Hillenbrand, Inc.
Form 10-K
November 24, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K
Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
For the fiscal year ended September 30, 2009
Commission File No. 001-33794
HILLENBRAND, INC.
(Exact name of registrant as specified in its charter)

Indiana	**26-1342272**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Batesville Boulevard Batesville, Indiana	**47006**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: (812) 934-7500
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, without par value	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No þ

State the aggregate market value of the voting and nonvoting common equity held by non-affiliates of the registrant.

Aggregate market value of the voting stock (which consists solely of shares of common stock) held by non-affiliates of the registrant as of March 31, 2009, the date our common stock began trading regularly on the New York Stock Exchange: $989,861,589.

Indicate the number of shares outstanding of each of the registrant s classes of common stock, as of the latest practicable date.

Common Stock, without par value 61,891,536 shares outstanding as of November 17, 2009.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: Portions of our definitive proxy statement for the 2010 Annual Meeting of Stockholders are incorporated by reference into Part III of this report. These will be filed no later than January 15, 2010.

HILLENBRAND, INC.
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PART IV

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PART I

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

Throughout this Form 10-K, we make a number of forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. As the words imply, forward-looking statements are statements about our future plans, objectives, beliefs, and expectations that might or might not happen in the future, as contrasted with historical information. Our forward-looking statements are based on assumptions that we believe are reasonable, but by their very nature they are subject to a wide range of risks.

Accordingly, in this Form 10-K, we may say something like,

We anticipate that the burial rate will be flat to slightly declining in future years.

That is a forward-looking statement, as indicated by the word anticipate and by the clear meaning of the sentence. Other words that could indicate we re making forward-looking statements include the following:

intend	believe	plan	expect	may	goal
become	pursue	estimate	will	forecast	continue
targeted	encourage	promise	improve	progress	potential

This isn t an exhaustive list but is simply intended to give you an idea of how we try to identify forward-looking statements. The absence of any of these words, however, does not mean that the statement is not forward-looking.

Here s the key point: Forward-looking statements are not guarantees of future performance, and our actual results could differ materially from those set forth in any forward-looking statements. Any number of factors many of which are beyond our control could cause our performance to differ significantly from those described in the forward-looking statements.

For a discussion of factors that could cause actual results to differ from those contained in forward-looking statements, see the discussions under the heading Risk Factors in Item 1A of this Form 10-K. We assume no obligation to update or revise any forward looking statements.

Item 1. BUSINESS

In this section of the Form 10-K, entitled Business, we provide you a basic understanding of our company, the products we manufacture and sell, how we distribute our products, with whom we compete, and the key inputs to production (in the form of raw materials, labor, and manufacturing locations). We also provide you background on applicable regulatory matters and certain key patents and trademarks important to our business. Finally we provide you a brief background on our executive officers so that you can understand their experience and qualifications.

General

Hillenbrand, Inc. (Hillenbrand) was formed on November 1, 2007 and became a publicly traded company as the result of the separation of Hillenbrand Industries, Inc. (our Former Parent or Hill-Rom Holdings, Inc. or Hill-Rom) into two separate publicly traded companies, Hillenbrand and Hill-Rom, through a tax-free distribution (the Distribution) of Hillenbrand shares to Hill-Rom s shareholders. This distribution took place following the close of business on March 31, 2008. Unless the context otherwise requires, the terms Hillenbrand, the Company, we, our, or us r Hillenbrand, Inc. and one or all of its consolidated subsidiaries.

Hillenbrand, Inc. is an Indiana corporation with our principal executive offices located at One Batesville Boulevard, Batesville, Indiana 47006, and our telephone number at this address is (812) 934-7500. Our website is www.hillenbrandinc.com. We make available on this website, free of charge, access to press releases, conference calls, and our annual, quarterly, and current reports, and other documents filed or furnished with the Securities and Exchange Commission (SEC) as soon as practicable after such reports are filed or furnished. We also make available through this website position specifications for the Chairman, Vice Chairman, members of the Board of Directors and the Chief Executive Officer; our Code of Ethical Business Conduct; the Corporate Governance Standards of our Board of Directors; and the charters of each of the standing committees of the Board of Directors. All of these documents are also available to shareholders in print upon request.

All reports and documents filed with the SEC are also available via the SEC website, www.sec.gov, or may be read and copied at the SEC Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330.

Hillenbrand, Inc. is the parent holding company of its wholly-owned subsidiary, Batesville Services, Inc. (together with its subsidiaries, Batesville). Through Batesville, we are the leader in the North American death care industry where we manufacture, distribute, and sell Batesville branded funeral service products to licensed funeral directors who operate licensed funeral homes. Our products consist primarily of burial and cremation caskets, but also include containers and urns, selection room display fixturing for funeral homes, and other personalization and memorialization products and services, including the creation and hosting of websites for funeral homes.

Products and Services

We manufacture and sell gasketed caskets made of carbon steel, stainless steel, copper, and bronze. We also produce and market non-gasketed steel, hardwood, and veneer hardwood caskets. In addition, we manufacture and sell cloth-covered caskets, all wood construction caskets suitable for green burials, and a line of urns, containers, and other memorialization products used in cremations. To assist with displaying these products, we supply selection room fixturing through our System Solutions® by Batesville group.

Most Batesville® brand metal caskets are gasketed caskets that are electronically welded to help resist the entrance of outside elements through the use of rubber gaskets and a locking bar mechanism. Our premium steel caskets also employ an alloy bar to help protect the casket cathodically from rust and corrosion. We believe that this system of cathodic protection is a feature found only on Batesville produced caskets.

Our solid and veneer hardwood caskets are made from mahogany, cherry, walnut, maple, pine, oak, pecan, poplar, and sycamore. Our veneer caskets are manufactured using a proprietary process for veneering that allows for rounded corners and a furniture-grade finished appearance. We also manufacture and provide select lines of Marsellus® premium solid wood caskets to our funeral home customers.

Our Options® by Batesville cremation line offers a complete cremation marketing system for funeral service professionals. In addition to a broad line of cremation caskets, containers, and urns, the system includes training, merchandising support, and marketing support materials. Cremation caskets and containers are manufactured primarily of hardwoods and fiberboard. Our wide assortment of memorial urns are made from a variety of materials, including cast bronze, cast acrylic, wood, sheet bronze, cloisonné, and marble.

We offer several other marketing and merchandising programs to funeral professionals for both casket and cremation products. Batesville branded caskets are marketed by our direct sales force only to licensed funeral professionals operating licensed funeral establishments (or, in the absence of state licensing requirements, to full service funeral establishments offering both funeral goods and funeral services in conformance with state law) throughout the United States, Puerto Rico, Canada, Mexico, the United Kingdom, Australia, and South Africa. A significant portion of our sales are made to large national funeral service providers under contracts. One customer, Service Corporation International, accounted for approximately 13% of our net sales during the year ended September 30, 2009.

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We maintain inventory at 86 company-operated Customer Service Centers (CSCs) and 6 Rapid Deployment Centers (RDCs) in North America. Batesville caskets are generally delivered in specially equipped vehicles owned by us.
We primarily manufacture and distribute products in the United States. We also have 2 manufacturing facilities in Mexico and distribution facilities in Puerto Rico, Canada, Mexico, the United Kingdom, Australia, and South Africa.

Competition

We are the recognized North American industry leader in the sale of funeral service products. We compete on the basis of product quality, personalization, price, delivery, and customer service. Major competitors that manufacture and/or sell funeral service products over a wide geographic area include Aurora Casket Company and Matthews Casket Division, a business segment of Matthews International Corporation.

Throughout the United States, many other enterprises manufacture, assemble, and/or distribute funeral service products for sale, often focusing on particular regions or geographic areas. Additionally, we are facing increasing competition from a number of non-traditional sources, including casket manufacturers located abroad.

Regulatory Matters

We are subject to a variety of federal, state, local, and foreign laws and regulations relating to environmental, health, and safety concerns, including the handling, storage, discharge, and disposal of hazardous materials used in or derived from our manufacturing processes. We are committed to operating all of our businesses in a manner that protects the environment. In the past, we have voluntarily entered into remediation agreements with various environmental authorities to address onsite and offsite environmental impacts. From time to time we provide for reserves in our financial statements for environmental matters. We believe we have appropriately satisfied the financial responsibilities for all currently known offsite issues. Based on the nature and volume of materials involved regarding onsite impacts, we do not expect the cost to us of the onsite remediation activities in which we are currently involved to exceed $0.5 million in the future. Future events or changes in existing laws and regulations or their interpretation may require us to make additional expenditures in the future. The cost or need for any such additional expenditure is not known.

Raw Materials

We use carbon and stainless steel, copper and bronze sheets, wood, fabrics, finishing materials, rubber gaskets, zinc, and magnesium alloy in the manufacture of our caskets. Although most of the raw materials used in our products are generally available from several sources, certain of these raw materials are currently procured from only a single source.

Volatility in the prices we pay for raw materials used in our products, including steel, fuel, petroleum based products, and fuel related delivery costs, has a direct effect on our profitability. We generally do not engage in hedging transactions with respect to these purchases, but we do enter into fixed price supply contracts at times. We regularly take steps and actions to lessen the impact of volatility in raw material and fuel prices, including lean business initiatives, various sourcing actions, and rebalancing of production capacity. Most recently we expanded our production capabilities in our Mexican manufacturing operations to include some solid wood products, allowing us to take advantage of the overall lower cost of production, reduce complexity at other plants, and provide increased ability to manufacture multiple models in multiple plants, thereby reducing the risks of concentrated production. However, there can be no assurance that we will be able to anticipate and react quickly enough to all changes in raw material prices in the future such that future profitability will not be impacted.

Most of our sales are made pursuant to supply agreements with our customers, and historically we have instituted annual price increases to help offset the impact of inflation and other rising costs. While some of our agreements contain certain limitations, they generally allow us to raise prices to offset some, but not necessarily all, raw material cost inflation.

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Distribution

We have extensive distribution capabilities that serve our customers increasing delivery expectations. Our high-velocity distribution system, consisting of 6 RDCs and 86 CSCs in North America, serves a majority of our customers each day and is critical to the rapid delivery requirements of funeral directors nationwide.

Patents and Trademarks

We own a number of patents on our products and manufacturing processes that are of importance, but we do not believe any single patent or related group of patents is of material significance to our business as a whole.

We also own a number of trademarks and service marks relating to our products and product services which are of importance to us, but, except for the mark Batesville®, we do not believe any single trademark or service mark is of material significance to our business as a whole.

Our ability to compete effectively depends, to an extent, on our ability to maintain the proprietary nature of our intellectual property. However, we may not be sufficiently protected by our various patents, trademarks, and service marks. Additionally, certain of our existing patents, trademarks or service marks may be challenged, invalidated, cancelled, narrowed, or circumvented. Beyond that, we may not receive the pending or contemplated patents, trademarks, or service marks for which we have applied or filed.

In the past, certain of our products have been copied and sold by others. We vigorously seek to enforce our intellectual property rights. However, we cannot ensure that the reproduction and sale of our products by others would not materially affect the sale of our products.

