

CHARTER COMMUNICATIONS, INC. /MO/  
Form SC 13G/A  
May 04, 2011

CUSIP NO. 16117M305  
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13G

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

SCHEDULE 13G

Under the Securities Exchange Act of 1934

(Amendment No. 1)\*

CHARTER COMMUNICATIONS, INC.

(Name of Issuer)

Class A Common Stock

(Title of Class of Securities)

16117M305

(CUSIP Number)

March 31, 2011

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d 1(b)

Rule 13d 1(c)

Rule 13d 1(d)

\*The remainder of this cover page shall be filled out for a reporting person's initial

filing on this form with respect to the subject class of securities, and for any

subsequent amendment containing information which would alter the disclosures provided in

a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be

"filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or

otherwise subject to the liabilities of that section of the Act but shall be subject to

all other provisions of the Act (however, see the Notes).

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1. NAMES OF REPORTING PERSONS.

Franklin Resources, Inc.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)

(b) X

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

5. SOLE VOTING POWER

(See Item 4)

6. SHARED VOTING POWER

(See Item 4)

7. SOLE DISPOSITIVE POWER

(See Item 4)

8. SHARED DISPOSITIVE POWER

(See Item 4)

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

10,643,646 [1]

10. CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES  
CERTAIN SHARES [ ]

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

9.5%

12. TYPE OF REPORTING PERSON

HC, CO (See Item 4)

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1. NAMES OF REPORTING PERSONS.

Charles B. Johnson

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)

(b) X

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

USA

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

5. SOLE VOTING POWER

(See Item 4)

6. SHARED VOTING POWER

(See Item 4)

7. SOLE DISPOSITIVE POWER

(See Item 4)

8. SHARED DISPOSITIVE POWER

(See Item 4)

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

10,643,646

10. CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES  
CERTAIN SHARES [ ]

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

9.5%

12. TYPE OF REPORTING PERSON

HC, IN (See Item 4)

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1. NAMES OF REPORTING PERSONS.

Rupert H. Johnson, Jr.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)

(b) X

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

USA

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

5. SOLE VOTING POWER

(See Item 4)

6. SHARED VOTING POWER

(See Item 4)

7. SOLE DISPOSITIVE POWER

(See Item 4)

8. SHARED DISPOSITIVE POWER

(See Item 4)

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

10,643,646

10. CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES  
CERTAIN SHARES [ ]

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

9.5%

12. TYPE OF REPORTING PERSON

HC, IN (See Item 4)

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1. NAMES OF REPORTING PERSONS.

Franklin Advisers, Inc.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)

(b) X

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

California

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

5. SOLE VOTING POWER

10,541,042

6. SHARED VOTING POWER

0

7. SOLE DISPOSITIVE POWER

10,643,646

8. SHARED DISPOSITIVE POWER

0

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

10,643,646

10. CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES

CERTAIN SHARES [ ]

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

9.5%

12. TYPE OF REPORTING PERSON

IA, CO (See Item 4)

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Item 1.

(a) Name of Issuer

CHARTER COMMUNICATIONS, INC.

(b) Address of Issuer's Principal Executive Offices

12405 Powerscourt Drive

St. Louis, MO 63131

Item 2.

(a) Name of Person Filing

(i): Franklin Resources, Inc.

(ii): Charles B. Johnson

(iii): Rupert H. Johnson, Jr.

(iv): Franklin Advisers, Inc.

(b) Address of Principal Business Office or, if none, Residence

(i), (ii), and (iii):

One Franklin Parkway

San Mateo, CA 94403 1906

(iv): One Franklin Parkway

San Mateo, CA 94403 1906

(c) Citizenship

(i): Delaware

(ii) and (iii): USA

(iv): California

(d) Title of Class of Securities

Class A Common Stock



(e) CUSIP Number

16117M305

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Item 3. If this statement is filed pursuant to §§240.13d 1(b) or 240.13d 2(b) or (c),

check whether the person filing is a:

(a)  Broker or dealer registered under section 15 of the Act (15 U.S.C. 78o).

(b)  Bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c).

(c)  Insurance company as defined in section 3(a)(19) of the Act (15 U.S.C.

78c).

(d)  Investment company registered under section 8 of the Investment Company

Act of 1940 (15 U.S.C 80a 8).

(e)  An investment adviser in accordance with §240.13d 1(b)(1)(ii)(E);

(f)  An employee benefit plan or endowment fund in accordance with

§240.13d 1(b)(1)(ii)(F);

(g)  A parent holding company or control person in accordance with

§240.13d 1(b)(1)(ii)(G);

(h)  A savings associations as defined in Section 3(b) of the Federal Deposit

Insurance Act (12 U.S.C. 1813);

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(i)  A church plan that is excluded from the definition of an investment

company under section 3(c)(14) of the Investment Company Act of 1940 (15

U.S.C. 80a 3);

(j)  A non U.S. institution in accordance with §240.13d 1(b)(ii)(J);

(k)  Group, in accordance with §240.13d 1(b)(1)(ii)(K).

If filing as a non U.S. institution in accordance with §240.13d 1(b)(1)(ii)(J), please

specify the type of institution:

Item 4. Ownership

The securities reported herein (the Securities ) are beneficially owned by one or

more open or closed end investment companies or other managed accounts that are

investment management clients of investment managers that are direct and indirect

subsidiaries (each, an Investment Management Subsidiary and, collectively, the

Investment Management Subsidiaries ) of Franklin Resources, Inc. ( FRI ), including

the Investment Management Subsidiaries listed in Item 7. Investment management

contracts grant to the Investment Management Subsidiaries all investment and/or

voting power over the securities owned by such investment management clients, unless

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otherwise noted in this Item 4. Therefore, for purposes of Rule 13d 3 under the Act,

the Investment Management Subsidiaries may be deemed to be the beneficial owners of

the Securities.

Beneficial ownership by Investment Management Subsidiaries and other affiliates of

FRI is being reported in conformity with the guidelines articulated by the SEC staff

in Release No. 34 39538 (January 12, 1998) relating to organizations, such as FRI,

where related entities exercise voting and investment powers over the securities

being reported independently from each other. The voting and investment powers held

by Franklin Mutual Advisers, LLC ( FMA ), an indirect wholly owned Investment Management Subsidiary, are exercised independently from FRI and from all other

Investment Management Subsidiaries (FRI, its affiliates and the Investment Management

Subsidiaries other than FMA are collectively, FRI affiliates ). Furthermore,

internal policies and procedures of FMA and FRI establish informational barriers that

prevent the flow between FMA and the FRI affiliates of information that relates to

the voting and investment powers over the securities owned by their respective

investment management clients. Consequently, FMA and the FRI affiliates report the

securities over which they hold investment and voting power separately from each

other for purposes of Section 13 of the Act.

Charles B. Johnson and Rupert H. Johnson, Jr. (the Principal Shareholders )  
each own

in excess of 10% of the outstanding common stock of FRI and are the  
principal

stockholders of FRI. FRI and the Principal Shareholders may be deemed to  
be, for

purposes of Rule 13d 3 under the Act, the beneficial owners of securities  
held by

persons and entities for whom or for which FRI subsidiaries provide  
investment

management services. The number of shares that may be deemed to be  
beneficially

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owned and the percentage of the class of which such shares are a part are reported in

Items 9 and 11 of the cover pages for FRI and each of the Principal Shareholders.

FRI, the Principal Shareholders and each of the Investment Management Subsidiaries

disclaim any pecuniary interest in any of the Securities. In addition, the filing of

this Schedule 13G on behalf of the Principal Shareholders, FRI and FRI affiliates, as

applicable, should not be construed as an admission that any of them is, and each of

them disclaims that it is, the beneficial owner, as defined in Rule 13d 3, of any of

the Securities.

FRI, the Principal Shareholders, and each of the Investment Management Subsidiaries

believe that they are not a group within the meaning of Rule 13d 5 under the Act

and that they are not otherwise required to attribute to each other the beneficial

ownership of the Securities held by any of them or by any persons or entities for

whom or for which the Investment Management Subsidiaries provide investment management services.

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Pursuant to the Issuer's plan of reorganization, certain investment advisory clients of

Franklin Advisers, Inc. had the ability to elect one member to the Issuer's board and

elected Robert Cohn, who has been serving on the board since November 30, 2009.

Notwithstanding the election of Mr. Cohn to the board, Mr. Cohn does not represent or

otherwise have any duty to advance the interests of Franklin Advisers, Inc. or any of its

direct or indirect affiliates, and Franklin Advisers, Inc. believes that none of Franklin

Advisers, Inc. or any of its direct or indirect affiliates is an affiliate of the Issuer as

a result of Mr. Cohn serving as a director of the Issuer.

(a) Amount beneficially owned:

10,643,646

(b) Percent of class:

9.5%

(c) Number of shares as to which the person has:

(i) Sole power to vote or to direct the vote

Franklin Resources, Inc.:	0
Charles B. Johnson:	0
Rupert H. Johnson, Jr.:	0
Franklin Advisers, Inc.:	10,541,042

(ii) Shared power to vote or to direct the vote 0

(iii)

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Sole power to dispose or to  
direct the disposition of

Franklin Resources, Inc.: 0

Charles B. Johnson: 0

Rupert H. Johnson, Jr.: 0

Franklin Advisers, Inc.: 10,643,646

(iv) Shared power to dispose or to  
direct the disposition of 0

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Item 5. Ownership of Five Percent or Less of a Class

If this statement is being filed to report the fact that as of the date  
hereof the reporting person has ceased to be the beneficial owner  
of more  
than five percent of the class of securities, check the following  
[ ].

Item 6. Ownership of More than Five Percent on Behalf of Another Person

The clients of the Investment Management Subsidiaries, including  
investment  
companies registered under the Investment Company Act of 1940 and  
other  
managed accounts, have the right to receive or power to direct the  
receipt of  
dividends from, and the proceeds from the sale of, the  
Securities.

Franklin Income Fund, a series of Franklin Custodian Funds, an  
investment company  
registered under the Investment company Act of 1940, has an  
interest in

6,321,333 shares, or 5.6%, of the class of securities reported herein.

Item 7. Identification and Classification of the Subsidiary Which Acquired the

Security Being Reported on By the Parent Holding Company

D>

All Other Fees were billed by PwC for all other products and services provided to us. These fees were for software and a subscription to PwC's online accounting research tool.

**The Board of Directors recommends that the shareholders vote FOR the ratification of the appointment of PricewaterhouseCoopers LLP as Hill-Rom's independent registered public accounting firm.**

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**CORPORATE GOVERNANCE**

Both the Board of Directors and management of Hill-Rom 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 Hill-Rom. Since May 2002, Hill-Rom has welcomed to the Board eight of Hill-Rom's current directors, all of whom are proven leaders, seven of whom are independent and seven of whom have significant experience in the health care or related industries. The Board has had a majority of independent directors since December 4, 2003. 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.

The Board of Directors, which is elected by the shareholders, is the ultimate decision-making body of Hill-Rom except with respect to those matters reserved to the shareholders. It selects the senior management team, which is charged with the conduct of Hill-Rom'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 Hill-Rom and, thus, an obligation to be informed about Hill-Rom'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 Hill-Rom. Acting as a full Board and through the Board's three standing committees, the Board is actively involved in Hill-Rom's strategic planning process.

Each year, typically in the spring, summer and fall, senior management sets aside specific periods to develop, discuss and refine Hill-Rom's long-range operating plan and overall corporate strategy. Specific operating priorities are developed to effectuate Hill-Rom'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 Hill-Rom's corporate and capital structure.

At most Board meetings, the Board substantively reviews Hill-Rom's progress against its strategic plans and exercises 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 Board's role is inextricably linked to the development and review of Hill-Rom's strategic plan. Through these processes, the Board, consistent with good corporate governance, supports the long-term success of Hill-Rom by exercising sound and independent business judgment on the strategic issues that are important to Hill-Rom's business.

**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

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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. Board and committee agendas and materials related to agenda items are provided to Board members sufficiently, typically at least one week, in advance of regular meetings to allow the directors to review and provide feedback on the agendas and related materials and to prepare for discussion of the items at the meetings. More recently the Board has added an executive session at the beginning of each of its regular meetings to allow directors, after they have reviewed the materials provided to them in advance of the meeting, to provide additional guidance on the structure and areas of focus and emphasis of each meeting.

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 focused 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 Hill-Rom's operations. In addition, Board members have free access to all other members of management and employees of Hill-Rom 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 Hill-Rom 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 at least one week, 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 at the beginning and end of Board meetings, and, depending on directors' desire, from time to time during 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; Director Attendance at Annual Meeting**

In order to provide Hill-Rom'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 Hill-Rom and other interested persons may communicate with the Chairman of the Board, the chairs of Hill-Rom's Nominating/Corporate Governance Committee, Audit Committee or Compensation and Management Development Committee or the non-management directors of Hill-Rom as a group by sending an email to [investors@hill-rom.com](mailto:investors@hill-rom.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 Hill-Rom'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 Hill-Rom or the functioning or constitution of the Board of Directors or any of its committees;

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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 Hill-Rom's Investor Relations Department and only in accordance with Hill-Rom's policies and procedures and applicable law and regulations relating to the disclosure of information.

Hill-Rom'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.

Hill-Rom has not established a formal policy regarding director attendance at its annual meetings of shareholders, but all of Hill-Rom'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 Hill-Rom's 2009 annual meeting of shareholders attended that meeting.

**Corporate Governance Standards**

The Board has adopted Corporate Governance Standards for the Board of Directors that provide the framework for the effective functioning of the Board of Directors. 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, Compensation and Management Development Committee and Nominating/Corporate Governance Committee;  
provide that at least a majority of the directors of Hill-Rom 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;

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provide that in an uncontested election, any nominee for director who receives a greater number of votes withheld from his or her election than votes for such election shall promptly tender his or her resignation, with the Board being required to accept the resignation unless the Board determines, in the exercise of its fiduciary duties, that accepting such resignation would not be in the best interests of Hill-Rom and its shareholders;

provide that the non-management directors shall conduct executive sessions without participation by any employees of Hill-Rom 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 Board member may be nominated or re-nominated to serve on the Board if he/she has reached his/her 72<sup>nd</sup> birthday prior to the term for which he or she is being considered, with an opportunity for the Board (based on a recommendation of the Nominating/Corporate Governance Committee) to waive the age limit on a case-by-case basis;

provide that, because it is the desire of the Board to have its composition include a healthy slate of actively employed directors, the Board has an objective that it be composed of a minimum of 50% employed members;

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

## **Stock Ownership Guidelines for Directors and Executive Officers**

Hill-Rom's Corporate Governance Standards include stock ownership guidelines for Hill-Rom'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 Hill-Rom must achieve and maintain a minimum level of stock ownership as discussed further under Executive Compensation Compensation Discussion and Analysis.

## **Code of Ethical Business Conduct and Related Matters**

The Board of Directors has adopted a Code of Ethical Business Conduct covering, among other matters, conflicts of interest, corporate opportunities, confidentiality, protection and proper use of Hill-Rom's assets, fair dealing, compliance with laws, including insider trading laws, accuracy and reliability of Hill-Rom's books and records and reporting of illegal or unethical behavior. This Code applies to all directors, officers and other employees of Hill-Rom, including Hill-Rom's Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer. The Board reviews, from time to time, and makes changes to the Code based on recommendations made by the Audit Committee of the Board. Hill-Rom'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 Hill-Rom'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 Hill-Rom's business is conducted in a consistently legal and ethical manner. All members of the Board of Directors and all officers of Hill-Rom and its subsidiaries are required annually to certify their compliance with the Code and disclose any exceptions to compliance.

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

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questionable accounting or auditing matters. Hill-Rom currently has such procedures in place and has effectively and independently addressed concerns raised by employees and others.

Hill-Rom has adopted a stand alone 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. Hill-Rom is a member of AdvaMed. The AdvaMed Code can be accessed at [www.advamed.org/MemberPortal/About/code/codeofethics.htm](http://www.advamed.org/MemberPortal/About/code/codeofethics.htm).

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

Pursuant to the Foreign Corrupt Practices Act and the Sarbanes-Oxley Act of 2002, Hill-Rom 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 compliance matters, compliance with the Foreign Corrupt Practices Act, documentation, training and testing, new hire criminal background checks and internal audit procedures.

### **Director Education**

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

### **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 Hill-Rom'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 3, 2009, based on an annual evaluation performed by and recommendations made by the Nominating/Corporate Governance Committee, consistent with past practices.

As set forth in Hill-Rom'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 Hill-Rom or any of its subsidiaries (either directly or as a partner, shareholder or officer of an organization that has a relationship with Hill-Rom or any of its subsidiaries). In assessing the materiality of a director's relationship with Hill-Rom 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 Hill-Rom. 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 Hill-Rom or any of its subsidiaries, or an immediate family member of the director is, or has been within the last three

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years, an executive officer of Hill-Rom (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 \$120,000 per year in direct compensation from Hill-Rom 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 is a current partner or employee of a firm that is the internal or external auditor of Hill-Rom or any of its subsidiaries; (B) the director has an immediate family member who is a current partner of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and personally works on Hill-Rom's audit; or (D) the director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on the audit of Hill-Rom 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 Hill-Rom'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, Hill-Rom 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 Hill-Rom.

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 Hill-Rom 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, James R. Giertz, Charles E. Golden, Ronald A. Malone, Eduardo R. Menascé, Katherine S. Napier and Joanne C. Smith is independent.

The Board considered that Charles E. Golden is a member of the Board of Directors of Clarian Health Partners, which purchased approximately \$3.5 million, \$3.2 million and \$4.9 million of products and services from Hill-Rom in the fiscal years 2007, 2008 and 2009, 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 Hill-Rom 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 Eduardo R. Menascé, the Board considered Hill-Rom's payment to or receipt from entities of which Mr. Menascé serves as a director of de minimis amounts for goods and services in the ordinary course of business. In addition, the Board considered that Hill-Rom has had ordinary course of business banking and financial services relationships that do not constitute advisory services with Key Corp., for which Mr. Menascé serves as a director. In determining that these relationships were not material, the Board considered that Mr. Menascé was not an executive officer of any of the entities to or from which Hill-Rom made or received payments and that the payments have not exceeded \$1,000,000 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, has purchased approximately \$57,000, \$419,000 and \$290,000 of products and services from Hill-Rom in fiscal years 2007, 2008 and 2009, 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



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of the Rehabilitation Institute of Chicago in those years and that Dr. Smith had no direct authority for purchasing decisions. 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 Hill-Rom 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 Hill-Rom.

Also on the basis of the standards described above and the materials submitted by the directors, the Board determined that W August Hillenbrand does not meet the standards for independence. John J. Greisch also does not meet the independence standards because of his current service as President and Chief Executive Officer of Hill-Rom. Accordingly, neither of these non-independent directors serves on the Audit, Compensation and Management Development or Nominating/Corporate Governance Committees of the Board of Directors.

