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Counsel for Highland Capital Management Fund  
Advisors, L.P. and NexPoint Advisors, L.P.

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

	)	
In re:	)	Chapter 11
	)	
HIGHLAND CAPITAL MANAGEMENT, L.P.	)	Case No. 19-34054 (SGJ11)
	)	
Debtor.	)	
	)	
	)	

**ADVISORS’ WITNESS AND EXHIBIT LIST FOR  
HEARING ON STAY PENDING APPEAL**

TO THE HONORABLE STACEY G.C. JERNIGAN, U.S. BANKRUPTCY JUDGE:

Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P. (the “Movants”), hereby file this witness and exhibit list for the March 19, 2021 hearing, and any continuation thereof, on their *Emergency Motion for Stay Pending Appeal of the Confirmation Order, and Brief In Support Thereof* [docket no. 1955].

**I. EXHIBITS**

The Advisors designate the following exhibits:

- A. Confirmation Order;
- B. Disclosure Statement;
- C. Transcript Confirmation Hearing February 2, 2021;



- D. Transcript Confirmation Hearing February 3, 2021;
- E. Transcript Confirmation Hearing February 8, 2021;
- F. Supplemental Tabulation of Voting;
- G. Plan Projections (Confirmation Debtor Exhibit DDDDDDD);
- H. Notice of Appeal;
- I. Order Certifying Appeal for Direct Appeal;
- J. Evidence of Partial Transfer of Claim (Beispiel);
- K. Evidence of Partial Transfer of Claim (Jeong);
- L. Evidence of Partial Transfer of Claim (Stewart);
- M. Evidence of Partial Transfer of Claim (Jain);
- N. Any exhibit designated by any other party;
- O. Rebuttal and impeachment exhibits as appropriate.

**II. WITNESSES**

- 1. Any witness designated by any other party;
- 2. Rebuttal and impeachment witnesses as appropriate.

RESPECTFULLY SUBMITTED this 17th day of March, 2021.

**MUNSCH HARDT KOPF & HARR, P.C.**

By: /s/ Davor Rukavina  
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**COUNSEL FOR HIGHLAND CAPITAL  
MANAGEMENT FUND ADVISORS, L.P., AND  
NEXPOINT ADVISORS, L.P.**

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that, on this the 17th day of March, 2021, true and correct copies of this document, with the exhibits attached thereto, were electronically served on parties entitled to notice thereof, including on counsel for the Debtor.

/s/ Davor Rukavina  
Davor Rukavina



CLERK, U.S. BANKRUPTCY COURT  
NORTHERN DISTRICT OF TEXAS

**ENTERED**

THE DATE OF ENTRY IS ON  
THE COURT'S DOCKET

The following constitutes the ruling of the court and has the force and effect therein described.

Signed February 22, 2021

United States Bankruptcy Judge

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

In re:

HIGHLAND CAPITAL MANAGEMENT, L.P.,<sup>1</sup>

Debtor.

) Chapter 11

) Case No. 19-34054-sgj11

**ORDER (I) CONFIRMING THE FIFTH AMENDED  
PLAN OF REORGANIZATION OF HIGHLAND CAPITAL  
MANAGEMENT, L.P. (AS MODIFIED) AND (II) GRANTING RELATED RELIEF**

The Bankruptcy Court<sup>2</sup> having:

- a. entered, on November 24, 2020, the *Order (A) Approving the Adequacy of the Disclosure Statement, (B) Scheduling A Hearing to Confirm the Fifth Amended Plan of Reorganization (C) Establishing Deadline for Filing Objections to Confirmation of Plan, (D) Approving Form of Ballots, Voting Deadline and Solicitation Procedures, and (E) Approving Form and Manner of Notice* [Docket No. 1476] (the “Disclosure Statement Order”), pursuant to which the Bankruptcy Court approved the adequacy of the *Disclosure Statement Relating to the Fifth*

<sup>1</sup> The Debtor’s last four digits of its taxpayer identification number are (6725). The headquarters and service address for the above-captioned Debtor is 300 Crescent Court, Suite 700, Dallas, TX 75201.

<sup>2</sup> Capitalized terms used but not otherwise defined herein have the meanings given to them in the Plan (as defined below). The rules of interpretation set forth in Article I of the Plan apply to this Confirmation Order.



*Amended Plan of Reorganization of Highland Capital Management, L.P.* [Docket No. 1473] (the “Disclosure Statement”) under section 1125 of the Bankruptcy Code and authorized solicitation of the Disclosure Statement;

- b. set January 5, 2021, at 5:00 p.m. prevailing Central Time (the “Objection Deadline”), as the deadline for filing objections to confirmation of the *Fifth Amended Plan of Reorganization of Highland Capital Management, L.P. (As Modified)* [Docket No. 1808] (as amended, supplemented or modified, the “Plan”);
- c. set January 5, 2021, at 5:00 p.m. prevailing Central Time, as the deadline for voting on the Plan (the “Voting Deadline”) in accordance with the Disclosure Statement Order;
- d. initially set January 13, 2021, at 9:30 a.m. prevailing Central Time, as the date and time to commence the hearing to consider confirmation of the Plan pursuant to Bankruptcy Rules 3017 and 3018, sections 1126, 1128, and 1129 of the Bankruptcy Code, and the Disclosure Statement Order, which hearing was continued to January 26, 2021, at 9:30 a.m. prevailing Central Time and further continued to February 2, 2021;
- e. reviewed: (i) the Plan; (ii) the Disclosure Statement; and (iii) *Notice of (I) Entry of Order Approving Disclosure Statement; (II) Hearing to Confirm; and (III) Related Important Dates* (the “Confirmation Hearing Notice”), the form of which is attached as Exhibit 1-B to the Disclosure Statement Order;
- f. reviewed: (i) the *Debtor’s Notice of Filing of Plan Supplement for the Third Amended Plan of Reorganization of Highland Capital Management, L.P.* [Docket No. 1389] filed November 13, 2020; (ii) *Debtor’s Notice of Filing of Plan Supplement for the Fifth Amended Plan of Reorganization of Highland Capital Management, L.P.* [Docket No. 1606] filed on December 18, 2020; (iii) the *Debtor’s Notice of Filing of Plan Supplement for the Fifth Amended Plan of Reorganization of Highland Capital Management, L.P.* [Docket No. 1656] filed on January 4, 2021; (iv) *Notice of Filing Plan Supplement to the Fifth Amended Plan of Reorganization of Highland Capital Management, L.P. (with Technical Modifications)* dated January 22, 2021 [Docket No. 1811]; and (v) *Debtor’s Notice of Filing of Plan Supplement to the Fifth Amended Plan of Reorganization of Highland of Highland Capital Management, L.P. (As Modified)* on February 1, 2021 [Docket No. 1875]; (collectively, the documents listed in (i) through (v) of this paragraph, the “Plan Supplements”);
- g. reviewed: (i) the *Notice of (I) Executory Contracts and Unexpired Leases to be Assumed by the Debtor Pursuant to the Fifth Amended Plan, (II) Cure Amounts, if Any, and (III) Related Procedures in Connection Therewith* filed on December 30, 2020 [Docket No. 1648]; (ii) the *Second Notice of (I) Executory Contracts and*

*Unexpired Leases to be Assumed by the Debtor Pursuant to the Fifth Amended Plan, (II) Cure Amounts, if Any, and (III) Related Procedures in Connection Therewith* filed on January 11, 2021 [Docket No.1719]; (iii) the *Third Notice of (I) Executory Contracts and Unexpired Leases to be Assumed by the Debtor Pursuant to the Fifth Amended Plan, (II) Cure Amounts, if Any, and (III) Related Procedures in Connection Therewith* filed on January 15, 2021 [Docket No. 1749]; (iv) the *Notice of Withdrawal of Certain Executory Contracts and Unexpired Leases from List of Executory Contracts and Unexpired Leases to be Assumed by the Debtor Pursuant to the Fifth Amended Plan* [Docket No. 1791]; (v) the *Fourth Notice of (I) Executory Contracts and Unexpired Leases to be Assumed by the Debtor Pursuant to the Fifth Amended Plan (II) Cure Amounts, if Any, and (III) Released Procedures in Connection Therewith* filed on January 27, 2021 [Docket No. 1847]; (vi) the *Notice of Hearing on Agreed Motion to (I) Assume Nonresidential Real Property Lease with Crescent TC Investors, L.P. Upon Confirmation of Plan and (II) Extend Assumption Deadline* filed on January 28, 2021 [Docket No. 1857]; and (vii) the *Fifth Notice of (I) Executory Contracts and Unexpired Leases to be Assumed by the Debtor Pursuant to the Fifth Amended Plan (II) Cure Amounts, if Any, and (III) Released Procedures in Connection Therewith* filed on February 1, 2021 [Docket No. 1873] (collectively, the documents referred to in (i) to (vii) are referred to as “List of Assumed Contracts”);

- h. reviewed: (i) the *Debtor’s Memorandum of Law in Support of Confirmation of the Fifth Amended Plan of Reorganization of Highland Capital Management, L.P.* [Docket No. 1814] (the “Confirmation Brief”); (ii) the *Debtor’s Omnibus Reply to Objections to Confirmation of the Fifth Amended Chapter 11 Plan of Reorganization of Highland Capital Management*; [Docket No. 1807]; and (iii) the *Certification of Patrick M. Leathem With Respect to the Tabulation of Votes on the Fifth Amended Plan of Reorganization of Highland Capital Management, L.P.* [Docket No. 1772] and *Supplemental Certification of Patrick M. Leathem With Respect to the Tabulation of Votes on the Fifth Amended Plan of Reorganization of Highland Capital Management, L.P.* [Docket No. 1887] filed on February 3, 2021 (together, the “Voting Certifications”).
- i. reviewed: (i) the *Notice of Affidavit of Publication* dated December 3, 2020 [Docket No. 1505]; (ii) the *Certificate of Service* dated December 23, 2020 [Docket No. 1630]; (iii) the *Supplemental Certificate of Service* dated December 24, 2020 [Docket No. 1637]; (iv) the *Second Supplemental Certificate of Service* dated December 31, 2020 [Docket No. 1653]; (v) the *Certificate of Service* dated December 23, 2020 [Docket No. 1627]; (vi) the *Certificate of Service* dated January 6, 2021 [Docket No. 1696]; (vii) the *Certificate of Service* dated January 7, 2021 [Docket No. 1699]; (viii) the *Certificate of Service* dated January 7, 2021 [Docket No 1700]; (ix) the *Certificate of Service* dated January 15, 2021 [Docket No. 1761]; (x) the *Certificate of Service* dated January 19, 2021 [Docket No. 1775]; (xi) the

*Certificate of Service* dated January 20, 2021 [Docket No. 1787]; (xii) the *Certificate of Service* dated January 26, 2021 [Docket No. 1844]; (xiii) the *Certificate of Service* dated January 27, 2021 [Docket No. 1854]; (xiv) the *Certificate of Service* dated February 1, 2021 [Docket No. 1879]; (xv) the *Certificates of Service* dated February 3, 2021 [Docket No. 1891 and 1893]; and (xvi) the *Certificates of Service* dated February 5, 2021 [Docket Nos. 1906, 1907, 1908 and 1909] (collectively, the “Affidavits of Service and Publication”);

- j. reviewed all filed<sup>3</sup> pleadings, exhibits, statements, and comments regarding approval of the Disclosure Statement and confirmation of the Plan, including all objections, statements, and reservations of rights;
- k. conducted a hearing to consider confirmation of the Plan, which commenced on February 2, 2021, at 9:30 a.m. prevailing Central Time and concluded on February 3, 2021, and issued its oral ruling on February 8, 2021 (collectively, the “Confirmation Hearing”);
- l. heard the statements and arguments made by counsel in respect of confirmation of the Plan and having considered the record of this Chapter 11 Case and taken judicial notice of all papers and pleadings filed in this Chapter 11 Case; and
- m. considered all oral representations, testimony, documents, filings, and other evidence regarding confirmation of the Plan, including (a) all of the exhibits admitted into evidence;<sup>4</sup> (b) the sworn testimony of (i) James P. Seery, Jr., the Debtor’s Chief Executive Officer and Chief Restructuring Officer and a member of the Board of Directors of Strand Advisors, Inc. (“Strand”), the Debtor’s general partner; (ii) John S. Dubel, a member of the Board of Strand; (iii) Marc Tauber, a Vice President at Aon Financial Services; and (iv) Robert Jason Post, the Chief Compliance Officer of NexPoint Advisors, LP (collectively, the “Witnesses”); (c) the credibility of the Witnesses; and (d) the Voting Certifications.

NOW, THEREFORE, after due deliberation thereon and good cause appearing therefor, the Bankruptcy Court hereby makes and issues the following findings of fact and conclusions of law:

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<sup>3</sup> Unless otherwise indicated, use of the term “filed” herein refers also to the service of the applicable document filed on the docket in this Chapter 11 Case, as applicable.

<sup>4</sup> The Court admitted the following exhibits into evidence: (a) all of the Debtor’s exhibits lodged at Docket No. 1822 (except TTTTT, which was withdrawn by the Debtor); (b) all of the Debtor’s exhibits lodged at Docket No. 1866; (c) all of the Debtor’s exhibits lodged at Docket No. 1877; (d) all of the Debtor’s exhibits lodged at Docket No. 1895; and (e) Exhibits 6-12 and 15-17 offered by Mr. James Dondero and lodged at Docket No. 1874.

## FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. **Findings of Fact and Conclusions of Law.** The findings and conclusions set forth herein, together with the findings of fact and conclusions of law set forth in the record during the Confirmation Hearing, constitute the Bankruptcy Court’s findings of fact and conclusions of law pursuant to Federal Rule of Civil Procedure 52, made applicable to this proceeding pursuant to Bankruptcy Rules 7052 and 9014. To the extent any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent that any of the following conclusions of law constitute findings of fact, they are adopted as such.

2. **Introduction and Summary of the Plan.** Prior to addressing the specific requirements under the Bankruptcy Code and Bankruptcy Rules with respect to the confirmation of the Plan, the Bankruptcy Court believes it would be useful to first provide the following background of the Debtor’s Chapter 11 Case, the parties involved therewith, and some of the major events that have transpired culminating in the filing and solicitation of the Plan of this very unusual case. Before the Bankruptcy Court is the *Debtor’s Fifth Amended Plan of Reorganization of Highland Capital Management, L.P.*, filed on November 24, 2020, as modified on January 22, 2021 and again on February 1, 2021. The parties have repeatedly referred to the Plan as an “asset monetization plan” because it involves the orderly wind-down of the Debtor’s estate, including the sale of assets and certain of its funds over time, with the Reorganized Debtor continuing to manage certain other funds, subject to the oversight of the Claimant Trust Oversight Board. The Plan provides for a Claimant Trust to, among other things, manage and monetize the Claimant Trust Assets for the benefit of the Debtor’s economic stakeholders. The Claimant Trustee is responsible

for this process, among other duties specified in the Plan's Claimant Trust Agreement. There is also anticipated to be a Litigation Sub-trust established for the purpose of pursuing certain avoidance or other causes of action for the benefit of the Debtor's economic constituents.

3. **Confirmation Requirements Satisfied.** The Plan is supported by the Committee and all claimants with Convenience Claims (*i.e.*, general unsecured claims under \$1 million) who voted in Class 7. Claimants with Class 8 General Unsecured Claims, however, voted to reject the Plan because, although the Plan was accepted by 99.8% of the amount of Claims in that class, only 17 claimants voted to accept the Plan while 27 claimants voted to reject the Plan. As a result of such votes, and because Mr. Dondero and the Dondero Related Entities (as defined below) objected to the Plan on a variety of grounds primarily relating to the Plan's release, exculpation and injunction provisions, the Bankruptcy Court heard two full days of evidence on February 2 and 3, 2021, and considered testimony from five witnesses and thousands of pages of documentary evidence in determining whether the Plan satisfies the confirmation standards required under the Bankruptcy Code. The Bankruptcy Court finds and concludes that the Plan meets all of the relevant requirements of sections 1123, 1124, and 1129, and other applicable provisions of the Bankruptcy Code, as more fully set forth below with respect to each of the applicable confirmation requirements.

4. **Not Your Garden Variety Debtor.** The Debtor's case is not a garden variety chapter 11 case. The Debtor is a multibillion-dollar global investment adviser registered with the SEC, pursuant to the Investment Advisers Act of 1940. It was founded in 1993 by James Dondero and Mark Okada. Mark Okada resigned from his role with Highland prior to the

bankruptcy case being filed on October 16, 2019 (the “Petition Date”). Mr. Dondero controlled the Debtor as of the Petition Date but agreed to relinquish control of it on or about January 9, 2020, pursuant to an agreement reached with the Committee, as described below. Although Mr. Dondero remained with the Debtor as an unpaid employee/portfolio manager after January 9, 2020, his employment with the Debtor terminated on October 9, 2020. Mr. Dondero continues to work for and/or control numerous non-debtor entities in the complex Highland enterprise.

5. **The Debtor.** The Debtor is headquartered in Dallas, Texas. As of the Petition Date, the Debtor employed approximately 76 employees. The Debtor is privately-owned: (a) 99.5% by the Hunter Mountain Investment Trust; (b) 0.1866% by The Dugaboy Investment Trust, a trust created to manage the assets of Mr. Dondero and his family; (c) 0.0627% by Mark Okada, personally and through family trusts; and (d) 0.25% by Strand, the Debtor’s general partner.

6. **The Highland Enterprise.** Pursuant to various contractual arrangements, the Debtor provides money management and advisory services for billions of dollars of assets, including collateralized loan obligation vehicles (“CLOs”), and other investments. Some of these assets are managed by the Debtor pursuant to shared services agreements with certain affiliated entities, including other affiliated registered investment advisors. In fact, there are approximately 2,000 entities in the byzantine complex of entities under the Highland umbrella. None of these affiliated entities filed for chapter 11 protection. Most, but not all, of these entities are not subsidiaries (direct or indirect) of the Debtor. Many of the Debtor’s affiliated companies are

offshore entities, organized in jurisdictions such as the Cayman Islands and Guernsey. *See* Disclosure Statement, at 17-18.

7. **Debtor’s Operational History.** The Debtor’s primary means of generating revenue has historically been from fees collected for the management and advisory services provided to funds that it manages, plus fees generated for services provided to its affiliates. For additional liquidity, the Debtor, prior to the Petition Date, would sell liquid securities in the ordinary course, primarily through a brokerage account at Jefferies, LLC. The Debtor would also, from time to time, sell assets at non-Debtor subsidiaries and cause those proceeds to be distributed to the Debtor in the ordinary course of business. The Debtor’s current Chief Executive Officer, James P. Seery, Jr., credibly testified at the Confirmation Hearing that the Debtor was “run at a deficit for a long time and then would sell assets or defer employee compensation to cover its deficits.” The Bankruptcy Court cannot help but wonder if that was necessitated because of enormous litigation fees and expenses incurred by the Debtor due to its culture of litigation—as further addressed below.

8. **Not Your Garden Variety Creditor’s Committee.** The Debtor and this chapter 11 case are not garden variety for so many reasons. One of the most obvious standouts in this case is the creditor constituency. The Debtor did not file for bankruptcy because of any of the typical reasons that large companies file chapter 11. For example, the Debtor did not have a large, asset-based secured lender with whom it was in default; it only had relatively insignificant secured indebtedness owing to Jeffries, with whom it had a brokerage account, and one other entity, Frontier State Bank. The Debtor also did not have problems with its trade vendors or landlords.

The Debtor also did not suffer any type of catastrophic business calamity. In fact, the Debtor filed for Chapter 11 protection six months before the onset of the COVID-19 pandemic. Rather, the Debtor filed for Chapter 11 protection due to a myriad of massive, unrelated, business litigation claims that it faced—many of which had finally become liquidated (or were about to become liquidated) after a decade or more of contentious litigation in multiple forums all over the world. The Committee in this case has referred to the Debtor—under its former chief executive, Mr. Dondero—as a “serial litigator.” The Bankruptcy Court agrees with that description. By way of example, the members of the Committee (and their history of litigation with the Debtor and others in the Highland complex) are as follows:

- a. **The Redeemer Committee of the Highland Crusader Fund (the “Redeemer Committee”).** This Committee member obtained an arbitration award against the Debtor in the amount of \$190,824,557, inclusive of interest, approximately five months before the Petition Date, from a panel of the American Arbitration Association. It was on the verge of having that award confirmed by the Delaware Chancery Court immediately prior to the Petition Date, after years of disputes that started in late 2008 (and included legal proceedings in Bermuda). This creditor’s claim was settled during this Chapter 11 Case in the amount of approximately \$137,696,610 (subject to other adjustments and details not relevant for this purpose).
- b. **Acis Capital Management, L.P., and Acis Capital Management GP, LLC (“Acis”).** Acis was formerly in the Highland complex of companies, but was not affiliated with Highland as of the Petition Date. This Committee member and its now-owner, Joshua Terry, were involved in litigation with the Debtor dating back to 2016. Acis was forced by Mr. Terry (who was a former Highland portfolio manager) into an involuntary chapter 11 bankruptcy in the Bankruptcy Court for the Northern District of Texas, Dallas Division before the Bankruptcy Court in 2018, after Mr. Terry obtained an approximately \$8 million arbitration award and judgment against Acis. Mr. Terry ultimately was awarded the equity ownership of Acis by the Bankruptcy Court in the Acis bankruptcy case. Acis subsequently asserted a multi-million dollar claim against Highland in the Bankruptcy Court for Highland’s alleged denuding of Acis to defraud its creditors—primarily Mr. Terry. The litigation involving Acis and Mr. Terry dates back to mid-2016 and has

continued on with numerous appeals of Bankruptcy Court orders, including one appeal still pending at the Fifth Circuit Court of Appeals. There was also litigation involving Mr. Terry and Acis in the Royal Court of the Island of Guernsey and in a state court in New York. The Acis claim was settled during this Chapter 11 Case, in Bankruptcy Court-ordered mediation, for approximately \$23 million (subject to other details not relevant for this purpose), and is the subject of an appeal being pursued by Mr. Dondero.

- c. **UBS Securities LLC and UBS AG London Branch (“UBS”).** UBS is a Committee member that filed a proof of claim in the amount of \$1,039,957,799.40 in this Chapter 11 Case. The UBS Claim was based on a judgment that UBS received from a New York state court in 2020. The underlying decision was issued in November 2019, after a multi-week bench trial (which had occurred many months earlier) on a breach of contract claim against non-Debtor entities in the Highland complex. The UBS litigation related to activities that occurred in 2008 and 2009. The litigation involving UBS and Highland and affiliates was pending for more than a decade (there having been numerous interlocutory appeals during its history). The Debtor and UBS recently announced an agreement in principle for a settlement of the UBS claim (which came a few months after Bankruptcy Court-ordered mediation) which will be subject to a 9019 motion to be filed with the Bankruptcy Court on a future date.
- d. **Meta-E Discovery (“Meta-E”).** Meta-E is a Committee member that is a vendor who happened to supply litigation and discovery-related services to the Debtor over the years. It had unpaid invoices on the Petition Date of more than \$779,000.

It is fair to say that the members of the Committee in this case all have wills of steel. They fought hard before and during this Chapter 11 Case. The members of the Committee, all of whom have volunteered to serve on the Claimant Trust Oversight Board post-confirmation, are highly sophisticated and have had highly sophisticated professionals representing them. They have represented their constituency in this case as fiduciaries extremely well.

9. **Other Key Creditor Constituents.** In addition to the Committee members who were all embroiled in years of litigation with Debtor and its affiliates in various ways, the Debtor has been in litigation with Patrick Daugherty, a former limited partner and employee of the Debtor, for many years in both Delaware and Texas state courts. Mr. Daugherty filed an amended

proof of claim in this Chapter 11 Case for \$40,710,819.42 relating to alleged breaches of employment-related agreements and for defamation arising from a 2017 press release posted by the Debtor. The Debtor and Mr. Daugherty recently announced a settlement of Mr. Daugherty's claim pursuant to which he will receive \$750,000 in cash on the Effective Date of the Plan, an \$8.25 million general unsecured claim, and a \$2.75 million subordinated claim (subject to other details not relevant for this purpose). Additionally, entities collectively known as "HarbourVest" invested more than \$70 million with an entity in the Highland complex and asserted a \$300 million proof of claim against the Debtor in this case, alleging, among other things, fraud and RICO violations. HarbourVest's claim was settled during the bankruptcy case for a \$45 million general unsecured claim and a \$35 million subordinated claim, and that settlement is also being appealed by a Dondero Entity.

10. **Other Claims Asserted.** Other than the Claims just described, most of the other Claims in this Chapter 11 Case are Claims asserted against the Debtor by: (a) entities in the Highland complex—most of which entities the Bankruptcy Court finds to be controlled by Mr. Dondero; (b) employees who contend that are entitled to large bonuses or other types of deferred compensation; and (c) numerous law firms that worked for the Debtor prior to the Petition Date and had outstanding amounts due for their prepetition services.

11. **Not Your Garden Variety Post-Petition Corporate Governance Structure.** Yet another reason this is not your garden variety chapter 11 case is its post-petition corporate governance structure. Immediately from its appointment, the Committee's relationship with the Debtor was contentious at best. First, the Committee moved for a change of venue from

Delaware to Dallas. Second, the Committee (and later, the United States Trustee) expressed its then-desire for the appointment of a chapter 11 trustee due to its concerns over and distrust of Mr. Dondero, his numerous conflicts of interest, and his history of alleged mismanagement (and perhaps worse).

12. **Post-Petition Corporate Governance Settlement with Committee.** After spending many weeks under the threat of the potential appointment of a trustee, the Debtor and Committee engaged in substantial and lengthy negotiations resulting in a corporate governance settlement approved by the Bankruptcy Court on January 9, 2020.<sup>5</sup> As a result of this settlement, among other things, Mr. Dondero relinquished control of the Debtor and resigned his positions as an officer or director of the Debtor and its general partner, Strand. As noted above, Mr. Dondero agreed to this settlement pursuant a stipulation he executed,<sup>6</sup> and he also agreed not to cause any Related Entity (as defined in the Settlement Motion) to terminate any agreements with the Debtor. The January 9 Order also (a) required that the Bankruptcy Court serve as “gatekeeper” prior to the commencement of any litigation against the three independent board members appointed to oversee and lead the Debtor’s restructuring in lieu of Mr. Dondero and (b) provided for the exculpation of those board members by limiting claims subject to the “gatekeeper” provision to those alleging willful misconduct and gross negligence.

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<sup>5</sup> This order is hereinafter referred to as the “January 9 Order” and was entered by the Court on January 9, 2020 [Docket No. 339] pursuant to the *Motion of the Debtor to Approve Settlement with Official Committee of Unsecured Creditors Regarding the Governance of the Debtor and Procedures for Operation in the Ordinary Course* [Docket No. 281] (the “Settlement Motion”).

<sup>6</sup> See *Stipulation in Support of Motion of the Debtor for Approval of Settlement With the Official Committee of Unsecured Creditors Regarding Governance of the Debtor and Procedures for Operations in Ordinary Course* [Docket No. 338] (the “Stipulation”).

13. **Appointment of Independent Directors.** As part of the Bankruptcy Court-approved settlement, three eminently qualified independent directors were chosen to lead Highland through its Chapter 11 Case. They are: James P. Seery, Jr., John S. Dubel (each chosen by the Committee), and Retired Bankruptcy Judge Russell Nelms. These three individuals are each technically independent directors of Strand (Mr. Dondero had previously been the sole director of Strand and, thus, the sole person in ultimate control of the Debtor). The three independent board members' resumes are in evidence. The Bankruptcy Court later approved Mr. Seery's appointment as the Debtor's Chief Executive Officer, Chief Restructuring Officer, and Foreign Representative. Suffice it to say that this settlement and the appointment of the independent directors changed the entire trajectory of the case and saved the Debtor from the appointment of a trustee. The Bankruptcy Court and the Committee each trusted the independent directors. They were the right solution at the right time. Because of the unique character of the Debtor's business, the Bankruptcy Court believed the appointment of three qualified independent directors was a far better outcome for creditors than the appointment of a conventional chapter 11 trustee. Each of the independent directors brought unique qualities to the table. Mr. Seery, in particular, knew and had vast experience at prominent firms with high-yield and distressed investing similar to the Debtor's business. Mr. Dubel had 40 years of experience restructuring large complex businesses and serving on boards in this context. And Retired Judge Nelms had not only vast bankruptcy experience but seemed particularly well-suited to help the Debtor maneuver through conflicts and ethical quandaries. By way of comparison, in the chapter 11 case of Acis, the former affiliate of Highland that the Bankruptcy Court presided over and which company was

much smaller in size and scope than Highland (managing only 5-6 CLOs), the creditors elected a chapter 11 trustee who was not on the normal trustee rotation panel in this district but, rather, was a nationally known bankruptcy attorney with more than 45 years of large chapter 11 experience. While the Acis chapter 11 trustee performed valiantly, he was sued by entities in the Highland complex shortly after he was appointed (which the Bankruptcy Court had to address). The Acis trustee was also unable to persuade the Debtor and its affiliates to agree to any actions taken in the case, and he finally obtained confirmation of Acis' chapter 11 plan over the objections of the Debtor and its affiliates on his fourth attempt (which confirmation was promptly appealed).

14. **Conditions Required by Independent Directors.** Given the experiences in Acis and the Debtor's culture of constant litigation, it was not as easy to get such highly qualified persons to serve as independent board members and, later, as the Debtor's Chief Executive Officer, as it would be in an ordinary chapter 11 case. The independent board members were stepping into a morass of problems. Naturally, they were worried about getting sued no matter how defensible their efforts—given the litigation culture that enveloped Highland historically. Based on the record of this Case and the proceedings in the Acis chapter 11 case, it seemed as though everything always ended in litigation at Highland. The Bankruptcy Court heard credible testimony that none of the independent directors would have taken on the role of independent director without (1) an adequate directors and officers' ("D&O") insurance policy protecting them; (2) indemnification from Strand that would be guaranteed by the Debtor; (3) exculpation for mere negligence claims; and (4) a gatekeeper provision prohibiting the commencement of litigation against the independent directors without the Bankruptcy Court's prior authority. This gatekeeper provision was also

included in the Bankruptcy Court’s order authorizing the appointment of Mr. Seery as the Debtor’s Chief Executive Officer, Chief Restructuring Officer, and Foreign Representative entered on July 16, 2020.<sup>7</sup> The gatekeeper provisions in both the January 9 Order and July 16 Order are precisely analogous to what bankruptcy trustees have pursuant to the so-called “Barton Doctrine” (first articulated in an old Supreme Court case captioned *Barton v. Barbour*, 104 U.S. 126 (1881)). The Bankruptcy Court approved all of these protections in the January 9 Order and the July 16 Order, and no one appealed either of those orders. As noted above, Mr. Dondero signed the Stipulation that led to the settlement that was approved by the January 9 Order. The Bankruptcy Court finds that, like the Committee, the independent board members have been resilient and unwavering in their efforts to get the enormous problems in this case solved. They seem to have at all times negotiated hard and in good faith, which culminated in the proposal of the Plan currently before the Bankruptcy Court. As noted previously, they completely changed the trajectory of this case.

15. **Not Your Garden Variety Mediators.** And still another reason why this was not your garden variety case was the mediation effort. In the summer of 2020, roughly nine months into the chapter 11 case, the Bankruptcy Court ordered mediation among the Debtor, Acis, UBS, the Redeemer Committee, and Mr. Dondero. The Bankruptcy Court selected co-mediators because mediation among these parties seemed like such a Herculean task—especially during COVID-19 where people could not all be in the same room. Those co-mediators were: Retired

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<sup>7</sup> See *Order Approving the Debtor’s Motion Under Bankruptcy Code Sections 105(a) and 363(b) Authorizing Retention of James P. Seery, Jr., as Chief Executive Officer, Chief Restructuring Officer, and Foreign Representative Nunc Pro Tunc to March 15, 2020* [Docket No. 854] entered on July 16, 2020 (the “July 16 Order”)

Bankruptcy Judge Alan Gropper from the Southern District of New York, who had a distinguished career presiding over complex chapter 11 cases, and Ms. Sylvia Mayer, who likewise has had a distinguished career, first as a partner at a preeminent law firm working on complex chapter 11 cases, and subsequently as a mediator and arbitrator in Houston, Texas. As noted earlier, the Redeemer Committee and Acis claims were settled during the mediation—which seemed nothing short of a miracle to the Bankruptcy Court—and the UBS claim was settled several months later and the Bankruptcy Court believes the ground work for that ultimate settlement was laid, or at least helped, through the mediation. And, as earlier noted, other significant claims have been settled during this case, including those of HarbourVest (who asserted a \$300 million claim) and Patrick Daugherty (who asserted a \$40 million claim). The Bankruptcy Court cannot stress strongly enough that the resolution of these enormous claims—and the acceptance by all of these creditors of the Plan that is now before the Bankruptcy Court—seems nothing short of a miracle. It was more than a year in the making.

**16. Not Your Garden Variety Plan Objectors (That Is, Those That Remain).** Finally, a word about the current, remaining objectors to the Plan before the Bankruptcy Court. Once again, the Bankruptcy Court will use the phrase “not your garden variety”, which phrase applies to this case for many reasons. Originally, there were over a dozen objections filed to the Plan. The Debtor then made certain amendments or modifications to the Plan to address some of these objections, none of which require further solicitation of the Plan for reasons set forth in more detail below. The only objectors to the Plan left at the time of the Confirmation Hearing

were Mr. Dondero [Docket No. 1661] and entities that the Bankruptcy Court finds are owned and/or controlled by him and that filed the following objections:

- a. *Objection to Confirmation of the Debtor's Fifth Amended Plan of Reorganization* (filed by Get Good Trust and The Dugaboy Investment Trust) [Docket No. 1667];
- b. *Objection to Confirmation of Fifth Amended Plan of Reorganization of Highland Capital Management, L.P.* (filed by Highland Capital Management Fund Advisors, L.P., Highland Fixed Income Fund, Highland Funds I and its series, Highland Funds II and its series, Highland Global Allocation Fund, Highland Healthcare Opportunities Fund, Highland Income Fund, Highland Merger Arbitrate Fund, Highland Opportunistic Credit Fund, Highland Small-Cap Equity Fund, Highland Socially Responsible Equity Fund, Highland Total Return Fund, Highland/iBoxx Senior Loan ETF, NexPoint Advisors, L.P., NexPoint Capital, Inc., NexPoint Real Estate Strategies Fund, NexPoint Strategic Opportunities Fund) [Docket No. 1670];
- c. *A Joinder to the Objection filed at 1670 by: NexPoint Real Estate Finance Inc., NexPoint Real Estate Capital, LLC, NexPoint Residential Trust, Inc., NexPoint Hospitality Trust, NexPoint Real Estate Partners, LLC, NexPoint Multifamily Capital Trust, Inc., VineBrook Homes Trust, Inc., NexPoint Real Estate Advisors, L.P., NexPoint Real Estate Advisors II, L.P., NexPoint Real Estate Advisors III, L.P., NexPoint Real Estate Advisors IV, L.P., NexPoint Real Estate Advisors V, L.P., NexPoint Real Estate Advisors VI, L.P., NexPoint Real Estate Advisors VII, L.P., NexPoint Real Estate Advisors VIII, L.P., and any funds advised by the foregoing* [Docket No. 1677];
- d. *NexPoint Real Estate Partners LLC's Objection to Debtor's Fifth Amended Plan of Reorganization* (filed by NexPoint Real Estate Partners LLC f/k/a HCRE Partners LLC) [Docket No. 1673]; and
- e. *NexBank's Objection to Debtor's Fifth Amended Plan of Reorganization* (filed by NexBank Title, Inc., NexBank Securities, Inc., NexBank Capital, Inc., and NexBank) [Docket No. 1676]. The entities referred to in (i) through (v) of this paragraph are hereinafter referred to as the "Dondero Related Entities").

#### 17. **Questionability of Good Faith as to Outstanding Confirmation**

**Objections.** Mr. Dondero and the Dondero Related Entities technically have standing to object to the Plan, but the remoteness of their economic interests is noteworthy, and the Bankruptcy Court

questions the good faith of Mr. Dondero's and the Dondero Related Entities' objections. In fact, the Bankruptcy Court has good reason to believe that these parties are not objecting to protect economic interests they have in the Debtor but to be disruptors. Mr. Dondero wants his company back. This is understandable, but it is not a good faith basis to lob objections to the Plan. As detailed below, the Bankruptcy Court has slowed down plan confirmation multiple times and urged the parties to talk to Mr. Dondero in an attempt to arrive at what the parties have repeatedly referred to as a "grand bargain," the ultimate goal to resolve the Debtor's restructuring. The Debtor and the Committee represent that they have communicated with Mr. Dondero regarding a grand bargain settlement, and the Bankruptcy Court believes that they have.

18. **Remote Interest of Outstanding Confirmation Objectors.** To be specific about the remoteness of Mr. Dondero's and the Dondero Related Entities' interests, the Bankruptcy Court will address them each separately. First, Mr. Dondero has a pending objection to the Plan. Mr. Dondero's only economic interest with regard to the Debtor is an unliquidated indemnification claim (and, based on everything the Bankruptcy Court has heard, his indemnification claims would be highly questionable at this juncture). Mr. Dondero owns no equity in the Debtor directly. Mr. Dondero owns the Debtor's general partner, Strand, which in turn owns a quarter percent of the total equity in the Debtor. Second, a joint objection has been filed by The Dugaboy Trust ("Dugaboy") and the Get Good Trust ("Get Good"). The Dugaboy Trust was created to manage the assets of Mr. Dondero and his family and owns a 0.1866% limited partnership interest in the Debtor. *See* Disclosure Statement at 7, n.3. The Bankruptcy Court is not clear what economic interest the Get Good Trust has, but it likewise seems to be related to Mr. Dondero. Get Good

filed three proofs of claim relating to a pending federal tax audit of the Debtor's 2008 return, which the Debtor believes arise from Get Good's equity security interests and are subject to subordination as set forth in its Confirmation Brief. Dugaboy filed three claims against the Debtor: (a) an administrative claim relating to the Debtor's alleged postpetition management of Multi-Strat Credit Fund, L.P., (b) a prepetition claim against a subsidiary of the Debtor for which it seeks to pierce the corporate veil, each of which the Debtor maintains are frivolous in the Confirmation Brief, and (c) a claim arising from its equity security interest in the Debtor, which the Debtor asserts should be subordinated. Another group of objectors that has joined together in one objection is what the Bankruptcy Court will refer to as the "Highland Advisors and Funds." See Docket No. 1863. The Bankruptcy Court understands they assert disputed administrative expense claims against the estate that were filed shortly before the Confirmation Hearing on January 23, 2021 [Docket No. 1826], and during the Confirmation Hearing on February 3, 2021 [Docket No. 1888]. At the Confirmation Hearing, Mr. Post testified on behalf of the Highland Advisors and Funds that the Funds have independent board members that run the Funds, but the Bankruptcy Court was not convinced of their independence from Mr. Dondero because none of the so-called independent board members have ever testified before the Bankruptcy Court and all have been engaged with the Highland complex for many years. Notably, the Court questions Mr. Post's credibility because, after more than 12 years of service, he abruptly resigned from the Debtor in October 2020 at the exact same time that Mr. Dondero resigned at the Board of Directors' request, and he is currently employed by Mr. Dondero. Moreover, Dustin Norris, a witness in a prior proceeding (whose testimony was made part of the record at the Confirmation Hearing), recently

testified on behalf of the Highland Advisors and Funds in another proceeding that Mr. Dondero owned and/or controlled these entities. Finally, various NexBank entities objected to the Plan. The Bankruptcy Court does not believe they have liquidated claims against the Debtor. Mr. Dondero appears to be in control of these entities as well.

19. **Background Regarding Dondero Objecting Parties.** To be clear, the Bankruptcy Court has allowed all these objectors to fully present arguments and evidence in opposition to confirmation, even though their economic interests in the Debtor appear to be extremely remote and the Bankruptcy Court questions their good faith. Specifically, the Bankruptcy Court considers them all to be marching pursuant to the orders of Mr. Dondero. In the recent past, Mr. Dondero has been subject to a temporary restraining order and preliminary injunction by the Bankruptcy Court for interfering with Mr. Seery's management of the Debtor in specific ways that were supported by evidence. Around the time that this all came to light and the Bankruptcy Court began setting hearings on the alleged interference, Mr. Dondero's company phone, which he had been asked to turn in to Highland, mysteriously went missing. The Bankruptcy Court merely mentions this in this context as one of many reasons that the Bankruptcy Court has to question the good faith of Mr. Dondero and his affiliates in raising objections to confirmation of the Plan.

20. **Other Confirmation Objections.** Other than the objections filed by Mr. Dondero and the Dondero Related Entities, the only other pending objection to the Plan is the *United States Trustee's Limited Objection to Confirmation of Debtor's Fifth Amended Plan of Reorganization* [Docket No. 1671], which objected to the Plan's exculpation, injunction, and

Debtor release provisions. In juxtaposition, to these pending objections, the Bankruptcy Court notes that the Debtor resolved the following objections to the Plan:

- a. *CLO Holdco, Ltd.’s Joinder to Objection to Confirmation of Fifth Amended Plan of Reorganization of Highland Capital Management, L.P. and Supplemental Objections to Plan Confirmation* [Docket No. 1675]. This Objection has been resolved pursuant to mutually agreed language by the parties set forth in paragraph VV of the Confirmation Order;
- b. *Objection of Dallas County, City of Allen, Allen ISD, City of Richardson, and Kaufman County to Confirmation of the Fifth Amended Plan of Reorganization of Highland Capital Management, L.P.* [Docket No. 1662]. This Objection has been resolved pursuant to mutually agreed language by the parties set forth in paragraph QQ of the Confirmation Order;
- c. *Senior Employees’ Limited Objection to Debtor’s Fifth Amended Plan of Reorganization (filed by Scott Ellington, Thomas Surgent, Frank Waterhouse, Isaac Leventon)* [Docket No. 1669]. This Objection has been resolved pursuant to mutually agreed language by the parties set forth in paragraph 82 and paragraphs RR and SS of the Confirmation Order;
- d. *Limited Objection of Jack Yang and Brad Borud to Fifth Amended Plan of Reorganization of Highland Capital Management, L.P.* [Docket No. 1666] and the amended joinder filed by Davis Deadman, Paul Kauffman and Todd Travers [Docket No. 1679]. This Objection and the amended joinder were resolved by agreement of the parties pursuant to modifications to the Plan filed by the Debtor;
- e. *United States’ (IRS) Limited Objection to Debtor’s Fifth Amended Plan of Reorganization* [Docket No. 1668]. This Objection has been resolved pursuant to mutually agreed language by the parties set forth in paragraphs TT and UU of the Confirmation Order; and
- f. *Patrick Hagaman Daugherty’s Objection to Confirmation of Fifth Amended Plan of Reorganization* [Docket No. 1678]. This objection was resolved by the parties pursuant to the settlement of Mr. Daugherty’s claim announced on the record of the Confirmation Hearing.

21. **Capitalized Terms.** Capitalized terms used herein, but not defined herein, shall have the respective meanings attributed to such terms in the Plan and the Disclosure Statement, as applicable.

22. **Jurisdiction and Venue.** The Bankruptcy Court has jurisdiction over the Debtor's Chapter 11 Case pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue of this proceeding and this Chapter 11 Case is proper in this district and in the Bankruptcy Court pursuant to 28 U.S.C. §§ 1408 and 1409.

23. **Chapter 11 Petition.** On the Petition Date, the Debtor commenced a voluntary case under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware, which case was transferred to the Bankruptcy Court on December 19, 2019. The Debtor continues to operate its business and manage its property as debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in this Chapter 11 Case. The Office of the United States Trustee appointed the Committee on October 29, 2019.

24. **Judicial Notice.** The Bankruptcy Court takes judicial notice of the docket in this Chapter 11 Case maintained by the clerk of the Bankruptcy Court and the court-appointed claims agent, Kurtzman Carson Consultants LLC ("KCC"), including, without limitation, all pleadings, notices, and other documents filed, all orders entered, and all evidence and arguments made, proffered or adduced at the hearings held before the Bankruptcy Court during this Chapter 11 Case, including, without limitation, the hearing to consider the adequacy of the Disclosure Statement and the Confirmation Hearing, as well as all pleadings, notices, and other documents filed, all orders entered, and all evidence and arguments made, proffered, or adduced at hearings held before the Bankruptcy Court or the District Court for the Northern District of Texas in

connection with an adversary proceeding or appellate proceeding, respectively, related to this Chapter 11 Case.

25. **Plan Supplement Documents.** Prior to the Confirmation Hearing, the Debtor filed each of the Plan Supplements. The Plan Supplements contain, among other documents, the Retained Causes of Action, the Claimant Trust Agreement, the Litigation Sub-Trust Agreement, the Senior Employee Stipulation, the Related Entity List, the Schedule of Employees, the Reorganized Limited Partnership Agreement, supplements to the Liquidation Analysis/Financial Projections, the Schedule of Contracts and Leases to be Assumed, and the other Plan Documents set forth therein (collectively, the “Plan Supplement Documents”).

26. **Retained Causes of Action Adequately Preserved.** The Bankruptcy Court finds that the list of Retained Causes of Action included in the Plan Supplements sufficiently describes all potential Retained Causes of Action, provides all persons with adequate notice of any Causes of Action regardless of whether any specific claim to be brought in the future is listed therein or whether any specific potential defendant or other party is listed therein, and satisfies applicable law in all respects to preserve all of the Retained Causes of Action. The definition of the Causes of Action and Schedule of Retained Causes of Action, and their inclusion in the Plan, specifically and unequivocally preserve the Causes of Action for the benefit of the Reorganized Debtor, the Claimant Trust, or the Litigation Sub-Trust, as applicable.

27. **Plan Modifications Are Non-Material.** In addition to the Plan Supplements, the Debtor made certain non-material modifications to the Plan, which are reflected in (i) the *Redline of Fifth Amended Plan of Reorganization of Highland Capital Management, L.P.*

(as Modified) filed on January 22, 2021 [Docket No. 1809], and (ii) Exhibit B to the *Debtor's Notice of Filing of Plan Supplement to Fifth Amended Plan of Reorganization of Highland Capital Management, L.P. (as Modified)* filed on February 1, 2021 [Docket No. 1875] (collectively, the "Plan Modifications"). Section 1127(a) of the Bankruptcy Code provides that a plan proponent may modify its plan at any time before confirmation so long as such modified plan meets the requirements of sections 1122 and 1123 of the Bankruptcy Code. None of the modifications set forth in the Plan Supplements or the Plan Modifications require any further solicitation pursuant to sections 1125, 1126, or 1127 of the Bankruptcy Code and Bankruptcy Rule 3019, because, among other things, they do not materially adversely change the treatment of the claims of any creditors or interest holders who have not accepted, in writing, such supplements and modifications. Among other things, there were changes to the projections that the Debtor filed shortly before the Confirmation Hearing (which included projected distributions to creditors and a comparison of projected distributions under the Plan to potential distributions under a hypothetical chapter 7 liquidation). The Plan Supplements and Plan Modifications did not mislead or prejudice any creditors or interest holders nor do they require that Holders of Claims or Equity Interests be afforded an opportunity to change previously cast votes to accept or reject the Plan. Specifically, the Amended Liquidation Analysis/Financial Projections filed on February 1, 2021 [Docket No. 1875] do not constitute any material adverse change to the treatment of any creditors or interest holders but, rather, simply update the estimated distributions based on Claims that were settled in the interim and provide updated financial data. The filing and notice of the Plan Supplements and Plan Modifications were appropriate and complied with the requirements of

section 1127(a) of the Bankruptcy Code and the Bankruptcy Rules, and no other solicitation or disclosure or further notice is or shall be required. The Plan Supplements and Plan Modifications each became part of the Plan pursuant section 1127(a) of the Bankruptcy Code. The Debtor or Reorganized Debtor, as applicable, is authorized to modify the Plan or Plan Supplement Documents following entry of this Confirmation Order in a manner consistent with section 1127(b) of the Bankruptcy Code, the Plan, and, if applicable, the terms of the applicable Plan Supplement Document.

28. **Notice of Transmittal, Mailing and Publication of Materials.** As is evidenced by the Voting Certifications and the Affidavits of Service and Publication, the transmittal and service of the Plan, the Disclosure Statement, Ballots, and Confirmation Hearing Notice were adequate and sufficient under the circumstances, and all parties required to be given notice of the Confirmation Hearing (including the deadline for filing and serving objections to the confirmation of the Plan) have been given due, proper, timely, and adequate notice in accordance with the Disclosure Statement Order and in compliance with the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and applicable non-bankruptcy law, and such parties have had an opportunity to appear and be heard with respect thereto. No other or further notice is required. The publication of the Confirmation Hearing Notice, as set forth in the *Notice of Affidavit of Publication* dated December 3, 2020 [Docket No. 1505], complied with the Disclosure Statement Order.

29. **Voting.** The Bankruptcy Court has reviewed and considered the Voting Certifications. The procedures by which the Ballots for acceptance or rejection of the Plan were

distributed and tabulated, including the tabulation as subsequently amended to reflect the settlement of certain Claims to be Allowed in Class 7, were fairly and properly conducted and complied with the Disclosure Statement Order, the Bankruptcy Code, the Bankruptcy Rules, and the Local Rules.

30. **Bankruptcy Rule 3016(a).** In accordance with Bankruptcy Rule 3016(a), the Plan is dated and identifies the Debtor as the proponent of the Plan.

31. **Plan Compliance with Bankruptcy Code (11 U.S.C. § 1129(a)(1)).** As set forth below, the Plan complies with all of the applicable provisions of the Bankruptcy Code, thereby satisfying section 1129(a)(1) of the Bankruptcy Code.

32. **Proper Classification (11 U.S.C. §§ 1122, 1123(a)(1)).** Section 1122 of the Bankruptcy Code provides that a plan may place a claim or interest in a particular class only if such claim or interest is substantially similar to the other claims or interest of such class. The Claims and Equity Interests placed in each Class are substantially similar to other Claims and Equity Interests, as the case may be, in each such Class. Valid business, factual, and legal reasons exist for separately classifying the various Classes of Claims and Equity Interests created under the Plan, and such Classes do not unfairly discriminate between Holders of Claims and Equity Interests.

33. **Classification of Secured Claims.** Class 1 (Jefferies Secured Claim) and Class 2 (Frontier Secured Claim) each constitute separate secured claims held by Jefferies LLC and Frontier State Bank, respectively, and it is proper and consistent with section 1122 of the Bankruptcy Code to separately classify the claims of these secured creditors. Class 3 (Other

Secured Claims) consists of other secured claims (to the extent any exist) against the Debtor, are not substantially similar to the Secured Claims in Class 1 or Class 2, and are also properly separately classified.

34. **Classification of Priority Claims.** Class 4 (Priority Non-Tax Claims) consists of Claims entitled to priority under section 507(a), other than Priority Tax Claims, and are properly separately classified from non-priority unsecured claims. Class 5 (Retained Employee Claims) consists of the potential claims of employees who may be retained by the Debtor on the Effective Date, which claims will be Reinstated under the Plan, are not substantially similar to other Claims against the Debtor, and are properly classified.

35. **Classification of Unsecured Claims.** Class 6 (PTO Claims) consists solely of the claims of the Debtor's employees for unpaid paid time off in excess of the \$13,650 statutory cap amount under sections 507(a)(4) and (a)(5) of the Bankruptcy Code and are dissimilar from other unsecured claims in Class 7 and Class 8. Class 7 (Convenience Claims) allows holders of eligible and liquidated Claims (below a certain threshold dollar amount) to receive a cash payout of the lesser of 85% of the Allowed amount of the creditor's Claim or such holder's *pro rata* share of the Convenience Claims Cash Pool. Class 7 (Convenience Claims) are provided for administrative convenience purposes in order to allow creditors, most of whom are either trade creditors or holders of professional claims, to receive treatment provided under Class 7 in lieu of the treatment of Class 8 (General Unsecured Claims). The Plan also provides for reciprocal "opt out" mechanisms to allow holders of Class 7 Claims to elect to receive the treatment for Class 8 Claims. Class 8 creditors primarily constitute the litigation claims of the Debtor. Class 8 Creditors

will receive Claimant Trust Interests which will be satisfied pursuant to the terms of the Plan. Class 8 also contains an “opt out” mechanism to allow holders of liquidated Class 8 Claims at or below a \$1 million threshold to elect to receive the treatment of Class 7 Convenience Claims. The Claims in Class 7 (primarily trade and professional Claims against the Debtor) are not substantially similar to the Claims in Class 8 (primarily the litigation Claims against the Debtor), and are appropriately separately classified. Valid business reasons also exist to classify creditors in Class 7 separately from creditors in Class 8. Class 7 creditors largely consist of liquidated trade or service providers to the Debtor. In addition, the Claims of Class 7 creditors are small relative to the large litigation claims in Class 8. Furthermore, the Class 8 Claims were overwhelmingly unliquidated when the Plan was filed. The nature of the Class 7 Claims as being largely liquidated created an expectation of expedited payment relative to the largely unliquidated Claims in Class 8, which consists in large part of parties who have been engaged in years, and in some cases over a decade of litigation with the Debtor. Separate classification of Class 7 and Class 8 creditors was the subject of substantial arm’s-length negotiations between the Debtor and the Committee to appropriately reflect these relative differences.

36. **Classification of Equity Interests.** The Plan properly separately classifies the Equity Interests in Class 10 (Class B/C Limited Partnership Interests) from the Equity Interests in Class 11 (Class A Limited Partnership Interests) because they represent different types of equity security interests in the Debtor and different payment priorities.

37. **Elimination of Vacant Classes.** Section III.C of the Plan provides for the elimination of Classes that do not have at least one holder of a Claim or Equity Interest that is

Allowed in an amount greater than zero for purposes of voting to accept or reject the Plan, and are disregarded for purposes of determining whether the Plan satisfies section 1129(a)(8) of the Bankruptcy Code with respect to such Class. The purpose of this provision is to provide that a Class that does not have voting members shall not be included in the tabulation of whether that Class has accepted or rejected the Plan. Pursuant to the Voting Certifications, the only voting Class of Claims or Equity Interests that did not have any members is Class 5 (Retained Employees). As noted above, Class 5 does not have any voting members because any potential Claims in Class 5 would not arise, except on account of any current employees of the Debtor who may be employed as of the Effective Date, which is currently unknown. Thus, the elimination of vacant Classes provided in Article III.C of the Plan does not violate section 1122 of the Bankruptcy Code. Class 5 is properly disregarded for purposes of determining whether or not the Plan has been accepted under Bankruptcy Code section 1129(a)(8) because there are no members in that Class. However, the Plan properly provides for the treatment of any Claims that may potentially become members of Class 5 as of the Effective Date in accordance with the terms of the Plan. The Plan therefore satisfies section 1122 of the Bankruptcy Code.

38. **Classification of Claims and Designation of Non-Classified Claims (11 U.S.C. §§ 1122, 1123(a)(1)).** Section 1123(a)(1) of the Bankruptcy Code requires that the Plan specify the classification of claims and equity security interests pursuant to section 1122 of the Bankruptcy Code, other than claims specified in sections 507(a)(2), 507(a)(3), or 507(a)(8) of the Bankruptcy Code. In addition to Administrative Claims, Professional Fee Claims, and Priority Tax Claims, each of which need not be classified pursuant to section 1123(a)(1) of the Bankruptcy

Code, the Plan designates eleven (11) Classes of Claims and Equity Interests. The Plan satisfies sections 1122 and 1123(a)(1) of the Bankruptcy Code.

39. **Specification of Unimpaired Classes (11 U.S.C. § 1123(a)(2)).** Article III of the Plan specifies that each of Class 1 (Jefferies Secured Claim), Class 3 (Other Secured Claims), Class 4 (Priority Non-Tax Claims), Class 5 (Retained Employee Claims), and Class 6 (PTO Claims) are Unimpaired under the Plan. Thus, the requirement of section 1123(a)(2) of the Bankruptcy Code is satisfied.

40. **Specification of Treatment of Impaired Classes (11 U.S.C. § 1123(a)(3)).** Article III of the Plan designates each of Class 2 (Frontier Secured Claim), Class 7 (Convenience Claims), Class 8 (General Unsecured Claims), Class 9 (Subordinated Claims), Class 10 (Class B/C Limited Partnership Interests), and Class 11 (Class A Limited Partnership Interests) as Impaired and specifies the treatment of Claims and Equity Interests in such Classes. Thus, the requirement of section 1123(a)(3) of the Bankruptcy Code is satisfied.

