

HILLENBRAND INDUSTRIES INC

Form DEF 14A

January 03, 2008

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Hillenbrand Industries, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

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o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

SEC 1913 (02-02)

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**HILLENBRAND INDUSTRIES, INC.
NOTICE OF ANNUAL MEETING
To Be Held February 8, 2008**

The annual meeting of shareholders of Hillenbrand Industries, Inc., an Indiana corporation, 1069 State Route 46 East, Batesville, Indiana 47006, will be held at the offices of Batesville Casket Company, Inc., One Batesville Boulevard, Batesville, Indiana 47006, on Friday, February 8, 2008, at 10:00 a.m., Eastern Standard Time, for the following purposes:

- (1) To elect five members to the Board of Directors;
- (2) To ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm of Hillenbrand Industries, Inc.; and
- (3) To transact such other business as may properly come before the meeting and any adjournment of the meeting.

The Board of Directors has fixed the close of business on December 17, 2007, as the record date for determining which shareholders are entitled to notice of and to vote at the meeting.

By Order of the Board of Directors

Patrick D. de Maynadier
Secretary

January 4, 2008

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HILLENBRAND INDUSTRIES, INC.
PROXY STATEMENT

This proxy statement relates to the solicitation by the Board of Directors of Hillenbrand Industries, Inc. (the Company or Hillenbrand), 1069 State Route 46 East, Batesville, Indiana 47006, telephone (812) 934-7000, of proxies for use at the annual meeting of the Company's shareholders to be held at the offices of Batesville Casket Company, Inc., One Batesville Boulevard, Batesville, Indiana 47006, on Friday, February 8, 2008, at 10:00 a.m., Eastern Standard Time, and at any adjournments of the meeting. This proxy statement and the enclosed form of proxy were mailed initially to shareholders on or about January 4, 2008. All shares represented by these proxies will be voted at this meeting in accordance with instructions given by shareholders. Where no instructions are given, the shares will be voted (1) in favor of the election of the Board of Directors' nominees for five directors; (2) in favor of the ratification of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm of the Company; and (3) in the discretion of the proxy holders upon such other business as may properly come before the meeting.

The purpose of the annual meeting is to vote upon the matters set forth above. The Board of Directors is not aware of any other business that may come before the meeting.

Important Notice Regarding the Availability of Proxy Materials for the Shareholders Meeting to Be Held on February 8, 2008.

The proxy statement and annual report to shareholders are available at www.hillenbrand.com.

VOTING

The close of business on December 17, 2007, has been fixed as the record date for determining which shareholders are entitled to notice of and to vote at the annual meeting. On December 17, 2007, there were 62,104,904 shares of the Company's common stock issued and outstanding. Each share of common stock is entitled to one vote with respect to every matter submitted to a vote at the meeting. Votes cast by proxy, whether by proxy card, telephone or the Internet, or in person at the annual meeting will be tabulated by the election inspectors appointed for the meeting. If you submit your proxy by telephone or via the Internet, you should not return your proxy card. Instructions for submitting proxies by telephone or the Internet are set forth on the enclosed proxy card. If you choose to submit your proxy by mail, please sign, date and return the proxy card in the envelope provided. A proxy may be revoked at any time before it is voted at the meeting by submitting written notice of revocation to the Secretary of the Company or by submitting another timely proxy by telephone, Internet or mail. If you hold shares through a broker or other custodian, please check the voting instructions used by that broker or custodian.

Votes Necessary to Adopt Proposals. Directors are elected by a plurality of the votes cast by shareholders entitled to vote at a meeting at which a quorum is present. Ratification of

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the appointment of the independent registered public accounting firm and any other matter that comes before the meeting will be approved if the votes cast favoring the action exceed the votes cast opposing the action.

A majority of the shares issued and outstanding constitutes a quorum. Under Indiana law, once a share is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting. Abstentions, broker non-votes and instructions on a proxy to withhold authority to vote for one or more of the director nominees will result in fewer votes being cast with respect to a particular issue or nominee. A broker non-vote occurs when a broker holding shares for a beneficial owner does not vote on a particular matter because the broker does not have discretionary voting power for that matter and has not received instructions from the beneficial owner. In the absence of such instructions, brokers have discretionary voting power for matters such as the election of directors and the ratification of the appointment of the independent registered public accounting firm but not for certain other matters.

ELECTION OF DIRECTORS

The Articles of Incorporation and the Code of By-laws of the Company provide that members of the Board of Directors shall be classified with respect to the terms that they shall serve by dividing them into three classes that are as nearly equal in number of members as possible. Generally, directors in each class are elected for a three-year term unless they resign or retire earlier.

Under the Company's Code of By-Laws, any director elected by the Board of Directors to fill a vacancy will be elected for a term expiring at the next annual meeting of directors. At the annual meeting, proxies may not be voted for a greater number of persons than the number of nominees named in this proxy statement.

The Board of Directors currently consists of ten members, with four directors in Class I and three directors in each of Classes II and III. The terms of the directors in Class III, consisting of John A. Hillenbrand II, Joanne C. Smith and Patrick T. Ryan, expire at the upcoming annual meeting. Additionally, the term of Ronald A. Malone, currently a Class II director, expires at the upcoming annual meeting because he was elected by the Board of Directors in July 2007 to fill a vacancy on the Board.

John A. Hillenbrand II will retire from the Board of Directors upon the expiration of his term at the upcoming annual meeting. The Company does not expect to replace John A. Hillenbrand II, nor does it expect to fill the vacancy in Class II resulting from the December 2007 resignation of Jose A. Mejia. Therefore, following the upcoming annual meeting, the entire Board of Directors will consist of nine directors. To position the Board to have three classes that are as nearly equal in number of members as possible, the Board is proposing to reassign the class designations of certain directors. Specifically, the Board is proposing that:

Patrick T. Ryan, whose term expires at the upcoming annual meeting, be reelected as a Class I director for a one-year term expiring at the 2009 annual meeting of shareholders;

Ronald A. Malone, whose term expires at the upcoming annual meeting, be reelected as a Class II director for a two-year term expiring at the 2010 annual meeting of shareholders;

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Charles E. Golden and W August Hillenbrand, currently Class I directors serving terms expiring at the 2009 annual meeting of shareholders, be reelected as Class III directors for three-year terms expiring at the 2011 annual meeting of shareholders; and

Joanne C. Smith, whose term expires at the upcoming annual meeting, be reelected as a Class III director for a three-year term expiring at the 2011 annual meeting of shareholders.

Accordingly, at the upcoming annual meeting, the shareholders will elect one member of the Board of Directors in Class I to serve a one-year term expiring at the 2009 annual meeting of shareholders, one member of the Board of Directors in Class II to serve a two-year term expiring at the 2010 annual meeting of shareholders and three members of the Board of Directors in Class III to serve three-year terms expiring at the 2011 annual meeting of shareholders. The other directors in Class I and Class II were each previously elected to serve terms expiring at the 2009 and 2010 annual meetings, respectively.

Unless authority is withheld, all shares represented by proxies submitted pursuant to this solicitation will be voted in favor of electing as directors the nominees listed below for the terms indicated. If any of these nominees should be unable to serve, shares represented by proxies may be voted for a substitute nominee selected by the Board of Directors, or the Board of Directors may reduce the number of directors.

The Board of Directors recommends that shareholders vote FOR the election to the Board of Directors of each of the nominees named below.

Table of Contents**NOMINEES:****CLASS I**

Nominee to be elected to serve a one-year term expiring at the 2009 annual meeting:

Name	Age	Principal Occupation	Served As A Director Since	Shares⁽¹⁾ Beneficially Owned As Of December 17, 2007	Percent of Total Shares Outstanding
Patrick T. Ryan	49	Consultant	2007	453 ⁽²⁾	(3)

CLASS II

Nominee to be elected to serve a two-year term expiring at the 2010 annual meeting:

Name	Age	Principal Occupation	Served As A Director Since	Shares⁽¹⁾ Beneficially Owned As Of December 17, 2007	Percent of Total Shares Outstanding
Ronald A. Malone	53	Chairman and Chief Executive Officer of Gentiva Health Services, Inc.	2007	453 ⁽²⁾	(3)

CLASS III

Nominees to be elected to serve three-year terms expiring at the 2011 annual meeting:

Name	Age	Principal Occupation	Served As A Director Since	Shares⁽¹⁾ Beneficially Owned As Of December 17, 2007	Percent of Total Shares Outstanding
Charles E. Golden	61	Retired Executive Vice President and Chief Financial Officer of Eli Lilly and Company	2002	17,966 ⁽⁴⁾	(3)
W August Hillenbrand ⁽⁵⁾	67	Retired Chief Executive Officer of the Company	1972	2,369,351 ⁽⁶⁾	3.8%
Joanne C. Smith	47	President and Chief Executive Officer of the Rehabilitation Institute of Chicago	2003	7,109 ⁽²⁾	(3)

CONTINUING DIRECTORS:**CLASS I**

Serving terms expiring at the 2009 annual meeting:

Name	Age	Principal Occupation	Served As A Director Since	Shares⁽¹⁾ Beneficially Owned As Of December 17, 2007	Percent of Total Shares Outstanding
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Name	Age	Principal Occupation	Director Since	December 17, 2007	Shares Outstanding
Rolf A. Classon	62	Chairman of the Board of the Company	2002	37,259 ⁽⁷⁾	(3)
Eduardo R. Menascé	62	Retired President, Enterprise Solutions Group, Verizon Communications	2004	5,598 ⁽²⁾	(3)

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Serving terms expiring at the 2010 annual meeting:

Name	Age	Principal Occupation	Served As A Director Since	Shares⁽¹⁾ Beneficially Owned As Of December 17, 2007	Percent of Total Shares Outstanding
Ray J. Hillenbrand ⁽⁵⁾	73	Personal Investments	1970	480,144 ⁽⁸⁾	(3)
Peter H. Soderberg	61	President and Chief Executive Officer of the Company	2002	138,247 ⁽⁹⁾	(3)

STOCK OWNERSHIP OF OTHER NAMED EXECUTIVE OFFICERS:

Name	Age	Principal Occupation	Shares⁽¹⁾ Beneficially Owned As Of December 17, 2007	Percent of Total Shares Outstanding
Gregory N. Miller	44	Senior Vice President and Chief Financial Officer	66,550 ⁽¹⁰⁾	(3)
Kenneth A. Camp	62	Senior Vice President of Hillenbrand Industries, Inc. and President and Chief Executive Officer, Batesville Casket Company, Inc.	200,045 ⁽¹¹⁾	(3)
Patrick D. de Maynadier	47	Senior Vice President, General Counsel and Secretary	100,536 ⁽¹²⁾	(3)
John H. Dickey	53	Senior Vice President, Human Resources	58,931 ⁽¹³⁾	(3)

All directors and executive officers of the Company as a group,
consisting of 15 persons, 3,523,274⁽¹⁴⁾ 5.7%

STOCK OWNERSHIP OF OTHER BENEFICIAL OWNERS OF MORE THAN 5% OF THE COMPANY'S COMMON STOCK:

Name	Address	Shares Beneficially Owned As Of December 17, 2007	Percent of Total Shares Outstanding
Franklin Mutual Advisers, LLC	101 John F. Kennedy Parkway, Short Hills, NJ 07078	3,232,488 ⁽¹⁵⁾	5.2%
Franklin Resources, Inc.		3,224,314 ⁽¹⁶⁾	5.2%

One Franklin Parkway, San Mateo, CA
94493

- (1) The Company's only class of equity securities outstanding is common stock without par value. Except as otherwise indicated in these footnotes, the persons named have sole voting and investment power with respect to all shares shown as beneficially owned by them. None of the shares beneficially owned by directors and executive officers are pledged as security except as noted below with respect to Ray J. Hillenbrand.
- (2) Represents deferred stock shares (otherwise known as restricted stock units) held on the books and records of the Company.
- (3) Ownership of less than one percent (1%) of the total shares

outstanding.