### **Transactions with Related Persons**

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. The Corporate Governance Standards do not specify the standards to be applied by the Nominating/Corporate Governance Committee in reviewing transactions with related persons. However, we expect that in general the Nominating/Corporate Governance Committee will consider all of the relevant facts and circumstances, including, if applicable, but not limited to: the benefits to us; the impact on a director's independence in the event the related person is a director, an immediately family member of a director or an entity in which a director is a partner, shareholder or executive officer; the availability of other sources for comparable products or services; the terms of the transaction; and the terms available for similar transactions with unrelated third parties.

During fiscal 2009, there were no related person transactions that are required to be disclosed in this proxy statement.

### **Board of Directors Role in Chief Executive Officer ( CEO ) and Executive Succession Planning**

Our Board of Directors is accountable for the development, implementation and continual review of a succession plan for the CEO and other executive officers. Board members are expected to have a thorough understanding of the characteristics necessary for a CEO to execute on a long-term strategy that optimizes operating performance, profitability and shareowner value creation. As part of its responsibilities under its Charter, the Compensation and Management Development Committee of the Board oversees the succession planning process for the CEO, each of his direct reports and each of their direct reports and other key employees. The Compensation and Management Development Committee's succession management process focuses on the top eighty executives. The process ensures that critical business capabilities are safeguarded, executive development is accelerated, and strategic talent is leveraged to focus on current and new business imperatives. The ongoing succession process is designed to reduce vacancy, readiness and transition risks and develop strong leadership quality and executive bench strength. The succession and development plans for each of the CEO's direct reports, including internal CEO succession candidates, all of whom with which the Board has ongoing exposure, is reviewed annually with the Board by the CEO and the Senior Vice President of Human Resources. The Board also reviews the foregoing in executive session.

In September 2009, the Board announced plans to facilitate the orderly succession and retirement of Peter H. Soderberg, President and CEO. The process culminated with the election of John J. Greisch as President and CEO effective January 8, 2010. Consistent with his wishes conveyed at the time of his arrival in 2006 and endorsed by the Board at that time, Mr. Soderberg will formally retire as an employee of the company at the end of April 2011 (at age 65). The Board formed a search committee to identify a new CEO and retained Spencer Stuart, a leading executive recruiting firm, to advise the Board. The search process, included a review of both internal and external candidates. Mr. Soderberg is now the Chief Innovation Officer reporting to Mr. Greisch. In that role, it is anticipated that Mr. Soderberg will continue to advise and help shape the company's business and product innovation initiatives on a part-time basis.

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To make sure that Mr. Soderberg's talents were available and maximized for Hill-Rom's and the new CEO's benefit during the succession process and subsequent transitional period, and ensure Mr. Soderberg remained flexible as to his retirement date so as to ensure a suitable successor could be found without undue time pressure on the Board and without penalizing Mr. Soderberg in the event the successor was found prior to Mr. Soderberg's retirement at age 65, the Compensation and Management Development Committee, after consultation with its outside consultant and the Board, modified Mr. Soderberg's compensation and benefits. The arrangement provided the flexibility to ensure an orderly and planned transition regardless of when the new CEO would have been elected. Mr. Soderberg's revised compensation and benefits arrangements are described below under Executive Compensation Compensation Discussion and Analysis Employment Agreements. Mr. Greisch's compensation and benefits arrangements also are described below under Executive Compensation Compensation Discussion and Analysis Retirement, Change in Control and Severance and Employment Agreements. Mr. Greisch's arrangements reflect changes from the arrangements with prior CEOs, including a double trigger Change in Control Agreement that does not contain excise tax gross-up provisions and no allowance for personal use of Hill-Rom aircraft.

**Meetings and Committees of the Board of Directors**

It is the general policy of Hill-Rom 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 Audit Committee, Compensation and Management Development 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.

During the fiscal year ended September 30, 2009, the Board of Directors of Hill-Rom held seven 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 following table shows the composition of the committees of the Board of Directors.

<b>Director</b>	<b>Audit Committee</b>	<b>Nominating/ Corporate Governance Committee</b>	<b>Compensation and Management Development Committee</b>
Rolf A. Classon (Board Chairman) (I)		VC	ü
James R. Giertz (I)	ü		
Charles E. Golden (I)	C	ü	
John J. Greisch			
W August Hillenbrand			
Ronald A. Malone (I)			C
Eduardo R. Menascé (I)	VC	ü	
Katherine S. Napier (I)	ü		
Joanne C. Smith, M.D. (Board Vice Chairperson) (I)		C	VC

I = Independent  
Director

C = Committee  
Chair

VC = Committee

Vice Chair

The **Audit Committee** has general oversight responsibilities with respect to Hill-Rom's financial reporting and financial controls. It regularly reviews Hill-Rom's financial reporting process, its system of internal controls

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regarding accounting, legal and regulatory compliance and ethics that management or the Board has established and the internal and external audit processes of Hill-Rom. The Audit Committee consists of Charles E. Golden (Chairman), Eduardo R. Menascé (Vice Chairman), James R. Giertz and Katherine S. Napier. Rolf A. Classon also served on the Audit Committee until the election of Ms. Napier to the Board and the Audit Committee on July 16, 2009. During the fiscal year ended September 30, 2009, the Audit Committee held ten 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 Hill-Rom, as the case may be, in the normal course of its business. The Board of Directors has determined that each of Messrs. Golden, Menascé and Giertz is an audit committee financial expert as that term is defined in Item 407(d) 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 Hill-Rom 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 Hill-Rom. The Compensation and Management Development Committee consists of Ronald A. Malone (Chairman), Joanne C. Smith (Vice Chair) and, since July 16, 2009, Rolf A. Classon. Patrick T. Ryan also served as a member of the Committee until his resignation on July 16, 2009. During the fiscal year ended September 30, 2009, the Compensation and Management Development Committee held five 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, and Eduardo R. Menascé. The Nominating/Corporate Governance Committee held six meetings during the fiscal year ended September 30, 2009. Each member of the Nominating/Corporate Governance Committee is independent as defined by the New York Stock Exchange listing standards.

The primary function of the Nominating/Corporate Governance Committee is to assist the Board of Directors in ensuring that Hill-Rom 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 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 Hill-Rom 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 Hill-Rom's businesses or operations;

Be knowledgeable, or willing and able to become so quickly, in the critical aspects of Hill-Rom'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.

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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, 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 Hill-Rom's Code of By-laws for shareholder nominees.

Hill-Rom's Code of By-Laws provides that nominations of persons for election to the Board of Directors of Hill-Rom 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 Hill-Rom and any nominee must satisfy the qualifications established by the Board of Directors of Hill-Rom from time to time as contained in the proxy statement of Hill-Rom for the immediately preceding annual meeting or posted on the Website of Hill-Rom at [www.hill-rom.com](http://www.hill-rom.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 Hill-Rom 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 Hill-Rom 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 Hill-Rom if so elected, and (vi) a description of the qualifications of such nominee to serve as a director of Hill-Rom.

## **Compensation Committee Interlocks and Insider Participation**

During the fiscal year ended September 30, 2009, the following directors served on the Compensation and Management Development Committee: Joanne C. Smith, Rolf A. Classon, Ronald A. Malone and Patrick T. Ryan. The Compensation and Management Development Committee had no interlocks or insider participation.



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**Availability of Governance Documents**

Copies of Hill-Rom's Corporate Governance Standards, Code of Ethical Business Conduct and Board committee charters are available on Hill-Rom's website at [www.hill-rom.com](http://www.hill-rom.com) or in print to any shareholder who requests copies through Hill-Rom's Investor Relations office. Also available on Hill-Rom'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.

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**AUDIT COMMITTEE REPORT**

The Audit Committee of the Board of Directors (the Committee) is composed solely of directors, who are independent under SEC Rule 10A-3 and the NYSE's listing standards. The Committee operates under a written charter adopted by the Board of Directors.

Management is responsible for Hill-Rom's internal controls, financial reporting process and compliance with laws and regulations and ethical business standards. The independent registered public accounting firm is responsible for performing an integrated audit of Hill-Rom's consolidated financial statements and its internal control over financial reporting in accordance with standards of the Public Company Accounting Oversight Board (PCAOB) and the issuance of a report thereon. The Committee's responsibility is to monitor and oversee these processes.

In this regard, the Committee meets separately at most regular committee meetings with management, the Vice President of Internal Audit and Hill-Rom's outside independent registered public accounting firm. The Committee has the authority to conduct or authorize investigations into any matters within the scope of its responsibilities and the authority to retain such outside counsel, experts, and other advisors as it determines appropriate to assist it in the conduct of any such investigation. In addition, the Committee approves, subject to shareholder ratification, the appointment of Hill-Rom's outside independent registered public accounting firm, PricewaterhouseCoopers LLP (PwC), and pre-approves all audit and non-audit services to be performed by the firm.

In this context, the Committee has reviewed and discussed the consolidated financial statements with management and PwC. Management represented to the Committee that Hill-Rom's consolidated financial statements were prepared in accordance with generally accepted accounting principles. PwC discussed with the Committee matters required to be discussed by Statement on Auditing Standards No. 114 (The Auditor's Communication With Those Charged With Governance). Management and the independent registered public accounting firm also made presentations to the committee throughout the year on specific topics of interest, including: (i) current developments and best practices for audit committees; (ii) updates on the substantive requirements of the Sarbanes-Oxley Act of 2002, including management's responsibility for assessing the effectiveness of internal control over financial reporting; (iii) key elements of anti-fraud programs and controls; (iv) transparency of corporate financial reporting; (v) Hill-Rom's critical accounting policies; (vi) the applicability of several new and proposed accounting releases; and (vii) numerous SEC accounting developments.

PwC also provided to the Committee the written disclosures and the letter required by applicable requirements of the PCAOB regarding the independent accountant's communications with the audit committee regarding independence. PwC informed the Audit Committee that it was independent with respect to Hill-Rom within the meaning of the securities acts administered by the SEC and the requirements of the PCAOB, and PwC discussed with the Committee that firm's independence with respect to Hill-Rom. In addition, the Committee considered whether non-audit consulting services provided by the auditors' firm could impair the auditors' independence and concluded that such services have not impaired the auditors' independence.

Based upon the Committee's discussions with management and PwC and the Committee's review of the representations of management and the report of PwC to the Committee, the Committee recommended to the Board of Directors that the audited consolidated financial statements be included in Hill-Rom's Annual Report on Form 10-K for the year ended September 30, 2009.



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In addition, the Committee has discussed with the Chief Executive Officer and the Chief Financial Officer of Hill-Rom the certifications required to be given by such officers in connection with Hill-Rom's Annual Report on Form 10-K pursuant to the Sarbanes-Oxley Act of 2002 and SEC rules adopted thereunder, including the subject matter of such certifications and the procedures followed by such officers and other management in connection with the giving of such certifications.

**Submitted by the Audit Committee\***

Charles E. Golden (Chairman)

Eduardo R. Menascé (Vice Chairman)

Katherine S. Napier

(Each of whom the Board of Directors has determined is an independent director under applicable standards)

\* James R. Giertz  
was elected to  
the Audit  
Committee after  
the approval of  
the Audit  
Committee  
Report, and his  
name therefore  
does not appear  
under the  
Report.

**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information with respect to the beneficial ownership of our outstanding common stock as of December 28, 2009 by:

- each of our directors and our Named Executive Officers;
- all of our directors and executive officers as a group; and
- each person or entity who is known by us to be the beneficial owner of more than five percent of our common stock.

Our common stock is our only class of equity securities outstanding. Except as otherwise noted in the footnotes below, the individual director or executive officer or their family members had sole voting and investment power with respect to such securities. None of the shares beneficially owned by our directors and executive officers are pledged as security. The number of shares beneficially owned includes, as applicable, directly and/or indirectly owned shares of common stock, common stock shares underlying stock options that are currently exercisable or will become exercisable within 60 days from December 28, 2009, and deferred stock share awards (otherwise known as restricted stock units or RSUs) that are vested or will vest within 60 days from December 28, 2009. Except as specified below, the business address of the persons listed is our headquarters, 1069 State Route 46 East, Batesville, Indiana 47006.

Name of Beneficial Owner	Shares		Shares Underlying Stock Options Exercisable within 60 Days	Shares Underlying RSUs That are Vested or Will Vest within 60 Days	Total Number of Shares Beneficially Owned	Percent of Class
	Owned Directly	Owned Indirectly				
<i>Directors and Executive Officers:</i>						
Rolf A. Classon	15,806		14,800	33,598	64,204	*
Peter H. Soderberg <sup>(1)</sup>	63,150	25,125	392,001	6,620	486,896	*
John J. Greisch						0.0%
James R. Giertz				833	833	*
Charles E. Golden	3,853		14,800	22,600	41,253	*
W August Hillenbrand	74,277	1,078,937	72,000	12,720	1,237,934	2.0%
Ronald A. Malone				7,749	7,749	*
Eduardo R. Menascé				11,138	11,138	*
Katherine S. Napier				836	836	*
Joanne C. Smith	2,000			20,641	22,641	*
Gregory N. Miller	24,622		129,321		153,943	*
Patrick D. de Maynadier	16,362		184,595		200,957	*
C. Jeffrey Kao	7,947		44,611		52,558	*
John H. Dickey	11,364		113,802	1,129	126,295	*
All directors and executive officers as a group (19 individuals)	196,925	1,079,379	1,008,723	111,244	2,396,271	3.8%
<i>Other 5% Beneficial Owners:</i>						
HealthCor Management, L.P. 152 West 57th Street, 47th Floor New York, NY 10019					4,000,000 <sup>(2)</sup>	6.4%

Keeley Asset Management Corp.  
401 South LaSalle Street  
Chicago, IL 60605

3,251,070<sub>(3)</sub>

5.2%

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\* Less than 1% of the total shares outstanding.

(1) Mr. Soderberg resigned as President and Chief Executive Officer of Hill-Rom effective January 8, 2010. He continues to serve as a part-time employee of Hill-Rom in the non-executive officer capacity of Chief Innovation Officer.

(2) This information is based solely on Amendment No. 1 to Schedule 13G filed by HealthCor Management, L.P. with the SEC on February 17, 2009. The Schedule 13G also was filed with respect to all or a portion of such shares by HealthCor Associates, LLC, HealthCor Offshore, Ltd., HealthCor Offshore Master

Fund, L.P.,  
HealthCor  
Offshore GP,  
LLC, HealthCor  
Hybrid  
Offshore, Ltd.,  
HealthCor  
Hybrid Offshore  
Master Fund,  
L.P., HealthCor  
Hybrid Offshore  
GP. LLC,  
HealthCor  
Group LLC,  
HealthCor  
Capital, L.P.,  
HealthCor, L.P.  
and Joseph  
Healey, each  
with the same  
address as  
HealthCor  
Management,  
L.P., and by  
Arthur Cohen,  
12 South Main  
Street, #203,  
Norwalk, CT  
06854.

- (3) This information is based solely on Schedule 13G filed by Keeley Asset Management Corp. with the SEC on February 13, 2009.

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**EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

*Background*

Our Named Executive Officers for fiscal year 2009 are Peter H. Soderberg, former President and Chief Executive Officer; Gregory N. Miller, Senior Vice President, Chief Financial Officer and Treasurer; Patrick D. de Maynadier, Senior Vice President, General Counsel and Secretary; C. Jeffrey Kao, President, North America Acute Care; and John H. Dickey, Senior Vice President, Human Resources. Mr. Soderberg resigned as President and Chief Executive Officer effective January 8, 2010 and continues to serve as a part-time employee of Hill-Rom in the capacity of Chief Innovation Officer.

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

*Objectives and Principles of Hill-Rom's Executive Compensation Program*

The objectives of Hill-Rom's executive compensation program are to ensure officers and key management personnel are effectively compensated in terms of base salary, variable compensation and other benefits that are internally equitable and externally competitive and advance the long term interests of Hill-Rom's shareholders. Hill-Rom's compensation program is designed to reward business performance at enterprise and business unit levels, shareholder value creation and individual performance relative to predefined duties and responsibilities.

Hill-Rom's compensation program is based on the following guiding principles, which support Hill-Rom'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.

Hill-Rom'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 Hill-Rom 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 base salaries. Total direct compensation is targeted at the 50th percentile of the applicable market.

*Process for Determining Compensation*

The Compensation Committee is charged with ensuring that Hill-Rom's compensation programs meet the objectives outlined above. In that role, the Compensation Committee makes all executive compensation decisions, administers Hill-Rom's compensation plans and keeps the Board of Directors informed regarding executive compensation matters. The Compensation Committee, in consultation with Hill-Rom's compensation consultant and the full Board, determines the compensation of the Chief Executive Officer. The Chief Executive Officer makes

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recommendations to the Compensation Committee regarding the compensation of his direct reports, including Hill-Rom's other Named Executive Officers. From time to time, Hill-Rom management also provides recommendations to the Compensation Committee regarding modifications to the elements and structure of Hill-Rom'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 engages nationally recognized outside compensation and benefits consulting firms (1) to evaluate independently and objectively the effectiveness of and assist with implementation of Hill-Rom's compensation and benefit programs and (2) to provide the Compensation Committee with additional expertise in the evaluation of Hill-Rom's compensation practices and of the recommendations developed by management and firms engaged by Hill-Rom. The consultants also provide information and insights relative to current and emerging compensation and benefits practices. From fiscal year 2005 to fiscal year 2008, Ernst & Young served as the Compensation Committee's compensation consultant. For fiscal year 2009, the Compensation Committee has retained Mercer (US) Inc. ( Mercer ) as its compensation and benefits consulting firm. The Compensation Committee periodically changes its consultant in order to obtain a fresh perspective on executive compensation and benefits. Mercer was selected after interviewing several nationally recognized firms. Criteria for selection included:

- Technical expertise
- Experience within the medical technology sector
- Previous experience of Principal Consultant serving as consultant to a committee of the Board of Directors
- Key project costs and annual fees
- Availability and responsiveness
- Objectivity

Mercer provides other consulting services to Hill-Rom, most of which are in the areas of Health & Welfare. The Compensation Committee regularly reviews and approves these services as part of the Committee's ongoing vigilance as to Mercer's objectivity.