Employees

As of September 30, 2009, we employed approximately 3,250 people in our operations. Approximately 1,100 of these individuals as part of our logistics and manufacturing operations in the United States and Mexico work under collective bargaining agreements. In the United States and Mexico, the collective bargaining agreements have expiration dates ranging from January 2010 to September 2013.

Although we have not experienced any significant work stoppages in more than 20 years as a result of labor relations, we cannot ensure that such a stoppage will not occur in the future. An inability to negotiate satisfactory new agreements or a labor disturbance at one of our principal facilities could have a material adverse effect on our operations. However, we have no reason to believe that we will have significant difficulties in negotiating new collective bargaining agreements to replace those that will expire in the future, and we will continue to prepare contingency plans as part of routine preparation for negotiations in order to minimize the impact of any potential work stoppages.

Foreign Operations and Export Sales

Information about our foreign operations is set forth in tables relating to geographic information in Note 15 to our consolidated financial statements included in Part II, Item 8 of this Form 10-K.

Our export revenues constituted less than 10 percent of consolidated revenues in fiscal 2009 and prior years.

Our foreign operations are subject to risks inherent in doing business in foreign countries. Risks associated with operating internationally include political, social, and economic instability, increased operating costs, expropriation, and complex and changing government regulations, all of which are beyond our control. Further, to the extent we receive revenue from U.S. export sales in currencies other than U.S. dollars, the value of assets and income could be, and have in the past been, adversely affected by fluctuations in the value of local currencies.

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Executive Officers of the Registrant

Our Board of Directors is responsible for electing our executive officers annually and from time to time as necessary. Executive officers serve in the ensuing year and until their respective successors are elected and qualified. Except for Board members Gus Hillenbrand and Tom Johnson, who are first cousins to Ray Hillenbrand, there are no other family relationships between any of our executive officers or between any of them and any members of the Board of Directors. The following is a list of our executive officers as of November 17, 2009.

Kenneth A. Camp, 64, was elected President and Chief Executive Officer of Hillenbrand effective February 8, 2008. Mr. Camp was also elected as a board member on that same date. Prior to his appointment as President and Chief Executive Officer of Hillenbrand, Mr. Camp had served as President and Chief Executive Officer of Batesville since May 1, 2001. He was elected Senior Vice President of our Former Parent on October 1, 2006, having been a Vice President of that company since October 8, 2001. He was employed by our Former Parent from 1981 until the separation on March 31, 2008. Mr. Camp previously held the position of Vice President of Administration of our Former Parent from 2000 to 2001. Prior to that assignment, he held various positions at Batesville, including Vice President/General Manager of Operations from 1995 to 2000; Vice President, Sales and Service; Vice President, Marketing; and Vice President, Strategic Planning.

Cynthia L. Lucchese, 48, was elected Senior Vice President and Chief Financial Officer of Hillenbrand effective February 8, 2008. From 2005 to 2007, she served as Senior Vice President and Chief Financial Officer for Thoratec Corporation. Prior to that, she worked 10 years for Guidant Corporation, now a part of Boston Scientific Corporation, in a variety of senior finance roles, including Vice President and Treasurer, Corporate Controller and Chief Accounting Officer, and Vice President of Finance and Administration of the Guidant Sales Corporation. Ms. Lucchese was also previously employed by Eli Lilly and Company and Ernst & Young LLP.

Joe A. Raver, 43, was elected President and Chief Operating Officer of Batesville, effective June 16, 2008, and Senior Vice President of Hillenbrand on July 15, 2008. Prior to his appointment as an officer of Batesville and Hillenbrand, Mr. Raver served as Vice President and General Manager of the Respiratory Care Division of Hill-Rom, a leading global provider of medical equipment and services. He joined Hill-Rom in 2004 as Vice President of Strategy and Shared Services. Prior to joining Hill-Rom, Mr. Raver spent 10 years in a variety of leadership positions at Batesville and Hill-Rom, including being appointed Vice President of Strategy and Logistics at Batesville in 2002.

John R. Zerkle, 55, was elected Senior Vice President, General Counsel and Secretary of Hillenbrand effective February 8, 2008. Most recently, Mr. Zerkle had served as Vice President and General Counsel of Batesville since March 2004. From September 2002 to February 2004, Mr. Zerkle served as Vice President and General Counsel of Forethought Financial Services, Inc., then a subsidiary of Hill-Rom. He also served as Compliance Officer for Forethought Investment Management, Inc. Prior to joining Forethought, Mr. Zerkle was in private practice for twenty years, where he focused his practice on corporate, securities, regulatory, and banking law matters.

Paul Douglas Wilson, 57, was elected Senior Vice President, Human Resources of Hillenbrand effective March 14, 2008. Most recently, Mr. Wilson served as Vice President, Worldwide Merger Integration for Boston Scientific Corporation, following the close of the merger between Boston Scientific and Guidant Corporation in 2006. Mr. Wilson joined Guidant Corporation in 2002 and served as Vice President of Human Resources. Prior to Guidant, Mr. Wilson was President and a Principal of Ronald Blue & Co., a privately held firm providing financial planning, investment management, tax planning, and philanthropic counsel. Mr. Wilson began his career with Eli Lilly and Company, where he spent 20 years in a variety of increasingly senior executive human resource roles.

Hinesh B. Patel, 41, was elected Vice President, Strategy and Business Development of Hillenbrand effective August 18, 2008. Prior to accepting his current position with Hillenbrand, Mr. Patel served as Director of Strategy and Business Development for Honeywell International Inc., a position he had held since April 2007. Prior to joining Honeywell International Inc., Mr. Patel held other management roles in business development, strategy, and operations with Milliken & Company, Caspian Networks Inc., Eaton Corporation, and Arthur D. Little.

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Jan M. Santerre, 48, was elected Vice President, Lean Business of Hillenbrand effective December 1, 2008. Prior to accepting her position with Hillenbrand, Ms. Santerre served as Vice President of Operations Hydraulics Group for Parker Hannifin Corporation, a position she had held since April 2005. From 2003 to 2005, Ms. Santerre served as Parker Hannifin s Vice President of Lean Enterprise and Quality, where she developed and deployed the Parker Lean System. Prior to that, Ms. Santerre was with Delphi Automotive Systems and General Motors for 18 years with responsibilities in engineering, quality, and manufacturing, culminating in executive operations roles.

Theodore S. Haddad, Jr., 45, was elected Vice President, Controller and Chief Accounting Officer of Hillenbrand on February 8, 2008. Prior to joining Hillenbrand, Mr. Haddad had served as Senior Manager in the Audit and Business Advisory Services Group of PricewaterhouseCoopers LLP since July 2002. Prior to that, Mr. Haddad served as a Senior Manager in the audit group of Arthur Andersen LLP, having been with that firm since July 1991. Mr. Haddad is a Certified Public Accountant and Certified Management Accountant.

Item 1A. RISK FACTORS

In this section of the Form 10-K, we describe the risks we believe are most important for you to think about when you consider investing in, selling, or owning our stock. This information should be assessed along with the other information we provide you in this Form 10-K. Like most companies, our business involves risks. The risks described below are not the only risks we face. Additional risks not currently known or considered immaterial by us at this time and thus not listed below may result in adverse effects on our business.

Risks Related to Our Business

Recent global market and economic conditions, including those related to the credit markets, could have a material adverse effect on the Company s business, financial condition, and results of operations.

The severity of the current economic recession caused by the recent worldwide financial and credit market disruptions have reduced the availability of credit generally necessary to fund economic growth and activity, and there is not yet clear evidence to suggest that efforts undertaken by the various government entities to mitigate this recession will be successful.

A prolonged recession could adversely affect our business in several ways. A continuation or worsening of the current credit markets and economic conditions could adversely affect our customers ability to obtain sufficient credit or pay for our products within the terms of sale and, as a result, our reserves for doubtful accounts and receivable write-offs could increase. A prolonged recession could further intensify the competition among the manufacturers and distributors with whom we compete for volume and market share, resulting in lower net revenues due to steeper discounts and further product mix-down. If certain key or sole suppliers were to become capacity constrained or insolvent as a result of the global economic conditions, it could result in a reduction or interruption in supplies or a significant increase in the price of supplies. In addition, the substantial losses in the equity markets as a result of the current recession can have an adverse effect on the assets of the Company s pension plans. A continuation of the volatility of interest rates and negative equity returns under current market conditions could require greater contributions to the defined benefit plans in the future.

Our business is significantly dependent on several major contracts with large national providers. Our relationships with these customers pose several risks.

We have contracts with a number of large national funeral home customers that comprise a sizeable portion of our overall sales volume. Our largest contract is with Service Corporation International, which accounts for approximately 13% of our 2009 net revenues (and is our only customer over 10% of net revenues). Any decision by our large national funeral home customers to discontinue purchases from us could have a material adverse effect on our financial condition, results of operations, and cash flows. Also, while our contracts with large national funeral service providers give us important access to many of the largest purchasers of funeral service products, they may obligate us to sell our products at contracted prices for extended periods of time, therefore limiting our ability, in the short term, to raise prices in response to significant increases in raw material prices or other factors.

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Collection risk associated with our note receivable from Forethought Financial Group, Inc. (Forethought) could have a material adverse impact on our earnings.

We hold a significant non-operating asset in the form of a note receivable and related interest receivable from Forethought. This asset was transferred to us at the time of separation from Hill-Rom. As of September 30, 2009, this note receivable has an aggregate carrying value of $142.8 million. This note receivable primarily represents seller provided financing to Forethought, the entity that purchased Hill-Rom s former Forethought Financial Services, Inc. subsidiary. Forethought, through its subsidiaries, provides insurance and financial solutions for families managing retirement and end-of-life needs.

The recent global recession and contraction in available credit has particularly impacted companies in the financial services and insurance industries. Forethought s ability to pay us under the terms of the note receivable may be adversely impacted by the deterioration being experienced in the credit markets, as it has material exposure to this market as an insurance company. Further, its ability to access credit or raise capital may be significantly restricted by current economic conditions, which in turn may limit its ability to execute its business plans or meet its obligation to pay us in the future. More recently, A.M. Best has placed the financial strength rating of Forethought s subsidiary insurance operations under review with negative implications. These actions reflect A.M. Best s concern with the subsidiary s decline in statutory capitalization, net losses on a statutory and U.S. GAAP basis, its exposure related to unrealized losses on its investment portfolio, and the significant level of intangible assets relative to its U.S. GAAP equity. The rating has been placed under review by A.M. Best following discussions with Forethought about significant new capital raising initiatives. These efforts are expected to improve the capital position of the organization to support growth and offset any additional investment losses. While A.M. Best expects tangible progress in these efforts in the near term, the ratings of the subsidiary insurance operations will likely be negatively impacted should the capital raising efforts be unsuccessful. A downgrade in the subsidiary s rating could damage the business prospects of Forethought and increase the risk of impairment to our note receivable in the future. Conversely, a successful capital infusion would improve the financial strength of Forethought (and immediately reduce our collection risk). In November 2009, Forethought informed us that they successfully raised net of proceeds approximately $101 million through the issuance of common stock.

Should Forethought fail to perform consistently with the original expectations set forth by Forethought or underperform to an extent that it cannot meet its financial obligations, the note could become impaired, causing an impairment charge that could result in a material adverse impact on our financial condition and results of operations.