41. **No Discrimination (11 U.S.C. § 1123(a)(4)).** The Plan provides for the same treatment by the Plan proponent for each Claim or Equity Interest in each respective Class unless the Holder of a particular Claim or Equity Interest has agreed to a less favorable treatment of such Claim or Equity Interest. The Plan satisfies this requirement because Holders of Allowed Claims or Equity Interests in each Class will receive the same rights and treatment as other Holders of Allowed Claims or Equity Interests within such holder's respective class, subject only to the voluntary "opt out" options afforded to members of Class 7 and Class 8 in accordance with the terms of the Plan. Thus, the requirement of section 1123(a)(4) of the Bankruptcy Code is satisfied.

42. **Implementation of the Plan (11 U.S.C. § 1123(a)(5)).** Article IV of the Plan sets forth the means for implementation of the Plan which includes, but is not limited to, the establishment of: (i) the Claimant Trust; (ii) the Litigation Sub-Trust; (iii) the Reorganized Debtor; and (iv) New GP LLC, in the manner set forth in the Plan Documents, the forms of which are included in the Plan Supplements.

- a. **The Claimant Trust.** The Claimant Trust Agreement provides for the management of the Claimant Trust, as well as the Reorganized Debtor with the Claimant Trust serving as the managing member of New GP LLC (a wholly-owned subsidiary of the Claimant Trust that will manage the Reorganized Debtor as its general partner). The Claimant Trust, the Claimant Trustee, the management and monetization of the Claimant Trust Assets, and the management of the Reorganized Debtor (through the Claimant Trust's role as managing member of New GP LLC) and the Litigation Sub-Trust will all be managed and overseen by the Claimant Trust Oversight Committee. Additionally, the Plan provides for the transfer to the Claimant Trust of all of the Debtor's rights, title, and interest in and to all of the Claimant Trust Assets in accordance with section 1141 of the Bankruptcy Code and for the Claimant Trust Assets to automatically vest in the Claimant Trust free and clear of all Claims, Liens, encumbrances, or interests subject only to the Claimant Trust Interests and the Claimant Trust Expenses, as provided for in the Claimant Trust Agreement. The Claimant Trust will administer the Claimant Trust Assets as provided under the Plan and the Claimant Trust Agreement contained in the Plan Supplements.
- b. **The Litigation Sub-Trust.** The Plan and the Litigation Sub-Trust Agreement provide for the transfer to the Litigation Sub-Trust all of the Claimant Trust's rights, title, and interest in and to all of the Estate Claims (as transferred to the Claimant Trust by the Debtor) in accordance with section 1141 of the Bankruptcy Code and for the Estate Claims to automatically vest in the Litigation Sub-Trust free and clear of all Claims, Liens, encumbrances, or interests subject only to the Litigation Sub-Trust Interests and the Litigation Sub-Trust Expenses, as provided for in the Litigation Sub-Trust Agreement. The Litigation Trustee is charged with investigating, pursuing, and otherwise resolving any Estate Claims (including those with respect to which the Committee has standing to pursue prior to the Effective Date pursuant to the January 9 Order) pursuant to the terms of the Litigation Sub-Trust Agreement and the Plan, regardless of whether any litigation with respect to any Estate Claim was commenced by the Debtor or the Committee prior to the Effective Date.

- c. **The Reorganized Debtor.** The Reorganized Debtor will administer the Reorganized Debtor Assets, which includes managing the wind down of the Managed Funds.

The precise terms governing the execution of these restructuring transactions are set forth in greater detail in the applicable definitive documents included in the Plan Supplements, including the Claimant Trust Agreement, the Litigation Sub-Trust Agreement, and the Schedule of Retained Causes of Action. The Plan, together with the documents and forms of agreement included in the Plan Supplements, provides a detailed blueprint for the transactions contemplated by the Plan. The Plan's various mechanisms provide for the Debtor's continued management of its business as it seeks to liquidate the Debtor's assets, wind down its affairs, and pay the Claims of the Debtor's creditors. Upon full payment of Allowed Claims, plus interest as provided in the Plan, any residual value would then flow to the holders of Class 10 (Class B/C Limited Partnership Interests), and Class 11 (Class A Limited Partnership Interests). Finally, Mr. Seery testified that the Debtor engaged in substantial and arm's length negotiations with the Committee regarding the Debtor's post-Effective Date corporate governance, as reflected in the Plan. Mr. Seery testified that he believes the selection of the Claimant Trustee, Litigation Trustee, and members of the Claimant Trust Oversight Board are in the best interests of the Debtor's economic constituents. Thus, the requirements of section 1123(a)(5) of the Bankruptcy Code are satisfied.

43. **Non-Voting Equity Securities (11 U.S.C. § 1123(a)(6)).** The Debtor is not a corporation and the charter documents filed in the Plan Supplements otherwise comply with section 1123(a)(6) of the Bankruptcy Code. Therefore, the requirement of section 1123(a)(6) of the Bankruptcy Code is satisfied.

44. **Selection of Officers and Directors (11 U.S.C. § 1123(a)(7)).** Article IV of the Plan provides for the Claimant Trust to be governed and administered by the Claimant Trustee. The Claimant Trust, the management of the Reorganized Debtor, and the management and monetization of the Claimant Trust Assets and the Litigation Sub-Trust will be managed by the Claimant Trust Oversight Board. The Claimant Trust Oversight Board will consist of: (1) Eric Felton, as representative of the Redeemer Committee; (2) Joshua Terry, as representative of Acis; (3) Elizabeth Kozlowski, as representative of UBS; (4) Paul McVoy, as representative of Meta-E Discovery; and (5) David Pauker. Four of the members of the Claimant Trust Oversight Committee are the holders of several of the largest Claims against the Debtor and/or are current members of the Committee. Each of these creditors has actively participated in the Debtor's case, both through their fiduciary roles as Committee members and in their individual capacities as creditors. They are therefore intimately familiar with the Debtor, its business, and assets. The fifth member of the Claimant Trust Oversight Board, David Pauker, is a disinterested restructuring advisor and turnaround manager with more than 25 years of experience advising public and private companies and their investors, and he has substantial experience overseeing, advising or investigating troubled companies in the financial services industry and has advised or managed such companies on behalf of boards or directors, court-appointed trustees, examiners and special masters, government agencies, and private investor parties. The members of the Claimant Trust Oversight Board will serve without compensation, except for Mr. Pauker, who will receive payment of \$250,000 for his first year of service, and \$150,000 for subsequent years.

45. **Selection of Trustees.** The Plan Supplements disclose that Mr. Seery will serve as the Claimant Trustee and Marc Kirschner will serve as the Litigation Trustee. As noted above, Mr. Seery has served as an Independent Board member since January 2020, and as the Chief Executive Officer and Chief Restructuring Officer since July 2020, and he has extensive management and restructuring experience, as evidenced from his curriculum vitae which is part of the record. The evidence shows that Mr. Seery is intimately familiar with the Debtor's organizational structure, business, and assets, as well as how Claims will be treated under the Plan. Accordingly, it is reasonable and in the Estate's best interests to continue Mr. Seery's employment post-emergence as the Claimant Trustee. Mr. Seery, upon consultation with the Committee, testified that he intends to employ approximately 10 of the Debtor's employees to enable him to manage the Debtor's business until the Claimant Trust effectively monetizes its remaining assets, instead of hiring a sub-servicer to accomplish those tasks. Mr. Seery testified that he believes that the Debtor's post-confirmation business can most efficiently and cost-effectively be supported by a sub-set of the Debtor's current employees, who will be managed internally. Mr. Seery shall initially be paid \$150,000 per month for services rendered after the Effective Date as Claimant Trustee; however, Mr. Seery's long-term salary as Claimant Trustee and the terms of any bonuses and severance are subject to further negotiation by Mr. Seery and the Claimant Trust Oversight Board within forty-five (45) days after the Effective Date. The Bankruptcy Court has also reviewed Mr. Kirschner's curriculum vitae. Mr. Kirschner has been practicing law since 1967 and has substantial experience in bankruptcy litigation matters, particularly with respect to his prior experience as a litigation trustee for several litigation trusts, as set forth on the record of the

Confirmation Hearing and in the Confirmation Brief. Mr. Kirschner shall be paid \$40,000 per month for the first three months and \$20,000 per month thereafter, plus a success fee related to litigation recoveries. The Committee and the Debtor had arm's lengths negotiations regarding the post-Effective Date corporate governance structure of the Reorganized Debtor and believe that the selection of the Claimant Trustee, the Litigation Trustee, and the Claimant Trust Oversight Committee are in the best interests of the Debtor's economic stakeholders. Section 1123(a)(7) of the Bankruptcy Code is satisfied.

**46. Debtor's Compliance with Bankruptcy Code (11 U.S.C. § 1129(a)(2)).**

Pursuant to section 1129(a)(2) of the Bankruptcy Code, the Debtor has complied with the applicable provisions of the Bankruptcy Code, including sections 1122, 1123, 1124, 1125, and 1126 of the Bankruptcy Code, the Bankruptcy Rules, and the Disclosure Statement Order governing notice, disclosure, and solicitation in connection with the Plan, the Disclosure Statement, the Plan Supplements, and all other matters considered by the Bankruptcy Court in connection with this Chapter 11 Case.

**47. Debtor's Solicitation Complied with Bankruptcy Code and Disclosure**

**Statement Order.** Before the Debtor solicited votes on the Plan, the Bankruptcy Court entered the Disclosure Statement Order. In accordance with the Disclosure Statement Order and evidenced by the Affidavits of Service and Publication, the Debtor appropriately served (i) the Solicitation Packages (as defined in the Disclosure Statement Order) on the Holders of Claims in Classes 2, 7, 8 and 9 and Holders of Equity Interests in Classes 10 and 11 who were entitled to vote on the Plan; and (ii) the Notice of Nonvoting Status (as defined in the Disclosure Statement Order) and the

Confirmation Hearing Notice to the Holders of Claims in Classes 1, 3, 4, 5 and 6, who were not entitled to vote on the Plan pursuant to the Disclosure Statement Order. The Disclosure Statement Order approved the contents of the Solicitation Packages provided to Holders of Claims and Equity Interests entitled to vote on the Plan, the notices provided to parties not entitled to vote on the Plan, and the deadlines for voting on and objecting to the Plan. The Debtor and KCC each complied with the content and delivery requirements of the Disclosure Statement Order, thereby satisfying sections 1125(a) and (b) of the Bankruptcy Code, as evidenced by the Affidavits of Service and Publication. The Debtor also satisfied section 1125(c) of the Bankruptcy Code, which provides that the same disclosure statement must be transmitted to each holder of a claim or interest in a particular class. The Debtor caused the same Disclosure Statement to be transmitted to all holders of Claims and Equity Interests entitled to vote on the Plan. The Debtor has complied in all respects with the solicitation requirements of section 1125 of the Bankruptcy Code and the Disclosure Statement Order. The Bankruptcy Court rejects the arguments of the Mr. Dondero and certain Dondero Related Entities that the changes made to certain assumptions and projections from the Liquidation Analysis annexed as Exhibit C to the Disclosure Statement (the "Liquidation Analysis") to the Amended Liquidation Analysis/Financial Projections require resolicitation of the Plan. The Bankruptcy Court heard credible testimony from Mr. Seery regarding the changes to the Liquidation Analysis as reflected in the Amended Liquidation Analysis/Financial Projections. Based on the record, including the testimony of Mr. Seery, the Bankruptcy Court finds that the changes between the Liquidation Analysis and the Amended Liquidation Analysis/Financial Projections do not constitute materially adverse change to the treatment of Claims or Equity

Interests. Instead, the changes served to update the projected distributions based on Claims that were settled after the approval of the Disclosure Statement and to otherwise incorporate more recent financial data. Such changes were entirely foreseeable given the large amount of unliquidated Claims at the time the Disclosure Statement was approved and the nature of the Debtor's assets. The Bankruptcy Court therefore finds that holders of Claims and Equity Interests were not misled or prejudiced by the Amended Liquidation Analysis/Financial Projections and the Plan does not need to be resolicited.

48. **Plan Proposed in Good Faith and Not by Means Forbidden by Law (11 U.S.C. § 1129(a)(3)).** The Debtor has proposed the Plan in good faith and not by any means forbidden by law, thereby satisfying section 1129(a)(3) of the Bankruptcy Code. In determining that the Plan has been proposed in good faith, the Bankruptcy Court has examined the totality of the circumstances surrounding the filing of this Chapter 11 Case, the Plan itself, and the extensive, unrebutted testimony of Mr. Seery in which he described the process leading to Plan's formulation. Based on the totality of the circumstances and Mr. Seery's testimony, the Bankruptcy Court finds that the Plan is the result of extensive arm's-length negotiations among the Debtor, the Committee, and key stakeholders, and promotes the objectives and purposes of the Bankruptcy Code. Specifically, the Debtor's good faith in proposing the Plan is supported by the following facts adduced by Mr. Seery:

- a. The Independent Board determined that it should consider all potential restructuring alternatives, including pursuit of a traditional restructuring and the continuation of the Debtor's business, a potential sale of the Debtor's assets in one or more transactions, an asset monetization plan similar to that described in the Plan, and a so-called "grand bargain" plan that would involve Mr. Dondero's sponsorship of a plan with a substantial equity infusion.

- b. The Debtor subsequently engaged in arm's-length, good faith negotiations with the Committee over an asset monetization Plan commencing in June 2020, which negotiations occurred over the next several months.
- c. Negotiations between the Debtor and the Committee were often contentious over disputes, including, but not limited to, the post-confirmation corporate governance structure and the scope of releases contemplated by the Plan.
- d. While negotiations with the Committee progressed, the Independent Board engaged in discussions with Mr. Dondero regarding a potential "grand bargain" plan which contemplated a significant equity infusion by Mr. Dondero, and which Mr. Seery personally spent hundreds of hours pursuing over many months.
- e. On August 3, 2020, the Bankruptcy Court entered the *Order Directing Mediation* [Docket No. 912] pursuant to which the Bankruptcy Court ordered the Debtor, the Committee, UBS, Acis, the Redeemer Committee, and Mr. Dondero into mediation. As a result of this mediation, the Debtor negotiated the settlement of the claims of Acis and Mr. Terry, which the Bankruptcy Court approved on October 28, 2020 [Docket No. 1302].
- f. On August 12, 2020, the Debtor filed its *Chapter 11 Plan of Reorganization of Highland Capital Management, L.P.* [Docket No. 944] (the "Initial Plan") and related disclosure statement (the "Initial Disclosure Statement") which were not supported by either the Committee or Mr. Dondero. The Independent Board filed the Initial Plan and Initial Disclosure Statement in order to act as a catalyst for continued discussions with the Committee while it simultaneously worked with Mr. Dondero on the "grand bargain" plan.
- g. The Bankruptcy Court conducted a contested hearing on the Initial Disclosure Statement on October 27, 2020. The Committee and other parties objected to approval of the Disclosure Statement at the Initial Disclosure Statement hearing, which was eventually continued to November 23, 2020.
- h. Following the Initial Disclosure Statement hearing, the Debtor continued to negotiate with the Committee and ultimately resolved the remaining material disputes and led to the Bankruptcy Court's approval of the Disclosure Statement on November 23, 2020.
- i. Even after obtaining the Bankruptcy Court's approval of the Disclosure Statement, the Debtor and the Committee continued to negotiate with Mr. Dondero and the Committee over a potential "pot plan" as an alternative to the Plan on file with the Bankruptcy Court, but such efforts were unsuccessful. This history conclusively demonstrates that the Plan is being proposed in good faith within the meaning of section 1129(a)(3).

49. **Payments for Services or Costs and Expenses (11 U.S.C. § 1129(a)(4)).**

Article II.B of the Plan provides that Professionals will file all final requests for payment of Professional Fee Claims no later than 60 days after the Effective Date, thereby providing an adequate period of time for interested parties to review such claims. The procedures set forth in the Plan for the Bankruptcy Court's approval of the fees, costs, and expenses to be paid in connection with this chapter 11 Case, or in connection with the Plan and incident to this Chapter 11 Case, satisfy the objectives of and are in compliance with section 1129(a)(4) of the Bankruptcy Code.

50. **Directors, Officers, and Insiders (11 U.S.C. § 1129(a)(5)).**

Article IV.B of the Plan provides for the appointment of the Claimant Trustee, Litigation Trustee, and the Claimant Trust Oversight Committee and the members thereto. For the reasons more fully explained in paragraphs 44-45 of this Confirmation Order with respect to the requirement of section 1123(a)(7) of the Bankruptcy Code, the Debtor has disclosed the nature of compensation of any insider to be employed or retained by the Reorganized Debtor, if applicable, and compensation for any such insider. The appointment of such individuals is consistent with the interests of Claims and Equity Interests and with public policy. Thus, the Plan satisfies section 1129(a)(5) of the Bankruptcy Code.

51. **No Rate Changes (11 U.S.C. § 1129(a)(6)).**

The Plan does not provide for any rate change that requires regulatory approval. Section 1129(a)(6) of the Bankruptcy Code is thus not applicable.

52. **Best Interests of Creditors (11 U.S.C. § 1129(a)(7)).** The “best interests” test is satisfied as to all Impaired Classes under the Plan, as each Holder of a Claim or Equity Interest in such Impaired Classes will receive or retain property of a value, as of the Effective Date of the Plan, that is not less than the amount that such Holder would so receive or retain if the Debtor were liquidated under chapter 7 of the Bankruptcy Code. On October 15, 2020, the Debtor filed the Liquidation Analysis [Docket 1173], as prepared by the Debtor with the assistance of its advisors and which was attached as Exhibit C to the Disclosure Statement. On January 29, 2021, in advance of Mr. Seery’s deposition in connection with confirmation of the Plan, the Debtor provided an updated version of the Liquidation Analysis to the then-objectors of the Plan, including Mr. Dondero and the Dondero Related Entities. On February 1, 2021, the Debtor filed the Amended Liquidation Analysis/Financial Projections. The Amended Liquidation Analysis/Financial Projections included updates to the Debtor’s projected asset values, revenues, and expenses to reflect: (1) the acquisition of an interest in an entity known as “HCLOF” that the Debtor will acquire as part of its court-approved settlement with HarbourVest and that was valued at \$22.5 million; (2) an increase in the value of certain of the Debtor’s assets due to changes in market conditions and other factors; (3) expected revenues and expenses arising in connection with the Debtor’s continued management of the CLOs pursuant to management agreements that the Debtor decided to retain; (4) increases in projected expenses for headcount (in addition to adding two or three employees to assist in the management of the CLOs, the Debtor also increased modestly the projected headcount as a result of its decision not to engage a Sub-Servicer) and professional fees; and (5) an increase in projected recoveries on notes resulting from the

acceleration of term notes owed to the Debtor by the following Dondero Related Entities: NexPoint Advisors, L.P.; Highland Capital Management Services, Inc.; and HCRE Partners, LLC (n/k/a NexPoint Real Estate Partners, LLC). Under the Plan, as of the Confirmation Date, (a) Class 7 General Unsecured Creditors are projected to receive 85% on account of their claims; and (b) Class 8 General Unsecured Creditors are projected to receive at least approximately 71% on account of their Claims. Under a hypothetical chapter 7 liquidation, all general unsecured creditors are projected to receive approximately 55% on account of their Claims. The Bankruptcy Court finds that the distributions that Class 7 and 8 General Unsecured Creditors are projected to receive under the Plan substantially exceeds that which they would receive under a chapter 7 liquidation based on Mr. Seery's testimony, including the following credible reasons he posited, among others:

- a. The nature of the Debtor's assets is complex. Certain assets relate to complicated real estate structures and private equity investments in operating businesses. Mr. Seery's extensive experience with the Debtor during the thirteen months since his appointment as an Independent Director and later Chief Executive Officer and Chief Restructuring Officer, provides him with a substantial learning curve in connection with the disposition of the Debtor's assets and are reasonably expected to result in him being able to realize tens of millions of dollars more value than would a chapter 7 trustee.
- b. Assuming that a hypothetical chapter 7 trustee could even operate the Debtor's business under chapter 7 of the Bankruptcy Code and hire the necessary personnel with the relevant knowledge and experience to assist him or her in selling the Debtor's assets, a chapter 7 trustee would likely seek to dispose of the Debtor's assets in a forced sale liquidation which would generate substantially less value for the Debtor's creditors than the asset monetization plan contemplated by the Plan.
- c. A chapter 7 trustee would be unlikely to retain the Debtor's existing professionals to assist in its efforts to monetize assets, resulting in delays, increased expenses, and reduced asset yields for the chapter 7 estate.

- d. The chapter 7 estate would be unlikely to maximize value as compared to the asset monetization process contemplated by the Plan because potential buyers are likely to perceive a chapter 7 trustee as engaging in a quick, forced “fire sale” of assets; and
- e. The Debtor’s employees, who are vital to its efforts to maximum value and recoveries for stakeholders, may be unwilling to provide services to a chapter 7 trustee.

Finally, there is no evidence to support the objectors’ argument that the Claimant Trust Agreement’s disclaimed liability for ordinary negligence by the Claimant Trustee compared to a chapter 7 trustee’s liability has any relevance to creditor recoveries in a hypothetical chapter 7 liquidation. Thus, section 1129(a)(7) of the Bankruptcy Code is satisfied.

53. **Acceptance by Certain Classes (11 U.S.C. § 1129(a)(8)).** Classes 1, 3, 4, 5 and 6 are Unimpaired under the Plan. Class 2 (Frontier Secured Claim), Class 7 (Convenience Claims), and Class 9 (Subordinated Claims) have each voted to accept the Plan in accordance with the Bankruptcy Code, thereby satisfying section 1129(a)(8) as to those Classes. However, Class 8 (General Unsecured Claims), Class 10 (Class B/C Limited Partnership Interests), and Class 11 (Class A Limited Partnership Interests) have not accepted the Plan. Accordingly, section 1129(a)(8) of the Bankruptcy Code has not been satisfied. The Plan, however, is still confirmable because it satisfies the nonconsensual confirmation provisions of section 1129(b), as set forth below.

54. **Treatment of Administrative, Priority, Priority Tax Claims, and Professional Fee Claims (11 U.S.C. § 1129(a)(9)).** The treatment of Administrative Claims, Priority Claims, and Professional Fee Claims pursuant to Article III of the Plan, and as set forth below with respect to the resolution of the objections filed by the Internal Revenue Service and

certain Texas taxing authorities satisfies the requirements of sections 1129(a)(9) of the Bankruptcy Code.

55. **Acceptance by Impaired Class (11 U.S.C. § 1129(a)(10)).** Class 2 (Frontier Secured Claims) and Class 7 (Convenience Claims) are each Impaired Classes of Claims that voted to accept the Plan, determined without including any acceptance of the Plan by any insider. Therefore, the requirement of section 1129(a)(10) of the Bankruptcy Code is satisfied.

56. **Feasibility (11 U.S.C. § 1129(a)(11)).** Article IV of the Plan provides for the implementation of the Plan through the Claimant Trust, the Litigation Sub-Trust, and the Reorganized Debtor. The Plan provides that the Claimant Trust, among other things, will monetize and distribute the Debtor's remaining assets. The Disclosure Statement, the Amended Liquidation Analysis/Financial Projections, and the other evidence presented at the Confirmation Hearing provide a reasonable probability of success that the Debtor will be able to effectuate the provisions of the Plan. The Plan contemplates the establishment of the Claimant Trust upon the Effective Date, which will monetize the Estate's assets for the benefit of creditors. Mr. Seery testified that the Class 2 Frontier Secured Claim will be paid over time pursuant to the terms of the New Frontier Note and the Reorganized Debtor will have sufficient assets to satisfy its obligations under this note. The Claims of the Holders of Class 7 Claims (as well as those Class 8 creditors who validly opted to receive the treatment of Class 7 Claims) are expected to be satisfied shortly after the Effective Date. Holders of Class 8 Claims (including any holders of Class 7 Claims who opted to receive the treatment provided to Class 8 Claims) are not guaranteed any recovery and will

periodically receive pro rata distributions as assets are monetized pursuant to the Plan and the Claimant Trust Agreement. Thus, section 1129(a)(11) of the Bankruptcy Code is satisfied.

57. **Payment of Fees (11 U.S.C. § 1129(a)(12)).** All fees payable under 28 U.S.C. § 1930 have been paid or will be paid on or before the Effective Date pursuant to Article XII.A of the Plan, thus satisfying the requirement of section 1129(a)(12) of the Bankruptcy Code. The Debtor has agreed that the Reorganized Debtor, the Claimant Trust, and the Litigation Sub-Trust shall be jointly and severally liable for payment of quarterly fees to the Office of the United States Trustee pursuant to 28 U.S.C. § 1930 through the entry of the Final Decree for the Debtor or the dismissal or conversion of the Chapter 11 Case.

58. **Retiree Benefits.** The Plan provides for the assumption of the Pension Plan (to the extent such Pension Plan provides “retiree benefits” and is governed by section 1114 of the Bankruptcy Code). Thus, the Plan complies with section 1129(a)(13) of the Bankruptcy Code, to the extent applicable.

59. **Miscellaneous Provisions (11 U.S.C. §§ 1129(a)(14)-(16)).** Sections 1129(a)(14)-(16) of the Bankruptcy Code are inapplicable as the Debtor (i) has no domestic support obligations (section 1129(a)(14)), (ii) is not an individual (section 1129(a)(15)), and (iii) is not a nonprofit corporation (section 1129(a)(16)).

60. **No Unfair Discrimination; Fair and Equitable Treatment (11 U.S.C. § 1129(b)).** The classification and treatment of Claims and Equity Interests in Classes 8, 10 and 11, which have not accepted the Plan, is proper pursuant to section 1122 of the Bankruptcy Code, does

not discriminate unfairly, and is fair and equitable pursuant to section 1129(b)(1) of the Bankruptcy Code.

- a. Class 8. The Plan is fair and equitable with respect to Class 8 General Unsecured Claims. While Equity Interests in Class 10 and Class 11 will receive a contingent interest in the Claimant Trust under the Plan (the “Contingent Interests”), the Contingent Interests will not vest unless and until holders of Class 8 General Unsecured Claims and Class 9 Subordinated Claims receive distributions equal to 100% of the amount of their Allowed Claims plus interest as provided under the Plan and Claimant Trust Agreement. Accordingly, as the holders of Equity Interests that are junior to the Claims in Class 8 and Class 9 will not receive or retain under the Plan on account of such junior claim interest any property unless and until the Claims in Class 8 and Class 9 are paid in full plus applicable interest, the Plan is fair and equitable with respect to holders of Class 8 General Unsecured Claims pursuant to section 1129(b)(2)(B) of the Bankruptcy Code and the reasoning of *In re Introgen Therapeutics* 429 B.R 570 (Bankr. W.D. Tex. 2010).
- b. Class 10 and Class 11. There are no Claims or Equity Interests junior to the Equity Interests in Class 10 and Class 11. Equity Interests in Class 10 and 11 will neither receive nor retain any property under the Plan unless Allowed Claims in Class 8 and Class 9 are paid in full plus applicable interest pursuant to the terms of the Plan and Claimant Trust Agreement. Thus, the Plan does not violate the absolute priority rule with respect to Classes 10 and 11 pursuant to Bankruptcy Code section 1129(b)(2)(C). The Plan does not discriminate unfairly as to Equity Interests. As noted above, separate classification of the Class B/C Partnership Interests from the Class A Partnerships Interests is appropriate because they constitute different classes of equity security interests in the Debtor, and each are appropriately separately classified and treated.

Accordingly, the Plan does not violate the absolute priority rule, does not discriminate unfairly, and is fair and equitable with respect to each Class that has rejected the Plan. Thus, the Plan satisfies the requirements of section 1129(b) of the Bankruptcy Code with respect to Classes 8, 10, and 11.

61. **Only One Plan (11 U.S.C. § 1129(c)).** The Plan is the only chapter 11 plan confirmed in this Chapter 11 Case, and the requirements of section 1129(c) of the Bankruptcy Code are therefore satisfied.

62. **Principal Purpose (11 U.S.C. § 1129(d)).** Mr. Seery testified that the principal purpose of the Plan is neither the avoidance of taxes nor the avoidance of the application of section 5 of the Securities Act of 1933, and no governmental unit has objected to the confirmation of the Plan on any such grounds. Accordingly, section 1129(d) of the Bankruptcy Code is inapplicable.

63. **Satisfaction of Confirmation Requirements.** Based upon the foregoing, the Plan satisfies the requirements for confirmation set forth in section 1129 of the Bankruptcy Code and should be confirmed.

64. **Good Faith Solicitation (11 U.S.C. § 1125(e)).** The Debtor, the Independent Directors, and the Debtor's employees, advisors, Professionals, and agents have acted in good faith within the meaning of section 1125(e) of the Bankruptcy Code and in compliance with the applicable provisions of the Bankruptcy Code and Bankruptcy Rules in connection with all of their respective activities relating to the solicitation of acceptances of the Plan and their participation in the activities described in section 1125 of the Bankruptcy Code, and they are entitled to the protections afforded by section 1125(e) of the Bankruptcy Code.

65. **Discharge (11 U.S.C. § 1141(d)(3)).** The Debtor is entitled to a discharge of debts pursuant to section 1141(d)(3)(B) of the Bankruptcy Code. Under the Plan, the Claimant Trust or Reorganized Debtor, as applicable, will continue to manage funds and conduct business

in the same manner as the Debtor did prior to Plan confirmation, which includes the management of the CLOs, Multi-Strat, Restoration Capital, the Select Fund and the Korea Fund. Although the Plan projects that it will take approximately two years to monetize the Debtor's assets for fair value, Mr. Seery testified that while the Reorganized Debtor and Claimant Trust will be monetizing their assets, there is no specified time frame by which this process must conclude. Mr. Seery's credible testimony demonstrates that the Debtor will continue to engage in business after consummation of the Plan, within the meaning of Section 1141(d)(3)(b) and that the Debtor is entitled to a discharge pursuant to section 1141(d)(1) of the Bankruptcy Code.

66. **Retention of Jurisdiction.** The Bankruptcy Court may properly retain jurisdiction over the matters set forth in Article XI of the Plan and/or section 1142 of the Bankruptcy Code to the maximum extent under applicable law.

67. **Additional Plan Provisions (11 U.S.C. § 1123(b)).** The Plan's provisions are appropriate, in the best interests of the Debtor and its Estate, and consistent with the applicable provisions of the Bankruptcy Code, Bankruptcy Rules, and Local Rules.

68. **Executory Contracts and Unexpired Leases (11 U.S.C. § 1123(b)(2)).** The Debtor has exercised reasonable business judgment with respect to the rejection of the Executory Contracts and Unexpired Leases pursuant the terms of the Plan and this Confirmation Order, and such rejections are justified and appropriate in this Chapter 11 Case. The Debtor also filed the List of Assumed Contracts, which contain notices to the applicable counterparties to the contracts set forth on Exhibit "FF" to Plan Supplement filed on February 1, 2021 [Docket No. 1875] and which exhibit sets forth the list of executory contracts and unexpired leases to be

assumed by the Debtor pursuant to the Plan (collectively, the “Assumed Contracts”). With respect to the Assumed Contracts, only one party objected to the assumption of any of the Assumed Contracts, but that objection was withdrawn.<sup>8</sup> Any modifications, amendments, supplements, and restatements to the Assumed Contracts that may have been executed by the Debtor during the Chapter 11 Case shall not be deemed to alter the prepetition nature of the Assumed Contracts or the validity, priority, or amount of any Claims that may arise in connection therewith. Assumption of any Assumed Contract pursuant to the Plan and full payment of any applicable Cure pursuant to the Plan shall result in the full release and satisfaction of any Cures, Claims, or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed Executory Contract or Unexpired Lease at any time prior to the effective date of assumption.

**69. Compromises and Settlements Under and in Connection with the Plan (11 U.S.C. § 1123(b)(3)).** All of the settlements and compromises pursuant to and in connection with the Plan, comply with the requirements of section 1123(b)(3) of the Bankruptcy Code and Bankruptcy Rule 9019.

**70. Debtor Release, Exculpation and Injunctions (11 U.S.C. § 1123(b)).** The Debtor Release, Exculpation, and Injunction provisions provided in the Plan (i) are within the jurisdiction of the Bankruptcy Court under 28 U.S.C. § 1334; (ii) are integral elements of the transactions incorporated into the Plan, and inextricably bound with the other provisions of the Plan; (iii) confer material benefit on, and are in the best interests of, the Debtor, its Estate, and its

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<sup>8</sup> See *Notice of Withdrawal of James Dondero’s Objection Debtor’s Proposed Assumption of Contracts and Cure Amounts Proposed in Connection Therewith* [Docket No. 1876]

creditors; (iv) are fair, equitable, and reasonable; (v) are given and made after due notice and opportunity for hearing; (vi) satisfy the requirements of Bankruptcy Rule 9019; and (vii) are consistent with the Bankruptcy Code and other applicable law, and as set forth below.

71. **Debtor Release.** Section IX.D of the Plan provides for the Debtor's release of the Debtor's and Estate's claims against the Released Parties. Releases by a debtor are discretionary and can be provided by a debtor to persons who have provided consideration to the Debtor and its estate pursuant to section 1123(b)(3)(A) of the Bankruptcy Code. Contrary to the objections raised by Mr. Dondero and certain of the Dondero Related Entities, the Debtor Release is appropriately limited to release claims held by the Debtor and does not purport to release the claims held by the Claimant Trust, Litigation Sub-Trust, or other third parties. The Plan does not purport to release any claims held by third parties and the Bankruptcy Court finds that the Debtor Release is not a "disguised" release of any third party claims as asserted by certain objecting parties. The limited scope of the Debtor Release in the Plan was extensively negotiated with the Committee, particularly with the respect to the Debtor's conditional release of claims against employees, as identified in the Plan, and the Plan's conditions and terms of such releases. The Plan does not release (i) any obligations of any party under the Plan or any document, instrument, or agreement executed to implement the Plan, (ii) the rights or obligations of any current employee of the Debtor under any employment agreement or plan, (iii) the rights of the Debtor with respect to any confidentiality provisions or covenants restricting competition in favor of the Debtor under any employment agreement with a current or former employee of the Debtor, (iv) any Avoidance Actions, or (v) any Causes of Action arising from willful misconduct, criminal misconduct, actual

fraud, or gross negligence of such applicable Released Party as determined by Final Order of the Bankruptcy Court or any other court of competent jurisdiction. The Debtor Release also contains conditions to such releases as set forth in Article X.D of the Plan with respect to employees (the “Release Conditions”). Until the an employee satisfies the Release Conditions or the Release Conditions otherwise terminate, any claims against such employee will be tolled so that if the Release Conditions are not met the Litigation Trustee may pursue claims against an employee at a later date. The evidence before the Bankruptcy Court, including, but not limited to Mr. Seery’s testimony, demonstrates that the Debtor is not aware of any claims against any of the Released Parties, that the Released Parties have been instrumental in assisting the Debtor’s efforts toward confirmation of the Plan and that, therefore, the releases are a *quid pro quo* for the Released Parties’ significant contributions to a highly complex and contentious restructuring. The Committee, whose members hold approximately \$200 million in claims against the Estate, is highly sophisticated and is represented by highly sophisticated professionals, and has actively and vigorously negotiated the terms of the Debtor Release, which was the subject of significant controversy at the Initial Disclosure Statement hearing held by the Bankruptcy Court on October 27, 2020.

72. **Exculpation.** Section IX.C of the Plan provides for the exculpation of certain Exculpated Parties to the extent provided therein (the “Exculpation Provision”). As explained below, the Exculpation Provision is appropriate under the unique circumstances of this litigious Chapter 11 Case and consistent with applicable Fifth Circuit precedent. First, with respect to the Independent Directors, their agents, and their advisors, including any employees acting at

their direction, the Bankruptcy Court finds and concludes that it has already exculpated these parties for acts other than willful misconduct and gross negligence pursuant to the January 9 Order. The January 9 Order was specifically agreed to by Mr. Dondero, who was in control of the Debtor up until entry of the January 9 Order. The January 9 Order was not appealed. In addition to the appointment of the Independent Directors in an already contentious and litigious case, the January 9 Order set the standard of care for the Independent Directors and specifically exculpated them for negligence. Mr. Seery and Mr. Dubel each testified that they had input into the contents of the January 9 Order and would not have agreed to their appointment as Independent Directors if the January 9 Order did not include the protections set forth in paragraph 10 of the January 9 Order. Paragraph 10 of the January 9 Order (1) requires that parties wishing to sue the Independent Directors or their agents and advisors must first seek approval from the Bankruptcy Court before doing so; (2) sets the standard of care for the Independent Directors during the Chapter 11 Case and exculpated the Independent Directors for acts other than willful misconduct or gross negligence; (3) only permits suits against the Independent Directors to proceed for colorable claims of willful misconduct and gross negligence upon order of the Bankruptcy Court; and (4) does not expire by its terms.

73. **Existing Exculpation of Independent Directors.** The Bankruptcy Court also finds and concludes that it has already exculpated Mr. Seery acting in the capacity as Chief Executive Officer and Chief Restructuring Officer pursuant to the July 16 Order. The Bankruptcy Court concludes its previous approval of the exculpation of the Independent Directors, their agents, advisors and employees working at their direction pursuant to the January 9 Order, and the Chief

Executive Officer and Chief Restructuring Officer pursuant to the July 16 Order constitutes the law of this case and are *res judicata* pursuant to *In re Republic Supply Co. v. Shoaf*, 815 F.2d 1046 (5th Cir.1987). The January 9 Order and July 16 Order cannot be collaterally attacked based on the objectors' objection to the exculpation of the Independent Directors, their agents, and advisors, including any employees acting at their direction, as well as the Chief Executive Officer and Chief Restructuring Officer, that the Bankruptcy Court already approved pursuant to the January 9 Order and the July 16 Order.

74. **The Exculpation Provision Complies with Applicable Law.** Separate and apart from the *res judicata* effect of the January 9 Order and the July 16 Order, the Bankruptcy Court also finds and concludes that the Exculpation Provision is consistent with applicable law, including *In re Pacific Lumber Co.*, 584 F.3d 229 (5th Cir. 2009), for several reasons:

- a. First, the statutory basis for *Pacific Lumber's* denial of exculpation for certain parties other than a creditors' committee and its members is that section 524(e) of the Bankruptcy Code "only releases the debtor, not co-liable third parties." *Pacific Lumber*, 253 F.3d. at 253. However, *Pacific Lumber* does not prohibit all exculpations under the Bankruptcy Code and the court in such case specifically approved the exculpations of a creditors' committee and its members on the grounds that "11 U.S.C. § 1103(c), which lists the creditors' committee's powers, implies committee members have qualified immunity for actions within the scope of their duties.... [I]f members of the committee can be sued by persons unhappy with the committee's performance during the case or unhappy with the outcome of the case, it will be extremely difficult to find members to serve on an official committee." *Pacific Lumber*, 253 F.3d at 253 (quoting Lawrence P. King, et al, *Collier on Bankruptcy*, ¶ 1103.05[4][b] (15<sup>th</sup> Ed. 2008)). *Pacific Lumber's* rationale for permitted exculpation of creditors' committees and their members (which was clearly policy-based and based on a creditors' committee qualified immunity flowing from their duties under section 1103(c) of the Bankruptcy Code and their disinterestedness and importance in chapter 11 cases) does not preclude exculpation to other parties in a particular chapter 11 case that perform similar roles to a creditors' committee and its members. The Independent Directors, and by extension the Chief Executive Officer and Chief Restructuring Officer, were not

part of the Debtor’s enterprise prior to their appointment by the Bankruptcy Court under the January 9 Order. The Bankruptcy Court appointed the Independent Directors in lieu of a chapter 11 trustee to address what the Bankruptcy Court perceived as serious conflicts of interest and fiduciary duty concerns with the then-existing management prior to January 9, 2020, as identified by the Committee. In addition, the Bankruptcy Court finds that the Independent Directors expected to be exculpated from claims of negligence, and would likely have been unwilling to serve in contentious cases absent exculpation. The uncontroverted testimony of Mr. Seery and Mr. Dubel demonstrates that the Independent Directors would not have agreed to accept their roles without the exculpation and gatekeeper provision in the January 9 Order. Mr. Dubel also testified as to the increasing important role that independent directors are playing in complex chapter 11 restructurings and that unless independent directors could be assured of exculpation for simple negligence in contentious bankruptcy cases they would be reluctant to accept appointment in chapter 11 cases which would adversely affect the chapter 11 restructuring process. The Bankruptcy Court concludes that the Independent Directors were appointed under the January 9 Order in order to avoid the appointment of a chapter 11 trustee and are analogous to a creditors’ committee rather than an incumbent board of directors. The Bankruptcy Court also concludes that if independent directors cannot be assured of exculpation for simple negligence in contentious bankruptcy cases, they may not be willing to serve in that capacity. Based upon the foregoing, the Bankruptcy Court concludes that *Pacific Lumber’s* policy of exculpating creditors’ committees and their members from “being sued by persons unhappy with the committee’s performance during the case or unhappy with the outcome of the case” is applicable to the Independent Directors in this Chapter 11 Case.<sup>9</sup>

- b. Second, the Bankruptcy Court also concludes that *Pacific Lumber* does not preclude the exculpation of parties if there is a showing that “costs [that] the released parties might incur defending against such suits alleging such negligence are likely to swamp either the Exculpated Parties or the reorganization.” *Pacific Lumber*, 584 F.3d at 252. If ever there was a risk of that happening in a chapter 11 reorganization, it is this one. Mr. Seery credibly testified that Mr. Dondero stated outside the courtroom that if Mr. Dondero’s pot plan does not get approved, that Mr. Dondero will “burn the place down.” The Bankruptcy Court can easily expect that the proposed Exculpated Parties might expect to incur costs that could swamp them and the reorganization based on the prior litigious conduct of Mr. Dondero and his controlled entities that justify their inclusion in the Exculpation Provision.

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<sup>9</sup> The same reasoning applies to the inclusion of Strand in the Exculpation Provision because Strand is the general partner of the Debtor through which each of the Independent Board members act.

75. **Injunction.** Section IX.D of the Plan provides for a Plan injunction to implement and enforce the Plan’s release, discharge and release provisions (the “Injunction Provision”). The Injunction Provision is necessary to implement the provisions in the Plan. Mr. Seery testified that the Claimant Trustee will monetize the Debtor’s assets in order to maximize their value. In order to accomplish this goal, the Claimant Trustee needs to be able to pursue this objective without the interference and harassment of Mr. Dondero and his related entities, including the Dondero Related Entities. Mr. Seery also testified that if the Claimant Trust was subject to interference by Mr. Dondero, it would take additional time to monetize the Debtor’s assets and those assets could be monetized for less money to the detriment of the Debtor’s creditors. The Bankruptcy Court finds and concludes that the Injunction Provision is consistent with and permissible under Bankruptcy Code sections 1123(a), 1123(a)(6), 1141(a) and (c), and 1142. The Bankruptcy Court rejects assertions by certain objecting parties that the Injunction Provision constitutes a “third-party release.” The Injunction Provision is appropriate under the circumstances of this Chapter 11 Case and complies with applicable bankruptcy law. The Bankruptcy Court also concludes that the terms “implementation” and “consummation” are neither vague nor ambiguous

76. **Gatekeeper Provision.** Section IX.F of the Plan contains a provision contained in paragraph AA of this Confirmation Order and which the Debtor has referred to as a gatekeeper provision (the “Gatekeeper Provision”). The Gatekeeper Provision requires that Enjoined Parties first seek approval of the Bankruptcy Court before they may commence an action against Protected Parties. Thereafter, if the Bankruptcy Court determines that the action is

colorable, the Bankruptcy Court may, if it has jurisdiction, adjudicate the action. The Bankruptcy Court finds that the inclusion of the Gatekeeper Provision is critical to the effective and efficient administration, implementation, and consummation of the Plan. The Bankruptcy Court also concludes that the Bankruptcy Court has the statutory authority as set forth below to approve the Gatekeeper Provision.

77. **Factual Support for Gatekeeper Provision.** The facts supporting the need for the Gatekeeper Provision are as follows. As discussed earlier in this Confirmation Order, prior to the commencement of the Debtor's bankruptcy case, and while under the direction of Mr. Dondero, the Debtor had been involved in a myriad of litigation, some of which had gone on for years and, in some cases, over a decade. Substantially all of the creditors in this case are either parties who were engaged in litigation with the Debtor, parties who represented the Debtor in connection with such litigation and had not been paid, or trade creditors who provided litigation-related services to the Debtor. During the last several months, Mr. Dondero and the Dondero Related Entities have harassed the Debtor, which has resulted in further substantial, costly, and time-consuming litigation for the Debtor. Such litigation includes: (i) entry of a temporary restraining order and preliminary injunction against Mr. Dondero [Adv. Proc. No. 20-03190 Docket No. 10 and 59] because of, among other things, his harassment of Mr. Seery and employees and interference with the Debtor's business operations; (ii) a contempt motion against Mr. Dondero for violation of the temporary restraining order, which motion is still pending before the Bankruptcy Court [Adv. Proc. No. 20-03190 Docket No. 48]; (iii) a motion by Mr. Dondero's controlled investors in certain CLOs managed by the Debtor that the Bankruptcy Court referred to

as frivolous and a waste of the Bankruptcy Court’s time [Docket No. 1528] which was denied by the Court [Docket No. 1605]; (iv) multiple plan confirmation objections focused on ensuring the Dondero Related Entities be able to continue their litigation against the Debtor and its successors post-confirmation [Docket Nos. 1661, 1667, 1670, 1673, 1676, 1677 and 1868]; (v) objections to the approval of the Debtor’s settlements with Acis and HarbourVest and subsequent appeals of the Bankruptcy Court’s order approving each of those settlements [Docket Nos. 1347 and 1870]; and (vi) a complaint and injunction sought against Mr. Dondero’s affiliated entities to prevent them from violating the January 9 Order and entry of a restraining order against those entities [Adv Proc. No. 21-03000 Docket No 1] (collectively, the “Dondero Post-Petition Litigation”).

78. **Findings Regarding Dondero Post-Petition Litigation.** The Bankruptcy Court finds that the Dondero Post-Petition Litigation was a result of Mr. Dondero failing to obtain creditor support for his plan proposal and consistent with his comments, as set forth in Mr. Seery’s credible testimony, that if Mr. Dondero’s plan proposal was not accepted, he would “burn down the place.” The Bankruptcy Court concludes that without appropriate protections in place, in the form of the Gatekeeper Provision, Mr. Dondero and his related entities will likely commence litigation against the Protected Parties after the Effective Date and do so in jurisdictions other than the Bankruptcy Court in an effort to obtain a forum which Mr. Dondero perceives will be more hospitable to his claims. The Bankruptcy Court also finds, based upon Mr. Seery’s testimony, that the threat of continued litigation by Mr. Dondero and his related entities after the Effective Date will impede efforts by the Claimant Trust to monetize assets for the benefit of creditors and result

in lower distributions to creditors because of costs and distraction such litigation or the threats of such litigation would cause.

79. **Necessity of Gatekeeper Provision.** The Bankruptcy Court further finds that unless the Bankruptcy Court approves the Gatekeeper Provision, the Claimant Trustee and the Claimant Trust Oversight Board will not be able to obtain D&O insurance, the absence of which will present unacceptable risks to parties currently willing to serve in such roles. The Bankruptcy Court heard testimony from Mark Tauber, a Vice President with AON Financial Services, the Debtor's insurance broker ("AON"), regarding his efforts to obtain D&O insurance. Mr. Tauber credibly testified that of all the insurance carriers that AON approached to provide D&O insurance coverage after the Effective Date, the only one willing to do so without an exclusion for claims asserted by Mr. Dondero and his affiliates otherwise requires that this Order approve the Gatekeeper Provision. Based on the foregoing, the Bankruptcy Court finds that the Gatekeeper Provision is necessary and appropriate in light of the history of the continued litigiousness of Mr. Dondero and his related entities in this Chapter 11 Case and necessary to the effective and efficient administration, implementation and consummation of the Plan and is appropriate pursuant to *Carroll v. Abide (In re Carroll)* 850 F.3d 811 (5th Cir. 2017). Approval of the Gatekeeper Provision will prevent baseless litigation designed merely to harass the post-confirmation entities charged with monetizing the Debtor's assets for the benefit of its economic constituents, will avoid abuse of the court system and preempt the use of judicial time that properly could be used to consider the meritorious claims of other litigants. Any suit against a Protected Party would effectively be a suit against the Debtor, and the Debtor may be required to indemnify the Protected

Parties under the Limited Partnership Agreement, which will remain in effect through the Effective Date, or those certain *Indemnification and Guaranty Agreements*, dated January 9, 2020, between Strand, the Debtor, and each Independent Director, following the Confirmation Date as each such agreement will be assumed pursuant to 11 U.S.C. § 365 pursuant to the Plan.

80. **Statutory Authority to Approve Gatekeeper Provision.** The Bankruptcy Court finds it has the statutory authority to approve the Gatekeeper Provision under sections 1123(a)(5), 1123(b)(6), 1141, 1142(b), and 105(a). The Gatekeeper Provision is also within the spirit of the Supreme Court’s “Barton Doctrine.” *Barton v. Barbour*, 104 U.S. 126 (1881). The Gatekeeper Provision is also consistent with the notion of a prefiling injunction to deter vexatious litigants, that has been approved by the Fifth Circuit in such cases as *Baum v. Blue Moon Ventures, LLC*, 513 F.3d 181, 189 (5th Cir. 2008), and *In re Carroll*, 850 F.3d 811 (5<sup>th</sup> Cir. 2017).

81. **Jurisdiction to Implement Gatekeeper Provision.** The Bankruptcy Court finds that it will have jurisdiction after the Effective Date to implement the Gatekeeper Provision as post-confirmation bankruptcy court jurisdiction has been interpreted by the Fifth Circuit under *United States Brass Corp. v. Travelers Ins. Group, Inc. (In re United States Brass Corp.)*, 301 F.3d 296 (5<sup>th</sup> Cir. 2002) and *EOP-Colonnade of Dallas Ltd. P’Ship v. Faulkner (In re Stonebridge Techs., Inc.)*, 430 F.3d 260 (5<sup>th</sup> Cir. 2005). Based upon the rationale of the Fifth Circuit in *Villegas v. Schmidt*, 788 F.3d 156, 158-59 (5th Cir. 2015), the Bankruptcy Court’s jurisdiction to act as a gatekeeper does not violate *Stern v. Marshall*. The Bankruptcy Court’s determination of whether

a claim is colorable, which the Bankruptcy Court has jurisdiction to determine, is distinct from whether the Bankruptcy Court would have jurisdiction to adjudicate any claim it finds colorable.

82. **Resolution of Objections of Scott Ellington and Isaac Leventon.** Each of Scott Ellington (“Mr. Ellington”) and Isaac Leventon (“Mr. Leventon”) (each, a “Senior Employee Claimant”) has asserted certain claims for liquidated but unpaid bonus amounts for the following periods: 2016, 2017, and 2018, as set forth in Exhibit A to that certain *Senior Employees’ Limited Objection to Debtor’s Fifth Amended Plan of Reorganization* [Docket No. 1669] (the “Senior Employees’ Objection”) (for each of Mr. Ellington and Mr. Leventon, the “Liquidated Bonus Claims”).

- a. Mr. Ellington has asserted Liquidated Bonus Claims in the aggregate amount of \$1,367,197.00, and Mr. Leventon has asserted Liquidated Bonus Claims in the aggregate amount of \$598,198.00. Mr. Ellington received two Ballots<sup>10</sup> – a Ballot for Class 7 of the Plan and a Ballot for Class 8 of the Plan. Mr. Ellington completed and timely returned both of such Ballots, voted to reject the Plan, and elected to have his Class 8 Liquidated Bonus Claims treated under Class 7 of the Plan, subject to the objections and reservations of rights set forth in the Senior Employees’ Objection. If Mr. Ellington is permitted to elect Class 7 treatment for his Liquidated Bonus Claims, then the maximum amount of his Liquidated Bonus Claims will be \$1,000,000.
- b. Mr. Leventon received two Ballots—a Ballot for Class 7 of the Plan and a Ballot for Class 8 of the Plan. Mr. Leventon completed and timely returned both of such Ballots and voted each such Ballots to rejected the Plan.
- c. The Senior Employees’ Objection, among other things, objects to the Plan on the grounds that the Debtor improperly disputes the right of Mr. Ellington to elect Class 7 treatment for his Liquidated Bonus Claims and Mr. Leventon’s entitlement to receive Class 7 Convenience Class treatment for his Liquidated Bonus Claims. The Debtor contended that neither Mr. Ellington or Mr. Leventon were entitled to elect to receive Class 7 Convenience Class treatment on account of their Liquidated

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<sup>10</sup> As defined in the Plan, “Ballot” means the forms(s) distributed to holders of Impaired Claims or Equity Interests entitled to vote on the Plan on which to indicate their acceptance or rejection of the Plan.

Bonus Claims under the terms of the Plan, the Disclosure Statement Order or applicable law.

- d. The Debtor and Mr. Ellington and Mr. Leventon negotiated at arms' length in an effort to resolve all issues raised in the Senior Employee's Objection, including whether or not Mr. Ellington and Mr. Leventon were entitled to Class 7 Convenience Class treatment of their Liquidated Bonus Claims. As a result of such negotiation, the Debtor, Mr. Ellington, and Mr. Leventon have agreed to the settlement described in paragraphs 82(e) through 82(k) below and approved and effectuated pursuant to decretal paragraphs RR through SS (the "Senior Employees' Settlement").
- e. Under the terms of the Senior Employees' Settlement, the Debtor has the right to elect one of two treatments of the Liquidated Bonus Claims for a Senior Employee Claimant. Under the first treatment option ("Option A"), the Liquidated Bonus Claims will be entitled to be treated in Class 7 of the Plan, and the Liquidated Bonus Claims will be entitled to receive payment in an amount equal to 70.125% of the Class 7 amount of the Liquidated Bonus Claims, subject to the Liquidated Bonus Claims becoming Allowed Claims under the terms of the Plan. Under this calculation, Mr. Ellington would be entitled to receive \$701,250.00 on account of his Class 7 Convenience Class Claim when and as Allowed under the Plan, and Mr. Leventon would be entitled to receive \$413,175.10 on account of his Class 7 Convenience Class Claim when and as Allowed under the Plan. If, however, any party in interest objects to the allowance of the Senior Employee Claimant's Liquidated Bonus Claims and does not prevail in such objection, then such Senior Employee Claimant will be entitled to a payment in an amount equal to 85% of his Allowed Liquidated Bonus Claims (subject, in the case of Mr. Ellington, to the cap imposed on Class 7 Claims). In addition, under Option A, each of Mr. Ellington and Mr. Leventon would retain their respective rights to assert that the Liquidated Bonus Claims are entitled to be treated as Administrative Expense Claims, as defined in Article I.B.2. of the Plan, in which case the holder of such Liquidated Bonus Claims would be entitled to payment in full of the Allowed Liquidated Bonus Claims. Under Option A, parties in interest would retain the right to object to any motion seeking payment of the Liquidated Bonus Amounts as Administrative Expenses.
- f. Under the second treatment option ("Option B"), the Debtor would agree that the Senior Employee Claimant has Allowed Liquidated Bonus Claims, no longer subject to objection by any party in interest, in the amounts of the Liquidated Bonus Claims (subject, in the case of Mr. Ellington, to the cap imposed by Class 7). If the Debtor elects Option B as to a Senior Employee Claimant, then such Senior Employee Claimant would be entitled to a payment on account of his Allowed Liquidated Bonus Claims in an amount equal to 60% of the amount of the

Liquidated Bonus Claims (which, in Mr. Ellington's case, would be \$600,000 and in Mr. Leventon's case, would be \$358,918.80), and such payment would be the sole recovery on account of such Allowed Liquidated Bonus Claims.

