

KINDRED HEALTHCARE, INC

Form SC 13G

October 22, 2007

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

SCHEDULE 13G

Under the Securities Exchange Act of 1934

KINDRED HEALTHCARE, INC.

(Name of Issuer)

Common Stock

(Title of Class of Securities)

494580103

(CUSIP Number)

October 11, 2007

(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. 494580103

1 NAMES OF REPORTING PERSONS
Highland Capital Management, L.P.

I.R.S. Identification Nos. of above persons (entities only).
75-2716725

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

2 (a)
(b)

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION
Delaware

5 SOLE VOTING POWER
NUMBER OF **2,050,430**

6 SHARED VOTING POWER
SHARES BENEFICIALLY OWNED BY **21,239**

7 SOLE DISPOSITIVE POWER
EACH REPORTING PERSON **2,050,430**

8 SHARED DISPOSITIVE POWER
WITH: **21,239**

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

2,071,669

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)

5.1%(1)

12 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

PN/IA

(1) Based on 40,883,579 shares of Issuer's Common Stock outstanding, reported on the Form 10-Q filed with the SEC by the Issuer on August 9, 2007.

CUSIP No. 494580103

1 NAMES OF REPORTING PERSONS
Strand Advisors, Inc.

I.R.S. Identification Nos. of above persons (entities only).
95-4440863

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

- 2**
- (a)
 - (b)

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION
Delaware

	5	SOLE VOTING POWER
NUMBER OF		2,050,430
SHARES	6	SHARED VOTING POWER
BENEFICIALLY		
OWNED BY		21,239
EACH	7	SOLE DISPOSITIVE POWER
REPORTING		
PERSON		2,050,430
WITH:	8	SHARED DISPOSITIVE POWER
		21,239

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

2,071,669

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)

5.1%(1)

12 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

CO/HC

(1) Based on 40,883,579 shares of Issuer's Common Stock outstanding, reported on the Form 10-Q filed with the SEC by the Issuer on August 9, 2007.

CUSIP No. 494580103

1 NAMES OF REPORTING PERSONS
James Dondero

I.R.S. Identification Nos. of above persons (entities only).

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

- 2**
(a)
(b)

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION
United States

NUMBER OF **5** SOLE VOTING POWER
2,050,430

SHARES BENEFICIALLY **6** SHARED VOTING POWER
OWNED BY **21,239**

EACH REPORTING **7** SOLE DISPOSITIVE POWER
PERSON **2,050,430**

WITH: **8** SHARED DISPOSITIVE POWER
21,239

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

2,071,669

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)

5.1%(1)

12 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

IN/HC

(1) Based on 40,883,579 shares of Issuer's Common Stock outstanding, reported on the Form 10-Q filed with the SEC by the Issuer on August 9, 2007.

CUSIP No. 494580103

1 NAMES OF REPORTING PERSONS
Highland Equity Opportunities Fund (1)

I.R.S. Identification Nos. of above persons (entities only).
20-4570552

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

- 2**
(a)
(b)

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION
Delaware

	5	SOLE VOTING POWER	
NUMBER OF		0	
SHARES		SHARED VOTING POWER	
BENEFICIALLY	6		
OWNED BY		21,239	
EACH		SOLE DISPOSITIVE POWER	
REPORTING	7		
PERSON		0	
WITH:		SHARED DISPOSITIVE POWER	
	8		
		21,239	

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

21,239

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)

0.1%(2)

12 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

OO

- (1) The Reporting Person may be deemed to be the beneficial owners of the shares of the Issuer's Common Stock beneficially owned by the other Reporting Persons. However, with respect to the matters described herein, no other Reporting Person may bind, obligate or take any action, directly or indirectly, on behalf of Highland Equity Opportunities Fund. The Reporting Person expressly disclaims membership in a group with respect to the issuer or securities of the issuer for the purposes of Section 13(d) or 13(g) of the Act.
- (2) Based on 40,883,579 shares of Issuer's Common Stock outstanding, reported on the Form 10-Q filed with the SEC by the Issuer on August 7, 2007.

Item 1(a) Name of Issuer:

Kindred Healthcare, Inc. (the *Issuer*).