- (4) Includes
 - (i) 8,000 shares that may be purchased pursuant to stock options that are exercisable within 60 days of December 17, 2007, (ii) 2,857 shares of vested deferred stock and (iii) 7,109

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deferred stock shares (otherwise known as restricted stock units) held on the books and records of the Company.

(5) W August Hillenbrand and Ray J. Hillenbrand are cousins.

(6) Includes (i) 132,000 shares that may be purchased pursuant to stock options that are exercisable within 60 days of December 17, 2007 and (ii) 7,109 deferred stock shares (otherwise known as restricted stock units) held on the books and records of the Company. Also includes 202,978 shares owned beneficially by W August Hillenbrand's wife, Nancy K. Hillenbrand; 193,476 shares owned by grantor retained annuity trusts (GRATs); 1,433,927 shares

owned of record,
or which may be
acquired within
sixty days, by
trusts of which
W August
Hillenbrand is
trustee or
co-trustee; and
71,771 shares
held by a limited
liability
company.
Mr. Hillenbrand
disclaims
beneficial
ownership of
these shares.

- (7) Includes
(i) 8,000 shares
that may be
purchased
pursuant to stock
options that are
exercisable
within 60 days
of December 17,
2007, (ii) 10,479
shares of vested
deferred stock
and (iii) 10,449
deferred stock
shares
(otherwise
known as
restricted stock
units) held on
the books and
records of the
Company.
- (8) Includes 11,322
deferred stock
shares
(otherwise
known as
restricted stock
units) held on
the books and
records of the

Company.

Includes

128,975 shares held of record by a charitable foundation, of which Ray J. Hillenbrand is a trustee; and 222,854 shares held of record by family partnerships for the benefit of other members of his immediate family.

Mr. Hillenbrand disclaims beneficial ownership of these shares.

44,916 of the shares beneficially owned by Mr. Hillenbrand are pledged as security.

- (9) Includes
- (i) 49,977 shares that may be purchased pursuant to stock options that are exercisable within 60 days of December 17, 2007, (ii) 67,404 deferred stock shares (otherwise known as restricted stock units) held on the books and records of the Company and
 - (iii) 9,350 shares of performance

based deferred stock shares (otherwise known as restricted stock units) held on the books and records of the Company.

- (10) Mr. Miller was elected Senior Vice President and Chief Financial Officer of the Company and Hill-Rom effective July 14, 2005. Includes (i) 41,568 shares that may be purchased pursuant to stock options that are exercisable within 60 days of December 17, 2007, (ii) 14,299 deferred stock shares (otherwise known as restricted stock units) held on the books and records of the Company and (iii) 7,700 shares of performance based deferred stock shares (otherwise known as restricted stock units) held on the books and records of the Company.

(11) Mr. Camp was elected President and Chief Executive Officer of Batesville Casket Company, Inc., a subsidiary of the Company, on May 1, 2001. He was also elected as a Senior Vice President of the Company on August 4, 2005. Prior to his election to these positions, Mr. Camp has held various other positions within Hillenbrand Industries, Inc. and its subsidiary Batesville Casket Company, Inc. Includes (i) 148,501 shares that may be purchased pursuant to stock options that are exercisable within 60 days of December 17, 2007, (ii) 31,023 deferred stock shares (otherwise known as restricted stock units) held on the books and records of the Company and (iii) 7,700 shares of performance

based deferred
stock shares
(otherwise
known as
restricted stock
units) held on
the books and
records of the
Company.

- (12) Mr. de
Maynadier was
elected Senior
Vice President,
General Counsel
and Secretary of
the Company
effective
October 1, 2007,
having served as
Vice President,
General Counsel
and Secretary of
the Company
since
January 28,
2002. Includes
(i) 74,680 shares
that may be
purchased
pursuant to stock
options that are
exercisable
within 60 days
of December 17,
2007, (ii) 13,214
deferred stock
shares
(otherwise
known as
restricted stock
units) held on
the books

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and records of the Company and (iii) 6,550 shares of performance based deferred stock shares (otherwise known as restricted stock units) held on the books and records of the Company.

- (13) Mr. Dickey was elected Senior Vice President, Human Resources of the Company effective October 1, 2007, having served as Vice President of Human Resources of the Company since January 1, 2006. He had served as the Vice President of Human Resources and Administration for Batesville Casket Company since October 22, 2001. Includes (i) 38,667 shares that may be purchased pursuant to stock options that are exercisable within 60 days

of December 17,
2007,
(ii) 12,964
deferred stock
shares
(otherwise
known as
restricted stock
units) held on
the books and
records of the
Company and
(iii) 4,650
shares of
performance
based deferred
stock shares
(otherwise
known as
restricted stock
units) held on
the books and
records of the
Company.

- (14) Includes
(i) 529,360
shares that may
be purchased
pursuant to
stock options
that are
exercisable
within 60 days
of December 17,
2007,
(ii) 13,336
shares of vested
deferred stock,
(iii) 197,910
deferred stock
shares
(otherwise
known as
restricted stock
units) held on
the books and
records of the
Company and
(iv) 38,300
shares of

performance
based deferred
stock shares
(otherwise
known as
restricted stock
units) held on
the books and
records of the
Company.

(15) This
information is
based solely on
an Amendment
No. 1 to
Schedule 13D
filed by
Franklin Mutual
Advisers, LLC
with the
Securities and
Exchange
Commission
(SEC) on
November 21,
2006.

(16) This
information is
based solely on
an Amendment
No. 1 to
Schedule 13G
filed by
Franklin
Resources, Inc.
with the SEC on
February 5,
2007. The
Schedule 13G
also was filed
by Charles B.
Johnson and
Rupert H.
Johnson, Jr.,
with the same
address as
Franklin
Resources, Inc.,
with respect to

all of such
shares of the
Company's
common stock,
and by Franklin
Advisory
Services, LLC,
One Parker
Plaza, 9th Floor,
Fort Lee, NJ
07024, with
respect to
3,196,714 of
such shares of
the Company's
common stock.

Rolf A. Classon became Chairman of the Board of the Company on March 20, 2006. He served as Interim President and Chief Executive Officer of Hillenbrand from May 11, 2005 until March 20, 2006 and as Vice Chairman of the Board from December 4, 2003 until his election as Interim President and Chief Executive Officer. He was Chairman of the Executive Committee of Bayer HealthCare, a sub group of Bayer AG, from October 2002 to July 2004, and was President of Bayer Health Care L.L.C., a subsidiary of Bayer AG, from October 2002 to July 2004. Previously, he had been President of Bayer's Diagnostic Division and head of Bayer's Worldwide Business Group Diagnostics since 1995. Bayer is an international research-based company active in life sciences, polymers and chemicals. A native of Sweden, Mr. Classon joined Bayer's Miles Diagnostics business in 1991 as Executive Vice President, worldwide marketing, sales and service. During his career, Mr. Classon has held management positions with Pharmacia AB, Sweden; Swedish Match Group; and Asbjorn Habberstad AB. Prior to joining Bayer, he was President and Chief Operating officer of Pharmacia Biosystems AB. Mr. Classon currently serves on the Boards of Directors of Enzon Pharmaceuticals, Inc., a company focused on oncology and antiviral pharmaceuticals, Millipore Corporation, a bioscience company that provides technologies, tools and services for the discovery, development and production of therapeutic drugs and for other purposes, PharmaNet Development Group, Inc., an international drug development services company, and Auxilium Pharmaceuticals, Inc., a specialty pharmaceutical company in the fields of urology and men's health. Mr. Classon retired from the Board of Directors of ISTA Pharmaceuticals, Inc., a company involved in ophthalmological pharmaceuticals, in February 2007.

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Peter H. Soderberg was elected as President and Chief Executive Officer of both the Company and Hill-Rom effective March 20, 2006. Mr. Soderberg, a Company board member since 2002, was most recently President and Chief Executive Officer of Welch Allyn, Inc., Skaneateles Falls, N.Y. He held that position since January, 2000. Mr. Soderberg was previously Group Vice President and Chief Operating Officer of Welch Allyn, Inc. His prior experience includes 23 years at Johnson & Johnson where he served in a variety of operations, marketing and management positions in four of its over-the-counter and professional product companies. Most recently, he was President of Johnson & Johnson Health Management, a Johnson & Johnson portfolio company. His career also includes roles as President and Chief Executive Officer of an industrial technology company and the founder and President of a venture capital business. He is on the Boards of Directors of Greatbatch, Inc. (NYSE:GB), Constellation Brands, Inc. (NYSE:STZ), the Advanced Medical Technology Association (AdvaMed), and, before his recent move to Indiana, was on the boards of the Syracuse Symphony Orchestra (as its Vice Chairman), the Metropolitan Development Authority of Central New York (as its Vice Chairman) and CNYMedtech (as its Chairman).

Charles E. Golden has served as director of the Company since 2002. He retired as Executive Vice President and Chief Financial Officer for, and as a member of the Board of Directors of, Eli Lilly and Company, Indianapolis, Indiana, a global provider of pharmaceutical products and health care information in April 2006. He joined Eli Lilly in those capacities in 1996. Prior to joining Eli Lilly, Mr. Golden served as a corporate Vice President of General Motors and Chairman of General Motors vehicle operations in the United Kingdom from 1993 to 1996. He joined General Motors as part of its treasurer's office in 1970 and subsequently held positions in domestic and international operations, ultimately becoming Treasurer of GM. He serves on the Boards of Directors of Unilever N.V., Eaton Corporation, Unilever PLC, Clarian Health Partners and Crossroads of America Council (Boy Scouts of America) (as past President), on the Board of Trustees of Park Tudor School (as Chairman), and on the Finance Committee of the Indianapolis Museum of Art, and as a Board member and Secretary/Treasurer of the Indiana Stadium and Convention Building Authority.

Ray J. Hillenbrand has been a director of the Company since 1970 and served as Chairman of the Board of the Company from January 17, 2001 until March 20, 2006. He has been engaged in the management of personal and family investments for much of his career. Mr. Hillenbrand was employed by and active in the management of the Company prior to his resignation as an officer in 1977. Mr. Hillenbrand is President of Dakota Charitable Foundation and serves as a member of the Board of Trustees of The Catholic University of America, Washington, D.C. He is past Chairman of the Board of Rushmore Health Systems, which includes Rapid City Regional Hospital.