- g. The Debtor may, with the consent of the Committee, elect Option B with respect to a Senior Employee Claimant at any time prior to the occurrence of the Effective Date. If the Debtor does not make an election, then Option A will apply.
- h. Under either Option A or Option B, Mr. Ellington and Mr. Leventon will retain all their rights with respect to all Claims other than the Liquidated Bonus Amounts, including, but not limited to, their Class 6 PTO Claims, other claims asserted as Class 8 General Unsecured Claims, the Senior Employees' claims for indemnification against the Debtor, and any other claims that they may assert constitute Administrative Expense Claims, and any other such Claims are subject to the rights of any party in interest to object to such Claims, and the Debtor reserves any all of its rights and defenses in connection therewith.
- i. Subject to entry of this Confirmation Order and as set forth and announced on the record at the hearing on confirmation of the Plan and no party objecting thereto, Mr. Ellington and Mr. Leventon agreed to change the votes in their respective Ballots from rejection to acceptance of the Plan and to withdraw the Senior Employees' Objection.
- j. The Senior Employees' Settlement represents a valid exercise of the Debtor's business judgment and satisfies the requirements for a compromise under Bankruptcy Rule 9019(a).
- k. For the avoidance of doubt, neither Mr. Leventon nor Mr. Ellington shall be a Released Party under the Plan regardless of how the Senior Employee Claimants' Claims are to be treated hereunder.

Based upon the foregoing findings, and upon the record made before the Bankruptcy Court at the Confirmation Hearing, and good and sufficient cause appearing therefor, it is hereby

**ORDERED, ADJUDGED AND DECREED THAT:**

**A. Confirmation of the Plan.** The Plan is approved in its entirety and **CONFIRMED** under section 1129 of the Bankruptcy Code. The terms of the Plan, including the

Plan Supplements and Plan Modifications, are incorporated by reference into and are an integral part of this Confirmation Order.<sup>11</sup>

**B. Findings of Fact and Conclusions of Law.** The findings of fact and the conclusions of law set forth in this Confirmation Order and on the record of the Confirmation Hearing constitute findings of fact and conclusions of law in accordance with Bankruptcy Rule 7052, made applicable to this proceeding by Bankruptcy Rule 9014. All findings of fact and conclusion of law announced by the Bankruptcy Court at the Confirmation Hearing in relation to confirmation of the Plan are hereby incorporated into this Confirmation Order. To the extent that any of the following constitutes findings of fact or conclusions of law, they are adopted as such. To the extent any findings of fact or conclusions of law set forth in this Confirmation Order (including any findings of fact or conclusions of law announced by the Bankruptcy Court at the Confirmation Hearing and incorporated herein) constitutes an order of the Bankruptcy Court, and is adopted as such.

**C. Objections.** Any resolution or disposition of objections to confirmation of the Plan or otherwise ruled upon by the Bankruptcy Court on the record of the Confirmation Hearing is hereby incorporated by reference. All objections and all reservations of rights pertaining to confirmation of the Plan that have not been withdrawn, waived or settled are overruled on the merits, except as otherwise specifically provided in this Confirmation Order.

**D. Plan Supplements and Plan Modifications.** The filing with the Bankruptcy Court of the Plan Supplements and the Plan Modifications constitutes due and

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<sup>11</sup> The Plan is attached hereto as Exhibit A.

sufficient notice thereof. Accordingly, pursuant to section 1127(a) of the Bankruptcy Code and Bankruptcy Rule 3019, the Plan Modifications and the Plan Supplements do not require additional disclosure under section 1125 of the Bankruptcy Code or resolicitation of votes under section 1126 of the Bankruptcy Code, nor do they require that Holders of Claims or Equity Interests be afforded an opportunity to change previously cast acceptances or rejections of the Plan. The Plan Modifications and the Plan Supplements constitute the Plan pursuant to section 1127(a) of the Bankruptcy Code. Accordingly, the Plan, as modified, is properly before the Bankruptcy Court and all votes cast with respect to the Plan prior to such modification shall be binding and shall apply with respect to the Plan.

**E. Deemed Acceptance of Plan.** In accordance with section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019, all Holders of Claims and Equity Interests who voted to accept the Plan (or whom are conclusively presumed to accept the Plan) are deemed to have accepted the Plan as modified by the Plan Modifications. No holder of a Claim shall be permitted to change its vote as a consequence of the Plan Modifications.

**F. Vesting of Assets in the Reorganized Debtor.** Except as otherwise provided in the Plan or this Confirmation Order, on or after the Effective Date, all Reorganized Debtor Assets will vest in the Reorganized Debtor, free and clear of all Liens, Claims, charges or other encumbrances pursuant to section 1141(c) of the Bankruptcy Code, except with respect to such Liens, Claims, charges, and other encumbrances that are specifically preserved under the Plan upon the Effective Date. The Reorganized Debtor shall be the exclusive trustee of the Reorganized Debtor Assets for purposes of 31 U.S.C. § 3713(b) and 26 U.S.C. § 6012(b)(3), as well as the

representative of the Estate appointed pursuant to section 1123(b)(3)(B) of the Bankruptcy Code with respect to the Reorganized Debtor Assets.

**G. Effectiveness of All Actions.** All actions contemplated by the Plan, including all actions in connection with the Claimant Trust Agreement, the Senior Employee Stipulation, the New GP LLC Documents, the New Frontier Note, the Reorganized Limited Partnership Agreement, the Litigation Sub-Trust Agreement, and the other Plan Documents, are authorized to be taken on, prior to, or after the Effective Date, as applicable, under this Confirmation Order, without further application to or order of the Bankruptcy Court, or further action by the directors, managers, officers or partners of the Debtor or the Reorganized Debtor and with the effect that such actions had been taken by unanimous action of such parties.

**H. Restructuring Transactions.** The Debtor or Reorganized Debtor, as applicable, are authorized to enter into and effectuate the Restructuring provided under the Plan, including, without limitation, the entry into and consummation of the transactions contemplated by the Claimant Trust Agreement, the Senior Employee Stipulation, the New GP LLC Documents, the New Frontier Note, the Reorganized Limited Partnership Agreement, the Litigation Sub-Trust Agreement, and the other Plan Documents, and may take any actions as may be necessary or appropriate to effect a corporate restructuring of its business or a corporate restructuring of the overall corporate structure of the Reorganized Debtor, as and to the extent provided in the Plan. Any transfers of assets or equity interests effected or any obligations incurred through the Restructuring pursuant to the Plan are hereby approved and shall not constitute fraudulent conveyances or fraudulent transfers or otherwise be subject to avoidance.

**I. Preservation of Causes of Action.** Unless a Cause of Action against a Holder of a Claim or an Equity Interest or other Entity is expressly waived, relinquished, released, compromised or settled in the Plan or any Final Order (including, without limitation, this Confirmation Order), such Cause of Action is expressly reserved for later adjudication by the Reorganized Debtor, the Litigation Sub-Trust, or the Claimant Trust, as applicable (including, without limitation, Causes of Action not specifically identified or of which the Debtor may presently be unaware or that may arise or exist by reason of additional facts or circumstances unknown to the Debtor at this time or facts or circumstances that may change or be different from those the Debtor now believes to exist) and, therefore, no preclusion doctrine, including, without limitation, the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable or otherwise) or laches will apply to such Causes of Action as a consequence of the confirmation, effectiveness, or consummation of the Plan based on the Disclosure Statement, the Plan, or this Confirmation Order, except where such Causes of Action have been expressly released in the Plan or any other Final Order (including, without limitation, this Confirmation Order). In addition, the right of the Reorganized Debtor, the Claimant Trust, or the Litigation Sub-Trust to pursue or adopt any claims alleged in any lawsuit in which the Debtor is a plaintiff, defendant or an interested party, against any Entity, including, without limitation, the plaintiffs or co-defendants in such lawsuits, is expressly reserved.

**J. Independent Board of Directors of Strand.** The terms of the current Independent Directors shall expire on the Effective Date without the need for any further or other action by any of the Independent Directors. For avoidance of doubt, the Assumed Contracts

include the *Indemnification and Guaranty Agreement between Highland Capital Management, Strand Advisors, Inc. and James Seery*; the *Indemnification and Guaranty Agreement between Highland Capital Management, Strand Advisors, Inc. and John Dubel* and *Indemnification and Guaranty Agreement between Highland Capital Management, Strand Advisors, Inc. and Russell Nelms* and shall each remain in full force and effect notwithstanding the expiration of the terms of any Independent Directors.

**K. Cancellation of Equity Interests and Issuance of New Partnership**

**Interests.** On the Effective Date, all Class A Limited Partnership Interests, including the Class A Limited Partnership Interests held by Strand, as general partner, and Class B/C Limited Partnerships in the Debtor will be deemed cancelled, and all obligations or debts owed by, or Claims against, the Debtor on account of, or based upon, such Class A Limited Partnership Interests and Class B/C Limited Partnership Interests shall be deemed as cancelled, released, and discharged, including all obligations or duties by the Debtor relating to the Equity Interests in any of the Debtor's formation documents, including the Limited Partnership Agreement. As of the Effective Date and pursuant to the Plan, new Class A Limited Partnership Interests in the Reorganized Debtor will be issued to the Claimant Trust and New GP LLC. The Claimant Trust, as limited partner, will ratify New GP LLC's appointment as general partner of the Reorganized Debtor, and on and following the Effective Date, the Claimant Trust will be the Reorganized Debtor's limited partner and New GP LLC will be its general partner. The Claimant Trust, as limited partner, and New GP LLC, as general partner, will execute the Reorganized Limited Partnership Agreement, which will amend and restate, in all respects, the Debtor's current Limited

Partnership Agreement. Following the Effective Date, the Reorganized Debtor will be managed consistent with the terms of the Reorganized Limited Partnership Agreement by New GP LLC. The sole managing member of New GP LLC will be the Claimant Trust, and the Claimant Trustee will be the sole officer of New GP LLC on the Effective Date.

**L. Transfer of Assets to Claimant Trust.** On or prior to the Effective Date, the Debtor shall irrevocably transfer and shall be deemed to have irrevocably transferred to the Claimant Trust all of its rights, title, and interest in and to all of the Claimant Trust Assets, and in accordance with section 1141 of the Bankruptcy Code, the Claimant Trust Assets shall automatically vest in the Claimant Trust free and clear of all Claims, Liens, encumbrances, or interests subject only to the Claimant Trust Interests and the Claimant Trust Expenses, as provided for in the Claimant Trust Agreement, and such transfer shall be exempt from any stamp, real estate transfer, mortgage from any stamp, transfer, reporting, sales, use, or other similar tax. Following the Effective Date, the Claimant Trust will administer the Claimant Trust Assets pursuant to the Plan and the Claimant Trust Agreement.

**M. Transfer of Estate Claims to Litigation Sub-Trust.** On or prior to the Effective Date, the Claimant Trust shall irrevocably transfer and shall be deemed to have irrevocably transferred to the Litigation Sub-Trust all of the Claimant Trust's rights, title, and interest in and to all of the Estate Claims as successor in interest to the Debtor, and in accordance with section 1141 of the Bankruptcy Code, the Estate Claims shall automatically vest in the Litigation Sub-Trust free and clear of all Claims, Liens, encumbrances, or interests subject only to the Litigation Sub-Trust Interests and Litigation Sub-Trust Expenses. The Litigation Trustee will

be authorized to investigate, pursue, and otherwise resolve the Estate Claims pursuant to the terms of the Litigation Sub-Trust Agreement and the Plan, including as successor in interest to the Debtor or Committee, as applicable, in any litigation commenced prior to the Effective Date in which Estate Claims are asserted.

**N. Compromise of Controversies.** In consideration for the distributions and other benefits, including releases, provided under the Plan, the provisions of the Plan constitute a good faith compromise and settlement of all Claims, Equity Interests, and controversies resolved under the Plan and the entry of this Confirmation Order constitutes approval of such compromise and settlement under Bankruptcy Rule 9019.

**O. Objections to Claims.** The Claims Objection Deadline shall be the date that is 180 days after the Effective Date, *provided, however*, that the Claims Objection Deadline may be extended by the Bankruptcy Court upon a motion by the Claimant Trustee and as otherwise provided under the Plan.

**P. Assumption of Contracts and Leases.** Effective as of the date of this Confirmation Order, each of the Assumed Contracts shall be assumed by the Debtor without the need for any further notice to or action, order, or approval of the Bankruptcy Court, under section 365 of the Bankruptcy Code and the payment of Cures, if any, shall be paid in accordance with the Plan. Each Assumed Contract shall include all modifications, amendments, supplements, restatements, or other agreements related thereto, and all rights related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests. Modifications, amendments, supplements, and restatements to any of the

Assumed Contracts that have been executed by the Debtor during the Chapter 11 Case shall not be deemed to alter the prepetition nature of such Assumed Contracts or the validity, priority, or amount of any Claims that may arise in connection therewith. Assumption of the Assumed Contracts pursuant to Article V.A of the Plan and full payment of any applicable Cure pursuant to the Plan shall result in the full release and satisfaction of any Cures, Claims, or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition, or other bankruptcy-related defaults, arising under any Assumed Contracts.

**Q. Rejection of Contracts and Leases.** Unless previously assumed during the pendency of the Chapter 11 Case or pursuant to the Plan, all other Executory Contracts and Unexpired Leases are rejected as of the date of the entry of this Confirmation Order and pursuant to the terms of the Plan. To the extent that any party asserts any damages resulting from the rejection of any Executory Contract or Unexpired Lease, such claim must be filed within **thirty (30) days** following entry of this Confirmation Order, or such claim will be forever barred and disallowed against the Reorganized Debtor.

**R. Assumption of Issuer Executory Contracts.** On the Confirmation Date, the Debtor will assume the agreements set forth on **Exhibit B** hereto (collectively, the “Issuer Executory Contracts”) pursuant to section 365 of the Bankruptcy Code and Article V of the Plan. In full and complete satisfaction of its obligation to cure outstanding defaults under section 365(b)(1) of the Bankruptcy Code, the Debtor or, as applicable, any successor manager under the

Issuer Executory Contracts (collectively, the “Portfolio Manager”) will pay to the Issuers<sup>12</sup> a cumulative amount of \$525,000 (the “Cure Amount”) as follows:

- a. \$200,000 in cash on the date that is five business days from the Effective Date, with such payment paid directly to Schulte Roth & Zabel LLP (“SRZ”) in the amount of \$85,714.29, Jones Walker LLP (“JW”) in the amount of \$72,380.95, and Maples Group (“Maples” and collectively with SRZ and JW, the “Issuers’ Counsel”) in the amount of \$41,904.76 as reimbursement for the attorney’s fees and other legal expenses incurred by the Issuers in connection with the Debtor’s bankruptcy case; and
- b. \$325,000 in four equal quarterly payments of \$81,250.00 (each, a “Payment”), which amounts shall be paid to SRZ in the amount of \$34,821.43, JW in the amount of \$29,404.76, and Maples in the amount of \$17,023.81 as additional reimbursement for the attorney’s fees and other legal expenses incurred by the Issuers in connection with the Debtor’s bankruptcy case (i) from any management fees actually paid to the Portfolio Manager under the Issuer Executory Contracts (the “Management Fees”), and (ii) on the date(s) Management Fees are required to be paid under the Issuer Executory Contracts (the “Payment Dates”), and such obligation shall be considered an irrevocable direction from the Debtor and the Bankruptcy Court to the relevant CLO Trustee to pay, on each Payment Date, the Payment to Issuers’ Counsel, allocated in the proportion set forth in such agreement; *provided, however*, that (x) if the Management Fees are insufficient to make any Payment in full on a Payment Date, such shortfall, in addition to any other amounts due hereunder, shall be paid out of the Management Fees owed on the following Payment Date, and (y) nothing herein shall limit either Debtor’s liability to pay the amounts set forth herein, nor the recourse of the Issuers or Issuers’ Counsel to the Debtor, in the event of any failure to make any Payment.

**S. Release of Issuer Claims.** Effective as of the Confirmation Date, and to the maximum extent permitted by law, each Issuer on behalf of itself and each of its current and former advisors, trustees, directors, officers, managers, members, partners, employees, beneficiaries, shareholders, agents, participants, subsidiaries, parents, successors, designees, and

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<sup>12</sup> The “Issuers” are: Brentwood CLO, Ltd., Gleneagles CLO, Ltd., Greenbriar CLO, Ltd., Highland CLO 2018-1, Ltd., Highland Legacy Limited, Highland Loan Funding V Ltd., Highland Park CDO I, Ltd., Pam Capital Funding LP, Rockwall CDO II Ltd., Rockwall CDO Ltd., Southfork CLO Ltd., Stratford CLO Ltd., Westchester CLO, Ltd., Aberdeen Loan Funding, Ltd., Eastland CLO, Ltd., Grayson CLO, Ltd., Highland Credit Opportunities CDO Ltd., Jasper CLO, Ltd., Liberty Cayman Holdings, Ltd., Liberty CLO, Ltd., Red River CLO, Ltd., Valhalla CLO, Ltd.

assigns hereby forever, finally, fully, unconditionally, and completely releases, relieves, acquits, remises, and exonerates, and covenants never to sue, (i) the Debtor and (ii) the Professionals retained by the Debtor and the Committee in the Chapter 11 Case, the Independent Directors, the CEO/CRO, and with respect to the Persons listed in this subsection (ii), such Person's Related Persons (collectively, the "Debtor Released Parties"), for and from any and all claims, debts, liabilities, demands, obligations, promises, acts, agreements, liens, losses, costs and expenses (including, without limitation, attorney's fees and related costs), damages, injuries, suits, actions, and causes of action of whatever kind or nature, whether known or unknown, suspected or unsuspected, matured or unmatured, liquidated or unliquidated, contingent or fixed, at law or in equity, statutory or otherwise, including, without limitation, any claims, defenses, and affirmative defenses, whether known or unknown, including, without limitation, those which were or could have been asserted in, in connection with, or with respect to the Bankruptcy Case (collectively, the "Issuer Released Claims").

**T. Release of Debtor Claims against Issuer Released Parties.** Upon entry of this Order, and to the maximum extent permitted by law, the Debtor hereby forever, finally, fully, unconditionally, and completely releases, relieves, acquits, remises, and exonerates, and covenants never to sue [(i) each Issuer and (ii) Wendy Ebanks, (iii) Yun Zheng, (iv) Laura Chisholm, (v) Mora Goddard, (vi) Stacy Bodden, (vii) Suzan Merren (viii) Scott Dakers, (ix) Samit Ghosh, (x) Inderjit Singh, (xi) Ellen Christian, (xii) Andrew Dean, (xiii) Betsy Mortel, (xiv) David Hogan, (xv) Cleveland Stewart, (xvi) Rachael Rankin, (xvii) Otelia Scott, (xviii) Martin Couch, (xx) Feronia Bartley-Davis, (xxi) Charlotte Cloete, (xxii) Christina McLean, (xxiii) Karen Ellerbe,

(xxiv) Gennie Kay Bigord, (xxv) Evert Brunekreef, (xxvii) Evan Charles Burtton (collectively, the “Issuer Released Parties”),] for and from any and all claims, debts, liabilities, demands, obligations, promises, acts, agreements, liens, losses, costs and expenses (including, without limitation, attorney’s fees and related costs), damages, injuries, suits, actions, and causes of action of whatever kind or nature, whether known or unknown, suspected or unsuspected, matured or unmatured, liquidated or unliquidated, contingent or fixed, at law or in equity, statutory or otherwise, including, without limitation, any claims, defenses, and affirmative defenses, whether known or unknown, which were or could have been asserted in, in connection with, or with respect to the Bankruptcy Case (collectively, the “Debtor Released Claims”); *provided, however*, that notwithstanding anything herein to the contrary, the release contained herein will apply to the Issuer Released Parties set forth in subsection (ii) above only with respect to Debtor Released Claims arising from or relating to the Issuer Executory Contracts. Notwithstanding anything in this Order to the contrary, the releases set forth in paragraphs S and T hereof will not apply with respect to the duties, rights, or obligations of the Debtor or any Issuer hereunder.

**U. Authorization to Consummate.** The Debtor is authorized to consummate the Plan after the entry of this Confirmation Order subject to satisfaction or waiver of the conditions precedent to the Effective Date of the Plan set forth in Article VIII.A of the Plan. The Plan shall not become effective unless and until the conditions set forth in Article VIII.A of the Plan have been satisfied, or otherwise waived pursuant to Article VIII.B of the Plan.

**V. Professional Compensation.** All requests for payment of Professional Fee Claims for services rendered and reimbursement of expenses incurred prior to the Effective Date

must be filed no **later than sixty (60) days after the Effective Date**. The Bankruptcy Court shall determine the Allowed amounts of such Professional Fee Claims after notice and an opportunity for hearing in accordance with the procedures established by the Bankruptcy Code and the Bankruptcy Court. The Debtor shall fund the Professional Fee Reserve as provided under the Plan. The Reorganized Debtor shall pay Professional Fee Claims in Cash in the amounts the Bankruptcy Court allows. The Debtor is authorized to pay the pre-Effective Date fees and expenses of all ordinary course professionals in the ordinary course of business without the need for further Bankruptcy Court order or approval. From and after the Effective Date, any requirement that Professionals comply with sections 327 through 331 and 1103 (if applicable) of the Bankruptcy Code in seeking retention or compensation for services rendered after such date shall terminate, and the Reorganized Debtor or Claimant Trustee, as applicable, may employ and pay any Professional or Entity employed in the ordinary course of the Debtor's business without any further notice to or action, order, or approval of the Bankruptcy Court.

**W. Release, Exculpation, Discharge, and Injunction Provisions.** The following release, exculpation, discharge, and injunction provisions set forth in the Plan are approved and authorized in their entirety, and such provisions are effective and binding on all parties and Entities to the extent provided therein.

**X. Discharge of Claims and Termination of Interests.** To the fullest extent provided under section 1141(d)(1)(A) and other applicable provisions of the Bankruptcy Code, except as otherwise expressly provided by the Plan or this Confirmation Order, all consideration distributed under the Plan will be in exchange for, and in complete satisfaction, settlement,

discharge, and release of, all Claims and Equity Interests of any kind or nature whatsoever against the Debtor or any of its Assets or properties, and regardless of whether any property will have been distributed or retained pursuant to the Plan on account of such Claims or Equity Interests. Except as otherwise expressly provided by the Plan or this Confirmation Order, upon the Effective Date, the Debtor and its Estate will be deemed discharged and released under and to the fullest extent provided under section 1141(d)(1)(A) and other applicable provisions of the Bankruptcy Code from any and all Claims and Equity Interests of any kind or nature whatsoever, including, but not limited to, demands and liabilities that arose before the Confirmation Date, and all debts of the kind specified in section 502(g), 502(h), or 502(i) of the Bankruptcy Code.

**Y. Exculpation.** Subject in all respects to Article XII.D of the Plan, to the maximum extent permitted by applicable law, no Exculpated Party will have or incur, and each Exculpated Party is hereby exculpated from, any claim, obligation, suit, judgment, damage, demand, debt, right, Cause of Action, remedy, loss, and liability for conduct occurring on or after the Petition Date in connection with or arising out of (i) the filing and administration of the Chapter 11 Case; (ii) the negotiation and pursuit of the Disclosure Statement, the Plan, or the solicitation of votes for, or confirmation of, the Plan; (iii) the funding or consummation of the Plan (including the Plan Supplement) or any related agreements, instruments, or other documents, the solicitation of votes on the Plan, the offer, issuance, and Plan Distribution of any securities issued or to be issued pursuant to the Plan, including the Claimant Trust Interests, whether or not such Plan Distributions occur following the Effective Date; (iv) the implementation of the Plan; and (v) any negotiations, transactions, and documentation in connection with the foregoing clauses (i)-(v);

*provided, however,* the foregoing will not apply to (a) any acts or omissions of an Exculpated Party arising out of or related to acts or omissions that constitute bad faith, fraud, gross negligence, criminal misconduct, or willful misconduct or (b) Strand or any Employee other than with respect to actions taken by such Entities from the date of appointment of the Independent Directors through the Effective Date. The Plan's exculpation shall be in addition to, and not in limitation of, all other releases, indemnities, exculpations, any other applicable law or rules, or any other provisions of the Plan, including Article IV.C.2 of the Plan, protecting such Exculpated Parties from liability.

**Z. Releases by the Debtor.** On and after the Effective Date, each Released Party is deemed to be, hereby conclusively, absolutely, unconditionally, irrevocably, and forever released and discharged by the Debtor and the Estate, in each case on behalf of themselves and their respective successors, assigns, and representatives, including, but not limited to, the Claimant Trust and the Litigation Sub-Trust from any and all Causes of Action, including any derivative claims, asserted on behalf of the Debtor, whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereafter arising, in law, equity, contract, tort or otherwise, that the Debtor or the Estate would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the holder of any Claim against, or Interest in, a Debtor or other Person. Notwithstanding anything contained herein to the contrary, the foregoing release does not release: (i) any obligations of any party under the Plan or any document, instrument, or agreement executed to implement the Plan, (ii) the rights or obligations of any current employee of the Debtor under any employment agreement or plan, (iii) the rights of the Debtor with respect to any confidentiality provisions or covenants restricting competition in favor of the Debtor under

any employment agreement with a current or former employee of the Debtor, (iv) any Avoidance Actions, or (v) any Causes of Action arising from willful misconduct, criminal misconduct, actual fraud, or gross negligence of such applicable Released Party as determined by Final Order of the Bankruptcy Court or any other court of competent jurisdiction.

**AA. Injunction.** Upon entry of this Confirmation Order, all Enjoined Parties are and shall be permanently enjoined, on and after the Effective Date, from taking any actions to interfere with the implementation or consummation of the Plan. Except as expressly provided in the Plan, this Confirmation Order, or a separate order of the Bankruptcy Court, all Enjoined Parties are and shall be permanently enjoined, on and after the Effective Date, with respect to any Claims and Equity Interests, from directly or indirectly (i) commencing, conducting, or continuing in any manner, any suit, action, or other proceeding of any kind (including any proceeding in a judicial, arbitral, administrative or other forum) against or affecting the Debtor or the property of the Debtor, (ii) enforcing, levying, attaching (including any prejudgment attachment), collecting, or otherwise recovering, enforcing, or attempting to recover or enforce, by any manner or means, any judgment, award, decree, or order against the Debtor or the property of the Debtor, (iii) creating, perfecting, or otherwise enforcing in any manner, any security interest, lien or encumbrance of any kind against the Debtor or the property of the Debtor, (iv) asserting any right of setoff, directly or indirectly, against any obligation due to the Debtor or against property or interests in property of the Debtor, except to the limited extent permitted under Sections 553 and 1141 of the Bankruptcy Code, and (v) acting or proceeding in any manner,

**in any place whatsoever, that does not conform to or comply with the provisions of the Plan. The injunctions set forth in the Plan and this Confirmation Order shall extend to, and apply to any act of the type set forth in any of clauses (i)-(v) of the immediately preceding paragraph against any successors of the Debtor, including, but not limited to, the Reorganized Debtor, the Litigation Sub-Trust, and the Claimant Trust and their respective property and interests in property. Subject in all respects to Article XII.D of the Plan, no Enjoined Party may commence or pursue a claim or cause of action of any kind against any Protected Party that arose or arises from or is related to the Chapter 11 Case, the negotiation of the Plan, the administration of the Plan or property to be distributed under the Plan, the wind down of the business of the Debtor or Reorganized Debtor, the administration of the Claimant Trust or the Litigation Sub-Trust, or the transactions in furtherance of the foregoing without the Bankruptcy Court (i) first determining, after notice and a hearing, that such claim or cause of action represents a colorable claim of any kind, including, but not limited to, negligence, bad faith, criminal misconduct, willful misconduct, fraud, or gross negligence against a Protected Party and (ii) specifically authorizing such Enjoined Party to bring such claim or cause of action against any such Protected Party; *provided, however*, the foregoing will not apply to a claim or cause of action against Strand or against any Employee other than with respect to actions taken, respectively, by Strand or by such Employee from the date of appointment of the Independent Directors through the Effective Date. The Bankruptcy Court will have sole and exclusive jurisdiction to determine whether a claim or cause of action is colorable and, only to the extent legally permissible and as provided for in**

**Article XI of the Plan, shall have jurisdiction to adjudicate the underlying colorable claim or cause of action.**

**BB. Duration of Injunction and Stays.** Unless otherwise provided in the Plan, in this Confirmation Order, or in a Final Order of the Bankruptcy Court, (i) all injunctions and stays entered during the Chapter 11 Case and in existence on the Confirmation Date, shall remain in full force and effect in accordance with their terms; and (ii) the automatic stay arising under section 362 of the Bankruptcy Code shall remain in full force and effect subject to Section 362(c) of the Bankruptcy Code, and to the extent necessary if the Debtor does not receive a discharge, the Bankruptcy Court will enter an equivalent order under Section 105.

**CC. Continuance of January 9 Order and July 16 Order.** Unless otherwise provided in the Plan, in this Confirmation Order, or in a Final Order of the Bankruptcy Court, each of the *Order Approving Settlement with Official Committee of Unsecured Creditors Regarding Governance of the Debtor and Procedures for Operations in the Ordinary Course, entered by the Bankruptcy Court on January 9, 2020* [Docket No. 339] and *Order Approving the Debtor's Motion Under Bankruptcy Code Sections 105(a) and 363(b) Authorizing Retention of James P. Seery, Jr., as Chief Executive Officer, Chief Restructuring Officer, and Foreign Representative Nunc Pro Tunc to March 15, 2020* [Docket No. 854] entered on July 16, 2020 shall remain in full force and effect from the Confirmation Date and following the Effective Date.

**DD. No Governmental Releases.** Nothing in this Confirmation Order or the Plan shall effect a release of any claim by the United States Government or any of its agencies or

any state and local authority whatsoever, including without limitation any claim arising under the Internal Revenue Code, the environmental laws or any criminal laws of the United States or any state and local authority against any party or person, nor shall anything in this Confirmation Order or the Plan enjoin the United States or any state or local authority from bringing any claim, suit, action, or other proceedings against any party or person for any liability of such persons whatever, including without limitation any claim, suit, or action arising under the Internal Revenue Code, the environmental laws or any criminal laws of the United States or any state and local authority against such persons, nor shall anything in this Confirmation Order or the Plan exculpate any party or person from any liability to the United States Government or any of its agencies or any state and local authority whatsoever, including any liabilities arising under the Internal Revenue Code, the environmental laws, or any criminal laws of the United States or any state and local authority against any party or person.

**EE. Exemption from Transfer Taxes.** Pursuant to section 1146(a) of the Bankruptcy Code, any transfers (whether from the Debtor to the Reorganized Debtor or to any other Person) of property under the Plan or pursuant to: (a) the issuance, distribution, transfer, or exchange of any debt, equity security, or other interest in the Debtor or the Reorganized Debtor; (b) the Restructuring transactions pursuant to the Plan; (c) the creation, modification, consolidation, termination, refinancing, and/or recording of any mortgage, deed of trust, or other security interest, or the securing of additional indebtedness by such or other means; (d) the making, assignment, or recording of any lease or sublease; or (e) the making, delivery, or recording of any deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan,

including any deeds, bills of sale, assignments, or other instrument of transfer executed in connection with any transaction arising out of, contemplated by, or in any way related to the Plan, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee, regulatory filing or recording fee, or other similar tax or governmental assessment to the fullest extent contemplated by section 1146(a) of the Bankruptcy Code, and upon entry of this Confirmation Order, the appropriate state or local governmental officials or agents shall forego the collection of any such tax or governmental assessment and accept for filing and recordation of any of the foregoing instruments or other documents without the payment of any such tax, recordation fee, or governmental assessment.

**FF. Cancellation of Notes, Certificates and Instruments.** Except for the purpose of evidencing a right to a distribution under the Plan and except as otherwise set forth in the Plan or as otherwise provided in this Confirmation Order, on the Effective Date, all agreements, instruments, Securities and other documents evidencing any prepetition Claim or Equity Interest and any rights of any Holder in respect thereof shall be deemed cancelled, discharged, and of no force or effect. The holders of or parties to such cancelled instruments, Securities, and other documentation will have no rights arising from or related to such instruments, Securities, or other documentation or the cancellation thereof, except the rights provided for pursuant to the Plan, and the obligations of the Debtor thereunder or in any way related thereto will be fully released, terminated, extinguished and discharged, in each case without further notice to or order of the

Bankruptcy Court, act or action under applicable law, regulation, order, or rule or any requirement of further action, vote or other approval or authorization by any Person.

**GG. Documents, Mortgages, and Instruments.** Each federal, state, commonwealth, local, foreign, or other governmental agency is authorized to accept any and all documents, mortgages, and instruments necessary or appropriate to effectuate, implement, or consummate the Plan, including the Restructuring transactions contemplated under the Plan, and this Confirmation Order.

**HH. Post-Confirmation Modifications.** Subject section 1127(b) of the Bankruptcy Code and the Plan, the Debtor and the Reorganized Debtor expressly reserve their rights to revoke or withdraw, or to alter, amend, or modify materially the Plan, one or more times after Confirmation and, to the extent necessary, may initiate proceedings in the Bankruptcy Court to so alter, amend, or modify the Plan, or remedy any defect or omission, or reconcile any inconsistencies in the Plan or this Confirmation Order, in such manner as may be necessary to carry out the purposes and intent of the Plan. Any such modification or supplement shall be considered a modification of the Plan and shall be made in accordance with Article XII.B of the Plan.

**II. Applicable Nonbankruptcy Law.** The provisions of this Confirmation Order, the Plan and related documents, or any amendments or modifications thereto, shall apply and be enforceable notwithstanding any otherwise applicable nonbankruptcy law.

**JJ. Governmental Approvals Not Required.** This Confirmation Order shall constitute all approvals and consents required, if any, by the laws, rules, or regulations of any state,

federal, or other governmental authority with respect to the dissemination, implementation, or consummation of the Plan and the Disclosure Statement, any certifications, documents, instruments or agreements, and any amendments or modifications thereto, and any other acts referred to in, or contemplated by, the Plan and the Disclosure Statement.

**KK. Notice of Effective Date.** As soon as reasonably practicable after the Effective Date, the Reorganized Debtor shall file notice of the Effective Date and shall serve a copy of the same on all Holders of Claims and Equity Interests, and all parties who have filed with the Bankruptcy Court requests to receive notices in accordance with Bankruptcy Rules 2002 and 3020(c). Notwithstanding the above, no notice of Confirmation or Consummation or service of any kind shall be required to be mailed or made upon any Entity to whom the Debtor mailed notice of the Confirmation Hearing, but received such notice returned marked “undeliverable as addressed,” “moved, left no forwarding address” or “forwarding order expired,” or similar reason, unless the Debtor has been informed in writing by such Entity, or is otherwise aware, of that Entity’s new address. The above-referenced notices are adequate under the particular circumstances of this Chapter 11 Case and no other or further notice is necessary.

**LL. Substantial Consummation.** On the Effective Date, the Plan shall be deemed to be substantially consummated under sections 1101 and 1127 of the Bankruptcy Code.

**MM. Waiver of Stay.** For good cause shown, the stay of this Confirmation Order provided by any Bankruptcy Rule is waived, and this Confirmation Order shall be effective and enforceable immediately upon its entry by the Bankruptcy Court.

**NN. References to and Omissions of Plan Provisions.** References to articles, sections, and provisions of the Plan are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan. The failure to specifically include or to refer to any particular article, section, or provision of the Plan in this Confirmation Order shall not diminish or impair the effectiveness of such article, section, or provision, it being the intent of the Bankruptcy Court that the Plan be confirmed in its entirety, except as expressly modified herein, and incorporated herein by this reference.

**OO. Headings.** Headings utilized herein are for convenience and reference only, and do not constitute a part of the Plan or this Confirmation Order for any other purpose.

**PP. Effect of Conflict.** This Confirmation Order supersedes any Bankruptcy Court order issued prior to the Confirmation Date that may be inconsistent with this Confirmation Order. If there is any inconsistency between the terms of the Plan and the terms of this Confirmation Order, the terms of this Confirmation Order govern and control. If there is any inconsistency between the terms of this Confirmation Order and the terms of a final, executed Plan Supplement Document, the terms of the final, executed Plan Supplement Document will govern and control.

**QQ. Resolution of Objection of Texas Taxing Authorities.** Dallas County, Kaufman County, City of Allen, Allen ISD and City of Richardson (collectively, the “Tax Authorities”) assert that they are the holders of prepetition and administrative expense claims for 2019, 2020 and 2021 ad valorem real and business personal property taxes. The ad valorem property taxes for tax year 2020 shall be paid in accordance with and to the extent required under

applicable nonbankruptcy law. In the event the 2020 taxes are paid after February 1, 2021, the Tax Authorities may assert any rights and amounts they claim are owed with respect to penalties and interest that have accrued through the date of payment and the Debtor and Reorganized Debtor reserve any all rights and defenses in connection therewith.

- a. The Debtor/Reorganized Debtor shall pay all amounts owed to the Tax Authorities for tax year 2021 in accordance with and to the extent required under applicable nonbankruptcy law. The Tax Authorities shall not be required to file and serve an administrative expense claim and request for payment as a condition of allowance of their administrative expense claims pursuant to 11 U.S.C. Section 503(b)(1)(D). With regard to year 2019 ad valorem property taxes, the Tax Authorities will receive payment of their prepetition claims within 30 days of the Effective Date of the Plan. The payment will include interest from the Petition Date through the Effective Date and from the Effective Date through payment in full at the state statutory rate pursuant to 11 U.S.C. Sections 506(b), 511, and 1129, if applicable, subject to all of the Debtor's and Reorganized Debtor's rights and defenses in connection therewith. Notwithstanding any other provision in the Plan, the Tax Authorities shall (i) retain the liens that secure all prepetition and postpetition amounts ultimately owed to them, if any, as well as (ii) the state law priority of those liens until the claims are paid in full.
- b. The Tax Authorities' prepetition claims and their administrative expense claims shall not be discharged until such time as the amounts owed are paid in full. In the event of a default asserted by the Taxing Authorities, the Tax Authorities shall provide notice Debtor or Reorganized Debtor, as applicable, and may demand cure of any such asserted default. Subject to all of its rights and defenses, the Debtor or Reorganized Debtor shall have fifteen (15) days from the date of the notice to cure the default. If the alleged default is not cured, the Tax Authorities may exercise any of their respective rights under applicable law and pursue collection of all amounts owed pursuant to state law outside of the Bankruptcy Court, subject in all respects to the Debtor's and Reorganized Debtor's applicable rights and defenses. The Debtor/Reorganized Debtor shall be entitled to any notices of default required under applicable nonbankruptcy law and each of the Taxing Authorities, the Debtor and the Reorganized Debtor reserve any and all of their respective rights and defenses in connection therewith. The Debtor's and Reorganized Debtor's rights and defenses under Texas Law and the Bankruptcy Code with respect to this provision of the Confirmation Order, including their right to dispute or object to the Tax Authorities' Claims and liens, are fully preserved.

**RR. Resolution of Objections of Scott Ellington and Isaac Leventon.**

Pursuant to Bankruptcy Rule 9019(a), the Senior Employees' Settlement is approved in all respects. The Debtor may, only with the consent of the Committee, elect Option B for a Senior Employee Claimant by written notice to such Senior Employee Claimant on or before the occurrence of the Effective Date. If the Debtor does not elect Option B, then Option A will govern the treatment of the Liquidated Bonus Claims.

- a. Notwithstanding any language in the Plan, the Disclosure Statement, or this Confirmation Order to the contrary, if Option A applies to the Liquidated Bonus Claims of a Senior Employee Claimant, then the Liquidated Bonus Claims of such Senior Employee Claimant will receive the treatment described in paragraph 82(e) hereof, and if the Debtor timely elects Option B with respect to the Liquidated Bonus Claims of a Senior Employee Claimant, then the Liquidated Bonus Claims of such Senior Employee will receive the treatment described in paragraph 82(f) hereof.
- b. The Senior Employees' Settlement is hereby approved, without prejudice to the respective rights of Mr. Ellington and Mr. Leventon to assert all their remaining Claims against the Debtor's estate, including, but not limited to, their Class 6 PTO Claims, their remaining Class 8 General Unsecured Claims, any indemnification claims, and any Administrative Expense Claims that they may assert and is without prejudice to the rights of any party in interest to object to any such Claims.
- c. Pursuant to Bankruptcy Rule 3018(a), Mr. Ellington and Mr. Leventon were permitted to change their votes on the Plan. Accordingly, Mr. Ellington's votes on his Ballots in Class 7 and Class 8 of the Plan were changed from a rejection of the Plan to acceptance of the Plan, and Mr. Leventon's votes on his Ballots in Class 7 and Class 8 of the Plan were, changed from rejections of the Plan to acceptances of the Plan.
- d. The Senior Employees' Objection is deemed withdrawn.

**SS. No Release of Claims Against Senior Employee Claimants.** For the

avoidance of doubt, the Senior Employees' Settlement, as approved herein, shall not, and shall not be deemed to, release any Claims or Causes of Action held by the Debtor against either Senior

Employee Claimant nor shall either Senior Employee Claimant be, or be deemed to be, a “Released Party” under the Plan.

**TT. Resolution of Objection of Internal Revenue Service.** Notwithstanding any other provision or term of the Plan or Confirmation Order, the following Default Provision shall control as to the United States of America, Internal Revenue Service (“IRS”) and all of its claims, including any administrative claim (the “IRS Claim”):

(a) Notwithstanding any other provision in the Plan, if the Debtor, the Reorganized Debtor, or any successor in interest fails to pay when due any payment required to be made on federal taxes, the IRS Claim, or other payment required to be made to the IRS under the terms and provisions of this Plan, the Confirmation Order, or the Internal Revenue Code (26 U.S.C.), or fails to timely file any required federal tax return, or if any other event of default as set forth in the Plan occurs, the IRS shall be entitled to give the Debtor, the Reorganized Debtor and/or any successor in interest and their counsel of record, by United States Certified Mail, written notice of the failure and/or default with demand that it be cured, and if the failure and/or default is not cured within 14 days of the date of said notice and demand, then the following shall apply to the IRS:

(1) The administrative collection powers and the rights of the IRS shall be reinstated as they existed prior to the filing of the bankruptcy petition, including, but not limited to, the assessment of taxes, the filing of a notice of Federal tax lien and the powers of levy, seizure, and collection as provided under the Internal Revenue Code;

(2) The automatic stay of 11 U.S.C. § 362 and any injunction of the Plan or in the Confirmation Order shall, with regard to the IRS only, lift or terminate without further notice or hearing by the Bankruptcy Court, and the entire prepetition liability owed to the IRS, together with any unpaid postpetition tax liabilities, may become due and payable immediately; and

(3) The IRS shall have the right to proceed to collect from the Debtor, the Reorganized Debtor or any successor in interest any of the prepetition tax liabilities and related penalties and interest through administrative or judicial collection procedures available under the United States Code as if no bankruptcy petition had been filed and as if no plan had been confirmed.

(b) If the IRS declares the Debtor, the Reorganized Debtor, or any successor-in-interest to be in default of the Debtor’s, the Reorganized Debtor’s and/ or any successor- in-interest’s obligations under the Plan, then entire prepetition liability of an IRS’ Allowed Claim, together with any unpaid postpetition tax liabilities shall become due and payable

immediately upon written demand to the Debtor, Reorganized Debtor and/or any successor-in-interest. Failure of the IRS to declare a failure and/or default does not constitute a waiver by the United States or its agency the IRS of the right to declare that the Debtor, Reorganized Debtor, and/or any successor in interest is in default.

(c) The IRS shall only be required to send two notices of failure and/or default, and upon the third event of a failure and/or default, the IRS shall be entitled to proceed as set out in paragraphs (1), (2), and/or (3) herein above without further notice to the Debtor, the Reorganized Debtor, or any successor in interest, or its counsel. The collection statute expiration date for all unpaid federal tax liabilities shall be extended pursuant to non-bankruptcy law.

(d) The Internal Revenue Service shall not be bound by any release provisions in the Plan that would release any liability of the responsible persons of the Debtor, the Reorganized Debtor, and/or any successor in interest to the IRS. The Internal Revenue Service may take such actions as it deems necessary to assess any liability that may be due and owing by the responsible persons of the Debtor, the Reorganized Debtor and/or any successor in interest to the Internal Revenue Service.

(e) Nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver or relinquishment of any rights, claims, causes of action, rights of setoff or recoupment, rights to appeal tax assessments, or other legal or equitable defenses that the Debtor or Reorganized Debtor have under non-bankruptcy law in connection with any claim, liability or cause of action of the United States and its agency the Internal Revenue Service.

(f) The term “any payment required to be made on federal taxes,” as used herein above, is defined as: any payment or deposit required by the Internal Revenue Code to be made by the Debtor from and after the Confirmation Date, or the Reorganized Debtor and/or any successor in interest from and after the Effective Date, to the date the IRS Claim is together with interest paid in full. The term “any required tax return,” as used herein above, is defined as: any tax return or report required by the Internal Revenue Code to be made by the Debtor from and after the Confirmation Date, or the Reorganized Debtor and/or any successor in interest from and after the Effective Date, to the date the IRS Claim is together with interest paid in full.

**UU. IRS Proof of Claim.** Notwithstanding anything in the Plan or in this Confirmation Order, until all required tax returns are filed with and processed by the IRS, the IRS’s proof of claim will not be deemed fixed for purposes of Section 502 of the Bankruptcy Code and may be amended in order to reflect the IRS’ assessment of the Debtor’s unpaid priority and general unsecured taxes, penalties and interest.

**VV. CLO Holdco, Ltd. Settlement** Notwithstanding anything contained herein to the contrary, nothing in this Order is or is intended to supersede the rights and obligations of either the Debtor or CLO Holdco contained in that certain *Settlement Agreement between CLO Holdco, Ltd., and Highland Capital Management, L.P., dated January 25, 2021* [Docket No. 1838-1] (the “CLOH Settlement Agreement”). In the event of any conflict between the terms of this Order and the terms of the CLOH Settlement Agreement, the terms of the CLOH Settlement Agreement will govern.

**WW. Retention of Jurisdiction.** The Bankruptcy Court may properly, and upon the Effective Date shall, to the maximum extent permitted under applicable law, retain jurisdiction over all matters arising out of, and related to, this Chapter 11 Case, including the matters set forth in Article XI of the Plan and section 1142 of the Bankruptcy Code.

**XX. Payment of Statutory Fees; Filing of Quarterly Reports.** All fees payable pursuant to 28 U.S.C. § 1930 shall be paid on or before the Effective Date. The Reorganized Debtor, the Claimant Trust, and the Litigation Sub-Trust shall be jointly and severally liable for payment of quarterly fees to the Office of the United States Trustee pursuant to 28 U.S.C. § 1930 through the entry of the Final Decree for the Debtor or the dismissal or conversion of the Chapter 11 Case. Notwithstanding anything to the contrary in the Plan, the U.S. Trustee shall not be required to file any proofs of claim with respect to quarterly fees payable pursuant to 28 U.S.C. § 1930.

**YY. Dissolution of the Committee.** On the Effective Date, the Committee will dissolve, and the members of the Committee and the Committee’s Professionals will cease to have

any role arising from or relating to the Chapter 11 Case, except in connection with final fee applications of Professionals for services rendered prior to the Effective Date (including the right to object thereto). Notwithstanding the foregoing, any Committee member or Professional may serve following the Effective Date with respect to the Claimant Trust Oversight Board or Litigation Sub-Trust. The Professionals retained by the Committee and the members thereof will not be entitled to assert any fee claims for any services rendered to the Committee or expenses incurred in the service of the Committee after the Effective Date, except for reasonable fees for services rendered, and actual and necessary costs incurred, in connection with any applications for allowance of Professional Fees pending on the Effective Date or filed and served after the Effective Date pursuant to the Plan. Nothing in the Plan shall prohibit or limit the ability of the Debtor's or Committee's Professionals to represent either of the Trustees or to be compensated or reimbursed per the Plan, the Claimant Trust Agreement, and/or Litigation Sub-Trust in connection with such representation.

**ZZ. Miscellaneous.** After the Effective Date, the Debtor or Reorganized Debtor, as applicable, shall have no obligation to file with the Bankruptcy Court or serve on any parties reports that the Debtor or Reorganized Debtor, as applicable, were obligated to file under the Bankruptcy Code or a court order, including monthly operating reports (even for those periods for which a monthly operating report was not filed before the Effective Date), ordinary course professional reports, reports to any parties otherwise required under the "first" and "second" day orders entered in this Chapter 11 Case (including any cash collateral financing orders entered in this Chapter 11 Case) and monthly or quarterly reports for Professionals; *provided, however*, that

the Debtor or Reorganized Debtor, as applicable, will comply with the U.S. Trustee's post confirmation reporting requirements.

**###END OF ORDER###**

**Exhibit A**

**Fifth Amended Plan (as Modified)**

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

In re:	)	)	Chapter 11
HIGHLAND CAPITAL MANAGEMENT, L.P., <sup>1</sup>	)	)	Case No. 19-34054-sgj11
Debtor.	)	)	

**FIFTH AMENDED PLAN OF REORGANIZATION OF HIGHLAND  
CAPITAL MANAGEMENT, L.P. (AS MODIFIED)**

**PACHULSKI STANG ZIEHL & JONES LLP**

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Counsel for the Debtor and Debtor-in-Possession

<sup>1</sup> The Debtor's last four digits of its taxpayer identification number are (6725). The headquarters and service address for the above-captioned Debtor is 300 Crescent Court, Suite 700, Dallas, TX 75201.

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**DEBTOR’S CHAPTER 11 PLAN OF REORGANIZATION**

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HIGHLAND CAPITAL MANAGEMENT, L.P., as debtor and debtor-in-possession in the above-captioned case (the “Debtor”), proposes the following chapter 11 plan of reorganization (the “Plan”) for, among other things, the resolution of the outstanding Claims against, and Equity Interests in, the Debtor. Unless otherwise noted, capitalized terms used in this Plan have the meanings set forth in Article I of this Plan. The Debtor is the proponent of this Plan within the meaning of section 1129 of the Bankruptcy Code.

Reference is made to the Disclosure Statement (as such term is defined herein and distributed contemporaneously herewith) for a discussion of the Debtor’s history, business, results of operations, historical financial information, projections and assets, and for a summary and analysis of this Plan and the treatment provided for herein. There also are other agreements and documents that may be Filed with the Bankruptcy Court that are referenced in this Plan or the Disclosure Statement as Exhibits and Plan Documents. All such Exhibits and Plan Documents are incorporated into and are a part of this Plan as if set forth in full herein. Subject to the other provisions of this Plan, and in accordance with the requirements set forth in section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019, the Debtor reserves the right to alter, amend, modify, revoke, or withdraw this Plan prior to the Effective Date.

If this Plan cannot be confirmed, for any reason, then subject to the terms set forth herein, this Plan may be revoked.

**ARTICLE I.**  
**RULES OF INTERPRETATION, COMPUTATION OF TIME,**  
**GOVERNING LAW AND DEFINED TERMS**

**A. Rules of Interpretation, Computation of Time and Governing Law**

For purposes hereof: (a) in the appropriate context, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and the neuter gender; (b) any reference herein to a contract, lease, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that the referenced document, as previously amended, modified or supplemented, if applicable, shall be substantially in that form or substantially on those terms and conditions; (c) any reference herein to an existing document or exhibit having been Filed or to be Filed shall mean that document or exhibit, as it may thereafter be amended, modified or supplemented in accordance with its terms; (d) unless otherwise specified, all references herein to “Articles,” “Sections,” “Exhibits” and “Plan Documents” are references to Articles, Sections, Exhibits and Plan Documents hereof or hereto; (e) unless otherwise stated, the words “herein,” “hereof,” “hereunder” and “hereto” refer to this Plan in its entirety rather than to a particular portion of this Plan; (f) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation hereof; (g) any reference to an Entity as a Holder of a Claim or Equity Interest includes such Entity’s successors and assigns; (h) the rules of construction set

forth in section 102 of the Bankruptcy Code shall apply; (i) any term used in capitalized form herein that is not otherwise defined but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to that term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be; and (j) "\$" or "dollars" means Dollars in lawful currency of the United States of America. The provisions of Bankruptcy Rule 9006(a) shall apply in computing any period of time prescribed or allowed herein.

## **B. Defined Terms**

Unless the context otherwise requires, the following terms shall have the following meanings when used in capitalized form herein:

1. "*Acis*" means collectively Acis Capital Management, L.P. and Acis Capital Management GP, LLP.

2. "*Administrative Expense Claim*" means any Claim for costs and expenses of administration of the Chapter 11 Case that is Allowed pursuant to sections 503(b), 507(a)(2), 507(b) or 1114(2) of the Bankruptcy Code, including, without limitation, (a) the actual and necessary costs and expenses incurred after the Petition Date and through the Effective Date of preserving the Estate and operating the business of the Debtor; and (b) all fees and charges assessed against the Estate pursuant to sections 1911 through 1930 of chapter 123 of title 28 of the United States Code, and that have not already been paid by the Debtor during the Chapter 11 Case and a Professional Fee Claim.

3. "*Administrative Expense Claims Bar Date*" means, with respect to any Administrative Expense Claim (other than a Professional Fee Claim) becoming due on or prior to the Effective Date, 5:00 p.m. (prevailing Central Time) on such date that is forty-five days after the Effective Date.

4. "*Administrative Expense Claims Objection Deadline*" means, with respect to any Administrative Expense Claim, the later of (a) ninety (90) days after the Effective Date and (b) sixty (60) days after the timely Filing of the applicable request for payment of such Administrative Expense Claim; *provided, however*, that the Administrative Expense Claims Objection Deadline may be extended by the Bankruptcy Court upon a motion by the Claimant Trustee.

5. "*Affiliate*" of any Person means any Entity that, with respect to such Person, either (i) is an "affiliate" as defined in section 101(2) of the Bankruptcy Code, or (ii) is an "affiliate" as defined in Rule 405 of the Securities Act of 1933, or (iii) directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. For the purposes of this definition, the term "control" (including, without limitation, the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction in any respect of the management or policies of a Person, whether through the ownership of voting securities, by contract, or otherwise.

6. "*Allowed*" means, with respect to any Claim, except as otherwise provided in the Plan: (a) any Claim that is evidenced by a Proof of Claim that has been timely Filed by the Bar Date, or that is not required to be evidenced by a Filed Proof of Claim under the Bankruptcy

Code or a Final Order; (b) a Claim that is listed in the Schedules as not contingent, not unliquidated, and not disputed and for which no Proof of Claim has been timely filed; (c) a Claim Allowed pursuant to the Plan or an order of the Bankruptcy Court that is not stayed pending appeal; or (d) a Claim that is not Disputed (including for which a Proof of Claim has been timely filed in a liquidated and noncontingent amount that has not been objected to by the Claims Objection Deadline or as to which any such objection has been overruled by Final Order); *provided, however*, that with respect to a Claim described in clauses (a) and (b) above, such Claim shall be considered Allowed only if and to the extent that, with respect to such Claim, no objection to the allowance thereof has been interposed within the applicable period of time fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules, or the Bankruptcy Court, or such an objection is so interposed and the Claim shall have been Allowed as set forth above.

7. “*Allowed Claim or Equity Interest*” means a Claim or an Equity Interest of the type that has been Allowed.

8. “*Assets*” means all of the rights, titles, and interest of the Debtor, Reorganized Debtor, or Claimant Trust, in and to property of whatever type or nature, including, without limitation, real, personal, mixed, intellectual, tangible, and intangible property, the Debtor’s books and records, and the Causes of Action.

9. “*Available Cash*” means any Cash in excess of the amount needed for the Claimant Trust and Reorganized Debtor to maintain business operations as determined in the sole discretion of the Claimant Trustee.

10. “*Avoidance Actions*” means any and all avoidance, recovery, subordination or other actions or remedies that may be brought by and on behalf of the Debtor or its Estate under the Bankruptcy Code or applicable nonbankruptcy law, including, without limitation, actions or remedies arising under sections 502, 510, 544, 545, and 547-553 of the Bankruptcy Code or under similar state or federal statutes and common law, including fraudulent transfer laws

11. “*Ballot*” means the form(s) distributed to holders of Impaired Claims or Equity Interests entitled to vote on the Plan on which to indicate their acceptance or rejection of the Plan.

12. “*Bankruptcy Code*” means title 11 of the United States Code, 11 U.S.C. §§ 101-1532, as amended from time to time and as applicable to the Chapter 11 Case.

13. “*Bankruptcy Court*” means the United States Bankruptcy Court for the Northern District of Texas, Dallas Division, or any other court having jurisdiction over the Chapter 11 Case.

14. “*Bankruptcy Rules*” means the Federal Rules of Bankruptcy Procedure and the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the Northern District of Texas, Dallas Division, in each case as amended from time to time and as applicable to the Chapter 11 Case.