Item 1(b) Address of Issuers Principal Executive Offices:

680 South Fourth St., Louisville, KY 40202.

Item 2(a) Name of Persons Filing:

This statement is filed by and on behalf of: (i) Highland Equity Opportunities Fund (*Equity Fund*); (ii) Highland Capital Management, L.P. (*Highland Capital*); (iii) Strand Advisors, Inc. (*Strand*); and (iv) James D. Dondero (*Dondero*).

Highland Capital principally serves as an investment adviser and/or manager to other persons, including Equity Fund; Highland Capital may be deemed to beneficially own shares owned and/or held by and/or for the account of and/or benefit of other persons, including Equity Fund. Strand serves as the general partner of Highland Capital; Strand may be deemed to beneficially own shares owned and/or held by and/or for the account of and/or benefit of Highland Capital. Dondero is the President and a director of Strand; Dondero may be deemed to beneficially own shares owned and/or held by and/or for the account of and/or benefit of Strand.

Each of the reporting persons declares that neither the filing of this statement nor anything herein shall be construed as an admission that such person is, for the purposes of Section 13(d) or 13(g) of the Act or any other purpose, the beneficial owner of any securities covered by this statement.

Each of the reporting persons may be deemed to be a member of a group with respect to the issuer or securities of the issuer for the purposes of Section 13(d) or 13(g) of the Act. Each of the reporting persons declares that neither the filing of this statement nor anything herein shall be construed as an admission that such person is, for the purposes of Section 13(d) or 13(g) of the Act or any other purpose, (i) acting (or has agreed or is agreeing to act together with any other person) as a partnership, limited partnership, syndicate, or other group for the purpose of acquiring, holding, or disposing of securities of the issuer or otherwise with respect to the issuer or any securities of the issuer or (ii) a member of any group with respect to the issuer or any securities of the issuer.

Item 2(b) Address of Principal Business Office or, if non Residence:

The address of the principal business office of each of the reporting persons is Two Galleria Tower, 13455 Noel Road, Suite 800, Dallas, Texas 75240.

Item 2(c) Citizenship:

See Item 4 of each cover page for the respective reporting persons.

Item 2(d) Title of Class of Securities:

Common Stock, par value \$0.25 per share (the *Common Stock*).

Item 2(e) CUSIP Number:

494580103.

Item 3 Status of Persons Filing.

Not applicable.

Item 4 Ownership.

(a) Amount Beneficially Owned:

See Item 9 of each cover page for the respective reporting persons.

(b) Percent of Class:

See Item 11 of each cover page for the respective reporting persons.

(c) Number of shares as to which the person has:

(i) Sole power to vote or to direct the vote:

See Item 5 of each cover page for the respective reporting persons.

(ii) Shared power to vote or to direct the vote:

See Item 6 of each cover page for the respective reporting persons.

(iii) Sole power to dispose or to direct the disposition of:

See Item 7 of each cover page for the respective reporting persons.

(iv) Shared power to dispose or to direct the disposition of:

See Item 8 of each cover page for the respective reporting persons.

Item 5 Ownership of 5% or Less of a Class.

Not applicable.

Item 6 Ownership of More than 5% on Behalf of Another Person.

Highland Capital serves as an investment adviser and/or manager to other persons, including Equity Fund; Highland Capital may be deemed to beneficially own shares owned and/or held by and/or for the account and/or benefit of other person, including Equity Fund. Equity Fund may have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, shares owned and/or held by and/or for the account and/or benefit of other reporting persons.

Item 7 Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company or Control Person.

Not applicable.

Item 8 Identification and Classification of Members of the Group.

Not applicable.

Item 9 Notice of Dissolution of Group.

Not applicable.

Item 10 Certifications.

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above 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.

SIGNATURES

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: October 22, 2007

Highland Equity Opportunities Fund

By: Highland Fund I, its management investment company

By: /s/ James D. Dondero

James D. Dondero, President

Highland Capital Management, L.P.

By: Strand Advisors, Inc., its general partner

By: /s/ James D. Dondero

James D. Dondero, President

Strand Advisors, Inc.

By: /s/ James D. Dondero

James D. Dondero, President

James D. Dondero

/s/ James D. Dondero