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 Hill-Rom's compensation programs, the Compensation Committee has compared Hill-Rom'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, consists of companies that are similar in size and in similar industries as Hill-Rom and with whom Hill-Rom may compete for executive talent. In May 2009, Mercer conducted a review of Hill-Rom's peer group. After evaluating many potential peer companies against various criteria, including, among others, participation in similar market segments, revenue size, number of employees, total equity value, and comparable published operating and financial metrics, the Board of Directors of the company elected to add additional peer companies for purposes of evaluating the Company's performance. A key objective in selecting peers was to align Hill-Rom's planned fiscal year 2009 revenue with the median revenue of its peer companies. Hill-Rom focused on companies whose revenue's were one-half to two times Hill-Rom's planned revenue. The 2009 peer group median revenue was \$1.8 billion and Hill-Rom's planned revenue was \$1.6 billion. Seven additional companies were added (as shown below). Hill-Rom's 2008 fiscal year Peer Group and 2009 Peer Group are provided in the table below:

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**2008 Fiscal Year**

Apria Healthcare Group, Inc.  
 C. R. Bard, Inc.  
 Beckman Coulter, Inc.  
 Becton Dickinson & Co.  
 Conmed Corporation  
 Dentsply International, Inc.  
 Hospira, Inc.,  
 Invacare Corporation  
 Kinetic Concepts, Inc.  
 Mettler-Toldeo International, Inc.  
 Steris Corporation

**2009 Fiscal Year**

Removed From Peer Group<sup>1</sup>  
 C. R. Bard, Inc  
 Beckman Coulter, Inc.  
 Removed From Peer Group<sup>2</sup>  
 Conmed Corporation  
 Dentsply International, Inc  
 Hospira, Inc.,  
 Invacare Corporation  
 Kinetic Concepts, Inc.  
 Mettler-Toldeo International, Inc  
 Steris Corporation  
 Varian Medical Systems, Inc.  
 PerkinElmer, Inc.  
 Inverness Medical Innovations, Inc.  
 The Cooper Companies, Inc.  
 ResMed Inc.  
 Integra Lifesciences Holdings Corporation  
 Edwards Lifesciences Corporation

**Additional Peers** —————→

<sup>1</sup> Apria Healthcare Group, Inc. was acquired by another company during 2008 and therefore has been removed from the peer group.

<sup>2</sup> Becton Dickinson & Co. was removed from the peer group this year as its revenues were no longer comparable.

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 range of one-half to two times Hill-Rom's revenue 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.

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 Hill-Rom as a whole to avoid any unjustified differences in compensation. In May 2009, the Compensation Committee compared the pay of Hill-Rom'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 2009. 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 review internal pay equity again in the fall of 2010 as part of a total compensation review for Hill-Rom's Named Executive Officers.

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

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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 Hill-Rom and the degree of replacement difficulty.

**Aggregate Compensation.** For Named Executive Officers of Hill-Rom, 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 Hill-Rom's Named Executive Officers at median levels.

In addition, the Compensation Committee periodically reviews the total compensation of Hill-Rom's Named Executive Officers in comparison to the total compensation of its peer group companies, in each case as reported under the SEC's 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 found that in aggregate, Hill-Rom's Named Executive Officers target total direct compensation opportunity levels for fiscal year 2009 were between median and 75th percentile levels due to the previous use of stock options that contained performance-based vesting criteria, which resulted in larger equity grants. As discussed below, the 2010 long-term incentive program has been redesigned to provide total compensation packages that are, in aggregate, generally in line with market median levels.

The Compensation Committee has scheduled an updated total compensation review for Hill-Rom's Named Executive Officers for the fall of 2010.

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 2008 and 2009. 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 elements. 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.

### *Elements of Executive Compensation*

The three major components of Hill-Rom'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.** Hill-Rom 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 Hill-Rom 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. Base salary is generally targeted at the market median although actual salaries may be higher or lower 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 Hill-Rom 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 typically 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. When adjusting base salaries, the Compensation Committee also considers the effects of the adjustment



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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 2009 target merit increase was 3.0%, effective January 1, 2009. Beginning on this date, the base salaries paid to each of our Named Executive Officers was: Mr. Soderberg \$840,000, Mr. Miller \$400,000, Mr. de Maynadier \$363,000, Mr. Dickey \$268,000, and Mr. Kao \$340,000.

The base salary paid to each of our Named Executive Officers during the fiscal year ended September 30, 2009 is set forth in the Summary Compensation Table under Compensation of Named Executive Officers below. In recognition of the challenges in the global economy and its impact on our business, Management recommended and the Compensation Committee decided that the Named Executive Officers will not receive merit increases normally scheduled for January, 2010. With the exception of Mr. Kao, no changes were made to the base salaries of any of our Named Executive Officers for fiscal year 2010. Mr. Kao was awarded a market adjustment of \$40,000 effective October 1, 2009.

**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 Hill-Rom'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 of total cash compensation.

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 of (50<sup>th</sup> percentile) total cash compensation when Hill-Rom 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 Hill-Rom if above average value is created for Hill-Rom 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 a STIC Plan pool each year that will be funded based upon the achievement of pre-established performance objectives. The STIC Plan pool is funded at 100% of aggregate target opportunities when performance is at target levels and is funded at 150% for maximum performance. In the event that minimum financial performance objectives are not met, the pool is funded at 30% in order to provide the CEO a pool of dollars with which to award high performing associates or business units in his discretion. In fiscal year 2009, unlike in past years, no separate pools were established for any of Hill-Rom's business units. In this uncertain economy management and the Compensation Committee believed it was important for all of our business unit leaders to focus on Hill-Rom as a whole.

The 2009 STIC Plan pool was funded by operating income and by revenues generated within Hill-Rom. For fiscal year 2009, the targets were:

	Target	Weight
Revenue	\$ 1,558 million	25%
Operating Income	\$ 138 million	75%

The objectives are set with the intention that the relative level of difficulty in achieving the targets is consistent from year to year. In fiscal year 2006, Hill-Rom's consolidated performance achievement was slightly below target. In fiscal year 2007, achievement by Hill-Rom was above the minimum financial performance objectives but below target. In fiscal year 2008, achievement by Hill-Rom was slightly above target.

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. A list

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of categories of adjustments which may be considered was initially reviewed and approved by the Compensation Committee in 2005 and generally includes 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. The list is reviewed annually and in December 2009 the Compensation Committee clarified, consistent with past practices, that acquisition and divestiture impacts include incremental or foregone revenues and operating income from acquisitions or divestitures, respectively, to encourage management to take actions in the best interests of the Company.

At its December 3, 2009 meeting, the Compensation Committee reviewed the adjusted financial performance of Hill-Rom against the predetermined financial targets and determined that Hill-Rom failed to achieve its revenue target but exceeded threshold performance for operating income. The resulting achievement for funding of the Hill-Rom pool for fiscal 2009, was 48.2% of target. The Compensation Committee had the discretion to exercise negative discretion and reduce the financial performance achievement but chose not to do so.

*Individual STIC Percentage.* For fiscal 2009, minimum, target and maximum opportunities for the Named Executive Officers as a percentage of fiscal year 2009 wages were as follows:

	Minimum	Target	Maximum
Mr. Soderberg	0%	100%	200%
Mr. Miller	0%	50%	100%
Mr. de Maynadier	0%	50%	100%
Mr. Dickey	0%	50%	100%
Mr. Kao	0%	50%	100%

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 Hill-Rom by the Compensation Committee, and, in the case of other Named Executive Officers and other employees, by the President and Chief Executive Officer of Hill-Rom 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 2009, the individual performance objectives established at the beginning of the year for our Named Executive Officers included the following:

*Peter H. Soderberg:* Deliver financial results at or above expectations; improve product and service development execution; oversee Liko integration and realization of promised value; review and fix or dispose of portfolio assets that are dilutive to our financial performance and/or strategic directions; advance Hill-Rom's compliance culture; develop the shareholder base by continuing to provide clear and credible messages and transparent communications; continue to develop the top two management layers of the organization to assure we have a high performing team, strong teamwork, and demonstrated depth.

*Gregory N. Miller:* execute on fiscal year 2009 business plan and deliver on-flight path 2010 budget; progress development of continuous improvement and individual development initiatives; achieve operational excellence objectives; provide financial leadership for business development and M&A activities; and institutionalize strategic enterprise risk management processes.



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*Patrick D. de Maynadier*: enable achievement of fiscal year 2009 operating income plan and adherence to the flight path for the fiscal year 2010 forecast; provide value added support for business development and related alliance and acquisition and divestiture activities; lead execution of compliance infrastructure improvements, tighten processes with respect to risk identification, aggressively and cost effectively manage litigation/claims management; continue to support the Board of Directors in its evaluation of and modifications to key governance practices; and develop a comprehensive and differentiated corporate social responsibility program.

*C. Jeffrey Kao*: deliver on fiscal year 2009 business plan objectives and deliver an on-flight path 2010 plan; create innovative business processes and ideas in uncertain economic times; enhance North America Acute Care teamwork; and stabilize market share.

*John H. Dickey*: align the human resources function with our fiscal year 2009 strategic plans and budget; align the human resources team to support strategic focus on people, processes and culture; achieve successful execution of operating expense reductions, assist with the integration of the Liko acquisition; enhance the management and leadership talent within the organization; create and sustain an ownership culture within the organization; and assist the Board of Directors and the Compensation Committee in carrying out their duties through providing human resources expertise.

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 2009 as set forth in the Summary Compensation Table under Compensation of Named Executive Officers below.

The following table provides information for the calculation of annual cash incentives. As described above, Mr. Soderberg's target short term incentive compensation opportunity for fiscal 2009 was 100% of fiscal year 2009 wages or \$840,000. Based on the performance levels described above for Hill-Rom, the Hill-Rom pool was funded at 48.2% of target opportunity. Thus, the financial performance modifier for Mr. Soderberg and all Hill-Rom employees, including the other Named Executive Officers, based on these funding levels was 48.2%. Based on his individual performance, Mr. Soderberg received an individual performance modifier of 115%. The Compensation Committee determined that despite a challenging year in which providers of capital equipment to U.S. hospitals, like Hill-Rom, were disproportionately impacted by the credit crisis and recessionary economic environment, the Named Executive Officers' individual performance modifiers were above average. In fiscal year 2009, Hill-Rom achieved substantial increases in year over year gross margins and cash flow from operations as well as year over year reductions in operating expense. In addition, the Named Executive Officers' achieved above average performance on their individual objectives as outlined above. The final short-term incentive compensation payout, as outlined in the table below, is reflective of each Named Executive Officer's individual performance and Hill-Rom's financial performance and pool funding level of 48.2%.

	Fiscal Year 2009 Wages	Target Percentage	Individual Performance	Financial Performance	STIC Payout
Mr. Soderberg	\$ 840,000	100%	115%	48.20%	\$ 465,612
Mr. Miller	\$ 395,178	50%	115%	48.20%	\$ 109,524
Mr. de Maynadier	\$ 360,649	50%	110%	48.20%	\$ 95,608
Mr. Dickey	\$ 263,704	50%	110%	48.20%	\$ 69,908
Mr. Kao	\$ 340,000	50%	110%	48.20%	\$ 90,134

*Changes for fiscal year 2010.* For fiscal year 2010, Mr. Miller, Mr. Kao, and Mr. de Maynadier's short term incentive compensation target opportunity will increase to 60% of base salary. This increase is designed to target market median short term incentive opportunity as determined by the analysis completed by Mercer of our peer group's target short term incentive opportunities.





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In addition, Mr. Kao and other senior North America Acute Care executives will participate in a one-time fiscal year 2010 cash incentive program designed to incentivize market share gain against key competitors. For Mr. Kao, this cash incentive program has an award range with two thirds of any earned award being paid in December of 2010 and the remaining one third being paid in December of 2011 if market share gains are maintained. We are not disclosing the identity of the competitors or the metrics used to measure market share gain because of the competitive harm that could result from such disclosure.

*Section 162(m).* Section 162(m) of the Internal Revenue Code (the Code) limits tax deductibility of certain executive compensation in excess of \$1 million per year unless certain requirements are met. Section 162(m) was considered in developing Hill-Rom's STIC Plan, but Hill-Rom preferred to retain the flexibility of upward discretion. As a result, awards under the STIC Plan do not satisfy the performance based exception under Section 162(m) and therefore are subject to Section 162(m) and included in the \$1 million dollar compensation cap in the year the awards are included in taxable income of the recipient.

**Long-Term Equity Awards**

*Overview:* Hill-Rom's Stock Incentive Plan, which was approved by Hill-Rom's shareholders in 2002 and was amended in 2009, 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 help motivate executives to make strategic long-term decisions, and to better enable Hill-Rom to attract and retain capable directors and executive personnel.

The fiscal year 2008 and fiscal year 2009 long-term incentive grants for the Named Executive Officers consisted of combination of restricted stock units, stock options, and performance-based options. As shown in our Grants of Plan Based Awards Table, the 2009 equity grants were targeted to have blend approximating 50% service-based and 50% performance based equity.

***Equity Awards Granted in Fiscal 2009 for Fiscal 2008 Performance***

*Service Based Equity Awards.* These equity based awards were granted to executive officers in December 2008 based on a multiple of the executive officer's annual base salary. The awards could range from 0% to 200% of base salary, with a target of 100% of base salary, for Named Executive Officers other than the CEO. The awards for the CEO could range from 0% to 480% of base salary, with a target of 240% of base salary. Hill-Rom elected to use a process based on multiples of base salary for determining equity awards in order to more accurately target market median compensation levels and to have a clear and simple means of comparing equity awards to other elements of compensation. The target award amount was determined by the Compensation Committee to be competitive market median. These service-based awards consisted of a blend of stock options and deferred stock shares that all vest ratably over a four-year period.

*Performance Based Equity Awards.* During the first quarter of fiscal 2009, Hill-Rom granted performance based stock options to key employees, including each of our Named Executive Officers. Each award was divided evenly into two separate grants. The first grant, representing 50% of the total award, vests based on three-year performance targets related to cumulative revenue and cumulative earnings per share. The second grant, representing the other 50% of the total award, vests based on three-year performance targets related to relative total shareholder return. All other terms of the two grants are the same. If the performance goals are met at the maximum level, these performance based stock option awards will fully vest at the end of fiscal 2011.

Mr. Soderberg's performance based stock option awards are a combination of stock options, up to the annual individual stock option limit under our Stock Incentive Plan, and performance based deferred stock shares, representing the excess dollar amount of options over that limit. However, under each award, all performance based stock options must vest prior to the vesting of the performance based deferred stock shares.

*Other Equity Based Compensation.* In addition to the equity awards described above, senior management may from time to time receive additional equity based compensation at the date of hire, upon promotion, for special recognition, upon a significant change in responsibility, or to incentivize specific non-financial objectives. These



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awards are often used as a recruiting and retention tool. These grants are typically in the form of stock options or deferred stock shares and are typically granted as a percentage of the respective employee's base salary. Mr. Kao received a grant of 7,114 performance based deferred stock shares on December 2, 2008 in lieu of any award under the STIC Plan for fiscal 2008. Vesting of the award on December 3, 2009 was based on Mr. Kao's continued employment and achievement of certain one-year non-financial performance criteria. The award vested in full on December 3, 2009. There were no other such awards made to the Named Executive Officers during fiscal year 2009. All equity awards granted to the Named Executive Officers during fiscal 2009 are reflected in the Grants of Plan Based Awards for Fiscal Year Ended September 30, 2009 table under Compensation of Named Executive Officers below

***Performance Based Equity Awards Granted for Fiscal 2007 to Fiscal 2009 Performance***

In April 2007, Hill-Rom granted performance based deferred stock shares to its executive officers including the Named Executive Officers. The deferred stock shares vest based on the achievement of one-year, two-year, and three-year performance targets related to cumulative revenue, cumulative operating income and return on assets employed and corresponding service requirements. Full vesting occurs if all of the three year targets are met. When all annual targets are met, 20% vest in year one, 20% vest in year two, and 60% vest in year three. The year one performance targets related to fiscal 2007 performance were not achieved and no interim vesting occurred. The year two cumulative revenue target related to fiscal 2008 performance was achieved and a portion of the grant related solely to revenue attainment vested at the end of fiscal 2008. The other performance targets (i.e., return on assets employed and operating income) were not met and no vesting for those measures occurred. The following performance targets related to fiscal year 2009 performance were not achieved and no vesting occurred:

Cumulative Revenue (2007 - 2009)	\$4,391 million
Cumulative Operating Income (2007 - 2009)	\$444.3 million
Return on Assets Employed (2009)	21.0%

At the end of fiscal 2009, management determined that the targets of this performance based equity award were not achieved and upon approval of the Compensation Committee at its December 3, 2009 meeting, all unvested restricted stock units related to this performance grant were forfeited.

***Fiscal Year 2010 Long-Term Incentive Awards for Fiscal Year 2009 Performance***

In September 2009 the Compensation Committee with support from its compensation consultant, Mercer, modified Hill-Rom's long-term incentive compensation program to provide a portfolio approach to long-term incentives. The objectives of the redesign were to:

- Provide awards, at target, that are aligned with competitive market levels;
- Provide payouts that correlate with high performance resulting in increased payouts and low performance resulting in reduced payouts;
- Provide a mix of awards representative of typical market practice; and
- Provide awards that support internal equity among Hill-Rom's executives.

In addition the Committee considered the Stock Incentive Plan burn rate, number of plan participants and potential aggregate target awards for participants in the process of determining target awards levels and the mix of long-term incentive awards.

Fiscal year 2010 target award levels as a percentage of base salary and award types for Mr. Miller, Mr. Kao, Mr. de Maynadier, and Mr. Dickey are as follows:

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	Target LTI		Distribution of Award	
	Award As % of Base	Stock Options	Deferred Stock Shares	Performance Share Units
Mr. Miller	175%	30%	40%	30%
Mr. Kao	175%	30%	40%	30%
Mr. de Maynadier	120%	30%	40%	30%
Mr. Dickey	120%	30%	40%	30%

The long-term incentive award program provides for awards ranging up to a maximum of two times the executives target long-term incentive award as a percentage of base salary as set forth above depending on achievement of personal performance objectives and overall business performance.

See Employment Agreements below for a discussion of awards made to Mr. Soderberg and related matters pursuant to the letter agreement entered into with Mr. Soderberg to address CEO succession.

*Stock Options:* These awards represent an opportunity to purchase a specific number of shares of Hill-Rom stock at a specific price ( exercise price ) during a 10 year period of time. Stock option exercise prices are the average of the high and low prices of Hill-Rom common stock on the date of grant, which is the date the award is approved by the Compensation Committee. Prior to December 2008, stock options typically have vested in three equal annual installments on each of the first three anniversaries of the date of grant. Beginning with the awards granted in December 2008, the Compensation Committee changed the standard vesting terms of stock option so that stock options vest in four equal annual installments on each of the first four anniversaries of the date of grant.

*Deferred Stock Shares:* These awards, otherwise known as restricted stock units, represent a commitment to deliver shares of Hill-Rom stock upon the completion of a time-based vesting period. Effective in December 2008, the Compensation Committee set the vesting terms of deferred stock shares to vest fifty percent on the day after the second anniversary of the grant and twenty-five percent each on the day after the third and fourth anniversaries of the grant. In December 2009, the Compensation Committee modified the standard vesting terms of deferred stock shares to mirror the vesting of stock options (four equal annual installments beginning on the day after the first anniversary of the date of grant). This change was made to bring Hill-Rom's practices more in line with those of its peers and to simplify communication and accounting with respect to these awards. These awards are entitled to quarterly dividend reinvestment and are subject to any stock dividends, stock splits, and other similar rights inuring to common stock but they do not confer voting rights.