15. “*Bar Date*” means the applicable deadlines set by the Bankruptcy Court for the filing of Proofs of Claim against the Debtor as set forth in the Bar Date Order, which deadlines may be or have been extended for certain Claimants by order of the Bankruptcy Court.

16. “*Bar Date Order*” means the *Order (I) Establishing Bar Dates for Filing Proofs of Claim and (II) Approving the Form and Manner of Notice Thereof* [D.I. 488].

17. “*Business Day*” means any day, other than a Saturday, Sunday or “legal holiday” (as defined in Bankruptcy Rule 9006(a)).

18. “*Cash*” means the legal tender of the United States of America or the equivalent thereof.

19. “*Causes of Action*” means any action, claim, cross-claim, third-party claim, cause of action, controversy, demand, right, Lien, indemnity, contribution, guaranty, suit, obligation, liability, debt, damage, judgment, account, defense, remedy, offset, power, privilege, license and franchise of any kind or character whatsoever, in each case whether known, unknown, contingent or non-contingent, matured or unmatured, suspected or unsuspected, liquidated or unliquidated, disputed or undisputed, foreseen or unforeseen, direct or indirect, choate or inchoate, secured or unsecured, assertable directly or derivatively (including, without limitation, under alter ego theories), whether arising before, on, or after the Petition Date, in contract or in tort, in law or in equity or pursuant to any other theory of law. For the avoidance of doubt, Cause of Action includes, without limitation,: (a) any right of setoff, counterclaim or recoupment and any claim for breach of contract or for breach of duties imposed by law or in equity; (b) the right to object to Claims or Equity Interests; (c) any claim pursuant to section 362 or chapter 5 of the Bankruptcy Code; (d) any claim or defense including fraud, mistake, duress and usury, and any other defenses set forth in section 558 of the Bankruptcy Code; (e) any claims under any state or foreign law, including, without limitation, any fraudulent transfer or similar claims; (f) the Avoidance Actions, and (g) the Estate Claims. The Causes of Action include, without limitation, the Causes of Action belonging to the Debtor’s Estate listed on the schedule of Causes of Action to be filed with the Plan Supplement.

20. “*CEO/CRO*” means James P. Seery, Jr., the Debtor’s chief executive officer and chief restructuring officer.

21. “*Chapter 11 Case*” means the Debtor’s case under chapter 11 of the Bankruptcy Code commenced on the Petition Date in the Delaware Bankruptcy Court and transferred to the Bankruptcy Court on December 4, 2019, and styled *In re Highland Capital Management, L.P.*, Case No. 19-34054-sgj-11.

22. “*Claim*” means any “claim” against the Debtor as defined in section 101(5) of the Bankruptcy Code.

23. “*Claims Objection Deadline*” means the date that is 180 days after the Confirmation Date; *provided, however*, the Claims Objection Deadline may be extended by the Bankruptcy Court upon a motion by the Claimant Trustee.

24. “*Claimant Trust*” means the trust established for the benefit of the Claimant Trust Beneficiaries on the Effective Date in accordance with the terms of this Plan and the Claimant Trust Agreement.

25. “*Claimant Trust Agreement*” means the agreement Filed in the Plan Supplement establishing and delineating the terms and conditions of the Claimant Trust.

26. “*Claimant Trust Assets*” means (i) other than the Reorganized Debtor Assets (which are expressly excluded from this definition), all other Assets of the Estate, including, but not limited to, all Causes of Action, Available Cash, any proceeds realized or received from such Assets, all rights of setoff, recoupment, and other defenses with respect, relating to, or arising from such Assets, (ii) any Assets transferred by the Reorganized Debtor to the Claimant Trust on or after the Effective Date, (iii) the limited partnership interests in the Reorganized Debtor, and (iv) the ownership interests in New GP LLC. For the avoidance of doubt, any Causes of Action that, for any reason, are not capable of being transferred to the Claimant Trust shall constitute Reorganized Debtor Assets.

27. “*Claimant Trust Beneficiaries*” means the Holders of Allowed General Unsecured Claims, Holders of Allowed Subordinated Claims, including, upon Allowance, Disputed General Unsecured Claims and Disputed Subordinated Claims that become Allowed following the Effective Date, and, only upon certification by the Claimant Trustee that the Holders of such Claims have been paid indefeasibly in full plus, to the extent all Allowed unsecured Claims, excluding Subordinated Claims, have been paid in full, post-petition interest from the Petition Date at the Federal Judgment Rate in accordance with the terms and conditions set forth in the Claimant Trust Agreement and all Disputed Claims in Class 8 and Class 9 have been resolved, Holders of Allowed Class B/C Limited Partnership Interests, and Holders of Allowed Class A Limited Partnership Interests.

28. “*Claimant Trustee*” means James P. Seery, Jr., the Debtor’s chief executive officer and chief restructuring officer, or such other Person identified in the Plan Supplement who will act as the trustee of the Claimant Trust in accordance with the Plan, the Confirmation Order, and Claimant Trust Agreement or any replacement trustee pursuant to (and in accordance with) the Claimant Trust Agreement. The Claimant Trustee shall be responsible for, among other things, monetizing the Estate’s investment assets, resolving Claims (other than those Claims assigned to the Litigation Sub-Trust for resolution), and, as the sole officer of New GP LLC, winding down the Reorganized Debtor’s business operations.

29. “*Claimant Trust Expenses*” means all reasonable legal and other reasonable professional fees, costs, and expenses incurred by the Trustees on account of administration of the Claimant Trust, including any reasonable administrative fees and expenses, reasonable attorneys’ fees and expenses, reasonable insurance costs, taxes, reasonable escrow expenses, and other expenses.

30. “*Claimant Trust Interests*” means the non-transferable interests in the Claimant Trust that are issued to the Claimant Trust Beneficiaries pursuant to this Plan; *provided, however,* Holders of Class A Limited Partnership Interests, Class B Limited Partnership Interests, and Class C Limited Partnership Interests will not be deemed to hold Claimant Trust Interests

unless and until the Contingent Claimant Trust Interests distributed to such Holders vest in accordance with the terms of this Plan and the Claimant Trust Agreement.

31. “*Claimant Trust Oversight Committee*” means the committee of five Persons established pursuant to ARTICLE IV of this Plan to oversee the Claimant Trustee’s performance of its duties and otherwise serve the functions described in this Plan and the Claimant Trust Agreement.

32. “*Class*” means a category of Holders of Claims or Equity Interests as set forth in ARTICLE III hereof pursuant to section 1122(a) of the Bankruptcy Code.

33. “*Class A Limited Partnership Interest*” means the Class A Limited Partnership Interests as defined in the Limited Partnership Agreement held by The Dugaboy Investment Trust, Mark and Pamela Okada Family Trust – Exempt Trust 2, Mark and Pamela Okada – Exempt Descendants’ Trust, and Mark Kiyoshi Okada, and the General Partner Interest.

34. “*Class B Limited Partnership Interest*” means the Class B Limited Partnership Interests as defined in the Limited Partnership Agreement held by Hunter Mountain Investment Trust.

35. “*Class B/C Limited Partnership Interests*” means, collectively, the Class B Limited Partnership and Class C Limited Partnership Interests.

36. “*Class C Limited Partnership Interest*” means the Class C Limited Partnership Interests as defined in the Limited Partnership Agreement held by Hunter Mountain Investment Trust.

37. “*Committee*” means the Official Committee of Unsecured Creditors appointed by the U.S. Trustee pursuant to 11 U.S.C. § 1102(a)(1) on October 29, 2019 [D.I. 65], consisting of (i) the Redeemer Committee of Highland Crusader Fund, (ii) Meta-e Discovery, (iii) UBS, and (iv) Acis.

38. “*Confirmation Date*” means the date on which the clerk of the Bankruptcy Court enters the Confirmation Order on the docket of the Bankruptcy Court.

39. “*Confirmation Hearing*” means the hearing held by the Bankruptcy Court pursuant to section 1128 of the Bankruptcy Code to consider confirmation of this Plan, as such hearing may be adjourned or continued from time to time.

40. “*Confirmation Order*” means the order of the Bankruptcy Court confirming this Plan pursuant to section 1129 of the Bankruptcy Code.

41. “*Convenience Claim*” means any prepetition, liquidated, and unsecured Claim against the Debtor that as of the Confirmation Date is less than or equal to \$1,000,000 or any General Unsecured Claim that makes the Convenience Class Election. For the avoidance of doubt, the Reduced Employee Claims will be Convenience Claims.

42. “*Convenience Claim Pool*” means the \$13,150,000 in Cash that shall be available upon the Effective Date for distribution to Holders of Convenience Claims under the Plan as set forth herein. Any Cash remaining in the Convenience Claim Pool after all distributions on account of Convenience Claims have been made will be transferred to the Claimant Trust and administered as a Claimant Trust Asset.

43. “*Convenience Class Election*” means the option provided to each Holder of a General Unsecured Claim that is a liquidated Claim as of the Confirmation Date on their Ballot to elect to reduce their claim to \$1,000,000 and receive the treatment provided to Convenience Claims.

44. “*Contingent Claimant Trust Interests*” means the contingent Claimant Trust Interests to be distributed to Holders of Class A Limited Partnership Interests, Holders of Class B Limited Partnership Interests, and Holders of Class C Limited Partnership Interests in accordance with this Plan, the rights of which shall not vest, and consequently convert to Claimant Trust Interests, unless and until the Claimant Trustee Files a certification that all holders of Allowed General Unsecured Claims have been paid indefeasibly in full, plus, to the extent all Allowed unsecured Claims, excluding Subordinated Claims, have been paid in full, all accrued and unpaid post-petition interest from the Petition Date at the Federal Judgment Rate and all Disputed Claims in Class 8 and Class 9 have been resolved. As set forth in the Claimant Trust Agreement, the Contingent Claimant Trust Interests distributed to the Holders of Class A Limited Partnership Interests will be subordinated to the Contingent Claimant Trust Interests distributed to the Holders of Class B/C Limited Partnership Interests.

45. “*Debtor*” means Highland Capital Management, L.P. in its capacity as debtor and debtor in possession in the Chapter 11 Case.

46. “*Delaware Bankruptcy Court*” means the United States Bankruptcy Court for the District of Delaware.

47. “*Disclosure Statement*” means that certain *Disclosure Statement for Debtor’s Fifth Amended Chapter 11 Plan of Reorganization*, as amended, supplemented, or modified from time to time, which describes this Plan, including all exhibits and schedules thereto and references therein that relate to this Plan.

48. “*Disputed*” means with respect to any Claim or Equity Interest, any Claim or Equity Interest that is not yet Allowed.

49. “*Disputed Claims Reserve*” means the appropriate reserve(s) or account(s) to be established on the Initial Distribution Date and maintained by the Claimant Trustee for distributions on account of Disputed Claims that may subsequently become an Allowed Claim.

50. “*Disputed Claims Reserve Amount*” means, for purposes of determining the Disputed Claims Reserve, the Cash that would have otherwise been distributed to a Holder of a Disputed Claim at the time any distributions of Cash are made to the Holders of Allowed Claims. The amount of the Disputed Claim upon which the Disputed Claims Reserve is calculated shall be: (a) the amount set forth on either the Schedules or the filed Proof of Claim, as applicable; (b) the amount agreed to by the Holder of the Disputed Claim and the Claimant Trustee or Reorganized

Debtor, as applicable; (c) the amount ordered by the Bankruptcy Court if it enters an order disallowing, in whole or in part, a Disputed Claim; or (d) as otherwise ordered by the Bankruptcy Court, including an order estimating the Disputed Claim.

51. “*Distribution Agent*” means the Claimant Trustee, or any party designated by the Claimant Trustee to serve as distribution agent under this Plan.

52. “*Distribution Date*” means the date or dates determined by the Reorganized Debtor or the Claimant Trustee, as applicable, on or after the Initial Distribution Date upon which the Distribution Agent shall make distributions to holders of Allowed Claims and Interests entitled to receive distributions under the Plan.

53. “*Distribution Record Date*” means the date for determining which Holders of Claims and Equity Interests are eligible to receive distributions hereunder, which date shall be the Effective Date or such later date determined by the Bankruptcy Court.

54. “*Effective Date*” means the Business Day that this Plan becomes effective as provided in ARTICLE VIII hereof.

55. “*Employees*” means the employees of the Debtor set forth in the Plan Supplement.

56. “*Enjoined Parties*” means (i) all Entities who have held, hold, or may hold Claims against or Equity Interests in the Debtor (whether or not proof of such Claims or Equity Interests has been filed and whether or not such Entities vote in favor of, against or abstain from voting on the Plan or are presumed to have accepted or deemed to have rejected the Plan), (ii) James Dondero (“Dondero”), (iii) any Entity that has appeared and/or filed any motion, objection, or other pleading in this Chapter 11 Case regardless of the capacity in which such Entity appeared and any other party in interest, (iv) any Related Entity, and (v) the Related Persons of each of the foregoing.

57. “*Entity*” means any “entity” as defined in section 101(15) of the Bankruptcy Code and also includes any Person or any other entity.

58. “*Equity Interest*” means any Equity Security in the Debtor, including, without limitation, all issued, unissued, authorized or outstanding partnership interests, shares, of stock or limited company interests, the Class A Limited Partnership Interests, the Class B Limited Partnership Interests, and the Class C Limited Partnership Interests.

59. “*Equity Security*” means an “equity security” as defined in section 101(16) of the Bankruptcy Code.

60. “*Estate*” means the bankruptcy estate of the Debtor created by virtue of section 541 of the Bankruptcy Code upon the commencement of the Chapter 11 Case.

61. “*Estate Claims*” has the meaning given to it in Exhibit A to the *Notice of Final Term Sheet* [D.I. 354].

62. “*Exculpated Parties*” means, collectively, (i) the Debtor and its successors and assigns, (ii) the Employees, (iii) Strand, (iv) the Independent Directors, (v) the Committee, (vi) the members of the Committee (in their official capacities), (vii) the Professionals retained by the Debtor and the Committee in the Chapter 11 Case, (viii) the CEO/CRO; and (ix) the Related Persons of each of the parties listed in (iv) through (viii); *provided, however*, that, for the avoidance of doubt, none of James Dondero, Mark Okada, NexPoint Advisors, L.P. (and any of its subsidiaries and managed entities), the Charitable Donor Advised Fund, L.P. (and any of its subsidiaries, including CLO Holdco, Ltd., and managed entities), Highland CLO Funding, Ltd. (and any of its subsidiaries, members, and managed entities), Highland Capital Management Fund Advisors, L.P. (and any of its subsidiaries and managed entities), NexBank, SSB (and any of its subsidiaries), the Hunter Mountain Investment Trust (or any trustee acting for the trust), the Dugaboy Investment Trust (or any trustee acting for the trust), or Grant Scott is included in the term “Exculpated Party.”

63. “*Executory Contract*” means a contract to which the Debtor is a party that is subject to assumption or rejection under sections 365 or 1123 of the Bankruptcy Code.

64. “*Exhibit*” means an exhibit annexed hereto or to the Disclosure Statement (as such exhibits are amended, modified or otherwise supplemented from time to time), which are incorporated by reference herein.

65. “*Federal Judgment Rate*” means the post-judgment interest rate set forth in 28 U.S.C. § 1961 as of the Effective Date.

66. “*File*” or “*Filed*” or “*Filing*” means file, filed or filing with the Bankruptcy Court or its authorized designee in the Chapter 11 Case.

67. “*Final Order*” means an order or judgment of the Bankruptcy Court, which is in full force and effect, and as to which the time to appeal, petition for *certiorari*, or move for a new trial, reargument or rehearing has expired and as to which no appeal, petition for *certiorari*, or other proceedings for a new trial, reargument or rehearing shall then be pending or as to which any right to appeal, petition for *certiorari*, new trial, reargument, or rehearing shall have been waived in writing in form and substance satisfactory to the Debtor, the Reorganized Debtor, or the Claimant Trustee, as applicable, or, in the event that an appeal, writ of *certiorari*, new trial, reargument, or rehearing thereof has been sought, such order of the Bankruptcy Court shall have been determined by the highest court to which such order was appealed, or *certiorari*, new trial, reargument or rehearing shall have been denied and the time to take any further appeal, petition for *certiorari*, or move for a new trial, reargument or rehearing shall have expired; *provided, however*, that the possibility that a motion under Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be Filed with respect to such order shall not preclude such order from being a Final Order.

68. “*Frontier Secured Claim*” means the loan from Frontier State Bank to the Debtor in the principal amount of \$7,879,688.00 made pursuant to that certain First Amended and Restated Loan Agreement, dated March 29, 2018.

69. “*General Partner Interest*” means the Class A Limited Partnership Interest held by Strand, as the Debtor’s general partner.

70. “*General Unsecured Claim*” means any prepetition Claim against the Debtor that is not Secured and is not a/an: (a) Administrative Expense Claim; (b) Professional Fee Claim; (c) Priority Tax Claim; (d) Priority Non-Tax Claim; or (e) Convenience Claim.

71. “*Governmental Unit*” means a “governmental unit” as defined in section 101(27) of the Bankruptcy Code.

72. “*GUC Election*” means the option provided to each Holder of a Convenience Claim on their Ballot to elect to receive the treatment provided to General Unsecured Claims.

73. “*Holder*” means an Entity holding a Claim against, or Equity Interest in, the Debtor.

74. “*Impaired*” means, when used in reference to a Claim or Equity Interest, a Claim or Equity Interest that is impaired within the meaning of section 1124 of the Bankruptcy Code.

75. “*Independent Directors*” means John S. Dubel, James P. Seery, Jr., and Russell Nelms, the independent directors of Strand appointed on January 9, 2020, and any additional or replacement directors of Strand appointed after January 9, 2020, but prior to the Effective Date.

76. “*Initial Distribution Date*” means, subject to the “Treatment” sections in ARTICLE III hereof, the date that is on or as soon as reasonably practicable after the Effective Date, when distributions under this Plan shall commence to Holders of Allowed Claims and Equity Interests.

77. “*Insurance Policies*” means all insurance policies maintained by the Debtor as of the Petition Date.

78. “*Jefferies Secured Claim*” means any Claim in favor of Jefferies, LLC, arising under that certain Prime Brokerage Customer Agreement, dated May 24, 2013, between the Debtor and Jefferies, LLC, that is secured by the assets, if any, maintained in the prime brokerage account created by such Prime Brokerage Customer Agreement.

79. “*Lien*” means a “lien” as defined in section 101(37) of the Bankruptcy Code and, with respect to any asset, includes, without limitation, any mortgage, lien, pledge, charge, security interest or other encumbrance of any kind, or any other type of preferential arrangement that has the practical effect of creating a security interest, in respect of such asset.

80. “*Limited Partnership Agreement*” means that certain Fourth Amended and Restated Agreement of Limited Partnership of Highland Capital Management, L.P., dated December 24, 2015, as amended.

81. “*Litigation Sub-Trust*” means the sub-trust established within the Claimant Trust or as a wholly –owned subsidiary of the Claimant Trust on the Effective Date in each case in accordance with the terms and conditions set forth in the Litigation Sub-Trust Agreement and Claimant Trust Agreement. As set forth in the Litigation Sub-Trust Agreement, the Litigation Sub-Trust shall hold the Claimant Trust Assets that are Estate Claims.

82. “*Litigation Sub-Trust Agreement*” means the agreement filed in the Plan Supplement establishing and delineating the terms and conditions of the Litigation Sub-Trust.

83. “*Litigation Trustee*” means the trustee appointed by the Committee and reasonably acceptable to the Debtor who shall be responsible for investigating, litigating, and settling the Estate Claims for the benefit of the Claimant Trust in accordance with the terms and conditions set forth in the Litigation Sub-Trust Agreement.

84. “*Managed Funds*” means Highland Multi-Strategy Credit Fund, L.P., Highland Restoration Capital Partners, L.P., and any other investment vehicle managed by the Debtor pursuant to an Executory Contract assumed pursuant to this Plan.

85. “*New Frontier Note*” means that promissory note to be provided to the Allowed Holders of Class 2 Claims under this Plan and any other documents or security agreements securing the obligations thereunder.

86. “*New GP LLC*” means a limited liability company incorporated in the State of Delaware pursuant to the New GP LLC Documents to serve as the general partner of the Reorganized Debtor on the Effective Date.

87. “*New GP LLC Documents*” means the charter, operating agreement, and other formational documents of New GP LLC.

88. “*Ordinary Course Professionals Order*” means that certain *Order Pursuant to Sections 105(a), 327, 328, and 330 of the Bankruptcy Code Authorizing the Debtor to Retain, Employ, and Compensate Certain Professionals Utilized by the Debtor in the Ordinary Course* [D.I. 176].

89. “*Other Unsecured Claim*” means any Secured Claim other than the Jefferies Secured Claim and the Frontier Secured Claim.

90. “*Person*” means a “person” as defined in section 101(41) of the Bankruptcy Code and also includes any natural person, individual, corporation, company, general or limited partnership, limited liability company, unincorporated organization firm, trust, estate, business trust, association, joint stock company, joint venture, government, governmental agency, Governmental Unit or any subdivision thereof, the United States Trustee, or any other entity, whether acting in an individual, fiduciary or other capacity.

91. “*Petition Date*” means October 16, 2019.

92. “*Plan*” means this *Debtor’s Fifth Amended Chapter 11 Plan of Reorganization*, including the Exhibits and the Plan Documents and all supplements, appendices,

and schedules thereto, either in its present form or as the same may be altered, amended, modified or otherwise supplemented from time to time.

93. “*Plan Distribution*” means the payment or distribution of consideration to Holders of Allowed Claims and Allowed Equity Interests under this Plan.

94. “*Plan Documents*” means any of the documents, other than this Plan, but including, without limitation, the documents to be filed with the Plan Supplement, to be executed, delivered, assumed, or performed in connection with the occurrence of the Effective Date, and as may be modified consistent with the terms hereof with the consent of the Committee.

95. “*Plan Supplement*” means the ancillary documents necessary for the implementation and effectuation of the Plan, including, without limitation, (i) the form of Claimant Trust Agreement, (ii) the forms of New GP LLC Documents, (iii) the form of Reorganized Limited Partnership Agreement, (iv) the Sub-Servicer Agreement (if applicable), (v) the identity of the initial members of the Claimant Trust Oversight Committee, (vi) the form of Litigation Sub-Trust Agreement; (vii) the schedule of retained Causes of Action; (viii) the New Frontier Note, (ix) the schedule of Employees; (x) the form of Senior Employee Stipulation,; and (xi) the schedule of Executory Contracts and Unexpired Leases to be assumed pursuant to this Plan, which, in each case, will be in form and substance reasonably acceptable to the Debtor and the Committee.

96. “*Priority Non-Tax Claim*” means a Claim entitled to priority pursuant to section 507(a) of the Bankruptcy Code, including any Claims for paid time-off entitled to priority under section 507(a)(4) of the Bankruptcy Code, other than a Priority Tax Claim or an Administrative Claim.

97. “*Pro Rata*” means the proportion that (a) the Allowed amount of a Claim or Equity Interest in a particular Class bears to (b) the aggregate Allowed amount of all Claims or Equity Interests in such Class.

98. “*Professional*” means (a) any Entity employed in the Chapter 11 Case pursuant to section 327, 328 363 or 1103 of the Bankruptcy Code or otherwise and (b) any Entity seeking compensation or reimbursement of expenses in connection with the Chapter 11 Case pursuant to sections 327, 328, 330, 331, 363, 503(b), 503(b)(4) and 1103 of the Bankruptcy Code.

99. “*Professional Fee Claim*” means a Claim under sections 328, 330(a), 331, 363, 503 or 1103 of the Bankruptcy Code, with respect to a particular Professional, for compensation for services rendered or reimbursement of costs, expenses or other charges incurred after the Petition Date and prior to and including the Effective Date.

100. “*Professional Fee Claims Bar Date*” means with respect to Professional Fee Claims, the Business Day which is sixty (60) days after the Effective Date or such other date as approved by order of the Bankruptcy Court.

101. “*Professional Fee Claims Objection Deadline*” means, with respect to any Professional Fee Claim, thirty (30) days after the timely Filing of the applicable request for payment of such Professional Fee Claim.

102. “*Professional Fee Reserve*” means the reserve established and funded by the Claimant Trustee pursuant this Plan to provide sufficient funds to satisfy in full unpaid Allowed Professional Fee Claims.

103. “*Proof of Claim*” means a written proof of Claim or Equity Interest Filed against the Debtor in the Chapter 11 Case.

104. “*Priority Tax Claim*” means any Claim of a Governmental Unit of the kind specified in section 507(a)(8) of the Bankruptcy Code.

105. “*Protected Parties*” means, collectively, (i) the Debtor and its successors and assigns, direct and indirect majority-owned subsidiaries, and the Managed Funds, (ii) the Employees, (iii) Strand, (iv) the Reorganized Debtor, (v) the Independent Directors, (vi) the Committee, (vii) the members of the Committee (in their official capacities), (viii) the Claimant Trust, (ix) the Claimant Trustee, (x) the Litigation Sub-Trust, (xi) the Litigation Trustee, (xii) the members of the Claimant Trust Oversight Committee (in their official capacities), (xiii) New GP LLC, (xiv) the Professionals retained by the Debtor and the Committee in the Chapter 11 Case, (xv) the CEO/CRO; and (xvi) the Related Persons of each of the parties listed in (iv) through (xv); *provided, however*, that, for the avoidance of doubt, none of James Dondero, Mark Okada, NexPoint Advisors, L.P. (and any of its subsidiaries and managed entities), the Charitable Donor Advised Fund, L.P. (and any of its subsidiaries, including CLO Holdco, Ltd., and managed entities), Highland CLO Funding, Ltd. (and any of its subsidiaries, members, and managed entities), NexBank, SSB (and any of its subsidiaries), Highland Capital Management Fund Advisors, L.P. (and any of its subsidiaries and managed entities), the Hunter Mountain Investment Trust (or any trustee acting for the trust), the Dugaboy Investment Trust (or any trustee acting for the trust), or Grant Scott is included in the term “Protected Party.”

106. “*PTO Claims*” means any Claim for paid time off in favor of any Debtor employee in excess of the amount that would qualify as a Priority Non-Tax Claim under section 507(a)(4) of the Bankruptcy Code.

107. “*Reduced Employee Claims*” has the meaning set forth in ARTICLE IX.D.

108. “*Reinstated*” means, with respect to any Claim or Equity Interest, (a) leaving unaltered the legal, equitable, and contractual rights to which a Claim entitles the Holder of such Claim or Equity Interest in accordance with section 1124 of the Bankruptcy Code or (b) notwithstanding any contractual provision or applicable law that entitles the Holder of such Claim or Equity Interest to demand or receive accelerated payment of such Claim or Equity Interest after the occurrence of a default: (i) curing any such default that occurred before or after the Petition Date, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code or of a kind that section 365(b)(2) of the Bankruptcy Code expressly does not require to be cured; (ii) reinstating the maturity of such Claim or Equity Interest as such maturity existed before such default; (iii) compensating the Holder of such Claim or Equity Interest for any damages incurred as a result of any reasonable reliance by such Holder on such contractual provision or such applicable law; (iv) if such Claim or Equity Interest arises from any failure to perform a nonmonetary obligation, other than a default arising from failure to operate a non-residential real property lease subject to section 365(b)(1)(A) of the Bankruptcy Code, compensating the Holder

of such Claim or Equity Interest (other than any Debtor or an insider of any Debtor) for any actual pecuniary loss incurred by such Holder as a result of such failure; and (v) not otherwise altering the legal, equitable, or contractual rights to which such Claim entitles the Holder of such Claim.

109. “*Rejection Claim*” means any Claim for monetary damages as a result of the rejection of an executory contract or unexpired lease pursuant to the Confirmation Order.

110. “*Related Entity*” means, without duplication, (a) Dondero, (b) Mark Okada (“*Okada*”), (c) Grant Scott (“*Scott*”), (d) Hunter Covitz (“*Covitz*”), (e) any entity or person that was an insider of the Debtor on or before the Petition Date under Section 101(31) of the Bankruptcy Code, including, without limitation, any entity or person that was a non-statutory insider, (f) any entity that, after the Effective Date, is an insider or Affiliate of one or more of Dondero, Okada, Scott, Covitz, or any of their respective insiders or Affiliates, including, without limitation, The Dugaboy Investment Trust, (g) the Hunter Mountain Investment Trust and any of its direct or indirect parents, (h) the Charitable Donor Advised Fund, L.P., and any of its direct or indirect subsidiaries, and (i) Affiliates of the Debtor and any other Entities listed on the Related Entity List.

111. “*Related Entity List*” means that list of Entities filed with the Plan Supplement.

112. “*Related Persons*” means, with respect to any Person, such Person’s predecessors, successors, assigns (whether by operation of law or otherwise), and each of their respective present, future, or former officers, directors, employees, managers, managing members, members, financial advisors, attorneys, accountants, investment bankers, consultants, professionals, advisors, shareholders, principals, partners, subsidiaries, divisions, management companies, heirs, agents, and other representatives, in each case solely in their capacity as such.

113. “*Released Parties*” means, collectively, (i) the Independent Directors; (ii) Strand (solely from the date of the appointment of the Independent Directors through the Effective Date); (iii) the CEO/CRO; (iv) the Committee; (v) the members of the Committee (in their official capacities), (vi) the Professionals retained by the Debtor and the Committee in the Chapter 11 Case; and (vii) the Employees.

114. “*Reorganized Debtor*” means the Debtor, as reorganized pursuant to this Plan on and after the Effective Date.

115. “*Reorganized Debtor Assets*” means any limited and general partnership interests held by the Debtor, the management of the Managed Funds and those Causes of Action (including, without limitation, claims for breach of fiduciary duty), that, for any reason, are not capable of being transferred to the Claimant Trust. For the avoidance of doubt, “*Reorganized Debtor Assets*” includes any partnership interests or shares of Managed Funds held by the Debtor but does not include the underlying portfolio assets held by the Managed Funds.

116. “*Reorganized Limited Partnership Agreement*” means that certain Fifth Amended and Restated Agreement of Limited Partnership of Highland Capital Management, L.P., by and among the Claimant Trust, as limited partner, and New GP LLC, as general partner, Filed with the Plan Supplement.

117. “*Restructuring*” means the restructuring of the Debtor, the principal terms of which are set forth in this Plan and the Disclosure Statement.

118. “*Retained Employee Claim*” means any Claim filed by a current employee of the Debtor who will be employed by the Reorganized Debtor upon the Effective Date.

119. “*Schedules*” means the schedules of Assets and liabilities, statements of financial affairs, lists of Holders of Claims and Equity Interests and all amendments or supplements thereto Filed by the Debtor with the Bankruptcy Court [D.I. 247].

120. “*Secured*” means, when referring to a Claim: (a) secured by a Lien on property in which the Debtor’s Estate has an interest, which Lien is valid, perfected, and enforceable pursuant to applicable law or by reason of a Bankruptcy Court order, or that is subject to setoff pursuant to section 553 of the Bankruptcy Code, to the extent of the value of the creditor’s interest in the interest of the Debtor’s Estate in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code or (b) Allowed pursuant to the Plan as a Secured Claim.

121. “*Security*” or “*security*” means any security as such term is defined in section 101(49) of the Bankruptcy Code.

122. “*Senior Employees*” means the senior employees of the Debtor Filed in the Plan Supplement.

123. “*Senior Employee Stipulation*” means the agreements filed in the Plan Supplement between each Senior Employee and the Debtor.

124. “*Stamp or Similar Tax*” means any stamp tax, recording tax, personal property tax, conveyance fee, intangibles or similar tax, real estate transfer tax, sales tax, use tax, transaction privilege tax (including, without limitation, such taxes on prime contracting and owner-builder sales), privilege taxes (including, without limitation, privilege taxes on construction contracting with regard to speculative builders and owner builders), and other similar taxes imposed or assessed by any Governmental Unit.

125. “*Statutory Fees*” means fees payable pursuant to 28 U.S.C. § 1930.

126. “*Strand*” means Strand Advisors, Inc., the Debtor’s general partner.

127. “*Sub-Servicer*” means a third-party selected by the Claimant Trustee to service or sub-service the Reorganized Debtor Assets.

128. “*Sub-Servicer Agreement*” means the agreement that may be entered into providing for the servicing of the Reorganized Debtor Assets by the Sub-Servicer.

129. “*Subordinated Claim*” means any Claim that is subordinated to the Convenience Claims and General Unsecured Claims pursuant to an order entered by the Bankruptcy Court (including any other court having jurisdiction over the Chapter 11 Case) after notice and a hearing.

130. “*Subordinated Claimant Trust Interests*” means the Claimant Trust Interests to be distributed to Holders of Allowed Subordinated Claims under the Plan, which such interests shall be subordinated in right and priority to the Claimant Trust Interests distributed to Holders of Allowed General Unsecured Claims as provided in the Claimant Trust Agreement.

131. “*Trust Distribution*” means the transfer of Cash or other property by the Claimant Trustee to the Claimant Trust Beneficiaries.

132. “*Trustees*” means, collectively, the Claimant Trustee and Litigation Trustee.

133. “*UBS*” means, collectively, UBS Securities LLC and UBS AG London Branch.

134. “*Unexpired Lease*” means a lease to which the Debtor is a party that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

135. “*Unimpaired*” means, with respect to a Class of Claims or Equity Interests that is not impaired within the meaning of section 1124 of the Bankruptcy Code.

136. “*Voting Deadline*” means the date and time by which all Ballots to accept or reject the Plan must be received in order to be counted under the under the Order of the Bankruptcy Court approving the Disclosure Statement as containing adequate information pursuant to section 1125(a) of the Bankruptcy Code and authorizing the Debtor to solicit acceptances of the Plan.

137. “*Voting Record Date*” means November 23, 2020.

## **ARTICLE II.**

### **ADMINISTRATIVE EXPENSES AND PRIORITY TAX CLAIMS**

#### **A. Administrative Expense Claims**

On the later of the Effective Date or the date on which an Administrative Expense Claim becomes an Allowed Administrative Expense Claim, or, in each such case, as soon as practicable thereafter, each Holder of an Allowed Administrative Expense Claim (other than Professional Fee Claims) will receive, in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Administrative Expense Claim either (i) payment in full in Available Cash for the unpaid portion of such Allowed Administrative Expense Claim; or (ii) such other less favorable treatment as agreed to in writing by the Debtor or the Reorganized Debtor, as applicable, and such Holder; *provided, however*, that Administrative Expense Claims incurred by the Debtor in the ordinary course of business may be paid in the ordinary course of business in the discretion of the Debtor in accordance with such applicable terms and conditions relating thereto without further notice to or order of the Bankruptcy Court. All statutory fees payable under 28 U.S.C. § 1930(a) shall be paid as such fees become due.

If an Administrative Expense Claim (other than a Professional Fee Claim) is not paid by the Debtor in the ordinary course, the Holder of such Administrative Expense Claim must File, on

or before the applicable Administrative Expense Claims Bar Date, and serve on the Debtor or Reorganized Debtor, as applicable, and such other Entities who are designated by the Bankruptcy Rules, the Confirmation Order or other order of the Bankruptcy Court, an application for allowance and payment of such Administrative Expense Claim.

Objections to any Administrative Expense Claim (other than a Professional Fee Claim) must be Filed and served on the Debtor or the Reorganized Debtor, as applicable, and the party asserting such Administrative Expense Claim by the Administrative Expense Claims Objection Deadline.

**B. Professional Fee Claims**

Professionals or other Entities asserting a Professional Fee Claim for services rendered through the Effective Date must submit fee applications under sections 327, 328, 329, 330, 331, 503(b) or 1103 of the Bankruptcy Code and, upon entry of an order of the Bankruptcy Court granting such fee applications, such Professional Fee Claim shall promptly be paid in Cash in full to the extent provided in such order.

Professionals or other Entities asserting a Professional Fee Claim for services rendered on or prior to the Effective Date must File, on or before the Professional Fee Claims Bar Date, and serve on the Debtor or Reorganized Debtor, as applicable, and such other Entities who are designated as requiring such notice by the Bankruptcy Rules, the Confirmation Order or other order of the Bankruptcy Court, an application for final allowance of such Professional Fee Claim.

Objections to any Professional Fee Claim must be Filed and served on the Debtor or Reorganized Debtor, as applicable, and the party asserting the Professional Fee Claim by the Professional Fee Claim Objection Deadline. Each Holder of an Allowed Professional Fee Claim will be paid by the Debtor or the Claimant Trust, as applicable, in Cash within ten (10) Business Days of entry of the order approving such Allowed Professional Fee Claim.

On the Effective Date, the Claimant Trustee shall establish the Professional Fee Reserve. The Professional Fee Reserve shall vest in the Claimant Trust and shall be maintained by the Claimant Trustee in accordance with the Plan and Claimant Trust Agreement. The Claimant Trust shall fund the Professional Fee Reserve on the Effective Date in an estimated amount determined by the Debtor in good faith prior to the Confirmation Date and that approximates the total projected amount of unpaid Professional Fee Claims on the Effective Date. Following the payment of all Allowed Professional Fee Claims, any excess funds in the Professional Fee Reserve shall be released to the Claimant Trust to be used for other purposes consistent with the Plan and the Claimant Trust Agreement.

**C. Priority Tax Claims**

On or as soon as reasonably practicable after the later of (i) the Initial Distribution Date if such Priority Tax Claim is an Allowed Priority Tax Claim as of the Effective Date or (ii) the date on which such Priority Tax Claim becomes an Allowed Priority Tax Claim, each Holder of an Allowed Priority Tax Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Priority Tax Claim, at the election of the Debtor: (a) Cash in an amount of a total value as of the Effective Date of the Plan equal to the amount of such Allowed

Priority Tax Claim in accordance with section 1129(a)(9)(C) of the Bankruptcy Code, or (b) if paid over time, payment of such Allowed Priority Tax Claim in accordance with section 1129(a)(9)(C) of the Bankruptcy Code; or (c) such other less favorable treatment as agreed to in writing by the Debtor and such Holder. Payment of statutory fees due pursuant to 28 U.S.C. § 1930(a)(6) will be made at all appropriate times until the entry of a final decree; *provided, however*, that the Debtor may prepay any or all such Claims at any time, without premium or penalty.

**ARTICLE III.  
CLASSIFICATION AND TREATMENT OF  
CLASSIFIED CLAIMS AND EQUITY INTERESTS**

**A. Summary**

All Claims and Equity Interests, except Administrative Expense Claims and Priority Tax Claims, are classified in the Classes set forth below. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims, and Priority Tax Claims have not been classified.

The categories of Claims and Equity Interests listed below classify Claims and Equity Interests for all purposes including, without limitation, confirmation and distribution pursuant to the Plan and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. The Plan deems a Claim or Equity Interest to be classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class and will be deemed classified in a different Class to the extent that any remainder of such Claim or Equity Interest qualifies within the description of such different Class. A Claim or Equity Interest is in a particular Class only to the extent that any such Claim or Equity Interest is Allowed in that Class and has not been paid, released or otherwise settled (in each case, by the Debtor or any other Entity) prior to the Effective Date.

**B. Summary of Classification and Treatment of Classified Claims and Equity Interests**

<b>Class</b>	<b>Claim</b>	<b>Status</b>	<b>Voting Rights</b>
1	Jefferies Secured Claim	Unimpaired	Deemed to Accept
2	Frontier Secured Claim	Impaired	Entitled to Vote
3	Other Secured Claims	Unimpaired	Deemed to Accept
4	Priority Non-Tax Claim	Unimpaired	Deemed to Accept
5	Retained Employee Claim	Unimpaired	Deemed to Accept
6	PTO Claims	Unimpaired	Deemed to Accept
7	Convenience Claims	Impaired	Entitled to Vote
8	General Unsecured Claims	Impaired	Entitled to Vote
9	Subordinated Claims	Impaired	Entitled to Vote
10	Class B/C Limited Partnership Interests	Impaired	Entitled to Vote
11	Class A Limited Partnership Interests	Impaired	Entitled to Vote

**C. Elimination of Vacant Classes**

Any Class that, as of the commencement of the Confirmation Hearing, does not have at least one Holder of a Claim or Equity Interest that is Allowed in an amount greater than zero for voting purposes shall be considered vacant, deemed eliminated from the Plan for purposes of voting to accept or reject the Plan, and disregarded for purposes of determining whether the Plan satisfies section 1129(a)(8) of the Bankruptcy Code with respect to such Class.

**D. Impaired/Voting Classes**

Claims and Equity Interests in Class 2 and Class 7 through Class 11 are Impaired by the Plan, and only the Holders of Claims or Equity Interests in those Classes are entitled to vote to accept or reject the Plan.

**E. Unimpaired/Non-Voting Classes**

Claims in Class 1 and Class 3 through Class 6 are Unimpaired by the Plan, and such Holders are deemed to have accepted the Plan and are therefore not entitled to vote on the Plan.

**F. Impaired/Non-Voting Classes**

There are no Classes under the Plan that will not receive or retain any property and no Classes are deemed to reject the Plan.

**G. Cramdown**

If any Class of Claims or Equity Interests is deemed to reject this Plan or does not vote to accept this Plan, the Debtor may (i) seek confirmation of this Plan under section 1129(b) of the Bankruptcy Code or (ii) amend or modify this Plan in accordance with the terms hereof and the Bankruptcy Code. If a controversy arises as to whether any Claims or Equity Interests, or any class of Claims or Equity Interests, are Impaired, the Bankruptcy Court shall, after notice and a hearing, determine such controversy on or before the Confirmation Date.

**H. Classification and Treatment of Claims and Equity Interests**

1. Class 1 – Jefferies Secured Claim

- *Classification:* Class 1 consists of the Jefferies Secured Claim.
- *Treatment:* On or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Class 1 Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Class 1 Claim, at the election of the Debtor: (A) Cash equal to the amount of such Allowed Class 1 Claim; (B) such other less favorable treatment as to which the Debtor and the Holder of such Allowed Class 1 Claim will have agreed upon in writing; or (C) such other treatment rendering such Claim Unimpaired. Each Holder of an Allowed Class 1 Claim will retain the Liens securing its Allowed Class 1 Claim as of the Effective Date until

full and final payment of such Allowed Class 1 Claim is made as provided herein.

- *Impairment and Voting:* Class 1 is Unimpaired, and the Holders of Class 1 Claims are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 1 Claims are not entitled to vote to accept or reject this Plan and will not be solicited.

2. Class 2 – Frontier Secured Claim

- *Classification:* Class 2 consists of the Frontier Secured Claim.
- *Treatment:* On or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Class 2 Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Class 2 Claim: (A) Cash in an amount equal to all accrued but unpaid interest on the Frontier Claim through and including the Effective Date and (B) the New Frontier Note. The Holder of an Allowed Class 2 Claim will retain the Liens securing its Allowed Class 2 Claim as of the Effective Date until full and final payment of such Allowed Class 2 Claim is made as provided herein.
- *Impairment and Voting:* Class 2 is Impaired, and the Holders of Class 2 Claims are entitled to vote to accept or reject this Plan.

3. Class 3 – Other Secured Claims

- *Classification:* Class 3 consists of the Other Secured Claims.
- *Allowance and Treatment:* On or as soon as reasonably practicable after the later of (i) the Initial Distribution Date if such Class 3 Claim is Allowed on the Effective Date or (ii) the date on which such Class 3 Claim becomes an Allowed Class 3 Claim, each Holder of an Allowed Class 3 Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, its Allowed Claim 3 Claim, at the option of the Debtor, or following the Effective Date, the Reorganized Debtor or Claimant Trustee, as applicable, (i) Cash equal to such Allowed Other Secured Claim, (ii) the collateral securing its Allowed Other Secured Claim, plus postpetition interest to the extent required under Bankruptcy Code Section 506(b), or (iii) such other treatment rendering such Claim Unimpaired.
- *Impairment and Voting:* Class 3 is Unimpaired, and the Holders of Class 3 Claims are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 3 Claims are not entitled to vote to accept or reject this Plan and will not be solicited.

4. Class 4 – Priority Non-Tax Claims

- *Classification:* Class 4 consists of the Priority Non-Tax Claims.
- *Allowance and Treatment:* On or as soon as reasonably practicable after the later of (i) the Initial Distribution Date if such Class 4 Claim is Allowed on the Effective Date or (ii) the date on which such Class 4 Claim becomes an Allowed Class 4 Claim, each Holder of an Allowed Class 4 Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, its Allowed Claim 4 Claim Cash equal to the amount of such Allowed Class 4 Claim.
- *Impairment and Voting:* Class 4 is Unimpaired, and the Holders of Class 4 Claims are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 4 Claims are not entitled to vote to accept or reject this Plan and will not be solicited.

5. Class 5 – Retained Employee Claims

- *Classification:* Class 5 consists of the Retained Employee Claims.
- *Allowance and Treatment:* On or as soon as reasonably practicable after the Effective Date, each Allowed Class 5 Claim will be Reinstated.
- *Impairment and Voting:* Class 5 is Unimpaired, and the Holders of Class 5 Claims are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 5 Claims are not entitled to vote to accept or reject this Plan and will not be solicited.

6. Class 6 – PTO Claims

- *Classification:* Class 6 consists of the PTO Claims.
- *Allowance and Treatment:* On or as soon as reasonably practicable after the later of (i) the Initial Distribution Date if such Class 6 Claim is Allowed on the Effective Date or (ii) the date on which such Class 6 Claim becomes an Allowed Class 6 Claim, each Holder of an Allowed Class 6 Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, its Allowed Claim 6 Claim Cash equal to the amount of such Allowed Class 6 Claim.
- *Impairment and Voting:* Class 6 is Unimpaired, and the Holders of Class 6 Claims are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 6

Claims are not entitled to vote to accept or reject this Plan and will not be solicited.

7. Class 7 – Convenience Claims

- *Classification:* Class 7 consists of the Convenience Claims.
- *Allowance and Treatment:* On or as soon as reasonably practicable after the later of (i) the Initial Distribution Date if such Class 7 Claim is Allowed on the Effective Date or (ii) the date on which such Class 7 Claim becomes an Allowed Class 7 Claim, each Holder of an Allowed Class 7 Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, its Allowed Class 7 Claim (1) the treatment provided to Allowed Holders of Class 8 General Unsecured Claims if the Holder of such Class 7 Claim makes the GUC Election or (2) an amount in Cash equal to the lesser of (a) 85% of the Allowed amount of such Holder's Class 7 Claim or (b) such Holder's Pro Rata share of the Convenience Claims Cash Pool.
- *Impairment and Voting:* Class 7 is Impaired, and the Holders of Class 7 Claims are entitled to vote to accept or reject this Plan.

8. Class 8 – General Unsecured Claims

- *Classification:* Class 8 consists of the General Unsecured Claims.
- *Treatment:* On or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Class 8 Claim, in full satisfaction, settlement, discharge and release of, and in exchange for, such Claim shall receive (i) its Pro Rata share of the Claimant Trust Interests, (ii) such other less favorable treatment as to which such Holder and the Claimant Trustee shall have agreed upon in writing, or (iii) the treatment provided to Allowed Holders of Class 7 Convenience Claims if the Holder of such Class 8 General Unsecured Claim is eligible and makes a valid Convenience Class Election.

Notwithstanding anything to the contrary herein, after the Effective Date and subject to the other provisions of this Plan, the Debtor, the Reorganized Debtor, and the Claimant Trust, as applicable, will have and will retain any and all rights and defenses under bankruptcy or nonbankruptcy law that the Debtor had with respect to any General Unsecured Claim, except with respect to any General Unsecured Claim Allowed by Final Order of the Bankruptcy Court.

- *Impairment and Voting:* Class 8 is Impaired, and the Holders of Class 8 Claims are entitled to vote to accept or reject this Plan.

9. Class 9 – Subordinated Claims

- *Classification:* Class 9 consists of the Subordinated Claims.

*Treatment:* On the Effective Date, Holders of Subordinated Claims shall receive either (i) their Pro Rata share of the Subordinated Claimant Trust Interests or, (ii) such other less favorable treatment as to which such Holder and the Claimant Trustee may agree upon in writing.

Notwithstanding anything to the contrary herein, after the Effective Date and subject to the other provisions of this Plan, the Debtor, the Reorganized Debtor, and the Claimant Trust, as applicable, will have and will retain any and all rights and defenses under bankruptcy or nonbankruptcy law that the Debtor had with respect to any Subordinated Claim, except with respect to any Subordinated Claim Allowed by Final Order of the Bankruptcy Court.

- *Impairment and Voting:* Class 9 is Impaired, and the Holders of Class 9 Claims are entitled to vote to accept or reject this Plan.

10. Class 10 – Class B/C Limited Partnership Interests

- *Classification:* Class 10 consists of the Class B/C Limited Partnership Interests.

- *Treatment:* On or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Class 10 Claim, in full satisfaction, settlement, discharge and release of, and in exchange for, such Claim shall receive (i) its Pro Rata share of the Contingent Claimant Trust Interests or (ii) such other less favorable treatment as to which such Holder and the Claimant Trustee shall have agreed upon in writing.

Notwithstanding anything to the contrary herein, after the Effective Date and subject to the other provisions of this Plan, the Debtor, the Reorganized Debtor, and the Claimant Trust, as applicable, will have and will retain any and all rights and defenses under bankruptcy or nonbankruptcy law that the Debtor had with respect to any Class B/C Limited Partnership Interest Claim, except with respect to any Class B/C Limited Partnership Interest Claim Allowed by Final Order of the Bankruptcy Court.

- *Impairment and Voting:* Class 10 is Impaired, and the Holders of Class 10 Claims are entitled to vote to accept or reject this Plan.

11. Class 11 – Class A Limited Partnership Interests

- *Classification:* Class 11 consists of the Class A Limited Partnership Interests.

- *Treatment:* On or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Class 11 Claim, in full satisfaction, settlement, discharge and release of, and in exchange for, such Claim shall receive (i) its Pro Rata share of the Contingent Claimant Trust Interests or (ii) such other less favorable treatment as to which such Holder and the Claimant Trustee shall have agreed upon in writing.

Notwithstanding anything to the contrary herein, after the Effective Date and subject to the other provisions of this Plan, the Debtor, the Reorganized Debtor, and the Claimant Trust, as applicable, will have and will retain any and all rights and defenses under bankruptcy or nonbankruptcy law that the Debtor had with respect to any Class A Limited Partnership Interest, except with respect to any Class A Limited Partnership Interest Allowed by Final Order of the Bankruptcy Court.

- *Impairment and Voting:* Class 11 is Impaired, and the Holders of Class 11 Claims are entitled to vote to accept or reject this Plan.

**I. Special Provision Governing Unimpaired Claims**

Except as otherwise provided in the Plan, nothing under the Plan will affect the Debtor’s rights in respect of any Unimpaired Claims, including, without limitation, all rights in respect of legal and equitable defenses to or setoffs or recoupments against any such Unimpaired Claims.

**J. Subordinated Claims**

The allowance, classification, and treatment of all Claims under the Plan shall take into account and conform to the contractual, legal, and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code, or otherwise. Upon written notice and hearing, the Debtor the Reorganized Debtor, and the Claimant Trustee reserve the right to seek entry of an order by the Bankruptcy Court to re-classify or to subordinate any Claim in accordance with any contractual, legal, or equitable subordination relating thereto, and the treatment afforded any Claim under the Plan that becomes a subordinated Claim at any time shall be modified to reflect such subordination.

**ARTICLE IV.  
MEANS FOR IMPLEMENTATION OF THIS PLAN**

**A. Summary**

As discussed in the Disclosure Statement, the Plan will be implemented through (i) the Claimant Trust, (ii) the Litigation Sub-Trust, and (iii) the Reorganized Debtor.

On the Effective Date, all Class A Limited Partnership Interests, including the Class A Limited Partnership Interests held by Strand, as general partner, and Class B/C Limited Partnerships in the Debtor will be cancelled, and new Class A Limited Partnership Interests in the Reorganized Debtor will be issued to the Claimant Trust and New GP LLC – a newly-chartered limited liability company wholly-owned by the Claimant Trust. The Claimant Trust, as limited

partner, will ratify New GP LLC's appointment as general partner of the Reorganized Debtor, and on and following the Effective Date, the Claimant Trust will be the Reorganized Debtor's limited partner and New GP LLC will be its general partner. The Claimant Trust, as limited partner, and New GP LLC, as general partner, will execute the Reorganized Limited Partnership Agreement, which will amend and restate, in all respects, the Debtor's current Limited Partnership Agreement. Following the Effective Date, the Reorganized Debtor will be managed consistent with the terms of the Reorganized Limited Partnership Agreement by New GP LLC. The sole managing member of New GP LLC will be the Claimant Trust, and the Claimant Trustee will be the sole officer of New GP LLC on the Effective Date.

Following the Effective Date, the Claimant Trust will administer the Claimant Trust Assets pursuant to this Plan and the Claimant Trust Agreement, and the Litigation Trustee will pursue, if applicable, the Estate Claims pursuant to the terms of the Litigation Sub-Trust Agreement and the Plan. The Reorganized Debtor will administer the Reorganized Debtor Assets and, if needed, with the utilization of a Sub-Servicer, which administration will include, among other things, managing the wind down of the Managed Funds.

Although the Reorganized Debtor will manage the wind down of the Managed Funds, it is currently anticipated that neither the Reorganized Debtor nor the Claimant Trust will assume or assume and assign the contracts between the Debtor and certain Related Entities pursuant to which the Debtor provides shared services and sub-advisory services to those Related Entities. The Debtor believes that the continued provision of the services under such contracts will not be cost effective.

The Reorganized Debtor will distribute all proceeds from the wind down to the Claimant Trust, as its limited partner, and New GP LLC, as its general partner, in each case in accordance with the Reorganized Limited Partnership Agreement. Such proceeds, along with the proceeds of the Claimant Trust Assets, will ultimately be distributed to the Claimant Trust Beneficiaries as set forth in this Plan and the Claimant Trust Agreement.

**B. The Claimant Trust<sup>2</sup>**

1. Creation and Governance of the Claimant Trust and Litigation Sub-Trust.

On or prior to the Effective Date, the Debtor and the Claimant Trustee shall execute the Claimant Trust Agreement and shall take all steps necessary to establish the Claimant Trust and the Litigation Sub-Trust in accordance with the Plan in each case for the benefit of the Claimant Trust Beneficiaries. Additionally, on or prior to the Effective Date, the Debtor shall irrevocably transfer and shall be deemed to have irrevocably transferred to the Claimant Trust all of its rights, title, and interest in and to all of the Claimant Trust Assets, and in accordance with section 1141 of the Bankruptcy Code, the Claimant Trust Assets shall automatically vest in the Claimant Trust free and clear of all Claims, Liens, encumbrances, or interests subject only to the Claimant Trust Interests and the Claimant Trust Expenses, as provided for in the Claimant Trust Agreement, and

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<sup>2</sup> In the event of a conflict between the terms of this summary and the terms of the Claimant Trust Agreement and the Litigation Sub-Trust Agreement, the terms of the Claimant Trust Agreement or the Litigation Sub-Trust Agreement, as applicable, shall control.

such transfer shall be exempt from any stamp, real estate transfer, mortgage from any stamp, transfer, reporting, sales, use, or other similar tax.

The Claimant Trustee shall be the exclusive trustee of the Claimant Trust Assets, excluding the Estate Claims and the Litigation Trustee shall be the exclusive trustee with respect to the Estate Claims in each case for purposes of 31 U.S.C. § 3713(b) and 26 U.S.C. § 6012(b)(3), as well as the representative of the Estate appointed pursuant to section 1123(b)(3)(B) of the Bankruptcy Code with respect to the Claimant Trust Assets. The Claimant Trustee shall also be responsible for resolving all Claims and Equity Interests in Class 8 through Class 11, under the supervision of the Claimant Trust Oversight Committee.

On the Effective Date, the Claimant Trustee and Litigation Trustee shall execute the Litigation Sub-Trust Agreement and shall take all steps necessary to establish the Litigation Sub-Trust. Upon the creation of the Litigation Sub-Trust, the Claimant Trust shall irrevocably transfer and assign to the Litigation Sub-Trust the Estate Claims. The Claimant Trust shall be governed by the Claimant Trust Agreement and administered by the Claimant Trustee. The powers, rights, and responsibilities of the Claimant Trustee shall be specified in the Claimant Trust Agreement and shall include the authority and responsibility to, among other things, take the actions set forth in this ARTICLE IV, subject to any required reporting to the Claimant Trust Oversight Committee as may be set forth in the Claimant Trust Agreement. The Claimant Trust shall hold and distribute the Claimant Trust Assets (including the proceeds from the Estate Claims, if any) in accordance with the provisions of the Plan and the Claimant Trust Agreement; *provided* that the Claimant Trust Oversight Committee may direct the Claimant Trust to reserve Cash from distributions as necessary to fund the Claimant Trust and Litigation Sub-Trust. Other rights and duties of the Claimant Trustee and the Claimant Trust Beneficiaries shall be as set forth in the Claimant Trust Agreement. After the Effective Date, neither the Debtor nor the Reorganized Debtor shall have any interest in the Claimant Trust Assets.

