASIS IN A SHARE HELD PRIOR TO THE STOCK SPLIT OVER THE ORIGINALLY HELD SHARE AND THE ADDITIONAL SHARE ISSUED IN THE STOCK SPLIT. IN OTHER WORDS, A SHAREHOLDER WILL MULTIPLY THE BASIS IN EACH SHARE HELD BEFORE THE STOCK SPLIT BY 50% TO DETERMINE THE BASIS, AFTER THE STOCK SPLIT, IN BOTH THE ORIGINALLY HELD SHARE AND THE ADDITIONAL SHARE DISTRIBUTED IN THE STOCK SPLIT.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ **A SHAREHOLDER WILL MULTIPLY THE BASIS IN EACH SHARE HELD BEFORE THE STOCK SPLIT BY 50% TO DETERMINE THE BASIS, AFTER THE STOCK SPLIT, IN BOTH THE ORIGINALLY HELD SHARE AND THE ADDITIONAL SHARE DISTRIBUTED IN THE STOCK SPLIT.**

EXAMPLE: BEFORE THE STOCK SPLIT, A SHAREHOLDER HOLDS 100 COMMON SHARES OF THE ENSIGN GROUP, INC. WITH A BASIS OF \$30 PER SHARE AND AN AGGREGATE BASIS OF \$3,000. THE SHAREHOLDER RECEIVES 100 ADDITIONAL COMMON SHARES AS A RESULT OF THE STOCK SPLIT. THE SHAREHOLDER MULTIPLIES THE \$30 BASIS PER ORIGINALLY HELD SHARE BY 50% TO DETERMINE THE NEW BASIS OF \$15 PER SHARE FOR BOTH THE 100 ORIGINALLY HELD SHARES AND THE 100 ADDITIONAL SHARES. AFTER THE STOCK SPLIT, THE SHAREHOLDER HOLDS 200 TOTAL SHARES WITH A BASIS OF \$15 PER SHARE AND AN AGGREGATE BASIS OF \$3,000.

For Paperwork Reduction Act Notice, see the separate instructions.

Part II Organizational Action (continued)

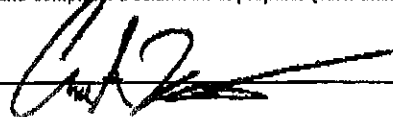
17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based **▶ THE STOCK SPLIT, IMPLEMENTED BY WAY OF A STOCK DIVIDEND, IS A NON-TAXABLE EVENT TO THE SHAREHOLDER PURSUANT TO SECTION 305 (A), WHICH STATES THAT DISTRIBUTIONS OF A CORPORATION'S OWN STOCK MADE WITH RESPECT TO ITS STOCK ARE NOT TAXABLE TO THE SHAREHOLDER. HOWEVER, PURSUANT TO SECTION 307 (A), THE SHAREHOLDER MUST ALLOCATE THE SHAREHOLDER'S BASIS IN THE PREVIOUSLY HELD STOCK BETWEEN THE PREVIOUSLY HELD STOCK AND THE NEWLY ISSUED STOCK.**

18 Can any resulting loss be recognized? **▶ NO LOSS CAN BE RECOGNIZED IN CONNECTION WITH THE STOCK SPLIT COMPLETED IN THE FORM OF A STOCK DIVIDEND.**


19 Provide any other information necessary to implement the adjustment, such as the reportable tax year **▶ FOR A SHAREHOLDER WITH A CALENDAR TAX YEAR, THE REPORTABLE TAX YEAR IS 2015.**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature **▶**  Date **▶** 1/7/16
Print your name **▶** CHAD A. KEETCH Title **▶** EXECUTIVE VICE PRESIDENT

Paid Preparer Use Only

| | | | | |
|--|---|----------------|---|-------------------|
| Print/Type preparer's name TIMOTHY A. HALVERSON, CPA | Preparer's signature  | Date 1/6/16 | Check <input type="checkbox"/> if self-employed | PTIN P01046995 |
| Firm's name ▶ HALVERSON & COMPANY, INC. | Firm's EIN ▶ 20-3895187 | | | |
| Firm's address ▶ 761 GARDEN VIEW COURT, SUITE 201, ENCINITAS, CA 92024 Area no. (760) 942-2608 | | | | |

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054