Continued fluctuations in mortality rates and increased cremations may adversely affect, as they have in recent years, the sales volume of our burial caskets.

The life expectancy of U.S. citizens has increased steadily since the 1950s and is expected to continue to do so for the foreseeable future. As the population of the United States continues to age, we anticipate the number of deaths in the United States will be relatively flat until the number of deaths increase due to aging baby boomers.

Cremations as a percentage of total U.S. deaths have increased steadily since the 1960s and are also expected to continue to increase for the foreseeable future. Therefore, the number of U.S. cremations is gradually and steadily increasing, resulting in a contraction in the demand for burial caskets, which was a contributing factor to lower burial casket sales volumes for us in each of the last three fiscal years.

We expect these trends to continue into the foreseeable future, and our burial casket volumes will likely continue to be negatively impacted by these market conditions.

Finally, the number of deaths can vary over short periods of time and among different geographical areas, due to a variety of other factors, including the timing and severity of seasonal outbreaks of illnesses such as pneumonia and influenza. Such variations could cause our sales of burial caskets to fluctuate from quarter to quarter and year to year.

Our growth strategy involves the potential for future significant acquisitions, some of which may be outside our current industry. We may not be able to achieve some or all of the benefits that we expect to achieve from these acquisitions. If an acquisition were to perform unfavorably, it could have an adverse impact to the value of the Company.

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One component of our strategy contemplates our making selected acquisitions. Our business plan anticipates that we will make one or more acquisitions over the next few years with purchase prices aggregating several hundred million dollars. All acquisitions involve inherent uncertainties, some of which include, among other things, our ability to:

- successfully identify targets for acquisition,
- negotiate reasonable terms for any particular deal,
- properly perform due diligence and determine all the significant risks associated with a particular acquisition,
- properly evaluate target company management capabilities,
- successfully integrate the target and achieve the desired performance.

We also may acquire businesses with unknown or contingent liabilities, including liabilities for failure to comply with potential industry or environmental regulations or tax contingencies. We have plans and procedures to conduct reviews of potential acquisition candidates for compliance with applicable regulations and laws prior to acquisition and will also generally seek indemnification from sellers covering these matters. Despite these efforts, we may incur material liabilities for past activities of acquired businesses.

Volatility in our investment portfolio could negatively impact earnings. Also, if we are unable to convert our portfolio of auction rate securities to cash at reasonable terms, our earnings could be adversely affected.

In connection with our separation from Hill-Rom, ownership in certain investments in private partnerships were transferred to us that had an aggregate carrying value of $14.3 million as of September 30, 2009. Volatility in that investment portfolio negatively or positively impacts earnings. These investments could be adversely affected by general economic conditions, changes in interest rates, default on debt instruments, and other factors, resulting in an adverse impact on our results from operations.

In addition, we received a portfolio of auction rate securities (consisting of highly rated tax exempt state and municipal securities, the majority of which are collateralized by student loans guaranteed by the U.S. government under the Federal Family Education Loan Program) that Hill-Rom was not able to liquidate prior to the separation due to the market conditions and auction failures. In November 2008, we received an enforceable, non-transferable right (the Put) from UBS Financial Services that allows us to sell approximately $30.1 million of our existing auction rate securities (carrying value at September 30, 2009, including the Put) at par value plus accrued interest. We may exercise the Put at anytime during the period from June 30, 2010 through July 2, 2012. If market conditions do not improve prior to June 30, 2010, we intend to exercise our rights under the Put. For our remaining auction rate securities (carrying value of $18.8 million at September 30, 2009), if conditions do not improve or worsen, we may not be able to convert these securities to cash for the foreseeable future, these assets could become impaired, and our earnings could be adversely affected.

Our business is facing increasing competition from a number of non-traditional sources and caskets manufactured abroad and imported into North America.

Non-traditional funeral service providers could present more of a competitive threat to us and our sales channel than is currently anticipated. While some of these providers have competed against us for many years, large discount retailers, casket stores, and internet casket retailers represent more recent competitors. We recently became aware that Wal-Mart has entered our market and has begun selling caskets online. Initially, it appears that Wal-Mart is testing this product offering online, but not in stores. However, it is too early to estimate the impact Wal-Mart might have on the industry. Also, there are several manufacturers located in China currently manufacturing caskets for sale into the United States. While sales from these providers are currently a small percentage of total casket sales in the United States, it is not possible to quantify the financial impact that these competitors will have on our business in the future. These competitors will continue to drive pricing and other competitive pressures in an industry that already has approximately twice the necessary domestic production capacity. Such competitive actions could have a negative impact on our results of operations and cash flows.

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Increased prices for, or unavailability of, raw materials used in our products could adversely affect profitability. In particular, our results of operations continue to be adversely affected by volatile prices for steel, red metals (i.e. copper and bronze), and fuel.

Our profitability is affected by the prices of the raw materials used in the manufacture of our products. These prices fluctuate based on a number of factors beyond our control, including changes in supply and demand, general economic conditions, labor costs, fuel related delivery costs, competition, import duties, tariffs, currency exchange rates, and in some cases, government regulation. Significant increases in the prices of raw materials that cannot be recovered through increases in the price of our products could adversely affect our results of operations and cash flows.

We cannot guarantee that the prices we are paying for commodities today will continue in the future or that the marketplace will continue to support current prices for our products or that such prices can be adjusted to fully offset such commodity price increases in the future. Any increases in prices resulting from a tightening supply of these or other commodities or fuel could adversely affect our profitability. We generally do not engage in hedging transactions with respect to raw material purchases, but we do enter into some fixed price supply contracts.

Our dependency upon regular deliveries of supplies from particular suppliers means that interruptions or stoppages in such deliveries could adversely affect our operations until arrangements with alternate suppliers could be made. Several of the raw materials used in the manufacture of our products currently are procured from only a single source. If any of these sole-source suppliers were unable to deliver these materials for an extended period of time as a result of financial difficulties, catastrophic events affecting their facilities, or other factors, or if we were unable to negotiate acceptable terms for the supply of materials with these sole-source suppliers, our business could suffer. We may not be able to find acceptable alternatives, and any such alternatives could result in increased costs. Extended unavailability of a necessary raw material could cause us to cease manufacturing one or more products for a period of time.

Despite our recent successes in court, the antitrust litigation in which we are a defendant has not yet been resolved, and an adverse outcome in that matter could have a material adverse effect on our results of operations, financial position, and liquidity.

As discussed in Note 12 to our consolidated financial statements included in Part II, Item 8 of this Form 10-K, we are a defendant in a purported antitrust class action lawsuit. The Federal District Court denied class certification in that matter, and the Fifth Circuit denied the plaintiffs appeal petition. Further requests for reconsideration by the plaintiffs have also been denied. Despite these favorable rulings, the FCA plaintiffs have recently indicated that they intend to pursue their individual injunctive and damage claims. After the District Court renders a final judgment as to the individual claims, the FCA plaintiffs may file an appeal, which could include an appeal of the District Court s order denying class certification. If they succeeded in reversing the District Court order denying class certification and a class is certified in the FCA Action filed against Hill-Rom and Batesville and if the plaintiffs prevail at a trial of the class action, the damages awarded to the plaintiffs, which would be trebled as a matter of law, could have a significant material adverse effect on our results of operations, financial condition and/or liquidity. In antitrust actions the plaintiffs may elect to enforce any judgment against any or all of our codefendants, who have no statutory contribution rights against each other.

We are involved on an ongoing basis in claims, lawsuits and governmental proceedings relating to our operations, including environmental, antitrust, patent infringement, business practices, commercial transactions, and other matters.

The ultimate outcome of these claims, lawsuits, and governmental proceedings cannot be predicted with certainty but could have a material adverse effect on our financial condition, results of operations, and cash flow. We are also involved in other possible claims, including product and general liability, workers compensation, auto liability, and employment-related matters. While we maintain insurance for certain of these exposures, the policies in place are high-deductible policies resulting in our assuming exposure for a layer of coverage with respect to such claims. For a more detailed discussion of our asserted claims, see Note 12 to our consolidated financial statements included in Part II, Item 8 of this Form 10-K.

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A substantial portion of our workforce is unionized, and we could face labor disruptions that would interfere with our operations.

Approximately 34% of our employees as part of our logistics and manufacturing operations work under collective bargaining agreements. Although we have not experienced any significant work stoppages in the past 20 years as a result of labor disagreements, we cannot ensure that such a stoppage will not occur in the future. Inability to negotiate satisfactory new agreements or a labor disturbance at one of our principal facilities could have a material adverse effect on our operations.

Risk Arising From Our Separation Transaction with Hill-Rom

The distribution of our stock to Hill-Rom s stockholders in March 2008 could result in a significant tax liability.

In connection with the separation in March 2008, Hill-Rom received a private letter ruling from the Internal Revenue Service (IRS) that the distribution qualified for tax-free treatment under Code Sections 355 and 368(a)(1)(D). The IRS ruling relies on certain representations, assumptions, and undertakings, including those relating to the past and future conduct of our business. Although Hill-Rom believes that all of these representations, assumptions, and undertakings were correct, the IRS ruling would not be valid if they were incorrect. Moreover, the IRS private letter ruling does not address all the issues that are relevant to determining whether the distribution qualified for tax-free treatment, although Hill-Rom received an opinion of counsel with respect to the legal and tax issues not addressed in the private letter ruling. Notwithstanding the IRS private letter ruling, the IRS could determine that the distribution should have been treated as a taxable transaction if it determines that any of the representations, assumptions, or undertakings that were included in the request for the private letter ruling was false or had been violated.

If the distribution were to fail to qualify for tax-free treatment, Hill-Rom would be subject to tax as if it had sold the common stock of our company in a taxable sale for its fair market value, and our initial public shareholders would be subject to tax as if they had received a taxable distribution equal to the fair market value of our common stock that was distributed to them. Under the tax sharing agreement between Hill-Rom and us, we would generally be required to indemnify Hill-Rom against any tax resulting from the distribution to the extent that such tax resulted from (1) an issuance of our equity securities, a redemption of our equity securities or our involvement in other acquisitions of our equity securities, (2) other actions or failures to act by us or (3) any of our representations or undertakings being incorrect or violated. For a more detailed discussion, see the section entitled Tax Sharing Agreement within Note 6 to our consolidated financial statements included in Part II, Item 8 of this Form 10-K. Our indemnification obligations to Hill-Rom and its subsidiaries, officers and directors are not limited by any maximum amount. If we are required to indemnify Hill-Rom or such other persons under the circumstances set forth in the tax sharing agreement, we may be subject to substantial liabilities.

Our ability to engage in desirable strategic transactions and equity issuances is limited by the Tax Sharing Agreement we entered into with Hill-Rom.

To preserve the tax-free treatment to Hill-Rom and its shareholders of the distribution, under a tax sharing agreement that we entered into with Hill-Rom, for the two year period following the distribution, we are prohibited, except in specified circumstances, from:

- issuing equity securities;
- engaging in certain business combination or asset sale transactions; or
- engaging in other actions or transactions that could jeopardize the tax-free status of the distribution.

