

DIAZ PAUL J
Form 4
August 12, 2009

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
DIAZ PAUL J

2. Issuer Name and Ticker or Trading Symbol
KINDRED HEALTHCARE, INC
[KND]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)
680 SOUTH FOURTH STREET
(Street)

3. Date of Earliest Transaction (Month/Day/Year)
08/11/2009

Director 10% Owner
 Officer (give title below) Other (specify below)
President and CEO

LOUISVILLE, KY 40202

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)		
			Code	V	Amount	(D)	Price		
Common Stock	08/11/2009		M		67,332	A	\$ 8.43	371,474	D
Common Stock	08/11/2009		S		400	D	\$ 15.4	371,074	D
Common Stock	08/11/2009		S		200	D	\$ 15.47	370,874	D
Common Stock	08/11/2009		S		400	D	\$ 15.42	370,474	D
Common Stock	08/11/2009		S		404	D	\$ 15.45	370,070	D

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Common Stock	08/11/2009	S	200	D	\$ 15.3	369,870	D
Common Stock	08/11/2009	S	400	D	\$ 14.83	369,470	D
Common Stock	08/11/2009	S	1,300	D	\$ 14.65	368,170	D
Common Stock	08/11/2009	S	400	D	\$ 14.66	367,770	D
Common Stock	08/11/2009	S	100	D	\$ 14.68	367,670	D
Common Stock	08/11/2009	S	200	D	\$ 14.61	367,470	D
Common Stock	08/11/2009	S	400	D	\$ 14.57	367,070	D
Common Stock	08/11/2009	S	700	D	\$ 14.56	366,370	D
Common Stock	08/11/2009	S	300	D	\$ 14.6	366,070	D
Common Stock	08/11/2009	S	300	D	\$ 14.53	365,770	D
Common Stock	08/11/2009	S	400	D	\$ 14.5	365,370	D
Common Stock	08/11/2009	S	200	D	\$ 14.51	365,170	D
Common Stock	08/11/2009	S	700	D	\$ 14.55	364,470	D
Common Stock	08/11/2009	S	200	D	\$ 14.59	364,270	D
Common Stock	08/11/2009	S	200	D	\$ 14.5325	364,070	D
Common Stock	08/11/2009	S	100	D	\$ 14.5625	363,970	D
Common Stock	08/11/2009	S	200	D	\$ 14.52	363,770	D
Common Stock	08/11/2009	S	200	D	\$ 14.54	363,570	D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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(9-02)

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**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)**

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)		
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Employee Stock Option (Right to Buy)	\$ 8.43	08/11/2009		M	67,332	07/22/2004 ⁽¹⁾	07/22/2013	Common Stock	67,332

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
DIAZ PAUL J 680 SOUTH FOURTH STREET LOUISVILLE, KY 40202	X		President and CEO	

Signatures

Paul J. Diaz 08/12/2009
 **Signature of Reporting Person Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) This option became fully exercisable on 7/22/06.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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