If an executive does not perform satisfactorily and is terminated before fully vesting in a stock option or deferred stock share award, he or she forfeits any unvested portions of the respective award unless certain early vesting conditions are met as a result of a change in control, death, disability or retirement as described in more detail under Retirement, Change in Control Agreements and Severance below.

*Performance Based Share Units.* These awards provide the opportunity to earn shares of Hill-Rom stock based on achievement of performance objectives and completion of a time based vesting period. For the performance based share unit awards granted in fiscal year 2010 for the three year performance period of fiscal year 2010 to fiscal year 2012, vesting is based on the achievement of three independent one-year performance targets and a time based vesting period that corresponds with the three-year performance period (*i.e.*, date of grant to end of the fiscal year 2012). One-third of the awards is linked to performance in each of the three years in the performance period; accordingly, if the performance targets are achieved in any one year, the portion of the award linked to that year's performance will vest regardless of performance in any other year, provided that the participant continues to be employed by the company at the end of the three-year period.

Performance measures and targets are established annually for a one year period by the Compensation Committee in the first quarter of the fiscal year. For fiscal year 2010 the Compensation Committee determined that free cash flow (50%) and earnings per share (50%) were the most appropriate performance targets. The performance measures were chosen based upon the importance of these objectives in the achievement of Hill-Rom's strategic plan, providing quality earnings and creating value for Hill-Rom's stockholders.



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In setting performance targets, Hill-Rom considered the performance of its peer group, market indices and customer base. The fiscal year 2010 performance goals were set at levels consistent with published guidance.

These performance measures are subject to adjustment by the Compensation Committee based upon unusual or extraordinary items that were not contemplated when the performance measures were set and are out of the control of management. These items are generally the same as those that are excluded in the calculation of performance measures for purposes of short-term incentive compensation.

Final performance share unit awards will vary based on achievement of performance targets and can range from 0% to 200% of target award level. Upon certification of performance achievement and completion of the service requirements, the awards will be vested.

Performance based share units are subject to any stock dividends, stock splits, and other similar rights inuring to common stock but, unlike the time based deferred stock shares described above, are not entitled to quarterly dividend reinvestment.

The portfolio equity awards granted in fiscal year 2010 to the Named Executive Officers for fiscal year ending September 30, 2009 performance are set forth in the following table.

	Stock Options	Deferred Stock Shares	Performance Share Units
Mr. de Maynadier	18,541	8,241	6,181
Mr. Dickey	12,444	5,531	4,148
Mr. Kao	25,731	11,436	8,577
Mr. Miller	27,086	12,038	9,029

*Other Equity Based Compensation.* In addition to the equity awards described above, Mr. Miller received a one time grant of 8,599 deferred stock shares on December 3, 2009 to bring Mr. Miller's total direct compensation closer to market total direct compensation for his position and level of responsibility. The award will vest in four equal annual installments on the day after the first, second, third, and fourth anniversaries, respectively, of the date of grant.

The Compensation Committee granted all annual long-term incentive awards, as referenced above, at its December 3, 2009 meeting following the certification of Hill-Rom's financial results from the immediately preceding fiscal year, regardless of the current trading price of Hill-Rom's equity.

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

All executive officers and designated members of management of Hill-Rom are expected to own shares of Hill-Rom common stock. Specifically, our Chief Executive Officer, his executive officer direct reports, including the Named Executive Officers, from and after the later to occur of (1) February 13, 2006 or (2) the date on which any such individual first became an officer of Hill-Rom or any of its subsidiaries ( *Start Date* ) are required to hold shares of Hill-Rom common stock or equivalents described below at the following levels ( *Required Ownership Level* ):

<b>Position</b>	<b>Required Ownership Level (Expressed as Base Annual Salary Multiple)</b>
Chief Executive Officer	4 x Base Annual Salary
Other Named Executive Officers	2 x Base Annual Salary

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Shares owned outright (including vested deferred shares) and deferred stock shares, whether vested or unvested, count as share equivalents towards the Required Ownership Level. The Required Ownership Level must be achieved within five years from the Start Date. Failure to achieve or maintain the Required Ownership Level may result in (1) the applicable individual being required to hold all after tax vested deferred stock shares and after-tax shares acquired upon exercise of stock options or (2) suspension of future restricted stock or deferred stock share grants until the Required Ownership Level is achieved. The Compensation Committee (or its designee) may make exceptions, in its (his or her) sole discretion, in the event of disability or great financial hardship.

Hill-Rom has implemented separate stock ownership guidelines for its non-employee directors, which are described above under Corporate Governance Stock Ownership Guidelines for Directors and Executive Officers.

*Section 162(m)*. The Stock Incentive Plan is designed to provide for the grant of awards that meet the requirements of Section 162(m) of the Code and also enables the Compensation Committee to grant awards that do not satisfy the performance based pay exemption under the Section 162(m) requirements. For example, time-based vested deferred stock share awards do not satisfy the performance based exception under Section 162(m) and therefore are subject to Section 162(m) and included in the \$1 million dollar compensation cap in the year the awards are included in taxable income of the recipient. However, performance based equity awards and stock options do qualify for exemption under Section 162(m).

*Hill-Rom's Compensation Recoupment Policy*. Effective in December 2009, our Board of Directors adopted an Executive Compensation Recoupment Policy. Under the Policy, all performance-based compensation and trading profits on any Company security trades for executive officers (*i.e.*, officers subject to Section 16 of the Securities Exchange Act of 1934) would be subject to recoupment by Hill-Rom in the event there is a material restatement of financial results due to misconduct of the individual executive officer(s) from whom recoupment is sought. The Policy, which applies prospectively from its effective date, gives the Compensation Committee discretion to determine whether and to what extent to seek recoupment under the Policy based on specific facts and circumstances.

All performance-based compensation, *i.e.*, cash awards under STIC Plan and performance-based (but not time based) stock options and deferred stock shares awarded under Stock Incentive Plan (and similar awards under future plans) and trading profits received during the 24-months prior to the disclosure of the restatement are covered under this policy.

### **Retirement, Change in Control Agreements and Severance**

*Overview*. Hill-Rom believes that it is in the best interests of it and its shareholders to have the unbiased dedication of its executives, without the distraction of personal uncertainties such as retirement or a change in control. Hill-Rom has designed its senior management retirement and other post-employment benefit programs to reduce such distraction. Hill-Rom believes that its programs allow for a smooth transition in the event of retirement or a change in control without providing windfall benefits to management. It also believes that these benefits are at market levels and competitive with those of other comparable companies.

The components of Hill-Rom's retirement benefits program are as follows:

- Normal Retirement Guidelines
- Deferred Compensation Program
- Pension Plan
- Savings Plan
- Supplemental Executive Retirement Plan

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Change in Control Agreements

*Normal Retirement Guidelines.* Executives currently employed, including the Named Executive Officers who are at least 55 years of age and with 5 years length of service, are eligible to receive certain benefits under Hill-Rom's Stock Incentive Plan. These guidelines are incorporated into each individual equity award agreement and have been approved by the Compensation Committee. The following is allowed:

- accelerated vesting of outstanding time-based deferred stock awards and stock options, which have been held for at least one year;
- partial vesting of outstanding performance based deferred stock awards, which have been held for at least one year and for which performance objectives have been achieved; and
- an extension of up to three years of the time to exercise eligible outstanding stock options.

*Executive Deferred Compensation Program.* Under the Hill-Rom Holdings, Inc. Executive Deferred Compensation Program (the Deferred Compensation Program) certain executives, including the Named Executive Officers, who are chosen by the Compensation Committee may elect to defer all or a portion of their base compensation, payments under the STIC Plan and certain other benefits to be paid in years later than when such amounts are due. As of September 30, 2009, none of the Named Executive Officers participate or have balances in the Deferred Compensation Program.

*Pension Plan.* The Hill-Rom Holdings, Inc. Pension Plan (the Pension Plan) covers officers and other employees of Hill-Rom and its subsidiaries. It is a tax qualified plan. Effective June 30, 2003, the Pension Plan was closed to new participants. Existing participants, effective January 1, 2004 were given the choice to remain in the Pension Plan and to continue earning credited service or to freeze their accumulated benefit as of January 1, 2004 and to participate in an enhanced defined contribution savings plan, as described below. The Code limits the amount of benefits that may be paid under the Pension Plan. A supplemental pension benefit that makes up for the Code limitations is provided under the SERP described below. Benefits under the Pension Plan are not subject to deductions for Social Security or other offset amounts.

Employees who retire under the Pension Plan receive fixed benefits calculated by means of a formula that takes into account the highest average annual calendar year eligible compensation earned over five consecutive years and the employee's years of service.

For information regarding the pension benefits payable to our Named Executive Officers, see the Pension Benefits at September 30, 2009 table under Compensation of Named Executive Officers below.

*Savings Plan.* Hill-Rom maintains the Hill-Rom, Inc. Savings Plan (the Savings Plan), which covers substantially all employees, including senior management. Under the Savings Plan, which is a tax-qualified retirement savings plan, participating employees may contribute up to 40 percent of compensation on a before-tax basis. Hill-Rom provides a matching contribution to the Savings Plan, for those employees who are not active participants in the Pension Plan and for those employees hired on or after July 1, 2003, in an amount equal to fifty cents for each dollar contributed by participating employees on the first six percent of their compensation. Additionally, Hill-Rom annually contributes to the Savings Plan, (1) for employees who are active participants in the Pension Plan and employees who are paid commissions, an amount equal to three percent of such employees' compensation, and (2) for employees who are not active participants in the Pension Plan and for those employees hired on or after July 1, 2003, an amount equal to four percent of such employees' compensation.

During 2009, the Savings Plan limited the additions that can be made to a participating employee's account to \$46,000 per year. Additions include all Hill-Rom contributions and the before-tax contributions made by Hill-Rom at the request of the participating employee under Section 401(k) of the Code. Of those additions, the current maximum before-tax contribution made by a participating employee is \$16,500 per year (or \$22,000 per year for certain participants age 50 and over). In addition, no more than \$245,000 of annual compensation may be taken



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into account in computing benefits under the Savings Plan. A supplemental savings plan benefit that makes up for these limitations is provided under the SERP as described below.

Participants immediately vest in their own contributions and earnings. Matching contributions made by Hill-Rom cliff vest after three years of continuous employment and all subsequent matching contributions immediately vest thereafter.

For information regarding compensation paid to our Named Executive Officers under the Savings Plan, see the Summary Compensation Table and footnote 6 thereto under Compensation of Named Executive Officers below. *Supplemental Executive Retirement Plan.* The Hill-Rom Holdings, Inc. Supplemental Executive Retirement Plan (the SERP ) provides additional retirement benefits to certain employees selected by the Compensation Committee whose retirement benefits under the Pension Plan and/or Savings Plan are reduced, curtailed or otherwise limited as a result of certain limitations under the Code. Participants in the defined benefit SERP include Messrs. de Maynadier and Dickey, and participants in the defined contribution SERP include Messrs. Soderberg, Miller, de Maynadier and Dickey.

Additionally, certain defined contribution SERP participants may annually receive an additional benefit of a certain percentage of such participants Compensation (as defined below). Compensation is defined under the Pension Plan and the Savings Plan and includes a percentage of a participant s eligible compensation as determined under the STIC. Long-term incentive compensation is not included in the calculation of the SERP benefits. Mr. Soderberg s contribution to his non-qualified deferred compensation plan is referenced in his employment agreement, see Employment Agreements below.

The retirement benefits to be paid under the SERP are paid from the general assets of Hill-Rom, and are subject to Section 409A of the Code. The defined contribution SERP benefits are paid in a lump sum no sooner than six months after the date of termination. A participant may elect to defer receipt of his or her defined benefit SERP to age 65.

For information regarding the pension benefits payable to our Named Executive Officers under the SERP, see the Pension Benefits at September 30, 2009 table under Compensation of Named Executive Officers below. For information regarding nonqualified deferred compensation payable to our Named Executive Officers see the Nonqualified Deferred Compensation for Fiscal Year Ending September 30, 2009 table under Compensation of Named Executive Officers below.

*Change in Control Agreements.* Hill-Rom has a Change in Control Agreement (the Change in Control Agreements ) in place with each Named Executive Officer other than Mr. Soderberg. The Change in Control Agreement previously in place with Mr. Soderberg terminated upon his resignation as President and Chief Executive Officer effective January 8, 2010, at which time Hill-Rom entered into a Change in Control Agreement with its new President and Chief Executive Officer, Mr. Greisch. The Change in Control Agreements are intended to encourage continued employment by Hill-Rom of its key management personnel and to allow such personnel to be in a position to provide assessment and advice to the Board of Directors regarding any proposed Change in Control without concern that such personnel might be unduly distracted by the uncertainties and risks created by a proposed Change in Control.

The Change in Control Agreements provide for payment of specified benefits upon Hill-Rom s termination of the executive s employment without cause or for good reason in anticipation of or within two years (three years in the case of Mr. Greisch s agreement and Mr. Soderberg s former agreement) after a Change in Control. Mr. Soderberg s Change in Control Agreement also provided for the payment of the specified benefits in the event Mr. Soderberg terminated employment for any reason during the 30-day period following the first anniversary of the Change in Control. Mr. Greisch s agreement contains no such single trigger provision. The benefits to be provided by Hill-Rom upon a Change in Control under any of the above circumstances are:

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a lump sum payment in cash equal to two times (three times in the case of Mr. Greisch's agreement and Mr. Soderberg's former agreement) the executive's annual base salary; continued health and medical insurance for the executive and the executive's dependents and continued life insurance coverage for the executive for 24 months (36 months in the case of Mr. Greisch's agreement and Mr. Soderberg's former agreement), with the right to purchase continued medical insurance (at COBRA rates) from the end of this period until the executive reaches retirement age; a cash payment in lieu of certain perquisites, such as accrued and unpaid vacation; and an increase to the defined benefit and defined contribution pension benefit otherwise payable to the executive calculated by giving him equivalent credit for two additional years of age and service (or, in the case of Mr. Soderberg's former agreement, three additional years of age and service credit).

Instead of the increase to the defined benefit and defined contribution pension benefit described in the last bullet above, Mr. Greisch's agreement provides that he is entitled to a lump sum cash payment equal to three times the amounts accrued over the preceding twelve months in Mr. Greisch's aggregate accounts under the SERP.

In addition, upon a Change in Control, whether or not the executive's employment is terminated, all outstanding stock options, restricted stock and deferred stock shares will become fully vested and the executive will be deemed to have earned all outstanding short-term incentive compensation and performance share compensation awards to the extent such awards would have been earned if all performance targets for the relevant period were achieved. Mr. Soderberg's former Change in Control Agreement provided that if Mr. Soderberg received payments that would be subject to the excise tax on excess parachute payments imposed by Section 4999 of the Code, he would have been entitled to receive an additional gross-up payment in an amount necessary to put him in the same after-tax position as if such excise tax had not been imposed. The Change in Control Agreements for the other Named Executive Officers provide for a similar gross-up payment, except that if the value of all parachute payments to an executive does not exceed 120% of the maximum threshold that could be paid to the Named Executive Officer without giving rise to the excise tax, the payments otherwise called for by the Change in Control Agreement will be reduced to the maximum amount which would not give rise to the excise tax. Mr. Greisch's Change in Control Agreement does not provide for any excise tax gross-up payment.

Under the Change in Control Agreements, a Change in Control is defined generally as (1) the acquisition of beneficial ownership of 35% or more of the voting power of all Hill-Rom voting securities by a person or group other than members of the Hillenbrand Family; (2) the consummation of certain mergers or consolidations; (3) the failure of a majority of the members of the Hill-Rom Board of Directors to consist of Current Directors (defined as any director on the date of the Change in Control Agreements and any director whose election was approved by a majority of the then-Current Directors); (4) the consummation of a sale of substantially all of the assets of Hill-Rom; or (5) the date of approval by the shareholders of Hill-Rom of a plan of complete liquidation of Hill-Rom.

For information regarding the benefits that would have been payable to the Named Executive Officers as of September 30, 2009 under the Change in Control Agreements, see the Potential Payments Upon Termination or Change in Control tables under Compensation of Named Executive Officers below.

**Other Personal Benefits**

In addition to the elements of compensation discussed above, we also provide senior level management with various other benefits as follows:

- Tuition Reimbursement
- Executive Financial Planning, Estate Planning and Tax Preparation Service
- Executive Physical
- Limited CEO personal use of corporate aircraft. See Employment Agreements.

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### Other Benefits

Hill-Rom provides these benefits in order to remain competitive with the market and believes that these benefits help it to attract and retain qualified executives. These benefits also reduce the amount of time and attention that senior management must spend on personal matters and allows them to dedicate more time to Hill-Rom. Hill-Rom believes that these benefits are in-line with the market, are reasonable in nature, are not excessive and are in the best interest of Hill-Rom and its shareholders.

*Tuition Reimbursement Program.* All employees are eligible to participate in Hill-Rom's Tuition Reimbursement Program. This program is provided to support Hill-Rom's innovation and commitment to improving its abilities. Hill-Rom believes that education will support the development of its employees for new positions and enhance their contributions to the achievement of its strategic goals. Under Hill-Rom's Tuition Reimbursement Program, Hill-Rom reimburses tuition, registration fees and laboratory fees for all of its employees. All fulltime employees are eligible for 100% reimbursement on a course-by-course basis within a job related degree program; there is no maximum limit to reimbursement. Minimum academic achievement is required in order to receive reimbursement. This program is not currently being used by any of our Named Executive Officers.

*Executive Financial and/or Estate Planning and Tax Preparation Service Program.* Senior level managers are eligible for reimbursement of financial and/or estate planning services and for income tax preparation services. Reimbursement is approved for dollar amounts of up to 50% of an executive's out of pocket costs up to \$2,000 per year. Qualified expenses include income tax preparation, estate planning and investment planning, among others.

*Executive Physical.* Hill-Rom provides senior level managers with annual physicals. Hill-Rom covers 100% of the cost of this program. This program was developed to promote the physical well being and health of Hill-Rom's senior level managers. Hill-Rom believes this program is in the best long-term interests of its shareholders.

*Other Benefits.* Senior management also participates in other benefit plans that Hill-Rom fully or partially subsidizes. Their participation is on the same terms as other employees of Hill-Rom. Some of the more significant of these benefits include medical, dental, life and vision insurance, as well as relocation reimbursement; holiday and vacation benefits. All Named Executive Officers participate in Hill-Rom's group term life insurance program which provides death benefit coverage of up to two times base salary or \$500,000, whichever is lesser, and provides accidental death and dismemberment coverage of up to \$200,000. In addition, beginning January 1, 2007 the Named Executive Officers were eligible to participate in the optional supplemental group term life insurance program in which participants may purchase up to the lesser of five times their base annual salary or \$600,000 of additional term life insurance at their own expense.

### Employment Agreements

We have entered into employment agreements with each of the Named Executive Officers of Hill-Rom. These agreements are summarized below.