These restrictions limit our ability to pursue strategic transactions or engage in new business or other transactions that may maximize the value of our business. For more information, see the section entitled Tax Sharing Agreement within Note 6 to our consolidated financial statements included in Part II, Item 8 of this Form 10-K.

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Risks Relating to Our Common Stock

Provisions in our Articles of Incorporation and By-laws and of Indiana law may prevent or delay an acquisition of our company, which could decrease the trading price of our common stock.

Our Articles of Incorporation, By-laws and Indiana law contain provisions that could have the effect of delaying or preventing changes in control if our Board of Directors determines that such changes in control are not in the best interests of our shareholders. While these provisions have the effect of encouraging persons seeking to acquire control of our company to negotiate with our Board of Directors, they could enable our Board of Directors to hinder or frustrate a transaction that some, or a majority, of our shareholders might believe to be in their best interests. These provisions include, among others:

- the division of our Board of Directors into three classes with staggered terms;
- the inability of our shareholders to act by less than unanimous written consent;
- rules regarding how shareholders may present proposals or nominate directors for election at shareholder meetings;
- the right of our Board of Directors to issue preferred stock without shareholder approval; and
- limitations on the right of shareholders to remove directors.

Indiana law also imposes some restrictions on mergers and other business combinations between us and any holder of 10% or more of our outstanding common stock, as well as on certain control share acquisitions.

We believe these provisions are important for a public company and protect our shareholders from coercive or otherwise potentially unfair takeover tactics by requiring potential acquirers to negotiate with our Board of Directors and by providing our Board of Directors with more time to assess any acquisition proposal. These provisions are not intended to make our company immune from takeovers. However, these provisions apply even if the offer may be considered beneficial by some shareholders and could delay or prevent an acquisition that our Board of Directors determines is not in the best interests of our shareholders.

Item 1B. UNRESOLVED STAFF COMMENTS

We have not received any comments from the staff of the SEC regarding our periodic or current reports that remain unresolved.

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Item 2. PROPERTIES

The principal properties used in our operations are listed below and, except for our leased facility in Chihuahua, Mexico, are owned by us and not subject to material encumbrances. All facilities are suitable for their intended purpose, are being efficiently utilized, and are believed to provide adequate capacity to meet demand for the next several years.

Location	Description	Primary Use
Batesville, Indiana	Manufacturing plants Office Facilities	Manufacturing of metal caskets Administration
Manchester, Tennessee	Manufacturing plant	Manufacturing of metal caskets
Vicksburg, Mississippi	Kiln drying and lumber cutting plant	Drying and dimensioning of lumber
Batesville, Mississippi	Manufacturing plant	Manufacturing of hardwood caskets
Chihuahua, Mexico	Manufacturing plant	Manufacturing of veneer hardwood and hardwood caskets
Mexico City, Mexico	Manufacturing plant	Manufacturing of metal caskets, primarily for sale outside the United States

In addition to the foregoing, we lease or own a number of warehouse distribution centers, service centers, and sales offices throughout North America, the United Kingdom, Mexico, Australia, and South Africa.

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Item 3. LEGAL PROCEEDINGS

Antitrust Litigation

In 2005 the Funeral Consumers Alliance, Inc. (FCA) and a number of individual consumer casket purchasers filed a purported class action antitrust lawsuit on behalf of certain consumer purchasers of Batesville® caskets against the Company and its former parent company, Hillenbrand Industries, Inc., now Hill-Rom Holdings, Inc. (Hill-Rom), and three national funeral home businesses (the FCA Action). A similar purported antitrust class action lawsuit was later filed by Pioneer Valley Casket Co. and several so-called independent casket distributors on behalf of casket sellers who were unaffiliated with any licensed funeral home (the Pioneer Valley Action). Class certification hearings in the FCA Action and the Pioneer Valley Action were held before a Magistrate Judge in early December 2006. On November 24, 2008, the Magistrate Judge recommended that the plaintiffs motions for class certification in both cases be denied. On March 26, 2009, the District Judge adopted the memoranda and recommendations of the Magistrate Judge and denied class certification in both cases. On April 9, 2009, the plaintiffs in the FCA case filed a petition with the United States Court of Appeals for the Fifth Circuit for leave to file an appeal of the Court s order denying class certification. On June 19, a three-judge panel of the Fifth Circuit denied the FCA plaintiffs petition. On July 9, 2009, the FCA plaintiffs filed a request for reconsideration of the denial of their petition. On July 29, 2009, a three-judge panel of the Fifth Circuit denied the FCA plaintiffs motion for reconsideration and their alternative motion for leave to file a petition for rehearing en banc (by all of the judges sitting on the Fifth Circuit Court of Appeals.)

The Pioneer Valley plaintiffs did not appeal the District Court s order denying class certification, and on April 29, 2009, pursuant to a stipulation among the parties, the District Court dismissed the Pioneer Valley Action with prejudice (i.e., Pioneer Valley cannot appeal or otherwise reinstitute the case). Neither the Company nor Hill-Rom provided any payment or consideration for the plaintiffs to dismiss this case, other than agreeing to bear their own costs, rather than pursuing plaintiffs for costs.

Plaintiffs in the FCA Action generally seek monetary damages, trebling of any such damages that may be awarded, recovery of attorneys fees and costs, and injunctive relief. The plaintiffs in the FCA Action filed a report indicating that they are seeking damages ranging from approximately $947.0 million to approximately $1.46 billion before trebling on behalf of the purported class of consumers they seek to represent, based on approximately one million casket purchases by the purported class members.

Because Batesville continues to adhere to its long-standing policy of selling Batesville caskets only to licensed funeral homes, a policy that it continues to believe is appropriate and lawful, if the case goes to trial the plaintiffs are likely to claim additional alleged damages for periods between their reports and the time of trial. At this point, it is not possible to estimate the amount of any additional alleged damage claims that they may make. The defendants are vigorously contesting both liability and the plaintiffs damages theories.

Despite the July 29, 2009 ruling, the FCA plaintiffs have recently indicated that they intend to pursue their individual injunctive and damages claims. Their individual damages claims would be limited to the alleged overcharges on the plaintiffs individual casket purchases (the complaint currently alleges a total of ten casket purchases by the individual plaintiffs), which would be trebled, plus reasonable attorneys fees and costs. Should the plaintiffs proceed, we anticipate that we will move for summary judgment at the appropriate time.

After the district court renders a final judgment as to the individual claims, the FCA plaintiffs may file an appeal, which could include an appeal of the District Court s order denying class certification. If they succeeded in reversing the district court order denying class certification and a class is certified in the FCA Action filed against Hill-Rom and Batesville and if the plaintiffs prevail at a trial of the class action, the damages awarded to the plaintiffs, which would be trebled as a matter of law, could have a significant material adverse effect on our results of operations, financial condition and/or liquidity. In antitrust actions such as the FCA Action the plaintiffs may elect to enforce any judgment against any or all of the codefendants, who have no statutory contribution rights against each other. We and Hill-Rom have entered into a judgment sharing agreement that apportions the costs and any potential liabilities associated with this litigation between us and Hill-Rom. See Note 6 to our consolidated financial statements included in Part II, Item 8 of this Form 10-K.

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As of September 30, 2009, we have incurred approximately $22.4 million in legal and related costs associated with the FCA matter.

General

We are involved on an ongoing basis in claims and lawsuits relating to our operations, including environmental, antitrust, patent infringement, business practices, commercial transactions, and other matters. The ultimate outcome of these lawsuits cannot be predicted with certainty. An estimated loss from these contingencies is recognized when we believe it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. However, it is difficult to measure the actual loss that might be incurred related to litigation. The ultimate outcome of these lawsuits could have a material adverse effect on our financial condition, results of operations, and cash flow.

Legal fees associated with claims and lawsuits are generally expensed as incurred. Upon recognition of an estimated loss resulting from a settlement, an estimate of legal fees to complete the settlement is also included in the amount of the loss recognized.

We are also involved in other possible claims, including product and general liability, workers compensation, auto liability, and employment related matters. Claims other than employment and related matters have deductibles and self-insured retentions ranging from $0.5 million to $1.0 million per occurrence or per claim, depending upon the type of coverage and policy period. Outside insurance companies and third-party claims administrators establish individual claim reserves, and an independent outside actuary provides estimates of ultimate projected losses, including incurred but not reported claims, which are used to establish reserves for losses. Claim reserves for employment related matters are established based upon advice from internal and external counsel and historical settlement information for claims and related fees, when such amounts are considered probable of payment.

The recorded amounts represent our best estimate of the costs we will incur in relation to such exposures, but it is virtually certain that actual costs will differ from those estimates.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the quarter ended September 30, 2009.

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PART II

Item 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Hillenbrand, Inc. s common stock is traded on the New York Stock Exchange under the ticker symbol HI. The closing price of our common stock on the New York Stock Exchange on November 17, 2009, was $20.41. The following table reflects the range of high and low selling prices of our common stock by quarterly period since our common stock began trading on the New York Stock Exchange on March 20, 2008.

	Hillenbrand, Inc.			
	2009		2008	
	Hi	Low	Hi	Low
First quarter	$ 20.88	$ 13.96	N/A	N/A
Second quarter *	$ 19.39	$ 14.68	$ 23.33	$ 18.00
Third quarter	$ 18.18	$ 15.24	$ 24.29	$ 18.01
Fourth quarter	$ 20.97	$ 16.70	$ 24.19	$ 19.78

* For fiscal 2008, the price represents when issued trading on the New York Stock Exchange for the period from March 20, 2008 through March 31, 2008, when our separation from Hill-Rom was completed.

Holders

On November 17, 2009, we had approximately 3,000 shareholders of record.

Dividends

The following table reflects historical dividend information for the periods presented.

	Hillenbrand, Inc.	
	2009	2008
First quarter	$ 0.1850	N/A
Second quarter	$ 0.1850	N/A
Third quarter *	$ 0.1850	$ 0.1825
Fourth quarter	$ 0.1850	$ 0.1825

* On April 30, 2008, our Board of Directors declared our first dividend

payment of $0.1825 per share, which was paid on June 30, 2008.

In accordance with the covenants contained in our Distribution Agreement with Hill-Rom, as amended, we are restricted from paying regular quarterly dividends in excess of $0.185 or from incurring indebtedness to pay an extraordinary cash dividend without prior written approval of Hill-Rom until the occurrence of an Agreed Termination Event (as defined in the Distribution Agreement) with Hill-Rom has occurred. For a more detailed discussion, see the section entitled Distribution Agreement within Note 6 to our consolidated financial statements included in Part II, Item 8 of this Form 10-K. We currently expect that comparable quarterly cash dividends will continue to be paid in the future.

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Issuer Purchases of Equity Securities

On July 24, 2008, our Board of Directors approved the repurchase of up to $100 million of common stock. The program has no expiration date, but may be terminated by the Board of Directors at anytime. As of September 30, 2009, we had repurchased approximately 1.0 million shares for $18.7 million, which are being held as treasury stock until reissued. Of the 1.0 million shares repurchased, 0.7 million were repurchased during fiscal 2009 for $12.5 million. During fiscal 2009, 0.1 million shares were issued from treasury stock under our various stock compensation programs. Additional information related to our equity compensation programs is included in Note 11 to our consolidated financial statements included in Part II, Item 8 of this Form 10-K.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Dollar Amount of Shares Purchased as Part of Publicly Announced Plan or Program *	Maximum Dollar Amount of Shares That May Yet Be Purchased Under the Plans or Programs
July 1, 2009 July 31, 2009				$ 81,250,000
August 1, 2009 August 31, 2009				$ 81,250,000
September 1, 2009 September 30, 2009				$ 81,250,000
Total				

* Includes commissions paid.

