

HEALTHSOUTH CORP  
Form 4  
July 16, 2015

**FORM 4**

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

OMB APPROVAL

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**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

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

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
SHAW L EDWARD JR

(Last) (First) (Middle)

11377 TURTLE BEACH ROAD, LOST TREE VILLAGE

(Street)

NORTH PALM BEACH, FL 33408

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol  
HEALTHSOUTH CORP [HLS]

3. Date of Earliest Transaction  
(Month/Day/Year)  
07/15/2015

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

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

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

**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)
				(A) or (D) Code V Amount (D) Price			
Healthsouth Common Stock	07/15/2015		A <sup>(1)</sup>	242 A \$ 0	74,078	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)**



4,307,305

**Net Investment Income**

9,283,941

**Realized Gain and Change in Unrealized Appreciation on Investments**

Net realized gain on security transactions

59,723,087

Net realized gain distributed by regulated investment company (non-controlled affiliate)

131,206

Net realized gain on written option contracts

4,740

Change in unrealized appreciation on securities

32,113,688

Change in unrealized appreciation on written option contracts

11,138

**Net Gain on Investments**

91,983,859

**Other Comprehensive Income (note 5)**

Defined benefit pension plans:

Amortization of net loss

76,163

**Other Comprehensive Income**

76,163

**Change in Net Assets Resulting from Operations**

\$101,343,963

Explanation of Responses:

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*The accompanying notes are an integral part of the financial statements.*

## STATEMENTS OF CHANGES IN NET ASSETS

	(unaudited) Six Months Ended June 30, 2014	Year Ended December 31, 2013
<b>From Operations:</b>		
Net investment income	\$ 9,283,941	\$ 18,656,769
Net realized gain on investments	59,859,033	57,371,366
Change in unrealized appreciation on investments	32,124,826	250,782,258
Change in accumulated other comprehensive income (note 5)	76,163	1,346,153
<i>Increase in net assets resulting from operations</i>	101,343,963	328,156,546
<b>Distributions to Shareholders from:</b>		
Net investment income	(6,577,519)	(20,354,079)
Net realized gain from investment transactions	(2,813,655)	(57,121,286)
<i>Decrease in net assets from distributions</i>	(9,391,174)	(77,475,365)
<b>From Capital Share Transactions:</b>		
Value of shares issued in payment of distributions (note 4)	5,773	26,419,945
Cost of shares purchased (note 4)	(6,138,017)	(11,659,522)
Deferred compensation (notes 4, 6)	130,780	112,279
<i>Change in net assets from capital share transactions</i>	(6,001,464)	14,872,702
<b>Total Increase in Net Assets</b>	<b>85,951,325</b>	<b>265,553,883</b>
<b>Net Assets:</b>		
Beginning of period	1,421,550,920	1,155,997,037
End of period (including undistributed net investment income of \$3,440,473 and \$734,051, respectively)	\$ 1,507,502,245	\$ 1,421,550,920

The accompanying notes are an integral part of the financial statements.

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NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

## 1. Significant Accounting Policies

The Adams Express Company (the Fund) is registered under the Investment Company Act of 1940 as a diversified investment company. The Fund is an internally-managed closed-end fund whose investment objectives are preservation of capital, the attainment of reasonable income from investments, and an opportunity for capital appreciation.

The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of estimates made by Fund management. Management believes that estimates and security valuations are appropriate; however, actual results may differ from those estimates, and the security valuations reflected in the financial statements may differ from the value the Fund ultimately realizes upon sale of the securities.

**Affiliated Companies** Investments in companies 5% or more of whose outstanding voting securities are held by the Company are defined as Affiliated Companies in Section 2(a)(3) of the Investment Company Act of 1940.

**Expenses** The Fund shares certain costs for investment research and data services, administration and operations, travel, training, office expenses, occupancy, accounting and legal services, insurance, and other miscellaneous items with its non-controlled affiliate, Petroleum & Resources Corporation. Expenses that are not solely attributable to one fund are allocated to each fund based on relative net asset values or, in the case of investment research staff and related costs, relative market values of portfolio securities in the particular sector of coverage. Expense allocations are updated quarterly, as appropriate, except those related to payroll, which are updated annually.

**Security Transactions and Investment Income** Investment transactions are accounted for on the trade date. Gain or loss on sales of securities and options is determined on the basis of specific identification. Dividend income and distributions to shareholders are recognized on the ex-dividend date, and interest income is recognized on the accrual basis.

**Security Valuation** The Fund's investments are reported at fair value as defined under accounting principles generally accepted in the United States of America. Investments in securities traded on national security exchanges are valued at the last reported sale price on the day of valuation. Over-the-counter and listed securities for which a sale price is not available are valued at the last quoted bid price. Short-term investments (excluding purchased options and money market funds) are valued at amortized cost, which approximates fair value. Purchased and written options are valued at the last quoted bid and asked price, respectively. Money market funds are valued at net asset value on the day of valuation.

Various inputs are used to determine the fair value of the Fund's investments. These inputs are summarized in the following three levels:

- Level 1 fair value is determined based on market data obtained from independent sources; for example, quoted prices in active markets for identical investments,
- Level 2 fair value is determined using other assumptions obtained from independent sources; for example, quoted prices for similar investments,

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Level 3 fair value is determined using the Fund's own assumptions, developed based on the best information available in the circumstances.