W August Hillenbrand has served as a director of the Company since 1972 and served as Chief Executive Officer of the Company from 1989 until 2000. Mr. Hillenbrand also served as President of the Company from 1981 until 1999. Prior to his retirement in December 2000, the Company had employed Mr. Hillenbrand throughout his business career. Mr. Hillenbrand is the Chief Executive Officer of Hillenbrand Capital Partners, an unaffiliated family investment partnership. He is also a director of DPL Inc. of Dayton, Ohio and Pella Corporation of Pella, Iowa.

Ronald A. Malone has served as a director of the Company since July 2007. He has been Chief Executive Officer and Chairman of the Board of Directors of Gentiva Health Services, Inc. since June 2002. He served as Executive Vice President of Gentiva from March

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2000 to June 2002 and as President of Gentiva's home health services division from January 2001 to June 2002. Prior to joining Gentiva, he served in various positions with Olsten Corporation including Executive Vice President of Olsten Corporation and President, Olsten Staffing Services, United States and Canada, from January 1999 to March 2000. From 1994 to December 1998, he served successively as Olsten's Senior Vice President, Southeast Division; Senior Vice President, Operations; and Executive Vice President, Operations.

Eduardo R. Menascé has served as a director of the Company since 2004. He is the retired President of the Enterprise Solutions Group for Verizon Communications, Inc., New York City, New York. Prior to the merger of Bell Atlantic and GTE Corporation, which created Verizon Communications, he was the President and Chief Executive Officer of CTI MOVIL S.A. (Argentina), a business unit of GTE Corporation, from 1996 to 2000. Mr. Menascé has also held senior positions at CANTV in Venezuela and Wagner Lockheed and Alcatel in Brazil and from 1981 to 1992 served as Chairman of the Board and Chief Executive Officer of GTE Lighting in France. He earned a Bachelor's degree in Industrial Engineering from Universidad Pontificia Catolica de Rio de Janeiro and a Master's degree in Business Administration from Columbia University. Mr. Menascé currently serves on the Boards of Directors of Pitney Bowes Inc., a global provider of integrated mail and document management solutions, John Wiley & Sons, Inc., a developer, publisher and seller of products in print and electronic media for educational, professional, scientific, technical, medical, and consumer markets, and KeyCorp, one of the nation's leading bank-based financial service companies.

Patrick T. Ryan has been a director of the Company since July 2007. He presently serves as a consultant to Medco Health Solutions, Inc. He was Chief Executive Officer and a director of PolyMedica Corporation from September 2004 until its acquisition by Medco in October 2007. He has been in the healthcare field since 1980, with specific experience in operations, strategic development, service, sales and finance. Prior to his service with PolyMedica, Mr. Ryan served as the Chairman and Chief Executive Officer of Physicians Dialysis, Inc. From its inception in 2000, Mr. Ryan led Physicians Dialysis, Inc. through several rounds of financing and created a nationwide network of 24 dialysis clinics. Physicians Dialysis was the nation's sixth largest dialysis provider when it was acquired in September 2004. Previously, Mr. Ryan served as President and Chief Executive Officer of Principalcare Inc., a company specializing in women's healthcare. Mr. Ryan also served as President and Chief Executive Officer of ImageAmerica Inc., a publicly-traded company that provided multi-modality medical diagnostic imaging services. Mr. Ryan has served as a director for numerous private companies and three public companies, and is currently serving as a director at Affiliated Managers Group, Inc and Beth Israel Deaconess Medical Center.

Joanne C. Smith, M.D. has served as a director of the Company since 2003 and as Vice Chairperson of the Board of Directors of the Company since 2005. She was elected as President and Chief Executive Officer of the Rehabilitation Institute of Chicago in October 2006. She had been the President of the National Division of the Rehabilitation Institute of Chicago since November 2005. Prior to that, Dr. Smith had been the Senior Vice President, Corporate Strategy and Business Development for the Rehabilitation Institute of Chicago since April 2002. Since 1992 she has been an attending physician at the same institution. From 1997 through April 2002, Dr. Smith was the Senior Vice President and Chief Operating Officer of the Corporate Partnership Division of the Rehabilitation Institute of Chicago and from 1992 to 1997 she held various management positions there. She also serves on the Boards of Directors of AptarGroup, Inc., a leading supplier of personal care, cosmetics, pharmaceutical, food and beverage dispensing systems, and the AON Memorial Education Fund, a fund dedicated to supporting the

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educational needs of the children who suffered the loss of a parent in the World Trade Center attack.

Section 16(a) Beneficial Ownership Reporting Compliance

Under Section 16(a) of the Securities Exchange Act of 1934, the Company's directors, its executive officers and any person holding more than ten percent of the Company's common stock are required to file with the SEC initial reports of ownership and reports of changes in ownership of common stock of the Company. The Company is required to report in this proxy statement any failure to file or late filing occurring during the fiscal year ended September 30, 2007. Based solely on a review of filings furnished to the Company and other information from reporting persons, the Company believes that all of these filing requirements were satisfied by its directors, executive officers and ten percent beneficial owners.

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**ABOUT THE BOARD OF DIRECTORS
(INCLUDING DIRECTOR COMPENSATION)**

The Board of Directors, which is elected by the shareholders, is the ultimate decision-making body of the Company except with respect to those matters reserved to the shareholders. It selects the senior management team, which is charged with the conduct of the Company's business. Having selected the senior management team, the Board acts as an advisor and counselor to senior management and oversees and monitors its performance.

Board's Role in Strategic Planning

The Board of Directors has the legal responsibility for overseeing the affairs of the Company and, thus, an obligation to keep informed about the Company's business and strategies. This involvement enables the Board to provide guidance to management in formulating and developing plans and to exercise independent decision-making authority on matters of importance to the Company. Acting as a full Board and through the Board's four standing committees, the Board is fully involved in the Company's strategic planning process.

Each year, typically in the spring, summer and fall, senior management sets aside specific periods to develop, discuss and refine the Company's long-range operating plan and overall corporate strategy. Specific operating priorities are developed to effectuate the Company's long-range plan. Some of the priorities are short-term in focus; others are based on longer-term planning horizons. Senior management reviews the insights and conclusions reached at its meetings with the Board over the course of several Board meetings and seeks approval of the overall corporate strategy and long-range operating plan at Board meetings that usually occur in the summer and fall, including a two to three day offsite retreat in July dedicated to strategic planning. These meetings are focused on corporate strategy and involve both management presentations and input from the Board regarding the assumptions, priorities and objectives that will form the basis for management's strategies and operating plans. To the extent necessary to support strategy, the Board, with assistance from outside advisors, also from time to time evaluates other matters such as the Company's corporate and capital structure.

At subsequent Board meetings, the Board continues to substantively review the Company's progress against its strategic plans and to exercise oversight and decision-making authority regarding strategic areas of importance and associated funding authorizations.

In addition, Board meetings held throughout the year target specific strategies and critical areas for extended, focused Board input and discussion.

The role that the Board plays is inextricably linked to the development and review of the Company's strategic plan. Through these processes, the Board, consistent with good corporate governance, encourages the long-term success of the Company by exercising sound and independent business judgment on the strategic issues that are important to the Company's business.

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Functioning of the Board

The Board and Board committees agenda setting process generally involves all directors. The Chairman of the Board, Chief Executive Officer and Secretary initially develop a proposed agenda for Board meetings with the understanding that certain items pertinent to the advisory and monitoring functions of the Board be brought to it periodically by the Chief Executive Officer for review and/or decision. For example, the Board reviews the annual corporate budget. Proposed agenda items that fall within the scope of responsibilities of a Board committee are initially developed by the chair of that committee with the Secretary. After initial agendas are developed, the Chairman of the Board, Chief Executive Officer and Secretary discuss coordination of the agendas and make further modifications, as appropriate, and the Secretary then sends the proposed agendas to all directors, who have the opportunity sufficiently in advance of the regular Board and committee meetings to review and provide feedback on the proposed Board and committee agendas. Board and committee materials related to agenda items are provided to Board members sufficiently, typically one to two weeks, in advance of regular meetings to allow the directors to prepare for discussion of the items at the meetings.

At the invitation of the Board and its committees, members of senior management attend Board and committee meetings or portions thereof for the purpose of participating in discussions. Generally, discussions of matters to be considered by the Board and its committees are facilitated by the manager responsible for that function or area of the Company's operations. In addition, Board members have free access to all other members of management and employees of the Company and, as necessary and appropriate in their discretion, the Board and its committees may, and do, consult with independent legal, financial and accounting advisors to assist in their duties to the Company and its shareholders.

The chairs of the committees of the Board each preside over the portion of the Board meetings at which the principal items to be considered are within the scope of the authority of their respective committees. The chair of each committee determines the frequency, length and agenda of meetings of that committee. Sufficient time to consider the agenda items is provided. Materials related to agenda items are provided to the committee members sufficiently, typically one to two weeks, in advance of regular meetings to allow the members to prepare for discussion of the items at the meeting.

Executive sessions or meetings of outside directors without management present are held regularly after Board and committee meetings. The Chairman of the Board generally presides at executive sessions of non-management directors, except that the chairs of the committees of the Board preside at executive sessions of non-management directors held following meetings of their committees or at which the principal items to be considered are within the scope or authority of their committees.

Communications with Directors

In order to provide the Company's security holders and other interested parties with a direct and open line of communication to the Board of Directors, the Board of Directors has adopted and implemented the following procedures for communications to directors.

Security holders of the Company and other interested persons may communicate with the Chairman of the Board, the chairs of the Company's

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Nominating/Corporate Governance Committee, Audit Committee or Compensation and Management Development Committee or the non-management directors of the Company as a group by sending an email to investors@hillenbrand.com. The email should specify which of the foregoing is the intended recipient.

All communications received in accordance with these procedures will be reviewed initially by the Company's Investor Relations Department and General Counsel. The Investor Relations Department will relay all such communications to the appropriate director or directors unless the Investor Relations Department and General Counsel determine that the communication:

does not relate to the business or affairs of the Company or the functioning or constitution of the Board of Directors or any of its committees;

relates to routine or insignificant matters that do not warrant the attention of the Board of Directors;

is an advertisement or other commercial solicitation or communication;

is frivolous or offensive; or

is otherwise not appropriate for delivery to directors.

The director or directors who receive any such communication will have discretion to determine whether the subject matter of the communication should be brought to the attention of the full Board of Directors or one or more of its committees and whether any response to the person sending the communication is appropriate. Any such response will be made through the Company's Investor Relations Department and only in accordance with the Company's policies and procedures and applicable law and regulations relating to the disclosure of information.

The Company's Investor Relations Department will retain copies of all communications received pursuant to these procedures for a period of at least one year.

The Nominating/Corporate Governance Committee of the Board of Directors will review the effectiveness of these procedures from time to time and, if appropriate, recommend changes.

