

HILLENBRAND INDUSTRIES INC

Form DEF 14A

January 03, 2007

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**UNITED STATES
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SCHEDULE 14A

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

Filed by the Registrant
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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)

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- No fee required.
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**HILLENBRAND INDUSTRIES, INC.
NOTICE OF ANNUAL MEETING
To Be Held February 8, 2007**

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 Thursday, February 8, 2007, at 10:00 a.m., Eastern Standard Time, for the following purposes:

- (1) To elect three 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 15, 2006, 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 3, 2007

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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), 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 Thursday, February 8, 2007, 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 3, 2007. 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 three 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.

VOTING

The close of business on December 15, 2006, 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 15, 2006, there were 61,494,387 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 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

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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. Directors in each class are elected for a three-year term unless they resign or retire earlier.

Anne G. Peirce, currently a Class II director whose term expires at the upcoming meeting, has notified the Board of her intention not to stand for reelection to the Board of Directors and to resign from the Board upon the expiration of her term. The Board of Directors is not nominating a candidate for election to the Class II position currently held by Dr. Peirce. In accordance with the Company's Code of By-laws, the Board of Directors previously set the number of directors constituting the entire Board of Directors at eleven, with four directors in each of Classes I and II and three directors in Class III. Currently, there is one vacancy on the Board of Directors in Class III, and following the annual meeting there will be a second vacancy on the Board of Directors in Class II. 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.

At the upcoming annual meeting, the shareholders will elect three members of the Board of Directors in Class II to serve three-year terms expiring at the 2010 annual meeting. The incumbent directors in Class III and Class I were each previously elected to serve terms expiring at the 2008 and 2009 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.

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Nominees to be elected to serve three-year terms expiring at the 2010 annual meeting:

Name	Age	Principal Occupation	Served As A Director Since	Shares ⁽¹⁾	Percent of Total Shares Outstanding
				Beneficially Owned As Of December 15, 2006	
Ray J. Hillenbrand	72	Personal Investments	1970	509,222 ⁽²⁾⁽⁴⁾⁽⁵⁾	(3)
Mark D. Ketchum	57	Chief Executive Officer and President of Newell Rubbermaid, Inc.	2004	3,699 ⁽²⁾	(3)
Peter H. Soderberg	60	President and Chief Executive Officer of the Company	2002	68,451 ⁽²⁾	(3)

CONTINUING DIRECTORS:**CLASS III**

Serving terms expiring at the 2008 annual meeting:

Name	Age	Principal Occupation	Served As A Director Since	Shares (1)	Percent of Total Shares Outstanding
				Beneficially Owned As Of December 15, 2006	
John A. Hillenbrand II	75	Personal Investments	1981 ⁽⁶⁾	1,015,151 ⁽²⁾⁽⁴⁾⁽⁷⁾	1.7%
Joanne C. Smith	46	President and Chief Executive Officer of the Rehabilitation Institute of Chicago	2003	5,181 ⁽²⁾	(3)

CLASS I

Serving terms expiring at the 2009 annual meeting:

Name	Age	Principal Occupation	Served As A Director Since	Shares ⁽¹⁾	Percent of Total Shares Outstanding
				Beneficially Owned As Of December 15, 2006	
Rolf A. Classon	61	Chairman of the Board of the Company	2002	36,323 ⁽²⁾	(3)
Charles E. Golden	60	Retired Executive Vice President and Chief Financial Officer of Eli Lilly and Company	2002	15,506 ⁽²⁾	(3)

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W August Hillenbrand	66	Retired Chief Executive Officer of the Company	1972	3,199,082 ₍₂₎₍₄₎₍₈₎	5.2%
Eduardo R. Menascé	61	Retired President, Enterprise Solutions Group, Verizon Communications	2004	3,699 ₍₂₎	(3)

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Table of Contents**STOCK OWNERSHIP OF OTHER NAMED EXECUTIVE OFFICERS:**

Name	Age	Principal Occupation	Shares⁽¹⁾ Beneficially Owned As Of December 15, 2006	Percent of Total Shares Outstanding
Gregory N. Miller	43	Senior Vice President and Chief Financial Officer ⁽⁹⁾	44,243 ⁽²⁾	(3)
Kenneth A. Camp	61	Senior Vice President of Hillenbrand Industries, Inc. and President and Chief Executive Officer, Batesville Casket Company, Inc. ⁽¹⁰⁾	187,840 ⁽²⁾	(3)
Patrick D. de Maynadier	46	Vice President, General Counsel and Secretary ⁽¹¹⁾	82,480 ⁽²⁾	(3)
Kimberly K. Dennis	40	Vice President of Information Technology, of Hillenbrand Industries, Inc. and Senior Vice President, North America Post Acute Care and Information Technology of Hill-Rom Company, Inc. ⁽¹²⁾	70,488 ⁽²⁾	(3)

All directors and executive officers of the Company as a group, consisting of 16 persons.