**Peter H. Soderberg** Hill-Rom and Peter H. Soderberg entered into an amended Employment Agreement effective March 31, 2008. The agreement provides that Mr. Soderberg was entitled to receive a base salary of \$840,000 per year and had the opportunity to earn an incentive compensation bonus and participate in plans, programs and policies available to other executive officers of Hill-Rom. It also provides for his participation in a nonqualified deferred compensation plan established for his benefit, pursuant to which Mr. Soderberg was credited with \$75,000 within 30 days after March 20, 2006 and will be credited with \$75,000 on each anniversary thereafter during Mr. Soderberg's employment. Amounts credited to Mr. Soderberg's account under this plan bear interest at a prime rate in effect from time to time or at other rates determined by the Compensation Committee. Mr. Soderberg will be fully vested in all amounts credited to his account under this plan and will be entitled to receive the balance of the account in a lump sum cash payment on or as soon as possible after the date that is six months after the date of the termination of Mr. Soderberg's employment with Hill-Rom. Through January 8, 2010, when Mr. Soderberg resigned as President and Chief Executive Officer, he was permitted to use Hill-Rom's aircraft for personal travel to and from Mr. Soderberg's primary and secondary residences up to a maximum of 100 occupied hours of flight time per calendar year. Mr. Greisch will not have access to Hill-Rom's aircraft for personal travel.



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If Mr. Soderberg was terminated by Hill-Rom other than for cause, including a termination by Mr. Soderberg for good reason (each defined generally in the same manner as in the employment agreements of the other Named Executive Officers as described below), Hill-Rom would have been required to pay severance to Mr. Soderberg in an amount equal to twelve months of Mr. Soderberg's base salary, with payments commencing six months after the time of termination. The employment agreement also contains a limited non-competition and non-solicitation agreement of Mr. Soderberg, which continues generally for a period of two years after the termination of Mr. Soderberg's employment. The employment agreement also required Hill-Rom to pay Mr. Soderberg's costs of entering into the employment agreement, including the reasonable fees and expenses of his legal counsel.

In connection with Hill-Rom's recent CEO succession process described above under Corporate Governance Board's Role in CEO Succession Planning, Hill-Rom and Mr. Soderberg entered into a letter agreement dated September 17, 2009. The letter agreement amends certain aspects of Mr. Soderberg's employment agreement described above.

Pursuant to the letter agreement, Mr. Soderberg stepped down as President and Chief Executive Officer effective January 8, 2010 and will retire from employment with Hill-Rom on April 30, 2011. The letter agreement sets forth the compensation and benefits Mr. Soderberg is to receive until his retirement from Hill-Rom and establishes a consulting relationship with Mr. Soderberg through April 30, 2012, all as described below.

Pursuant to the letter agreement, Mr. Soderberg continued to receive his annualized salary of \$840,000 through January 8, 2010 (the CEO Transition Date), was eligible for and was paid a bonus under Hill-Rom's STIC Plan for the fiscal year 2009 and, in December 2009, was granted deferred stock shares valued at \$200,000 at the grant date (8,599 deferred stock shares). These deferred stock shares will vest on the day after the first anniversary of the grant date, so long as Mr. Soderberg is then employed by Hill-Rom, or upon the earlier termination of Mr. Soderberg's employment due to death or disability, by Hill-Rom other than for cause or by Mr. Soderberg for good reason. The letter agreement does not provide for any other stock-based awards for Mr. Soderberg after the date of the letter agreement but provides that, until the CEO Transition Date, the Compensation Committee could determine whether, and to what extent, ongoing stock-based awards would be granted to Mr. Soderberg. No such award was made prior to the CEO Transition Date.

On the CEO Transition Date, the Change in Control Agreement between Hill-Rom and Mr. Soderberg terminated, and Mr. Soderberg's termination benefits thereafter are governed by the letter agreement. Also on the CEO Transition Date, Mr. Soderberg ceased serving as a member of the Board of Directors of Hill-Rom and its subsidiaries.

Mr. Soderberg will continue to be employed by Hill-Rom in a part-time capacity with the title of Chief Innovation Officer during the period commencing on the day immediately following the CEO Transition Date and ending on April 30, 2011 (the Post-Succession Period). He will report directly to the new President and CEO with all Mr. Soderberg's work being authorized by the new President and CEO. It is contemplated that he will continue to advise and help shape Hill-Rom's business and product innovation initiatives. For his services during the Post-Succession Period, Mr. Soderberg will receive an annualized salary of \$500,000, provided that he is available to provide services of at least 1,000 hours on an annualized basis. He will also receive an additional \$2,000 per diem rate for eight hour days worked over the first 250 hours.

The letter agreement provides that certain miscellaneous benefits provided to Mr. Soderberg under the Employment Agreement will continue during the Post-Succession Period, except that during the Post-Succession Period Mr. Soderberg may use Hill-Rom's aircraft only for Hill-Rom business and not for personal travel.

Except as described below, all equity-based compensation which had not vested prior to the date of the letter agreement will continue to vest in accordance with the related grant or award so long as Mr. Soderberg continues to be an employee of Hill-Rom. Mr. Soderberg's performance-based restricted stock units will become fully vested on April 30, 2011 if Mr. Soderberg continues to be an employee of Hill-Rom on that date or if Mr. Soderberg's employment is terminated before April 30, 2011 by Hill-Rom other than for cause (as defined in Mr. Soderberg's employment agreement) or by Mr. Soderberg for good reason (as defined in the letter agreement). Shares of Hill-Rom common stock underlying the performance-based restricted stock units will be distributed to Mr.



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Soderberg only to the extent the performance goals are achieved by Hill-Rom at the end of the applicable performance periods.

If Mr. Soderberg's employment is terminated prior to April 30, 2011 by Hill-Rom other than for cause or by Mr. Soderberg for good reason, Mr. Soderberg will be fully vested in all stock options, except performance-based stock options, and he will have until May 1, 2014 to exercise those vested stock options. With respect to performance-based stock options, if Mr. Soderberg's employment is terminated prior to April 30, 2011 by Hill-Rom other than for cause or by Mr. Soderberg for good reason, Mr. Soderberg will be treated as if he had retired on April 30, 2011, *i.e.*, he will remain eligible for his performance-based stock options to vest based on performance criteria being met. From and after April 30, 2011, all of Mr. Soderberg's vested options may be exercised prior to the earlier of (i) the last day of the term of such option as set forth in the related option agreement or (ii) May 1, 2014.

If Mr. Soderberg's employment is terminated by Hill-Rom without cause, in lieu of the severance payments provided under the employment agreement, Mr. Soderberg will be entitled to receive any remaining base salary and consulting fee otherwise payable under the letter agreement.

The letter agreement provides that beginning on May 1, 2011 and ending on April 30, 2012, Mr. Soderberg will act as a consultant to Hill-Rom pursuant to a consulting agreement to be entered into between Hill-Rom and Mr. Soderberg. During the term of the consulting agreement, Mr. Soderberg will be paid an annualized consulting fee of \$500,000 plus an additional payment based on days or hours worked as a consultant.

If the consulting agreement is terminated by Hill-Rom without Mr. Soderberg's breach of the consulting agreement or Mr. Soderberg terminates the consulting agreement because of Hill-Rom's breach of the consulting agreement, Mr. Soderberg shall be entitled to receive any remaining balance under the consulting fee otherwise payable.

Hill-Rom reimbursed Mr. Soderberg for \$25,000 of out of pocket legal costs associated with entering into the letter agreement.

**Other Named Executive Officers** Hill-Rom or its subsidiaries have entered into an employment agreement with each of the other Named Executive Officers. We believe that it is appropriate for our senior executives to have employment agreements because they provide certain contractual protections to us that we might not otherwise have, including provisions relating to non-competition with us, non-solicitation of our employees and confidentiality of our proprietary information. Additionally, we believe that employment agreements are a useful tool in recruiting and retention of senior level employees. The current employment agreements set forth the basic duties of the executive officers and provide that each executive officer is entitled to receive, in addition to base salary, incentive compensation payable in our discretion and such additional compensation, benefits and perquisites as we may deem appropriate. The employment agreements are terminable by either us or the executive officer without cause on sixty (60) days' written notice, or if terminated by us, pay in lieu of notice, and are terminable at any time by us for cause, as defined in each employment agreement. Generally, cause is defined as (1) failure by the executive officer to comply with the terms of the employment agreement, specifically not complying with any reasonable instructions or orders issued by us, (2) illegal conduct, (3) violation of significant company policy, (4) improper disclosure of our confidential information, or (5) engaging in conduct that is contrary to our best interests. The executive officer may terminate his employment agreement and declare the agreement to have terminated without cause by us upon the occurrence without the executive officer's consent of a good reason event. Generally, a good reason event is defined as any of the following (1) an assignment to the executive officer of duties lasting more than sixty days that are materially inconsistent with the executive officer's then current position or a material change in the executive officer's reporting relationship to the CEO or his/her successor; (2) the failure to elect or reelect the executive officer as Vice President or other officer of us (unless such failure is related in any way to our decision to terminate the executive officer for cause); (3) our failure to provide the executive officer with office space and support personnel commensurate with level of responsibilities and/or position; (4) a reduction by us in the amount of the executive officer's base salary or the discontinuation or reduction by us of the executive officer's participation in the same level of eligibility as compared to other peer employees in any incentive compensation, additional compensation, benefits, policies or perquisites; (5) the relocation of our principal executive offices or the executive officer's place of work requiring a commuting change of more than fifty (50) miles; or (6) our failure to perform our obligations under the employment agreement. If an executive officer is terminated by us





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without cause or terminated by the executive officer upon the occurrence, without the executive officer's consent, of a good reason event, we are required to pay severance to the executive in an amount equal to twelve months of the executive officer's base salary, with payments commencing six months after the time of termination. The employment agreements also contain limited non-competition and non-solicitation agreements of the executive officers, which continue generally for a period of eighteen to twenty-four months after the termination of the executive officer's employment.

For information regarding the benefits payable to our Named Executive Officers under their employment agreements, see the Potential Payments Upon Termination or Change in Control tables under Compensation of Named Executive Officers below.

**John J. Greisch** In connection with the election of Mr. Greisch as President and Chief Executive Officer, Hill-Rom and Mr. Greisch entered into an employment agreement dated January 8, 2010. The employment agreement sets forth Mr. Greisch's basic duties and provides for the following items of compensation for Mr. Greisch:

- a base salary of \$800,000 per year;

- cash incentive compensation opportunity under the STIC Plan, with a target payment of 100% of base salary earned during the applicable fiscal year; for fiscal 2010, Hill-Rom has guaranteed to Mr. Greisch an STIC Plan payment of a minimum of 60% of base salary earned during fiscal 2010, subject to his continued employment through the end of the fiscal year;

- a signing award of deferred stock shares (otherwise known as restricted stock units) with a grant date value of \$800,000, which will vest over four years after the commencement of Mr. Greisch's employment, with 20%, 30% and 50% vesting at the second, third and fourth anniversary, respectively, of the date of grant;

- an additional stock option with a grant date value of \$2,000,000 vesting 25% at each anniversary of the date of grant over four years;

- starting for fiscal year 2011, participation in equity-based awards under the Hill-Rom long-term incentive plan in place at that time as authorized by the Compensation Committee of the Board of Directors;

- participation in Hill-Rom retirement plans, including the 401(k) Savings Plan and the defined contribution portion of the SERP, consistent with the terms of and interpretations under such plans, as available to other executive officers of Hill-Rom; and

- such additional compensation, benefits and perquisites, including participation in Hill-Rom's health and welfare plans, as are available to other executive officers of Hill-Rom and as the Board of Directors may deem appropriate.

If Mr. Greisch is terminated by Hill-Rom other than for cause, including a termination by Mr. Greisch for good reason (each as defined in the employment agreement), Hill-Rom will be required to pay severance to Mr. Greisch in an amount equal to two times Mr. Greisch's annual base salary, with payments commencing six months after the time of termination. The signing award restricted stock units, to the extent not previously vested, will be deemed to have been 50% vested if termination occurs after the second anniversary of the commencement of Mr. Greisch's employment and 75% vested if termination occurs after the third anniversary. Health and similar welfare benefits will continue for twelve months or until Mr. Greisch is eligible to be covered by comparable benefits of a subsequent employer, whichever is earlier, and Mr. Greisch will be immediately vested in the SERP.

In the case of death or disability, Hill-Rom would not be required to make any additional payments other than all vested benefits to which Mr. Greisch or his surviving spouse or his beneficiary is entitled in accordance with any applicable plans, except that Mr. Greisch would be immediately vested in the SERP. Any outstanding time-

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vested restricted shares and options would immediately vest in full, and Mr. Greisch or his surviving spouse or his beneficiary would have three years to exercise vested stock options.

If Mr. Greisch retires, Hill-Rom will be required to pay him retirement benefits and all other applicable benefits pursuant to terms of such plans. Hill-Rom's obligation to pay Mr. Greisch's base salary, annual bonus, and long-term incentives shall cease except to the extent incentives are vested and in accordance with such plans. Any outstanding time-vested restricted shares fully vest (restrictions lapse) if he retires after having reached age 55 and completed five years employment, so long as the grant was made more than one year prior.

The employment agreement also contains a limited non-competition and non-solicitation agreement of Mr. Greisch, which continues generally for a period of two years after the termination of Mr. Greisch's employment. The employment agreement also requires Hill-Rom to pay Mr. Greisch \$200,000 to cover relocation costs after Mr. Greisch purchases a residence within 75 miles of Batesville, Indiana. Up to \$50,000 of that amount, however, may be used during the first six months after the commencement of Mr. Greisch's employment for temporary housing. The employment agreement also requires Hill-Rom to reimburse him for the reasonable fees and expenses of his legal counsel in connection with the review of the agreement up to \$15,000.

**Table of Contents****Compensation of Named Executive Officers**

The following tables and notes set forth compensation information for the fiscal years ended September 30, 2009, 2008 and 2007 for our Named Executive Officers. All references in the following tables to stock awards and stock options awarded prior to the March 31, 2008 spin-off of our former funeral services business give effect to the adjustments made in connection with the spin-off.

In connection with the spin-off, we entered into new employment agreements with each of the Named Executive Officers see the Employment Agreements section of the Compensation Discussion and Analysis for further discussion. The Named Executive Officers were not entitled to receive payments that would be characterized as Bonus payments for the fiscal years ended September 30, 2009, 2008 and 2007.

Total cash compensation, which includes salary and non-equity incentive plan compensation, is based on individual performance as well as the overall performance of Hill-Rom as described in the Base Salary and Annual Cash Incentives sections of the Compensation Discussion and Analysis. Generally, the emphasis that is placed on stock-based compensation increases as the level of responsibility of the individual employee increases.

**Summary Compensation Table**

(a) Name and Principal Position	(b) Year	(c) Salary \$ (1)	(d) Bonus \$	(e) Stock Awards \$ (2)	(f) Option Awards \$ (3)	(g) Plan Compensation \$ (4)	(h) Change in Pension Value and Nonqualified Non-Equity Deferred Incentive Compensation \$ (5)	(i) All Other Compensation \$ (6)	(j) Total \$
<b>PETER H. SODERBERG</b> Former President and Chief Executive Officer	2009	\$ 840,000	None	\$ 1,077,316	\$ 1,319,506	\$ 465,612	\$ 0	\$ 427,996	\$ 4,130,430
	2008	\$ 840,000	None	\$ 851,169	\$ 1,713,045	\$ 862,369	\$ 2,635	\$ 522,031	\$ 4,791,249
	2007	\$ 830,575	None	\$ 1,445,305	\$ 531,680	\$ 711,245	\$ 6,004	\$ 517,394	\$ 4,042,203
<b>GREGORY N. MILLER</b> Senior Vice President, Chief Financial Officer and Treasurer	2009	\$ 395,178	None	\$ 143,680	\$ 197,550	\$ 109,524	\$ 9,763	\$ 41,431	\$ 897,126
	2008	\$ 378,000	None	\$ 261,238	\$ 663,729	\$ 235,217	\$ 486	\$ 39,539	\$ 1,578,209
	2007	\$ 371,403	None	\$ 300,702	\$ 125,508	\$ 174,828	\$ 1,267	\$ 38,893	\$ 1,012,601
<b>JOHN H. DICKEY</b> Senior Vice President, Human Resources	2009	\$ 263,704	None	\$ 317,827	\$ 233,253	\$ 69,908	\$ 341,323	\$ 12,204	\$ 1,238,219
	2008	\$ 248,400	None	\$ 324,083	\$ 577,694	\$ 154,571	\$ 10,130	\$ 11,532	\$ 1,326,410
	2007	\$ 246,421	None	\$ 275,991	\$ 108,310	\$ 125,011	\$ 63,867	\$ 10,820	\$ 830,420
<b>C. JEFFREY KAO(7)</b> President, North America Acute Care	2009	\$ 340,000	None	\$ 186,722	\$ 226,569	\$ 90,134	\$ 0	\$ 19,000	\$ 862,425
<b>PATRICK D. DE MAYNADIER</b> Senior Vice President, General Counsel and Secretary	2009	\$ 360,649	None	\$ 140,874	\$ 172,650	\$ 95,608	\$ 137,561	\$ 32,791	\$ 940,133
	2008	\$ 352,273	None	\$ 263,748	\$ 795,994	\$ 210,075	\$ 688	\$ 31,742	\$ 1,654,520
	2007	\$ 347,268	None	\$ 301,091	\$ 104,468	\$ 163,447	\$ 23,316	\$ 31,720	\$ 971,310

- (1) The amounts indicated represent the dollar value of base salary earned during fiscal years 2009, 2008 and 2007.
  
- (2) The amounts indicated represent the aggregate dollar amount of compensation expense recognized in our Consolidated Financial Statements during the applicable year, excluding the reduction for risk of forfeiture, related to deferred stock share and performance share unit awards held by our Named Executive Officers. The determination of this expense is based on the methodology set forth in Notes 1 and 14 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year

ended  
September 30,  
2009, which  
was filed with  
the SEC on  
November 24,  
2009.

Mr. Dickey is  
retirement  
eligible  
(retirement  
defined as age  
55 with 5 years  
of service) and  
therefore,  
expense  
associated with  
his stock awards  
is being  
accelerated over  
a shorter period  
(*i.e.*, the first  
anniversary of  
the grant).

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- (3) The amounts indicated represent the aggregate dollar amount of compensation expense recognized in our Consolidated Financial Statements during the applicable year, excluding the reduction for risk of forfeiture, related to stock option and performance based stock option awards held by our Named Executive Officers. The determination of this expense is based on the methodology set forth in Notes 1 and 14 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended September 30, 2009, which was filed with the SEC on November 24, 2009. The amounts for

fiscal 2009 and 2008 also include the increase in fair value of each Named Executive Officer's stock options due to the modification of such awards in conjunction with the spin-off of our former funeral services business. Mr. Dickey is retirement eligible and therefore, the expense associated with his stock options is being accelerated over a shorter period (*i.e.*, the first anniversary of the grant).

- (4) The amounts indicated represent cash awards earned for fiscal years 2009, 2008 and 2007 and paid in fiscal years 2010, 2009 and 2008, respectively, under our STIC Plan. See the Annual Cash Incentives section of the Compensation Discussion and Analysis.