The Company has not established a formal policy regarding director attendance at its annual meetings of shareholders, but the Company's directors generally do attend the annual meetings. The Chairman of the Board presides at the annual meeting of shareholders, and the Board of Directors holds one of its regular meetings in conjunction with the annual meeting of shareholders. Accordingly, unless one or more members of the Board are unable to attend, all members of the Board are present for the annual meeting. All members of the Board at the time of the Company's 2007 annual meeting of shareholders attended that meeting, except for one director who did not attend because of a family emergency.

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Other Corporate Governance Matters

Both the Board of Directors and management of the Company firmly embrace good and accountable corporate governance and believe that an attentive, performing Board is a tangible competitive advantage. Director compensation has always been comprised of cash and stock based compensation. A non-Chief Executive Officer director has held the position of Chairman of the Board since April 1989. In early 2001, efforts to modify the composition of the Board began, with an emphasis on independence and the mix of characteristics, experiences and diverse perspectives and skills most appropriate for the Company. The Board has established position specifications, including performance criteria, for itself, the Chairman of the Board, the Vice Chairperson of the Board and the Chief Executive Officer, and, since May 2002, as part of the planned transition of the membership of our Board, the Company has welcomed to the Board eight of the Company's current directors, all of whom are proven leaders, seven of whom are independent and six of whom have significant experience in the health care industry. There have been more non-Hillenbrand family directors than family members on the Board since May 2002, and the Board has had a majority of independent directors since December 4, 2003.

Since September 2002, the Board of Directors of the Company has taken additional measures to ensure continued high standards for corporate governance. Specifically, the Board has taken the following actions, among others:

The Board approved Corporate Governance Standards for the Board of Directors in September 2002 and has revised these Standards on several occasions as warranted by changes in New York Stock Exchange governance standards and other developments. Among other matters, these Standards:

confirm that the Board of Directors has established standing committees, each with a charter approved by the Board, to address certain key areas. These committees are the Audit Committee, Finance Committee, Compensation and Management Development Committee and Nominating/Corporate Governance Committee;

provide that at least a majority of the directors of the Company shall be independent;

provide for an annual determination by the Board of Directors regarding the independence of each director;

provide that the Audit Committee, Nominating/Corporate Governance Committee and Compensation and Management Development Committee will consist entirely of independent directors;

provide for an annual assessment by the Nominating/Corporate Governance Committee of the Board's effectiveness as a whole as well as the effectiveness of the individual directors and the Board's various committees, including a review of the mix of skills, core competencies and qualifications of members of the Board;

provide that the non-management directors shall conduct executive sessions without participation by any employees of the Company at each regularly scheduled meeting of the Board;

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limit the number of public company boards on which a director may sit to four without Board approval;

provide that no more than half of the members of the Board may be over seventy years of age; and

provide all proposed related party transactions between the Company or any of its subsidiaries and any director or executive officer of the Company must be reviewed and approved by the Nominating/Corporate Governance Committee in advance.

The Board determined the independence of each of the Company's directors based on the standards set forth in the Corporate Governance Standards described above and elected only independent directors as members of the Audit Committee, Nominating/Corporate Governance Committee and Compensation and Management Development Committee. See "Determinations with Respect to Independence of Directors" below.

On December 5, 2007, the Nominating/Corporate Governance Committee of the Board completed a formal evaluation of the effectiveness of the incumbent directors who are being nominated for election at the Company's 2008 annual meeting of shareholders, the Board as a whole and the Board's various committees, in light of Board and Board committee goals established for 2007. The evaluation included a review of the mix of skills, core competencies and qualifications of members of the Board. On that date, the Nominating/Corporate Governance Committee also reviewed a summary of its findings with the Board.

In September 2002, the Board overhauled its committee structure and adopted revised charters for each of its committees, which have been further amended as warranted by changes in NYSE listing standards, SEC rules and other developments.

The Board adopted a revised Code of Ethical Business Conduct covering, among other matters, conflicts of interest, corporate opportunities, confidentiality, protection and proper use of the Company's assets, fair dealing, compliance with laws, including insider trading laws, accuracy and reliability of the Company's books and records and reporting of illegal or unethical behavior. This Code applies to all directors, officers and other employees of the Company, including the Company's Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer. The Board periodically reviews and makes changes to the Code based on recommendations made by the Audit Committee of the Board. The Company's Code of Ethical Business Conduct constitutes a "code of ethics" within the meaning of Item 406 of the SEC's Regulation S-K.

All employees, including the Company's Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, are required to participate in ethics training and abide by the Code of Ethical Business Conduct to ensure that the Company's business is conducted in a consistently legal and ethical manner. All members of the Board of Directors and all officers of the Company and its subsidiaries have read and certified their compliance with the Code without exception.

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Employees are required to report any conduct that they believe in good faith to be an actual or apparent violation of the Code of Ethical Business Conduct. The Sarbanes-Oxley Act of 2002 requires companies to have procedures to receive, retain and treat complaints received regarding accounting, internal accounting controls or auditing matters and to allow for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters. The Company currently has such procedures in place and has effectively and independently addressed concerns raised by employees and others.

Hill-Rom has adopted a Code of Conduct that is consistent with the Advanced Medical Technology Association's (AdvaMed) Code of Ethics on Interactions with Health Care Professionals. AdvaMed is a medical technology association, representing members that produce nearly 90 percent of the health care technology purchased annually in the United States and more than 50 percent purchased annually around the world. The AdvaMed Code is a voluntary code of ethics to facilitate members' ethical interactions with those individuals or entities that purchase, lease, recommend, use, arrange for the purchase or lease of, or prescribe members' medical technology products in the United States. The Company and Hill-Rom are members. The AdvaMed Code can be accessed at www.advamed.org/MemberPortal/About/code/codeofethics.htm.

Directors may not be given personal loans or extensions of credit by the Company, and all directors are required to deal at arm's length with the Company and its subsidiaries, and to disclose any circumstance that might be perceived as a conflict of interest.

The Board approved a policy mandating that the Company's outside independent registered public accounting firm not perform any prohibited non-audit services under the Sarbanes-Oxley Act of 2002 and the related SEC rules. In addition, the Audit Committee approved a policy requiring that all services from the outside independent registered public accounting firm must be pre-approved by the Audit Committee or its delegate (i.e., the Audit Committee Chairman).

The Board adopted stock ownership guidelines for the Company's directors and executive officers. In general, these standards require non-employee directors to hold deferred stock shares (otherwise known as restricted stock units) granted to them until six months after they cease to be directors and that executive officers of the Company must achieve and maintain a minimum level of stock ownership as discussed further under Executive Compensation Compensation Discussion and Analysis. The stock ownership guidelines are included in the Corporate Governance Standards.

As part of directors' education, which includes, among other things, regular dedicated sessions regarding the Company's businesses and operations, Audit Committee sponsored financial literacy and legal and regulatory compliance training, and participation in Company and industry trade events, the Board requires each director to attend an outside governance or director related seminar at least once every three years.

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Pursuant to the Foreign Corrupt Practices Act and the Sarbanes-Oxley Act of 2002, the Company monitors and enforces policies, and implements a system of internal controls, designed to detect and prevent money laundering, corruption and bribery. Supporting processes include ethics training and certification regarding, among other things, compliance with the Foreign Corrupt Practices Act, documentation, training and testing, new hire criminal background checks and internal audit procedures.

Consistent with the Company's commitment to corporate governance, the Board and management believe that the foregoing measures, and others that have been taken, place the Company in compliance with listing requirements of the New York Stock Exchange, the Sarbanes-Oxley Act of 2002 and related rules of the SEC. Copies of the Company's Corporate Governance Standards, Code of Ethical Business Conduct and Board committee charters are filed or incorporated by reference as exhibits to the Company's Annual Report on Form 10-K for the year ended September 30, 2007 and are available on the Company's website at www.hillenbrand.com or in print to any shareholder who requests copies through the Company's Investor Relations office. Also available on the Company's website are position specifications adopted by the Board for the positions of Chief Executive Officer, Chairman of the Board of Directors, Vice Chairperson of the Board of Directors, Vice Chairperson of each of the committees of the Board of Directors and other members of the Board of Directors.

Determinations with Respect to Independence of Directors

As noted above, the Corporate Governance Standards adopted by the Board of Directors require the Board of Directors to make an annual determination regarding the independence of each of the Company's directors and provide standards for making these determinations which are consistent with the listing standards of the New York Stock Exchange. The Board made these determinations for each member of the Board on December 5, 2007, based on an annual evaluation performed by and recommendations made by the Nominating/Corporate Governance Committee, consistent with past practices.

As set forth in the Company's Corporate Governance Standards, a director will be independent only if the Board of Directors determines, based on a consideration of all relevant facts and circumstances, that the director has no material relationship with the Company or any of its subsidiaries (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company or any of its subsidiaries). In assessing the materiality of a director's relationship with the Company and each director's independence, the Board must consider the issue of materiality not only from the standpoint of the director but also from that of the persons or organizations with which the director has an affiliation. Material relationships can include, among others, commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships. In assessing a director's independence, the Board must also consider the director's ownership, or affiliation with the owner, of less than a controlling amount of voting securities of the Company. The Board cannot conclude that a director is independent in the following circumstances:

The director is, or has been within the last three years, an employee of the Company or any of its subsidiaries, or an immediate family member of the director is, or has been within the last three years, an executive officer of the Company (but employment as an interim executive officer will not disqualify a director from being considered independent following that employment).

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The director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$100,000 per year in direct compensation from the Company or its subsidiaries, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).

(A) The director or an immediate family member of the director is a current partner of a firm that is the internal or external auditor of the Company or any of its subsidiaries; (B) the director is a current employee of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or (D) the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the audit of the Company or any of its subsidiaries within that time.

The director or an immediate family member of the director is, or has been within the last three years, employed as an executive officer of another company where any of the Company's present executives at the same time serves or served on that company's compensation committee.

The director is a current employee, or an immediate family member of the director is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeded the greater of \$1 million, or 2% of such other company's consolidated gross revenues.

The director owns, or is affiliated with the owner of, a controlling amount of voting stock of the Company.

To assist in the Board's determinations, each director completed materials designed to identify any relationships that could affect the director's independence, and the General Counsel and Secretary of the Company conducted follow up interviews with certain directors. On the basis of these materials and the standards described above, the Board determined that each of Rolf A. Classon, Charles E. Golden, Ray J. Hillenbrand, Ronald A. Malone, Eduardo R. Menascé, Patrick T. Ryan and Joanne C. Smith is independent.

With respect to Rolf A. Classon, the Board considered the fact that Mr. Classon served as Interim President and Chief Executive Officer of the Company from May 11, 2005 to March 20, 2006 and received compensation from the Company for serving in that capacity. In determining that this relationship was not material, the Board considered that Mr. Classon served as Interim President and Chief Executive Officer for a period of only approximately ten months and received compensation that the Board believed was reasonable and appropriate for his service in that capacity. Further, the Board noted that the NYSE listing standards and the Company's Corporate Governance Standards expressly acknowledge that service as an executive officer in an interim capacity, and compensation received for that service, do not disqualify a director from being considered independent.