5,298,018⁽²⁾⁽⁵⁾⁽⁷⁾⁽⁸⁾ 8.6%

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

Name	Address	Shares Beneficially Owned	Percent of Total Shares Outstanding
Franklin Mutual Advisers, LLC	101 John F. Kennedy Parkway, Short Hills, NJ 07078	3,232,488 ⁽¹³⁾	5.3%
Franklin Resources, Inc.	One Franklin Parkway, San Mateo, CA 94493	3,122,040 ⁽¹⁴⁾	5.1%
Barclays Global Investors, NA	45 Fremont Street, San Francisco, CA 94105	3,094,513 ⁽¹⁵⁾	5.0%

(1) The Company's only class of equity securities outstanding is common stock without par

value. These share figures include the following shares that may be purchased pursuant to stock options that are exercisable within 60 days of December 15, 2006: Ray J. Hillenbrand, 30,000 shares; Peter H. Soderberg, 8,000 shares; John A. Hillenbrand II, 24,000 shares; Rolf A. Classon, 8,000 shares; Charles E. Golden, 8,000 shares; W August Hillenbrand, 222,000 shares; Gregory N. Miller 31,067; Patrick D. de Maynadier, 65,940 shares; Kenneth A. Camp, 145,167 shares; Kimberly K. Dennis 54,190 shares and all directors and executive officers as a group, 632,498 shares. 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 shown are pledged as security. In addition to the persons named in the tables above, Anne G. Peirce, who will cease to be a director of the Company at the annual meeting, beneficially owns 5,399 shares of common stock, including 5,270 restricted stock units and 31 shares held by her spouse.

- (2) These share figures include vested deferred fees and/or compensation in the form of deferred stock or restricted stock units (otherwise known as deferred stock awards) held on the books and records of the Company in the following amounts: Ray J. Hillenbrand, 9,314 shares; Mark D. Ketchum, 3,699

shares; Peter H.
Soderberg,
54,477 shares;
John A.
Hillenbrand II,
5,181 shares;
Joanne C.
Smith, 5,181
shares; Rolf A.
Classon, 27,323
shares; Charles
E. Golden,
7,506 shares;

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W August Hillenbrand, 5,181 shares; Eduardo R. Menascé, 3,699 shares; Gregory N. Miller, 11,566; Kenneth A. Camp, 32,849; Patrick D. de Maynadier, 12,665; Kimberly K. Dennis, 12,698 and all directors and executive officers as a group, 210,651 shares.

(3) Ownership of less than one percent (1%) of the total shares outstanding.

(4) John A. Hillenbrand II and Ray J. Hillenbrand are brothers, and they are cousins of W August Hillenbrand.

(5) Includes 128,975 shares held of record by a charitable foundation, of which Mr. 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.

- (6) John A. Hillenbrand II previously served as a director of the Company from 1972 to 1979.
- (7) Includes 17,240 shares held of record by John A. Hillenbrand II's wife, Joan L. Hillenbrand; and an aggregate of 526,250 shares held of record by trusts for the benefit of his children and grandchildren, by a family partnership and by a family corporation. Mr. Hillenbrand disclaims beneficial ownership of these shares.
- (8) Includes 205,552 shares owned beneficially by W August Hillenbrand's wife, Nancy K. Hillenbrand; 257,807 shares owned by grantor retained annuity trusts (GRATs); 1,810,817 shares owned of record,

or which may be acquired within sixty days, by trusts, of which W August Hillenbrand is trustee or co-trustee; 106,529 shares held by a limited liability company; and 302,575 shares held by a limited partnership, of which Mr. Hillenbrand is a limited partner. Mr. Hillenbrand disclaims beneficial ownership of these shares. Mr. Hillenbrand's address is the address of the Company's principal executive offices

- (9) Mr. Miller was elected Senior Vice President and Chief Financial Officer of the Company effective July 14, 2005.
- (10) 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.