Stock Performance Graph

The following graph compares the return on Hillenbrand common stock with that of Standard & Poor s 500 Stock Index (S&P 500 Index), and the Standard & Poor s 600 Small Cap Stock Index (S&P 600 Index) for the period from March 20, 2008, the date our common stock began trading on the New York Stock Exchange, to November 17, 2009. The graph assumes that the value of the investment in our common stock, the S&P 500 Index, and S&P 600 Index was $100 on March 20, 2008 and that all dividends were reinvested.

Company Name/Index	Base Period March 20, 2008	Q3-2008	Q4-2008	Q1-2009	Q2-2009	Q3-2009	Q4-2009
Hillenbrand, Inc.	$ 100	$ 120	$ 114	$ 96	$ 93	$ 98	$ 119
S&P 500 Index	$ 100	$ 96	$ 88	$ 68	$ 60	$ 69	$ 80

S&P 600 Small Cap Index *	$	100	$	101	$	100	$	74	$	61	$	74	$	88

* The S&P 600 Small Cap Index consists of companies with market capitalizations between $200 million and $1 billion. We are included within this index.

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Item 6. SELECTED FINANCIAL DATA

Selected historical financial data as of and for the fiscal year ended September 30, 2005 to 2009 is derived from our audited consolidated financial statements for Hillenbrand, Inc. and its subsidiaries and is not necessarily indicative of results to be expected in the future. The historical financial information related to the periods prior to the separation on March 31, 2008, included herein, does not necessarily reflect the financial condition, results of operations, or cash flows that we would have achieved as a separate, publicly traded company during the periods presented or those that we will achieve in the future.

The selected financial data should be read together with Part II, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations and Part II, Item 8, Financial Statements and Supplemental Data included in this Form 10-K.

The following table presents comparative consolidated financial data of Hillenbrand, Inc. for each of the last five years ended September 30 *(amounts in millions, except per share data):*

	2009	2008	2007	2006	2005
Net revenues	$ 649.1	$ 678.1	$ 667.2	$ 674.6	$ 659.4
Operating profit	$ 155.0	$ 149.6	$ 155.6	$ 177.4	$ 161.3
Net income	$ 102.3	$ 93.2	$ 99.5	$ 113.2	$ 102.8
Net income per share	$ 1.66	$ 1.49	$ 1.59	$ 1.81	$ 1.64
Cash dividends declared per share*	$ 0.74	$ .365	$	$	$
Total assets	$ 561.1	$ 545.3	$ 316.6	$ 329.4	$ 337.1
Long-term obligations	$ 122.2	$ 70.9	$ 59.9	$ 59.9	$ 69.8
Cash flow from operating activities	$ 123.2	$ 101.8	$ 127.3	$ 124.6	$ 88.9
Capital expenditures	$ 10.0	$ 10.0	$ 15.6	$ 18.8	$ 16.3

* Our first dividend as a stand-alone public company was paid on June 30, 2008. Accordingly, there are no dividends reported for the first two quarters of fiscal year 2008 or the prior

fiscal years
2005 through
2007.

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Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

In this section of the Form 10-K, entitled Management s Discussion and Analysis of Financial Condition and Results of Operations, we provide a discussion of trends in our industry related to customers, competition, and product costs, among others. We also explain our current strategy and the qualitative results we have experienced. Finally, we attempt to give you a look at our Company through the eyes of management so that you can assess the financial condition and results of operations of our Company in a quantitative fashion. The discussion that follows should give you information that will help you understand our business and its performance. We intend for the discussion to be clear and to explain the drivers of our results so that you can assess the quality of our earnings and the predictability of our future results. Discussion and analysis of our financial condition and operating results includes Hillenbrand, Inc. (Hillenbrand) and Batesville Services, Inc. (together with its subsidiaries, Batesville), currently Hillenbrand s only operating business.

Background

We are the leader in the North American death care industry through the manufacture, distribution, and sale of funeral service products to licensed funeral directors who operate licensed funeral homes. We sell primarily burial caskets, but also provide cremation caskets, containers, urns, and product merchandising systems that include selection room display fixturing for funeral establishments. Our mission is to provide funeral directors with the highest quality products and services; in a phrase, helping families honor the lives of those they love®. In line with our mission, we provide personalization and memorialization products and services, as well as creating and hosting websites for funeral establishments.

After the close of business on March 31, 2008, we became a separate publicly traded company as the result of the distribution of our shares to the former stockholders of Hillenbrand Industries, Inc. (now named Hill-Rom Holdings, Inc. and referred to herein as Hill-Rom or Former Parent), our former parent company. We have retained the Hillenbrand name because of its heritage as a family-built business and the close affiliation of that name with Batesville and its customers.

The consolidated financial statements included in this Form 10-K do not include all expenses that would have been incurred had we been a separate, stand-alone entity prior to April 1, 2008, and do not reflect our results of operations, financial position, and cash flows had we been a stand-alone company during the periods prior to April 1, 2008. This Management s Discussion and Analysis of Financial Condition and Results of Operations should be read together with our consolidated financial statements and the notes thereto included in Part II, Item 8 of this Form 10-K.

Death Care Industry Trends

The death of a family member or loved one causes most people to seek the services of a state licensed funeral director to provide specific services regarding handling and preparing the deceased. Most consumers have only limited familiarity with funeral-related products and usually expect funeral directors to provide information on product and service alternatives. Although caskets and urns can be purchased from a variety of sources, including directly from internet sellers and casket stores, the overwhelming majority of those who arrange a funeral purchase these products directly from the funeral home as a matter of choice and convenience.

Demographics and Consumer Preferences. For the past several years the total number of deaths in North America (where most of our products are sold) has been relatively flat. During the same period the rate of cremation selection has been slowly but steadily increasing to the point where cremations as a percentage of total deaths now represent more than one-third in the United States and more than one-half in Canada. These consolidated factors have yielded a slow but steady decline in the total number of casketed deaths in North America. The current trends are expected to continue for the foreseeable future until the post-WWII spike in births causes an increase in deaths. While the primary driver of market size is population and age, the actual number of deaths (and, therefore, the actual number of caskets sold) is affected by a variety of additional factors, including improving healthcare and the varying timing and severity of seasonal pneumonia and influenza outbreaks. The unpredictability of these factors can cause periodic fluctuations in industry demand patterns and revenue generated in any given fiscal period. While it is difficult to predict precisely the number of deaths on a month-to-month or even a year-to-year basis, we anticipate that the number of deaths in

North America will remain relatively flat and the cremation rate will continue to gradually increase, resulting in a modest, but steady decline in the demand for burial caskets for the foreseeable future.

Along with the declining number of casketed deaths, the casket industry has experienced a long-term gradual decline in the product mix of burial caskets sold, a trend that has also affected our financial results. One of the factors that has affected mix is the pricing practice of many funeral homes to place most of the margin expectation on the sale of products instead of the services provided. However, we are observing changes in the pricing practices of many funeral homes, wherein they are recovering margin on their services and reducing the mark-up of products, primarily caskets. Additionally, more consumers are expecting higher levels of personalization, both in products and services. Our response to this changing consumer preference is described below.

Competition. Competition in the casket industry is based on product quality, design features, personalization, price, and delivery service. We compete in the sale of burial and cremation containers with several national casket manufacturers/distributors, regional manufacturers/distributors, and more than 100 independent casket distributors, most of whom serve fairly narrow geographic segments. The industry also has seen a few foreign manufacturers, mostly from China, import caskets into the U.S. and Canada. Additionally, some retail stores, and internet retailers sell caskets directly to consumers, although we believe that total sales among this latter group are a minor portion of annual burial casket volume. Most recently, Wal-Mart has entered the market and has begun selling caskets online. Initially, it appears that Wal-Mart is testing this product offering online, but not in stores. However, it is too early to estimate the impact Wal-Mart might have on the industry.

The effect of gradually declining casket demand has resulted in economic pressures on casket manufacturers and distributors as they seek to maintain volume by increasing market share. The industry has approximately twice the necessary domestic production capacity, which further increases these pressures. Additionally, our costs associated with commodities used in our manufacturing processes have increased significantly, resulting in higher per unit costs. Many established manufactures and distributors have responded to these competitive pressures by increasing discounts to obtain volume.

Over the past decade, funeral homes have sought to minimize their inventory costs by shifting the inventory burden to their suppliers. Today, many funeral homes maintain minimal casket inventory and expect their casket suppliers to provide same day or next day delivery to satisfy their funeral requirements. Our high velocity distribution system enables us to meet these customer expectations with lower inventory investment per dollar of sales. This system enables us to deliver the majority of our volume, including uniquely personalized caskets, within 24 hours of receiving the customer s order. Over the last three years, we delivered the right casket at the right time in excess of 99% of the time. We believe this highly effective distribution system is aligned with the increasing time demands of families and the inventory reduction expectations of our customers.

Industry Consolidation. The underlying industry trends are leading to consolidations, acquisitions, and partnerships among casket manufacturers and distributors. In the past several years, two of the larger casket manufacturers have merged and several independent distributors have been acquired. Over the past four years, we acquired two small regional distributors. We continue to be interested in the possibility of acquiring high-quality distributors and will remain selective in this process.

The demographic and economic pressures that have been driving consolidations among casket manufacturers and distributors have also been driving consolidations among funeral homes. Recently, we have seen regional funeral home operators expanding through selected acquisitions. We responded to this trend early in fiscal 2007 by establishing a dedicated sales team focused on this regional consolidator customer segment. Since that time, we have increased the resources devoted to this area, and we believe our efforts have been successful in obtaining the majority of this group as customers. In fiscal 2010, we plan to continue our marketing efforts to this regional group and expand our efforts to other key accounts that have not been fully penetrated. As funeral homes continue to consolidate and operate multiple locations, we believe that our competitive advantages and value proposition will be able to serve these new customers best.

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Costs of Raw Material and Energy. The primary raw materials used in our products include steel, wood, and red metals (i.e., copper and bronze). Although the key materials have fluctuated in price from time to time, current economic conditions are such that we expect that we will continue to be affected by the volatility in costs of raw materials and other commodities used in production over the next few years. In addition, we have exposure to prices we pay for diesel fuel primarily through our distribution operations. Increases in diesel prices have also impacted our operations in the form of surcharges on many of our materials and services used in production.

We generally do not engage in hedging transaction with respect to raw material purchases, but do enter into some fixed price supply contracts. These contracts generally are aligned with near-term production needs and, with few exceptions, do not obligate us to any material non-cancelable commitments in the long term. Additionally, our wide use of lean business principles has enabled us to reduce waste in many areas of our business. We intend to continue our focus on operational improvement, using practices based on the Toyota Production System, to better serve our customers, increase efficiencies, improve quality, and reduce costs.