The Litigation Sub-Trust shall be governed by the Litigation Sub-Trust Agreement and administered by the Litigation Trustee. The powers, rights, and responsibilities of the Litigation Trustee shall be specified in the Litigation Sub-Trust Agreement and shall include the authority and responsibility to, among other things, take the actions set forth in this ARTICLE IV, subject to any required reporting as may be set forth in the Litigation Sub-Trust Agreement. The Litigation Sub-Trust shall investigate, prosecute, settle, or otherwise resolve the Estate Claims in accordance with the provisions of the Plan and the Litigation Sub-Trust Agreement and shall distribute the proceeds therefrom to the Claimant Trust for distribution. Other rights and duties of the Litigation Trustee shall be as set forth in the Litigation Sub-Trust Agreement.

## 2. Claimant Trust Oversight Committee

The Claimant Trust, the Claimant Trustee, the management and monetization of the Claimant Trust Assets, and the management of the Reorganized Debtor (through the Claimant Trust's role as managing member of New GP LLC) and the Litigation Sub-Trust will be overseen by the Claimant Trust Oversight Committee, subject to the terms of the Claimant Trust Agreement and the Litigation Sub-Trust Agreement, as applicable.

The Claimant Trust Oversight Committee will initially consist of five members. Four of the five members will be representatives of the members of the Committee: (i) the Redeemer Committee of Highland Crusader Fund, (ii) UBS, (iii) Acis, and (iv) Meta-e Discovery. The fifth member will be an independent, natural Person chosen by the Committee and reasonably acceptable to the Debtor. The members of the Claimant Trust Oversight Committee may be replaced as set forth in the Claimant Trust Agreement. The identity of the members of the Claimant Trust Oversight Committee will be disclosed in the Plan Supplement.

As set forth in the Claimant Trust Agreement, in no event will any member of the Claimant Trust Oversight Committee with a Claim against the Estate be entitled to vote, opine, or otherwise be involved in any matters related to such member's Claim.

The independent member(s) of the Claimant Trust Oversight Committee may be entitled to compensation for their services as set forth in the Claimant Trust Agreement. Any member of the Claimant Trust Oversight Committee may be removed, and successor chosen, in the manner set forth in the Claimant Trust Agreement.

3. Purpose of the Claimant Trust.

The Claimant Trust shall be established for the purpose of (i) managing and monetizing the Claimant Trust Assets, subject to the terms of the Claimant Trust Agreement and the oversight of the Claimant Trust Oversight Committee, (ii) serving as the limited partner of, and holding the limited partnership interests in, the Reorganized Debtor, (iii) serving as the sole member and manager of New GP LLC, the Reorganized Debtor's general partner, (iv) in its capacity as the sole member and manager of New GP LLC, overseeing the management and monetization of the Reorganized Debtor Assets pursuant to the terms of the Reorganized Limited Partnership Agreement; and (v) administering the Disputed Claims Reserve and serving as Distribution Agent with respect to Disputed Claims in Class 7 or Class 8.

In its management of the Claimant Trust Assets, the Claimant Trust will also reconcile and object to the General Unsecured Claims, Subordinated Claims, Class B/C Limited Partnership Interests, and Class A Limited Partnership Interests, as provided for in this Plan and the Claimant Trust Agreement, and make Trust Distributions to the Claimant Trust Beneficiaries in accordance with Treasury Regulation section 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business.

The purpose of the Reorganized Debtor is discussed at greater length in ARTICLE IV.C.

4. Purpose of the Litigation Sub-Trust.

The Litigation Sub-Trust shall be established for the purpose of investigating, prosecuting, settling, or otherwise resolving the Estate Claims. Any proceeds therefrom shall be distributed by the Litigation Sub-Trust to the Claimant Trust for distribution to the Claimant Trust Beneficiaries pursuant to the terms of the Claimant Trust Agreement.

5. Claimant Trust Agreement and Litigation Sub-Trust Agreement.

The Claimant Trust Agreement generally will provide for, among other things:

- (i) the payment of the Claimant Trust Expenses;
- (ii) the payment of other reasonable expenses of the Claimant Trust;
- (iii) the retention of employees, counsel, accountants, financial advisors, or other professionals and the payment of their reasonable compensation;
- (iv) the investment of Cash by the Claimant Trustee within certain limitations, including those specified in the Plan;
- (v) the orderly monetization of the Claimant Trust Assets;
- (vi) litigation of any Causes of Action, which may include the prosecution, settlement, abandonment, or dismissal of any such Causes of Action, subject to reporting and oversight by the Claimant Trust Oversight Committee;
- (vii) the resolution of Claims and Equity Interests in Class 8 through Class 11, subject to reporting and oversight by the Claimant Trust Oversight Committee;
- (viii) the administration of the Disputed Claims Reserve and distributions to be made therefrom; and
- (ix) the management of the Reorganized Debtor, including the utilization of a Sub-Servicer, with the Claimant Trust serving as the managing member of New GP LLC.

Except as otherwise ordered by the Bankruptcy Court, the Claimant Trust Expenses shall be paid from the Claimant Trust Assets in accordance with the Plan and Claimant Trust Agreement. The Claimant Trustee may establish a reserve for the payment of Claimant Trust Expense (including, without limitation, any reserve for potential indemnification claims as authorized and provided under the Claimant Trust Agreement), and shall periodically replenish such reserve, as necessary.

In furtherance of, and consistent with the purpose of, the Claimant Trust and the Plan, the Trustees, for the benefit of the Claimant Trust, shall, subject to reporting and oversight by the Claimant Trust Oversight Committee as set forth in the Claimant Trust Agreement: (i) hold the Claimant Trust Assets for the benefit of the Claimant Trust Beneficiaries, (ii) make Distributions to the Claimant Trust Beneficiaries as provided herein and in the Claimant Trust Agreement, and (iii) have the sole power and authority to prosecute and resolve any Causes of Action and objections to Claims and Equity Interests (other than those assigned to the Litigation Sub-Trust), without approval of the Bankruptcy Court. Except as otherwise provided in the Claimant Trust Agreement, the Claimant Trustee shall be responsible for all decisions and duties with respect to the Claimant Trust and the Claimant Trust Assets; *provided, however*, that the prosecution and resolution of any Estate Claims included in the Claimant Trust Assets shall be the responsibility of the Litigation Trustee. The Litigation Sub-Trust Agreement generally will provide for, among other things:

- (i) the payment of other reasonable expenses of the Litigation Sub-Trust;

(ii) the retention of employees, counsel, accountants, financial advisors, or other professionals and the payment of their reasonable compensation; and

(iii) the investigation and prosecution of Estate Claims, which may include the prosecution, settlement, abandonment, or dismissal of any such Estate Claims, subject to reporting and oversight as set forth in the Litigation Sub-Trust Agreement.

The Trustees, on behalf of the Claimant Trust and Litigation Sub-Trust, as applicable, may each employ, without further order of the Bankruptcy Court, employees and other professionals (including those previously retained by the Debtor and the Committee) to assist in carrying out the Trustees' duties hereunder and may compensate and reimburse the reasonable expenses of these professionals without further Order of the Bankruptcy Court from the Claimant Trust Assets in accordance with the Plan and the Claimant Trust Agreement.

The Claimant Trust Agreement and Litigation Sub-Trust Agreement may include reasonable and customary provisions that allow for indemnification by the Claimant Trust in favor of the Claimant Trustee, Litigation Trustee, and the Claimant Trust Oversight Committee. Any such indemnification shall be the sole responsibility of the Claimant Trust and payable solely from the Claimant Trust Assets.

6. Compensation and Duties of Trustees.

The salient terms of each Trustee's employment, including such Trustee's duties and compensation shall be set forth in the Claimant Trust Agreement and the Litigation Sub-Trust Agreement, as appropriate. The Trustees shall each be entitled to reasonable compensation in an amount consistent with that of similar functionaries in similar types of bankruptcy cases.

7. Cooperation of Debtor and Reorganized Debtor.

To effectively investigate, prosecute, compromise and/or settle the Claims and/or Causes of Action that constitute Claimant Trust Assets (including Estate Claims), the Claimant Trustee, Litigation Trustee, and each of their professionals may require reasonable access to the Debtor's and Reorganized Debtor's documents, information, and work product relating to the Claimant Trust Assets. Accordingly, the Debtor and the Reorganized Debtor, as applicable, shall reasonably cooperate with the Claimant Trustee and Litigation Trustee, as applicable, in their prosecution of Causes of Action and in providing the Claimant Trustee and Litigation Trustee with copies of documents and information in the Debtor's possession, custody, or control on the Effective Date that either Trustee indicates relates to the Estate Claims or other Causes of Action.

The Debtor and Reorganized Debtor shall preserve all records, documents or work product (including all electronic records, documents, or work product) related to the Claims and Causes of Action, including Estate Claims, until the earlier of (a) the dissolution of the Reorganized Debtor or (b) termination of the Claimant Trust and Litigation Sub-Trust.

8. United States Federal Income Tax Treatment of the Claimant Trust.

Unless the IRS requires otherwise, for all United States federal income tax purposes, the parties shall treat the transfer of the Claimant Trust Assets to the Claimant Trust as: (a) a transfer

of the Claimant Trust Assets (other than the amounts set aside in the Disputed Claims Reserve, if the Claimant Trustee makes the election described in Section 7 below) directly to the applicable Claimant Trust Beneficiaries followed by (b) the transfer by the such Claimant Trust Beneficiaries to the Claimant Trust of such Claimant Trust Assets in exchange for the Claimant Trust Interests. Accordingly, the applicable Claimant Trust Beneficiaries shall be treated for United States federal income tax purposes as the grantors and owners of their respective share of the Claimant Trust Assets. The foregoing treatment shall also apply, to the extent permitted by applicable law, for state and local income tax purposes.

9. Tax Reporting.

(a) The Claimant Trustee shall file tax returns for the Claimant Trust treating the Claimant Trust as a grantor trust pursuant to Treasury Regulation section 1.671-4(a). The Claimant Trustee may file an election pursuant to Treasury Regulation 1.468B-9(c) to treat the Disputed Claims Reserve as a disputed ownership fund, in which case the Claimant Trustee will file federal income tax returns and pay taxes for the Disputed Claims Reserve as a separate taxable entity.

(b) The Claimant Trustee shall be responsible for payment, out of the Claimant Trust Assets, of any taxes imposed on the Claimant Trust or its assets.

(c) The Claimant Trustee shall determine the fair market value of the Claimant Trust Assets as of the Effective Date and notify the applicable Claimant Trust Beneficiaries of such valuation, and such valuation shall be used consistently for all federal income tax purposes.

(d) The Claimant Trustee shall distribute such tax information to the applicable Claimant Trust Beneficiaries as the Claimant Trustee determines is required by applicable law.

10. Claimant Trust Assets.

The Claimant Trustee shall have the exclusive right, on behalf of the Claimant Trust, to institute, file, prosecute, enforce, abandon, settle, compromise, release, or withdraw any and all Causes of Action included in the Claimant Trust Assets (except for the Estate Claims) without any further order of the Bankruptcy Court, and the Claimant Trustee shall have the exclusive right, on behalf of the Claimant Trust, to sell, liquidate, or otherwise monetize all Claimant Trust Assets, except as otherwise provided in this Plan or in the Claimant Trust Agreement, without any further order of the Bankruptcy Court. Notwithstanding anything herein to the contrary, the Litigation Trustee shall have the exclusive right to institute, file, prosecute, enforce, abandon, settle, compromise, release, or withdraw any and all Estate Claims included in the Claimant Trust Assets without any further order of the Bankruptcy Court.

From and after the Effective Date, the Trustees, in accordance with section 1123(b)(3) and (4) of the Bankruptcy Code, and on behalf of the Claimant Trust, shall each serve as a representative of the Estate with respect to any and all Claimant Trust Assets, including the Causes of Action and Estate Claims, as appropriate, and shall retain and possess the right to (a) commence, pursue, settle, compromise, or abandon, as appropriate, any and all Causes of Action in any court or other tribunal and (b) sell, liquidate, or otherwise monetize all Claimant Trust Assets.

11. Claimant Trust Expenses.

From and after the Effective Date, the Claimant Trust shall, in the ordinary course of business and without the necessity of any approval by the Bankruptcy Court, pay the reasonable professional fees and expenses incurred by the Claimant Trust, the Litigation Sub-Trust, and any professionals retained by such parties and entities from the Claimant Trust Assets, except as otherwise provided in the Claimant Trust Agreement.

12. Trust Distributions to Claimant Trust Beneficiaries.

The Claimant Trustee, in its discretion, may make Trust Distributions to the Claimant Trust Beneficiaries at any time and/or use the Claimant Trust Assets or proceeds thereof, *provided* that such Trust Distributions or use is otherwise permitted under the terms of the Plan, the Claimant Trust Agreement, and applicable law.

13. Cash Investments.

With the consent of the Claimant Trust Oversight Committee, the Claimant Trustee may invest Cash (including any earnings thereon or proceeds therefrom) in a manner consistent with the terms of the Claimant Trust Agreement; *provided, however*, that such investments are investments permitted to be made by a “liquidating trust” within the meaning of Treasury Regulation section 301.7701-4(d), as reflected therein, or under applicable IRS guidelines, rulings or other controlling authorities.

14. Dissolution of the Claimant Trust and Litigation Sub-Trust.

The Trustees and the Claimant Trust and Litigation Sub-Trust shall be discharged or dissolved, as the case may be, at such time as: (a) the Litigation Trustee determines that the pursuit of Estate Claims is not likely to yield sufficient additional proceeds to justify further pursuit of such Estate Claims, (b) the Claimant Trustee determines that the pursuit of Causes of Action (other than Estate Claims) is not likely to yield sufficient additional proceeds to justify further pursuit of such Causes of Action, (c) the Claimant Trustee determines that the pursuit of sales of other Claimant Trust Assets is not likely to yield sufficient additional proceeds to justify further pursuit of such sales of Claimant Trust Assets, (d) all objections to Disputed Claims and Equity Interests are fully resolved, (e) the Reorganized Debtor is dissolved, and (f) all Distributions required to be made by the Claimant Trustee to the Claimant Trust Beneficiaries under the Plan have been made, but in no event shall the Claimant Trust be dissolved later than three years from the Effective Date unless the Bankruptcy Court, upon motion made within the six-month period before such third anniversary (and, in the event of further extension, by order of the Bankruptcy Court, upon motion made at least six months before the end of the preceding extension), determines that a fixed period extension (not to exceed two years, together with any prior extensions, without a favorable letter ruling from the Internal Revenue Service or an opinion of counsel that any further extension would not adversely affect the status of the Claimant Trust as a liquidating trust for federal income tax purposes) is necessary to facilitate or complete the recovery on, and liquidation of, the Claimant Trust Assets; *provided, however*, that each extension must be approved, upon a finding that the extension is necessary to facilitate or complete the recovery on, and liquidation of the Claimant Trust Assets, by the Bankruptcy Court within 6 months of the beginning of the extended term and

no extension, together with any prior extensions, shall exceed three years without a favorable letter ruling from the Internal Revenue Service or an opinion of counsel that any further extension would not adversely affect the status of the Claimant Trust as a liquidating trust for federal income tax purposes.

Upon dissolution of the Claimant Trust, and pursuant to the Claimant Trust Agreement, any remaining Claimant Trust Assets that exceed the amounts required to be paid under the Plan will be transferred (in the sole discretion of the Claimant Trustee) in Cash or in-kind to the Holders of the Claimant Trust Interests as provided in the Claimant Trust Agreement.

**C. The Reorganized Debtor**

1. Corporate Existence

The Debtor will continue to exist after the Effective Date, with all of the powers of partnerships pursuant to the law of the State of Delaware and as set forth in the Reorganized Limited Partnership Agreement.

2. Cancellation of Equity Interests and Release

On the Effective Date, (i) all prepetition Equity Interests, including the Class A Limited Partnership Interests and the Class B/C Limited Partnership Interests, in the Debtor shall be canceled, and (ii) all obligations or debts owed by, or Claims against, the Debtor on account of, or based upon, the Interests shall be deemed as cancelled, released, and discharged, including all obligations or duties by the Debtor relating to the Equity Interests in any of the Debtor's formation documents, including the Limited Partnership Agreement.

3. Issuance of New Partnership Interests

On the Effective Date, the Debtor or the Reorganized Debtor, as applicable, will issue new Class A Limited Partnership Interests to (i) the Claimant Trust, as limited partner, and (ii) New GP LLC, as general partner, and will admit (a) the Claimant Trust as the limited partner of the Reorganized Debtor, and (b) New GP LLC as the general partner of the Reorganized Debtor. The Claimant Trust, as limited partner, will ratify New GP LLC's appointment as general partner of the Reorganized Debtor. Also, on the Effective Date, the Claimant Trust, as limited partner, and New GP LLC, as general partner, will execute the Reorganized Limited Partnership Agreement and receive partnership interests in the Reorganized Debtor consistent with the terms of the Reorganized Limited Partnership Agreement.

The Reorganized Limited Partnership Agreement does not provide for, and specifically disclaims, the indemnification obligations under the Limited Partnership Agreement, including any such indemnification obligations that accrued or arose or could have been brought prior to the Effective Date. Any indemnification Claims under the Limited Partnership Agreement that accrued, arose, or could have been filed prior to the Effective Date will be resolved through the Claims resolution process provided that a Claim is properly filed in accordance with the Bankruptcy Code, the Plan, or the Bar Date Order. Each of the Debtor, the Reorganized Debtor, the Claimant Trust, and the Litigation Sub-Trust reserve all rights with respect to any such indemnification Claims.

4. Management of the Reorganized Debtor

Subject to and consistent with the terms of the Reorganized Limited Partnership Agreement, the Reorganized Debtor shall be managed by its general partner, New GP LLC. The initial officers and employees of the Reorganized Debtor shall be selected by the Claimant Trustee. The Reorganized Debtor may, in its discretion, also utilize a Sub-Servicer in addition to or in lieu of the retention of officers and employees.

As set forth in the Reorganized Limited Partnership Agreement, New GP LLC will receive a fee for managing the Reorganized Debtor. Although New GP LLC will be a limited liability company, it will elect to be treated as a C-Corporation for tax purposes. Therefore, New GP LLC (and any taxable income attributable to it) will be subject to corporate income taxation on a standalone basis, which may reduce the return to Claimants.

5. Vesting of Assets in the Reorganized Debtor

Except as otherwise provided in this Plan or the Confirmation Order, on or after the Effective Date, all Reorganized Debtor Assets will vest in the Reorganized Debtor, free and clear of all Liens, Claims, charges or other encumbrances pursuant to section 1141(c) of the Bankruptcy Code except with respect to such Liens, Claims, charges and other encumbrances that are specifically preserved under this Plan upon the Effective Date.

The Reorganized Debtor shall be the exclusive trustee of the Reorganized Debtor Assets for purposes of 31 U.S.C. § 3713(b) and 26 U.S.C. § 6012(b)(3), as well as the representative of the Estate appointed pursuant to section 1123(b)(3)(B) of the Bankruptcy Code with respect to the Reorganized Debtor Assets.

6. Purpose of the Reorganized Debtor

Except as may be otherwise provided in this Plan or the Confirmation Order, the Reorganized Debtor will continue to manage the Reorganized Debtor Assets (which shall include, for the avoidance of doubt, serving as the investment manager of the Managed Funds) and may use, acquire or dispose of the Reorganized Debtor Assets and compromise or settle any Claims with respect to the Reorganized Debtor Assets without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules. The Reorganized Debtor shall oversee the resolution of Claims in Class 1 through Class 7.

Without limiting the foregoing, the Reorganized Debtor will pay the charges that it incurs after the Effective Date for Professionals' fees, disbursements, expenses or related support services (including reasonable fees relating to the preparation of Professional fee applications) in the ordinary course of business and without application or notice to, or order of, the Bankruptcy Court.

7. Distribution of Proceeds from the Reorganized Debtor Assets; Transfer of Reorganized Debtor Assets

Any proceeds received by the Reorganized Debtor will be distributed to the Claimant Trust, as limited partner, and New GP LLC, as general partner, in the manner set forth in the Reorganized Limited Partnership Agreement. As set forth in the Reorganized Limited Partnership Agreement,

the Reorganized Debtor may, from time to time distribute Reorganized Debtor Assets to the Claimant Trust either in Cash or in-kind, including to institute the wind-down and dissolution of the Reorganized Debtor. Any assets distributed to the Claimant Trust will be (i) deemed transferred in all respects as forth in ARTICLE IV.B.1, (ii) deemed Claimant Trust Assets, and (iii) administered as Claimant Trust Assets.

**D. Company Action**

Each of the Debtor, the Reorganized Debtor, and the Trustees, as applicable, may take any and all actions to execute, deliver, File or record such contracts, instruments, releases and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and implement the provisions of this Plan, the Claimant Trust Agreement, the Reorganized Limited Partnership Agreement, or the New GP LLC Documents, as applicable, in the name of and on behalf of the Debtor, the Reorganized Debtor, or the Trustees, as applicable, and in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or any requirement of further action, vote or other approval or authorization by the security holders, officers, or directors of the Debtor or the Reorganized Debtor, as applicable, or by any other Person.

Prior to, on or after the Effective Date (as appropriate), all matters provided for pursuant to this Plan that would otherwise require approval of the stockholders, partners, directors, managers, or members of the Debtor, any Related Entity, or any Affiliate thereof (as of prior to the Effective Date) will be deemed to have been so approved and will be in effect prior to, on or after the Effective Date (as appropriate) pursuant to applicable law and without any requirement of further action by the stockholders, partners, directors, managers or members of such Persons, or the need for any approvals, authorizations, actions or consents of any Person.

All matters provided for in this Plan involving the legal or corporate structure of the Debtor, the Reorganized Debtor, or the Claimant Trust, as applicable, and any legal or corporate action required by the Debtor, the Reorganized Debtor, or the Claimant Trust, as applicable, in connection with this Plan, will be deemed to have occurred and will be in full force and effect in all respects, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or any requirement of further action, vote or other approval or authorization by the security holders, partners, directors, managers, or members of the Debtor, the Reorganized Debtor, or the Claimant Trust, as applicable, or by any other Person. On the Effective Date, the appropriate officers of the Debtor and the Reorganized Debtor, as applicable, as well as the Trustees, are authorized to issue, execute, deliver, and consummate the transactions contemplated by, the contracts, agreements, documents, guarantees, pledges, consents, securities, certificates, resolutions and instruments contemplated by or described in this Plan in the name of and on behalf of the Debtor and the Reorganized Debtor, as well as the Trustees, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or any requirement of further action, vote or other approval or authorization by any Person. The appropriate officer of the Debtor, the Reorganized Debtor, as well as the Trustees, will be authorized to certify or attest to any of the foregoing actions.

**E. Release of Liens, Claims and Equity Interests**

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, from and after the Effective Date and concurrently with the applicable distributions made pursuant to the Plan, all Liens, Claims, Equity Interests, mortgages, deeds of trust, or other security interests against the property of the Estate will be fully released, terminated, extinguished and discharged, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Entity. Any Entity holding such Liens or Equity Interests extinguished pursuant to the prior sentence will, pursuant to section 1142 of the Bankruptcy Code, promptly execute and deliver to the Debtor, the Reorganized Debtor, or the Claimant Trustee, as applicable, such instruments of termination, release, satisfaction and/or assignment (in recordable form) as may be reasonably requested by the Debtor, the Reorganized Debtor, or the Claimant Trustee, as applicable. For the avoidance of doubt, this section is in addition to, and shall not be read to limit in any respects, ARTICLE IV.C.2.

**F. Cancellation of Notes, Certificates and Instruments**

Except for the purpose of evidencing a right to a distribution under this Plan and except as otherwise set forth in this Plan, on the Effective Date, all agreements, instruments, Securities and other documents evidencing any prepetition Claim or Equity Interest and any rights of any Holder in respect thereof shall be deemed cancelled, discharged, and of no force or effect. The holders of or parties to such cancelled instruments, Securities, and other documentation will have no rights arising from or related to such instruments, Securities, or other documentation or the cancellation thereof, except the rights provided for pursuant to this Plan, and the obligations of the Debtor thereunder or in any way related thereto will be fully released, terminated, extinguished and discharged, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or any requirement of further action, vote or other approval or authorization by any Person. For the avoidance of doubt, this section is in addition to, and shall not be read to limit in any respects, ARTICLE IV.C.2.

**G. Cancellation of Existing Instruments Governing Security Interests**

Upon payment or other satisfaction of an Allowed Class 1 or Allowed Class 2 Claim, or promptly thereafter, the Holder of such Allowed Class 1 or Allowed Class 2 Claim shall deliver to the Debtor, the Reorganized Debtor, or the Claimant Trustee, as applicable, any collateral or other property of the Debtor held by such Holder, together with any termination statements, instruments of satisfaction, or releases of all security interests with respect to its Allowed Class 1 or Allowed Class 2 Claim that may be reasonably required to terminate any related financing statements, mortgages, mechanics' or other statutory Liens, or *lis pendens*, or similar interests or documents.

**H. Control Provisions**

To the extent that there is any inconsistency between this Plan as it relates to the Claimant Trust, the Claimant Trust Agreement, the Reorganized Debtor, or the Reorganized Limited Partnership Agreement, this Plan shall control.

**I. Treatment of Vacant Classes**

Any Claim or Equity Interest in a Class considered vacant under ARTICLE III.C of this Plan shall receive no Plan Distributions.

**J. Plan Documents**

The documents, if any, to be Filed as part of the Plan Documents, including any documents filed with the Plan Supplement, and any amendments, restatements, supplements, or other modifications to such documents, and any consents, waivers, or other deviations under or from any such documents, shall be incorporated herein by this reference (including to the applicable definitions in ARTICLE I hereof) and fully enforceable as if stated in full herein.

The Debtor and the Committee are currently working to finalize the forms of certain of the Plan Documents to be filed with the Plan Supplement. To the extent that the Debtor and the Committee cannot agree as to the form and content of such Plan Documents, they intend to submit the issue to non-binding mediation pursuant to the *Order Directing Mediation* entered on August 3, 2020 [D.I. 912].

**K. Highland Capital Management, L.P. Retirement Plan and Trust**

The Highland Capital Management, L.P. Retirement Plan And Trust (“Pension Plan”) is a single-employer defined benefit pension plan covered by Title IV of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). 29 U.S.C. §§ 1301-1461. The Debtor is the contributing sponsor and, as such, the PBGC asserts that the Debtor is liable along with any members of the contributing sponsor’s controlled-group within the meaning of 29 U.S.C. §§ 1301(a)(13), (14) with respect to the Pension Plan.

Upon the Effective Date, the Reorganized Debtor shall be deemed to have assumed the Pension Plan and shall comply with all applicable statutory provisions of ERISA and the Internal Revenue Code (the “IRC”), including, but not limited to, satisfying the minimum funding standards pursuant to 26 U.S.C. §§ 412, 430, and 29 U.S.C. §§ 1082, 1083; paying the PBGC premiums in accordance with 29 U.S.C. §§ 1306 and 1307; and administering the Pension Plan in accordance with its terms and the provisions of ERISA and the IRC. In the event that the Pension Plan terminates after the Plan of Reorganization Effective Date, the PBGC asserts that the Reorganized Debtor and each of its controlled group members will be responsible for the liabilities imposed by Title IV of ERISA.

Notwithstanding any provision of the Plan, the Confirmation Order, or the Bankruptcy Code (including section 1141 thereof) to the contrary, neither the Plan, the Confirmation Order, or the Bankruptcy Code shall be construed as discharging, releasing, exculpating or relieving the Debtor, the Reorganized Debtor, or any person or entity in any capacity, from any liability or responsibility, if any, with respect to the Pension Plan under any law, governmental policy, or regulatory provision. PBGC and the Pension Plan shall not be enjoined or precluded from enforcing such liability or responsibility against any person or entity as a result of any of the provisions of the Plan, the Confirmation Order, or the Bankruptcy Code. The Debtor reserves the right to contest any such liability or responsibility.

**ARTICLE V.**  
**TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

**A. Assumption, Assignment, or Rejection of Executory Contracts and Unexpired Leases**

Unless an Executory Contract or Unexpired Lease: (i) was previously assumed or rejected by the Debtor pursuant to this Plan on or prior to the Confirmation Date; (ii) previously expired or terminated pursuant to its own terms or by agreement of the parties thereto; (iii) is the subject of a motion to assume filed by the Debtor on or before the Confirmation Date; (iv) contains a change of control or similar provision that would be triggered by the Chapter 11 Case (unless such provision has been irrevocably waived); or (v) is specifically designated as a contract or lease to be assumed in the Plan or the Plan Supplement, on the Confirmation Date, each Executory Contract and Unexpired Lease shall be deemed rejected pursuant to section 365 of the Bankruptcy Code, without the need for any further notice to or action, order, or approval of the Bankruptcy Court, unless such Executory Contract or Unexpired Lease is listed in the Plan Supplement.

At any time on or prior to the Confirmation Date, the Debtor may (i) amend the Plan Supplement in order to add or remove a contract or lease from the list of contracts to be assumed or (ii) assign (subject to applicable law) any Executory Contract or Unexpired Lease, as determined by the Debtor in consultation with the Committee, or the Reorganized Debtor, as applicable.

The Confirmation Order will constitute an order of the Bankruptcy Court approving the above-described assumptions, rejections, and assumptions and assignments. Except as otherwise provided herein or agreed to by the Debtor and the applicable counterparty, each assumed Executory Contract or Unexpired Lease shall include all modifications, amendments, supplements, restatements, or other agreements related thereto, and all rights related thereto. Modifications, amendments, supplements, and restatements to prepetition Executory Contracts and Unexpired Leases that have been executed by the Debtor during the Chapter 11 Case shall not be deemed to alter the prepetition nature of the Executory Contract or Unexpired Lease or the validity, priority, or amount of any Claims that may arise in connection therewith. To the extent applicable, no change of control (or similar provision) will be deemed to occur under any such Executory Contract or Unexpired Lease.

If certain, but not all, of a contract counterparty's Executory Contracts and/or Unexpired Leases are rejected pursuant to the Plan, the Confirmation Order shall be a determination that such counterparty's Executory Contracts and/or Unexpired Leases that are being assumed pursuant to the Plan are severable agreements that are not integrated with those Executory Contracts and/or Unexpired Leases that are being rejected pursuant to the Plan. Parties seeking to contest this finding with respect to their Executory Contracts and/or Unexpired Leases must file a timely objection to the Plan on the grounds that their agreements are integrated and not severable, and any such dispute shall be resolved by the Bankruptcy Court at the Confirmation Hearing (to the extent not resolved by the parties prior to the Confirmation Hearing).

Notwithstanding anything herein to the contrary, the Debtor shall assume or reject that certain real property lease with Crescent TC Investors L.P. ("Landlord") for the Debtor's headquarters located at 200/300 Crescent Ct., Suite #700, Dallas, Texas 75201 (the "Lease") in accordance with the notice to Landlord, procedures and timing required by 11 U.S.C. §365(d)(4),

as modified by that certain *Agreed Order Granting Motion to Extend Time to Assume or Reject Unexpired Nonresidential Real Property Lease* [Docket No. 1122].

**B. Claims Based on Rejection of Executory Contracts or Unexpired Leases**

Any Executory Contract or Unexpired Lease not assumed or rejected on or before the Confirmation Date shall be deemed rejected, pursuant to the Confirmation Order. Any Person asserting a Rejection Claim shall File a proof of claim within thirty days of the Confirmation Date. Any Rejection Claims that are not timely Filed pursuant to this Plan shall be forever disallowed and barred. If one or more Rejection Claims are timely Filed, the Claimant Trustee may File an objection to any Rejection Claim.

Rejection Claims shall be classified as General Unsecured Claims and shall be treated in accordance with ARTICLE III of this Plan.

**C. Cure of Defaults for Assumed or Assigned Executory Contracts and Unexpired Leases**

Any monetary amounts by which any Executory Contract or Unexpired Lease to be assumed or assigned hereunder is in default shall be satisfied, under section 365(b)(1) of the Bankruptcy Code, by the Debtor upon assumption or assignment thereof, by payment of the default amount in Cash as and when due in the ordinary course or on such other terms as the parties to such Executory Contracts may otherwise agree. The Debtor may serve a notice on the Committee and parties to Executory Contracts or Unexpired Leases to be assumed or assigned reflecting the Debtor's or Reorganized Debtor's intention to assume or assign the Executory Contract or Unexpired Lease in connection with this Plan and setting forth the proposed cure amount (if any).

If a dispute regarding (1) the amount of any payments to cure a default, (2) the ability of the Debtor, the Reorganized Debtor, or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the Executory Contract or Unexpired Lease to be assumed or assigned or (3) any other matter pertaining to assumption or assignment, the cure payments required by section 365(b)(1) of the Bankruptcy Code will be made following the entry of a Final Order or orders resolving the dispute and approving the assumption or assignment.

Assumption or assignment of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise and full payment of any applicable cure amounts pursuant to this ARTICLE V.C shall result in the full release and satisfaction of any cure amounts, Claims, or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed or assigned Executory Contract or Unexpired Lease at any time prior to the effective date of assumption or assignment. Any and all Proofs of Claim based upon Executory Contracts or Unexpired Leases that have been assumed or assigned in the Chapter 11 Case, including pursuant to the Confirmation Order, and for which any cure amounts have been fully paid pursuant to this ARTICLE V.C, shall be deemed disallowed and expunged as of the Confirmation Date without the need for any objection thereto or any further notice to or action, order, or approval of the Bankruptcy Court.

**ARTICLE VI.**  
**PROVISIONS GOVERNING DISTRIBUTIONS**

**A. Dates of Distributions**

Except as otherwise provided in this Plan, on the Effective Date or as soon as reasonably practicable thereafter (or if a Claim is not an Allowed Claim or Equity Interest on the Effective Date, on the date that such Claim or Equity Interest becomes an Allowed Claim or Equity Interest, or as soon as reasonably practicable thereafter), each Holder of an Allowed Claim or Equity Interest against the Debtor shall receive the full amount of the distributions that this Plan provides for Allowed Claims or Allowed Equity Interests in the applicable Class and in the manner provided herein. If any payment or act under this Plan is required to be made or performed on a date that is not on a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date. If and to the extent there are Disputed Claims or Equity Interests, distributions on account of any such Disputed Claims or Equity Interests shall be made pursuant to the provisions provided in this Plan. Except as otherwise provided in this Plan, Holders of Claims and Equity Interests shall not be entitled to interest, dividends or accruals on the distributions provided for therein, regardless of whether distributions are delivered on or at any time after the Effective Date.

Upon the Effective Date, all Claims and Equity Interests against the Debtor shall be deemed fixed and adjusted pursuant to this Plan and none of the Debtor, the Reorganized Debtor, or the Claimant Trust will have liability on account of any Claims or Equity Interests except as set forth in this Plan and in the Confirmation Order. All payments and all distributions made by the Distribution Agent under this Plan shall be in full and final satisfaction, settlement and release of all Claims and Equity Interests against the Debtor and the Reorganized Debtor.

At the close of business on the Distribution Record Date, the transfer ledgers for the Claims against the Debtor and the Equity Interests in the Debtor shall be closed, and there shall be no further changes in the record holders of such Claims and Equity Interests. The Debtor, the Reorganized Debtor, the Trustees, and the Distribution Agent, and each of their respective agents, successors, and assigns shall have no obligation to recognize the transfer of any Claims against the Debtor or Equity Interests in the Debtor occurring after the Distribution Record Date and shall be entitled instead to recognize and deal for all purposes hereunder with only those record holders stated on the transfer ledgers as of the close of business on the Distribution Record Date irrespective of the number of distributions to be made under this Plan to such Persons or the date of such distributions.

**B. Distribution Agent**

Except as provided herein, all distributions under this Plan shall be made by the Claimant Trustee, as Distribution Agent, or by such other Entity designated by the Claimant Trustee, as a Distribution Agent on the Effective Date or thereafter. The Reorganized Debtor will be the Distribution Agent with respect to Claims in Class 1 through Class 7.

The Claimant Trustee, or such other Entity designated by the Claimant Trustee to be the Distribution Agent, shall not be required to give any bond or surety or other security for the performance of such Distribution Agent's duties unless otherwise ordered by the Bankruptcy Court.

The Distribution Agent shall be empowered to (a) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under this Plan; (b) make all distributions contemplated hereby; (c) employ professionals to represent it with respect to its responsibilities; and (d) exercise such other powers as may be vested in the Distribution Agent by order of the Bankruptcy Court, pursuant to this Plan, or as deemed by the Distribution Agent to be necessary and proper to implement the provisions hereof.

The Distribution Agent shall not have any obligation to make a particular distribution to a specific Holder of an Allowed Claim if such Holder is also the Holder of a Disputed Claim.

**C. Cash Distributions**

Distributions of Cash may be made by wire transfer from a domestic bank, except that Cash payments made to foreign creditors may be made in such funds and by such means as the Distribution Agent determines are necessary or customary in a particular foreign jurisdiction.

**D. Disputed Claims Reserve**

On or prior to the Initial Distribution Date, the Claimant Trustee shall establish, fund and maintain the Disputed Claims Reserve(s) in the appropriate Disputed Claims Reserve Amounts on account of any Disputed Claims.

**E. Distributions from the Disputed Claims Reserve**

The Disputed Claims Reserve shall at all times hold Cash in an amount no less than the Disputed Claims Reserve Amount. To the extent a Disputed Claim becomes an Allowed Claim pursuant to the terms of this Plan, within 30 days of the date on which such Disputed Claim becomes an Allowed Claim pursuant to the terms of this Plan, the Claimant Trustee shall distribute from the Disputed Claims Reserve to the Holder thereof any prior distributions, in Cash, that would have been made to such Allowed Claim if it had been Allowed as of the Effective Date. For the avoidance of doubt, each Holder of a Disputed Claim that subsequently becomes an Allowed Claim will also receive its Pro Rata share of the Claimant Trust Interests. If, upon the resolution of all Disputed Claims any Cash remains in the Disputed Claims Reserve, such Cash shall be transferred to the Claimant Trust and be deemed a Claimant Trust Asset.

**F. Rounding of Payments**

Whenever this Plan would otherwise call for, with respect to a particular Person, payment of a fraction of a dollar, the actual payment or distribution shall reflect a rounding of such fraction to the nearest whole dollar (up or down), with half dollars being rounded down. To the extent that Cash to be distributed under this Plan remains undistributed as a result of the aforementioned rounding, such Cash or stock shall be treated as "Unclaimed Property" under this Plan.

**G. De Minimis Distribution**

Except as to any Allowed Claim that is Unimpaired under this Plan, none of the Debtor, the Reorganized Debtor, or the Distribution Agent shall have any obligation to make any Plan Distributions with a value of less than \$100, unless a written request therefor is received by the Distribution Agent from the relevant recipient at the addresses set forth in ARTICLE VI.J hereof within 120 days after the later of the (i) Effective Date and (ii) the date such Claim becomes an Allowed Claim. *De minimis* distributions for which no such request is timely received shall revert to the Claimant Trust. Upon such reversion, the relevant Allowed Claim (and any Claim on account of missed distributions) shall be automatically deemed satisfied, discharged and forever barred, notwithstanding any federal or state escheat laws to the contrary.

**H. Distributions on Account of Allowed Claims**

Except as otherwise agreed by the Holder of a particular Claim or as provided in this Plan, all distributions shall be made pursuant to the terms of this Plan and the Confirmation Order. Except as otherwise provided in this Plan, distributions to any Holder of an Allowed Claim shall, to the extent applicable, be allocated first to the principal amount of any such Allowed Claim, as determined for U.S. federal income tax purposes and then, to the extent the consideration exceeds such amount, to the remainder of such Claim comprising accrued but unpaid interest, if any (but solely to the extent that interest is an allowable portion of such Allowed Claim).

**I. General Distribution Procedures**

The Distribution Agent shall make all distributions of Cash or other property required under this Plan, unless this Plan specifically provides otherwise. All Cash and other property held by the Debtor, the Reorganized Debtor, or the Claimant Trust, as applicable, for ultimate distribution under this Plan shall not be subject to any claim by any Person.

**J. Address for Delivery of Distributions**

Distributions to Holders of Allowed Claims, to the extent provided for under this Plan, shall be made (1) at the addresses set forth in any written notices of address change delivered to the Debtor and the Distribution Agent; (2) at the address set forth on any Proofs of Claim Filed by such Holders (to the extent such Proofs of Claim are Filed in the Chapter 11 Case), (2), or (3) at the addresses in the Debtor's books and records.

If there is any conflict or discrepancy between the addresses set forth in (1) through (3) in the foregoing sentence, then (i) the address in Section (2) shall control; (ii) if (2) does not apply, the address in (1) shall control, and (iii) if (1) does not apply, the address in (3) shall control.

**K. Undeliverable Distributions and Unclaimed Property**

If the distribution to the Holder of any Allowed Claim is returned to the Reorganized Debtor or the Claimant Trust as undeliverable, no further distribution shall be made to such Holder, and Distribution Agent shall not have any obligation to make any further distribution to the Holder, unless and until the Distribution Agent is notified in writing of such Holder's then current address.

Any Entity that fails to claim any Cash within six months from the date upon which a distribution is first made to such Entity shall forfeit all rights to any distribution under this Plan and such Cash shall thereafter be deemed an Claimant Trust Asset in all respects and for all purposes. Entities that fail to claim Cash shall forfeit their rights thereto and shall have no claim whatsoever against the Debtor's Estate, the Reorganized Debtor, the Claimant Trust, or against any Holder of an Allowed Claim to whom distributions are made by the Distribution Agent.

**L. Withholding Taxes**

In connection with this Plan, to the extent applicable, the Distribution Agent shall comply with all tax withholding and reporting requirements imposed on them by any Governmental Unit, and all distributions made pursuant to this Plan shall be subject to such withholding and reporting requirements. The Distribution Agent shall be entitled to deduct any U.S. federal, state or local withholding taxes from any Cash payments made with respect to Allowed Claims, as appropriate. As a condition to receiving any distribution under this Plan, the Distribution Agent may require that the Holder of an Allowed Claim entitled to receive a distribution pursuant to this Plan provide such Holder's taxpayer identification number and such other information and certification as may be deemed necessary for the Distribution Agent to comply with applicable tax reporting and withholding laws. If a Holder fails to comply with such a request within one year, such distribution shall be deemed an unclaimed distribution. Any amounts withheld pursuant hereto shall be deemed to have been distributed to and received by the applicable recipient for all purposes of this Plan.

**M. Setoffs**

The Distribution Agent may, to the extent permitted under applicable law, set off against any Allowed Claim and any distributions to be made pursuant to this Plan on account of such Allowed Claim, the claims, rights and causes of action of any nature that the Debtor, the Reorganized Debtor, or the Distribution Agent may hold against the Holder of such Allowed Claim that are not otherwise waived, released or compromised in accordance with this Plan; *provided, however,* that neither such a setoff nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtor, the Reorganized Debtor, or the Claimant Trustee of any such claims, rights and causes of action that the Debtor, the Reorganized Debtor, or Claimant Trustee possesses against such Holder. Any Holder of an Allowed Claim subject to such setoff reserves the right to challenge any such setoff in the Bankruptcy Court or any other court with jurisdiction with respect to such challenge.

**N. Surrender of Cancelled Instruments or Securities**

As a condition precedent to receiving any distribution pursuant to this Plan on account of an Allowed Claim evidenced by negotiable instruments, securities, or notes canceled pursuant to ARTICLE IV of this Plan, the Holder of such Claim will tender the applicable negotiable instruments, securities, or notes evidencing such Claim (or a sworn affidavit identifying the negotiable instruments, securities, or notes formerly held by such Holder and certifying that they have been lost), to the Distribution Agent unless waived in writing by the Distribution Agent.

**O. Lost, Stolen, Mutilated or Destroyed Securities**

In addition to any requirements under any applicable agreement and applicable law, any Holder of a Claim or Equity Interest evidenced by a security or note that has been lost, stolen, mutilated, or destroyed will, in lieu of surrendering such security or note to the extent required by this Plan, deliver to the Distribution Agent: (i) evidence reasonably satisfactory to the Distribution Agent of such loss, theft, mutilation, or destruction; and (ii) such security or indemnity as may be required by the Distribution Agent to hold such party harmless from any damages, liabilities, or costs incurred in treating such individual as a Holder of an Allowed Claim or Equity Interest. Upon compliance with ARTICLE VI.O of this Plan as determined by the Distribution Agent, by a Holder of a Claim evidenced by a security or note, such Holder will, for all purposes under this Plan, be deemed to have surrendered such security or note to the Distribution Agent.

**ARTICLE VII.  
PROCEDURES FOR RESOLVING CONTINGENT,  
UNLIQUIDATED AND DISPUTED CLAIMS**

**A. Filing of Proofs of Claim**

Unless such Claim appeared in the Schedules and is not listed as disputed, contingent, or unliquidated, or such Claim has otherwise been Allowed or paid, each Holder of a Claim was required to file a Proof of Claim on or prior to the Bar Date.

**B. Disputed Claims**

Following the Effective Date, each of the Reorganized Debtor or the Claimant Trustee, as applicable, may File with the Bankruptcy Court an objection to the allowance of any Disputed Claim or Disputed Equity Interest, request the Bankruptcy Court subordinate any Claims to Subordinated Claims, or any other appropriate motion or adversary proceeding with respect to the foregoing by the Claims Objection Deadline or, at the discretion of the Reorganized Debtor or Claimant Trustee, as applicable, compromised, settled, withdrew or resolved without further order of the Bankruptcy Court, and (ii) unless otherwise provided in the Confirmation Order, the Reorganized Debtor or the Claimant Trust, as applicable, are authorized to settle, or withdraw any objections to, any Disputed Claim or Disputed Equity Interests following the Effective Date without further notice to creditors (other than the Entity holding such Disputed Claim or Disputed Equity Interest) or authorization of the Bankruptcy Court, in which event such Claim or Equity Interest shall be deemed to be an Allowed Claim or Equity Interest in the amount compromised for purposes of this Plan.

**C. Procedures Regarding Disputed Claims or Disputed Equity Interests**

No payment or other distribution or treatment shall be made on account of a Disputed Claim or Disputed Equity Interest unless and until such Disputed Claim or Disputed Equity Interest becomes an Allowed Claim or Equity Interests and the amount of such Allowed Claim or Equity Interest, as applicable, is determined by order of the Bankruptcy Court or by stipulation between the Reorganized Debtor or Claimant Trust, as applicable, and the Holder of the Claim or Equity Interest.

**D. Allowance of Claims and Equity Interests**

Following the date on which a Disputed Claim or Disputed Equity Interest becomes an Allowed Claim or Equity Interest after the Distribution Date, the Distribution Agent shall make a distribution to the Holder of such Allowed Claim or Equity Interest in accordance with the Plan.

1. Allowance of Claims

After the Effective Date and subject to the other provisions of this Plan, the Reorganized Debtor or the Claimant Trust, as applicable, will have and will retain any and all rights and defenses under bankruptcy or nonbankruptcy law that the Debtor had with respect to any Claim. Except as expressly provided in this Plan or in any order entered in the Chapter 11 Case prior to the Effective Date (including, without limitation, the Confirmation Order), no Claim or Equity Interest will become an Allowed Claim or Equity Interest unless and until such Claim or Equity Interest is deemed Allowed under this Plan or the Bankruptcy Code or the Bankruptcy Court has entered an order, including, without limitation, the Confirmation Order, in the Chapter 11 Case allowing such Claim or Equity Interest.

2. Estimation

Subject to the other provisions of this Plan, the Debtor, prior to the Effective Date, and the Reorganized Debtor or the Claimant Trust, as applicable, after the Effective Date, may, at any time, request that the Bankruptcy Court estimate (a) any Disputed Claim or Disputed Equity Interest pursuant to applicable law and in accordance with this Plan and (b) any contingent or unliquidated Claim pursuant to applicable law, including, without limitation, section 502(c) of the Bankruptcy Code, and the Bankruptcy Court will retain jurisdiction under 28 U.S.C. §§ 157 and 1334 to estimate any Disputed Claim or Disputed Equity Interest, contingent Claim or unliquidated Claim, including during the litigation concerning any objection to any Claim or Equity Interest or during the pendency of any appeal relating to any such objection. All of the aforementioned objection, estimation and resolution procedures are cumulative and not exclusive of one another. Claims or Equity Interests may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court. The rights and objections of all parties are reserved in connection with any such estimation proceeding.

3. Disallowance of Claims

Any Claims or Equity Interests held by Entities from which property is recoverable under sections 542, 543, 550, or 553 of the Bankruptcy Code, or that are a transferee of a transfer avoidable under sections 522(f), 522(h), 544, 545, 547, 548, 549, or 724(a) of the Bankruptcy Code, shall be deemed disallowed pursuant to section 502(d) of the Bankruptcy Code, and holders of such Claims or Interests may not receive any distributions on account of such Claims or Interests until such time as such Causes of Action against that Entity have been settled or a Bankruptcy Court Order with respect thereto has been entered and all sums due, if any, to the Reorganized Debtor or the Claimant Trust, as applicable, by that Entity have been turned over or paid to the Reorganized Debtor or the Claimant Trust, as applicable.

**EXCEPT AS OTHERWISE PROVIDED HEREIN OR AS AGREED TO BY THE DEBTOR, REORGANIZED DEBTOR, OR CLAIMANT TRUSTEE, AS APPLICABLE,**

**ANY AND ALL PROOFS OF CLAIM FILED AFTER THE BAR DATE SHALL BE DEEMED DISALLOWED AND EXPUNGED AS OF THE EFFECTIVE DATE WITHOUT ANY FURTHER NOTICE TO OR ACTION, ORDER, OR APPROVAL OF THE BANKRUPTCY COURT, AND HOLDERS OF SUCH CLAIMS MAY NOT RECEIVE ANY DISTRIBUTIONS ON ACCOUNT OF SUCH CLAIMS, UNLESS SUCH LATE PROOF OF CLAIM HAS BEEN DEEMED TIMELY FILED BY A FINAL ORDER.**

**ARTICLE VIII.  
EFFECTIVENESS OF THIS PLAN**

**A. Conditions Precedent to the Effective Date**

The Effective Date of this Plan will be conditioned upon the satisfaction or waiver by the Debtor (and, to the extent such condition requires the consent of the Committee, the consent of the Committee with such consent not to be unreasonably withheld), pursuant to the provisions of ARTICLE VIII.B of this Plan of the following:

- This Plan and the Plan Documents, including the Claimant Trust Agreement and the Reorganized Limited Partnership Agreement, and all schedules, documents, supplements and exhibits to this Plan shall have been Filed in form and substance reasonably acceptable to the Debtor and the Committee.
- The Confirmation Order shall have become a Final Order and shall be in form and substance reasonably acceptable to the Debtor and the Committee. The Confirmation Order shall provide that, among other things, (i) the Debtor, the Reorganized Debtor, the Claimant Trustee, or the Litigation Trustee are authorized to take all actions necessary or appropriate to effectuate and consummate this Plan, including, without limitation, (a) entering into, implementing, effectuating, and consummating the contracts, instruments, releases, and other agreements or documents created in connection with or described in this Plan, (b) assuming the Executory Contracts and Unexpired Leases set forth in the Plan Supplement, (c) making all distributions and issuances as required under this Plan; and (d) entering into any transactions as set forth in the Plan Documents; (ii) the provisions of the Confirmation Order and this Plan are nonseverable and mutually dependent; (iii) the implementation of this Plan in accordance with its terms is authorized; (iv) pursuant to section 1146 of the Bankruptcy Code, the delivery of any deed or other instrument or transfer order, in furtherance of, or in connection with this Plan, including any deeds, bills of sale, or assignments executed in connection with any disposition or transfer of Assets contemplated under this Plan, shall not be subject to any Stamp or Similar Tax; and (v) the vesting of the Claimant Trust Assets in the Claimant Trust and the Reorganized Debtor Assets in the Reorganized Debtor, in each case as of the Effective Date free and clear of liens and claims to the fullest extent permissible under applicable law pursuant to section 1141(c) of the Bankruptcy Code except with respect to such Liens, Claims, charges and other encumbrances that are specifically preserved under this Plan upon the Effective Date.
- All documents and agreements necessary to implement this Plan, including without limitation, the Reorganized Limited Partnership Agreement, the Claimant Trust

Agreement, and the New GP LLC Documents, in each case in form and substance reasonably acceptable to the Debtor and the Committee, shall have (a) been tendered for delivery, and (b) been effected by, executed by, or otherwise deemed binding upon, all Entities party thereto and shall be in full force and effect. All conditions precedent to such documents and agreements shall have been satisfied or waived pursuant to the terms of such documents or agreements.

- All authorizations, consents, actions, documents, approvals (including any governmental approvals), certificates and agreements necessary to implement this Plan, including, without limitation, the Reorganized Limited Partnership Agreement, the Claimant Trust Agreement, and the New GP LLC Documents, shall have been obtained, effected or executed and delivered to the required parties and, to the extent required, filed with the applicable governmental units in accordance with applicable laws and any applicable waiting periods shall have expired without any action being taken or threatened by any competent authority that would restrain or prevent effectiveness or consummation of the Restructuring.
- The Debtor shall have obtained applicable directors' and officers' insurance coverage that is acceptable to each of the Debtor, the Committee, the Claimant Trust Oversight Committee, the Claimant Trustee and the Litigation Trustee.
- The Professional Fee Reserve shall be funded pursuant to this Plan in an amount determined by the Debtor in good faith.

#### **B. Waiver of Conditions**

The conditions to effectiveness of this Plan set forth in this ARTICLE VIII (other than that the Confirmation Order shall have been entered) may be waived in whole or in part by the Debtor (and, to the extent such condition requires the consent of the Committee, the consent of the Committee), without notice, leave or order of the Bankruptcy Court or any formal action other than proceeding to confirm or effectuate this Plan. The failure to satisfy or waive a condition to the Effective Date may be asserted by the Debtor regardless of the circumstances giving rise to the failure of such condition to be satisfied. The failure of the Debtor to exercise any of the foregoing rights will not be deemed a waiver of any other rights, and each right will be deemed an ongoing right that may be asserted at any time by the Debtor, the Reorganized Debtor, or the Claimant Trust, as applicable.

#### **C. Dissolution of the Committee**

On the Effective Date, the Committee will dissolve, and the members of the Committee and the Committee's Professionals will cease to have any role arising from or relating to the Chapter 11 Case, except in connection with final fee applications of Professionals for services rendered prior to the Effective Date (including the right to object thereto). The Professionals retained by the Committee and the members thereof will not be entitled to assert any fee claims for any services rendered to the Committee or expenses incurred in the service of the Committee after the Effective Date, except for reasonable fees for services rendered, and actual and necessary costs incurred, in connection with any applications for allowance of Professional Fees pending on

the Effective Date or filed and served after the Effective Date pursuant to the Plan. Nothing in the Plan shall prohibit or limit the ability of the Debtor's or Committee's Professionals to represent either of the Trustees or to be compensated or reimbursed per the Plan and the Claimant Trust Agreement in connection with such representation.

**ARTICLE IX.**  
**EXCULPATION, INJUNCTION AND RELATED PROVISIONS**

**A. General**

Notwithstanding anything contained in the Plan to the contrary, the allowance, classification and treatment of all Allowed Claims and Equity Interests and their respective distributions and treatments under the Plan shall take into account the relative priority and rights of the Claims and the Equity Interests in each Class in connection with any contractual, legal and equitable subordination rights relating thereto whether arising under general principles of equitable subordination, section 510 of the Bankruptcy Code, or otherwise.