(11) Mr. de
Maynadier was
elected Vice
President,
General Counsel
and Secretary of
the Company
effective
January 28, 2002.

(12) Ms. Dennis has
served in various
Company Vice
President roles
related to shared
services and
information
technology since
August 5, 2003
and been Senior
Vice President,
North America
Post Acute Care
and Information
Technology of
Hill-Rom since
October 1, 2006.

(13) 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 on
November 21,
2006.

- (14) This information
is based solely on
a Schedule 13G
filed by Franklin
Resources, Inc.
with the
Securities and
Exchange
Commission on
February 8, 2006.
The
Schedule 13G
also was filed by
Charles B.
Johnson and
Rupert H.
Johnson, with the
same address as
Franklin
Resources, Inc.,
and Franklin
Advisory
Services, LLC,
One Parker Plaza,
9th Floor, Fort
Lee, NJ 07024.

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(15) This information is based solely on a Schedule 13G filed by Barclays Global Investors, NA with the Securities and Exchange Commission on January 1, 2006. The Schedule 13G also was filed by Barclays Global Fund Advisors, with the same address as Barclays Global Investors, NA, Barclays Global Investors, Ltd., 1 Royal Mint Court, London, EC3N 4HH, and Barclays Global Investors Japan Trust and Banking Company Limited, 1-1-39 Hiroo Shibuya-Ku, Tokyo 1500-0012 Japan.

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 the Company 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, ISTA Pharmaceuticals, Inc., a company involved in ophthalmological 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.

Peter H. Soderberg was elected as President and Chief Executive Officer of the Company effective March 20, 2006. Prior to becoming President and Chief Executive Officer of the Company, he served, since January 1, 2000, as President and Chief Executive Officer of Welch Allyn, Inc., Skaneateles Falls, N.Y. Welch Allyn, Inc. is a privately held global technology company with units that manufacture innovative medical diagnostic equipment, patient monitoring systems and miniature precision lamps. 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), the Advanced Medical Technology Association (AdvaMed), and prior to his relocation to Indiana, 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 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

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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. and 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, 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.

John A. Hillenbrand II has managed personal and family investments since 1979. He has been the Chairman Emeritus of Able Body Manufacturing and Assembly, LLC, a manufacturer of truck and farm equipment bodies, since June 2002, prior to which he served as its Chairman. Since January 2005 he has been Chairman Emeritus of Nambé Mills, Inc., a producer of handcrafted alloy items for cooking, serving and decorating and tabletop products, prior to which he served as Chairman. Mr. Hillenbrand is also the Vice Chairman of Pri-Pak, Inc., a provider of packaging for energy drinks and spirits. Mr. Hillenbrand was employed by and active in the management of the Company prior to his resignation as an officer in 1979. Mr. Hillenbrand has served on the Boards of Directors of Merchants National Bank, National City Bank of Indiana, National City Trust of Florida, Cinergy Corporation, PSI Resources, PSI Energy, Benicorp and Physicians Practice Management, Inc. Mr. Hillenbrand has also served as Chairman of the Indiana State Chamber of Commerce, as an officer and member of the Boards of Directors of the Health Industries Association and the Indiana Manufacturers Association.

Ray J. Hillenbrand 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 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.

Mark D. Ketchum was elected as the Chief Executive Officer and President of Newell Rubbermaid, Inc., of which he is a director, in February 2006, after serving as the Interim Chief Executive Officer and President since October 2005. In November 2004, he retired as the President of the Global Baby and Family Care business unit of The Procter & Gamble Company of Cincinnati, Ohio, a manufacturer and marketer of consumer products, after serving in that capacity since 1999. Mr. Ketchum held a broad range of assignments with Procter & Gamble since joining the company in 1971. He held leadership roles for thirteen years in manufacturing and operations, six years in brand management and advertising, and fourteen years in executive level general management positions. He holds a Bachelor of Science in Industrial Engineering and Operations Research from Cornell University. Mr. Ketchum serves as a Trustee of the

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Cornell Rowing Association of Cornell University and, from 1991 to 1999, was on the Board of Directors, Tissue Division of the American Forest & Paper Association.

Eduardo R. Menascé 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. He also serves on the Board of Advisors of Adventis, a leading management and strategy consultancy to the converging global information industries.