(5)

Unlike fiscal years 2008 and 2007, we did not pay above-market interest on nonqualified deferred compensation during fiscal year 2009, as our monthly deferred compensation interest rate did not exceed 120% of the applicable federal long-term month rate as published by the IRS in its revenue rulings. Therefore, the 2009 amounts in this column reflect changes in the actuarial present value of pension benefits from September 30, 2008. The main factor contributing to the increase in the 2009 amounts is the use of a lower discount rate from 7.50% in 2008 to 5.50% in 2009. For Messrs. Dickey and de Maynadier, who have more years of credited service under our Pension



Plan, the resulting dollar change is more significant than for Mr. Miller. See the Pension Benefits Table below for additional information.

- (6) All Other Compensation consists of the incremental cost of aircraft usage, Company contributions made to the 401(k) Savings Plan, the savings plan portion of the SERP and supplemental retirement benefits. Also included is the incremental cost of professional services for tax preparation and financial planning services, and other personal benefits provided by Hill-Rom. All Other Compensation earned or allocated during the fiscal year ended September 30, 2009 was as follows:

Personal Aircraft	Company Contributions	Financial	Home
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Name	Usage(a)	401(K)	Supp 401(k)	Supp Retirement	Planning and Tax Preparation	Security	Total
Peter H. Soderberg	\$ 191,923	\$ 17,150	\$ 143,713	\$ 75,000		\$ 210	\$ 427,996
Gregory N. Miller		\$ 16,896	\$ 24,535				\$ 41,431
John H. Dickey		\$ 7,352	\$ 4,602		\$ 250		\$ 12,204
C. Jeffrey Kao		\$ 17,150	\$		\$ 1,150		\$ 19,000
Patrick D. de Maynadier		\$ 7,350	\$ 25,191		\$ 250		\$ 32,791

(a) During Mr. Soderberg's tenure as President and Chief Executive Officer, Hill-Rom agreed to permit Mr. Soderberg to use Hill-Rom's aircraft for travel to and from Mr. Soderberg's primary and secondary residences up to a maximum of 100 occupied hours of flight time per calendar year. Mr. Soderberg used approximately 67 occupied flight hours during calendar year 2009. The value of the use of Hill-Rom aircraft disclosed in the Summary Compensation Table is based upon the variable costs of operating the aircraft (\$1,666

per flight hour for fiscal 2009), which includes trip-related expenses such as fuel, aircraft maintenance, crew travel expenses, on-board catering, landing and parking fees, and also takes into account flights without passengers. We do not include fixed costs that do not change based on personal usage such as pilot salaries and depreciation expense. Accordingly, included in the table above is \$191,923, representing the aggregate incremental cost to Hill-Rom for Mr. Soderberg's personal use of Hill-Rom's aircraft for fiscal 2009. Mr. Soderberg used approximately 67 occupied flight hours during fiscal year 2009. While Hill-Rom does not charge for the personal use of its aircraft, it does

report amounts  
related to such  
use as taxable  
income to the  
IRS.

Mr. Greisch is  
not entitled to  
use Hill-Rom  
aircraft for  
personal  
purposes.

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(7) Prior to fiscal 2009, Mr. Kao was not a Named Executive Officer. Accordingly, compensation information is presented for Mr. Kao for 2009 only.

**Grants of Plan-Based Awards for Fiscal Year Ended September 30, 2009**

The following table summarizes the grants of plan-based awards to each of the Named Executive Officers for the fiscal year ended September 30, 2009. All stock-based awards in fiscal year 2009 were granted under our Stock Incentive Plan.

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			Awards: All Other Stock Awards: Number of Shares or Units (3)	Awards: All Other Option Securities Underlying Options (4)	Exercise or Base Price of Awards (5)	Grant Date or Fair Value of Stock and Option Awards (6)
		Grant Threshold \$	Target \$	Maximum \$	Threshold #	Target #	Maximum #	#	#	\$/sh	\$
Peter H. Soderberg		\$ 0	\$ 840,000	\$ 1,680,000							
	12/2/2008								179,041	\$ 19.39	\$ 1,008,001
	12/2/2008							51,999			\$ 1,008,261
	12/2/2008				0	95,527	95,527			\$ 19.39	\$ 537,817
	12/2/2008					95,528	95,528			\$ 19.39	\$ 415,547
	12/2/2008					6,939	24,255				\$ 470,304
	12/2/2008					6,939	24,255				\$ 237,942
Gregory N. Miller		\$ 0	\$ 197,462	\$ 394,923							
	12/2/2008								33,571	\$ 19.39	\$ 189,005
	12/2/2008							9,750			\$ 189,053
	12/2/2008				0	46,738	70,071			\$ 19.39	\$ 394,500
	12/2/2008					46,739	70,072			\$ 19.39	\$ 286,594
John H. Dickey		\$ 0	\$ 131,739	\$ 263,477							
	12/2/2008								22,061	\$ 19.39	\$ 124,203

	12/2/2008				6,408		\$	124,251
	12/2/2008		22,072	33,091			\$ 19.39	\$ 186,302
	12/2/2008	0	22,072	33,091			\$ 19.39	\$ 135,342
C. Jeffrey Kao		\$ 0	\$ 170,000	\$	340,000			
	12/2/2008					34,538	\$ 19.39	\$ 194,449
	12/2/2008				10,031			\$ 194,501
	12/2/2008		30,211	45,293			\$ 19.39	\$ 255,000
	12/2/2008	0	30,212	45,294			\$ 19.39	\$ 185,252
	12/2/2008				7,114			\$ 137,940
Patrick D. de Maynadier		\$ 0	\$ 180,262	\$	360,000			
	12/2/2008					31,286	\$ 19.39	\$ 176,140
	12/2/2008				9,087			\$ 176,197
	12/2/2008	0	34,476	51,687			\$ 19.39	\$ 290,998
	12/2/2008		34,476	51,688			\$ 19.39	\$ 211,404

(1) Amounts represent potential cash awards that could be paid under our STIC Program. Awards can range from 0% to 200% of the target amount. See Annual Cash Incentives section of the Compensation Discussion and Analysis for discussion of this program. Also the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table above for the actual amounts earned, which were paid in December 2009.



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- (2) Performance-based stock option awards were granted pursuant to our Stock Incentive Plan for the fiscal year ended September 30, 2009. These awards were granted at maximum levels of which the vesting schedules, upon satisfying performance criteria, are disclosed by Named Executive Officer in the footnotes to the Outstanding Equity Awards at September 30, 2009 table. In the case of Mr. Soderberg's performance based stock option award, due to potentially reaching the annual stock option award limit as permitted by our Stock Incentive Plan, his award is a combination of stock options (up to the annual stock option limit) and performance share units representing the excess dollar amount of options over the annual stock option limit. However, all performance based stock options must



vest prior to the vesting of the performance share units.

- (3) Deferred stock share awards were granted pursuant to our Stock Incentive Plan during the fiscal year ended September 30, 2009 related to fiscal 2008 performance. Dividends paid on Hill-Rom common stock will be deemed to have been paid with regard to the deferred stock shares awarded and deemed to be reinvested in Hill-Rom common stock at the market value on the date of such dividend, and will be paid in additional shares on the vesting date of the underlying award. The vesting schedules for all deferred stock share awards granted during the fiscal year 2009 are disclosed by individual in the footnotes to the Outstanding Equity Awards at September 30, 2009 table.
- (4) Stock options were granted pursuant to our Stock Incentive Plan during the

fiscal year ended September 30, 2009 related to fiscal 2008. The maximum contractual life of the options is ten years from the grant date and the awards will vest and become exercisable in four equal annual installments beginning on the first anniversary from the grant date. The vesting schedules for all unvested stock option awards, including awards granted during fiscal year 2009, are disclosed in the footnotes to the Outstanding Equity Awards at September 30, 2009 table.

- (5) The Compensation Committee sets the exercise prices of all stock options at the fair market value on the grant date. Our Stock Incentive Plan defines fair market value as the average of the high and low selling prices of our common stock on the New York Stock Exchange on the grant date or if the grant date is a non-trading day, then the next

trading day thereafter. Due to the terms of our Stock Incentive Plan, it is possible that the exercise price could be less than the closing price of our common stock on the date of grant. For fiscal 2009, no instances of this nature occurred.

- (6) The valuation of stock options, deferred stock shares and performance share units is based on the methodology set forth in Notes 1 and 14 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended September 30, 2009, which was filed with the SEC on November 24, 2009. In the case of the performance-based equity awards, the grant date fair value indicated above is based on the maximum amount that was granted to each Named Executive Officer.

**Outstanding Equity Awards at September 30, 2009**

The following table summarizes the number and terms of stock option, deferred stock share and performance share units outstanding for each of the Named Executive Officers as of September 30, 2009.

*(table on following page)*



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(a)	(b)	(c)	(d) Option Awards			(e)	(f)	(g)	(h) Stock Awards		(i)	(j)
			Equity	Incentive Plan Awards:	Number of Securities	Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (13) #	Market Value of Shares or Units of Stock That Have Not Vested (1) \$	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested #	Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (1) \$	
Name	Number of Exercisable Options #	Number of Unexercisable Options #	Unearned Options #	Exercise Price \$	Option Expiration Date	Option Expiration Date	Option Expiration Date	Option Expiration Date	Option Expiration Date	Option Expiration Date	Option Expiration Date	Option Expiration Date
Peter H. Soderberg	7,400			\$ 33.28	5/17/2012							
	7,400			\$ 26.22	2/13/2013							
	108,808			\$ 29.60	3/20/2016							
	82,776	41,387(2)		\$ 32.51	12/14/2016							
	49,735	99,469(2)		\$ 29.33	12/6/2017							
		179,041(2)		\$ 19.39	12/2/2018							
			220,853(9)	\$ 25.37	4/1/2018							
			95,527(10)	\$ 19.39	12/2/2018							
			95,528(10)	\$ 19.39	12/2/2018			138,566(3)(4)	\$ 3,017,967	58,851(10)(11)	\$ 1,281,775	
Gregory N. Miller	7,400			\$ 27.09	11/9/2011							
	4,625			\$ 33.24	4/9/2012							
	7,400			\$ 25.67	12/4/2012							
	2,775			\$ 26.22	2/13/2013							
	9,250			\$ 31.48	12/3/2013							
	14,800			\$ 30.04	12/15/2014							
	33,670			\$ 26.46	11/30/2015							
	16,404	8,201(2)		\$ 31.30	11/30/2016							
	8,202	16,403(2)		\$ 29.22	12/5/2017							
		33,571(2)		\$ 19.39	12/2/2018							
			110,417(9)	\$ 25.37	4/1/2018							
			70,071(10)	\$ 19.39	12/2/2018							
			70,072(10)	\$ 19.39	12/2/2018			32,144(3)(5)	\$ 700,096	(11)	\$ 0	

Patrick de										
Maynadier	27,750		\$ 30.85	2/1/2012						
	9,250		\$ 33.24	4/9/2012						
	9,250		\$ 25.67	12/4/2012						
	33,300		\$ 31.48	12/3/2013						
	33,300		\$ 30.04	12/15/2014						
	27,417		\$ 26.46	11/30/2015						
	14,060	7,030(2)	\$ 31.30	11/30/2016						
	7,709	15,416(2)	\$ 29.22	12/5/2017						
		31,286(2)	\$ 19.39	12/2/2018						
			87,500(9)	\$ 25.37	4/1/2018					
			51,687(10)	\$ 19.39	12/2/2018					
			51,688(10)	\$ 19.39	12/2/2018	27,867(3)(7)	\$ 606,943	(11)	\$	0
C. Jeffrey										
Kao										
	11,717	5,858(2)	\$ 35.77	5/24/2017						
	7,030	14,060(2)	\$ 29.22	12/5/2017						
	10,200	19,800(2)	\$ 31.35	5/27/2018						
		34,538(2)	\$ 19.39	12/2/2018						
			81,250(9)	\$ 25.37	4/1/2018					
			45,293(10)	\$ 19.39	12/2/2018					
			45,294(10)	\$ 19.39	12/2/2018	20,846(3)(8)	\$ 454,026	7,114(11)(12)	\$	154,943
John H.										
Dickey										
	3,700		\$ 24.51	1/15/2011						
	7,400		\$ 27.09	11/9/2011						
	3,700		\$ 33.24	4/9/2012						
	7,400		\$ 25.67	12/4/2012						
	9,250		\$ 31.48	12/3/2013						
	12,950		\$ 30.04	12/15/2014						
	16,280		\$ 26.47	1/31/2016						
	11,100		\$ 26.46	11/30/2015						
	14,060	7,030(2)	\$ 31.30	11/30/2016						
	7,709	15,416(2)	\$ 29.22	12/5/2017						
		22,061(2)	\$ 19.39	12/2/2018						
			57,292(9)	\$ 25.37	4/1/2018					
			33,091(10)	\$ 19.39	12/2/2018					
			33,091(10)	\$ 19.39	12/2/2018	24,699(3)(6)	\$ 537,944	(11)	\$	0

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(1) Market Value is determined by multiplying the number of unvested deferred stock shares and/or performance share units by \$21.78, the closing price per share of Hill-Rom common stock on September 30, 2009, as reported on the New York Stock Exchange.

(2) Unvested stock options based solely on continued employment will become exercisable in accordance with the following vesting schedule:

<b>Grant Date</b>	<b>Remaining Vesting Schedules (as of 9/30/2009)</b>
12/2/2008	Four equal annual installments on 12/2/2009, 12/2/2010, 12/2/2011 and 12/2/2012.
5/27/2008	Two equal annual installments on 5/27/2010 and 5/27/2011.
12/6/2007	Two equal annual installments on 12/6/2009 and 12/6/2010.
12/5/2007	Two equal annual installments on 12/5/2009 and 12/5/2010.
5/24/2007	Fully vest on 5/24/2010.
12/14/2006	Fully vest on 12/14/2009.
11/30/2006	Fully vest on 11/30/2009.

(3) Unvested deferred stock shares based solely on

continued  
employment  
will vest in  
accordance with  
the following  
vesting  
schedule:

<b>Grant Date</b>	<b>Remaining Vesting Schedules (as of 9/30/2009)</b>
12/2/2008	50%, 25% and 25% on 12/3/2010; 12/3/2011 and 12/3/2012, respectively.
4/1/2008	Fully vest on 4/2/2010.
12/6/2007	20%, 25%, 25% and 30% on 12/7/2009, 12/7/2010, 12/7/2011, and 12/7/2012, respectively.
12/5/2007	20%, 25%, 25% and 30% on 12/6/2009, 12/6/2010, 12/6/2011, and 12/6/2012.
5/24/2007	25%, 25% and 30% on 5/25/2010, 5/25/2011, and 5/25/2012, respectively.
12/14/2006	25%, 25% and 30% on 12/15/2009, 12/15/2010, 12/15/2011, respectively.
11/30/2006	25%, 25% and 30% on 12/1/2009, 12/1/2010, 12/1/2011, respectively.
3/20/2006	25% and 30% on 3/21/2010 and 3/21/2011, respectively.
1/31/2006	25% and 30% on 2/1/2010 and 2/1/2011, respectively.
11/30/2005	25% and 30% on 12/1/2009 and 12/1/2010, respectively.
12/15/2004	Fully vest on 12/16/2009.

(4) Mr. Soderberg  
has been  
awarded the  
following  
deferred stock  
awards:

<b>Award Date</b>	<b>Deferred Stock Shares Awarded</b>	<b>Deferred Stock Shares Not Vested as of September 30, 2009 (with Dividend Reinvestment)</b>
December 2, 2008	51,999	53,450
April 1, 2008	30	30
December 6, 2007	37,010	38,742
December 14, 2006	30,767	26,268
March 20, 2006	33,791	20,076
		138,566



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- (5) Mr. Miller has been awarded the following deferred stock awards:

<b>Award Date</b>	<b>Deferred Stock Shares Awarded</b>	<b>Deferred Stock Shares Not Vested as of September 30, 2009 (with Dividend Reinvestment)</b>
December 2, 2008	9,750	10,022
April 1, 2008	30	30
December 5, 2007	8,326	8,717
November 30, 2006	8,326	7,110
November 30, 2005	8,900	5,337
December 15, 2004	2,775	928
		32,144

- (6) Mr. Dickey has been awarded the following deferred stock awards:

<b>Award Date</b>	<b>Deferred Stock Shares Awarded</b>	<b>Deferred Stock Shares Not Vested as of September 30, 2009 (with Dividend Reinvestment)</b>
December 2, 2008	6,408	6,587
April 1, 2008	30	30
December 5, 2007	6,476	6,780
November 30, 2006	5,551	4,740
January 31, 2006	4,163	2,483
November 30, 2005	3,701	2,220
December 15, 2004	3,701	1,240
December 15, 2004	1,850	619
		24,699

- (7) Mr. de Maynadier has

been awarded  
the following  
deferred stock  
awards:

<b>Award Date</b>	<b>Deferred Stock Shares Awarded</b>	<b>Deferred Stock Shares Not Vested as of September 30, 2009 (with Dividend Reinvestment)</b>
December 2, 2008	9,087	9,341
April 1, 2008	30	30
December 5, 2007	6,476	6,780
November 30, 2006	6,476	5,530
November 30, 2005	7,216	4,328
December 15, 2004	5,551	1,858
		27,867

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- (8) Mr. Kao has been awarded the following deferred stock awards:

<b>Award Date</b>	<b>Deferred Stock Shares Awarded</b>	<b>Deferred Stock Shares Not Vested as of September 30, 2009 (with Dividend Reinvestment)</b>
December 2, 2008	10,031	10,311
April 1, 2008	30	30
December 5, 2007	5,551	5,811
May 24, 2007	5,551	4,694
		20,846

- (9) Performance-based stock options (and in the case of Mr. Soderberg performance-based options and performance share units in excess of the annual stock option limit) were granted on April 1, 2008. Vesting of the grants is contingent upon the achievement of cumulative three-year performance targets and corresponding service requirements. Performance targets operate independently and each is set at a threshold, target and maximum level, with the

number of options ultimately vesting increasing at each level of performance attained. Threshold is the minimum level of performance required for partial vesting of the option. In the case of Mr. Soderberg, all performance based stock options must vest prior to the vesting of performance share units.

- (10) The performance-based options (and in the case of Mr. Soderberg performance-based options and performance share units in excess of the annual stock option limit) were granted on December 2, 2008. The total award was divided evenly into two separate grants. 50% of the total award is based on Hill-Rom achieving three-year performance targets related to cumulative revenue and cumulative earnings per share. The remaining 50% of the total award is based on Hill-Rom achieving three-year

performance targets related to relative total shareholder return. All other terms of the two grants are the same. If the performance goals are met at the maximum level, these performance-based stock option awards will fully vest at the end of fiscal 2011. In the case of Mr. Soderberg, all performance-based stock options must vest prior to the vesting of performance share units.