**B. Discharge of Claims**

To the fullest extent provided under section 1141(d)(1)(A) and other applicable provisions of the Bankruptcy Code, except as otherwise expressly provided by this Plan or the Confirmation Order, all consideration distributed under this Plan will be in exchange for, and in complete satisfaction, settlement, discharge, and release of, all Claims and Equity Interests of any kind or nature whatsoever against the Debtor or any of its Assets or properties, and regardless of whether any property will have been distributed or retained pursuant to this Plan on account of such Claims or Equity Interests. Except as otherwise expressly provided by this Plan or the Confirmation Order, upon the Effective Date, the Debtor and its Estate will be deemed discharged and released under and to the fullest extent provided under section 1141(d)(1)(A) and other applicable provisions of the Bankruptcy Code from any and all Claims and Equity Interests of any kind or nature whatsoever, including, but not limited to, demands and liabilities that arose before the Confirmation Date, and all debts of the kind specified in section 502(g), 502(h), or 502(i) of the Bankruptcy Code.

**C. Exculpation**

Subject in all respects to ARTICLE XII.D of this Plan, to the maximum extent permitted by applicable law, no Exculpated Party will have or incur, and each Exculpated Party is hereby exculpated from, any claim, obligation, suit, judgment, damage, demand, debt, right, Cause of Action, remedy, loss, and liability for conduct occurring on or after the Petition Date in connection with or arising out of (i) the filing and administration of the Chapter 11 Case; (ii) the negotiation and pursuit of the Disclosure Statement, the Plan, or the solicitation of votes for, or confirmation of, the Plan; (iii) the funding or consummation of the Plan (including the Plan Supplement) or any related agreements, instruments, or other documents, the solicitation of votes on the Plan, the offer, issuance, and Plan Distribution of any securities issued or to be issued pursuant to the Plan, including the Claimant Trust Interests, whether or not such Plan Distributions occur following the Effective Date; (iv) the implementation of the Plan; and (v) any negotiations, transactions, and documentation in connection with the foregoing clauses (i)-(iv); *provided, however*, the foregoing

will not apply to (a) any acts or omissions of an Exculpated Party arising out of or related to acts or omissions that constitute bad faith, fraud, gross negligence, criminal misconduct, or willful misconduct or (b) Strand or any Employee other than with respect to actions taken by such Entities from the date of appointment of the Independent Directors through the Effective Date. This exculpation shall be in addition to, and not in limitation of, all other releases, indemnities, exculpations, any other applicable law or rules, or any other provisions of this Plan, including ARTICLE IV.C.2, protecting such Exculpated Parties from liability.

#### **D. Releases by the Debtor**

On and after the Effective Date, each Released Party is deemed to be, hereby conclusively, absolutely, unconditionally, irrevocably, and forever released and discharged by the Debtor and the Estate, in each case on behalf of themselves and their respective successors, assigns, and representatives, including, but not limited to, the Claimant Trust and the Litigation Sub-Trust from any and all Causes of Action, including any derivative claims, asserted on behalf of the Debtor, whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereafter arising, in law, equity, contract, tort or otherwise, that the Debtor or the Estate would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the holder of any Claim against, or Interest in, a Debtor or other Person.

Notwithstanding anything contained herein to the contrary, the foregoing release does not release: (i) any obligations of any party under the Plan or any document, instrument, or agreement executed to implement the Plan, (ii) the rights or obligations of any current employee of the Debtor under any employment agreement or plan, (iii) the rights of the Debtor with respect to any confidentiality provisions or covenants restricting competition in favor of the Debtor under any employment agreement with a current or former employee of the Debtor, (iv) any Avoidance Actions, or (v) any Causes of Action arising from willful misconduct, criminal misconduct, actual fraud, or gross negligence of such applicable Released Party as determined by Final Order of the Bankruptcy Court or any other court of competent jurisdiction.

Notwithstanding anything herein to the contrary, any release provided pursuant to this ARTICLE IX.D (i) with respect to a Senior Employee, is conditioned in all respects on (a) such Senior Employee executing a Senior Employee Stipulation on or prior to the Effective Date and (b) the reduction of such Senior Employee's Allowed Claim as set forth in the Senior Employee Stipulation (such amount, the "Reduced Employee Claim"), and (ii) with respect to any Employee, including a Senior Employee, shall be deemed null and void and of no force and effect (1) if there is more than one member of the Claimant Trust Oversight Committee who does not represent entities holding a Disputed or Allowed Claim (the "Independent Members"), the Claimant Trustee and the Independent Members by majority vote determine or (2) if there is only one Independent Member, the Independent Member after discussion with the Claimant Trustee, determines (in each case after discussing with the full Claimant Trust Oversight Committee) that such Employee (regardless of whether the Employee is then currently employed by the Debtor, the Reorganized Debtor, or the Claimant Trustee):

- sues, attempts to sue, or threatens or works with or assists any entity or person to sue, attempt to sue, or threaten the Reorganized Debtor, the Claimant Trust, the Litigation

Sub-Trust, or any of their respective employees or agents, or any Released Party on or in connection with any claim or cause of action arising prior to the Effective Date,

- has taken any action that, impairs or harms the value of the Claimant Trust Assets or the Reorganized Debtor Assets, or
- (x) upon the request of the Claimant Trustee, has failed to provide reasonable assistance in good faith to the Claimant Trustee or the Reorganized Debtor with respect to (1) the monetization of the Claimant Trust Assets or Reorganized Debtor Assets, as applicable, or (2) the resolution of Claims, or (y) has taken any action that impedes or frustrates the Claimant Trustee or the Reorganized Debtor with respect to any of the foregoing.

*Provided, however,* that the release provided pursuant to this ARTICLE IX.D will vest and the Employee will be indefeasibly released pursuant to this ARTICLE IX.D if such Employee’s release has not been deemed null and void and of no force and effect on or prior to the date that is the date of dissolution of the Claimant Trust pursuant to the Claimant Trust Agreement.

By executing the Senior Employee Stipulation embodying this release, each Senior Employee acknowledges and agrees, without limitation, to the terms of this release and the tolling agreement contained in the Senior Employee Stipulation.

The provisions of this release and the execution of a Senior Employee Stipulation will not in any way prevent or limit any Employee from (i) prosecuting its Claims, if any, against the Debtor’s Estate, (ii) defending him or herself against any claims or causes of action brought against the Employee by a third party, or (iii) assisting other persons in defending themselves from any Estate Claims brought by the Litigation Trustee (but only with respect to Estate Claims brought by the Litigation Trustee and not collection or other actions brought by the Claimant Trustee).

**E. Preservation of Rights of Action**

1. Maintenance of Causes of Action

Except as otherwise provided in this Plan, after the Effective Date, the Reorganized Debtor or the Claimant Trust will retain all rights to commence, pursue, litigate or settle, as appropriate, any and all Causes of Action included in the Reorganized Debtor Assets or Claimant Trust Assets, as applicable, whether existing as of the Petition Date or thereafter arising, in any court or other tribunal including, without limitation, in an adversary proceeding Filed in the Chapter 11 Case and, as the successors in interest to the Debtor and the Estate, may, and will have the exclusive right to, enforce, sue on, settle, compromise, transfer or assign (or decline to do any of the foregoing) any or all of the Causes of Action without notice to or approval from the Bankruptcy Court.

2. Preservation of All Causes of Action Not Expressly Settled or Released

Unless a Cause of Action against a Holder of a Claim or an Equity Interest or other Entity is expressly waived, relinquished, released, compromised or settled in this Plan or any Final Order (including, without limitation, the Confirmation Order), such Cause of Action is expressly reserved for later adjudication by the Reorganized Debtor or Claimant Trust, as applicable (including,

without limitation, Causes of Action not specifically identified or of which the Debtor may presently be unaware or that may arise or exist by reason of additional facts or circumstances unknown to the Debtor at this time or facts or circumstances that may change or be different from those the Debtor now believes to exist) and, therefore, no preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable or otherwise) or laches will apply to such Causes of Action as a consequence of the confirmation, effectiveness, or consummation of this Plan based on the Disclosure Statement, this Plan or the Confirmation Order, except where such Causes of Action have been expressly released in this Plan or any other Final Order (including, without limitation, the Confirmation Order). In addition, the right of the Reorganized Debtor or the Claimant Trust to pursue or adopt any claims alleged in any lawsuit in which the Debtor is a plaintiff, defendant or an interested party, against any Entity, including, without limitation, the plaintiffs or co-defendants in such lawsuits, is expressly reserved.

**F. Injunction**

**Upon entry of the Confirmation Order, all Enjoined Parties are and shall be permanently enjoined, on and after the Effective Date, from taking any actions to interfere with the implementation or consummation of the Plan.**

**Except as expressly provided in the Plan, the Confirmation Order, or a separate order of the Bankruptcy Court, all Enjoined Parties are and shall be permanently enjoined, on and after the Effective Date, with respect to any Claims and Equity Interests, from directly or indirectly (i) commencing, conducting, or continuing in any manner any suit, action, or other proceeding of any kind (including any proceeding in a judicial, arbitral, administrative or other forum) against or affecting the Debtor or the property of the Debtor, (ii) enforcing, levying, attaching (including any prejudgment attachment), collecting, or otherwise recovering, enforcing, or attempting to recover or enforce, by any manner or means, any judgment, award, decree, or order against the Debtor or the property of the Debtor, (iii) creating, perfecting, or otherwise enforcing in any manner, any security interest, lien or encumbrance of any kind against the Debtor or the property of the Debtor, (iv) asserting any right of setoff, directly or indirectly, against any obligation due to the Debtor or against property or interests in property of the Debtor, except to the limited extent permitted under Sections 553 and 1141 of the Bankruptcy Code, and (v) acting or proceeding in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan.**

**The injunctions set forth herein shall extend to, and apply to any act of the type set forth in any of clauses (i)-(v) of the immediately preceding paragraph against any successors of the Debtor, including, but not limited to, the Reorganized Debtor, the Litigation Sub-Trust, and the Claimant Trust and their respective property and interests in property.**

**Subject in all respects to ARTICLE XII.D, no Enjoined Party may commence or pursue a claim or cause of action of any kind against any Protected Party that arose or arises from or is related to the Chapter 11 Case, the negotiation of the Plan, the administration of the Plan or property to be distributed under the Plan, the wind down of the business of the Debtor or Reorganized Debtor, the administration of the Claimant Trust or the Litigation Sub-Trust, or the transactions in furtherance of the foregoing without the Bankruptcy Court**

(i) first determining, after notice and a hearing, that such claim or cause of action represents a colorable claim of any kind, including, but not limited to, negligence, bad faith, criminal misconduct, willful misconduct, fraud, or gross negligence against a Protected Party and (ii) specifically authorizing such Enjoined Party to bring such claim or cause of action against any such Protected Party; *provided, however*, the foregoing will not apply to a claim or cause of action against Strand or against any Employee other than with respect to actions taken, respectively, by Strand or by such Employee from the date of appointment of the Independent Directors through the Effective Date. The Bankruptcy Court will have sole and exclusive jurisdiction to determine whether a claim or cause of action is colorable and, only to the extent legally permissible and as provided for in ARTICLE XI, shall have jurisdiction to adjudicate the underlying colorable claim or cause of action.

**G. Duration of Injunctions and Stays**

ARTICLE II. Unless otherwise provided in this Plan, in the Confirmation Order, or in a Final Order of the Bankruptcy Court, (i) all injunctions and stays entered during the Chapter 11 Case and in existence on the Confirmation Date shall remain in full force and effect in accordance with their terms; and (ii) the automatic stay arising under section 362 of the Bankruptcy Code shall remain in full force and effect subject to Section 362(c) of the Bankruptcy Code, and to the extent necessary if the Debtor does not receive a discharge, the Court will enter an equivalent order under Section 105.

**H. Continuance of January 9 Order**

Unless otherwise provided in this Plan, in the Confirmation Order, or in a Final Order of the Bankruptcy Court, the restrictions set forth in paragraphs 9 and 10 of the *Order Approving Settlement with Official Committee of Unsecured Creditors Regarding Governance of the Debtor and Procedures for Operations in the Ordinary Course*, entered by the Bankruptcy Court on January 9, 2020 [D.I. 339] shall remain in full force and effect following the Effective Date.

**ARTICLE X.  
BINDING NATURE OF PLAN**

On the Effective Date, and effective as of the Effective Date, the Plan, including, without limitation, the provisions in ARTICLE IX, will bind, and will be deemed binding upon, all Holders of Claims against and Equity Interests in the Debtor and such Holder’s respective successors and assigns, to the maximum extent permitted by applicable law, notwithstanding whether or not such Holder will receive or retain any property or interest in property under the Plan. All Claims and Debts shall be fixed and adjusted pursuant to this Plan. The Plan shall also bind any taxing authority, recorder of deeds, or similar official for any county, state, Governmental Unit or parish in which any instrument related to the Plan or related to any transaction contemplated thereby is to be recorded with respect to nay taxes of the kind specified in Bankruptcy Code section 1146(a).

**ARTICLE XI.**  
**RETENTION OF JURISDICTION**

Pursuant to sections 105 and 1142 of the Bankruptcy Code and notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall, after the Effective Date, retain such jurisdiction over the Chapter 11 Case and all Entities with respect to all matters related to the Chapter 11 Case, the Reorganized Debtor, the Claimant Trust, and this Plan to the maximum extent legally permissible, including, without limitation, jurisdiction to:

- allow, disallow, determine, liquidate, classify, estimate or establish the priority, secured, unsecured, or subordinated status of any Claim or Equity Interest, including, without limitation, the resolution of any request for payment of any Administrative Expense Claim and the resolution of any and all objections to the allowance or priority of any Claim or Equity Interest;
- grant or deny any applications for allowance of compensation or reimbursement of expenses authorized pursuant to the Bankruptcy Code or this Plan, for periods ending on or before the Effective Date; *provided, however*, that, from and after the Effective Date, the Reorganized Debtor shall pay Professionals in the ordinary course of business for any work performed after the Effective Date subject to the terms of this Plan and the Confirmation Order, and such payment shall not be subject to the approval of the Bankruptcy Court;
- resolve any matters related to the assumption, assignment or rejection of any Executory Contract or Unexpired Lease to which the Debtor is party or with respect to which the Debtor, Reorganized Debtor, or Claimant Trust may be liable and to adjudicate and, if necessary, liquidate, any Claims arising therefrom, including, without limitation, any dispute regarding whether a contract or lease is or was executory or expired;
- make any determination with respect to a claim or cause of action against a Protected Party as set forth in ARTICLE IX;
- resolve any claim or cause of action against an Exculpated Party or Protected Party arising from or related to the Chapter 11 Case, the negotiation of this Plan, the administration of the Plan or property to be distributed under the Plan, the wind down of the business of the Debtor or Reorganized Debtor, or the transactions in furtherance of the foregoing;
- if requested by the Reorganized Debtor or the Claimant Trustee, authorize, approve, and allow any sale, disposition, assignment or other transfer of the Reorganized Debtor Assets or Claimant Trust Assets, including any break-up compensation or expense reimbursement that may be requested by a purchaser thereof; *provided, however*, that neither the Reorganized Debtor nor the Claimant Trustee shall be required to seek such authority or approval from the Bankruptcy Court unless otherwise specifically required by this Plan or the Confirmation Order;

- if requested by the Reorganized Debtor or the Claimant Trustee, authorize, approve, and allow any borrowing or the incurrence of indebtedness, whether secured or unsecured by the Reorganized Debtor or Claimant Trust; *provided, however*, that neither the Reorganized Debtor nor the Claimant Trustee shall be required to seek such authority or approval from the Bankruptcy Court unless otherwise specifically required by this Plan or the Confirmation Order;
- resolve any issues related to any matters adjudicated in the Chapter 11 Case;
- ensure that distributions to Holders of Allowed Claims and Allowed Equity Interests are accomplished pursuant to the provisions of this Plan;
- decide or resolve any motions, adversary proceedings, contested or litigated matters and any other Causes of Action (including Estate Claims) that are pending as of the Effective Date or that may be commenced in the future, including approval of any settlements, compromises, or other resolutions as may be requested by the Debtor, the Reorganized Debtor, the Claimant Trustee, or the Litigation Trustee whether under Bankruptcy Rule 9019 or otherwise, and grant or deny any applications involving the Debtor that may be pending on the Effective Date or instituted by the Reorganized Debtor, the Claimant Trustee, or Litigation Trustee after the Effective Date, provided that the Reorganized Debtor, the Claimant Trustee, and the Litigation Trustee shall reserve the right to commence actions in all appropriate forums and jurisdictions;
- enter such orders as may be necessary or appropriate to implement, effectuate, or consummate the provisions of this Plan, the Plan Documents, and all other contracts, instruments, releases, and other agreements or documents adopted in connection with this Plan, the Plan Documents, or the Disclosure Statement;
- resolve any cases, controversies, suits or disputes that may arise in connection with the implementation, effectiveness, consummation, interpretation, or enforcement of this Plan or any Entity's obligations incurred in connection with this Plan;
- issue injunctions and enforce them, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with implementation, effectiveness, consummation, or enforcement of this Plan, except as otherwise provided in this Plan;
- enforce the terms and conditions of this Plan and the Confirmation Order;
- resolve any cases, controversies, suits or disputes with respect to the release, exculpation, indemnification, and other provisions contained herein and enter such orders or take such others actions as may be necessary or appropriate to implement or enforce all such releases, injunctions and other provisions;
- enter and implement such orders or take such others actions as may be necessary or appropriate if the Confirmation Order is modified, stayed, reversed, revoked or vacated;

- resolve any other matters that may arise in connection with or relate to this Plan, the Disclosure Statement, the Confirmation Order, the Plan Documents, or any contract, instrument, release, indenture or other agreement or document adopted in connection with this Plan or the Disclosure Statement; and
- enter an order concluding or closing the Chapter 11 Case after the Effective Date.

## **ARTICLE XII.** **MISCELLANEOUS PROVISIONS**

### **A. Payment of Statutory Fees and Filing of Reports**

All outstanding Statutory Fees shall be paid on the Effective Date. All such fees payable, and all such fees that become due and payable, after the Effective Date shall be paid by the Reorganized Debtor when due or as soon thereafter as practicable until the Chapter 11 Case is closed, converted, or dismissed. The Claimant Trustee shall File all quarterly reports due prior to the Effective Date when they become due, in a form reasonably acceptable to the U.S. Trustee. After the Effective Date, the Claimant Trustee shall File with the Bankruptcy Court quarterly reports when they become due, in a form reasonably acceptable to the U.S. Trustee. The Reorganized Debtor shall remain obligated to pay Statutory Fees to the Office of the U.S. Trustee until the earliest of the Debtor's case being closed, dismissed, or converted to a case under chapter 7 of the Bankruptcy Code.

### **B. Modification of Plan**

Effective as of the date hereof and subject to the limitations and rights contained in this Plan: (a) the Debtor reserves the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify this Plan prior to the entry of the Confirmation Order with the consent of the Committee, such consent not to be unreasonably withheld; and (b) after the entry of the Confirmation Order, the Debtor may, after notice and hearing and entry of an order of the Bankruptcy Court, amend or modify this Plan, in accordance with section 1127(b) of the Bankruptcy Code or remedy any defect or omission or reconcile any inconsistency in this Plan in such manner as may be necessary to carry out the purpose and intent of this Plan.

### **C. Revocation of Plan**

The Debtor reserves the right to revoke or withdraw this Plan prior to the Confirmation Date and to File a subsequent chapter 11 plan with the consent of the Committee. If the Debtor revokes or withdraws this Plan prior to the Confirmation Date, then: (i) this Plan shall be null and void in all respects; (ii) any settlement or compromise embodied in this Plan, assumption of Executory Contracts or Unexpired Leases effected by this Plan and any document or agreement executed pursuant hereto shall be deemed null and void except as may be set forth in a separate order entered by the Bankruptcy Court; and (iii) nothing contained in this Plan shall: (a) constitute a waiver or release of any Claims by or against, or any Equity Interests in, the Debtor or any other Entity; (b) prejudice in any manner the rights of the Debtor or any other Entity; or (c) constitute an admission, acknowledgement, offer or undertaking of any sort by the Debtor or any other Entity.

**D. Obligations Not Changed**

Notwithstanding anything in this Plan to the contrary, nothing herein will affect or otherwise limit or release any non-Debtor Entity's (including any Exculpated Party's) duties or obligations, including any contractual and indemnification obligations, to the Debtor, the Reorganized Debtor, or any other Entity whether arising under contract, statute, or otherwise.

**E. Entire Agreement**

Except as otherwise described herein, this Plan supersedes all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, and representations on such subjects, all of which have become merged and integrated into this Plan.

**F. Closing of Chapter 11 Case**

The Claimant Trustee shall, after the Effective Date and promptly after the full administration of the Chapter 11 Case, File with the Bankruptcy Court all documents required by Bankruptcy Rule 3022 and any applicable order of the Bankruptcy Court to close the Chapter 11 Case.

**G. Successors and Assigns**

This Plan shall be binding upon and inure to the benefit of the Debtor and its successors and assigns, including, without limitation, the Reorganized Debtor and the Claimant Trustee. The rights, benefits, and obligations of any Person or Entity named or referred to in this Plan shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor, or assign of such Person or Entity.

**H. Reservation of Rights**

Except as expressly set forth herein, this Plan shall have no force or effect unless and until the Bankruptcy Court enters the Confirmation Order and the Effective Date occurs. Neither the filing of this Plan, any statement or provision contained herein, nor the taking of any action by the Debtor, the Reorganized Debtor, the Claimant Trustee, or any other Entity with respect to this Plan shall be or shall be deemed to be an admission or waiver of any rights of: (1) the Debtor, the Reorganized Debtor, or the Claimant Trustee with respect to the Holders of Claims or Equity Interests or other Entity; or (2) any Holder of a Claim or an Equity Interest or other Entity prior to the Effective Date.

Neither the exclusion or inclusion by the Debtor of any contract or lease on any exhibit, schedule, or other annex to this Plan or in the Plan Documents, nor anything contained in this Plan, will constitute an admission by the Debtor that any such contract or lease is or is not an executory contract or lease or that the Debtor, the Reorganized Debtor, the Claimant Trustee, or their respective Affiliates has any liability thereunder.

Except as explicitly provided in this Plan, nothing herein shall waive, excuse, limit, diminish, or otherwise alter any of the defenses, claims, Causes of Action, or other rights of the

Debtor, the Reorganized Debtor, or the Claimant Trustee under any executory or non-executory contract.

Nothing in this Plan will increase, augment, or add to any of the duties, obligations, responsibilities, or liabilities of the Debtor, the Reorganized Debtor, or the Claimant Trustee, as applicable, under any executory or non-executory contract or lease.

If there is a dispute regarding whether a contract or lease is or was executory at the time of its assumption under this Plan, the Debtor, the Reorganized Debtor, or the Claimant Trustee, as applicable, shall have thirty (30) days following entry of a Final Order resolving such dispute to alter their treatment of such contract.

**I. Further Assurances**

The Debtor, the Reorganized Debtor, or the Claimant Trustee, as applicable, all Holders of Claims and Equity Interests receiving distributions hereunder, and all other Entities shall, from time to time, prepare, execute and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of this Plan or the Confirmation Order. On or before the Effective Date, the Debtor shall File with the Bankruptcy Court all agreements and other documents that may be necessary or appropriate to effectuate and further evidence the terms and conditions hereof.

**J. Severability**

If, prior to the Confirmation Date, any term or provision of this Plan is determined by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court will have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision will then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of this Plan will remain in full force and effect and will in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order will constitute a judicial determination and will provide that each term and provision of this Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

**K. Service of Documents**

All notices, requests, and demands to or upon the Debtor, the Reorganized Debtor, or the Claimant Trustee to be effective shall be in writing and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered addressed as follows:

**If to the Claimant Trust:**

Highland Claimant Trust  
c/o Highland Capital Management, L.P.  
300 Crescent Court, Suite 700

Dallas, Texas 75201  
Attention: James P. Seery, Jr.

**If to the Debtor:**

Highland Capital Management, L.P.  
300 Crescent Court, Suite 700  
Dallas, Texas 75201  
Attention: James P. Seery, Jr.

**with copies to:**

Pachulski Stang Ziehl & Jones LLP  
10100 Santa Monica Blvd., 13th Floor  
Los Angeles, CA 90067  
Telephone: (310) 277-6910  
Facsimile: (310) 201-0760  
Attn: Jeffrey N. Pomerantz, Esq.  
Ira D. Kharasch, Esq.  
Gregory V. Demo, Esq.

**If to the Reorganized Debtor:**

Highland Capital Management, L.P.  
300 Crescent Court, Suite 700  
Dallas, Texas 75201  
Attention: James P. Seery, Jr.

**with copies to:**

Pachulski Stang Ziehl & Jones LLP  
10100 Santa Monica Blvd., 13th Floor  
Los Angeles, CA 90067  
Attn: Jeffrey N. Pomerantz, Esq.  
Ira D. Kharasch, Esq.  
Gregory V. Demo, Esq.

**L. Exemption from Certain Transfer Taxes Pursuant to Section 1146(a) of the Bankruptcy Code**

To the extent permitted by applicable law, pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property pursuant hereto shall not be subject to any Stamp or Similar Tax or governmental assessment in the United States, and the Confirmation Order shall direct the appropriate federal, state or local governmental officials or agents or taxing authority to forego the collection of any such Stamp or Similar Tax or governmental assessment and to accept for filing and recordation instruments or other documents pursuant to such transfers of property without the payment of any such Stamp or Similar Tax or governmental assessment. Such exemption specifically applies, without limitation, to (i) all actions, agreements and documents necessary to

evidence and implement the provisions of and the distributions to be made under this Plan; (ii) the maintenance or creation of security or any Lien as contemplated by this Plan; and (iii) assignments, sales, or transfers executed in connection with any transaction occurring under this Plan.

**M. Governing Law**

Except to the extent that the Bankruptcy Code, the Bankruptcy Rules or other federal law is applicable, or to the extent that an exhibit or schedule to this Plan provides otherwise, the rights and obligations arising under this Plan shall be governed by, and construed and enforced in accordance with, the laws of Texas, without giving effect to the principles of conflicts of law of such jurisdiction; *provided, however*, that corporate governance matters relating to the Debtor, the Reorganized Debtor, New GP LLC, or the Claimant Trust, as applicable, shall be governed by the laws of the state of organization of the Debtor, the Reorganized Debtor, New GP LLC, or the Claimant Trustee, as applicable.

**N. Tax Reporting and Compliance**

The Debtor is hereby authorized to request an expedited determination under section 505(b) of the Bankruptcy Code of the tax liability of the Debtor is for all taxable periods ending after the Petition Date through, and including, the Effective Date.

**O. Exhibits and Schedules**

All exhibits and schedules to this Plan, if any, including the Exhibits and the Plan Documents, are incorporated and are a part of this Plan as if set forth in full herein.

**P. Controlling Document**

In the event of an inconsistency between this Plan and any other instrument or document created or executed pursuant to this Plan, or between this Plan and the Disclosure Statement, this Plan shall control. The provisions of this Plan, the Disclosure Statement, and any Plan Document, on the one hand, and of the Confirmation Order, on the other hand, shall be construed in a manner consistent with each other so as to effectuate the purposes of each; *provided, however*, that if there is determined to be any inconsistency between any provision of this Plan, the Disclosure Statement, and any Plan Document, on the one hand, and any provision of the Confirmation Order, on the other hand, that cannot be so reconciled, then, solely to the extent of such inconsistency, the provisions of the Confirmation Order shall govern, and any such provisions of the Confirmation Order shall be deemed a modification of this Plan, the Disclosure Statement, and the Plan Documents, as applicable.

*[Remainder of Page Intentionally Blank]*

Dated: January 22, 2021

Respectfully submitted,

**HIGHLAND CAPITAL MANAGEMENT, L.P.**

By:



James P. Seery, Jr.  
Chief Executive Officer and Chief Restructuring  
Officer

Prepared by:

**PACHULSKI STANG ZIEHL & JONES LLP**

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*Counsel for the Debtor and Debtor-in-Possession*

**Exhibit B**

**Schedule of CLO Management Agreements and Related Contracts to Be Assumed**

### **Schedule of CLO Management Agreements and Related Contracts to Be Assumed**

1. Servicing Agreement, dated December 20, 2007, by and among Greenbriar CLO, Ltd., and Highland Capital Management, L.P.
2. Investment Management Agreement, dated November 1, 2007, by and between Longhorn Credit Funding, LLC, and Highland Capital Management, L.P. (as amended)
3. Reference Portfolio Management Agreement, dated August 1, 2016, by and between Highland Capital Management, L.P., and Valhalla CLO, Ltd.
4. Collateral Servicing Agreement, dated December 20, 2006, by and among Highland Park CDO I, Ltd., and Highland Capital Management, L.P.
5. Portfolio Management Agreement, dated March 15, 2005, by and among Southfork CLO Ltd., and Highland Capital Management, L.P.
6. Amended and Restated Portfolio Management Agreement, dated November 30, 2005, by and among Jasper CLO Ltd., and Highland Capital Management, L.P.
7. Servicing Agreement, dated May 31, 2007, by and among Westchester CLO, Ltd., and Highland Capital Management, L.P.
8. Servicing Agreement, dated May 10, 2006, by and among Rockwall CDO Ltd. and Highland Capital Management, L.P. (as amended)
9. Portfolio Management Agreement, dated December 8, 2005, by and between Liberty CLO, Ltd., and Highland Capital Management, L.P.
10. Servicing Agreement, dated March 27, 2008, by and among Aberdeen Loan Funding, Ltd., and Highland Capital Management, L.P.
11. Servicing Agreement, dated May 9, 2007, by and among Rockwall CDO II Ltd. and Highland Capital Management, L.P.
12. Collateral Management Agreement, by and between, Highland Loan Funding V Ltd. and Highland Capital Management, L.P., dated August 1, 2001.
13. Collateral Management Agreement, dated August 18, 1999, by and between Highland Legacy Limited and Highland Capital Management, L.P.
14. Servicing Agreement, dated November 30, 2006, by and among Grayson CLO Ltd., and Highland Capital Management, L.P. (as amended)
15. Servicing Agreement, dated October 25, 2007, by and among Stratford CLO Ltd., and Highland Capital Management, L.P.
16. Servicing Agreement, dated August 3, 2006, by and among Red River CLO Ltd., and Highland Capital Management, L.P. (as amended)
17. Servicing Agreement, dated December 21, 2006, by and among Brentwood CLO, Ltd., and Highland Capital Management, L.P.
18. Servicing Agreement, dated March 13, 2007, by and among Eastland CLO Ltd., and Highland Capital Management, L.P.

19. Portfolio Management, Agreement, dated October 13, 2005, by and among Gleneagles CLO, Ltd., and Highland Capital Management, L.P.
20. Members' Agreement and Amendment, dated November 15, 2017, by and between Highland CLO Funding, Ltd. and Highland Capital Management, L.P.
21. Collateral Management Agreement, dated May 19, 1998, by and between Pam Capital Funding LP, Ranger Asset Mgt LP and Highland Capital Management, L.P.
22. Collateral Management Agreement, dated August 6, 1997, by and between Pamco Cayman Ltd., Ranger Asset Mgt LP and Highland Capital Management, L.P.
23. Amendment No. 1 to Servicing Agreement, October 2, 2007, between Highland Capital Management, L.P. and Red River CLO Ltd. et al
24. Interim Collateral Management Agreement, June 15, 2005, between Highland Capital Management, L.P. and Rockwall CDO Ltd
25. Amendment No. 1 to Servicing Agreement, October 2, 2007, between Highland Capital Management, L.P. and Rockwall CDO Ltd
26. Collateral Servicing Agreement dated December 20, 2006, between Highland Capital Management, L.P. and Highland Park CDO I, Ltd.; The Bank of New York Trust Company, National Association
27. Representations and Warranties Agreement, dated December 20, 2006, between Highland Capital Management, L.P. and Highland Park CDO I, Ltd.
28. Collateral Administration Agreement, dated March 27, 2008, between Highland Capital Management, L.P. and Aberdeen Loan Funding, Ltd.; State Street Bank and Trust Company
29. Collateral Administration Agreement, dated December 20, 2007, between Highland Capital Management, L.P. and Greenbriar CLO, Ltd.; State Street Bank and Trust Company
30. Collateral Acquisition Agreement, dated March 13, 2007, between Highland Capital Management, L.P. and Eastland CLO, Ltd
31. Collateral Administration Agreement, dated March 13, 2007, between Highland Capital Management, L.P. and Eastland CLO, Ltd. and Investors Bank and Trust Company
32. Collateral Administration Agreement, dated October 13, 2005, between Highland Capital Management, L.P. and Gleneagles CLO, Ltd.; JPMorgan Chase Bank, National Association
33. Collateral Acquisition Agreement, dated November 30, 2006, between Highland Capital Management, L.P. and Grayson CLO, Ltd.
34. Collateral Administration Agreement, dated November 30, 2006, between Highland Capital Management, L.P. and Grayson CLO, Ltd.; Investors Bank & Trust Company
35. Collateral Acquisition Agreement, dated August 3, 2006, between Highland Capital Management, L.P. and Red River CLO, Ltd.

36. Collateral Administration Agreement, dated August 3, 2006, between Highland Capital Management, L.P. and Red River CLO, Ltd.; U.S. Bank National Association
37. Master Warehousing and Participation Agreement, dated April 19, 2006, between Highland Capital Management, L.P. and Red River CLO Ltd.; Highland Special Opportunities Holding Company
38. Master Warehousing and Participation Agreement, dated February 2, 2006, between Highland Capital Management, L.P. and Red River CLO Ltd.; MMP-5 Funding, LLC; IXIS Financial Products Inc.
39. Master Warehousing and Participation Agreement (Amendment No. 2), dated May 5, 2006, between Highland Capital Management, L.P. and Red River CLO Ltd.; MMP-5 Funding, LLC; IXIS Financial Products Inc.
40. Master Warehousing and Participation Agreement (Amendment No. 1), dated April 12, 2006, between Highland Capital Management, L.P. and Red River CLO Ltd.; MMP-5 Funding, LLC; IXIS Financial Products Inc.
41. Master Warehousing and Participation Agreement (Amendment No. 3), dated June 22, 2006, between Highland Capital Management, L.P. and Red River CLO Ltd.; MMP-5 Funding, LLC; IXIS Financial Products Inc.
42. Master Warehousing and Participation Agreement (Amendment No. 4), dated July 17, 2006, between Highland Capital Management, L.P. and Red River CLO Ltd.; MMP-5 Funding, LLC; IXIS Financial Products Inc.
43. Collateral Administration Agreement, dated February 2, 2006, between Highland Capital Management, L.P. and Red River CLO Ltd.; U.S. Bank National Association; IXIS Financial Products Inc.
44. Collateral Administration Agreement, dated April 18, 2006, between Highland Capital Management, L.P. and Red River CLO Ltd.; Highland Special Opportunities Holding Company; U.S. Bank National Association
45. Master Participation Agreement, dated June 5, 2006, between Highland Capital Management, L.P. and Red River CLO Ltd.; Grand Central Asset Trust
46. A&R Asset Acquisition Agreement, dated July 18, 2001, between Highland Capital Management, L.P. and Salomon Smith Barney Inc.; Highland Loan Funding V Ltd.
47. A&R Master Participation Agreement, dated July 18, 2001, between Highland Capital Management, L.P. and Salomon Brothers Holding Company; Highland Loan Funding V Ltd.
48. Collateral Acquisition Agreement, dated June 29, 2005, between Highland Capital Management, L.P. and Jasper CLO Ltd.
49. Collateral Administration Agreement, dated June 29, 2005, between Highland Capital Management, L.P. and Jasper CLO Ltd.; JPMorgan Chase Bank, National Association
50. Master Warehousing and Participation Agreement, dated March 24, 2005, between Highland Capital Management, L.P. and Jasper CLO Ltd; MMP-5 Funding, LLC; and IXIS Financial Products Inc.

51. Master Warehousing and Participation Agreement (Amendment No. 1), dated May 16, 2005, between Highland Capital Management, L.P. and Jasper CLO Ltd; MMP-5 Funding, LLC; and IXIS Financial Products Inc.
52. Collateral Administration Agreement, dated December 8, 2005, between Highland Capital Management, L.P. and Liberty CLO Ltd.
53. Collateral Administration Agreement, dated May 10, 2006, between Highland Capital Management, L.P. and Rockwall CDO Ltd; JPMorgan Chase Bank, National Association
54. Collateral Administration Agreement, dated May 9, 2007, between Highland Capital Management, L.P. and Rockwall CDO II, Ltd.; Investors Bank & Trust Company
55. Collateral Administration Agreement, dated March 15, 2005, between Highland Capital Management, L.P. and Southfork CLO Ltd.; JPMorgan Chase Bank, National Association
56. Collateral Administration Agreement, dated October 25, 2007, between Highland Capital Management, L.P. and Stratford CLO Ltd.; State Street
57. Collateral Administration Agreement, dated August 18, 2004, between Highland Capital Management, L.P. and Valhalla CLO, Ltd.; JPMorgan Chase Bank
58. Collateral Acquisition Agreement, dated May 31, 2007, between Highland Capital Management, L.P. and Westchester CLO, Ltd.
59. Collateral Administration Agreement, dated May 31, 2007, between Highland Capital Management, L.P. and Westchester CLO, Ltd.; Investors Bank & Trust Company
60. Collateral Administration Agreement, dated December 21, 2006, between Highland Capital Management, L.P. and Brentwood CLO, Ltd.; Investors Bank & Trust Company

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

	)		)	
In re:	)		)	Chapter 11
	)		)	
HIGHLAND CAPITAL MANAGEMENT, L.P., <sup>1</sup>	)		)	Case No. 19-34054-sgj11
	)		)	
Debtor.	)		)	
	)		)	

**DISCLOSURE STATEMENT FOR THE FIFTH AMENDED PLAN OF  
REORGANIZATION OF HIGHLAND CAPITAL MANAGEMENT, L.P.**

**PACHULSKI STANG ZIEHL & JONES LLP**

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Counsel for the Debtor and Debtor-in-Possession

**Exhibit B**

<sup>1</sup> The Debtor’s last four digits of its taxpayer identification number are (6725). The headquarters and service address for the above-captioned Debtor is 300 Crescent Court, Suite 700, Dallas, TX 75201.



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HIGHLAND CAPITAL MANAGEMENT, L.P., as debtor and debtor-in-possession in the above-captioned cases (the “Debtor”), is sending you this document and the accompanying materials (the “Disclosure Statement”) because you are a creditor or interest holder in connection with the *Fifth Amended Chapter 11 Plan of Reorganization of Highland Capital Management, L.P.*, dated November 24, 2020, as the same may be amended from time to time (the “Plan”).<sup>2</sup> The Debtor has filed a voluntary petition under chapter 11 of title 11 of the United States Code, as amended (the “Bankruptcy Code”).

This Disclosure Statement has not yet been approved by the Bankruptcy Court as containing adequate information within the meaning of section 1125(a) of the Bankruptcy Code. The Debtor intends to seek an order or orders of the Bankruptcy Court (a) approving this Disclosure Statement as containing adequate information and (b) confirming the Plan.

A copy of the Plan is attached hereto as **Exhibit A**.

The Debtor believes that the Plan is fair and equitable, will maximize the value of the Debtor’s Estate, and is in the best interests of the Debtor and its constituents. Notably, the Plan provides for the transfer of the majority of the Debtor’s Assets to a Claimant Trust. The balance of the Debtor’s Assets, including the management of the Managed Funds, will remain with the Reorganized Debtor. The Reorganized Debtor will be managed by New GP LLC – a wholly-owned subsidiary of the Claimant Trust. This structure will allow for continuity in the Managed Funds and an orderly and efficient monetization of the Debtor’s Assets.

The Claimant Trust, the Litigation Trust, or the Reorganized Debtor, as applicable, will institute, file, prosecute, enforce, abandon, settle, compromise, release, or withdraw any and all Causes of Action without any further order of the Bankruptcy Court, and the Claimant Trust and Reorganized Debtor, as applicable, will sell, liquidate, or otherwise monetize all Claimant Trust Assets and Reorganized Debtor Assets and resolve all Claims, except as otherwise provided in the Plan, the Claimant Trust Agreement, or the Reorganized Limited Partnership Agreement.

**IMPORTANT INFORMATION ABOUT THIS  
DISCLOSURE STATEMENT FOR YOU TO READ**

**The Debtor is providing the information in this Disclosure Statement to Holders of Claims and Equity Interests in connection with the Debtor’s Plan. Nothing in this Disclosure Statement may be relied upon or used by any Entity for any purpose other than with respect to confirmation of the Plan. The information contained in this Disclosure Statement is included for purposes of soliciting acceptances to, and confirmation of, the Plan and may not be relied on for any other purpose.**

**This Disclosure Statement has not been filed for approval with the Securities and Exchange Commission (“SEC”) or any state authority and neither the SEC nor any state authority has passed upon the accuracy or adequacy of this Disclosure Statement or upon**

<sup>2</sup> All capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Plan. To the extent that a definition of a term in the text of this Disclosure Statement and the definition of such term in the Plan are inconsistent, the definition included in the Plan shall control and govern.

the merits of the Plan. Any representation to the contrary is a criminal offense. This Disclosure Statement does not constitute an offer to sell or the solicitation of an offer to buy securities in any state or jurisdiction.

This Disclosure Statement contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward-looking terminology such as “may,” “expect,” “anticipate,” “estimate” or “continue” or the negative thereof or other variations thereon or comparable terminology. The Debtor considers all statements regarding anticipated or future matters to be forward-looking statements. Forward-looking statements may include statements about:

- the effects of insolvency proceedings on the Debtor’s business and relationships with its creditors;
- business strategy;
- financial condition, revenues, cash flows, and expenses;
- financial strategy, budget, projections, and operating results;
- variation from projected operating and financial data;
- substantial capital requirements;
- availability and terms of capital;
- plans, objectives, and expectations;
- the adequacy of the Debtor’s capital resources and liquidity; and
- the Claimant Trust’s or the Reorganized Debtor’s ability to satisfy future cash obligations.

Statements concerning these and other matters are not guarantees of the Claimant Trust’s or Reorganized Debtor’s future performance. There are risks, uncertainties, and other important factors that could cause the Claimant Trust’s or Reorganized Debtor’s actual performance or achievements to be different from those that may be projected. The reader is cautioned that all forward-looking statements are necessarily speculative and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward-looking statements. Therefore, any analyses, estimates, or recovery projections may or may not turn out to be accurate.

This Disclosure Statement has been prepared pursuant to section 1125 of the Bankruptcy Code and Bankruptcy Rule 3016 and is not necessarily in accordance with federal or state securities laws or other similar laws.

No legal or tax advice is provided to you by this Disclosure Statement. The Debtor urges each Holder of a Claim or an Equity Interest to consult with its own advisers with respect to any legal, financial, securities, tax or business advice in reviewing this Disclosure Statement, the Plan and each of the proposed transactions contemplated thereby. Further, the Bankruptcy Court's approval of the adequacy of disclosures contained in this Disclosure Statement does not constitute the Bankruptcy Court's approval of the merits of the Plan or a guarantee by the Bankruptcy Court of the accuracy or completeness of the information contained herein.

Pachulski Stang Ziehl & Jones LLP ("PSZ&J") is general insolvency counsel to the Debtor. Development Specialists, Inc. ("DSI") is the Debtor's financial advisor. PSZ&J, DSI, and the Independent Board (as defined below) have relied upon information provided by the Debtor in connection with preparation of this Disclosure Statement. PSZ&J has not independently verified the information contained herein.

This Disclosure Statement contains, among other things, summaries of the Plan, the management of the Reorganized Debtor, the Claimant Trust, certain statutory provisions, certain events in the Debtor's Chapter 11 Case, and certain documents related to the Plan that are attached hereto and incorporated herein by reference or that may be filed later with the Plan Supplement. Although the Debtor believes that these summaries are fair and accurate, these summaries are qualified in their entirety to the extent that the summaries do not set forth the entire text of such documents or statutory provisions or every detail of such events. In the event of any conflict, inconsistency or discrepancy between a description in this Disclosure Statement and the terms and provisions of the Plan or any other documents incorporated herein by reference, the Plan or such other documents will govern and control for all purposes. Except where otherwise specifically noted, factual information contained in this Disclosure Statement has been provided by the Debtor's management. The Debtor does not represent or warrant that the information contained herein or attached hereto is without any material inaccuracy or omission.

In preparing this Disclosure Statement, the Debtor relied on financial data derived from the Debtor's books and records and on various assumptions regarding the Debtor's business. The Debtor's management has reviewed the financial information provided in this Disclosure Statement. Although the Debtor has used its reasonable business judgment to ensure the accuracy of this financial information, the financial information contained in, or incorporated by reference into, this Disclosure Statement has not been audited (unless otherwise expressly provided herein) and no representations or warranties are made as to the accuracy of the financial information contained herein or assumptions regarding the Debtor's business and its, the Reorganized Debtor's, and the Claimant Trust's future results. The Debtor expressly cautions readers not to place undue reliance on any forward-looking statements contained herein.

This Disclosure Statement does not constitute, and may not be construed as, an admission of fact, liability, stipulation or waiver. Rather, this Disclosure Statement shall constitute a statement made in settlement negotiations related to potential contested matters, potential adversary proceedings and other pending or threatened litigation or actions.

No reliance should be placed on the fact that a particular litigation claim or projected objection to a particular Claim or Equity Interest is, or is not, identified in the Disclosure Statement. Except as provided under the Plan, the Debtor, the Reorganized Debtor, or the Claimant Trust, as applicable, may seek to investigate, file and prosecute Claims and Causes of Action and may object to Claims or Equity Interests after the Confirmation Date or Effective Date of the Plan irrespective of whether the Disclosure Statement identifies any such Claims or Equity Interests or objections to Claims or Equity Interests on the terms specified in the Plan.

The Debtor is generally making the statements and providing the financial information contained in this Disclosure Statement as of the date hereof where feasible, unless otherwise specifically noted. Although the Debtor may subsequently update the information in this Disclosure Statement, the Debtor has no affirmative duty to do so. Holders of Claims and Equity Interests reviewing this Disclosure Statement should not infer that, at the time of their review, the facts set forth herein have not changed since the Disclosure Statement was sent. Information contained herein is subject to completion, modification, or amendment. The Debtor reserves the right to file an amended or modified Plan and related Disclosure Statement from time to time.

The Debtor has not authorized any Entity to give any information about or concerning the Plan other than that which is contained in this Disclosure Statement. The Debtor has not authorized any representations concerning the Debtor or the value of its property other than as set forth in this Disclosure Statement.

Holders of Claims or Equity Interests must rely on their own evaluation of the Debtor and their own analyses of the terms of the Plan in considering the Plan. Importantly, each Holder of a Claim should review the Plan in its entirety and consider carefully all of the information in this Disclosure Statement and any exhibits hereto, including the risk factors described in greater detail in ARTICLE IV herein, "Risk Factors."

If the Plan is confirmed by the Bankruptcy Court and the Effective Date occurs, all Holders of Claims against, and Holders of Equity Interests in, the Debtor will be bound by the terms of the Plan and the transactions contemplated thereby.

The effectiveness of the Plan is subject to certain material conditions precedent described herein and set forth in Article IX of the Plan. There is no assurance that the Plan will be confirmed, or if confirmed, that the conditions required to be satisfied for the Plan to become effective will be satisfied (or waived).

**EXHIBITS**

**EXHIBIT A** – Plan of Reorganization

**EXHIBIT B** – Organizational Chart of the Debtor

**EXHIBIT C** – Liquidation Analysis/Financial Projections

THE DEBTOR HEREBY ADOPTS AND INCORPORATES EACH EXHIBIT ATTACHED TO THIS DISCLOSURE STATEMENT BY REFERENCE AS THOUGH FULLY SET FORTH HEREIN.

**ARTICLE I.**  
**EXECUTIVE SUMMARY**

**This Disclosure Statement is provided for informational purposes only.**

**In the opinion of the Debtor, the Plan is preferable to the alternatives described in this Disclosure Statement because it provides for the highest distributions to the Debtor's creditors and interest holders. The Debtor believes that any delay in confirmation of the Plan would result in significant administrative expenses resulting in less value available to the Debtor's constituents. In addition, any alternative other than confirmation of the Plan could result in extensive delays and increased administrative expenses resulting in smaller distributions to Holders of Allowed Claims and Equity Interests than that which is proposed under the Plan. Accordingly, the Debtor recommends that all Holders of Claims and Equity Interests support confirmation of the Plan.**

This Executive Summary is being provided to Holders of Allowed Claims and Equity Interests as an overview of the material items addressed in the Disclosure Statement and the Plan, which is qualified by reference to the entire Disclosure Statement and by the actual terms of the Plan (including all exhibits attached hereto and to the Plan and the Plan Supplement), and should not be relied upon for a comprehensive discussion of the Disclosure Statement and/or the Plan. Section 1125 of the Bankruptcy Code requires a debtor to prepare a disclosure statement containing information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding acceptance or rejection of the plan of reorganization or liquidation. As such, this Disclosure Statement is being submitted in accordance with the requirements of section 1125 of the Bankruptcy Code. This Disclosure Statement includes, without limitation, information about:

- the Debtor's operating and financial history;
- the significant events that have occurred to date;
- the Confirmation process; and
- the terms and provisions of the Plan, including key aspects of the Claimant Trust and the Reorganized Debtor, certain effects of Confirmation of the Plan, certain risk factors relating to the Plan, and the manner in which distributions will be made under the Plan.

The Debtor believes that any alternative to Confirmation of the Plan would result in significant delays, litigation, and additional costs, and ultimately would diminish the Debtor's value. **Accordingly, the Debtor strongly supports confirmation of the Plan.**

**A. Summary of the Plan**

The Plan represents a significant achievement for the Debtor. As discussed herein, the Plan provides that the Claimant Trust will receive the majority of the Debtor's assets, including Causes of Action. The assets being transferred to the Claimant Trust are referred to, collectively, as the Claimant Trust Assets. The Claimant Trust will – for the benefit of the Claimant Trust

Beneficiaries – monetize the Claimant Trust Assets, pursue the Causes of Action, and work to conclude the various lawsuits and litigation claims pending against the Estate.

The Plan also provides for the reorganization of the Debtor. This will be accomplished by the cancellation of the Debtor’s current Equity Interests, which consist of partnership interests held by: The Dugaboy Investment Trust;<sup>3</sup> the Hunter Mountain Investment Trust (“Hunter Mountain”); Mark Okada, personally and through family trusts; and Strand, the Debtor’s general partner. On the Effective Date, the Debtor or the Reorganized Debtor, as applicable, will issue new Class A Limited Partnership Interests to (i) the Claimant Trust, as limited partner, and (ii) New GP LLC, as general partner, and will admit (a) the Claimant Trust as the limited partner of the Reorganized Debtor, and (b) New GP LLC as the general partner of the Reorganized Debtor. The Claimant Trust, as limited partner, will ratify New GP LLC’s appointment as general partner of the Reorganized Debtor. The Reorganized Debtor will be managed by the Claimant Trust, as the managing member of New GP LLC.

The Reorganized Debtor will oversee the monetization of the Reorganized Debtor Assets, which consist of, among other Assets, the management of the Managed Funds. The net proceeds from the Reorganized Debtor Assets will ultimately be distributed to the Claimant Trust and available for distribution to the Claimant Trust Beneficiaries.

The following is an overview of certain other material terms of the Plan:

- Allowed Priority Non-Tax Claims will be paid in full;
- Allowed Retained Employee Claims will be Reinstated;
- Allowed Convenience Claims will receive the lesser of (i) 85% of their Allowed Claim or (ii) such Holder’s Pro Rata share of the Convenience Claims Cash Pool (*i.e.*, \$13,150,000). Holders of Convenience Claims can elect the treatment provided to General Unsecured Claims by making the GUC Election on their Ballots;
- Allowed General Unsecured Claims and Allowed Subordinated Claims will receive their Pro Rata share of Claimant Trust Interests. The Claimant Trust Interests distributed to Allowed General Unsecured Claims will be senior to those distributed to Allowed Subordinated Claims as set forth in the Claimant Trust Agreement. Holders of General Unsecured Claims that are liquidated as of the Confirmation Date can elect the treatment provided to Convenience Class Election by reducing their Claims to \$1,000,000 and making the Convenience Class Election on their Ballots; and
- Allowed Class B/C Limited Partnership Interests and Allowed Class A Limited Partnership Interests will receive their Pro Rata share of the Contingent Claimant Trust Interests.

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<sup>3</sup> The Dugaboy Investment Trust is a Delaware trust created to manage the assets of James Dondero and his family.

## **B. An Overview of the Chapter 11 Process**

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Pursuant to chapter 11 of the Bankruptcy Code, a debtor may remain in possession of its assets and business and attempt to reorganize its business for the benefit of such debtor, its creditors, and other parties in interest. A plan of reorganization sets forth the means for satisfying claims against and interests in a debtor. Confirmation of a plan of reorganization by a bankruptcy court makes the plan binding upon the debtor and any creditor of or interest holder in the debtor, whether or not such creditor or interest holder (i) is impaired under or has accepted the plan or (ii) receives or retains any property under the plan.

The commencement of a Chapter 11 case creates an estate comprised of all of the legal and equitable interests of a debtor in property as of the date that the bankruptcy petition is filed. Sections 1107 and 1108 of the Bankruptcy Code provide that a debtor may continue to operate its business and remain in possession of its property as a “debtor-in-possession,” unless the bankruptcy court orders the appointment of a trustee. The filing of a bankruptcy petition also triggers the automatic stay provisions of section 362 of the Bankruptcy Code which provide, among other things, for an automatic stay of all attempts to collect prepetition claims from a debtor or otherwise interfere with its property or business. Except as otherwise ordered by the bankruptcy court, the automatic stay generally remains in full force and effect until the consummation of a plan of reorganization or liquidation, following confirmation of such plan of reorganization.

The Bankruptcy Code provides that upon commencement of a chapter 11 bankruptcy case, the Office of the United States Trustee may appoint a committee of unsecured creditors and may, in its discretion, appoint additional committees of creditors or of equity interest holders if necessary to assure adequate representation. Please see ARTICLE II for a discussion of the U.S. Trustee and the statutory committees.

Upon the commencement of a chapter 11 bankruptcy case, all creditors and equity interest holders generally have standing to be heard on any issue in the chapter 11 proceedings pursuant to section 1109(b) of the Bankruptcy Code.

The formulation and confirmation of a plan is the principal objective of a chapter 11 case. The plan sets forth the means of satisfying the claims against and equity interests in the debtor.

## **C. Purpose and Effect of the Plan**

### **1. The Plan of Reorganization**

The Debtor is reorganizing pursuant to chapter 11 of the Bankruptcy Code. As a result, the Confirmation of the Plan means that the Debtor’s business will continue to operate following confirmation of the Plan through the Claimant Trust and the Reorganized Debtor to monetize assets for distribution to Holders of Allowed Claims. The Claimant Trust will hold the Claimant Trust Assets and manage the efficient monetization of, the Claimant Trust Assets. The Claimant Trust will also manage the Reorganized Debtor through the Claimant Trust’s ownership of the Reorganized Debtor’s general partner, New GP LLC. The Claimant Trust will also be the sole limited partner in the Reorganized Debtor. The Reorganized Debtor will manage the wind down

of the Managed Funds as well as the monetization of the balance of the Reorganized Debtor Assets. The Claimant Trust will also establish a Litigation Sub-Trust in accordance with the Plan, which will also be for the benefit of the Claimant Trust Beneficiaries. The Litigation Sub-Trust will receive the Estate Claims. The Litigation Trustee shall be the exclusive trustee of the Estate Claims included in the Claimant Trust Assets subject to oversight by the Claimant Trust Oversight Committee

A bankruptcy court's confirmation of a plan binds the debtor, any entity acquiring property under the plan, any holder of a claim or an equity interest in a debtor and all other entities as may be ordered by the bankruptcy court in accordance with the applicable provisions of the Bankruptcy Code to the terms and conditions of the confirmed plan, whether or not such Entity voted on the plan or affirmatively voted to reject the plan.

## 2. Plan Overview

The Plan provides for the classification and treatment of Claims against and Equity Interests in the Debtor. For classification and treatment of Claims and Equity Interests, the Plan designates Classes of Claims and Classes of Equity Interests. These Classes and Plan treatments take into account the differing nature and priority under the Bankruptcy Code of the various Claims and Equity Interests.

The following chart briefly summarizes the classification and treatment of Claims and Equity Interests under the Plan.<sup>4</sup> Amounts listed below are estimated.

In accordance with section 1122 of the Bankruptcy Code, the Plan provides for eight Classes of Claims against and/or Equity Interests in the Debtor.