Joanne C. Smith, M.D. was elected Vice Chairperson of the Board of Directors effective May 11, 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 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 Securities and Exchange Commission 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, 2006. 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 except that W August Hillenbrand filed one late report with respect to two transactions.

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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. For example, the Board and senior management recently evaluated a range of strategic alternatives with input from outside financial advisors and determined to undertake further exploration of the merits and mechanisms of a potential separation of the Company's healthcare and funeral services businesses into two publicly traded companies.

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

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independent business judgment on the strategic issues that are important to the Company's business.

Functioning of the Board

The Board and Board committees agenda setting process 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, the Vice Chairperson, Chief Executive Officer, Board committee chairs 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 regular Board and committee meetings to review and provide feedback on proposed Board and committee agendas. Board and committee materials related to agenda items are provided to Board members sufficiently, typically up 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 up 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.

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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 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.

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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 2006 annual meeting of shareholders attended that meeting.

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 seven directors who are proven leaders, six of whom are independent and five of whom have significant experience in the health care industry, including Anne G. Peirce, who will leave the Board at the annual meeting. 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;

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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;

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 November 30, 2006, the Nominating/Corporate Governance Committee of the Board completed a formal evaluation of the effectiveness of the individual members of the Board of Directors, including incumbent directors who are being nominated for election at the Company's 2007 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

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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 Securities and Exchange Commission'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.

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 refers to Advanced Medical Technology Association's (AdvaMed) Code of Ethics for Interactions with Health Care Professionals on a regular basis to seek guidance on policies and ethical issues. AdvaMed is the largest medical technology association in the world, representing more than 1,200 innovators and manufacturers of medical devices, diagnostic products and medical information systems. The 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 Code can be accessed at www.advamed.org/publicdocs/coe.html.

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).

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The Board adopted stock ownership guidelines for the Company's directors and executive officers. In general, these standards require non-employee directors to hold restricted stock units (otherwise known as deferred stock awards) 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

Compensation and Management Development Committee's Report. 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.

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 Securities and Exchange Commission. 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, 2006 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 November 30, 2006, based on an annual evaluation performed by and recommendations made by the Nominating/Corporate Governance Committee, consistent with past practices.

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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).

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.

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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, Mark D. Ketchum, Eduardo R. Menascé, Anne Griswold Peirce and Joanne C. Smith is independent. With respect to each of Messrs. Ketchum and Menascé and Dr. Peirce, the Board determined that they were independent because no relationship was identified that would automatically bar them from being characterized as independent, no other relationship between any of them and the Company or any of its subsidiaries, whether or not material, was identified and none of them beneficially owns more than 1% of the Company's outstanding common stock.

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.

The Board considered that Charles E. Golden is a member of the Board of Directors of Clarian Health Partners, which purchased approximately \$3.7 million, \$6.6 million and \$3.0 million of products and services from the Company in the fiscal years 2004, 2005 and 2006, 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 determined that Mr. Hillenbrand had exercised in the past and could be expected to exercise in the future business judgment independent from John A. Hillenbrand II. 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 Joanne C. Smith, the Board considered the fact that the Rehabilitation Institute of Chicago, of which Dr. Smith 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 and as President and Chief Executive Officer since October 4, 2006, has purchased approximately \$140,000, \$206,000 and \$50,000 of

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products and services from the Company in fiscal years 2004, 2005 and 2006, 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 less than one-quarter of one percent 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, 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, 2006, the Board of Directors of the Company held fifteen meetings. During this period, no member of the Board of Directors attended fewer

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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), Mark D. Ketchum (Vice Chairman), W August Hillenbrand and Anne Griswold Peirce. During the fiscal year ended September 30, 2006, the Finance Committee held four meetings.

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. Ray J. Hillenbrand replaced Joanne C. Smith on the Audit Committee effective March 20, 2006. During the fiscal year ended September 30, 2006, the Audit Committee held ten meetings. Each member of the Audit Committee is independent under Rule 10A-3 of the Securities and Exchange Commission 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 Securities and Exchange Commission.

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 Mark D. Ketchum (Chairman), Anne Griswold Peirce and Joanne C. Smith (Vice Chair). Joanne C. Smith replaced Peter H. Soderberg on the Compensation and Management Development Committee effective March 20, 2006. During the fiscal year ended September 30, 2006, the Compensation and Management Development Committee held nine meetings. Each member of the Compensation and Management Development Committee is independent as defined by the New York Stock Exchange listing standards.