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The Board considered that Charles E. Golden is a member of the Board of Directors of Clarian Health Partners, which purchased approximately \$6.6 million, \$3.0 million and \$3.5 million of products and services from the Company in the fiscal years 2005, 2006 and 2007, respectively. In determining that this relationship was not material, the Board considered that Mr. Golden is not an executive officer of Clarian Health Partners and that the amount of products and services purchased from the Company by Clarian Health Partners in the last three years has been substantially below 2% of the consolidated gross revenues of Clarian Health Partners in those years.

With respect to Ray J. Hillenbrand, the Board considered the fact that the Board determined that Mr. Hillenbrand's brother, John A. Hillenbrand II, who is also a Board member, is not independent under the standards described above. The Board considered that John A. Hillenbrand II will retire from the Board upon the expiration of his term at the upcoming annual meeting of shareholders. The Board also considered that its determination that John A. Hillenbrand II was not independent was based on a consideration by the Board of all the facts and circumstances and not because a finding of independence was automatically or technically barred under NYSE listing standards.

With respect to each of Eduardo R. Menascé and Patrick T. Ryan, the Board considered the Company's payment to or receipt from entities of which one of these individuals serves as a director of de minimis amounts for goods and services in the ordinary course of business. In determining that these relationships were not material, the Board considered that these directors were not executive officers of any of the entities to or from which the Company made or received payments and that the payments have not exceeded \$300,000 in any of the last three years.

With respect to Joanne C. Smith, the Board considered the fact that the Rehabilitation Institute of Chicago, of which Dr. Smith has served as President and Chief Executive Officer since October 2006 and served as Senior Vice President of Strategy and Business Development from April 2002 through November 2005 and as President of its National Division from November 2005 through October 2006, has purchased approximately \$206,000, \$50,000 and \$57,000 of products and services from the Company in fiscal years 2005, 2006 and 2007, respectively. In evaluating this relationship, the Board considered that the amount of purchases by the Rehabilitation Institute of Chicago in the last three years constituted significantly less than 2% of the gross revenues of the Rehabilitation Institute of Chicago in those years and that Dr. Smith had no authority with respect to the purchasing decisions of the Rehabilitation Institute of Chicago prior to November 2005 and no direct authority for purchasing decisions since November 2005. On the basis of these factors, the Board determined that this relationship was not material.

The Board concluded that, based on all of the relevant facts and circumstances, none of these relationships constituted a material relationship with the Company that represents a potential conflict of interest or otherwise interferes with the exercise by any of these directors of his or her independent judgment from management and the Company.

Also on the basis of the standards described above and the materials submitted by the directors, the Board determined that neither W August Hillenbrand nor John A. Hillenbrand II meets the standards for independence. Peter H. Soderberg also does not meet the independence standards because of his current service as President and Chief Executive Officer of the Company. Accordingly, none of these non-independent directors serves on the Audit,

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Compensation and Management Development or Nominating/Corporate Governance Committees of the Board of Directors.

Meetings and Committees of the Board of Directors

It is the general policy of the Company that all significant decisions be considered by the Board as a whole. As a consequence, the committee structure of the Board is limited to those committees considered to be basic to, or required for, the operation of a publicly owned company. Currently these committees are the Compensation and Management Development Committee, Finance Committee, Audit Committee and Nominating/Corporate Governance Committee, each of which has a written charter adopted by the Board of Directors. The Nominating/Corporate Governance Committee recommends the members and chairs of these committees to the Board. The Audit Committee, Compensation and Management Development Committee and Nominating/Corporate Governance Committee are made up of only independent directors. The current charter for each of the Board's standing committees is available on the Company's website at www.hillenbrand.com and is available in print to any shareholder who requests it through the Company's Investor Relations office.

In furtherance of its policy of having significant decisions made by the Board as a whole, the Company has an orientation and continuing education process for Board members that includes extensive materials, meetings with key management, visits to Company facilities and Company and industry events. Moreover, as part of directors' education, which includes, among other things, regular dedicated sessions regarding the Company's businesses and operations, Audit Committee sponsored financial literacy and legal and regulatory compliance training, and participation in Company and industry trade events, the Board requires each director to attend an outside governance or director related seminar at least once every three years.

During the fiscal year ended September 30, 2007, the Board of Directors of the Company held nine meetings. During this period, no member of the Board of Directors attended fewer than 75% of the aggregate of the number of meetings of the full Board of Directors and the number of meetings of the committees on which he or she served.

The **Finance Committee** assists the Board of Directors in matters related to the capital structure of the Company and is responsible for overseeing the investment of the Company's assets pending utilization in the Company's operations. The Finance Committee of the Board of Directors consists of John A. Hillenbrand II (Chairman) and W August Hillenbrand. Mark D. Ketchum served as a member and Vice Chairman of the Finance Committee until his resignation from the Board effective May 31, 2007. During the fiscal year ended September 30, 2007, the Finance Committee held five meetings. This committee will be disbanded at the time of the upcoming annual meeting of shareholders and its responsibilities initially will be carried out by the full Board of Directors.

The **Audit Committee** has general oversight responsibilities with respect to the Company's financial reporting and financial controls. It annually reviews the Company's financial reporting process, its system of internal controls regarding accounting, legal and regulatory compliance and ethics that management or the Board has established and the internal and external audit processes of the Company. The Audit Committee consists of Charles E. Golden (Chairman), Eduardo R. Menascé (Vice Chairman) and Ray J. Hillenbrand. Jose A. Mejia also served on the Audit Committee from July 13, 2007 until his resignation on December 13, 2007. During the fiscal year ended September 30, 2007, the Audit Committee held eleven

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meetings. Each member of the Audit Committee is independent under Rule 10A-3 of the SEC and NYSE listing standards and meets the financial literacy guidelines established by the Board in the Audit Committee Charter. The Board interprets financial literacy to mean the ability to read and understand audited and unaudited consolidated financial statements (including the related notes) and monthly operating statements of the sort released or prepared by the Company, as the case may be, in the normal course of its business. The Board of Directors has determined that each member of the audit committee is an audit committee financial expert as that term is defined in Item 401(h) of Regulation S-K of the SEC.

The **Compensation and Management Development Committee** assists the Board in ensuring that the officers and key management of the Company are effectively compensated in terms of salaries, supplemental compensation and other benefits that are internally equitable and externally competitive. The Committee is also responsible for reviewing and assessing the talent development and succession management actions concerning the officers and key employees of the Company. The Compensation and Management Development Committee consists of Rolf A. Classon (Chairman), Joanne C. Smith (Vice Chair) and, since July 13, 2007, Ronald A. Malone and Patrick T. Ryan. Mr. Classon replaced Mark D. Ketchum as a member of the Committee and as its Chairman upon Mr. Ketchum's resignation from the Board effective May 31, 2007. Anne G. Peirce also served on the Committee prior to the expiration of her term as a director at the 2007 annual meeting of shareholders. During the fiscal year ended September 30, 2007, the Compensation and Management Development Committee held seven meetings. Each member of the Compensation and Management Development Committee is independent as defined by the New York Stock Exchange listing standards.

The **Nominating/Corporate Governance Committee** consists of Joanne C. Smith (Chairperson), Rolf A. Classon (Vice Chairman), Charles E. Golden, Ray J. Hillenbrand and Eduardo R. Menascé. The Nominating/Corporate Governance Committee held seven meetings during the fiscal year ended September 30, 2007. Each member of the Nominating/Corporate Governance Committee is independent as defined by the New York Stock Exchange listing standards.

The charter for the Nominating/Corporate Governance Committee of the Board of Directors provides that the primary function of this Committee is to assist the Board of Directors in ensuring that the Company is operated in accordance with prudent and practical corporate governance standards, ensuring that the Board achieves its objective of having a majority of its members be independent in accordance with New York Stock Exchange and other regulations and identifying candidates for the Board of Directors. The charter provides that this Committee must consist of at least three members of the Board of Directors, all of whom must be independent. The charter provides that, to fulfill its duties and responsibilities, the Committee must:

Review from time to time and, if appropriate, recommend to the Board changes to the corporate governance standards for the Board of Directors of the Company and its committees, including committee charters;

Review from time to time, and, if appropriate, make changes to the statement setting forth the responsibilities of directors and the qualifications for new nominees for election to the Board;

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Review from time to time, and, if appropriate, make changes to the statement setting forth the responsibilities of and the qualifications for the Chairman of the Board and the Vice Chairperson of the Board;

Annually assess the Board's effectiveness as a whole as well as the effectiveness of the individual directors and the Board's various committees, including a review of the mix of skills, core competencies and qualifications of members of the Board;

Assess, at least annually, the compensation package for the members of the Board of Directors and, if appropriate, recommend changes to the Board of Directors;

Make recommendations with respect to the composition of Board committees;

If deemed necessary, select and retain an executive search firm to identify qualified candidates to serve as members of the Board, considering effectiveness, responsiveness and other relevant factors, and approve the fees and other compensation to be paid to the executive search firm;

Review the performance of the executive search firm and approve any proposed discharge of the executive search firm when circumstances warrant;

Select and recommend to the Board director nominees for election at each annual meeting of shareholders, as well as director nominees to fill vacancies arising between annual meetings of shareholders;

When deemed necessary or appropriate, make recommendations to the Board regarding the appointment or replacement of the Chairman of the Board and the Vice Chairperson of the Board;

Recommend to the Board annually, based on a consideration of all relevant facts and circumstances, whether each director is independent (as that term is defined in the Corporate Governance Standards for the Board of Directors).

Assess the adequacy of and make recommendations to the Board regarding directors' and officers' insurance coverage;

Review and make recommendations to the Board regarding any shareholder proposals;

Pre-approve any related party transactions between the Company or any of its subsidiaries and any director or executive officer;

Determine requirements for, and means of, director orientation and training; and

Review the charter for the Committee and assess the performance of the members of the Committee at least annually and recommend updates and changes to the Board as conditions warrant.

With respect to ethical, legal and regulatory compliance:

Review and assess periodically the Company's Code of Ethical Business Conduct, recommend changes in the Code of Ethical Business Conduct as conditions warrant and confirm that management has established a system to monitor compliance with the Code of Ethical Business Conduct by officers and relevant employees of the Company;

Promote an organizational culture that encourages commitment to compliance with the law and use good faith efforts to assure that corporate information and reporting systems exists that are adequate to assure that appropriate information as to compliance matters comes to its attention in a timely manner as a matter of ordinary operations; and

Together with the Audit Committee assist the Board in its oversight of legal and regulatory compliance, other than matters of financial

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compliance (accounting, auditing, financial reporting, and investor disclosures), as to which the Audit Committee has sole oversight.