**The projected recoveries set forth in the table below are estimates only and therefore are subject to change. For a complete description of the Debtor's classification and treatment of Claims or Equity Interests, reference should be made to the entire Plan and the risk factors described in ARTICLE IV below. For certain classes of Claims, the actual amount of Allowed Claims could be materially different than the estimated amounts shown in the table below.**

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<sup>4</sup> This chart is only a summary of the classification and treatment of Claims and Equity Interests under the Plan. References should be made to the entire Disclosure Statement and the Plan for a complete description.

<b>Class</b>	<b>Type of Claim or Interest</b>	<b>Estimated Prepetition Claim Amount [1]</b>	<b>Impaired</b>	<b>Entitled to Vote</b>	<b>Estimated Recovery</b>
1	Jefferies Secured Claim	\$0.00	No	No	100%
2	Frontier Secured Claim[2]	\$5,209,964	Yes	Yes	100%
3	Other Secured Claims	\$551,116	No	No	100%
4	Priority Non-Tax Claim	\$16,489	No	No	100%
5	Retained Employee Claim	\$0	No	No	100%
6	PTO Claims [3]	\$1,181,886	No	No	100%
7	Convenience Claims[4]	\$12,064,333	Yes	Yes	85.00%
8	General Unsecured Claims[5]	\$180,442,199	Yes	Yes	85.31%
9	Subordinated Claims	Undetermined	Yes	Yes	Undetermined
10	Class B/C Limited Partnership Interests	N/A	Yes	Yes	Undetermined
11	Class A Limited Partnership Interests	N/A	Yes	Yes	Undetermined

[1] Excludes Priority Tax Claims and certain other unclassified amounts totaling approximately \$1.1 million owed to Joshua and Jennifer Terry and Acis under a settlement agreement.

[2] Excludes interest accrued postpetition estimated at \$318,000, which will be paid on the Effective Date. The Liquidation Analysis/Financial Projections provide for the payment of postpetition interest.

[3] Represents outstanding PTO Claims as of September 30, 2020. PTO Claims are subject to adjustment depending on the amount of actual prepetition PTO Claims outstanding as of the Effective Date. PTO claims are accounted for in the Liquidation Analysis/Financial Projections as an administrative claim and will be paid out in ordinary courses pursuant to applicable state law.

[4] Represents the estimated gross prepetition amount of Convenience Claims with a total payout amount estimated at 85% of \$12.06 million, or \$10.25 million. This number includes approximately \$1.113 million of potential Rejection Claims and assumes that Holders of Allowed General Unsecured Claims that are each less than \$2.50 million opt into the Convenience Class.

[5] Assumes no recovery for UBS, the HarbourVest Entities, IFA, Hunter Mountain, and an Allowed Claim of only \$3,722,019 for Mr. Daugherty (each as discussed further below). Assumes \$1.440 million of potential rejection damage claims. The Liquidation Analysis/Financial Projections assume Highland RCP, LP and Highland RCP Offshore, LP offset their Claim of \$4.4 million against amounts owed to the Debtor.

### 3. Voting on the Plan

Under the Bankruptcy Code, acceptance of a plan by a Class of Claims or Equity Interests is determined by calculating the number and the amount of Claims voting to accept, based on the actual total Allowed Claims or Equity Interests voting on the Plan. Acceptance by a Class of Claims requires more than one-half of the number of total Allowed Claims in the Class to vote in favor of the Plan and at least two-thirds in dollar amount of the total Allowed Claims in the Class to vote in favor of the Plan. Acceptance by a Class of Equity Interests requires at least two-thirds in amount of the total Allowed Equity Interests in the Class to vote in favor of the Plan.

Under the Bankruptcy Code, only Classes of Claims or Equity Interests that are “Impaired” and that are not deemed as a matter of law to have rejected a plan under Section 1126 of the Bankruptcy Code are entitled to vote to accept or reject the Plan. Any Class that is “Unimpaired” is not entitled to vote to accept or reject a plan and is conclusively presumed to have accepted the Plan. As set forth in Section 1124 of the Bankruptcy Code, a Class is “Impaired” if the legal, equitable, or contractual rights attaching to the claims or equity interests of that Class are modified or altered.

Pursuant to the Plan, Claims and Equity Interests in Class 2 and Class 7 through Class 11 are Impaired by the Plan, and only the Holders of Claims and Equity Interests in those Classes are entitled to vote to accept or reject the Plan. Whether a Holder of a Claim or Equity Interest in Class 2 and Class 7 through Class 11 may vote to accept or reject the Plan will also depend on whether the Holder held such Claim or Equity Interest as of November 23, 2020 (the “Voting Record Date”). The Voting Record Date and all of the Debtor’s solicitation and voting procedures shall apply to all of the Debtor’s Creditors and other parties in interest.

Pursuant to the Plan, Claims in Class 1 and Class 3 through Class 6 are Unimpaired by the Plan, and such Holders are deemed to have accepted the Plan and are therefore not entitled to vote on the Plan.

Pursuant to the Plan, there are no Classes that will not receive or retain any property and no Classes are deemed to reject the Plan.

#### 4. Confirmation of the Plan

##### (a) Confirmation Generally

“Confirmation” is the technical term for the Bankruptcy Court’s approval of a plan of reorganization or liquidation. The timing, standards and factors considered by the Bankruptcy Court in deciding whether to confirm a plan of reorganization are discussed below.

The confirmation of a plan by the Bankruptcy Court binds the debtor, any issuer of securities under a plan, any person acquiring property under a plan, any creditor or equity interest holder of a debtor, and any other person or entity as may be ordered by the Bankruptcy Court in accordance with the applicable provisions of the Bankruptcy Code. Subject to certain limited exceptions, the order issued by the Bankruptcy Court confirming a plan discharges a debtor from any debt that arose before the confirmation of such plan and provides for the treatment of such debt in accordance with the terms of the confirmed plan.

##### (b) The Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on Confirmation of the Plan. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to Confirmation of the Plan.

The Debtor will provide notice of the Confirmation Hearing to all necessary parties. The Confirmation Hearing may be adjourned from time to time without further notice except for an

announcement of the adjourned date made at the Confirmation Hearing of any adjournment thereof.

5. Confirming and Effectuating the Plan

It is a condition to the Effective Date of the Plan that the Bankruptcy Court shall have entered the Confirmation Order in form and substance reasonably acceptable to the Debtor and the Official Committee of Unsecured Creditors (the "Committee"). Certain other conditions contained in the Plan must be satisfied or waived pursuant to the provisions of the Plan.

6. Rules of Interpretation

The following rules for interpretation and construction shall apply to this Disclosure Statement: (1) capitalized terms used in the Disclosure Statement and not otherwise defined shall have the meaning ascribed to such terms in the Plan; (2) unless otherwise specified, any reference in this Disclosure Statement to a contract, instrument, release, indenture, or other agreement or document shall be a reference to such document in the particular form or substantially on such terms and conditions described; (3) unless otherwise specified, any reference in this Disclosure Statement to an existing document, schedule, or exhibit, whether or not filed, shall mean such document, schedule, or exhibit, as it may have been or may be amended, modified, or supplemented; (4) any reference to an entity as a Holder of a Claim or Equity Interest includes that Entity's successors and assigns; (5) unless otherwise specified, all references in this Disclosure Statement to Sections are references to Sections of this Disclosure Statement; (6) unless otherwise specified, all references in this Disclosure Statement to exhibits are references to exhibits in this Disclosure Statement; (7) unless otherwise set forth in this Disclosure Statement, the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; and (8) any term used in capitalized form in this Disclosure Statement that is not otherwise defined in this Disclosure Statement or the Plan but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to such term in the Bankruptcy Code or the Bankruptcy Rules, as applicable.

7. Distribution of Confirmation Hearing Notice and Solicitation Package to Holders of Claims and Equity Interests

As set forth above, Holders of Claims in Class 1 and Class 3 through Class 6 are not entitled to vote on the Plan. As a result, such parties will not receive solicitation packages or ballots but, instead, will receive this a notice of non-voting status, a notice of the Confirmation Hearing, and instructions on how to receive a copy of the Plan and Disclosure Statement.

The Debtor, with the approval of the Bankruptcy Court, has engaged Kurtzman Carson Consultants LLC (the "Voting Agent") to serve as the voting agent to process and tabulate Ballots for each Class entitled to vote on the Plan and to generally oversee the voting process. The following materials shall constitute the solicitation package (the "Solicitation Package"):

- This Disclosure Statement, including the Plan and all other Exhibits annexed thereto;

- The Bankruptcy Court order approving this Disclosure Statement (the “Disclosure Statement Order”) (excluding exhibits);
- The notice of, among other things, (i) the date, time, and place of the hearing to consider Confirmation of the Plan and related matters and (ii) the deadline for filing objections to Confirmation of the Plan (the “Confirmation Hearing Notice”);
- A single Ballot, to be used in voting to accept or to reject the Plan and applicable instructions with respect thereto (the “Voting Instructions”);
- A pre-addressed, postage pre-paid return envelope; and
- Such other materials as the Bankruptcy Court may direct or approve.

The Debtor, through the Voting Agent, will distribute the Solicitation Package in accordance with the Disclosure Statement Order. The Solicitation Package is also available at the Debtor’s restructuring website at [www.kccllc.net/hcmlp](http://www.kccllc.net/hcmlp).

On November 13, 2020, the Debtor filed the Plan Supplement [D.I. 1389] that included, among other things, the form of Claimant Trust Agreement, the Litigation Sub-Trust Agreement, the Reorganized Limited Partnership Agreement, New GP LLC Documents, the New Frontier Note, the Senior Employee Stipulation, and the identity of the initial members of the Claimant Trust Oversight Committee. The Plan Supplement also includes a schedule of the Causes of Action that will be retained after the Effective Date. The Plan Supplement may be supplemented or amended through and including December 18, 2020. If the Plan Supplement is supplemented, such supplemented documents will be made available on the Debtor’s restructuring website at [www.kccllc.net/hcmlp](http://www.kccllc.net/hcmlp).

If you are the Holder of a Claim or Equity Interest and believe that you are entitled to vote on the Plan, but you did not receive a Ballot or your Ballot is damaged or illegible, or if you have any questions concerning voting procedures, you should contact the Voting Agent by writing to Kurtzman Carson Consultants LLC, via email at [HighlandInfo@kccllc.com](mailto:HighlandInfo@kccllc.com) and reference “Highland Capital Management, L.P.” in the subject line or by telephone at toll free: (877) 573-3984, or international: (310) 751-1829. If your Claim or Equity Interest is subject to a pending claim objection and you wish to vote on the Plan, you must file a motion pursuant to Bankruptcy Rule 3018 with the Bankruptcy Court for the temporary allowance of your Claim or Equity Interest for voting purposes or you will not be entitled to vote to accept or reject the Plan. Any such motion must be filed so that it is heard in sufficient time prior to the Voting Deadline to allow for your vote to be tabulated.

**THE DEBTOR, THE REORGANIZED DEBTOR, AND THE CLAIMANT TRUSTEE, AS APPLICABLE, RESERVE THE RIGHT THROUGH THE CLAIM OBJECTION PROCESS TO OBJECT TO OR SEEK TO DISALLOW ANY CLAIM OR EQUITY INTEREST FOR DISTRIBUTION PURPOSES.**

8. Instructions and Procedures for Voting

All votes to accept or reject the Plan must be cast by using the Ballots enclosed with the Solicitation Packages or otherwise provided by the Debtor or the Voting Agent. No votes other than ones using such Ballots will be counted, except to the extent the Bankruptcy Court orders otherwise. The Bankruptcy Court has fixed November 23, 2020, as the Voting Record Date for the determination of the Holders of Claims and Equity Interests who are entitled to (a) receive a copy of this Disclosure Statement and all of the related materials and (b) vote to accept or reject the Plan. The Voting Record Date and all of the Debtor’s solicitation and voting procedures shall apply to all of the Debtor’s Creditors and other parties in interest.

After carefully reviewing the Plan, this Disclosure Statement, and the detailed instructions accompanying your Ballot, you are asked to indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the accompanying Ballot.

**The deadline to vote on the Plan is January 5, 2021 at 5:00 p.m. (prevailing Central Time) (the “Voting Deadline”).** In order for your vote to be counted, your Ballot must be properly completed in accordance with the Voting Instructions on the Ballot, and received no later than the Voting Deadline at the following address, as applicable:

**If by first class mail, personal delivery, or overnight mail to:**

**HCMLP Ballot Processing Center  
c/o KCC  
222 N. Pacific Coast Highway, Suite 300  
El Segundo, CA 90245**

**If by electronic voting:**

You may submit your Ballot via the Balloting Agent’s online portal. Please visit <http://www.kccllc.net/hcmlp> and click on the “Submit Electronic Ballot” section of the website and follow the instructions to submit your Ballot. **IMPORTANT NOTE: You will need the Unique Electronic Ballot ID Number and the Unique Electronic Ballot PIN Number set forth on your customized ballot in order to vote via the Balloting Agent’s online portal. Each Electronic Ballot ID Number is to be used solely for voting on those Claims or Interests on your electronic ballot. You must complete and submit an electronic ballot for each Electronic Ballot ID Number you receive, as applicable. Parties who cast a Ballot using the Balloting Agent’s online portal should NOT also submit a paper Ballot.**

Only the Holders of Claims and Equity Interests in Class 2 and Class 7 through Class 11 as of the Voting Record Date are entitled to vote to accept or reject the Plan, and they may do so by completing the appropriate Ballots and returning them in the envelope provided to the Voting Agent so as to be actually received by the Voting Agent by the Voting Deadline. Each Holder of a Claim and Equity Interest must vote its entire Claim or Equity Interest, as applicable, within a particular Class either to accept or reject the Plan and may not split such votes. If multiple Ballots are received from the same Holder with respect to the same Claim or Equity Interest prior to the Voting Deadline, the last timely received, properly executed Ballot will be deemed to

reflect that voter's intent and will supersede and revoke any prior Ballot. The Ballots will clearly indicate the appropriate return address. It is important to follow the specific instructions provided on each Ballot.

**ALL BALLOTS ARE ACCOMPANIED BY VOTING INSTRUCTIONS. IT IS IMPORTANT THAT THE HOLDER OF A CLAIM OR EQUITY INTEREST IN THE CLASSES ENTITLED TO VOTE FOLLOW THE SPECIFIC INSTRUCTIONS PROVIDED WITH EACH BALLOT.**

If you have any questions about (a) the procedure for voting your Claim or Equity Interest, (b) the Solicitation Package that you have received, or (c) the amount of your Claim or Equity Interest, or if you wish to obtain an additional copy of the Plan, this Disclosure Statement, or any appendices or Exhibits to such documents, please contact the Voting Agent at the address specified above. Copies of the Plan, Disclosure Statement and other documents filed in these Chapter 11 Case may be obtained free of charge on the Voting Agent's website at [www.kcellc.net/hcmlp](http://www.kcellc.net/hcmlp) or by calling toll free at: (877) 573-3984, or international at: (310) 751-1829. You may also obtain copies of pleadings filed in the Debtor's case for a fee via PACER at [pacer.uscourts.gov](http://pacer.uscourts.gov). Subject to any rules or procedures that have or may be implemented by the Court as a result of the COVID 19 Pandemic, documents filed in this case may be examined between the hours of 8:00 a.m. and 4:00 p.m., prevailing Central Time, Monday through Friday, at the Office of the Clerk of the Bankruptcy Court, Earle Cabell Federal Building, 1100 Commerce Street, Room 1254, Dallas, Texas 75242-1496.

The Voting Agent will process and tabulate Ballots for the Classes entitled to vote to accept or reject the Plan and will file a voting report (the "Voting Report") by January 11, 2021. The Voting Report will, among other things, describe every Ballot that does not conform to the Voting Instructions or that contains any form of irregularity, including, but not limited to, those Ballots that are late, illegible (in whole or in material part), unidentifiable, lacking signatures, lacking necessary information, or damaged.

**THE DEBTOR URGES HOLDERS OF CLAIMS AND EQUITY INTERESTS WHO ARE ENTITLED TO VOTE TO TIMELY RETURN THEIR BALLOTS AND TO VOTE TO ACCEPT THE PLAN BY THE VOTING DEADLINE.**

9. The Confirmation Hearing

**The Bankruptcy Court has scheduled Confirmation Hearing Dates on January 13, 2021, and January 14, 2021, at 9:30 a.m. prevailing Central time.** The Confirmation Hearing may be continued from time to time by the Bankruptcy Court or the Debtor without further notice other than by such adjournment being announced in open court or by a notice of adjournment filed with the Bankruptcy Court and served on such parties as the Bankruptcy Court may order. Moreover, the Plan may be modified or amended, if necessary, pursuant to section 1127 of the Bankruptcy Code, prior to, during or as a result of the Confirmation Hearing, without further notice to parties-in-interest.

10. The Deadline for Objecting to Confirmation of the Plan

**The Bankruptcy Court has set a deadline of January 5, 2021, at 5:00 p.m. prevailing Central time, for the filing of objections to confirmation of the Plan (the “Confirmation Objection Deadline”).** Any objection to confirmation of the Plan must: (i) be in writing; (ii) conform to the Bankruptcy Rules and the Local Rules; (iii) state the name of the objecting party and the amount and nature of the Claim of such Entity or the amount of Equity Interests held by such Entity; (iv) state with particularity the legal and factual bases and nature of any objection to the Plan and, if practicable, a proposed modification to the Plan that would resolve such objection; and (v) be filed, contemporaneously with a proof of service, with the Bankruptcy Court and served so that it is **actually received** no later than the Confirmation Objection Deadline by the parties set forth below (the “Notice Parties”).

**CONFIRMATION OBJECTIONS NOT TIMELY FILED AND SERVED IN THE MANNER SET FORTH HEREIN MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT AND MAY BE OVERRULED WITHOUT FURTHER NOTICE. INSTRUCTIONS WITH RESPECT TO THE CONFIRMATION HEARING AND DEADLINES WITH RESPECT TO CONFIRMATION WILL BE INCLUDED IN THE NOTICE OF CONFIRMATION HEARING APPROVED BY THE BANKRUPTCY COURT.**

11. Notice Parties

- Debtor: Highland Capital Management, L.P., 300 Crescent Court, Suite 700, Dallas, Texas 75201 (Attn: James P. Seery, Jr.);
- Counsel to the Debtor: Pachulski Stang Ziehl & Jones LLP, 10100 Santa Monica Boulevard, 13th Floor, Los Angeles, California 90067-4003 (Attn: Jeffrey Pomerantz, Esq.; Ira Kharasch, Esq., and Gregory Demo, Esq.);
- Counsel to the Committee: Sidley Austin, LLP, One South Dearborn, Chicago, Illinois 60603 (Attn: Matthew Clemente, Esq., and Alyssa Russell, Esq.); and
- Office of the United States Trustee, 1100 Commerce Street, Room 976, Dallas, Texas 75242 (Attn: Lisa Lambert, Esq.).

12. Effect of Confirmation of the Plan

The Plan contains certain provisions relating to (a) the compromise and settlement of Claims and Equity Interests; (b) exculpation of certain parties; and (c) the release of claims against certain parties by the Debtor.

**The Plan shall bind all Holders of Claims against and Equity Interests in the Debtor to the maximum extent permitted by applicable law, notwithstanding whether or not such Holder (i) will receive or retain any property or interest in property under the Plan, (ii) has filed a proof of claim in the Chapter 11 Case, or (iii) did not vote to accept or reject the Plan.**

**D. Effectiveness of the Plan**

It will be a condition to the Effective Date of the Plan that all provisions, terms and conditions of the Plan are approved in the Confirmation Order unless otherwise satisfied or waived pursuant to the provisions of Article IX of the Plan. Following confirmation, the Plan will go into effect on the Effective Date.

**E. RISK FACTORS**

**Each Holder of a Claim or an Equity Interest is urged to consider carefully all of the information in this Disclosure Statement, including the risk factors described in ARTICLE IV herein titled, “Risk Factors.”**

**ARTICLE II.  
BACKGROUND TO THE CHAPTER 11 CASE AND SUMMARY OF  
BANKRUPTCY PROCEEDINGS TO DATE**

**A. Description and History of the Debtor’s Business**

Prior to the Petition Date, the Debtor was a multibillion-dollar global alternative investment manager founded in 1993 by James Dondero and Mark Okada. A pioneer in the leveraged loan market, the firm evolved over twenty-five years, building on its credit expertise and value-based approach to expand into other asset classes.

As of the Petition Date, the Debtor operated a diverse investment platform, serving both institutional and retail investors worldwide. In addition to high-yield credit, the Debtor’s investment capabilities include public equities, real estate, private equity and special situations, structured credit, and sector- and region-specific verticals built around specialized teams. Additionally, the Debtor provided shared services to its affiliated registered investment advisers.

**B. The Debtor’s Corporate Structure**

The Debtor is headquartered in Dallas, Texas. The Debtor itself is a Delaware limited partnership and one of the principal operating arms of the Debtor’s business. As of the Petition Date, the Debtor employed approximately 76 people, including executive-level management employees, finance and legal staff, investment professionals, and back-office accounting and administrative personnel.

Pursuant to various contractual arrangements, the Debtor, as of the Petition Date, provided money management and advisory services for approximately \$2.5 billion of assets under management shared services for approximately \$7.5 billion of assets managed by a variety of affiliated and unaffiliated entities, including other affiliated registered investment advisers. None of these affiliates filed for Chapter 11 protection. As of September 30, 2020, the Debtor provided money management and advisory services for approximately \$1.641 billion of assets under management and shared services for approximately \$7.136 billion of assets managed by a variety of affiliated and unaffiliated entities, including other affiliated registered investment advisers. Further, on the Petition Date, the value of the Debtor’s Assets was approximately

\$566.5 million. As of September 30, 2020, the total value of Debtor’s Assets totaled approximately \$328.3 million.

The drop in the value of the Debtor’s Assets and assets under management was caused, in part, by the COVID-19 global pandemic. Specifically, the decline was the result of, among other things, the drop in value of the Debtor’s assets generally, the loss of value in the Prime Accounts discussed below, the professional and other costs associated with the Chapter 11 Case, and the reserve of approximately \$59 million against a loan receivable listed as an asset.

<u>Asset</u>	<u>10/16/2019</u>	<u>9/30/2020</u>
Investments (FV)[1]	\$232,620,000	\$109,479,000
Investments (Equity)	\$161,819,000	\$101,213,000
Cash/Cash Equivalents	\$2,529,000	\$5,888,000
Management/Incentive Fees Receivable	\$2,579,000	\$3,350,000
Fixed Assets, net	\$3,754,000	\$2,823,000
Loan Receivables	\$151,901,000	\$93,445,000[2]
Other Assets	\$11,311,000	\$12,105,000
<b>Totals</b>	\$566,513,000	\$328,302,000

[1] Includes decrease in value of assets, costs of Chapter 11 Cases, and assets sold to satisfy liabilities.

[2] Net of reserve of \$59 million.

The Debtor’s organizational chart is attached hereto as Exhibit B. The organizational chart is not all inclusive and certain entities have been excluded for the sake of brevity.

**C. Business Overview**

The Debtor’s primary means of generating revenue has historically been from fees collected for the management and advisory services provided to funds that it manages, plus fees generated for services provided to its affiliates. For additional liquidity, the Debtor, prior to the Petition Date, would sell liquid securities in the ordinary course held through its prime brokerage account at Jefferies, LLC (“Jefferies”), as described in additional detail below. The Debtor would also, from time to time, sell assets at non-Debtor subsidiaries and distribute those proceeds to the Debtor in the ordinary course of business. During calendar year 2018, the Debtor’s stand-alone annual revenue totaled approximately \$50 million. During calendar year 2019, the Debtor’s stand-alone revenue totaled approximately \$36.1 million.

**D. Prepetition Capital Structure**

1. Jefferies Margin Borrowings (Secured)

The Debtor is party to that certain *Prime Brokerage Customer Agreement* with Jefferies dated May 24, 2013 (the “Brokerage Agreement”). Pursuant to the terms of the Brokerage Agreement and related documents, the Debtor maintains a prime brokerage account with

Jefferies (the “Prime Account”). A prime brokerage account is a unique type of brokerage account that allows sophisticated investors to, among other things, borrow both money on margin to purchase securities and common stock to facilitate short positions. A prime brokerage account also serves as a custodial account and holds client securities in the prime broker’s street name.

As of the Petition Date, the Debtor held approximately \$57 million of equity in liquid and illiquid securities (the “Securities”) in the Prime Account. Pursuant to the Brokerage Agreement, the Debtor granted a lien in favor of Jefferies in the Securities and all of the proceeds thereof.

However, because of the economic distress caused by the COVID-19 global pandemic, the value of the Securities held in the Prime Account dropped since the Petition Date, and Jefferies has exerted significant pressure on the Debtor to liquidate the Securities to satisfy margin calls. As of September 30, 2020, the equity value of the Securities in the Prime Account was approximately \$23.3 million, and the Debtor owed no amounts to Jefferies. The Debtor has been actively selling Securities to cover operating expenses and professional fees.

2. The Frontier Bank Loan (Secured)

The Debtor and Frontier State Bank (“Frontier Bank”) are parties to that certain *Loan Agreement* dated as of August 17, 2015 (the “Original Frontier Loan Agreement”), pursuant to which Frontier Bank loaned to the Debtor the aggregate principal amount of \$9.5 million. On March 29, 2018, the Debtor and Frontier Bank entered into that certain First Amended and Restated Loan Agreement (the “Amended Frontier Loan Agreement”), amending and superseding the Original Frontier Loan Agreement. Pursuant to the Amended Frontier Loan Agreement, Frontier Bank made an additional \$1 million loan to the Debtor (together with the borrowings under the Original Frontier Loan Agreement, the “Frontier Loan”). The Frontier Loan matures on August 17, 2021.

Pursuant to that certain Security and Pledge Agreement dated August 17, 2015, between Frontier Bank and the Debtor, as amended by the Amended Frontier Loan Agreement, the Debtor’s obligations under the Frontier Loan are secured by 171,724 shares of voting common stock of MGM Holdings, Inc. (collectively, the “Frontier Collateral”).

The aggregate principal balance of the Frontier Loan was approximately \$5.2 million. As of September 30, 2020, the value of the Frontier Collateral was approximately \$13.1 million, and approximately \$318,000 in postpetition interest had accrued.

3. Other Unsecured Obligations

As discussed below, the Plan provides for four Classes of unsecured claims: (i) PTO Claims, (ii) the Convenience Claims, (iii) the General Unsecured Claims, and (iv) the Subordinated Claims.

The Debtor has various substantial litigation claims asserted against it, which have been classified as General Unsecured Claims. In addition, as of the Petition Date, the Debtor had ordinary course trade debt, unaccrued employee bonus obligations and loan repayment, and

contractual commitments to various affiliated and unaffiliated non-Debtor entities for capital calls, contributions, and other potential reimbursement or funding obligations that were potentially in the tens of millions of dollars. The Debtor is still assessing these claims and its liability for such amounts. These Claims have been classified as Convenience Claims and Subordinated Claims.

#### 4. Equity Interests

The Debtor is a Delaware limited partnership. As of the Petition Date, the Debtor had three classes of limited partnership interest (Class A, Class B, and Class C). The Class A interests were held by The Dugaboy Investment Trust, Mark Okada, personally and through family trusts, and Strand, the Debtor's general partner. The Class B and C interests were held by Hunter Mountain.

In the aggregate, the Debtor's limited partnership interests were held: (a) 99.5% by Hunter Mountain; (b) 0.1866% by The Dugaboy Investment Trust, (c) 0.0627% by Mark Okada, personally and through family trusts, and (d) 0.25% by Strand.

#### **E. SEC Filings**

The Debtor is an investment adviser registered with the SEC as required by the Investment Advisers Act of 1940. As a registered investment adviser, the Debtor is required to file (at least annually) a Form ADV. The Debtor's current Form ADV is available at <https://adviserinfo.sec.gov/>.

Following the Effective Date, it is anticipated that the Reorganized Debtor will maintain its registration with the SEC as a registered investment adviser.

#### **F. Events Leading Up to the Debtor's Bankruptcy Filings**

The Chapter 11 Case was precipitated by the rendering of an Arbitration Award (as that term is defined below) against the Debtor on May 9, 2019, by a panel of the American Arbitration Association (the "Panel"), in favor of the Redeemer Committee of the Highland Crusader Fund (the "Redeemer Committee").

The Debtor was formerly the investment manager for the Highland Crusader Funds (the "Crusader Funds") that were formed between 2000 and 2002. In September and October 2008, as the financial markets in the United States began to fail, the Debtor was flooded with redemption requests from Crusader Funds' investors, as the Crusader Funds' assets lost significant value.

On October 15, 2008, the Debtor placed the Crusader Funds in wind-down, thereby compulsorily redeeming the Crusader Funds' limited partnership interests. The Debtor also declared that it would liquidate the Crusader Funds' remaining assets and distribute the proceeds to investors.

However, disputes concerning the distribution of the assets arose among certain investors. After several years of negotiations, a Joint Plan of Distribution of the Crusader Funds

(the “Crusader Plan”), and the Scheme of Arrangement between Highland Crusader Fund and its Scheme Creditors (the “Crusader Scheme”), were adopted in Bermuda and became effective in August 2011. As part of the Crusader Plan and the Crusader Scheme, the Redeemer Committee was elected from among the Crusader Funds’ investors to oversee the Debtor’s management of the Crusader Funds.

Between October 2011 and January 2013, in accordance with the Crusader Plan and the Crusader Scheme, the Debtor distributed in excess of \$1.2 billion to the Crusader Funds’ investors. The Debtor distributed a further \$315.3 million through June 2016.

However, disputes subsequently arose between the Redeemer Committee and the Debtor. On July 5, 2016, the Redeemer Committee (a) terminated and replaced the Debtor as investment manager of the Crusader Fund, (b) commenced an arbitration against the Debtor (the “Arbitration”), and (c) commenced litigation in Delaware Chancery Court, to, among other things, obtain a status quo order in aid of the arbitration, which order was subsequently entered.

Following an evidentiary hearing, the Panel issued (a) a *Partial Final Award*, dated March 6, 2019 (the “March Award”), (b) a *Disposition of Application for Modification of Award*, dated March 14, 2019 (the “Modification Award”), and (c) a *Final Award*, dated May 9, 2019 (the “Final Award”) and together with the March Award and the Modification Award, the “Arbitration Award”). Pursuant to the Arbitration Award, the Redeemer Committee was awarded gross damages against the Debtor in the aggregate amount of \$136,808,302; as of the Petition Date, the total value of the Arbitration Award was \$190,824,557, inclusive of interest

Prior to the Petition Date, the Redeemer Committee moved in the Chancery Court to confirm the Arbitration Award. For its part, the Debtor moved to vacate parts of the Final Award contending that certain aspects were procedurally improper. The Redeemer Committee’s motion to confirm the Arbitration Award and the Debtor’s motion to vacate were fully briefed and were scheduled to be heard by the Chancery Court on the day the Debtor filed for bankruptcy

On the Petition Date, the Debtor believed that the aggregate value of its assets exceeded the amount of its liabilities; however, the Debtor filed the Chapter 11 Case because it did not have sufficient liquidity to immediately satisfy the Award or post a supersedeas bond necessary to pursue an appeal.

### **G. Additional Prepetition Litigation**

In addition to the litigation with the Redeemer Committee described above, the Debtor, both directly and through certain subsidiaries, affiliates, and related entities, was party to substantial prepetition litigation. Although the Debtor disputes the allegations raised in this litigation and believes it has substantial defenses, this litigation has resulted in substantial Claims against the Debtor’s Estate, each of which has been classified as a General Unsecured Claim. To the extent that these litigation Claims cannot be resolved consensually, they will be litigated by the Claimant Trustee or Reorganized Debtor, as applicable. The Debtor’s major prepetition litigation is as follows:

- Redeemer Committee: The dispute with the Redeemer Committee is described in ARTICLE II.F above. As discussed in ARTICLE II.R, the Bankruptcy Court entered an order approving a settlement that resolves the Redeemer Committee's claims against the Estate; however, that order is currently subject to appeal.
- Acis Capital Management, L.P., & Acis Capital Management GP, LLC: On January 30, 2018, Joshua Terry filed involuntary bankruptcy petitions against both Acis Capital Management, L.P. ("Acis LP") and its general partner, Acis Capital Management GP, LLC ("Acis GP," and collectively with Acis LP, "Acis") in the Bankruptcy Court for the Northern District of Texas, Dallas Division, the Honorable Judge Jernigan presiding (the same judge presiding over the Chapter 11 Case), Case No. 18-30264-SGJ (the "Acis Case"). Mr. Terry had been an employee of the Debtor and a limited partner of Acis LP. Mr. Terry was terminated in June 2016, and obtained a multi-million dollar arbitration award against Acis. Overruling various objections, the Bankruptcy Court entered the orders for relief for the Acis debtors in April 2018, and a chapter 11 trustee was appointed. The Debtor filed a proof of claim against Acis and an administrative claim. Acis disputes the Debtor's claim, and the Debtor has not received any distributions on its claim to date. On January 31, 2019, Acis's chapter 11 plan was confirmed, and Mr. Terry become the sole owner of reorganized Acis. Several appeals remain pending, including an appeal of the entry of the Acis orders for relief and the Acis confirmation order.

The Acis trustee commenced a lawsuit against the Debtor, among others, alleging fraudulent conveyance and other causes of action in relation to the Debtor's alleged prepetition effort to control and transfer away Acis's assets to avoid paying Mr. Terry's claim. After the confirmation of the Acis plan, reorganized Acis allegedly supplanted the Acis Trustee as plaintiff and filed an amended complaint against the Debtor and other defendants, which claims comprise Acis's pending proof of claim against the Debtor.

As discussed in ARTICLE II.R, the Bankruptcy Court entered an order approving a settlement that resolves Acis's claims against the Estate; however, that order is currently subject to appeal.

- UBS Securities LLC and UBS AG London Branch: UBS Securities LLC ("UBS Securities") filed a proof of claim in the amount of \$1,039,957,799.40 [Claim No. 190] (the "UBS Securities Claim"), and UBS AG, London Branch ("UBS London," and together with UBS Securities, "UBS") filed a substantively identical proof of claim in the amount of \$1,039,957,799.40 [Claim No. 191] (the "UBS London Claim" and together with the UBS Securities Claim, the "UBS Claim"). The UBS Claim was based on the amount of a judgment UBS received on a breach of contract claim against funds related to the Debtor that were unable to honor margin calls in 2008. Although the Debtor had no obligation under UBS's contracts with the funds, UBS alleges the Debtor is liable for the judgment because it (i) breached an alleged duty to ensure that the funds could pay UBS, (ii) caused or permitted \$233 million in alleged fraudulent transfers to be made by

Highland Financial Partners, L.P. (“HFP”) in March 2009, and (iii) is an alter ego of the funds. The Debtor believes there are meritorious defenses to most, if not all, of the UBS Claim for numerous reasons, including: (i) decisions by the New York Appellate Division that limited UBS’s claims to the March 2009 transfers that it alleges were fraudulent; (ii) those decisions should also apply to any alter ego claim (which at this time has not been formally asserted against the Debtor); (iii) UBS settled claims relating to \$172 million of the \$233 million in alleged fraudulent transfers and the Debtor is covered by the release; and (iv) the March 2009 transfers were in any event part of a wholly legitimate transaction that did not target UBS and for which HFP received fair consideration. Those and several additional defenses are described in the *Debtor’s Objection to Proofs of Claim 190 and 191 of UBS Securities LLC and UBS AG, London Branch* [D.I. 928].

On October 19, 2020, both the Debtor and the Redeemer Committee filed motions seeking partial summary judgment of the UBS Claim, which, if granted, will significantly decrease the UBS Claim.<sup>5</sup> UBS responded to these motions on November 6, 2020 [D.I. 1341]. On November 20, 2020, the Bankruptcy Court granted partial summary judgment in favor of the Debtor and the Redeemer Committee. It is anticipated that the Bankruptcy Court will enter a formal order within the next couple of weeks.

- Patrick Daugherty: Patrick Daugherty has Filed a Proof of Claim for “at least \$37,483,876.62” [Claim Nos. 67; 77] (the “Daugherty Claim”).<sup>6</sup> Mr. Daugherty is a former limited partner and employee of the Debtor. The Daugherty Claim has three components, and Mr. Daugherty asserts claims: (1) for indemnification for any taxes Mr. Daugherty is required to pay as a result of the IRS audit of the Debtor’s 2008-2009 tax return; (2) for defamation arising from a 2017 press release posted by the Debtor; and (3) arising from a pending Delaware lawsuit against the Debtor, which seeks to recover a judgment of \$2.6 million in respect of Highland Employee Retention Assets (“HERA”), plus interest, from assets Mr. Daugherty claims were fraudulently transferred to the Debtor. The Daugherty Claim also seeks (a) the value of Mr. Daugherty’s asserted interest in HERA, which he values at approximately \$26 million; and (b) indemnification for fees incurred in the Delaware action and in previous litigation in Texas State Court. The Debtor believes that the Daugherty Claim should be allowed in the amount of

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<sup>5</sup> See *Debtor’s Motion for Partial Summary Judgment on Proof of Claim Nos. 190 and 191 of UBS Securities LLC and UBS AG, London Branch* [D.I. 1180]; *Debtor’s Opening Brief in Support of Motion for Partial Summary Judgment on Proof of Claim Nos. 190 and 191 of UBS Securities LLC and UBS AG, London Branch* [D.I. 1181]; *Redeemer Committee of the Highland Crusader Fund and the Crusaders Funds’ Motion for Partial Summary Judgment on Proof of Claim Nos. 190 and 191 of UBS AG, London Branch and UBS Securities LLC* [D.I. 1183]; and *Redeemer Committee of the Highland Crusader Fund and the Crusaders Funds’ Brief in Support of Motion for Partial Summary Judgment and Joinder in the Debtor’s Motion for Partial Summary Judgment on Proof of Claim No. 190 and 191 of UBS AG, London Branch and UBS Securities LLC* [D.I. 1186].

<sup>6</sup> On October 23, 2020, Mr. Daugherty filed *Patrick Hagaman Daugherty’s Motion for Leave to Amend Proof of Claim No. 77* [D.I. 1280] pursuant to which Mr. Daugherty has asked leave to amend the Daugherty Claim to assert damages of \$40,710,819.42. On November 17, 2020, the Bankruptcy Court approved Mr. Daugherty’s request to amend the Daugherty Claim from the bench.

\$3,722,019; however, the Debtor believes, for various reasons, that the balance of the Daugherty Claim lacks merit. The Debtor's defenses to the Daugherty Claim are described in the *Debtor's (i) Objection to Claim No. 77 of Patrick Hagaman Daugherty and (ii) Complaint to Subordinate Claim of Patrick Hagaman Daugherty* [D.I. 1008].

## **H. The Debtor's Bankruptcy Proceeding**

On October 16, 2019, the Debtor commenced a voluntary case under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "Delaware Bankruptcy Court"). On December 4, 2019, the Delaware Bankruptcy Court entered an order transferring venue of the Chapter 11 Case to the Bankruptcy Court for the Northern District of Texas, Dallas Division (the "Bankruptcy Court").<sup>7</sup> The Debtor continues to operate its business and manage its properties as debtor-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

An immediate effect of commencement of the Chapter 11 Case was the imposition of the automatic stay under the Bankruptcy Code which, with limited exceptions, enjoins the commencement or continuation of all collection efforts, the enforcement of liens against property of the Debtor, and the continuation of litigation against the Debtor during the pendency of the Chapter 11 Case. The automatic stay will remain in effect, unless modified by the Bankruptcy Court, until the later of the Effective Date and the date indicated in any order providing for the implementation of such stay or injunction.

## **I. First Day Relief**

On or about the Petition Date, the Debtor filed certain "first day" motions and applications (the "First Day Motions") with the Delaware Bankruptcy Court seeking certain immediate relief to aid in the efficient administration of this Chapter 11 Case and to facilitate the Debtor's transition to debtor-in-possession status. A brief description of each of the First Day Motions and the evidence in support thereof is set forth in the *Declaration of Frank Waterhouse in Support of First Day Motions* [D.I. 11] (the "First Day Declaration"). At a hearing on October 19, 2019, the Delaware Bankruptcy Court granted virtually all of the relief initially requested in the First Day Motions [D.I. 39, 40, 42-44].

The Delaware Bankruptcy Court subsequently entered an order authorizing the Debtor to pay critical vendor claims on a final basis [D.I. 168]. Following the transfer of the Chapter 11 Case to the Bankruptcy Court, the Bankruptcy Court entered an order authorizing the Debtor to continue its cash management system on a final basis [D.I. 379].

The First Day Motions, the First Day Declaration, and all orders for relief granted in this case can be viewed free of charge at <https://www.kccllc.net/hcmlp>.

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<sup>7</sup> All docket reference numbers refer to the docket maintained by the Bankruptcy Court.

## J. Other Procedural and Administrative Motions

On and after the Petition Date, the Debtor also filed a number of motions and applications to retain professionals and to streamline the administration of the Chapter 11 Case, including:

- Interim Compensation Motion. On October 29, 2019, the Debtor filed the *Debtor's Motion Pursuant o Sections 105(a), 330 and 331 of the Bankruptcy Code for Administrative Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals* [D.I. 72] (the "Interim Compensation Motion"). The Interim Compensation Motion sought to establish procedures for the allowance and payment of compensation and reimbursement of expenses for attorneys and other professionals whose retentions are approved by the Bankruptcy Court pursuant to section 327 or 1103 of the Bankruptcy Code and who will be required to file applications for allowance of compensation and reimbursement of expenses pursuant to section 330 and 331 of the Bankruptcy Code. On November 14, 2019, the Delaware Bankruptcy Court entered an order granting the Interim Compensation Motion [D.I. 141].
- Ordinary Course Professionals. On October 29, 2019, the Debtor filed the Motion of the Debtor for an Order Authorizing the Debtor to Retain, Employ, and Compensate Certain Professionals Utilized by the Debtor in the Ordinary Course of Business [D.I. 75] (the "OCP Motion"). The OCP Motion sought authority for the Debtor to retain and compensate certain professionals in the ordinary course of its business. On November 26, 2019, the Delaware Bankruptcy Court entered an order granting the OCP Motion [D.I. 176].
- Retention Applications. During the course of the chapter 11 case, the Delaware Bankruptcy Court or Bankruptcy Court, as applicable, have approved a number of applications by the Debtor seeking to retain certain professionals pursuant to sections 327, 328 and/or 363 of the Bankruptcy Code, including Pachulski Stang Ziehl & Jones LLP as legal counsel [D.I. 183], Development Specialists, Inc. as chief restructuring officer and financial advisor [D.I. 342], Kurtzman Carson Consultants LLC as administrative advisor [D.I. 74], Mercer (US) Inc. as compensation consultant [D.I. 381], Hayward & Associates PLLC as local counsel [D.I. 435], Foley Gardere, Foley & Lardner LLP as special Texas counsel [D.I. 513], Deloitte Tax LLP as tax services provider [D.I. 551], Wilmer Cutler Pickering Hale and Dorr LLP as regulatory and compliance counsel [D.I. 669], and Hunton Andrews Kurth LLP as special tax counsel [D.I. 763].

## K. United States Trustee

While the Chapter 11 Case was pending in the Delaware Bankruptcy Court, the U.S. Trustee for Region 3 appointed Jane Leamy as the attorney for the U.S. Trustee in connection with this Chapter 11 Case (the "Delaware U.S. Trustee"). Following the transfer of the Chapter 11 Case to the Bankruptcy Court, the Delaware U.S. Trustee no longer represented the U.S. Trustee, and the U.S. Trustee for Region 6 appointed Lisa Lambert as the attorney for the U.S. Trustee in connection with this Chapter 11 Case (the "Texas U.S. Trustee," and together with the

Delaware U.S. Trustee, the “U.S. Trustee”). The Debtor has worked cooperatively to address concerns and comments from the U.S. Trustee’s office during this Chapter 11 Case.

**L. Appointment of Committee**

On October 29, 2019, the Delaware U.S. Trustee appointed the Committee in this Chapter 11 Case [D.I. 65]. The members of the Committee are (a) Redeemer Committee of Highland Crusader Fund, (b) Meta-e Discovery, (c) UBS Securities LLC and UBS AG London Branch, and (d) Acis Capital Management, L.P. and Acis Capital Management GP, LLP. Meta-E Discovery is a vendor to the Debtor. The other members of the Committee are litigants in prepetition litigation with the Debtor as described in ARTICLE II.G. The Bankruptcy Court approved the retention of Sidley Austin LLP as counsel to the Committee [D.I. 334], Young Conaway Stargatt & Taylor, LLP as Delaware co-counsel to the Committee [D.I. 337], and FTI Consulting, Inc. as financial advisor to the Committee [D.I. 336].

**M. Meeting of Creditors**

The meeting of creditors under section 341(a) of the Bankruptcy Code was initially scheduled for November 20, 2019, at 9:30 a.m. (prevailing Eastern Time) at the J. Caleb Boggs Federal Building, 844 N. King Street, Room 3209, Wilmington, Delaware 19801, and was rescheduled to December 3, 2019, at 10:30 a.m. (prevailing Eastern Time). At the meeting of creditors, the Delaware U.S. Trustee and creditors asked questions of a representative of the Debtor.

Following the transfer of the Chapter 11 Case to the Bankruptcy Court, the Texas U.S. Trustee scheduled an additional meeting of creditors under section 341(a) for January 9, 2020, at 11:00 a.m. (prevailing Central Time) at the Office of the U.S. Trustee, 1100 Commerce Street, Room 976, Dallas, Texas 75242, at the conclusion of that meeting, the Texas U.S. Trustee continued the meeting to January 22, 2020. The Texas U.S. Trustee and creditors asked questions of a representative of the Debtor at the January 9 and January 22, 2020 meetings.

**N. Schedules, Statements of Financial Affairs, and Claims Bar Date**

The Debtor filed its Schedules of Assets and Liabilities and Statements of Financial Affairs (the “Schedules”) on December 19, 2019 [D.I. 247-248]. A creditor whose Claim is set forth in the Schedules and not identified as contingent, unliquidated or disputed may have elected to file a proof of claim against the Debtor.

The Bankruptcy Court established (i) April 8, 2020 as the deadline for Creditors (other than governmental units) to file proofs of claim against the Debtor; (ii) April 13, 2020, as the deadline for any governmental unit (as such term is defined in section 101(27) of the Bankruptcy Code), (iii) April 23, 2020, and as the deadline for any investors in any fund managed by the Debtor to file proofs of claim against the Debtor; and (iv) May 26, 2020 as the deadline for the Debtor’s employees to file proofs of claim against the Debtor pursuant to and accordance with Court’s order entered on April 3, 2020 [D.I. 560].<sup>8</sup> Consequently, the bar date for filing proofs

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<sup>8</sup> During the course of its Chapter 11 Case, the Debtor entered into stipulations to extend the Bar Date for certain other claimants or potential claimants.

of claims has passed and any claims filed after the applicable bar date will be considered late filed.

#### **O. Governance Settlement with the Committee**

On January 9, 2020, the Bankruptcy Court entered the *Order Approving Settlement with Official Committee of Unsecured Creditors Regarding Governance of the Debtor and Procedures for Operations in the Ordinary Course* [D.I. 339] (the “Settlement Order”).

Among other things, the Settlement Order approved a term sheet (the “Term Sheet”) agreed to by the Debtor and the Committee pursuant to which the Debtor agreed to abide by certain protocols governing the production of documents and certain protocols governing the operation of the Debtor’s business (the “Operating Protocols”). Under the Operating Protocols, the Debtor agreed to seek consent from the Committee prior to entering into certain “Transactions” (as defined in the Operating Protocols. The Operating Protocols were amended on February 21, 2020, with the consent of the Committee [D.I. 466].

Pursuant to the Term Sheet, the Debtor also granted the Committee standing to pursue certain estate claims and causes of action against Mr. Dondero, Mr. Okada, other insiders of the Debtor, and the Related Entities (as defined in the Operating Protocols) (collectively, the “Estate Claims”). To the extent permitted, the Estate Claims and the ability to pursue the Estate Claims are being transferred to either the Claimant Trust or Litigation Sub-Trust pursuant to the Plan.

In connection with the Settlement Order, an independent board of directors was also appointed at Strand, the Debtor’s general partner (the “Independent Board”). The members of the Independent Board are John S. Dubel, James P. Seery, Jr., and Russell Nelms. The Independent Board was tasked with managing the Debtor’s operations during the Chapter 11 Case and facilitating a reorganization or orderly liquidation of the Debtor’s Estate.

#### **P. Appointment of James P. Seery, Jr., as Chief Executive Officer and Chief Restructuring Officer**

Following their appointment in January 2020, the Independent Board determined that it would be more efficient for the Debtor to have a traditional corporate management structure, i.e. a fully engaged chief executive officer supervised by the Independent Board. The Independent Board ultimately determined that Mr. Seery – a member of the Independent Board – had the requisite experience and expertise to lead the Debtor. On June 23, 2020, the Debtor filed *Debtor’s Motion Under Bankruptcy Code Sections 105(a) and 363(b) for Authorization to Retain James P. Seery, Jr., as Chief Executive Officer, Chief Restructuring Officer and Foreign Representative Nunc Pro Tunc to March 15, 2020* [D.I. 774] (the “Seery Retention Motion”) to retain Mr. Seery as chief executive officer, chief restructuring officer, and foreign representative.

The Bankruptcy Court entered an order approving the Seery Retention Motion on July 16, 2020 [D.I. 854]. Mr. Seery was retained as the Debtor’s chief executive officer and the duties of Bradley Sharp of DSI as the Debtor’s chief restructuring officer and foreign representative were transferred to Mr. Seery.

## **Q. Mediation**

On August 3, 2020, the Bankruptcy Court entered the *Order Directing Mediation* [D.I. 912] pursuant to which the Bankruptcy Court ordered the Debtor, the Committee, UBS, Acis, the Redeemer Committee, and Mr. Dondero into mediation and appointed Sylvia Mayer and Allan Gropper as the mediators (the “Mediators”). The mediation began on August 27, 2020, and is still open as of the date of this Disclosure Statement

## **R. Postpetition Settlements**

### **1. Settlement with Acis and the Terry Parties**

With the assistance of the Mediators, on September 9, 2020, (i) the Debtor, (ii) Acis LP, (iii) Acis GP, and (iv) Joshua N. Terry, individually and for the benefit of his individual retirement accounts, and Jennifer G. Terry, individually and for the benefit of her individual retirement accounts and as trustee of the Terry Family 401-K Plan (together, the “Terry Parties”) executed that certain Settlement Agreement and General Release. On September 23, 2020, the Debtor filed the *Debtor’s Motion for Entry of an Order Approving Settlement with (a) Acis Capital Management, L.P. and Acis Capital Management GP LLC (Claim No. 23), (b) Joshua N. Terry and Jennifer G. Terry (Claim No. 156), and (c) Acis Capital Management, L.P. (Claim No. 159) and Authorizing Actions Consistent Therewith* [D.I. 1087] (the “Acis Settlement Motion”).

The Settlement Agreement and General Release contain the following material terms, among others:

- The proof of claim filed by Acis [Claim No. 23] will be Allowed in the amount of \$23,000,000 as a General Unsecured Claim.
- On the Effective Date of the Plan (or any other plan of reorganization confirmed by the Bankruptcy Court), the Debtor will pay in cash to:
  - Mr. and Mrs. Terry in the amount of \$425,000 plus 10% simple interest (calculated on the basis of a 360-day year from and including June 30, 2016), in full and complete satisfaction of the proof of claim filed by the Terry Parties [Claim No. 156];
  - Acis LP in the amount of \$97,000, which amount represents the legal fees incurred by Acis LP with respect to the *NWCC, LLC v. Highland CLO Management, LLC, et al.*, Index No. 654195/2018 (N.Y. Sup. Ct. 2018), in full and complete satisfaction of the proof of claim filed by Acis LP [Claim No. 159]; and
  - Mr. Terry in the amount of \$355,000 in full and complete satisfaction of the legal fees assessed against Highland CLO Funding, Ltd., in *Highland CLO Funding v. Joshua Terry*, [No Case Number], pending in the Royal Court of the Island of Guernsey;

The Settlement Agreement also provides that within five days of the Bankruptcy Court's approval of the Settlement Agreement and the General Release, the Debtor will move to withdraw, with prejudice, the proofs of claim that the Debtor filed in the Acis bankruptcy cases and the motion filed by the Debtor in the Acis bankruptcy cases seeking an administrative claim for postpetition services provided to Acis.

On October 5, 2020, James Dondero filed an objection to the Acis Settlement Motion [D.I. 1121] (the "Dondero Objection"). On October 28, 2020, the Bankruptcy Court entered an order approving the Acis Settlement Motion and overruling the Dondero Objection in its entirety [D.I. 1347]. On November 9, 2020, Mr. Dondero filed a notice of his intent to appeal the order approving the Acis Settlement Motion.

The foregoing is a summary only, and all parties are encouraged to review the Acis Settlement Motion and related documents for additional information on the Settlement Agreement and General Release.

## 2. Settlement with the Redeemer Committee

The Debtor, Eames, Ltd., the Redeemer Committee, and the Crusader Funds (collectively, the "Settling Parties") executed a settlement (the "Redeemer Stipulation"). The Redeemer Stipulation was also executed, solely with respect to paragraphs 10 through 15 thereof, by Hockney, Ltd., Strand, Highland CDO Opportunity Master Fund, L.P., Highland Credit Strategies Master Fund, L.P., Highland Credit Opportunities CDO, L.P., House Hanover, LLC, and Alvarez & Marsal CRF Management, LLC (collectively, the "Additional Release Parties"). On September 23, 2020, the Debtor filed *Debtor's Motion for Entry of an Order Approving Settlements with (A) the Redeemer Committee of the Highland Crusader Funds (Claim No. 72), and (B) the Highland Crusader Funds (Claim No. 81), and Authorizing Actions Consistent Therewith* [D.I. 1089] seeking approval of the Redeemer Stipulation (the "Redeemer Settlement Motion").

The Redeemer Stipulation contains the following material terms, among others:

- The proof of claim filed by the Redeemer Committee [Claim No. 72] will be Allowed in the amount of \$137,696,610 as a General Unsecured Claim;
- The proof of claim filed by the Crusader Funds [Claim No. 81] will be Allowed in the amount of \$50,000 as a General Unsecured Claim;
- The Debtor and Eames, Ltd., each (a) consented to the cancellation of certain interests in the Crusader Funds held by them, and (b) agreed that they will not object to the cancellation of certain interests in the Crusader Funds held by the Charitable Donor Advised Fund;4
- The Debtor and Eames each acknowledged that they will not receive any portion of certain reserved distributions, and the Debtor further acknowledged that it will not receive any payments from the Crusader Funds in respect of any deferred fees, distribution fees, or management fees;

- The Debtor and the Redeemer Committee agreed to a form of amendment to the shareholders' agreement for Cornerstone Healthcare Group and to a process to monetize Cornerstone Healthcare Group;
- Upon the effective date of the Redeemer Stipulation, the Settling Parties and the Additional Release Parties shall exchange releases as set forth in the Redeemer Stipulation; and
- All litigation between the Debtor, Eames, Ltd., and the Additional Highland Release Parties (as defined in the Redeemer Stipulation) on the one hand, and the Redeemer Committee and the Crusader Funds, on the other hand, will cease.

On October 16, 2020, UBS filed an objection to the Redeemer Settlement Motion [D.I. 1190] (the "UBS Objection"). On October 22, 2020, the Bankruptcy Court entered an order approving the Redeemer Settlement Motion and overruling the UBS Objection in its entirety [D.I. 1273]. On November 6, 2020, UBS filed a notice of its intent to appeal the order approving the Redeemer Settlement Motion.

The foregoing is a summary only, and all parties are encouraged to review the Redeemer Settlement Motion and related documents for additional information on the Redeemer Stipulation.

## **S. Certain Outstanding Material Claims**

As discussed above, April 8, 2020, was the general bar date for filing proofs of claim. The Debtor has begun the process of resolving those Claims. Although each Claim represents a potential liability of the Estate, the Debtor believes that, in addition to UBS's Claim, the Claims filed by Integrated Financial Associates, Inc. ("IFA"), the HarbourVest Entities,<sup>9</sup> and Hunter Mountain represent the largest unresolved Claims against the Estate.

