

OSTERWEIS CAPITAL MANAGEMENT INC
Form SC 13G/A
February 15, 2011

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

SCHEDULE 13G

**Under the Securities Exchange Act of 1934
(Amendment No. 1)***

Healthsouth Corp.
(Name of Issuer)
Common Stock
(Title of Class of Securities)
421924309
(CUSIP Number)
December 31, 2010
(Date of Event Which Requires Filing of this Statement)

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

- Rule 13d-1(b)
- Rule 13d-1(c)
- Rule 13d-1(d)

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 421924309

1 NAMES OF REPORTING PERSONS
Osterweis Capital Management, Inc.

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

2
(a) p
(b) o

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION
California

5 SOLE VOTING POWER
NUMBER OF 1,809,454

6 SHARED VOTING POWER
SHARES BENEFICIALLY OWNED BY

7 SOLE DISPOSITIVE POWER
EACH REPORTING PERSON 1,811,679

8 SHARED DISPOSITIVE POWER
WITH:

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
1,811,679**

10 CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

o

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

1.92%***

12 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

IA

** Comprised of (1) 1,691,679 shares of common stock and (2) 120,000 shares of common stock issuable upon conversion of 3,660 shares of the Issuer's Series A Convertible Perpetual Preferred Stock.

*** Percentage ownership is based on 94,572,000 shares, the number of shares of the Issuer's common stock outstanding as of October 28, 2010 as reported in the Issuer's Form 10-Q for the quarter ended September 30, 2010, plus 1,126,066 shares of common stock issuable upon conversion of the Preferred Stock held by the joint filers.

CUSIP No. 421924309

1 NAMES OF REPORTING PERSONS
Osterweis Capital Management, LLC

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

2
(a) p
(b) o

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION
California

5 SOLE VOTING POWER
NUMBER OF 2,630,934

6 SHARED VOTING POWER
SHARES BENEFICIALLY OWNED BY

7 SOLE DISPOSITIVE POWER
EACH REPORTING PERSON 2,637,983

8 SHARED DISPOSITIVE POWER
WITH:

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
2,637,983**

10 CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

o

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

2.79%***

12 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

IA

** Comprised of (1) 1,631,917 shares of common stock and (2) 1,006,066 shares of common stock issuable upon conversion of 30,685 shares of the Issuer's Series A Convertible Perpetual Preferred Stock.

*** Percentage ownership is based on 94,572,000 shares, the number of shares of the Issuer's common stock outstanding as of October 28, 2010 as reported in the Issuer's Form 10-Q for the quarter ended September 30, 2010, plus 1,126,066 shares of common stock issuable upon conversion of the Preferred Stock held by the joint filers.

CUSIP No. 421924309

1 NAMES OF REPORTING PERSONS

John S. Osterweis

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

2

(a)

(b)

SEC USE ONLY

3

CITIZENSHIP OR PLACE OF ORGANIZATION

4

United States

SOLE VOTING POWER

5

NUMBER OF 4,440,388

SHARED VOTING POWER

SHARES BENEFICIALLY OWNED BY **6**

SOLE DISPOSITIVE POWER

EACH REPORTING PERSON **7**

4,449,662

WITH: SHARED DISPOSITIVE POWER

8

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

9

4,449,662**

10 CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

o

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

4.71%***

12 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

HC, IN

** Comprised of (1) 3,323,596 shares of common stock and (2) 1,126,066 shares of common stock issuable upon conversion of 34,345 shares of the Issuer's Series A Convertible Perpetual Preferred Stock.

*** Percentage ownership is based on 94,572,000 shares, the number of shares of the Issuer's common stock outstanding as of October 28, 2010 as reported in the Issuer's Form 10-Q for the quarter ended September 30, 2010, plus 1,126,066 shares of common stock issuable upon conversion of the Preferred Stock held by the joint filers.

Item 1.

(a) Name of Issuer

Healthsouth Corp.

(b) Address of Issuer's Principal Executive Offices

**One Health South Parkway
Birmingham, AL 35243**

Item 2.

(a) Name of Person Filing

(i) Osterweis Capital Management, Inc.