Effective March 20, 2006, 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. Prior to March 20, 2006, the Nominating/Corporate Governance Committee consisted of Peter H. Soderberg (Chairman), Joanne C. Smith (Vice Chairperson), Charles E. Golden and Eduardo R. Menascé. The Nominating/Corporate Governance Committee held three meetings during the fiscal year ended September 30, 2006. Each member of the Nominating/Corporate Governance Committee is independent as defined by the New York Stock Exchange listing standards.

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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;

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
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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.

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 a Securities and Exchange Commission 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, death care or other low growth industry, 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 individual incumbent directors 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

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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.

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 Securities and Exchange Commission; (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

Of the Company's current Board members, only Mr. Soderberg is a salaried employee of the Company. Mr. Soderberg received compensation for Board service prior to his appointment as President and Chief Executive Officer of the Company effective March 20, 2006. All other directors receive separate compensation for Board service. Mr. Classon received separate employee compensation for service for the period of his appointment as Interim President and Chief Executive Officer between May 11, 2005 and March 20, 2006.

The details of the compensation program for non employee directors, which was in effect for the 2006 fiscal year, are as follows:

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.

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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.

Notwithstanding the foregoing, for any meeting of an ad hoc committee or team of the Board that requires attendance in person or by telephone, the directors who attend each receive a meeting fee of \$1,500, except when such meetings occur before, during or after a meeting of the Board or a standing committee of the Board that also is attended by such directors.

Board and committee retainers are paid in quarterly installments and the meeting fees are paid following the meeting.

Each director is reimbursed for expenses incurred as a result of attendance at Board or committee meetings. The Company also makes its aircraft available to directors for attendance at Board meetings.

Each director is awarded on the first trading day following the close of each annual meeting of the Company's shareholders 1,800 restricted stock units (otherwise known as deferred stock awards) under the Company's Stock Incentive Plan. Delivery of shares underlying such restricted stock units 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, his or her annual grant of restricted stock units is 3,500.

Non-employee directors are also eligible to participate in the Company's group term life insurance program in which the Company pays premiums. Death benefits, which are age related, range from \$60,000 to \$150,000.

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The following table sets forth the compensation paid to our non-employee directors during fiscal 2006. The compensation paid to Messrs. Soderberg and Classon for their service President and Chief Executive Officer and Interim President and Chief Executive Officer, respectively, is reported in the Summary Compensation Table under the caption Executive Compensation below.

Director Compensation for the Fiscal Year Ending September 30, 2006

(a)	(b)	(c)	(f)	(g)	(h)
Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) ⁽¹⁾	Above Market Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$) ⁽²⁾	Total (\$)
Rolf A. Classon - Chairman	\$ 137,250	\$ 177,981	N/A	\$ 4,437	\$ 319,668
Charles E. Golden	\$ 87,500	\$ 92,610	N/A	None	\$ 180,110
John A. Hillenbrand II	\$ 70,000	\$ 92,610	N/A	\$ 247	\$ 162,857
Ray J. Hillenbrand	\$ 112,250	\$ 99,916	N/A	None	\$ 212,166
W August Hillenbrand	\$ 71,000	\$ 92,610	\$ 69,626	\$839,964	\$1,073,200
Mark D. Ketchum	\$ 79,750	\$ 92,610	N/A	\$ 516	\$ 172,876
Eduardo R. Menascé	\$ 79,000	\$ 92,610	N/A	\$ 792	\$ 172,402
Anne G. Peirce	\$ 83,250	\$ 92,610	\$ 525	\$ 516	\$ 176,901
Joanne C. Smith	\$ 79,500	\$ 92,610	N/A	\$ 180	\$ 172,290
Peter H. Soderberg	\$ 33,500	N/A	N/A	\$ 396	\$ 33,896

- (1) These amounts represent awards of restricted stock units (otherwise known as deferred stock awards), which will be issued in shares of common stock of the Company. Delivery of shares underlying such restricted stock units 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.
- (2) Consists of the value of Company provided term life insurance. In the case of Rolf A. Classon, limited one time use of Company aircraft is included. Moreover, amounts disclosed for W August Hillenbrand also include Company provided supplemental pension; life insurance including gross up for tax purposes; personal benefits including an assistant and office; security; and limited use of Company aircraft. For more information about the compensation paid to W August Hillenbrand, see Certain Relationships and Related Transactions below.

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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.