The Board of Directors has adopted position specifications applicable to members of the Board of Directors, and nominees for the Board of Directors recommended by the Nominating/Corporate Governance Committee must meet the qualifications set forth in these position specifications. The specifications provide that a candidate for director should not ever (i) have been the subject of an SEC enforcement action in which he or she consented to the entry of injunctive relief, a cease and desist order, or a suspension or other limitation on the ability to serve as a corporate officer or supervisor, (ii) had any license suspended or revoked due to misconduct of any type or (iii) violated any fiduciary duty to the Company or its Code of Ethical Business Conduct, and should exhibit the following characteristics:

Have a reputation for industry, integrity, honesty, candor, fairness and discretion;

Be an acknowledged expert in his or her chosen field of endeavor, which area of expertise should have some relevance to the Company's businesses or operations;

Be knowledgeable, or willing and able to become so quickly, in the critical aspects of the Company's businesses and operations; and

Be experienced and skillful in serving as a competent overseer of, and trusted advisor to, senior management of a substantial publicly held corporation.

In addition, as specified in the charter for the Nominating/Corporate Governance Committee, nominees for the Board of Directors recommended by the Nominating/Corporate Governance Committee should contribute to the mix of skills, core competencies and qualifications of the Board through expertise in one or more of the following areas: accounting and finance, product and technology development, healthcare, manufacturing, services businesses, sales and market development, international operations, international governance, mergers and acquisitions related business development, strategic oversight, government relations, investor relations, executive leadership development, public company governance, and executive compensation design and processes.

The Nominating/Corporate Governance Committee reviews incumbent directors against the position specifications applicable to members of the Board of Directors and independence standards set forth in the New York Stock Exchange Listing Standards. Additionally, since 2003, the Board as a whole, the Board committees and the individual incumbent directors who are being nominated for election at the next annual meeting of shareholders are formally evaluated annually by the Nominating/Corporate Governance Committee, whose findings are reviewed with the Board. The Nominating/Corporate Governance Committee retains a nationally recognized consulting firm to assist it with the evaluation process and retains a nationally recognized executive search firm to assist it with the identification and evaluation of new directors.

The Nominating/Corporate Governance Committee's policy with respect to the consideration of director candidates recommended by shareholders is that it will consider such candidates. Any such recommendations should be communicated to the Chairman of the Nominating/Corporate Governance Committee in the manner described above in *Communications with Directors* and should be accompanied by substantially the same types of information as are required under the Company's Code of By-laws for shareholder nominees.

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The Company's Code of By-Laws provides that nominations of persons for election to the Board of Directors of the Company may be made at any meeting of shareholders by or at the direction of the Board of Directors or by any shareholder entitled to vote for the election of members of the Board of Directors at the meeting. For nominations to be made by a shareholder, the shareholder must have given timely notice thereof in writing to the Secretary of the Company and any nominee must satisfy the qualifications established by the Board of Directors of the Company from time to time as contained in the proxy statement of the Company for the immediately preceding annual meeting or posted on the Website of the Company at www.hillenbrand.com. To be timely, a shareholder's nomination must be delivered to or mailed and received by the Secretary not later than (i) in the case of the annual meeting, 100 days prior to the anniversary of the date of the immediately preceding annual meeting which was specified in the initial formal notice of such meeting (but if the date of the forthcoming annual meeting is more than 30 days after such anniversary date, such written notice will also be timely if received by the Secretary by the later of 100 days prior to the forthcoming meeting date and the close of business 10 days following the date on which the Company first makes public disclosure of the meeting date) and (ii) in the case of a special meeting, the close of business on the tenth day following the date on which the Company first makes public disclosure of the meeting date. The notice given by a shareholder must set forth: (i) the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated; (ii) a representation that the shareholder is a holder of record, setting forth the shares so held, and intends to appear in person or by proxy as a holder of record at the meeting to nominate the person or persons specified in the notice; (iii) a description of all arrangements or understandings between such shareholder and each nominee proposed by the shareholder and any other person or persons (identifying such person or persons) pursuant to which the nomination or nominations are to be made by the shareholders; (iv) such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the SEC; (v) the consent in writing of each nominee to serve as a director of the Company if so elected, and (vi) a description of the qualifications of such nominee to serve as a director of the Company.

Compensation of Directors

The following table sets forth the compensation paid to our non-employee directors during the fiscal year ended September 30, 2007. The Company uses a combination of cash and stock-based compensation to attract and retain qualified candidates to serve on its Board. In setting director compensation, the Company considers the significant amount of time that directors expend in fulfilling their duties to the Company as well as the skill-level required for members of the Board. Directors who are also employees of the Company receive no additional remuneration for services as a director. Of the Company's current Board members, only Mr. Soderberg is a salaried employee of the Company. All other directors receive separate compensation for Board service.

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Table of Contents**Director Compensation Table For Fiscal Year Ending September 30, 2007**

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Name	Fees Earned or Paid in Cash \$(1)	Stock Awards \$(2)	Option Awards \$	Non-Equity Incentive Plan Compensation \$	Change in Pension Value and Nonqualified Deferred Earnings \$(3)	All Other Compensation \$(4)	Total \$
Rolf A. Classon Chairman	\$ 208,250	\$ 208,058				\$ 792	\$ 417,100
Charles E. Golden John A. Hillenbrand II	\$ 90,750	\$ 107,001				\$ 0	\$ 197,751
Ray J. Hillenbrand W August Hillenbrand (5)	\$ 66,750	\$ 107,001				\$ 247	\$ 173,998
Ronald A. Malone	\$ 74,575	\$ 107,001				\$ 0	\$ 181,576
Jose A. Mejia Eduardo R. Menascé	\$ 72,250	\$ 107,001			\$ 9,795	\$ 931,047	\$ 1,120,093
Patrick T. Ryan	\$ 25,250	\$ 30,092				\$ 276	\$ 55,618
Joanne C. Smith	\$ 26,750	\$ 30,092				\$ 180	\$ 57,022
	\$ 74,500	\$ 107,001				\$ 792	\$ 182,293
	\$ 22,000	\$ 30,092				\$ 180	\$ 52,272
	\$ 72,750	\$ 107,001				\$ 180	\$ 179,931

(1) Directors receive an annual retainer of \$25,000 for their service as directors, together with a \$3,500 fee for each Board meeting attended. The Chairman of the Board of Directors annual retainer is \$150,000. For any Board meeting lasting longer than one day, each director who attends receives \$1,000 for each additional day. Directors who attend a Board meeting or standing committee meeting by telephone receive fifty percent

(50%) of the usual meeting fee. Each director who is a member of the Nominating/Corporate Governance, Finance, Audit or Compensation and Management Development Committee receives a fee of \$1,500 for each committee meeting attended. The Chairs of the Audit, Compensation and Management Development, Nominating/Corporate Governance and Finance Committees receive an additional \$10,000, \$8,000, \$7,000 and \$5,000 annual retainer, respectively. Directors who attend meetings of committees of which they are not members receive no fees for their attendance.

- (2) Each director is awarded on the first trading day following the close of each annual meeting of the Company's shareholders 1,800 deferred stock shares (otherwise known as restricted stock units) under the Company's Stock Incentive Plan. A new director receives a pro-rata portion of the annual award representing the time served during the fiscal year of joining the Board of Directors. Delivery of shares

underlying such deferred stock shares occurs on the later to occur of one year and one day from the date of the grant or the six month anniversary of the date that the applicable director ceases to be a member of the Board of Directors of the Company. In the case of the Chairman of the Board of Directors, the annual grant of deferred stock shares is 3,500. Dividends paid on the Company common stock will be deemed to have been paid with regard to the deferred stock shares awarded and deemed to be reinvested in Company common stock at the market value on the date of such dividend, and will be paid in additional shares on the distribution date of the underlying award.

The amounts indicated represent the aggregate dollar amount of compensation expense related to deferred stock shares (otherwise known as restricted stock units) granted that was recognized in our financial statements during the fiscal year 2007. The determination of this expense is based on the methodology set forth in Notes 1 and 11 to our financial

statements included in our Annual Report on Form 10-K, which was filed with the SEC on November 29, 2007.

The aggregate number of deferred stock shares (otherwise known as restricted stock units) held by each director at September 30, 2007 was as follows: Rolf A. Classon 10,449; Charles E. Golden 7,109; John A. Hillenbrand II 7,109; Ray J. Hillenbrand 11,322; W August Hillenbrand 7,109; Ronald A.

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Malone 453;
Jose A. Mejia
453; Eduardo R.
Menascé 5,598;
Patrick T. Ryan
453; and Joanne
C. Smith 7,109.

- (3) Consists of
above market
nonqualified
deferred
compensation
earnings.
Members of the
Board of
Directors, who
are not
employees, may
participate in
the Hillenbrand
Industries, Inc.
Board of
Directors
Deferred
Compensation
Plan in which
members may
elect to defer
receipt of fees
earned. Upon
election, the
participant may
invest fees
earned in either
a cash
investment
which bears
interest at a
prime rate in
effect from time
to time or at
other rates
determined by
the Company, or
common stock
to be paid at the
end of the
deferral period.

As of
September 30,
2007 the
following
members are
participating
and have
balances in the
Board of
Directors
Deferred
Compensation
Program:

	Deferred Cash \$	Vested Deferred Stock #	\$
W August Hillenbrand	\$455,805		
Charles E. Golden		2,857	\$ 157,192

(4) Consists of pension benefits, incremental cost of aircraft usage, security expenses, Company paid life insurance and other personal benefits provided by the Company. All Other Compensation earned or allocated during the fiscal year ended September 30, 2007 is as follows:

Name	Aircraft Usage (a)	Security	Health Care	Company Paid Life Insurance	Gross-up/Tax Reimbursement	Supp DB Pension
Rolf A. Classon						
Charles E. Golden						
John A. Hillenbrand II						
Ray J. Hillenbrand						
W August Hillenbrand	\$ 111,655	\$ 25,770	\$ 10,733	\$ 178,242	\$ 115,887	\$ 411,171
Ronald A. Malone						
Jose A. Mejia						
Eduardo R. Menasce						
Patrick T. Ryan						
Joanne C. Smith						

Name	Co. Provided Term Life Ins.(b)	Pers. Asst. Sal & Benefits	Communications	Misc. Benefits	Total
Rolf A. Classon	\$ 792				\$ 792
Charles E. Golden	Declined				\$ 0
John A. Hillenbrand II	\$ 247				\$ 247

Ray J. Hillenbrand	Declined				\$ 0
W August Hillenbrand	\$ 1,524	\$ 58,335	\$ 12,898	\$ 4,832	\$ 931,047
Ronald A. Malone	\$ 276				\$ 276
Jose A. Mejia	\$ 180				\$ 180
Eduardo R. Menasce	\$ 792				\$ 792
Patrick T. Ryan	\$ 180				\$ 180
Joanne C. Smith	\$ 180				\$ 180

- (a) The Company does not charge for the personal use of its aircraft, but it does report amounts related to such use as taxable income to the Internal Revenue Service. The value of the use of Company aircraft disclosed in the Director Compensation Table is based upon the incremental cost of \$2,087 per flight hour to the Company and not the values reported to the IRS.
- (b) The value of Company provided term life insurance is the value reported as income as determined by IRS tables. Participation in the life insurance program is voluntary and may be declined as indicated.
- (5) W August Hillenbrand and the Company entered into an agreement relating to Mr. Hillenbrand's retirement as Chief Executive Officer of the Company on December 2, 2000. Under that

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agreement, Mr. Hillenbrand is entitled to receive a package of benefits from the Company, including payment of life and health insurance premiums which are grossed up for tax purposes, reimbursement of medical expenses not covered by insurance, an office, a secretary, reimbursement of miscellaneous expenses, supplemental pension fund benefit payments and limited use of the Company's corporate aircraft for personal purposes on the same basis as the Company's Chief Executive Officer. During the fiscal year ended September 30, 2007, these benefits aggregated approximately \$903,753. Additionally, during fiscal year 2007 the Company paid \$25,770 for legal and security measures to address certain security threats to Mr. Hillenbrand and the Company as well as \$1,524 for Company provided term life insurance.