The Fund's investments at June 30, 2014 were classified as follows:

	Level 1	Level 2	Level 3	Total
Common stocks	\$ 1,497,450,280	\$	\$	\$ 1,497,450,280
Short-term investments	7,161,908			7,161,908
Total investments	\$ 1,504,612,188	\$	\$	\$ 1,504,612,188
Written options	\$ (25,480)	\$	\$	\$ (25,480)

There were no transfers into or from Level 1 or Level 2 during the six months ended June 30, 2014.

### 2. Federal Income Taxes

No federal income tax provision is required since the Fund's policy is to qualify as a regulated investment company under the Internal Revenue Code and to distribute substantially all of its taxable income to its shareholders. Additionally, management has analyzed and concluded that tax positions included in federal income tax returns from the previous three years that remain subject to examination do not require any provision. Any income tax-related interest or penalties would be recognized as income tax expense. As of June 30, 2014, the identified cost of securities for federal income tax purposes was \$1,080,377,311 and net unrealized appreciation aggregated \$424,234,877, consisting of gross unrealized appreciation of \$433,066,833 and gross unrealized depreciation of \$8,831,956.

Distributions are determined in accordance with our annual 6% minimum distribution rate commitment, based on the Fund's average market price, and income tax regulations, which may differ from generally accepted accounting principles. Such differences are primarily related to the Fund's retirement plans, equity-based compensation, and loss deferrals for wash sales. Differences that are permanent are reclassified in the capital accounts of the Fund's financial statements and have no impact on net assets.

### 3. Investment Transactions

The Fund's investment decisions are made by the portfolio management team with recommendations from the research staff. Purchases and sales of portfolio securities, other than options and short-term investments, during the six months ended June 30, 2014 were \$310,791,455 and \$318,132,034, respectively.

The Fund is subject to changes in the value of equity securities held ( equity price risk ) in the normal course of pursuing its investment objectives. The Fund may purchase and write option contracts to increase or decrease its equity price risk exposure or may write option contracts to generate additional income. Option contracts generally entail risks associated with counterparty credit, liquidity, and unfavorable equity price movements. The Fund has mitigated counterparty credit and

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

liquidity risks by trading its options through an exchange. The risk of unfavorable equity price movements is limited for purchased options to the premium paid and for written options by writing only covered call or collateralized put option contracts, which require the Fund to segregate certain securities or cash at its custodian when the option is written. A schedule of outstanding written option contracts as of June 30, 2014 can be found on page 13.

When the Fund writes (purchases) an option, an amount equal to the premium received (paid) by the Fund is recorded as a liability (asset) and is subsequently marked to market daily in the Statement of Assets and Liabilities, with any related change recorded as an unrealized gain or loss in the Statement of Operations. Premiums received (paid) from unexercised options are treated as realized gains (losses) on the expiration date and are separately identified in the Statement of Operations. Upon the exercise of written put (purchased call) option contracts, premiums received (paid) are deducted from (added to) the cost basis of the underlying securities purchased. Upon the exercise of written call (purchased put) option contracts, premiums received (paid) are added to (deducted from) the proceeds from the sale of underlying securities in determining whether there is a realized gain or loss.

Transactions in written covered call and collateralized put options during the six months ended June 30, 2014 were as follows:

	Covered Calls		Collateralized Puts	
	Contracts	Premiums	Contracts	Premiums
Options outstanding, December 31, 2013	40	\$ 2,560	40	\$ 4,740
Options written	120	8,580	34	6,018
Options terminated in closing purchase transactions				
Options expired			(40)	(4,740)
Options exercised	(40)	(2,560)		
Options outstanding, June 30, 2014	120	\$ 8,580	34	\$ 6,018

#### 4. Capital Stock

The Fund has 10,000,000 authorized and unissued preferred shares, \$0.001 par value.

During 2014, the Fund issued 442 shares of Common Stock at a weighted average price of \$13.02 per share as dividend equivalents to holders of deferred stock units and restricted stock units under the 2005 Equity Incentive Compensation Plan.

On December 27, 2013, the Fund issued 2,093,644 shares of its Common Stock at a price of \$12.61 per share (the average market price on December 9, 2013) to shareholders of record on November 25, 2013 who elected to take stock in payment of the distribution from 2013 capital gain and investment income. During 2013, 1,567 shares were issued at a weighted average price of \$12.15 per share as dividend equivalents to holders of deferred stock units and restricted stock units under the 2005 Equity Income Compensation Plan.

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The Fund may purchase shares of its Common Stock from time to time at such prices and amounts as the Board of Directors may deem advisable. In 2013, the Fund purchased 948,339 shares of its Common Stock, including 66,191 shares from the Fund's defined benefit plan trust and 26,271 shares from Petroleum & Resources Corporation's defined benefit plan trust. The cost of the shares purchased from the trusts was \$1,163,172, based on the closing market price on the date of the transaction. Transactions in Common Stock for 2014 and 2013 were as follows:

	Shares		Amount	
	Six months ended June 30, 2014	Year ended December 31, 2013	Six months ended June 30, 2014	Year ended December 31, 2013
Shares issued in payment of distributions				