

DIAZ PAUL J
Form 4
March 23, 2009

FORM 4

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

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

(Print or Type Responses)

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

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

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

3. Date of Earliest Transaction
(Month/Day/Year)
03/20/2009

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

LOUISVILLE, KY 40202

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

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

(City) (State) (Zip)

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

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|
| | | | Code | V | Amount (D) Price | | |
| Common Stock | 03/20/2009 | | A | | 29,255 (1) \$ 0 | D | |

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

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SEC 1474
(9-02)

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

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| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount Underlying Securities (Instr. 3 and 4) | Amount or Number of Shares |
|---|---|---|---|---|--|--|--|-------------------------------------|
| | | | | Code V (A) (D) | | Date Exercisable Expiration Date | Title | |
| Employee Stock Option (Right to Buy) | \$ 15.06 | 03/20/2009 | | A | 6,640 | 03/20/2012 ⁽²⁾ 03/20/2016 | Common Stock | 6,640 |
| Employee Stock Option (Right to Buy) | \$ 15.06 | 03/20/2009 | | A | 59,102 | 03/20/2010 ⁽³⁾ 03/20/2016 | Common Stock | 59,102 |

Reporting Owners

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

Signatures

Paul J. Diaz 03/23/2009
 __Signature of Date
 Reporting Person

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) These shares represent restricted stock granted to the reporting person. These shares vest in approximately equal annual installments over four years commencing on 3/20/10.
- (2) This option becomes fully exercisable on 3/20/12.
- (3) This option becomes exercisable in the following cumulative installments: 21,914 on 3/20/10, 21,914 on 3/20/11 and 15,274 on 3/20/12.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.