Strategy and Results

In an industry that has historically been recognized as recession resistant, the severity of the current economic recession, combined with a relatively mild influenza and pneumonia season in 2009, has challenged us to take a closer look at additional ways we can continue to build shareholder value. For many years, we have seen a relatively flat number of deaths and a consistent increase in cremations, resulting in a steady decline in burials. The economy in 2009 further affected the cremation rate, drove product mix-down, and we are uncertain about the long-term impact of these changes in customer behavior. In addition, the volatility in commodity prices and the lack of consistent data about the upcoming 2010 flu season have made our ability to predict future performance less certain.

In the process of developing our business strategy for fiscal 2010, we recognized that our strategy, approach and actions in fiscal 2009 have been reasonably successful in maintaining our market position, even when faced with challenging industry and economic conditions. With some modifications (discussed below), our existing long-term Hillenbrand strategy has been reaffirmed.

We believe we can deliver increasing revenue and earnings streams by building a strong, diversified enterprise with strong positions in multiple growth-oriented industries. Our long-term value creation strategy consists of:

- Maintaining and building upon our leading position in the death care industry through Batesville (consisting of Batesville Services, Inc. and its subsidiaries);
- Deploying acquisition capabilities that form the basis of our growth platform and enable us to acquire and integrate new businesses; and
- Continuing to invest in our people, building a strong base of talent to help us successfully execute our acquisition and business strategies.

Maintain and Build on Batesville s Industry Leadership:

Our Batesville business is the leader in the death care industry, primarily in the production and distribution of burial caskets and cremation products. While volume growth in the burial casket space is limited, there are still opportunities to generate additional business within a wider range of funeral services. Leadership of this operating division is focusing on four categories of strategic initiatives to drive this growth.

Optimize core burial business for the long term

The Batesville® brand is widely recognized as the premier brand in the industry among funeral professionals, offering the broadest range of metal and wood caskets. Our legacy of innovation and leadership in the funeral industry has allowed our customers and the families they serve to commemorate the lives of those they love through quality construction and compelling designs that provide personal expressions of a life well lived. To enhance our leadership position, we will continue to invest in our marketing capabilities, specifically in research, new product development, and brand promotion.

The landscape of casket manufacturers has dwindled over the years, but there are opportunities to capitalize on acquisitions and alliances in other parts of the death care space. We will continue to remain alert to these opportunities and capitalize on them when it s prudent to do so.

We have responded to the consolidation trend in our industry and the growth of regional funeral home consolidators by creating a sales team that differentially serves customers whose business spans multiple sales territories. We have been successful in developing new customer relationships with many of these regional customers by demonstrating the value our Batesville-branded products and services can bring to their operations and the families they serve. In fiscal 2010, we will apply this same approach to other less-penetrated large key accounts that operate multiple funeral homes within a single geographical area. In addition, we are focused on improving the quality of our sales organization through better call management and compensation alignment.

Our ability to apply proven merchandising principles and proprietary database tools enables us to help our customers increase their average mix and drive greater profitability, all while increasing the satisfaction of their clients. In 2009, we began to focus on moving customers farther up the merchandising ladder, emphasizing the value of using our full system. Fully merchandised accounts not only had a higher rate of revenue growth than customers at lower levels of implementation, but also have a higher retention rate.

Grow profitable revenue streams outside the core burial casket business

Our Options® by Batesville product line consists of cremation caskets, containers, urns, and other cremation products. We expect continued growth in these product lines as more consumers choose cremation over burial. In fiscal 2009, we established a dedicated sales and marketing team to focus on developing new products and services for these consumers. Based upon that knowledge, in fiscal 2010 we will implement a number of new initiatives aimed at improving revenue performance through new product introductions, increased customer margin per call, customized package solutions and after-market programs for our funeral home customers.

Batesville is the largest provider of funeral home Websites in the world, a service that many small, family-owned funeral homes would not otherwise spend the time and money to develop on their own. In 2010, we will provide funeral directors with additional ways to generate revenue streams and connect grieving families that may be geographically dispersed. Through Batesville Interactive we offer integrated online products that include WebLink , TributeLink online videos, and ObitLink , an alliance with Legacy.com that will give funeral directors access to the largest networked obituary system in the nation.

Fiscal 2009 was our third full year offering the NorthStar® product line to independent casket distributors, and we continue to be satisfied with our progress. These are private-label burial caskets manufactured in our existing facilities using distinctive tooling. Because these products do not contain any of the Batesville proprietary features, designs, or specs they are differentiated from the premium Batesville brand. Based on our success in this small product line, we do not anticipate any changes to this strategy.

Improve cost structure

Our leadership position as the largest manufacturer and distributor of caskets and containers in North America provides scale and scope. We intend to continue to utilize our scale and scope to enable us to capitalize on our efficiencies and compete with a low cost structure.

Our highly integrated manufacturing facilities in the United States and Mexico employ pull production and one-piece flow to feed our high-velocity replenishment system with products quickly and efficiently to meet the growing time demands of our customers and their client families. We intend to continue to leverage our processes to allow us to carry less inventory per sales dollar than our competitors, enabling customers to carry few or no products in their funeral homes, and still achieve on-time delivery more than 99% of the time.

Our effective execution of Hillenbrand Lean Business (derived from the Toyota Production System) enables further cost reductions in our operations, distribution and administrative functions.

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Execute Our Acquisition Strategy:

We intend to use our strong cash flows, culture of execution, and core competencies in manufacturing, distribution, and lean business practices to create an enterprise with strong positions in multiple growth-oriented businesses. This will reduce our reliance on the number of burials as our primary source of revenues. Ideally, we are targeting companies that have revenues in excess of $100 million, demonstrated profitable growth, established sales and marketing capabilities, a strong business-to-business brand, and a capable management team. We are targeting one or more acquisitions over the next few years with purchase prices aggregating several hundred million dollars. We are committed to being a disciplined buyer and will continue to be discriminating in our evaluations of potential acquisition targets.

Continue to Invest in People:

The foundation of our success has always been our people, and we have a long history at Batesville and now in the Hillenbrand enterprise of hiring, developing and retaining successful, multi-functional leaders. Our talent management process helps us to identify and develop our people through exposure to lean business principles, participation in strategic projects, and planned multifunctional assignments allowing us to meet the management and talent requirements of our business strategy. We intend to build upon our current team, and also attract and develop a diverse group of people who can continue carrying out our strategy. We plan to selectively add operating and analytical talent in order to have the necessary management strength available for acquisitions as needed.

Results of Operations

The following table presents comparative operating results for the fiscal years discussed in detail below *(amounts in millions of dollars)*:

	Year Ended September 30, 2009	% of Revenues	Year Ended September 30, 2008	% of Revenues	Year Ended September 30, 2007	% of Revenues
Net revenues	$ 649.1	100.0	$ 678.1	100.0	$ 667.2	100.0
Cost of goods sold	374.7	57.7	397.6	58.6	388.6	58.2
Gross profit	274.4	42.3	280.5	41.4	278.6	41.8
Operating expenses (excluding separation costs)	119.3	18.4	115.3	17.0	117.9	17.7
Separation costs	0.1		15.6	2.3	5.1	0.8
Operating profit	155.0	23.9	149.6	22.1	155.6	23.3
Interest expense	(2.1)	(0.3)	(2.2)	(0.3)		
Investment income and other	7.9	1.2	5.9	0.8	1.4	0.2
Income before income taxes	160.8	24.8	153.3	22.6	157.0	23.5
Income tax expense	58.5	9.0	60.1	8.9	57.5	8.6
Net income	$ 102.3	15.8	$ 93.2	13.7	$ 99.5	14.9

Fiscal Year Ended September 30, 2009 Compared to Fiscal Year Ended September 30, 2008

Revenue - Our net revenues for the year were down from the same period last year, decreasing $29.0 million or 4.3%. Burial unit volume decreased 6.5% or $45.8 million compared to the same period last year and was the primary contributor to our reduction in net revenue, although improved volume on non-burial products helped limit the impact. We believe this volume decrease was attributable to a lower number of reported deaths year-over-year, increased cremation rates, and aggressive price competition. We suspect the higher than anticipated increase in cremation rates was fueled by the economic recession, which in turn caused the aggressive price competition for the remaining volume. Offsetting this impact was an increase in our average selling price, which contributed $24.5 million to revenue. We believe that our merchandising initiatives and new product launches helped improve average selling prices and slow the downward trend in product mix, especially in locations that used the Batesville merchandising system. Finally, we also experienced the unfavorable impact of currency fluctuations during the year from a stronger U.S. dollar, mainly compared to the Canadian dollar. This resulted in decreased revenue of $7.7 million over the prior year. We can t predict how currency rates will move either to help or hurt our results in the future.

Cost of Goods Sold - Our cost of goods sold decreased $22.9 million, or 5.8%, including a $14.5 million decrease largely attributable to lower burial unit volume. In our manufacturing operations, we experienced cost increases over fiscal year 2008 of $1.2 million related primarily to higher commodity costs, most notably on carbon steel and red metals. An aggregate cost decrease of $1.0 million was attributable to a number of other categories across our manufacturing activities, primarily driven by employee benefit costs that were partially offset by reduced prices we were paid for our production scrap. In our distribution operations, we benefited from a $5.9 million reduction in fuel cost as compared to the prior year. We also experienced a $2.7 million decrease in other distribution cost categories which were mainly related to lower employee benefit costs in similar fashion to our manufacturing operations. We are continuing to execute lean business initiatives to further optimize our costs.

Operating Expenses - Our operating expenses increased $4.0 million, or 3.5%, excluding one-time separation costs. We are better able to analyze our operating cost structure without non-recurring effects of the separation.

In fiscal 2008 we realized a $2.6 million decrease in our bad debt expense as a result of collecting a customer balance that had previously been nearly fully reserved (causing this year s expenses to be relatively higher). This increased expense was offset by a decrease in variable sales compensation and benefits of $1.0 million (tied to our lower revenues) and a decrease of $1.1 million in legal fees related to our antitrust lawsuit. The remaining decrease in our core operating expenses of $1.3 million was attributable to other components of Batesville s operating expense categories.

During fiscal 2009, we substantially completed building teams and processes to support ourselves as a new, stand-alone public company. We also initiated our acquisition strategy and have put in place people, processes and resources to enable successful execution of the strategy. As a result of these activities, we incurred an increase of $12.2 million in Hillenbrand corporate operating costs during fiscal year 2009 as compared to the previous year. This increase was partially offset by the fact that we are no longer being allocated corporate costs from Hill-Rom (which ceased at the end of the second fiscal quarter of 2008). These allocated costs decreased by $7.4 million compared to last year. Thus our corporate costs were $4.8 million higher than last year.

Separation Costs - In fiscal year 2008, we incurred or were allocated $15.6 million in separation costs associated with the separation of the Company from Hill-Rom. Included in these non-recurring costs were $3.2 million tied to the acceleration of previously unvested stock grants, $1.1 million in stock option modification charges, and $4.4 million of investment banking and advisory fees. The balance of the costs represented primarily legal and professional fees.

Interest Expense - As fiscal 2009 marked our first full year as a stand-alone public company, we incurred a full year of financing costs under our credit facility. These costs have since decreased. We have been paying down the credit facility since the time of the separation and have experienced lower interest rates on the balances that were outstanding during fiscal 2009. The weighted average interest rate of the credit facility was 1.5% and 3.0% during the fiscal years 2009 and 2008, respectively.