- (11) Excluded from this table are unvested performance share units that were granted on April 5, 2007 (and in the case of Mr. Kao, his performance share unit award was granted on May 24, 2007). Vesting of these grants is based on continued employment and achievement of certain one, two, and three-year performance targets through September 30, 2009. The performance targets were not achieved and the remaining awards were forfeited.

- (12) In the case of Mr. Kao, these shares represent performance share units granted on December 2, 2008. Subsequent to September 30, 2009, this award vested 100% on December 3, 2009 based on Mr. Kao's continued employment and achievement of certain one-year non-financial performance criteria.
- (13) Amounts in this column include dividend equivalents. Dividends paid on Hill-Rom common stock will be deemed to have been paid with regard to the deferred stock shares awarded and deemed to be reinvested in Hill-Rom common stock at the market value on the date of such dividend, and will be paid in additional shares on the vesting date of the underlying award. Generally, vesting is contingent upon continued employment. In the case of retirement, death or disability, vesting may be accelerated for

options and  
deferred stock  
awards held over  
one year from issue  
date of award.

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**Table of Contents****Option Exercises and Stock Vested For Fiscal Year Ended September 30, 2009**

The following table summarizes the number of stock option awards exercised and the value realized upon exercise during the fiscal year ended September 30, 2009 for the Named Executive Officers, as well as the number of stock awards vested and the value realized upon vesting.

(a) Name	(b) Option Awards		(d) Stock Awards	
	(b) Number of Shares Acquired on Exercise #	(c) Value Realized on Exercise \$ (1)	(d) Number of Shares Acquired on Vesting # (2)	(e) Value Realized on Vesting \$ (3)
Peter H. Soderberg	N/A	N/A	16,568	\$ 239,543
Gregory N. Miller	N/A	N/A	6,401	\$ 124,647
Patrick D. de Maynadier	N/A	N/A	7,712	\$ 149,349
C. Jeffrey Kao	N/A	N/A	1,734	\$ 29,736
John H. Dickey	N/A	N/A	6,537	\$ 119,863

(1) There were no stock option exercises by our Named Executive Officers during fiscal year 2009.

(2) The pre-tax amounts indicated include a portion of dividends accrued and paid on the date the stock awards vested or if the vesting date was a non-trading day, then the next trading day thereafter. The vesting schedules for all



stock awards are disclosed in the footnotes to the Outstanding Equity Awards at September 30, 2009 table.

- (3) The value realized on vesting was based on the pre-tax number of stock awards converted into Hill-Rom common stock multiplied by the average of the high and low selling prices of Hill-Rom common stock as reported on the New York Stock Exchange, on the respective date the stock awards vested or if the vesting date was a non-trading day, then the next trading day thereafter.

**Table of Contents****Pension Benefits at September 30, 2009**

The following table quantifies the pension benefits expected to be paid from the Hill-Rom Holdings, Inc. Pension Plan (the Pension Plan ) and the Hill-Rom, Inc. Supplemental Executive Retirement Plan (the SERP ). The terms of each are described below.

(a) Name	(b) Plan Name (1) (2)	(c) Number of Years Credited Service # (3)	(d) Present Value of Accumulated Benefit \$ (4)	(e) Payments During Last Fiscal Year \$
Peter H. Soderberg (5)	N/A	N/A	N/A	N/A
Gregory N. Miller (6)	Pension Plan	2	\$ 22,383	\$ 0
Patrick D. de Maynadier	Pension Plan	7	\$ 106,269	\$ 0
	SERP	7	\$ 168,607	\$ 0
John H. Dickey	Pension Plan	28	\$ 553,882	\$ 0
	SERP	28	\$ 263,915	\$ 0
C. Jeffrey Kao (7)	N/A	N/A	N/A	\$ 0

(1) The Pension Plan covers officers, including our Named Executive Officers and other employees. Employer contributions to the Pension Plan are made on an actuarial basis, and no specific contributions are determined or set aside for any individual. Effective June 30, 2003, the Pension Plan was closed to new participants.

Existing participants, effective January 1, 2004, were given the choice of remaining in the Pension Plan and to continue earning credited service or to freeze their accumulated benefit as of January 1, 2004 and to participate in an enhanced defined contribution savings plan (401(k) Savings Plan). Benefits under the Pension Plan are not subject to deductions for Social Security or other offset amounts. Officers and other employees who retire under the Pension Plan receive fixed benefits calculated by means of a formula that takes into account the highest average annual calendar year eligible compensation earned over five consecutive years and the employee's years of service.

The Pension Plan permits participants with 5 or more years of credited service to retire as early as age 55 but with a reduction in the amount of their monthly benefit. The reduction is 0.25% for each month the actual retirement date precedes the participant's normal retirement date at age 65 up to a maximum of 30%. Although Mr. Dickey became retirement eligible during fiscal year 2009, the present value of accumulated benefit under the Pension Plan and SERP in the above table has not been reduced for the early retirement provisions.

- (2) Hill-Rom maintains the Pension Plan portion of the SERP to provide additional retirement benefits to certain employees selected by the

Compensation  
Committee or  
our Chief  
Executive  
Officer whose  
retirement  
benefits under  
the Pension Plan  
are reduced,  
curtailed or  
otherwise  
limited as a  
result of certain  
limitations  
under the Code.

Compensation  
under the SERP  
means the  
corresponding  
definition of  
compensation  
under the  
Pension Plan  
plus a  
percentage of a  
participant's  
eligible  
compensation as  
determined  
under our STIC  
Program. The  
retirement  
benefit to be  
paid under the  
SERP is from  
the general  
assets of  
Hill-Rom, and  
such benefits  
are generally  
payable at the  
time and in the  
manner benefits  
are payable  
under the  
Pension Plan  
but no earlier  
than six months  
after the date of  
termination

- (3) This column represents the years of service as of September 30, 2009.

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- (4) This column represents the total discounted value of the monthly single life annuity benefit earned as of September 30, 2009 assuming the executive leaves Hill-Rom at this date and retires at age 65. The present value is not the monthly or annual lifetime benefit that would be paid to the executive. The present values are based on a 5.50% discount rate at September 30, 2009, assume no pre-retirement mortality and utilize the IRS 430 Static Annuitant Mortality Table.
- (5) Mr. Soderberg does not participate in the Pension Plan or the Pension Plan portion of the SERP, since the pension plans were closed to new participants effective June 30, 2003. Mr. Soderberg

does participate in the Savings Plan and the savings plan portion of the SERP and has accumulated four years of vested service in those plans.

- (6) Mr. Miller has two years of credited service in the Pension Plan, in which his accumulated benefit was frozen as of January 1, 2004. Mr. Miller participates in the Savings Plan and the savings plan portion of the SERP and has accumulated eight years of vested service in those plans.

- (7) Mr. Kao does not participate in the Pension Plan or the Pension Plan portion of the SERP, since the pension plans were closed to new participants effective June 30, 2003. Mr. Kao does participate in the Savings Plan and has accumulated two years of vested service in that plan.



**Nonqualified Deferred Compensation for Fiscal Year Ending September 30, 2009**

(a)		(b)	(c)	(d)	(e)	(f)
		Executive Contributions in	Registrant Contributions in	Aggregate Earnings in	Aggregate	Aggregate
		Last Fiscal Year	Last Fiscal Year	Last Fiscal Year	Withdrawals/ Distributions	Last Fiscal Year End
Name	Plan	\$ (1)	\$ (2)	\$ (3)	\$	\$ (4)
Peter H. Soderberg	SERP(5)	N/A	\$ 142,712	\$ 17,012	None	\$ 550,096
	Supp. Ret. Acct.(6)	N/A	\$ 75,000	\$ 10,276	None	\$ 335,762
	Vested Deferred Stock(7)	None	None	\$ 0	None	\$ 144,184
Gregory N. Miller	SERP(5)	N/A	\$ 24,535	\$ 4,113	None	\$ 127,681
John H. Dickey	SERP(5)	N/A	\$ 4,602	\$ 733	None	\$ 22,911
Patrick D. de Maynadier	SERP(5)	N/A	\$ 25,191	\$ 5,334	None	\$ 161,868
C. Jeffrey Kao (8)		N/A	N/A	N/A	N/A	N/A

(1) Under the Executive Deferred Compensation Program certain of our senior executives who are chosen by the Compensation Committee may elect to defer all or a portion of their base salary compensation, payments under our STIC Program and certain other benefits to be paid in years later than when such amounts are due. All or a portion of short

term incentive compensation may be deferred by the executive and invested either in cash, which will bear interest at a prime rate in effect from time to time or at other rates determined by the Compensation Committee, or common stock to be paid at the end of the deferral period.

As of September 30, 2009 none of the Named Executive Officers are participants or have balances in the Executive Deferred Compensation Program.

- (2) The amounts indicated are reported as compensation to the Named Executive Officer in the Summary Compensation Table under the column entitled All Other Compensation and further disclosed in Footnote 6 thereto.



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- (3) Amounts represent interest on the deferred compensation balances. No above-market interest or preferential earnings was paid during fiscal 2009 as our monthly deferred compensation interest rate did not exceed 120% of the applicable federal long-term month rate as published by the IRS in its revenue rulings. Therefore, no above-market interest or preferential earnings are reported as compensation to the Named Executive Officers in the Summary Compensation Table.
- (4) Of the amounts shown in this column related to the SERP and, in the case of Mr. Soderberg, the Supplemental

Retirement Account, the following amounts representing company contributions and above-market interest were previously reported in the Summary Compensation Table in prior proxy statements:

	<b>Plan</b>	<b>Aggregate Amount Reported in the Summary Compensation Table of Prior Proxy Statements</b>
Peter H. Soderberg	SERP(5)	\$ 362,808
	Supp. Ret. Acct.(6)	\$ 228,932
Gregory N. Miller	SERP(5)	\$ 81,372
Patrick D. de Maynadier	SERP(5)	\$ 116,096
John H. Dickey	SERP(5)	\$ 8,993

(5) Hill-Rom maintains a Savings Plan portion of the SERP to provide additional retirement benefits to certain employees whose retirement benefits under the Savings Plan are reduced, curtailed or otherwise limited as a

result of certain limitations under the Code. The additional retirement benefits provided by the SERP are for certain Savings Plan participants chosen by the Compensation Committee. Additionally, certain participants in the SERP who are selected by the Compensation Committee may annually receive an additional benefit of a certain percentage of such participants Compensation (as defined below) for such year (the current percentage is three or four percent), and the amount of the retirement benefit shall equal the sum of such annual additional benefit plus additional earnings based on the monthly prime rate in effect from time to time or at other rates determined by the

Compensation  
Committee.

Compensation under the SERP means the corresponding definition of compensation under the Savings Plan plus a percentage of a participant's eligible compensation as determined under our STIC Program. Employer contribution amounts reported here are also reported as compensation to the Named Executive Officer under Supplemental 401(k) and Supplemental Retirement contributions in the Summary Compensation Table under the column entitled All Other Compensation and further disclosed in Footnote 6 thereto. A lump sum cash payment is available to the participant within one year of retirement or termination of employment. In

the alternative a participant may defer receipt by electing a stream of equal annual payments for up to 15 years.

- (6) Mr. Soderberg participates in a nonqualified deferred compensation plan established for the benefit of Mr. Soderberg, pursuant to which Mr. Soderberg was credited with \$75,000 within 30 days after March 20, 2006 and will be credited with \$75,000 on each anniversary thereafter during Mr. Soderberg's employment. Amounts credited to Mr. Soderberg's account under this plan bear interest at a prime rate in effect from time to time or at other rates determined by the Compensation Committee. Mr. Soderberg will be fully vested in all amounts credited to his



account under  
this plan and  
will be entitled  
to receive the  
balance of the  
account in a  
lump sum cash  
payment on or  
as soon as  
possible after  
the date that is  
six months after  
the date of the  
termination of  
Mr. Soderberg's  
employment  
with Hill-Rom.

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(7) Vested deferred stock shares were awarded to Mr. Soderberg in fiscal years 2004 and 2005, at which time he served as an outside member of our Board of Directors. Dividends paid on Hill-Rom common stock will be deemed to have been paid with regard to the vested deferred stock shares awarded and deemed to be reinvested in Hill-Rom common stock at the market value on the date of such dividend, and will be paid in additional shares on the delivery date of the underlying award.

The aggregate number of vested deferred stock shares that Mr. Soderberg held as of September 30, 2009 was 6,620 deferred stock shares. Delivery of these shares will occur on the six month

anniversary of the date Mr. Soderberg ceased to be a member of our Board of Directors. The value indicated is determined by multiplying the number of Mr. Soderberg's vested deferred stock shares by \$21.78, the closing price of Hill-Rom common stock on September 30, 2009 as reported on the New York Stock Exchange.

- (8) Mr. Kao does not participate in any nonqualified deferred compensation plan.

**Potential Payments Upon Termination or Change in Control**

The following tables present the estimated benefits that would have been received, as of September 30, 2009, by each of the Named Executive Officers (1) under the executives' Employment Agreements in the event of a hypothetical termination and (2) under the executives' Change in Control Agreements in the event of a hypothetical Change in Control, with or without termination. For information regarding the Employment Agreements, see Compensation Discussion and Analysis Employment Agreements above. For information regarding the Change in Control Agreements, see Compensation Discussion and Analysis Retirement, Change in Control Agreements and Severance Change in Control Agreements above. Because the payments to be made to a Named Executive Officer depend on several factors, the actual amounts to be paid upon a Named Executive Officer's termination of employment can only be determined at the time of the executive's separation from Hill-Rom.

*Benefits Payable Upon Termination Under Employment Agreements*

**Peter H. Soderberg**

Event	Salary & Other	Accelerated Vesting of	Accelerated Vesting of	Continuance Of Health & Welfare	Total
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	Cash Payments	Stock Options (2)	Stock Awards (3)	Benefits (4)	
Permanent Disability (1)	\$ 1,097,289	\$ 427,908	\$ 3,017,967	\$ 10,412	\$ 4,553,576
Death	\$ 532,308	\$ 427,908	\$ 3,017,967	\$ 3,210	\$ 3,981,393
Termination without Cause	\$ 872,308			\$ 10,412	\$ 882,720
Resignation with Good Reason	\$ 872,308			\$ 10,412	\$ 882,720
Termination for Cause	\$ 32,308				\$ 32,308
Resignation without Good Reason	\$ 32,308				\$ 32,308
Retirement	\$ 32,308				\$ 32,308

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**Table of Contents****Gregory N. Miller**

Event	Salary & Other Cash Payments	Accelerated Vesting of Stock Options (2)	Accelerated Vesting of Stock Awards (3)	Continuance Of Health & Welfare Benefits (4)	Total
Permanent Disability (1)	\$ 2,396,831	\$ 80,235	\$ 700,096	\$ 12,805	\$ 3,189,967
Death	\$ 523,077	\$ 80,235	\$ 700,096	\$ 6,682	\$ 1,310,090
Termination without Cause	\$ 423,077			\$ 12,805	\$ 435,882
Resignation with Good Reason	\$ 423,077			\$ 12,805	\$ 435,882
Termination for Cause	\$ 23,077				\$ 23,077
Resignation without Good Reason	\$ 23,077				\$ 23,077
Retirement	\$ 23,077				\$ 23,077

**Patrick D. de Maynadier**

Event	Salary & Other Cash Payments	Accelerated Vesting of Stock Options (2)	Accelerated Vesting of Stock Awards (3)	Continuance Of Health & Welfare Benefits (4)	Total
Permanent Disability (1)	\$ 2,196,758	\$ 74,774	\$ 606,943	\$ 8,716	\$ 2,887,191
Death	\$ 520,942	\$ 74,774	\$ 606,943	\$ 4,012	\$ 1,206,671
Termination without Cause	\$ 383,942			\$ 8,716	\$ 392,658
Resignation with Good Reason	\$ 383,942			\$ 8,716	\$ 392,658
Termination for Cause	\$ 20,942				\$ 20,942
Resignation without Good Reason	\$ 20,942				\$ 20,942
Retirement	\$ 20,942				\$ 20,942



**Table of Contents****C. Jeffrey Kao**

Event	Salary & Other Cash Payments	Accelerated Vesting of Stock Options (2)	Accelerated Vesting of Stock Awards (3)	Continuance Of Health & Welfare Benefits (4)	Total
Permanent Disability (1)	\$ 2,579,024	\$ 82,546	\$ 454,026	\$ 12,505	\$ 3,128,101
Death	\$ 519,615	\$ 82,546	\$ 454,026	\$ 6,682	\$ 1,062,869
Termination without Cause	\$ 359,615			\$ 12,505	\$ 372,120
Resignation with Good Reason	\$ 359,615			\$ 12,505	\$ 372,120
Termination for Cause	\$ 19,615				\$ 19,615
Resignation without Good Reason	\$ 19,615				\$ 19,615
Retirement	\$ 19,615				\$ 19,615

**John H. Dickey**

Event	Salary & Other Cash Payments	Accelerated Vesting of Stock Options (2)	Accelerated Vesting of Stock Awards (3)	Continuance Of Health & Welfare Benefits (4)	Total
Permanent Disability (1)	\$ 1,430,291	\$ 52,726	\$ 537,944	\$ 10,396	\$ 2,031,357
Death	\$ 525,769	\$ 52,726	\$ 537,944	\$ 4,012	\$ 1,120,451
Termination without Cause	\$ 293,769			\$ 10,396	\$ 304,165
Resignation with Good Reason	\$ 293,769			\$ 10,396	\$ 304,165
Termination for Cause	\$ 25,769				\$ 25,769
Resignation without Good Reason	\$ 25,769				\$ 25,769
Retirement	\$ 25,769	\$ 0	\$ 394,479		\$ 420,248

- (1) Benefits provided under our disability plans are based on various circumstances including the Named Executive Officer meeting certain eligibility requirements. Our disability plans are fully insured; therefore, claim payments are reviewed and processed by our third party insurance carrier. The following assumptions were used to determine the salary and other cash payment amount for permanent disability.

Permanent disability assumptions:

Normal retirement age is based on the Social Security Normal Retirement Age Table;

Short-term disability benefits are based on salary continuation for 26 weeks (using the Named Executive Officer's annual salary rate as of September 30, 2009);



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Long-term disability benefits are based on the lesser of 60% of the Named Executive Officer's monthly earnings or \$15,000 per month. We assume these benefits begin the day after the short-term disability benefit period has been completed and extends through the maximum benefit period aligned with the Named Executive Officer's age as of September 30, 2009; and

The present values of the cash payments are based on a 5.50% discount rate as of September 30, 2009.

- (2) The amounts indicated represent the intrinsic value of all unvested non-qualified stock options, held for at least one year from the grant date, that would have become immediately vested and exercisable upon permanent disability or death (and in the case of Mr. Dickey, upon retirement, since he is retirement eligible). Performance-based options were not included as the performance criteria were not met. For purposes of these disclosures, we assumed that the unvested stock options were cashed out based on the closing price per share of Hill-Rom's common stock on the New York Stock Exchange on September 30, 2009. Refer to the Outstanding Equity Awards at September 30, 2009 table for further

details on unvested stock options.