Certain Relationships and Related Transactions

The Corporate Governance Standards for the Board require that all new proposed related party transactions involving executive officers or directors must be reviewed and approved by the Nominating/Corporate Governance Committee in advance.

In 2003 the Company's Batesville Casket subsidiary entered into a contract with Nambé Mills, Inc. pursuant to which Batesville Casket purchases urn products from Nambé Mills. Purchases during the fiscal year ended September 30, 2007 were approximately \$225,000, and purchases during fiscal 2008 are projected to total approximately \$204,000. John A. Hillenbrand II, a director of the Company, serves as Chairman Emeritus of Nambé Mills. Mr. Hillenbrand's children own substantially all of the equity of Nambé Mills. The Company believes that these purchases will be on terms similar to those the Company could obtain from an unrelated third party for these products.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Named Executive Officers

Our named executive officers are Peter H. Soderberg, President and Chief Executive Officer; Gregory N. Miller, Senior Vice President and Chief Financial Officer; Kenneth A. Camp, Senior Vice President of the Company and President and Chief Executive Officer, Batesville Casket Company, Inc.; Patrick D. de Maynadier, Senior Vice President, General Counsel and Secretary; and John H. Dickey, Senior Vice President, Human Resources. These individuals are referred to as the Named Executive Officers.

Background

The elements and amounts of the compensation of the Named Executive Officers have been determined by the Compensation and Management Development Committee of our Board of Directors (the Compensation Committee). Hillenbrand's compensation programs have been designed by the Compensation Committee in collaboration with management and approved by Hillenbrand's Board of Directors.

Objectives and Principles of Hillenbrand's Executive Compensation Program

The objectives of Hillenbrand's executive compensation program are to ensure officers and key management personnel are effectively compensated in terms of base salary, supplemental compensation and other benefits that are internally equitable and externally competitive and advance the long term interests of Hillenbrand's shareholders. Hillenbrand's compensation program is designed to reward individual performance relative to predefined duties and responsibilities (which may appropriately change as circumstances change). The compensation program also considers business performance at enterprise and business unit levels and long-term shareholder value creation.

Hillenbrand's compensation program is based on the following guiding principles, which support Hillenbrand's commitment to maintain a compensation program that fosters performance and the creation of long-term shareholder value:

- Aligning management's interests with those of shareholders;
- Motivating and providing incentive for employees to achieve superior results;
- Assuring clear accountabilities and providing rewards for producing results;
- Ensuring competitive compensation in order to attract and retain superior talent; and
- Ensuring simplicity and transparency in compensation structure.

To attract and retain high-caliber executive officers, Hillenbrand's total compensation packages for the Named Executive Officers are intended to be in line with what is offered by companies with which it competes for executive talent. Hillenbrand also analyzes overall

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compensation carefully to ensure it recognizes other factors such as length of service, the level of experience and responsibility, complexity of position, internal pay equity within Hillenbrand and the degree of replacement difficulty. Hillenbrand also analyzes individual performance, including such qualities as leadership, strategic vision and execution of corporate initiatives. In addition to compensation being competitive and aligned with individual performance, significant portions of executive compensation should be tied to both the achievement of Hillenbrand's key operational and financial performance goals and the value of Hillenbrand stock, thereby aligning executive compensation with both the success of Hillenbrand's business strategy and objectives as well as the returns realized by its shareholders. To that end, Hillenbrand management has been granted opportunities for both short-term and long-term incentives that are tied to the achievement of key operational and financial metrics that drive Hillenbrand's business strategy. Furthermore, Hillenbrand grants time-based stock options and deferred stock shares (also referred to as restricted stock units) and performance based deferred stock shares to ensure alignment with the interests of Hillenbrand's shareholders.

Hillenbrand's executives' fixed compensation (which primarily includes base salaries, benefits and limited perquisites), as well as executives' short-term and long-term performance based compensation at target levels of performance, have generally been designed to fall at approximately the 50th percentile of compensation paid by companies with which Hillenbrand competes for executive talent. Total compensation is paid above or below the 50th percentile of the applicable market when pre-established business and/or personal criteria targets are exceeded or are not achieved. Our executives' short-term and long-term performance based compensation are each expressed as a percentage of their salaries.

To create an ongoing personal financial stake in Hillenbrand's success for each officer, further align the interests of the officers and Hillenbrand's shareholders and motivate officers to maximize shareholder value, Hillenbrand's Board of Directors has adopted guidelines that require its executive officers to maintain specified stock ownership percentages.

Process for Determining Compensation

The Compensation Committee is charged with ensuring that Hillenbrand's compensation programs meet the objectives outlined above. In that role, the Compensation Committee makes all executive compensation decisions, administers Hillenbrand's compensation plans and keeps the Board of Directors informed regarding executive compensation matters. The Compensation Committee in consultation with Hillenbrand's compensation consultant determines the compensation of the Chief Executive Officer. The Chief Executive Officer makes recommendations to the Compensation Committee regarding the compensation of his direct reports, including Hillenbrand's other Named Executive Officers. From time to time, Hillenbrand management also provides recommendations to the Compensation Committee regarding modifications to the elements and structure of Hillenbrand's compensation program. The process and methodology for determining compensation for the Named Executive Officers is generally consistent for each Named Executive Officer, including the Chief Executive Officer, unless otherwise noted.

The Compensation Committee has normally engaged nationally recognized independent compensation and benefits consulting firms (1) to evaluate independently and objectively the effectiveness of and assist with implementation of Hillenbrand's compensation and benefit programs and (2) to provide the Compensation Committee with additional expertise in the evaluation of Hillenbrand's compensation practices and of the recommendations developed by

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management and firms engaged by Hillenbrand. The consultants also provide information and insights relative to current and emerging compensation and benefits practices. Since April 2005, the Compensation Committee has retained Ernst & Young as its compensation and benefits consulting firm. For executive officers of Hillenbrand, Ernst & Young has provided peer group proxy and survey data regarding the amount, form and mix of compensation at the twenty-fifth percentile, median and seventy fifth percentile, which have been used by the Compensation Committee as one reference point in its decision making around compensation packages.

Among the factors considered by the Compensation Committee in determining the elements and amounts of total compensation are peer group data, survey data, internal pay equity, external market conditions, individual factors, and aggregate compensation.

Peer Group and Survey Data. As one of several factors in considering approval of elements of Hillenbrand's compensation programs, the Compensation Committee has compared Hillenbrand's compensation programs and performance against an approved peer group of companies. The compensation peer group, which is periodically reviewed and updated by the Compensation Committee, currently consists of twelve companies that are similar in size and in similar industries as Hillenbrand and with whom Hillenbrand may compete for executive talent. The companies comprising Hillenbrand's compensation peer group, which was last revised in late 2004, through the end of fiscal year 2007 were:

Bard (C.R.), Inc.	Baxter International, Inc.
Beckman Coulter, Inc.	Becton Dickinson & Co.
Conmed Corporation	Dade Behring Holdings, Inc.
Invacare Corporation	Kinetic Concepts, Inc.
Mettler-Toledo International, Inc.	Respironics, Inc.
Steris Corporation	Viasys Healthcare, Inc.

The Compensation Committee also has received and considered supplemental information regarding the compensation paid by Apria Healthcare Group, Inc. and Hospira Inc. Although these companies have not been included in Hillenbrand's compensation peer group, they are included in a performance peer group used by Hillenbrand's management for other business purposes. In December 2007, following a review of the appropriateness of the existing peer group, the Compensation Committee removed Baxter International, Inc., Dade Behring Holdings, Inc. and Viasys Healthcare, Inc. from the compensation peer group and added Apria Healthcare Group, Inc., DENTSPLY International Inc. and Hospira, Inc. The foregoing changes were made to align the compensation peer group with the Company's performance peer group and to reflect the deletion of Viasys Healthcare, Inc. and Dade Behring Holdings, Inc. as they are no longer stand alone independent companies.

In addition to peer group data, the Compensation Committee considers survey data that include a broad sample of Fortune 1000 companies, focusing on data regarding companies with revenues within a reasonable range of Hillenbrand or its business units, companies in the manufacturing industry and companies with a comparable number of full time equivalent employees. The Compensation Committee uses data compiled from various compensation surveys (i.e., consolidated data averaged from at least three surveys) from human resource benefit firms such as Watson & Wyatt, Mercer and others as appropriate. The purpose of the survey data is to provide an additional source of market data to validate the findings under the proxy analysis. In particular, the survey data provide additional data based on the specific job responsibilities of the Named Executive Officers compared to the appropriate market.

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Internal Pay Equity. From time to time, the Compensation Committee has examined the relationship between the compensation paid to executives within each pay grade and within Hillenbrand as a whole to avoid any unjustified differences in compensation. In December 2007, the Compensation Committee compared the pay of the Company's Chief Executive Officer to the next highest executive and to the average of its four other Named Executive Officers as part of its analysis and approval of the compensation program for fiscal year 2008. In light of this information (coupled with other information reviewed as described in more detail below), the Compensation Committee did not identify issues within this analysis that would warrant any changes in compensation strategy. The Compensation Committee intends to periodically review internal pay equity.

External Market Conditions and Individual Factors. The Compensation Committee is aware that it cannot establish total executive compensation levels solely on the basis of the median range of competitive benchmark survey data without additional analysis. Accordingly, the Compensation Committee also takes into account external market conditions and individual factors when establishing the total compensation of each executive. Some of these factors include the executive's length of service, the level of experience and responsibility, complexity of position, individual performance, internal pay equity within Hillenbrand and the degree of replacement difficulty.

Aggregate Compensation. For Named Executive Officers of Hillenbrand, the Compensation Committee has considered the aggregate value of base salary, short-term incentive compensation at target level and the estimated value of long-term incentive compensation. The Compensation Committee has compared the aggregate amount of these elements of compensation for the Named Executive Officers to the aggregate amount of the same elements of named executive officer compensation at other companies using peer group and survey data and targeted aggregate compensation of Hillenbrand's Named Executive Officers at median levels. The most recent study was performed in November 2006. An updated total direct compensation study will be performed in fiscal year 2008.

In addition, in December 2007, the Compensation Committee reviewed the total compensation of the Company's Named Executive Officers in comparison to the total compensation of its peer group companies, in each case as reported under the SEC's new disclosure rules for executive compensation. The purpose of this high level review was to look at all elements of compensation that are not typically captured within a total direct compensation analysis covering base salary, annual incentive, and long term incentive compensation and, if there were significant differences, to understand what elements of compensation gave rise to the differences. Based on its total compensation review, the Compensation Committee did not identify any issues that warranted a change to the existing strategy.