Investment Income & Other - As was the case with interest expense described above, we incurred a full year of investment earnings or losses from assets that were transferred to us by Hill-Rom at the time of the separation. During fiscal year 2009, net losses from investments in affiliates (limited partnership investments) were $5.4 million due to write-downs within the affiliates investment portfolios. In comparison, we had no net earnings or losses from these investments in fiscal 2008. However, in the last quarter of fiscal year 2008, we recorded a $0.8 million other-than-temporary impairment loss on an investment in common stock. We earned higher interest income of $6.5 million, in aggregate, on the auction rate securities (ARS) and note receivable from Forethought Financial Group, Inc. (Forethought) as compared to the prior year due to the fact that we held them for only six months last year. We also received a right (the Put) from UBS Financial Services (UBS) that allows us to sell a portion of our existing ARS in the future. Since that time, we have been recording changes in the fair value of the Put and applicable ARS through our income statement and as expected, they essentially offset. (Please see the discussions within the notes to our consolidated financial statements in Part II, Item 8 of this Form 10-K and *Other Liquidity Matters* included within Liquidity and Capital Resources discussed below.)

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Income Taxes - Our income tax rate for the year was 36.4%, which was 2.8% lower than last year. This reduction was primarily due to separation costs we incurred in the prior year that were not deductible for income tax purposes and a partial disallowance of the domestic production activities deduction in the prior year due to the separation.

Fiscal Year Ended September 30, 2008 Compared to Fiscal Year Ended September 30, 2007

Revenue -Our net revenues for fiscal 2008 were up slightly, increasing $10.9 million or 1.6%, from the same period in the previous year. Burial unit volume decreased 1.6% or $5.5 million compared to the previous year, despite the favorable volume impact in the second quarter of fiscal 2008 due to the more typical flu season. This favorable volume impact was more than offset by the lost volume in the third quarter that resulted when the Yorktowne acquisition attempt was discontinued late in the third quarter of fiscal year 2007 and Yorktowne ceased purchasing our products. This was followed by weaker fourth quarter sales in fiscal 2008 compared to the previous year due to reduced sales initiatives. Offsetting this unfavorable effect was an increase in our average selling price which contributed $12.4 million to revenue. Finally, we experienced the favorable impact of currency fluctuations during fiscal 2008 from a weaker U.S. dollar, mainly compared to the Canadian dollar, resulting in increased revenue of $4.0 million over the previous year.

Cost of Goods Sold - Our cost of goods sold increased $9.0 million, or 2.3%, net of a $1.1 million decrease largely attributable to lower burial unit volume. In our manufacturing operations, we experienced cost increases over the same period in the prior year of $5.4 million related to higher commodity costs, primarily carbon steel and red metals. These cost increases were offset by higher prices we received for production scrap and other manufacturing cost decreases aggregating to $4.9 million. In our distribution operations, we experienced increased fuel costs of $4.1 million and a $5.5 million aggregate increase across other distribution categories.

Operating Expenses - Our core operating expenses decreased $2.6 million, or 2.2%, excluding separation costs, over the prior year.

Within our core Batesville operating expenses, we experienced a decrease of $8.4 million because of acquisition costs, legal costs, and certain receivables that we expensed when we discontinued our effort to acquire Yorktowne in fiscal year 2008. We also experienced a decrease in legal fees related to the antitrust lawsuits of $4.5 million from the prior year. As previously discussed, during fiscal 2008 we recorded a $2.6 million reduction in our bed debt. These favorable effects were offset by increased incentive compensation, variable sales compensation and benefits, and employee benefit costs, all aggregating to $5.0 million. An aggregate increase of $2.0 million was attributable to other components of Batesville s operating expense categories.

As discussed earlier, in fiscal year 2008 we began to incur incremental costs associated with building our corporate infrastructure, along with the costs of retirement-related obligations to certain former Hill-Rom employees we assumed in connection with the separation. These activities resulted in $11.1 million of additional operating expenses primarily related to adding staff to support our separate company operations over the prior year. The effect of these new costs was offset by the fact that, beginning with the third quarter of fiscal 2008, we were no longer being allocated corporate costs by Hill-Rom. As a result, these allocated costs were lower by $5.2 million compared to fiscal 2007.

Separation Costs - See earlier discussion for an understanding of the nature of these costs.
Interest Expense and Investment Income & Other - We began to incur interest expense when we borrowed $250 million on our credit facility (and paid the proceeds to Hill-Rom as part of the separation) at the end of the second quarter of fiscal year 2008. Investment income and other was up over the prior year as we began to realize returns from investments that were transferred to us on March 31, 2008, in connection with the separation. We earned interest income of $7.5 million primarily on cash, auction rate securities, and the note receivable from Forethought. As previously noted, we also recorded a $0.8 million other-than-temporary impairment loss on an investment in common stock in the last quarter of fiscal 2008.
Income Taxes - Our income tax rate for the year was 39.2%, which was 2.6% higher than the prior year. This was primarily due to separation costs we incurred in the second quarter of fiscal 2008 that were not deductible for income tax purposes and an increase in the valuation allowance on state credit carryforwards.

Liquidity and Capital Resources

We believe the ability to generate cash is critical to the value of the company. In this section, we tell you about our ability to generate and access cash to meet our business needs.
First, we will describe our actual results in generating and utilizing cash by comparing the last three years. We will also talk about any significant trends we are seeing to help you understand how this could impact us going forward.
Second, we will tell you about how we see operating, investing, and financing cash flows being impacted for the next 12 months. While it s not a certainty, we will tell you where we think cash will come from and how we intend to use it. We will also talk about significant risks or possible changes to our thinking that could change our expectation.
Third, we will tell you about other significant matters that could affect our liquidity on an ongoing basis.
A summary of our cash flows for the last three years is as follows *(amounts in millions of dollars)*:

	Fiscal Year Ended September 30, 2009	2008	2007
Cash flows provided by (used in):			
Operating activities	$ 123.2	$ 101.8	$ 127.3
Investing activities	(5.3)	(4.2)	(20.1)
Financing activities*	(97.4)	(94.4)	(103.5)
Effect of exchange rate changes on cash and cash equivalents		(0.4)	0.3
Increase in cash and cash equivalents	$ 20.5	$ 2.8	$ 4.0

* Also includes net cash and cash equivalents provided to our parent company prior to separation on March 31, 2008.

Operating Activities

Historically, net cash flows from operating activities have represented our primary source of funds for the growth of our business. Prior to our separation from Hill-Rom, cash flows from operating activities were fairly stable, generally following the pattern of our overall net income. This pattern is now less correlated as we incur non-cash related expenses (such as stock based compensation) and non-cash earnings (such as interest income on our note receivable from Forethought), and make our own income tax and pension payments as a separate public company. Interim periods can also be more volatile individually as they are affected to a greater degree by the seasonality of our revenues.

Our operating cash flow was $21.4 million higher in fiscal year 2009 as compared to fiscal year 2008. The noteworthy changes in its components were as follows:

We incurred $15.5 million more in separation costs in fiscal year 2008 compared to fiscal year 2009, substantially all of which were paid by the end of the period. This reduced both our profitability and our operating cash flow in fiscal 2008.

Cash payments for income taxes decreased $8.7 million from fiscal year 2008, including amounts paid to or received from Hill-Rom to settle our pre-separation income tax obligations. This change was the result of the timing between when we had made these payments to Hill-Rom (prior to separation) and the timing of when we now make them directly to tax authorities as a separate company.

We paid $3.2 million more in defined benefit plan contributions in fiscal year 2009 as compared to the prior year resulting from a discretionary payment of $7.8 million made this year. We made this payment in order to improve the funding level of our plans.

The significant items that help explain the change in our operating cash flows from fiscal year 2007 to fiscal year 2008 in the table above are as follows:

We incurred or were allocated an additional $10.5 million in separation costs in fiscal 2008 over fiscal 2007, substantially all of which were paid by the end of the period. This unfavorability affected both our profitability and our cash flow.

We paid approximately $8.8 million primarily related to establishing our own corporate infrastructure in fiscal 2008. Corporate infrastructure costs were somewhat offset by the $5.2 million reduction of corporate costs we paid Hill-Rom in fiscal 2008 compared to prior year.

We made a $4.0 million discretionary payment to fund one of our pension plans in the second half of fiscal 2008.

Investing Activities

Our net investing activities in fiscal year 2009 were essentially flat from the prior year. The modest change was due to cash invested in and returned from investment assets we received in connection with the separation.

Net cash used in investing activities in fiscal year 2008 decreased from the prior year due to lower capital spending of $5.6 million, along with the fact that some of the investments transferred to us at the time of separation returned capital of $5.7 million during the last six months of fiscal year 2008. In addition, $5.2 million of the reduction to our fiscal year 2008 investing activities resulted from cash outlays related to business acquisitions paid for in fiscal year 2007.

Financing Activities

Prior to our separation, our only financing activity was to provide the excess cash we generated to Hill-Rom as part of a centralized treasury management process. As a separate company, we now have our own treasury management system and have a $400 million revolving credit facility in place to finance business operations. In connection with the separation on March 31, 2008, we borrowed $250.0 million on the credit facility and used these funds to settle and distribute amounts to Hill-Rom. This distribution, along with other advances earlier in fiscal year 2008, resulted in net distributions to Hill-Rom of $290.3 million. Just prior to the separation, Hill-Rom transferred $110.0 million in cash to us. A final payment of $15.4 million was received from Hill-Rom in the third quarter of fiscal year 2008.

During our initial six months as a stand-alone company (third and fourth quarters of fiscal 2008), we utilized available cash on hand and operating cash flows to repay $165.0 million of the credit facility borrowings and pay cash dividends of $22.8 million. During fiscal year 2009, we borrowed $40.0 million to finance short term business needs and paid an additional $80.0 million on the facility, along with cash dividends of $45.6 million.

On July 24, 2008, our Board of Directors authorized the Company to repurchase up to $100 million of our outstanding common stock. The amount of repurchase activity will depend on a variety of factors including the level of cash generated from operations, the market price of our stock, repayments we elect to make on the credit facility, and the use of cash from operations in support of other business growth opportunities.

During fiscal year 2008, we elected to purchase 0.3 million shares of our common stock for $6.2 million. In fiscal year 2009, we purchased an additional 0.7 million shares for $12.5 million.

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12 Month Outlook

Operating activities

At the present time, we expect the future profitability of Batesville to drive our net operating cash flow. The specifics that follow are known factors that can introduce volatility to that general premise.

During fiscal year 2009, our pension asset values fluctuated significantly due to the volatility of the market. By September 30, 2009, our pension assets had actually generated a modest increase (5.3%) in fair value prior to considering the $7.8 million discretionary contribution we made during the fiscal year. Although it didn t impact our cash flow, the annual revaluation of our defined benefit obligations caused us to increase the liabilities on our balance sheet by $56.7 million, all of which was recorded to accumulated other comprehensive loss, net of tax. That increase was substantially driven by a decrease in the discount rate used to value the obligations. Although the discount rate does not have an immediate cash flow impact, it does mean that we expect to record defined benefit plan expenses in fiscal 2010 of nearly double the amount we incurred during fiscal 2009. Based upon our latest analysis, we anticipate making an additional discretionary contribution of approximately $3.0 million to our plans during fiscal 2010 to improve funding levels. This contribution is above the current minimum requirement. These amounts could change depending on changes in plan asset values over the next 12 months. Any contributions we make will reduce our net cash flow from operations.