As previously disclosed, during 2000, 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 agreement, Mr. Hillenbrand agreed to render consulting services to, and refrain from competing with, the Company through September 18, 2005. During the fiscal year ended September 30, 2006, Mr. Hillenbrand received \$69,626 of above market interest on deferred compensation; \$12,056,299 for payment of deferred cash compensation and \$36,745 for payment of deferred stock. Mr. Hillenbrand is also 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, 2006, these benefits aggregated approximately \$816,745. Additionally, during fiscal year 2006 the Company paid \$21,695 for legal and security measures to address certain security threats to Mr. Hillenbrand and the Company.

The Rehabilitation Institute of Chicago, of which Joanne C. Smith, a director of the Company, was Senior Vice President of Strategy and Business Development through November 2005 and President of its National Division from November 2005 to October 2006 and is now President and Chief Executive Officer, is a customer of the Company. During the fiscal year ended September 30, 2006, the Company sold approximately \$50,000 of products and services to the Rehabilitation Institute of Chicago. The Rehabilitation Institute of Chicago is a voluntary member, among thousands of members, of one of the group purchasing organizations with which the Company has a contract. Accordingly, the Company expects to continue to sell products to this customer, although the amounts of future sales are not fixed and are not currently determinable. Sales to this customer are on terms consistent with those of sales to the Company's other customers. During fiscal year 2006 Dr. Smith had no direct authority with respect to the purchasing decisions of the Rehabilitation Institute of Chicago.

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, 2006 were approximately \$305,000, and purchases during fiscal 2007 are projected to total approximately \$225,000. 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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The following tabulation and notes set forth the compensation paid or accrued by the Company during the fiscal years ended September 30, 2006, 2005 and 2004 to each person who served as Chief Executive Officer during fiscal 2006 and each of the other four most highly compensated executive officers (the "named executive officers").

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long Term Compensation Awards			All Other Compensation ⁽⁴⁾	Total Compensation ⁽⁵⁾
		Salary ⁽¹⁾	Bonus ⁽²⁾	Other Annual Compensation ⁽³⁾	Stock Awards ⁽³⁾	Underlying Securities Options ⁽³⁾	Grant Date Value of Options ⁽³⁾		
Thomas H. Soderberg ⁽⁶⁾ President and Chief Executive Officer; Member Board of Directors	2006	\$425,205	\$678,960	\$115,285	\$2,300,029	58,815	\$801,970	\$188,543	\$4,509,999
	2005	N/A	N/A	N/A	\$97,821	0	\$0	\$79,750	\$177,571
	2004	N/A	N/A	N/A	\$95,095	0	\$0	\$59,500	\$154,595
Walter A. Classon ⁽⁷⁾ Chairman, Board of Directors and Former Interim President and Chief Executive Officer	2006	\$398,219	\$765,000	\$182,639	\$177,981	0	\$0	\$146,050	\$1,669,889
	2005	\$330,685	\$0	\$123,603	\$1,103,221	0	\$0	\$306,627	\$1,864,136
	2004	N/A	N/A	N/A	\$95,095	0	\$0	\$76,516	\$171,611
Gregory N. Miller ⁽⁸⁾ Senior Vice President and Chief Financial Officer	2006	\$344,041	\$178,463	(5)	\$250,503	18,200	\$217,937	\$36,041	\$1,026,990
	2005	\$258,586	\$0	(5)	\$83,370	8,000	\$105,513	\$28,939	\$476,408
	2004	\$241,696	\$21,688	(5)	\$58,240	5,000	\$77,832	\$19,631	\$419,087
Ernest A. Camp ⁽⁹⁾ Senior Vice President of the Company and President and Chief Executive Officer, Chesville Casket Company, Inc.	2006	\$400,869	\$322,671	(5)	\$1,212,657	20,000	\$239,491	\$98,733	\$2,274,421
	2005	\$391,914	\$0	(5)	\$220,097	24,000	\$316,538	\$97,575	\$1,026,124
	2004	\$384,375	\$0	(5)	\$252,936	20,000	\$311,326	\$86,681	\$1,035,318
Patrick D. de Maynadier ⁽¹⁰⁾ Vice President, General Counsel and Secretary	2006	\$327,997	\$162,396	(5)	\$205,954	14,820	\$177,464	\$38,080	\$911,807
	2005	\$318,300	\$0	(5)	\$181,747	18,000	\$237,404	\$38,803	\$776,254
	2004	\$312,325							