As a supplemental analytical tool for the review of the total compensation of the Named Executive Officers, the Compensation Committee also reviewed tally sheets for the Named Executive Officers in December 2007. The tally sheets provided information not only relative to the total compensation of the Named Executive Officers, but also provided information on how changing one element of pay could impact other payments, including payments under severance and change in control agreements. In light of the fact that generally no merit increases were proposed for Named Executive Officers in fiscal year 2008, the short-term incentive compensation opportunities did not change, and the long-term incentive awards were consistent with prior years, the Compensation Committee did not identify any issues that would warrant a change in the current compensation strategy for any of the Named Executive Officers.

Table of Contents*Elements of Executive Compensation*

The three major components of Hillenbrand's executive officer compensation are: (1) base salary, (2) variable cash incentive awards and (3) long-term, equity-based incentive awards. Each component of the program was developed in a building block approach, with the objective of developing a compensation package based on each element being competitive, based on peer group proxy statement and survey data, while also being competitive as a whole.

Base Salary. Hillenbrand provides senior management with a fixed level of cash compensation in the form of base salary that is competitive and consistent with their skill level, experience, knowledge, length of service with Hillenbrand and the level of responsibility and complexity of their position. Base salary is intended to aid in the attraction and retention of talent in a competitive market. The target salary for Hillenbrand's senior management has been based in part on the competitive market median of Hillenbrand's peer group, supplemented by published survey data (the competitive market). Actual base salaries may differ from the competitive market median target as a result of various factors, including length of service, the level of experience and responsibility, complexity of their position, individual performance, internal pay equity within Hillenbrand and the degree of difficulty in replacing the individual. The base salaries of senior management are reviewed by the Compensation Committee on an annual basis, generally during the first quarter of the fiscal year, as well as at the time of promotion or significant changes in responsibility. Executives are eligible for merit based increases based on prior year performance. Individual performance is determined by use of a broad based internal performance management system, which differentiates individual achievement. Performance is ranked on a scale that ranges from unacceptable to outstanding, with a corresponding range of possible merit based increases in base salary. For 2007, the recommended range of merit based increases was 0.0% to 7.0%, with a target increase of 3.5%. Our Named Executive Officers received merit based increases in 2007 ranging from 3.5% to 5.7%. Base salaries also may increase based on changes in the competitive market. When adjusting base salaries, the Compensation Committee also considers the effects of the adjustment on other elements of compensation that may be tied to or related to base salary, including annual cash incentive awards, pension and retirement plan benefits and severance and change in control benefits. The Named Executive Officers, other than Mr. Camp who will receive a 3.0% merit increase based on his performance, will not receive merit increases for 2008, in anticipation of potential compensation programs that may be developed as a result of the proposed separation of the Company into two publicly traded companies.

The base salary paid to each of our Named Executive Officers during the year ended September 30, 2007, is set forth in the Summary Compensation Table under Compensation of Named Executive Officers below.

Annual Cash Incentives

Overview. The payment of annual cash incentives is formula-based, with adjustments for achievement of individual performance goals, and is governed by Hillenbrand's Short-Term Incentive Compensation Plan (STIC Plan). The objective of the STIC Plan is to provide a total level of cash compensation that is heavily weighted on the achievement of internal performance objectives, which takes into consideration the competitive market median total cash compensation.

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The STIC Plan is designed to motivate executives to perform and meet company and individual objectives, with significant compensation at risk. The program provides a mechanism to pay amounts above the market median (50th percentile) total cash compensation when Hillenbrand experiences above average financial success, is designed to encourage high individual and group performance and is based on the philosophy that employees should share in the success of Hillenbrand if above average value is created for Hillenbrand shareholders. The potential to be paid significant awards plays an important role in the attraction and retention of executives.

Pool Funding Percentage. Under the terms of the STIC Plan, the Compensation Committee establishes specific financial objectives for the Company and its business units, and may also establish non-financial objectives. A STIC Plan pool is established for each of the Company and its business units and is funded based upon the achievement by the Company or the applicable business unit of the established performance objectives. Each STIC Plan pool is funded between 30% and 150% of the product of the target incentive compensation opportunity (expressed as a percentage of their base salary) for each STIC Plan participant times their base salary (Pool Funding). STIC Plan pools are funded at 100% when performance is at target levels and are funded up to 150% when performance exceeds target levels. STIC Plan pools are not funded, and no short-term incentive compensation is payable, when minimum financial performance objectives are not met.

Short-term financial performance objectives are established annually at levels that typically reflect strong financial performance under then existing conditions. Fiscal year 2007 financial performance objectives were measured in terms of revenues and operating income for Hillenbrand and its business units, with each STIC Plan pool being funded seventy five percent by operating income and twenty five percent by revenues generated within the Company or the applicable business unit. Despite the performance objectives, however, the Compensation Committee has the discretion to exclude from the calculation of applicable revenue and operating income targets for purposes of funding STIC Plan pools, nonrecurring special charges and amounts. These adjustments generally include items such as significant litigation and settlement costs; restructuring charges; changes in accounting policies; acquisition and divestiture impacts; and major unbudgeted material expenses incurred by or at the direction of the Board. Additionally, for fiscal year 2007, to the extent business unit operating expenses were favorable to plan based on under spending against 2007 through 2009 strategic plan investment objectives, the Compensation Committee, in its discretion, further excluded that favorability from the calculation of the applicable operating income targets for purposes of funding STIC Plan pools. The target objectives are intended to represent stretch goals based on the business plan of Hillenbrand or the applicable business unit. The objectives are set with the intention that the relative level of difficulty in achieving the targets is consistent from year to year. The Company and Batesville Casket Company failed to meet minimum financial performance objectives in fiscal year 2005. In fiscal year 2006, performance of Batesville Casket was above target, and the Company's consolidated performance achievement was slightly below target. In fiscal year 2007, achievement by the Company and Batesville Casket was above the minimum financial performance objectives but below target.

Individual STIC Percentage. Each participant is entitled to participate in the STIC Plan pools determined by the Compensation Committee. In fiscal 2007, Mr. Soderberg, Mr. Miller, Mr. de Maynadier and Mr. Dickey participated in only the Hillenbrand pool and were eligible for payouts based 100% on the funding of that pool. Mr. Camp participated in both the Hillenbrand

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pool and the Batesville Casket pool and was eligible for payouts based 25% on the funding of the Hillenbrand pool and 75% on the funding of the Batesville Casket pool.

Under the terms of the Plan for fiscal 2007, short term incentive compensation target opportunity, based on Hillenbrand or business unit performance, was equal to 90% of base salary in the case of Mr. Soderberg; 75% of base salary in the case of Mr. Camp; and 50% of base salary in the case of the other Named Executive Officers. The STIC Plan provides for individual short term incentive compensation payouts ranging up to a maximum of two times the executive's short term incentive compensation target opportunity set forth above depending upon achievement of applicable Pool Funding and personal performance objectives (measured by a personal performance multiplier from 0% to 150%) determined, in the case of the President and Chief Executive Officer of Hillenbrand and other Named Executive Officers, by the Compensation Committee, and, in the case of the other employees, by the President and Chief Executive Officer of the Company and approved by the Compensation Committee. Individual performance is measured using the same performance factors used for determining merit based increases in base salary. Those personal performance factors are based on achievement of personal performance goals established for each individual, including each of the Named Executive Officers, at the beginning of each fiscal year. Those goals are both qualitative and quantitative in nature and, therefore, the evaluation of performance against those objectives by the Compensation Committee is, in part, subjective. Additionally, the Compensation Committee evaluates individual performance against objectives that arise during the course of the applicable fiscal year that were not considered when individual goals were determined at the beginning of the year.

For 2007, the objectives established at the beginning of the year for Mr. Soderberg included achieving the Company's financial plans, refining and executing elements of the Hill-Rom strategic plan, accelerating product innovation and external business development, enhancing talent development and management, supporting the Board of Directors in the consideration of the separation of the Company's two businesses and exercising appropriate oversight for key litigation in which the Company is involved. Mr. Camp's objectives for 2007 included executing elements of the Batesville Casket strategic plan and managing key litigation. The 2007 personal performance objectives for the other Named Executive Officers included various matters related to their specific functions within the Company, including such matters related to the Company's overall strategy and objectives.

After considering personal performance against the goals described above and other objectives that arose during the course of the year, and Company and business unit financial performance, the Compensation Committee awarded short-term incentive compensation to our Named Executive Officers for fiscal 2007 as set forth in the Summary Compensation Table under "Compensation of Named Executive Officers" below.

Short-term incentive compensation is calculated for each executive participant at the end of each fiscal year and is payable in cash. Payment of earned 2007 short-term incentive compensation was made during the first quarter of fiscal 2008. All or a portion of short term incentive compensation may be deferred by the executive and invested either in cash or common stock to be paid at the end of the deferral period.

Table of Contents**Long-Term Equity Awards**

Overview. Hillenbrand's Stock Incentive Plan, which was approved by Hillenbrand's shareholders in 2002, provides for the opportunity to grant stock options and other equity-based incentive awards to officers, other key employees and non-employee directors to help align those individuals' interests with those of shareholders, to motivate executives to make strategic long-term decisions, and to better enable Hillenbrand to attract and retain capable directors and executive personnel.

Equity based awards are generally granted to executive officers annually based on a grant range of between 0% and 200% of a standard grant amount. The standard grant amount is determined by the Compensation Committee as competitive market median awards for each executive grade level. The actual grant of awards, with potential grants up to 200% of standard grant, is made by considering the individual's performance through the Hillenbrand performance management system, using the same performance factors as those used for merit based salary increases and short-term incentive compensation awards. While equity based awards are focused primarily on motivating future performance, to the extent that the executive officers' personal performance objectives for the most recently completed fiscal year have not been achieved, those individuals' equity based grants may be made at levels that are lower on the standard range of grants available. Awards made in 2007 based on 2006 performance for our Named Executive Officers other than Mr. Soderberg were based on the following ranges of potential stock option and deferred stock share (otherwise known as restricted stock unit) awards:

	Stock Option Range	Deferred Stock Share (otherwise known as Restricted Stock Unit) Range
Gregory N. Miller	0 to 22,800	0 to 6,000
Kenneth A. Camp	0 to 28,000	0 to 7,400
Patrick D. de Maynadier	0 to 22,800	0 to 6,000
John H. Dickey	0 to 22,800	0 to 6,000

Awards made to Mr. Soderberg in 2007 based on 2006 performance were determined on an assessment of Mr. Soderberg's individual performance by the Compensation Committee. Actual awards granted to the Named Executive Officers during the year ended September 30, 2007 are set forth in the Grants of Plan-Based Awards Table under Compensation of Named Executive Officers below.

As part of its analysis and approval of the fiscal 2008 long-term incentive awards, the Compensation Committee reviewed information relative to equity wealth accumulation based on previous grants as well as the anticipated fiscal 2008 grants. The purpose of this analysis was to determine whether prior and proposed grants are likely to be effect