As discussed in Note 2 to our consolidated financial statements in Part II, Item 8 of this 10-K, during fiscal 2010 we expect to receive the first annual interest payment of $10 million on our note receivable from Forethought, assuming that Forethought does not exercise its right to deferral under certain conditions. This payment will increase our net cash flow from operations. See *Other Liquidity Matters* below for more information.

During fiscal 2010, we anticipate setting aside assets for past and current participants in certain of our deferred compensation arrangements in the form of funded Rabbi trusts. Although the Company will continue to own the assets, the participants will be able to direct the investments, and our obligation to the participants will be limited to the investments in the trusts. Based upon the deferred compensation obligations as of September 30, 2009, that funding would be $5.6 million. This funding, and any additional amounts we contribute to the trusts on behalf of the participants in the future, will reduce our net cash flow from operations.

As discussed under Part I, Item 1A, Risk Factors as it relates to a potential adverse outcome in the ongoing antitrust litigation in which we are a defendant, we are currently exposed to the possibility of significant legal expenditures as a result of that matter. Since recent developments have been favorable to us, our exposure to, and expectation of, these costs is much lower than it has been in the past. Should there be a change in direction toward resolution of that matter, our legal costs could increase significantly over the $2.2 million we incurred in fiscal 2009.

For information regarding the risks we face, see the discussion under Part I, Item 1A, Risk Factors in this Form 10-K.

Investing activities

We are continuing to move forward with our acquisition strategy. As previously announced, we intend to utilize business acquisitions to increase the annual growth rate of our revenues and earnings. We are targeting one or more acquisitions over the next few years with purchase prices aggregating several hundred million dollars. However, any acquisition timetable depends on whether suitable opportunities are available. The timing or success of any acquisition effort cannot be predicted. We expect to fund future acquisitions primarily with cash on hand, cash flows from operations, and borrowings under our revolving credit facility.

We expect to utilize the Put to liquidate our UBS auction rate securities at par value ($30.1 million at September 30, 2009) during fiscal year 2010. See *Other Liquidity Matters* below for more information. This will result in a significant cash inflow from investing activities.

We can be called upon by our private equity limited partnership investments to provide additional investment funds, the maximum amount being $3.3 million in the aggregate.

Financing activities

In December 2008 we announced an increase in our quarterly dividend to $0.185 per common share. In fiscal 2010 we plan on paying cash dividends that will require about $11.4 million each quarter based on our outstanding common stock at September 30, 2009. We may use additional cash generated by the business to pay down our revolving credit facility, depending on our working capital needs. In fact, during October 2009, we paid down the credit facility another $10.0 million. As discussed under investing activities, we may utilize availability under the revolving credit facility to finance acquisitions. We may also continue purchasing additional shares of our common stock, depending on market conditions.

Summary of 12 Month Outlook

We believe that cash on hand, cash generated from operations, and cash available under our credit facility will be sufficient to fund operations, working capital needs, capital expenditure requirements, and financing obligations.

Other Liquidity Matters

At September 30, 2009, we held $47.2 million in a portfolio of ARS (consisting of highly rated tax exempt state and municipal securities, the majority of which are collateralized by student loans guaranteed by the U.S. government under the Federal Family Education Loan Program) recorded at fair value. We have estimated the current fair value of the portfolio using information provided by our investment advisors with expertise in valuing these securities, considering current liquidity limitations, interest rate risk, and the credit worthiness of the borrower, among other factors. The risk exists that the various valuation models utilized by our investment advisors will not reasonably predict the actual price necessary to attract interested buyers for these securities. As of September 30, 2009, the underlying securities in the portfolio consisted of creditworthy borrowers with AAA or A3 debt ratings. Market conditions and auction failures have adversely impacted the liquidity of these securities. The continuing effect of these conditions has led us to conclude that an orderly conversion of the portfolio into cash will likely be beyond September 30, 2010 (although we expect the Put discussed further below to allow us to complete the liquidation of a portion of the ARS in July 2010). Accordingly, we are classifying $18.8 million of these securities as non-current. If current market conditions do not improve, or worsen, we may not be able to readily convert these securities to cash, and our earnings could suffer as a result.

In November 2008 we received a Put from UBS that allows us to sell approximately $28.4 million of our existing auction rate securities (carrying value at September 30, 2009) at par value ($30.1 million at September 30, 2009) plus accrued interest. The Put has a carrying value based upon an estimated fair value of $1.7 million as of September 30, 2009. We may exercise the Put at anytime during the period of June 30, 2010, through July 2, 2012. Additionally, UBS may redeem these securities at par value plus accrued interest at any time prior to expiration at their discretion. We currently expect to utilize the Put to liquidate the applicable ARS position. We have classified this portion of our ARS portfolio as a component of current assets for the year ended September 30, 2009.

Although we are not dependent on any cash flows from our note receivable from Forethought (the Note) to fund our operating activities, we regularly evaluate the Note for impairment based upon collectability. If, based upon these evaluations, it is probable that the Note will not be paid in accordance with its terms, it will be deemed impaired. Based upon information available to us regarding conditions existing on or prior to September 30, 2009, the Note is not impaired. We estimate the fair value of the Note based upon a comparison to debt securities currently trading in an active market with similar characteristics of yield, duration, and credit risk, adjusted for liquidity considerations. We estimate that the fair value of the Note (and related interest receivable) has increased from $105.2 million at September 30, 2008, to $109.0 million at September 30, 2009. This increase in estimated fair value was caused by the natural decline in the period to maturity (closer to the collection date), and it was offset by an increase in the required yield to maturity (discount rate) observed in the marketplace on comparable debt instruments (adjusted for a liquidity premium). The model used in estimating the fair value of the Note primarily utilizes market data and is not intended to imply that some or all of the future payments due under the Note will not be collected when due from Forethought.

In March 2008, we established a $400 million five-year revolving credit facility (the Facility) with a syndicate of banks. The term of the Facility expires in March 2013. Borrowings under the Facility bear interest at variable rates, as defined therein. The availability of borrowings under the Facility is subject to our ability at the time of borrowing to meet certain specified conditions. These conditions include compliance with covenants contained in the credit agreement governing the Facility, absence of default under the Facility, and continued accuracy of certain representations and warranties contained in the credit agreement. The credit agreement contains covenants that, among other matters, require the Company to maintain a ratio of Consolidated Indebtedness to Consolidated EBITDA (each as defined in the credit agreement) of not more than 3.5:1.0 and a ratio of Consolidated EBITDA to interest expense of not less than 3.5:1.0. The proceeds of the Facility may be used: (i) for working capital and other lawful corporate purposes and (ii) to finance acquisitions.

As of September 30, 2009, we: (i) had $7.5 million outstanding, undrawn letters of credit under the Facility, (ii) were in compliance with all covenants set forth in the credit agreement, and (iii) had complete access to the remaining $332.5 million of borrowing capacity available under the Facility, respectively.

Off-Balance Sheet Arrangements

We have no significant off-balance sheet arrangements.

Contractual Obligations and Contingent Liabilities and Commitments

In this section we will tell you about the things we have committed to pay. This will help give you an understanding of the significance of cash outlays that are fixed (beyond the normal accounts payable we have already incurred and have on our books), unless we took some action to delay or cancel the need to pay.

To provide visibility to matters potentially impacting our liquidity position, the following table outlines our contractual obligations as of September 30, 2009 (*dollars in millions*):

	Payments Due by Period				
Contractual Obligations	**Total**	**Less Than 1 Year**	**1 3 Years**	**4 5 Years**	**After 5 Years**
Operating lease obligations	$ 13.9	$ 5.5	$ 7.1	$ 1.3	$
Purchase obligations (1)	24.4	24.4			
Deferred compensation arrangements (2)	5.6	0.8	1.2	1.1	2.5
Defined benefit plan funding (3)	86.8	2.4	5.1	5.3	74.0
Other long-term liabilities (4)	28.7	3.7	4.8	2.0	18.2
Capital call arrangements (5)	3.3	3.3			
Revolving credit facility (6)	60.0			60.0	
Total contractual cash obligations	$ 222.7	$ 40.1	$ 18.2	$ 69.7	$ 94.7

(1) Purchase obligations represent contractual obligations under various take-or-pay arrangements entered into as part of the normal course of business.

These commitments represent future purchases in line with expected usage to obtain favorable pricing. Also included are obligations related to purchase orders for which we have firm commitments related to order releases under the purchase orders. The amounts do not include obligations related to other purchase obligations that are not considered take-or-pay arrangements or subject to firm commitments. Such purchase obligations are primarily reflected in purchase orders at fair value that are part of normal operations, which we do not believe represent firm purchase commitments. We expect to fund these commitments with operating cash flows.

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(2) Deferred compensation arrangements represent amounts due current and former executives and directors in accordance with elective deferrals. Under our deferred compensation program, deferred amounts can appreciate over time based on the individual s election of either (a) a variable interest rate equal to the prime rate or (b) a phantom stock account whose value moves in accordance with the market value of our common stock and dividends paid by us. We currently expect to set aside sufficient assets to fully fund this obligation through the use of Rabbi trusts during fiscal 2010. Based upon the obligations at September 30, 2009, the funding would require $5.6 million. The anticipated funding of the Rabbi trusts is not included within

the table above.

(3) The defined benefit plan funding represents payments to comply with non-discretionary requirements based upon plan funding at September 30, 2009 and excludes our anticipated fiscal 2010 discretionary contribution of approximately $3.0 million. The anticipated contribution could change depending on market conditions.

(4) Other long-term liabilities include the forecasted liquidation of liabilities related to our casket pricing obligation, self-insurance reserves, and long-term severance payments.

(5) We could be called upon by our private equity limited partnership investments to provide additional investment funds, the maximum amount being $3.3 million in

aggregate.

(6) Our revolving credit facility expires in March 2013. Although we may make earlier principal payments at our discretion, we have reflected the principal balance due at expiration in the table above, because that is when we are required to repay.

In addition to the contractual obligations disclosed above, we also have a variety of other agreements related to the procurement of materials and services and other commitments. We are not subject to any contracts that obligate us to material non-cancelable commitments. While many of these agreements are long-term supply agreements, some of which are exclusive supply or complete requirements-based contracts, we are not committed under these agreements to accept or pay for requirements which are not needed to meet near term production requirements.

In connection with past acquisition activities, we have entered into certain guarantees and indemnifications of performance with respect to the fulfillment of our commitments under the respective purchase agreements. The arrangements generally indemnify the seller for damages associated with breach of contract, inaccuracies in representations and warranties surviving the closing date, and satisfaction of liabilities and commitments retained under the applicable contract. Those representations and warranties which survive closing generally survive for periods up to the maximum period allowed by the applicable statutes of limitations. Guarantees and indemnifications with respect to acquisition activities, if triggered, would not have