- (3) The amounts indicated represent the market value of all unvested deferred stock shares, held for at least one year from the grant date, that would have vested immediately and been distributed upon permanent disability or death (and in the case of Mr. Dickey, upon retirement, since he is retirement eligible). The amounts were based on the number of unvested deferred stock shares multiplied by the closing price per share of Hill-Rom's common stock on the New York Stock Exchange on September 30, 2009. Refer to the Outstanding Equity Awards at September 30, 2009 table for further details on unvested deferred stock shares.
- (4) Amounts represent the dollar value of estimated vacation benefits and incremental costs to Hill-Rom by providing continuing health and life insurance

coverage based on the Named Executive Officers' selected coverage immediately before the hypothetical termination.

*Benefits Payable Under Change in Control Agreements*

Based upon a hypothetical Change in Control date of September 30, 2009, the Change in Control benefits with and without a termination of employment would be as follows:

Name	Salary	Incentive Comp. <sup>(1)</sup>	Continuance Of		Vacation And Insurance Benefits <sup>(2)</sup>	Retirement Pension Benefits <sup>(2)</sup>	Savings Plan Benefit	Acceleration of Stock Based Awards		Performance Based Awards <sup>(4)</sup>	Tax Gross-Up <sup>(5)</sup>	Total <sup>(6)</sup>
			Health & Welfare Benefits					Stock Options <sup>(3)</sup>	Restricted Stock Units <sup>(4)</sup>			
Peter H. Soderberg												
With Termination	\$ 2,520,000	\$ 840,000	\$ 19,356	\$ 44,188	N/A	\$ 653,136	\$ 884,529	\$ 3,017,967	\$ 1,281,775	None	\$ 9,260,951	
Without Termination	\$ 0	\$ 840,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 884,529	\$ 3,017,967	\$ 1,281,775	None	\$ 6,024,271	
Gregory N. Miller												
With Termination	\$ 800,000	\$ 200,000	\$ 23,810	\$ 24,877	N/A	\$ 49,070	\$ 415,176	\$ 700,096	\$ 0	None	\$ 2,213,029	
Without Termination	\$ 0	\$ 200,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 415,176	\$ 700,096	\$ 0	None	\$ 1,315,272	
Patrick D. Maynardier												
With Termination	\$ 726,000	\$ 181,500	\$ 15,632	\$ 22,742	\$ 113,633	\$ 50,382	\$ 321,840	\$ 606,943	\$ 0	None	\$ 2,038,672	
Without Termination	\$ 0	\$ 181,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 321,840	\$ 606,943	\$ 0	None	\$ 1,110,283	
C. Jeffrey Kao												
With Termination	\$ 680,000	\$ 170,000	\$ 23,810	\$ 20,815	N/A	N/A	\$ 299,049	\$ 454,026	\$ 154,943	None	\$ 1,802,643	
Without Termination	\$ 0	\$ 170,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 299,049	\$ 454,026	\$ 154,943	None	\$ 1,078,018	
John H. Dickey	\$ 536,000	\$ 134,000	\$ 15,632	\$ 30,929	\$ 322,677	\$ 9,204	\$ 210,901	\$ 537,944	\$ 0	None	\$ 1,797,287	

Termination Without Termination	\$	0	\$ 134,000	\$	0	\$	0	\$	0	\$	0	\$ 210,901	\$	537,944	\$	0	None	\$	882,845
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- (1) We assumed the Incentive Compensation paid out at 100% performance at target. We have assumed such payment is fully contingent on the Change in Control and thus fully included in the Change in Control calculations. However, it is possible that all or a portion of the Incentive Compensation would have been earned as of the date of the Change in Control.
  
- (2) The pension benefit for a termination upon a Change in Control is the excess of the monthly pension amount the executive would have received starting at age 62 calculated as if the executive had earned two additional years of service and pay at the executive's Annual Base Salary over the monthly Pension Plan annuity benefit and

the monthly SERP annuity benefit.

- (3) The amounts indicated represent the intrinsic value of all unvested non-qualified stock options and performance-based stock options that would have become immediately vested and exercisable upon termination upon a Change in Control, with or without termination. For purposes of these disclosures, we assumed that the unvested stock options were cashed out based on the closing price per share of Hill-Rom's common stock on the New York Stock Exchange on September 30, 2009. Whether the options would be cashed out or converted into stock of a buyer in an actual transaction would depend on the structure of the deal. However, if the options were converted into stock by the buyer, the excise tax, and thus the gross-up payments required under the agreements could be higher. Refer to

the Outstanding Equity Awards at September 30, 2009 table for further details on unvested stock options.

- (4) The amounts indicated represent the value of all unvested deferred stock shares and performance based deferred stock shares that would have vested immediately and been distributed upon a Change in Control, with or without termination, based on the closing price per share of Hill-Rom's common stock on the New York Stock Exchange on September 30, 2009. Refer to the Outstanding Equity Awards at September 30, 2009 table for further details on unvested deferred stock shares.
- (5) No tax gross-up payment was necessary as of September 30, 2009 as benefits in each executive's case did not exceed 120% of the base threshold amount to give rise to the excise tax. For Messrs. Miller,

Dickey and Kao, while each executive's hypothetical Change in Control benefits (without termination) did exceed the base threshold amount but slightly less than 120%, each executive's respective benefits indicated above would have been reduced as required by the Change in Control agreement to the maximum amount which would not give rise to the excise tax. This reduction is not reflected in the above table, but if it was, the amount by which Messrs. Miller, Dickey and Kao's Change in Control benefits would be reduced would be approximately \$64,000, \$193,000 and \$216,000, respectively.

- (6) The Change in Control Agreements for the Named Executive Officers are subject to non-compete provisions and other restrictive covenants for three years following termination of employment. These restrictive covenants are



valuable to Hill-Rom, and are in part consideration for the benefits payable under the Agreements. However, for purposes of this hypothetical Change in Control, no value or payments under the agreements have been assigned to the restrictive covenants, which would have the effect of reducing the excise tax and thus gross-up payments under the agreements.

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**COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE REPORT**

The Compensation and Management Development Committee of the Board of Directors of Hill-Rom Holdings, Inc. has reviewed and discussed the Compensation Discussion and Analysis contained in this proxy statement with management and, based upon this review and discussion, recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

**Submitted by the Compensation and Management Development Committee**

Ronald A. Malone (Chairman)

Joanne C. Smith, M.D. (Vice Chairperson)

Rolf A. Classon

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**DIRECTOR COMPENSATION**

In setting non-employee director compensation, the Board of Directors, based on recommendations from the Nominating/Corporate Governance Committee, considers the significant amount of time that directors expend in fulfilling their duties to Hill-Rom as well as the skill-level required for members of the Board. Directors who are also employees of Hill-Rom receive no additional remuneration for services as a director. Mr. Greisch is, and Mr. Soderberg was, a salaried employee of Hill-Rom. All other directors receive separate compensation for Board service.

Our compensation package for non-employee members of our Board is comprised of cash (annual retainers and committee meeting fees) and deferred stock share awards. Directors are also entitled to reimbursement of expenses incurred in connection with attendance at board and/or committee meetings. Our director pay package is designed to attract and retain highly-qualified, independent professionals to monitor the effectiveness of policy and decision-making both at the Board and management level, with a view to enhancing shareholder value over the long term. Our Nominating/Corporate Governance Committee generally reviews our non-employee director compensation program, or elements thereof, on an annual basis, with the assistance of the compensation consulting firm used by the Compensation and Management Development Committee ( Compensation Committee ). Actual annual pay varies among directors based on committee memberships, committee chair responsibilities and meeting attendance.

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, 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 and Nominating/Corporate Governance Committees receive an additional \$10,000, \$8,000, and \$7,000 annual retainer, respectively. Directors who attend meetings of committees of which they are not members receive no fees for their attendance.

In addition to earning cash retainers, each non-employee director is also awarded on the first trading day following the close of each of our annual meeting of shareholders, deferred stock shares under our 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 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. In 2009 the annual grant consisted of 6,476 Hill-Rom deferred stock shares for the Chairman of the Board and 3,331 Hill-Rom deferred stock shares for each non-employee director, except Ms. Napier, who joined the Board in July 2009 and received a pro-rata award of 832 deferred stock shares.

The following table sets forth the compensation paid to our non-employee directors during the fiscal year ended September 30, 2009.

**Table of Contents****Director Compensation Table For Fiscal Year Ending September 30, 2009**

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Name	Fees Earned or Paid in Cash \$ (1)	Stock Awards \$ (2)	Option Awards \$ (3)	Non-Equity Incentive Plan Compensation \$	Change in Pension Value and Nonqualified Deferred Earnings \$ (4)	All Other Compensation \$ (5)	Total \$
Rolf A. Classon Chairman	\$ 199,750	\$ 76,158				\$ 221	\$ 276,129
Charles E. Golden	\$ 76,500	\$ 39,173				\$ 221	\$ 115,894
W August Hillenbrand	\$ 57,500	\$ 39,173				\$ 221	\$ 96,894
Ronald A. Malone	\$ 70,750	\$ 39,173				\$ 221	\$ 110,144
Eduardo R. Menascé	\$ 57,250	\$ 39,173				\$ 221	\$ 96,644
Katherine S. Napier (6)	\$ 22,750	\$ 13,345				\$ 15	\$ 36,110
Patrick T. Ryan (7)	\$ 32,500	\$ 39,173				\$ 185	\$ 71,858
Joanne C. Smith Vice Chairperson	\$ 70,750	\$ 39,173				\$ 221	\$ 110,144

(1) The amounts in this column include the annual retainer and the amounts earned by each non-employee director for attending Board and/or committee meetings in person and/or by teleconference that were not held in conjunction with a meeting of our full Board. For the

Chairman of each of our Audit Committee, Compensation Committee and Nominating/Corporate Governance Committee, the additional annual retainer is also included.

- (2) The amounts indicated represent the aggregate grant date fair value, which was also the dollar amount of compensation expense recognized in our consolidated financial statements during the year ended September 30, 2009, excluding the reduction for risk of forfeiture of deferred stock share awards granted to our non-employee directors during the fiscal year. The determination of this expense is based on the methodology set forth in Notes 1 and 14 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended September 30, 2009, which was filed with the SEC on November 24, 2009.

The aggregate number of vested deferred stock shares held by each of our current non-employee directors at September 30, 2009,

including dividend reinvestment, is listed below. Delivery of shares underlying such deferred stock shares occurs on the later of one year and one day from the grant date or the six month anniversary of the date that the applicable director ceases to be a member of the Board of Directors.

<b>Name</b>	<b>Shares Underlying Vested Deferred Stock (with Dividend Reinvestment)</b>
Rolf A. Classon	33,598
Charles E. Golden	20,641
W August Hillenbrand	12,720
Ronald A. Malone	7,749
Eduardo R. Menascé	11,138
Katherine S. Napier	836
Joanne C. Smith, M.D.	20,641

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(3) There was no stock-based compensation expense related to non-employee director option awards recorded in the consolidated financial statements in our Annual Report on Form 10-K for the year ended September 30, 2009, as no such awards were granted. Certain of our non-employee directors had the following shares of our common stock underlying stock options outstanding as of September 30, 2009:

<b>Name</b>	<b>Shares Underlying Stock Options</b>
Rolf A. Classon	14,800
Charles E. Golden	14,800
W August Hillenbrand	72,000

(4) Members of the Board of Directors, who are not employees, may participate in our 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 us, or common stock to be paid at the end of the deferral period. During fiscal 2009, we did not pay above-market interest on nonqualified deferred compensation as our monthly deferred compensation interest rate did not exceed 120% of the applicable federal long-term month rate as published by the IRS in its revenue rulings. As of September 30, 2009 the following directors are participants and have balances in the Board of



Directors  
Deferred  
Compensation  
Program:

	Deferred Cash \$	Vested Deferred Stock #	\$
W August Hillenbrand	\$ 57,500		
Charles E. Golden		1,959	\$ 42,667
Ronald A. Malone	\$ 70,750		

(5) Amounts in this column represent the dollar value of insurance premiums paid by Hill-Rom during fiscal 2009.

Participation in the life insurance program is voluntary and may be declined. The value of the insurance premiums paid as disclosed in the Director Compensation Table is not the value reported to the IRS.

(6) Katherine S. Napier joined the Board effective July 17, 2009.

(7) Patrick T. Ryan resigned from the Board effective July 16, 2009.



**Table of Contents****EQUITY COMPENSATION PLAN INFORMATION**

The following table sets forth information concerning Hill-Rom's equity compensation plans as of September 30, 2009:

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights (\$) (b)</b>	<b>Number of securities remaining available for issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</b>
Equity compensation plans approved by security holders	6,730,511	\$ 20.94	6,741,787
Equity compensation plans not approved by security holders <sup>(2)(3)</sup>	9,221	\$ 0.00	0
<b>Total</b>	<b>6,739,732</b>	<b>\$ 20.94</b>	<b>6,741,787(1)</b>

(1) Amount consists of 5,820,299 shares available for issuance under our Stock Incentive Plan and 921,488 shares available for purchase under our Employee Stock Purchase Plan.

(2) Under the Hill-Rom Holdings Stock Award Program, which has not been approved by security holders, shares

of common stock have been granted to certain key employees. All shares granted under this program are contingent upon continued employment over specified terms.

Dividends, payable in stock accrue on the grants and are subject to the same specified terms as the original grants.

A total of 7,262 deferred shares were vested as of September 30, 2009 under this program and will be issuable at a future date.

- (3) Members of the Board of Directors may elect to defer fees earned and invest them in Hill-Rom common stock under the Hill-Rom Holdings Directors Deferred Compensation Plan, which has not been approved by security holders. A total of 1,959 deferred shares

were vested as  
of  
September 30,  
2009 under this  
program and  
will be issuable  
at a future date.

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**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Under Section 16(a) of the Securities Exchange Act of 1934, our directors, our executive officers and any person holding more than ten percent of our common stock are required to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock. We are required to report in this proxy statement any failure to file or late filing occurring during the fiscal year ended September 30, 2009. Based solely on a review of filings furnished to us and other information from reporting persons, we believe that all of these filing requirements were satisfied by our directors, executive officers and ten percent beneficial owners.

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**APPENDIX A  
PROPOSED AMENDMENTS TO SECTION 7.1 OF  
AMENDED ARTICLES OF INCORPORATION**

Section 7.1. Number. The number of Directors of the Corporation shall not be less than nine (9), as may be specified in the Code of By-Laws of the Corporation or by amendment to the Code of By-Laws of the Corporation adopted by a majority vote of the Directors then in office. Until the 2011 annual meeting of Shareholders, ~~The~~ the Directors elected by the Shareholders shall be divided into three (3) classes, each having one-third, or as near to one-third as may be, the total number of Directors, with the term of the office of one class expiring at each annual meeting of Shareholders ~~the first class to expire at the 1988 annual meeting of Shareholders, the term of the office of the second class to expire at the 1989 annual meeting of Shareholders and the term of office of the third class to expire at the 1990 annual meeting of Shareholders.~~ Commencing with the 2011 annual meeting of Shareholders, ~~At~~ at each annual meeting of Shareholders, Directors elected by the Shareholders to succeed those Directors whose terms expire shall be elected for a one-year term of office to expire at the ~~third~~ next succeeding annual meeting of Shareholders after their election. Each Director shall hold office until his successor is elected and qualified.

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**APPENDIX B  
PROPOSED AMENDMENTS TO SECTIONS 7.3 AND 7.5 OF  
AMENDED ARTICLES OF INCORPORATION**

Section 7.3. Removal. Any Director, or the entire Board of Directors, may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of ~~at least two thirds (2/3)~~ a majority of the voting power of all of the shares of the Corporation entitled to vote generally in the election of Directors, voting together as a single class.

Section 7.5. Amendment. Repeal. ~~Notwithstanding anything contained in these Articles of Incorporation to the contrary, the affirmative vote of the holders of at least two thirds (2/3) of the voting power of all of the shares of the corporation entitled to vote generally in the election of Directors, voting together as a single class, shall be required to alter, amend or repeal this Article 7.~~

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**HILL-ROM HOLDINGS, INC.  
1069 STATE ROUTE 46 EAST  
BATESVILLE, IN 47006**

**VOTE BY INTERNET [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**Electronic Delivery of Future PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

DO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORD

DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

<b>The Board of Directors recommends that you vote FOR the following:</b>	<b>For All</b>	<b>Withhold All</b>	<b>For All Except</b>	To withhold authority to vote for any individual nominee(s), mark For All Except and write the number(s) of the nominee(s) on the line below.
	o	o	o	

**1. Election of Directors Nominees**

01 James R. Giertz 02 Katherine S. Napier 03 Ronald A. Malone 04 Eduardo R. Menascé 05 John J. Greisch

**The Board of Directors recommends you vote FOR the following proposal(s):**

<b>2 Proposal to amend the Amended Articles of Incorporation of Hill-Rom Holdings, Inc. to provide for the annual election of the entire Board of Directors.</b>	<b>For</b>	<b>Against</b>	<b>Abstain</b>
	o	o	o

<b>3</b>	Proposal to amend the Amended Articles of Incorporation of Hill-Rom Holdings, Inc. to eliminate all supermajority voting provisions.	o	o	o
<b>4</b>	Proposal to approve a policy providing for an annual non-binding advisory shareholder vote on executive compensation.	o	o	o
<b>5</b>	Ratification of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm of Hill-Rom Holdings, Inc.	o	o	o

**NOTE:** In their discretion, upon such other matters that may properly come before the meeting or any adjournment or adjournments thereof.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]		Date	Signature (Joint Owners)	Date
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**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:** The Annual Report, Notice & Proxy Statement is/are available at [www.proxyvote.com](http://www.proxyvote.com).

**HILL-ROM HOLDINGS, INC.  
Annual Meeting of Shareholders  
March 4, 2010 10:00 AM**

**This proxy is solicited by the Board of Directors**

The shareholder(s) hereby appoint(s) Rolf A. Classon and Joanne C. Smith, or either of them, as proxies, each with the power to appoint his or her substitute, and hereby authorizes them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of Common stock of HILL-ROM HOLDINGS, INC. that the shareholder(s) is/are entitled to vote at the Annual Meeting of shareholder(s) to be held at 10:00 AM, EST on March 4, 2010, at the offices of Hill-Rom Holdings, Inc. 1069 State Route 46 East Batesville, IN 47006, and any adjournment or postponement thereof.

**THIS PROXY, WHEN PROPERLY EXECUTED WILL BE VOTED AS DIRECTED BY THE SHAREHOLDER(S). IF NO SUCH DIRECTIONS ARE MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF THE NOMINEES LISTED ON THE REVERSE SIDE FOR THE BOARD OF DIRECTORS AND FOR EACH PROPOSAL.**

**PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED REPLY ENVELOPE.**

**Continued and to be signed on reverse side**