(ii) Osterweis Capital Management, LLC

(iii) John S. Osterweis

(b) Address of Principal Business office or, if None, Residence

(i) One Maritime Plaza, Suite 800, San Francisco, CA 94111

(ii) One Maritime Plaza, Suite 800, San Francisco, CA 94111

(iii) One Maritime Plaza, Suite 800, San Francisco, CA 94111

(c) Citizenship

(i) CA Corporation

(ii) CA Limited Liability Corporation

(iii) U.S. Citizen

(d) Title of Class Securities

Common Stock

(e) CUSIP Number

421924309

Item 3. If this statement is filed pursuant to Section 240.13d-1(b), or 240.13d-2(b) or (c), check whether the person filing is a:

- (a) **Broker or dealer registered under section 15 of the Act (15 U.S.C. 78o).**
- (b) **Bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c).**
- (c) **Insurance company as defined in section 3(a)(19) of the Act (15 U.S.C. 78c).**
- (d) **Investment company registered under section 8 of the Investment Company Act (15 U.S.C. 80a-8).**
- (e) **An investment adviser in accordance with Section 240.13d-1(b)(1)(ii)(E).**
- (f) **An employee benefit plan or endowment fund in accordance with Section 240.13d-1(b)(ii)(F).**
- (g) **A parent holding company or control person in accordance with Section 240.13d-1(b)(1)(ii)(G).**
- (h) **A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813).**
- (i) **A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3).**
- (j) **Group in accordance with Section 240.13d-1(b)(ii)(J).**

Item 4. Ownership

Common Stock:

- (a) **Amount Beneficially Owned: 4,449,662****
- (b) **Percent of Class: 4.71%*****
- (c) **Number of shares as to which the joint filers have:**
 - (i) **sole power to vote or to direct the vote: 4,440,388**
 - (ii) **shared power to vote or to direct the vote: _____**
 - (iii) **sole power to dispose or to direct the disposition of: 4,449,662**
 - (iv) **shared power to dispose of or to direct the disposition of:**

** Comprised of (1) 3,323,596 shares of common stock and (2) 1,126,066 shares of common stock issuable upon conversion of 34,345 shares of the Issuer's Series A Convertible Perpetual Preferred Stock (Preferred Stock).

*** Percentage ownership is based on 94,572,000 shares, the number of shares of the Issuer's common stock outstanding as of October 28, 2010 as reported in the Issuer's Form 10-Q for the quarter ended September 30, 2010, plus 1,126,066 shares of common stock issuable upon conversion of the Preferred Stock.

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

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

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

n/a

Item 7.

Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company.

See Exhibit C

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Item 8. Identification and Classification of Members of the Group.

See Exhibit A

Item 9. Notice of Dissolution of Group.

n/a

Item 10. Certification:

- (a) The following certification shall be included if the statement is filed pursuant to Section 240.13d-1(b):

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: February 14, 2011

/s/ John S. Osterweis

Signature

**By: John S. Osterweis, President of
Osterweis Capital Management, Inc.**

/s/ John S. Osterweis

Signature

**By: John S. Osterweis, President of
Osterweis Capital Management, LLC**

/s/ John S. Osterweis

Signature

**By: John S. Osterweis, Control Person of
Osterweis Capital Management, Inc. and
Osterweis Capital Management, LLC**

EXHIBIT A

Identification and Classification of Members of the Group

Pursuant to Rule 13d-1(b)(ii)(J) and Rule 13d-1(k)(1) under the Securities and Exchange Act of 1934, the members of the group making this joint filing are identified and classified as follows:

| Name | Classification |
|--|--|
| Osterweis Capital Management Inc. | Investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E) |
| Osterweis Capital Management LLC | Investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E) |
| John S. Osterweis | Parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G) |

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EXHIBIT B

Joint Filing Agreement Pursuant to Rule 13d-1

This agreement is made pursuant to Rule 13d-1(b)(ii)(J) and Rule 13d-1(k)(1) under the Securities and Exchange Act of 1934 (the Act) by and among the parties listed below, each referred to herein as a Joint Filer. The Joint Filers agree that a statement of beneficial ownership as required by Sections 13(g) or 13(d) of the Act and the Rules thereunder may be filed on each of their behalf on Schedule 13G or Schedule 13D, as appropriate, and that said joint filing may thereafter be amended by further joint filings. The Joint Filers state that they each satisfy the requirements for making a joint filing under Rule 13d-1.

Dated: February 14, 2011

/s/ John S. Osterweis

Signature

**By: John S. Osterweis, President of
Osterweis Capital Management, Inc.**

/s/ John S. Osterweis

Signature

**By: John S. Osterweis, President of
Osterweis Capital Management, LLC**

/s/ John S. Osterweis

Signature

**By: John S. Osterweis, Control Person of
Osterweis Capital Management, Inc. and
Osterweis Capital Management, LLC**

EXHIBIT C

Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company or Control Person

| Identity | Classification |
|--|--|
| Osterweis Capital Management Inc. | Investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E) |
| Osterweis Capital Management LLC | Investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E) |

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