- IFA Proof of Claim. IFA filed a proof of claim [Claim No. 93] (the "IFA Claim") seeking damages in the amount of \$241,002,696.73 arising from the purported joint control of the Debtor and NexBank, SSB, and the Debtor's management of various lenders to IFA. The Debtor believes that IFA's claim should be disallowed in its entirety. IFA's claim and the Debtor's defenses thereto are described in greater detail in the *Objection to Proof of Claim No. 93 of Integrated Financial Associates, Inc.* [D.I. 868]. On October 4, 2020, the Bankruptcy Court entered the *Order Approving Stipulation Regarding Proof of Claim No. 93 of Integrated Financial Associates, Inc.* [D.I. 1126], which capped the IFA Claim, for all purposes, at \$8,000,000.
- HarbourVest Entities Proofs of Claim. The HarbourVest Entities are investors in Highland CLO Funding, Ltd. ("HCLOF") and filed proofs of claim against the

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<sup>9</sup> "HarbourVest Entities" means HarbourVest 2017 Global Fund, L.P., HarbourVest 2017 Global AIF L.P., HarbourVest Dover Street IX Investment, L.P., HV International VIII Secondary L.P., HarbourVest Skew Base AIF L.P., and HarbourVest Partners, L.P.

Debtor's Estate [Claim No. 143, 147, 149, 150, 153, 154] (the "HarbourVest Claims"). The Debtor included an assertion of "no liability" in respect of the HarbourVest Claims in its Debtor's *First Omnibus Objection to Certain (a) Duplicate Claims; (b) Overstated Claims; (c) Late-Filed Claims; (d) Satisfied Claims; (e) No-Liability Claims; and (f) Insufficient Documentation Claims* [D.I. 906]. HarbourVest provided a response in its *HarbourVest Response to Debtor's First Omnibus Objection to Certain (A) Duplicate Claims; (B) Overstated Claims; (C) Late-Filed Claims; (D) Satisfied Claims; (E) No-Liability Claims; and (F) Insufficient-Documentation Claims* [D.I. 1057]. The HarbourVest Entities' response argued that the Debtor's objection should be overruled, and set forth allegations in support of claims under federal and state law and Guernsey law, including claims for fraud, violations of securities laws, breaches of fiduciary duties, and RICO violations. The Debtor intends to vigorously defend the HarbourVest Claims on various grounds, including, among others, the failure to state a claim upon which relief can be granted, the lack of reasonable reliance, the lack of misrepresentations, the lack of reasonable reliance, the failure to mitigate damages, the parties' agreements bar or otherwise limit the Debtor's liability, and waiver and estoppel. The HarbourVest Entities invested approximately \$80 million in HCLOF but seek an allowed claim in excess of \$300 million dollars (after giving effect to treble damages for the alleged RICO violations).

- Hunter Mountain Proof of Claim. Hunter Mountain is one of the Debtor's limited partners. Hunter Mountain filed a proof of claim [Claim No. 152] seeking a \$60,298,739 indemnification claim against the Debtor because of the Debtor's alleged failures to make priority distributions to Hunter Mountain under the Debtor's Partnership Agreement. The Debtor believes that it has meritorious defenses to Hunter Mountain's claim. Hunter Mountain's claim and the Debtor's defenses to such claim are described in greater detail in the *Debtor's (i) Objection to Claim No. 152 of Hunter Mountain Investment Trust and (ii) Complaint to Subordinate Claim of Hunter Mountain Investment Trust and for Declaratory Relief* [D.I. 995]. The Debtor believes that Hunter Mountain's proof of claim should either be disallowed in its entirety or subordinated in its entirety.

In addition to the foregoing, the UBS Claim (in the amount of \$1,039,957,799.40) and the Daugherty Claim (in the amount of \$40,710,819.42) remain outstanding. As set forth above, partial summary judgment on the UBS Claim was granted in favor of the Debtor and the Redeemer Committee on November 20, 2020, and a formal order is expected to be entered within the next couple of weeks.

The Daugherty Claim has been allowed for voting purposes only in the amount of \$9,134,019 [D.I. 1422]. In a bench ruling on November 20, 2020, the Bankruptcy Court allowed UBS Claims for voting purposes only in the amount of \$94,761,076 [D.I. 1646].

## **T. Treatment of Shared Service and Sub-Advisory Agreements**

As discussed in the Plan, the Reorganized Debtor will manage the wind down of the Managed Funds. However, it is not anticipated that either the Reorganized Debtor or the

Claimant Trust will assume or assume and assign the contracts between the Debtor and certain Related Entities<sup>10</sup> pursuant to which the Debtor provides shared services and sub-advisory services to those Related Entities.

Currently, the Debtor receives approximately \$2.2 million per month in revenue from such contracts. However, in order to service those contracts, the Debtor must maintain a full staff and the cost of providing services under such contracts, among other factors, has historically resulted in a net loss to the Debtor. As such, the Debtor does not believe that assuming these contracts would benefit the Estate.

Further, the contracts generally contain anti-assignment provisions which the Debtor believes may be enforceable under 11 U.S.C. § 365(c). These provisions, therefore, would arguably prevent the assignment of such contracts without the consent of the Debtor's contract counterparty. However, even if 11 U.S.C. § 365(c) would not prevent assignment, the contracts are generally terminable at will by either party. As such, assuming and assigning such contracts without the consent of the contract counterparty would be of nominal or no benefit to the Estate. It is doubtful that any assignee would provide consideration to the Debtor for the assignment of such contract as the contract counterparty could simply terminate the contract immediately following assignment. As such, the Debtor does not believe that there is any benefit to the Estate in attempting to assign these contracts.

Notwithstanding the foregoing disclosure, the Debtor is currently assessing whether it is both possible and in the best interests of the Estate to assume and assign such shared services and sub-advisory agreements to a Related Entity.

During the course of this Chapter 11 Case, Mr. Daugherty stated that he would be willing to assume the Debtor's obligations under the shared service and sub-advisory contracts. The Independent Directors reviewed Mr. Daugherty's proposal and for the foregoing reasons, among others, determined that it was not workable and would provide no benefit to the Estate.

#### **U. Portfolio Managements with Issuer Entities**

The Debtor is party to certain portfolio management agreements (including any ancillary agreements relating thereto collectively being the "Portfolio Management Agreements" and each a "Portfolio Management Agreement") with ACIS CLO 2017-7 Ltd., Brentwood CLO, Ltd., Gleneagles CLO, Ltd., Greenbriar CLO, Ltd., Highland CLO 2018-1, Ltd., Highland Legacy Limited, Highland Loan Funding V Ltd., Highland Park CDO I, Ltd., Pam Capital Funding LP, PamCo Cayman Ltd., Rockwall CDO II Ltd., Rockwall CDO Ltd., Southfork CLO Ltd., Stratford CLO Ltd., Westchester CLO, Ltd., Aberdeen Loan Funding, Ltd., Bristol Bay Funding Ltd. Eastland CLO, Ltd., Grayson CLO, Ltd., Highland Credit Opportunities CDO Ltd., Jasper CLO, Ltd., Liberty Cayman Holdings, Ltd., Liberty CLO, Ltd., Red River CLO, Ltd., Valhalla CLO, Ltd. (each an "Issuer" and collectively the "Issuers") wherein the Debtor agreed to generally provide certain services to each Issuer in the Debtor's capacity as a portfolio manager in exchange for certain fees as described in the applicable Portfolio Management Agreement.

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<sup>10</sup> For the avoidance of doubt, the Debtor does not consider any of the Issuers (as defined herein) to be a Related Entity.

The Issuers filed proofs of claim [Claim No. 165, 168, and 169] asserting claims against the Debtor for damages arising from, relating to or otherwise concerning (i) such Issuer's Portfolio Management Agreement(s) with the Debtor, including, without limitation, failure to perform or other breach of the Portfolio Management Agreement(s), rejection of the Portfolio Management Agreement(s), any cure amount as a result of assumption of the Portfolio Management Agreement(s), any adequate assurance of future performance as a result of assumption of the Portfolio Management Agreement(s), and any failure to provide and pay for indemnification or other obligations under the Portfolio Management Agreement(s); and (ii) the action or inaction of the Debtor to the detriment of such Issuer (collectively, the "Issuer Claims"). The Debtor believes that it has satisfied its obligations to the Issuers; that the Issuer Claims lack merit; and that the Debtor will have no liability with respect to the Issuer Claims. However, such proofs of claim remain outstanding.

The Issuers have taken the position that the rejection of the Portfolio Management Agreements (including any ancillary documents) would result in material rejection damages and have encouraged the Debtor to assume such agreements. Nonetheless, the Issuers and the Debtor are working in good faith to address any outstanding issues regarding such assumption. The Portfolio Management Agreements may be assumed either pursuant to the Plan or by separate motion filed with the Bankruptcy Court.

The Debtor is still assessing its options with respect to the Portfolio Management Agreements, including whether to assume the Portfolio Management Agreements.

#### **V. Resignation of James Dondero**

On October 9, 2020, Mr. Dondero resigned as an employee and portfolio manager of the Debtor.

#### **W. Exclusive Periods for Filing a Plan and Soliciting Votes**

Under the Bankruptcy Code, a debtor has the exclusive right to file and solicit acceptance of a plan or plans of reorganization for an initial period of 120 days from the date on which the debtor filed for voluntary relief. If a debtor files a plan within this exclusive period, then the debtor has the exclusive right for 180 days from the petition date to solicit acceptances to the plan. During these exclusive periods, no other party in interest may file a competing plan of reorganization; however, a court may extend these periods upon request of a party in interest and "for cause."

The Debtor filed motions to extend the exclusive period, and the Bankruptcy Court entered the following orders granting such applications:

- Order Granting Debtor's Motion for Entry of an Order Pursuant to 11 U.S.C. § 1121(d) and Local Rule 3016-1 Extending the Exclusivity Periods for the Filing and Solicitation of Acceptances of a Chapter 11 Plan [D.I. 460];
- Agreed Order Extending Exclusive Periods by Thirty Days [D.I. 668];

- Order Granting Debtor’s Third Motion for Entry of an Order Pursuant to 11 U.S.C. § 1121(d) and Local Rule 3016-1 Further Extending the Exclusivity Periods for the Filing and Solicitation of Acceptances of a Chapter 11 Plan [D.I. 820]; and
- Order Further Extending the Debtor’s Exclusive Period for Solicitation of Acceptance of a Chapter 11 Plan [D.I. 1092].

Pursuant to the foregoing orders, the Bankruptcy Court extended the exclusivity period through June 12, 2020, for the filing of a plan, which was subsequently extended through July 13, 2020, and again through August 12, 2020. The Bankruptcy Court also extended the exclusivity period for the solicitation of votes to accept such plan through August 11, 2020, which was subsequently extended through September 10, 2020, and again through October 13, 2020, and December 4, 2020.

#### **X. Negotiations with Constituents**

The Debtor, Mr. Dondero, and certain of the creditors have been negotiating a consensual reorganization plan for the Debtor that contemplates the Debtor continuing its business largely in its current form. Those negotiations have yet to reach conclusion but are continuing, and the negotiations were part of the previously discussed mediation. There is no certainty that those negotiations will reach a consensual resolution of the Debtor’s bankruptcy case.

#### **Y. Highland Capital Management, L.P. Retirement Plan and Trust**

The Highland Capital Management, L.P. Retirement Plan And Trust (“Pension Plan”) is a single-employer defined benefit pension plan covered by Title IV of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). 29 U.S.C. §§ 1301-1461.

The Debtor is the contributing sponsor of the Pension Plan. As such, the PBGC asserts that Debtor is liable to contribute to the Pension Plan the amounts necessary to satisfy the minimum funding standards in ERISA and the Internal Revenue Code of 1986, as amended (“IRC”). *See* 29 U.S.C. §§ 1082, 1083; 26 U.S.C. §§ 412, 430. As the sponsor of the Pension Plan, the PBGC asserts Debtor is also liable for insurance premiums owed to PBGC. *See* 29 U.S.C. §§ 1306, 1307. The PBGC asserts that any members of the contributing sponsor’s controlled-group within the meaning of 29 U.S.C. §§ 1301(a)(13), (14) are also jointly and severally liable with the Debtor for such obligations relating to the Pension Plan.

The Pension Benefit Guaranty Corporation (“PBGC”), the federal agency that administers the pension insurance program under Title IV of ERISA, filed contingent proofs of claims against the Debtors for (1) the Pension Plan’s potential underfunded benefit liabilities; (2) the potential unliquidated unpaid minimum funding contributions owed to the Pension Plan; and (3) the potential unliquidated insurance premiums owed to PBGC. The PBGC acknowledges that, as of the date of this Disclosure Statement, there is nothing currently owed by the Debtor to the PBGC.

The Debtor reserves the right to contest any claims filed by the PBGC for any reason.

Upon the Effective Date, the Reorganized Debtor shall be deemed to have assumed the Pension Plan and shall comply with all applicable statutory provisions of ERISA and the Internal Revenue Code (the “IRC”), including, but not limited to, satisfying the minimum funding standards pursuant to 26 U.S.C. §§ 412, 430, and 29 U.S.C. §§ 1082, 1083; paying the PBGC premiums in accordance with 29 U.S.C. §§ 1306 and 1307; and administering the Pension Plan in accordance with its terms and the provisions of ERISA and the IRC. In the event that the Pension Plan terminates after the Plan of Reorganization Effective Date, the PBGC asserts that the Reorganized Debtor and each of its controlled group members will be responsible for the liabilities imposed by Title IV of ERISA.

No provision contained in the Disclosure Statement, the Plan, the Confirmation Order, or the Bankruptcy Code (including section 1141 thereof), shall be construed as discharging, releasing, exculpating, or relieving any person or entity, including the Debtor, the Reorganized Debtor, or any person or entity in any capacity, from any liability or responsibility, if any, with respect to the Pension Plan under any law, government policy, or regulatory provision. PBGC and the Pension Plan shall not be enjoined or precluded from enforcing such liability or responsibility against any person or entity as a result of any of the provisions for satisfaction, release, injunction, exculpation, and discharge of claims in the Plan, Confirmation Order, or the Bankruptcy Code.

**ARTICLE III.  
SUMMARY OF THE PLAN**

**THIS ARTICLE III IS INTENDED ONLY TO PROVIDE A SUMMARY OF THE MATERIAL TERMS OF THE PLAN AND IS QUALIFIED BY REFERENCE TO THE ENTIRE DISCLOSURE STATEMENT AND THE PLAN AND SHOULD NOT BE RELIED ON FOR A COMPREHENSIVE DISCUSSION OF THE PLAN. TO THE EXTENT THERE ARE ANY INCONSISTENCIES OR CONFLICTS BETWEEN THIS ARTICLE III AND THE PLAN, THE TERMS AND CONDITIONS SET FORTH IN THE PLAN SHALL CONTROL AND GOVERN.**

**A. Administrative and Priority Tax Claims**

**1. Administrative Expense Claims**

On the later of the Effective Date or the date on which an Administrative Expense Claim becomes an Allowed Administrative Expense Claim, or, in each such case, as soon as practicable thereafter, each Holder of an Allowed Administrative Expense Claim (other than Professional Fee Claims) will receive, in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Administrative Expense Claim either (i) payment in full in Available Cash for the unpaid portion of such Allowed Administrative Expense Claim; or (ii) such other less favorable treatment as agreed to in writing by the Debtor or the Reorganized Debtor, as applicable, and such Holder; *provided, however*, that Administrative Expense Claims incurred by the Debtor in the ordinary course of business may be paid in the ordinary course of business in the discretion of the Debtor in accordance with such applicable terms and conditions

relating thereto without further notice to or order of the Bankruptcy Court. All statutory fees payable under 28 U.S.C. § 1930(a) shall be paid as such fees become due.

If an Administrative Expense Claim (other than a Professional Fee Claim) is not paid by the Debtor in the ordinary course, the Holder of such Administrative Expense Claim must File, on or before the applicable Administrative Expense Claims Bar Date, and serve on the Debtor or Reorganized Debtor, as applicable, and such other Entities who are designated by the Bankruptcy Rules, the Confirmation Order or other order of the Bankruptcy Court, an application for allowance and payment of such Administrative Expense Claim.

Objections to any Administrative Expense Claim (other than a Professional Fee Claim) must be Filed and served on the Debtor or the Reorganized Debtor, as applicable, and the party asserting such Administrative Expense Claim by the Administrative Expense Claims Objection Deadline.

## 2. Professional Fee Claims

Professionals or other Entities asserting a Professional Fee Claim for services rendered through the Effective Date must submit fee applications under sections 327, 328, 329, 330, 331, 503(b) or 1103 of the Bankruptcy Code and, upon entry of an order of the Bankruptcy Court granting such fee applications, such Professional Fee Claim shall promptly be paid in Cash in full to the extent provided in such order.

Professionals or other Entities asserting a Professional Fee Claim for services rendered on or prior to the Effective Date must File, on or before the Professional Fee Claims Bar Date, and serve on the Debtor or Reorganized Debtor, as applicable, and such other Entities who are designated as requiring such notice by the Bankruptcy Rules, the Confirmation Order or other order of the Bankruptcy Court, an application for final allowance of such Professional Fee Claim.

Objections to any Professional Fee Claim must be Filed and served on the Debtor or Reorganized Debtor, as applicable, and the party asserting the Professional Fee Claim by the Professional Fee Claim Objection Deadline. Each Holder of an Allowed Professional Fee Claim will be paid by the Debtor or the Claimant Trust, as applicable, in Cash within ten (10) Business Days of entry of the order approving such Allowed Professional Fee Claim.

On the Effective Date, the Claimant Trustee shall establish the Professional Fee Reserve. The Professional Fee Reserve shall vest in the Claimant Trust and shall be maintained by the Claimant Trustee in accordance with the Plan and Claimant Trust Agreement. The Claimant Trust shall fund the Professional Fee Reserve on the Effective Date in an estimated amount determined by the Debtor in good faith prior to the Confirmation Date and that approximates the total projected amount of unpaid Professional Fee Claims on the Effective Date. Following the payment of all Allowed Professional Fee Claims, any excess funds in the Professional Fee Reserve shall be released to the Claimant Trust to be used for other purposes consistent with the Plan and the Claimant Trust Agreement.

3. Priority Tax Claims

On or as soon as reasonably practicable after the later of (i) the Initial Distribution Date if such Priority Tax Claim is an Allowed Priority Tax Claim as of the Effective Date or (ii) the date on which such Priority Tax Claim becomes an Allowed Priority Tax Claim, each Holder of an Allowed Priority Tax Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Priority Tax Claim, at the election of the Debtor: (a) Cash in an amount equal to the amount of such Allowed Priority Tax Claim, or (b) such other less favorable treatment as agreed to in writing by the Debtor and such Holder. Payment of statutory fees due pursuant to 28 U.S.C. § 1930(a)(6) will be made at all appropriate times until the entry of a final decree; *provided, however*, that the Debtor may prepay any or all such Claims at any time, without premium or penalty.

**B. Classification and Treatment of Classified Claims and Equity Interests**

1. Summary

All Claims and Equity Interests, except Administrative Expense Claims and Priority Tax Claims, are classified in the Classes set forth below. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims, and Priority Tax Claims have not been classified.

The categories of Claims and Equity Interests listed below classify Claims and Equity Interests for all purposes including, without limitation, confirmation and distribution pursuant to the Plan and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. The Plan deems a Claim or Equity Interest to be classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class and will be deemed classified in a different Class to the extent that any remainder of such Claim or Equity Interest qualifies within the description of such different Class. A Claim or Equity Interest is in a particular Class only to the extent that any such Claim or Equity Interest is Allowed in that Class and has not been paid, released or otherwise settled (in each case, by the Debtor or any other Entity) prior to the Effective Date.

**Summary of Classification and Treatment of Classified Claims and Equity Interests**

<b>Class</b>	<b>Claim</b>	<b>Status</b>	<b>Voting Rights</b>
1	Jefferies Secured Claim	Unimpaired	Deemed to Accept
2	Frontier Secured Claim	Impaired	Entitled to Vote
3	Other Secured Claims	Unimpaired	Deemed to Accept
4	Priority Non-Tax Claim	Unimpaired	Deemed to Accept
5	Retained Employee Claim	Unimpaired	Deemed to Accept
6	PTO Claims	Unimpaired	Deemed to Accept
7	Convenience Claims	Impaired	Entitled to Vote
8	General Unsecured Claims	Impaired	Entitled to Vote
9	Subordinated Claims	Impaired	Entitled to Vote
10	Class B/C Limited Partnership Interests	Impaired	Entitled to Vote
11	Class A Limited Partnership Interests	Impaired	Entitled to Vote

2. Elimination of Vacant Classes

Any Class that, as of the commencement of the Confirmation Hearing, does not have at least one Holder of a Claim or Equity Interest that is Allowed in an amount greater than zero for voting purposes shall be considered vacant, deemed eliminated from the Plan for purposes of voting to accept or reject the Plan, and disregarded for purposes of determining whether the Plan satisfies section 1129(a)(8) of the Bankruptcy Code with respect to such Class.

3. Impaired/Voting Classes

Claims and Equity Interests in Class 2 and Class 7 through Class 11 are Impaired by the Plan, and only the Holders of Claims or Equity Interests in those Classes are entitled to vote to accept or reject the Plan.

Please refer to “Distribution of Confirmation Hearing Notice and Solicitation Package to Holders of Claims and Equity Interests” and “Instructions and Procedures for Voting” in ARTICLE I.C.7 and ARTICLE I.C.8 for a discussion of how the how votes on the Plan will be solicited and tabulated.

4. Unimpaired/Non-Voting Classes

Claims in Class 1 and Class 3 through Class 6 are Unimpaired by the Plan, and such Holders are deemed to have accepted the Plan and are therefore not entitled to vote on the Plan.

5. Impaired/Non-Voting Classes

There are no Classes under the Plan that will not receive or retain any property and no Classes are deemed to reject the Plan.

6. Cramdown

If any Class of Claims or Equity Interests is deemed to reject the Plan or does not vote to accept the Plan, the Debtor may (i) seek confirmation of the Plan under section 1129(b) of the Bankruptcy Code or (ii) amend or modify the Plan in accordance with the terms of the Plan and the Bankruptcy Code. If a controversy arises as to whether any Claims or Equity Interests, or any class of Claims or Equity Interests, are Impaired, the Bankruptcy Court shall, after notice and a hearing, determine such controversy on or before the Confirmation Date.

**C. Classification and Treatment of Claims and Equity Interests**

1. Class 1 – Jefferies Secured Claim

- *Classification:* Class 1 consists of the Jefferies Secured Claim.
- *Treatment:* On or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Class 1 Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Class 1 Claim, at the election of the Debtor: (A) Cash equal to the amount of such Allowed Class 1 Claim; (B) such other less favorable treatment as to which the Debtor and the Holder of such Allowed Class 1 Claim will have agreed upon in writing; or (C) such other treatment rendering such Claim Unimpaired. Each Holder of an Allowed Class 1 Claim will retain the Liens securing its Allowed Class 1 Claim as of the Effective Date until full and final payment of such Allowed Class 1 Claim is made as provided herein.
- *Impairment and Voting:* Class 1 is Unimpaired, and the Holders of Class 1 Claims are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 1 Claims are not entitled to vote to accept or reject the Plan and will not be solicited.

2. Class 2 – Frontier Secured Claim

- *Classification:* Class 2 consists of the Frontier Secured Claim.
- *Treatment:* On or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Class 2 Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Class 2 Claim: (A) Cash in an amount equal to all accrued but unpaid interest on the Frontier Claim through and including the Effective Date and (B) the New Frontier Note. The Holder of an Allowed Class 2 Claim will retain the Liens securing its Allowed Class 2 Claim as of the Effective Date until full and final payment of such Allowed Class 2 Claim is made as provided herein.

- *Impairment and Voting:* Class 2 is Impaired, and the Holders of Class 2 Claims are entitled to vote to accept or reject the Plan.

The New Frontier Note will include the following terms: (i) an extension of the maturity date to December 31, 2022; (ii) quarterly interest only payments; (iii) a payment on the New Frontier Note equal to fifty percent of the outstanding principal on December 31, 2021, if the New Frontier Note is not paid in full on or prior to such date; (iv) mandatory prepayments from the proceeds of the sale of any collateral securing the New Frontier Note; and (v) the payment of fees and expenses incurred in negotiating the terms of the New Frontier Note.

3. Class 3 – Other Secured Claims

- *Classification:* Class 3 consists of the Other Secured Claims.
- *Allowance and Treatment:* On or as soon as reasonably practicable after the later of (i) the Initial Distribution Date if such Class 3 Claim is Allowed on the Effective Date or (ii) the date on which such Class 3 Claim becomes an Allowed Class 3 Claim, each Holder of an Allowed Class 3 Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, its Allowed Claim 3 Claim, at the option of the Debtor, or following the Effective Date, the Reorganized Debtor or Claimant Trustee, as applicable, (i) Cash equal to such Allowed Other Secured Claim, (ii) the collateral securing its Allowed Other Secured Claim, plus postpetition interest to the extent required under Bankruptcy Code Section 506(b), or (iii) such other treatment rendering such Claim Unimpaired.
- *Impairment and Voting:* Class 3 is Unimpaired, and the Holders of Class 3 Claims are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 3 Claims are not entitled to vote to accept or reject the Plan and will not be solicited.

4. Class 4 – Priority Non-Tax Claims

- *Classification:* Class 4 consists of the Priority Non-Tax Claims.
- *Allowance and Treatment:* On or as soon as reasonably practicable after the later of (i) the Initial Distribution Date if such Class 4 Claim is Allowed on the Effective Date or (ii) the date on which such Class 4 Claim becomes an Allowed Class 4 Claim, each Holder of an Allowed Class 4 Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, its Allowed Claim 4 Claim Cash equal to the amount of such Allowed Class 4 Claim.

- *Impairment and Voting:* Class 4 is Unimpaired, and the Holders of Class 4 Claims are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 4 Claims are not entitled to vote to accept or reject the Plan and will not be solicited.

5. Class 5 – Retained Employee Claims

- *Classification:* Class 5 consists of the Retained Employee Claims.
- *Allowance and Treatment:* On or as soon as reasonably practicable after the Effective Date, each Allowed Class 5 Claim will be Reinstated.
- *Impairment and Voting:* Class 5 is Unimpaired, and the Holders of Class 5 Claims are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 5 Claims are not entitled to vote to accept or reject the Plan and will not be solicited.

6. Class 6 – PTO Claims

- *Classification:* Class 6 consists of the PTO Claims.
- *Allowance and Treatment:* On or as soon as reasonably practicable after the later of (i) the Initial Distribution Date if such Class 6 Claim is Allowed on the Effective Date or (ii) the date on which such Class 6 Claim becomes an Allowed Class 6 Claim, each Holder of an Allowed Class 6 Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, its Allowed Claim 6 Claim Cash equal to the amount of such Allowed Class 6 Claim.
- *Impairment and Voting:* Class 6 is Unimpaired, and the Holders of Class 6 Claims are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 6 Claims are not entitled to vote to accept or reject the Plan and will not be solicited.

“PTO Claims” means any Claim for paid time off in favor of any Debtor employee in excess of the amount that would qualify as a Priority Non-Tax Claim under section 507(a)(4) of the Bankruptcy Code.

7. Class 7 – Convenience Claims

- *Classification:* Class 7 consists of the Convenience Claims.
- *Allowance and Treatment:* On or as soon as reasonably practicable after the later of (i) the Initial Distribution Date if such Class 7 Claim is

Allowed on the Effective Date or (ii) the date on which such Class 7 Claim becomes an Allowed Class 7 Claim, each Holder of an Allowed Class 7 Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, its Allowed Class 7 Claim (1) the treatment provided to Allowed Holders of Class 8 General Unsecured Claims if the Holder of such Class 7 Claim makes the GUC Election or (2) an amount in Cash equal to the lesser of (a) 85% of the Allowed amount of such Holder's Class 7 Claim or (b) such Holder's Pro Rata share of the Convenience Claims Cash Pool.

- *Impairment and Voting:* Class 7 is Impaired, and the Holders of Class 7 Claims are entitled to vote to accept or reject the Plan.

“*Convenience Claim*” means any prepetition, liquidated, and unsecured Claim against the Debtor that as of the Confirmation Date is less than or equal to \$1,000,000 or any General Unsecured Claim that makes the Convenience Class Election. For the avoidance of doubt, the Reduced Employee Claims will be Convenience Claims.

“*Convenience Claim Pool*” means the \$13,150,000 in Cash that shall be available upon the Effective Date for distribution to Holders of Convenience Claims under the Plan as set forth herein. Any Cash remaining in the Convenience Claim Pool after all distributions on account of Convenience Claims have been made will be transferred to the Claimant Trust and administered as a Claimant Trust Asset.

By making the GUC Election on their Ballots, each Holder of a Convenience Claim can elect the treatment provided to General Unsecured Claims.

8. *Class 8 – General Unsecured Claims*

- *Classification:* Class 8 consists of the General Unsecured Claims.
- *Treatment:* On or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Class 8 Claim, in full satisfaction, settlement, discharge and release of, and in exchange for, such Claim shall receive (i) its Pro Rata share of the Claimant Trust Interests, (ii) such other less favorable treatment as to which such Holder and the Claimant Trustee shall have agreed upon in writing, or (iii) the treatment provided to Allowed Holders of Class 7 Convenience Claims if the Holder of such Class 8 General Unsecured Claim is eligible and makes the Convenience Class Election.

Notwithstanding anything to the contrary herein, after the Effective Date and subject to the other provisions of the Plan, the Debtor, the Reorganized Debtor, and the Claimant Trust, as applicable, will have and

will retain any and all rights and defenses under bankruptcy or nonbankruptcy law that the Debtor had with respect to any General Unsecured Claim, except with respect to any General Unsecured Claim Allowed by Final Order of the Bankruptcy Court.

- *Impairment and Voting:* Class 8 is Impaired, and the Holders of Class 8 Claims are entitled to vote to accept or reject the Plan.

“*General Unsecured Claim*” means any prepetition Claim against the Debtor that is not Secured and is not a/an: (a) Administrative Expense Claim; (b) Professional Fee Claim; (c) Priority Tax Claim; (d) Priority Non-Tax Claim; or (e) Convenience Claim.

“*Convenience Class Election*” means the option provided to each Holder of a General Unsecured Claim that is a liquidated Claim as of the Confirmation Date on their Ballot to elect to reduce their claim to \$1,000,000 and receive the treatment provided to Convenience Claims.

9. *Class 9 – Subordinated Claims*

- *Classification:* Class 9 consists of the Subordinated Claims.
- *Treatment:* On or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Class 9 Claim, in full satisfaction, settlement, discharge and release of, and in exchange for, such Claim shall receive either (i) the treatment provided to Allowed Class 8 Claims or (ii) if such Allowed Class 9 Claim is subordinated to the Convenience Claims and General Unsecured Claims pursuant to 11 U.S.C. § 510 or Final Order of the Bankruptcy Court, its Pro Rata share of the Subordinated Claimant Trust Interests or (ii) such other less favorable treatment as to which such Holder and the Claimant Trustee shall have agreed upon in writing.

Notwithstanding anything to the contrary herein, after the Effective Date and subject to the other provisions of the Plan, the Debtor, the Reorganized Debtor, and the Claimant Trust, as applicable, will have and will retain any and all rights and defenses under bankruptcy or nonbankruptcy law that the Debtor had with respect to any Subordinated Claim, except with respect to any Subordinated Claim Allowed by Final Order of the Bankruptcy Court.

- *Impairment and Voting:* Class 9 is Impaired, and the Holders of Class 9 Claims are entitled to vote to accept or reject the Plan.

“*Subordinated Claim*” means any Claim that (i) is or may be subordinated to the Convenience Claims and General Unsecured Claims pursuant to 11 U.S.C. § 510 or Final Order of the Bankruptcy Court or (ii) arises from a

Class A Limited Partnership Interest or a Class B/C Limited Partnership Interest.

10. Class 10 – Class B/C Limited Partnership Interests

- *Classification:* Class 10 consists of the Class B/C Limited Partnership Interests.
- *Treatment:* On or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Class 10 Claim, in full satisfaction, settlement, discharge and release of, and in exchange for, such Claim shall receive (i) its Pro Rata share of the Contingent Claimant Trust Interests or (ii) such other less favorable treatment as to which such Holder and the Claimant Trustee shall have agreed upon in writing.

Notwithstanding anything to the contrary herein, after the Effective Date and subject to the other provisions of the Plan, the Debtor, the Reorganized Debtor, and the Claimant Trust, as applicable, will have and will retain any and all rights and defenses under bankruptcy or nonbankruptcy law that the Debtor had with respect to any Class B/C Limited Partnership Interest Claim, except with respect to any Class B/C Limited Partnership Interest Claim Allowed by Final Order of the Bankruptcy Court.

- *Impairment and Voting:* Class 10 is Impaired, and the Holders of Class 10 Claims are entitled to vote to accept or reject the Plan.

11. Class 11 – Class A Limited Partnership Interests

- *Classification:* Class 11 consists of the Class A Limited Partnership Interests.
- *Treatment:* On or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Class 11 Claim, in full satisfaction, settlement, discharge and release of, and in exchange for, such Claim shall receive (i) its Pro Rata share of the Contingent Claimant Trust Interests or (ii) such other less favorable treatment as to which such Holder and the Claimant Trustee shall have agreed upon in writing.

Notwithstanding anything to the contrary herein, after the Effective Date and subject to the other provisions of the Plan, the Debtor, the Reorganized Debtor, and the Claimant Trust, as applicable, will have and will retain any and all rights and defenses under bankruptcy or nonbankruptcy law that the Debtor had with respect to any Class A Limited Partnership Interest, except with respect to any Class A Limited Partnership Interest Allowed by Final Order of the Bankruptcy Court.

- *Impairment and Voting:* Class 11 is Impaired, and the Holders of Class 11 Claims are entitled to vote to accept or reject the Plan.

#### **D. Special Provision Governing Unimpaired Claims**

Except as otherwise provided in the Plan, nothing under the Plan will affect the Debtor's rights in respect of any Unimpaired Claims, including, without limitation, all rights in respect of legal and equitable defenses to or setoffs or recoupments against any such Unimpaired Claims.

#### **E. Subordinated Claims**

The allowance, classification, and treatment of all Claims under the Plan shall take into account and conform to the contractual, legal, and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code, or otherwise. Under section 510 of the Bankruptcy Code, upon written notice, the Debtor the Reorganized Debtor, and the Claimant Trustee reserve the right to re-classify, or to seek to subordinate, any Claim in accordance with any contractual, legal, or equitable subordination relating thereto, and the treatment afforded any Claim under the Plan that becomes a subordinated Claim at any time shall be modified to reflect such subordination.

#### **F. Means for Implementation of the Plan**

##### **1. Summary**

The Plan will be implemented through (i) the Claimant Trust, (ii) the Litigation Sub-Trust, and (iii) the Reorganized Debtor.

On the Effective Date, all Class A Limited Partnership Interests, including the Class A Limited Partnership Interests held by Strand, as general partner, and Class B/C Limited Partnerships in the Debtor will be cancelled, and new Class A Limited Partnership Interests in the Reorganized Debtor will be issued to the Claimant Trust and New GP LLC – a newly-chartered limited liability company wholly-owned by the Claimant Trust. The Claimant Trust, as limited partner, will ratify New GP LLC's appointment as general partner of the Reorganized Debtor, and on and following the Effective Date, the Claimant Trust will be the Reorganized Debtor's limited partner and New GP LLC will be its general partner. The Claimant Trust, as limited partner, and New GP LLC, as general partner, will execute the Reorganized Limited Partnership Agreement, which will amend and restate, in all respects, the Debtor's current Limited Partnership Agreement. Following the Effective Date, the Reorganized Debtor will be managed consistent with the terms of the Reorganized Limited Partnership Agreement by New GP LLC. The sole managing member of New GP LLC will be the Claimant Trust, and the Claimant Trustee will be the sole officer of New GP LLC on the Effective Date.

Following the Effective Date, the Claimant Trust will administer the Claimant Trust Assets pursuant to the Plan and the Claimant Trust Agreement, and the Litigation Trustee will pursue, if applicable, the Estate Claims pursuant to the terms of the Litigation Sub-Trust Agreement and the Plan. The Reorganized Debtor will administer the Reorganized Debtor Assets and, if needed, with the utilization of a Sub-Servicer, which administration will include, among other things, managing the wind down of the Managed Funds.

Although the Reorganized Debtor will manage the wind down of the Managed Funds, it is currently anticipated that neither the Reorganized Debtor nor the Claimant Trust will assume or assume and assign the contracts between the Debtor and certain Related Entities pursuant to which the Debtor provides shared services and sub-advisory services to those Related Entities. The Debtor believes that the continued provision of the services under such contracts will not be cost effective.

The Reorganized Debtor will distribute all proceeds from the wind down to the Claimant Trust, as its limited partner, and New GP LLC, as its general partner, in each case in accordance with the Reorganized Limited Partnership Agreement. Such proceeds, along with the proceeds of the Claimant Trust Assets, will ultimately be distributed to the Claimant Trust Beneficiaries as set forth in the Plan and the Claimant Trust Agreement.

2. The Claimant Trust<sup>11</sup>

(a) *Creation and Governance of the Claimant Trust and Litigation Sub-Trust.*

On or prior to the Effective Date, the Debtor and the Claimant Trustee shall execute the Claimant Trust Agreement and shall take all steps necessary to establish the Claimant Trust and the Litigation Sub-Trust in accordance with the Plan in each case for the benefit of the Claimant Trust Beneficiaries. Additionally, on or prior to the Effective Date, the Debtor shall irrevocably transfer and shall be deemed to have irrevocably transferred to the Claimant Trust all of its rights, title, and interest in and to all of the Claimant Trust Assets, and in accordance with section 1141 of the Bankruptcy Code, the Claimant Trust Assets shall automatically vest in the Claimant Trust free and clear of all Claims, Liens, encumbrances, or interests subject only to the Claimant Trust Interests and the Claimant Trust Expenses, as provided for in the Claimant Trust Agreement, and such transfer shall be exempt from any stamp, real estate transfer, mortgage from any stamp, transfer, reporting, sales, use, or other similar tax.

The Claimant Trustee shall be the exclusive trustee of the Claimant Trust Assets, excluding the Estate Claims and the Litigation Trustee shall be the exclusive trustee with respect to the Estate Claims in each case for purposes of 31 U.S.C. § 3713(b) and 26 U.S.C. § 6012(b)(3), as well as the representative of the Estate appointed pursuant to section 1123(b)(3)(B) of the Bankruptcy Code with respect to the Claimant Trust Assets. The Claimant Trustee shall also be responsible for resolving all Claims and Equity Interests in Class 8 through Class 11, under the supervision of the Claimant Trust Oversight Committee.

On the Effective Date, the Claimant Trustee and Litigation Trustee shall execute the Litigation Sub-Trust Agreement and shall take all steps necessary to establish the Litigation Sub-Trust. Upon the creation of the Litigation Sub-Trust, the Claimant Trust shall irrevocably transfer and assign to the Litigation Sub-Trust the Estate Claims. The Claimant Trust shall be governed by the Claimant Trust Agreement and administered by the Claimant Trustee. The powers, rights, and responsibilities of the Claimant Trustee shall be specified in the Claimant

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<sup>11</sup> In the event of a conflict between the terms of this summary and the terms of the Claimant Trust Agreement and the Litigation Sub-Trust Agreement, the terms of the Claimant Trust Agreement or the Litigation Sub-Trust Agreement, as applicable, shall control.

Trust Agreement and shall include the authority and responsibility to, among other things, take the actions set forth in Article IV of the Plan, subject to any required reporting to the Claimant Trust Oversight Committee as may be set forth in the Claimant Trust Agreement. The Claimant Trust shall hold and distribute the Claimant Trust Assets (including the proceeds from the Estate Claims, if any) in accordance with the provisions of the Plan and the Claimant Trust Agreement; *provided* that the Claimant Trust Oversight Committee may direct the Claimant Trust to reserve Cash from distributions as necessary to fund the Claimant Trust and Litigation Sub-Trust. Other rights and duties of the Claimant Trustee and the Claimant Trust Beneficiaries shall be as set forth in the Claimant Trust Agreement. After the Effective Date, neither the Debtor nor the Reorganized Debtor shall have any interest in the Claimant Trust Assets.

The Litigation Sub-Trust shall be governed by the Litigation Sub-Trust Agreement and administered by the Litigation Trustee. The powers, rights, and responsibilities of the Litigation Trustee shall be specified in the Litigation Sub-Trust Agreement and shall include the authority and responsibility to, among other things, take the actions set forth in Article IV of the Plan, subject to any required reporting as may be set forth in the Litigation Sub-Trust Agreement. The Litigation Sub-Trust shall investigate, prosecute, settle, or otherwise resolve the Estate Claims in accordance with the provisions of the Plan and the Litigation Sub-Trust Agreement and shall distribute the proceeds therefrom to the Claimant Trust for distribution. Other rights and duties of the Litigation Trustee shall be as set forth in the Litigation Sub-Trust Agreement.

(a) *Claimant Trust Oversight Committee*

The Claimant Trust, the Claimant Trustee, the management and monetization of the Claimant Trust Assets, and the management of the Reorganized Debtor (through the Claimant Trust's role as managing member of New GP LLC) and the Litigation Sub-Trust will be overseen by the Claimant Trust Oversight Committee, subject to the terms of the Claimant Trust Agreement and the Litigation Sub-Trust Agreement, as applicable.

The Claimant Trust Oversight Committee will initially consist of five members. Four of the five members will be representatives of the members of the Committee: (i) the Redeemer Committee of Highland Crusader Fund, (ii) UBS, (iii) Acis, and (iv) Meta-e Discovery. The fifth member will be an independent, natural Person chosen by the Committee and reasonably acceptable to the Debtor. The members of the Claimant Trust Oversight Committee may be replaced as set forth in the Claimant Trust Agreement. The identity of the members of the Claimant Trust Oversight Committee will be disclosed in the Plan Supplement.

As set forth in the Claimant Trust Agreement, in no event will any member of the Claimant Trust Oversight Committee with a Claim against the Estate be entitled to vote, opine, or otherwise be involved in any matters related to such member's Claim.

The independent member(s) of the Claimant Trust Oversight Committee may be entitled to compensation for their services as set forth in the Claimant Trust Agreement. Any member of the Claimant Trust Oversight Committee may be removed, and successor chosen, in the manner set forth in the Claimant Trust Agreement.

(b) *Purpose of the Claimant Trust.*

The Claimant Trust shall be established for the purpose of (i) managing and monetizing the Claimant Trust Assets, subject to the terms of the Claimant Trust Agreement and the oversight of the Claimant Trust Oversight Committee, (ii) serving as the limited partner of, and holding the limited partnership interests in, the Reorganized Debtor, (iii) serving as the sole member and manager of New GP LLC, the Reorganized Debtor's general partner, (iv) in its capacity as the sole member and manager of New GP LLC, overseeing the management and monetization of the Reorganized Debtor Assets pursuant to the terms of the Reorganized Limited Partnership Agreement; and (v) administering the Disputed Claims Reserve and serving as Distribution Agent with respect to Disputed Claims in Class 7 or Class 8.

In its management of the Claimant Trust Assets, the Claimant Trust will also reconcile and object to the General Unsecured Claims, Subordinated Claims, Class B/C Limited Partnership Interests, and Class A Limited Partnership Interests, as provided for in the Plan and the Claimant Trust Agreement, and make Trust Distributions to the Claimant Trust Beneficiaries in accordance with Treasury Regulation section 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business.

The purpose of the Reorganized Debtor is discussed at greater length in Article IV.C of the Plan.

(c) *Purpose of the Litigation Sub-Trust.*

The Litigation Sub-Trust shall be established for the purpose of investigating, prosecuting, settling, or otherwise resolving the Estate Claims. Any proceeds therefrom shall be distributed by the Litigation Sub-Trust to the Claimant Trust for distribution to the Claimant Trust Beneficiaries pursuant to the terms of the Claimant Trust Agreement.

(d) *Claimant Trust Agreement and Litigation Sub-Trust Agreement.*

The Claimant Trust Agreement generally will provide for, among other things:

- the payment of the Claimant Trust Expenses;
- the payment of other reasonable expenses of the Claimant Trust;
- the retention of employees, counsel, accountants, financial advisors, or other professionals and the payment of their reasonable compensation;
- the investment of Cash by the Claimant Trustee within certain limitations, including those specified in the Plan;
- the orderly monetization of the Claimant Trust Assets;
- litigation of any Causes of Action, which may include the prosecution, settlement, abandonment, or dismissal of any such Causes of Action, subject to reporting and oversight by the Claimant Trust Oversight Committee;
- the resolution of Claims and Equity Interests in Class 8 through Class 11, subject to reporting and oversight by the Claimant Trust Oversight Committee;

- the administration of the Disputed Claims Reserve and distributions to be made therefrom; and
- the management of the Reorganized Debtor, including the utilization of a Sub-Servicer, with the Claimant Trust serving as the managing member of New GP LLC.

Except as otherwise ordered by the Bankruptcy Court, the Claimant Trust Expenses shall be paid from the Claimant Trust Assets in accordance with the Plan and Claimant Trust Agreement. The Claimant Trustee may establish a reserve for the payment of Claimant Trust Expenses and shall periodically replenish such reserve, as necessary.

In furtherance of, and consistent with the purpose of, the Claimant Trust and the Plan, the Trustees, for the benefit of the Claimant Trust, shall, subject to reporting and oversight by the Claimant Trust Oversight Committee as set forth in the Claimant Trust Agreement: (i) hold the Claimant Trust Assets for the benefit of the Claimant Trust Beneficiaries, (ii) make Distributions to the Claimant Trust Beneficiaries as provided herein and in the Claimant Trust Agreement, and (iii) have the sole power and authority to prosecute and resolve any Causes of Action and objections to Claims and Equity Interests (other than those assigned to the Litigation Sub-Trust), without approval of the Bankruptcy Court. Except as otherwise provided in the Claimant Trust Agreement, the Claimant Trustee shall be responsible for all decisions and duties with respect to the Claimant Trust and the Claimant Trust Assets; *provided, however*, that the prosecution and resolution of any Estate Claims included in the Claimant Trust Assets shall be the responsibility of the Litigation Trustee. In all circumstances, the Claimant Trustee shall act in the best interests of the Claimant Trust Beneficiaries and with the same fiduciary duties as a chapter 7 trustee.

The Litigation Sub-Trust Agreement generally will provide for, among other things:

- the payment of other reasonable expenses of the Litigation Sub-Trust;
- the retention of employees, counsel, accountants, financial advisors, or other professionals and the payment of their reasonable compensation; and
- the investigation and prosecution of Estate Claims, which may include the prosecution, settlement, abandonment, or dismissal of any such Estate Claims, subject to reporting and oversight as set forth in the Litigation Sub-Trust Agreement.

The Trustees, on behalf of the Claimant Trust and Litigation Sub-Trust, as applicable, may each employ, without further order of the Bankruptcy Court, employees and other professionals (including those previously retained by the Debtor and the Committee) to assist in carrying out the Trustees' duties hereunder and may compensate and reimburse the reasonable expenses of these professionals without further Order of the Bankruptcy Court from the Claimant Trust Assets in accordance with the Plan and the Claimant Trust Agreement.

The Claimant Trust Agreement and Litigation Sub-Trust Agreement may include reasonable and customary provisions that allow for indemnification by the Claimant Trust in favor of the Claimant Trustee, Litigation Trustee, and the Claimant Trust Oversight Committee. Any such indemnification shall be the sole responsibility of the Claimant Trust and payable solely from the Claimant Trust Assets.

(e) *Compensation and Duties of Trustees.*

The salient terms of each Trustee's employment, including such Trustee's duties and compensation shall be set forth in the Claimant Trust Agreement and the Litigation Sub-Trust Agreement, as appropriate. The Trustees shall each be entitled to reasonable compensation in an amount consistent with that of similar functionaries in similar types of bankruptcy cases.

(f) *Cooperation of Debtor and Reorganized Debtor.*

To effectively investigate, prosecute, compromise and/or settle the Claims and/or Causes of Action that constitute Claimant Trust Assets (including Estate Claims), the Claimant Trustee, Litigation Trustee, and each of their professionals may require reasonable access to the Debtor's and Reorganized Debtor's documents, information, and work product relating to the Claimant Trust Assets. Accordingly, the Debtor and the Reorganized Debtor, as applicable, shall reasonably cooperate with the Claimant Trustee and Litigation Trustee, as applicable, in their prosecution of Causes of Action and in providing the Claimant Trustee and Litigation Trustee with copies of documents and information in the Debtor's possession, custody, or control on the Effective Date that either Trustee indicates relates to the Estate Claims or other Causes of Action.

The Debtor and Reorganized Debtor shall preserve all records, documents or work product (including all electronic records, documents, or work product) related to the Claims and Causes of Action, including Estate Claims, until the earlier of (a) the dissolution of the Reorganized Debtor or (b) termination of the Claimant Trust and Litigation Sub-Trust.

(g) *United States Federal Income Tax Treatment of the Claimant Trust.*

Unless the IRS requires otherwise, for all United States federal income tax purposes, the parties shall treat the transfer of the Claimant Trust Assets to the Claimant Trust as: (a) a transfer of the Claimant Trust Assets (other than the amounts set aside in the Disputed Claims Reserve, if the Claimant Trustee makes the election described in Section 7 below) directly to the applicable Claimant Trust Beneficiaries followed by (b) the transfer by the such Claimant Trust Beneficiaries to the Claimant Trust of such Claimant Trust Assets in exchange for the Claimant Trust Interests. Accordingly, the applicable Claimant Trust Beneficiaries shall be treated for United States federal income tax purposes as the grantors and owners of their respective share of the Claimant Trust Assets. The foregoing treatment shall also apply, to the extent permitted by applicable law, for state and local income tax purposes.

(h) *Tax Reporting.*

The Claimant Trustee shall file tax returns for the Claimant Trust treating the Claimant Trust as a grantor trust pursuant to Treasury Regulation section 1.671-4(a). The Claimant Trustee may file an election pursuant to Treasury Regulation 1.468B-9(c) to treat the Disputed Claims Reserve as a disputed ownership fund, in which case the Claimant Trustee will file federal income tax returns and pay taxes for the Disputed Claims Reserve as a separate taxable entity.

The Claimant Trustee shall be responsible for payment, out of the Claimant Trust Assets, of any taxes imposed on the Claimant Trust or its assets.

The Claimant Trustee shall determine the fair market value of the Claimant Trust Assets as of the Effective Date and notify the applicable Claimant Trust Beneficiaries of such valuation, and such valuation shall be used consistently for all federal income tax purposes.

The Claimant Trustee shall distribute such tax information to the applicable Claimant Trust Beneficiaries as the Claimant Trustee determines is required by applicable law.

(i) *Claimant Trust Assets.*

The Claimant Trustee shall have the exclusive right, on behalf of the Claimant Trust, to institute, file, prosecute, enforce, abandon, settle, compromise, release, or withdraw any and all Causes of Action included in the Claimant Trust Assets (except for the Estate Claims) without any further order of the Bankruptcy Court and the Claimant Trustee shall have the exclusive right, on behalf of the Claimant Trust, to sell, liquidate, or otherwise monetize all Claimant Trust Assets, except as otherwise provided in the Plan or in the Claimant Trust Agreement, without any further order of the Bankruptcy Court. Notwithstanding anything herein to the contrary, the Litigation Trustee shall have the exclusive right to institute, file, prosecute, enforce, abandon, settle, compromise, release, or withdraw any and all Estate Claims included in the Claimant Trust Assets without any further order of the Bankruptcy Court.

From and after the Effective Date, the Trustees, in accordance with section 1123(b)(3) and (4) of the Bankruptcy Code, and on behalf of the Claimant Trust, shall each serve as a representative of the Estate with respect to any and all Claimant Trust Assets, including the Causes of Action and Estate Claims, as appropriate, and shall retain and possess the right to (a) commence, pursue, settle, compromise, or abandon, as appropriate, any and all Causes of Action in any court or other tribunal and (b) sell, liquidate, or otherwise monetize all Claimant Trust Assets.

(j) *Claimant Trust Expenses.*

From and after the Effective Date, the Claimant Trust shall, in the ordinary course of business and without the necessity of any approval by the Bankruptcy Court, pay the reasonable professional fees and expenses incurred by the Claimant Trust, the Litigation Sub-Trust, and any professionals retained by such parties and entities from the Claimant Trust Assets, except as otherwise provided in the Claimant Trust Agreement.

(k) *Trust Distributions to Claimant Trust Beneficiaries.*

The Claimant Trustee, in its discretion, may make Trust Distributions to the Claimant Trust Beneficiaries at any time and/or use the Claimant Trust Assets or proceeds thereof, *provided* that such Trust Distributions or use is otherwise permitted under the terms of the Plan, the Claimant Trust Agreement, and applicable law.

(l) *Cash Investments.*

With the consent of the Claimant Trust Oversight Committee, the Claimant Trustee may invest Cash (including any earnings thereon or proceeds therefrom) in a manner consistent with the terms of the Claimant Trust Agreement; *provided, however*, that such investments are

investments permitted to be made by a “liquidating trust” within the meaning of Treasury Regulation section 301.7701-4(d), as reflected therein, or under applicable IRS guidelines, rulings or other controlling authorities.

(m) *Dissolution of the Claimant Trust and Litigation Sub-Trust.*

The Trustees and the Claimant Trust and Litigation Sub-Trust shall be discharged or dissolved, as the case may be, at such time as: (a) the Litigation Trustee determines that the pursuit of Estate Claims is not likely to yield sufficient additional proceeds to justify further pursuit of such Estate Claims, (b) the Claimant Trustee determines that the pursuit of Causes of Action (other than Estate Claims) is not likely to yield sufficient additional proceeds to justify further pursuit of such Causes of Action, (c) the Claimant Trustee determines that the pursuit of sales of other Claimant Trust Assets is not likely to yield sufficient additional proceeds to justify further pursuit of such sales of Claimant Trust Assets, (d) all objections to Disputed Claims and Equity Interests are fully resolved, (e) the Reorganized Debtor is dissolved, and (f) all Distributions required to be made by the Claimant Trustee to the Claimant Trust Beneficiaries under the Plan have been made, but in no event shall the Claimant Trust be dissolved later than three years from the Effective Date unless the Bankruptcy Court, upon motion made within the six-month period before such third anniversary (and, in the event of further extension, by order of the Bankruptcy Court, upon motion made at least six months before the end of the preceding extension), determines that a fixed period extension (not to exceed two years, together with any prior extensions, without a favorable letter ruling from the Internal Revenue Service or an opinion of counsel that any further extension would not adversely affect the status of the Claimant Trust as a liquidating trust for federal income tax purposes) is necessary to facilitate or complete the recovery on, and liquidation of, the Claimant Trust Assets; *provided, however*, that each extension must be approved, upon a finding that the extension is necessary to facilitate or complete the recovery on, and liquidation of the Claimant Trust Assets, by the Bankruptcy Court within 6 months of the beginning of the extended term and no extension, together with any prior extensions, shall exceed three years without a favorable letter ruling from the Internal Revenue Service or an opinion of counsel that any further extension would not adversely affect the status of the Claimant Trust as a liquidating trust for federal income tax purposes.

Upon dissolution of the Claimant Trust, and pursuant to the Claimant Trust Agreement, any remaining Claimant Trust Assets that exceed the amounts required to be paid under the Plan will be transferred (in the sole discretion of the Claimant Trustee) in Cash or in-kind to the Holders of the Claimant Trust Interests as provided in the Claimant Trust Agreement.

3. The Reorganized Debtor

(a) *Corporate Existence*

The Debtor will continue to exist after the Effective Date, with all of the powers of partnerships pursuant to the law of the State of Delaware and as set forth in the Reorganized Limited Partnership Agreement.

(b) *Cancellation of Equity Interests and Release*

On the Effective Date, (i) all prepetition Equity Interests, including the Class A Limited Partnership Interests and the Class B/C Limited Partnership Interests, in the Debtor shall be canceled, and (ii) all obligations or debts owed by, or Claims against, the Debtor on account of, or based upon, the Interests shall be deemed as cancelled, released, and discharged, including all obligations or duties by the Debtor relating to the Equity Interests in any of the Debtor's formation documents, including the Limited Partnership Agreement.

(c) *Issuance of New Partnership Interests*

On the Effective Date, the Debtor or the Reorganized Debtor, as applicable, will issue new Class A Limited Partnership Interests to (i) the Claimant Trust, as limited partner, and (ii) New GP LLC, as general partner, and will admit (a) the Claimant Trust as the limited partner of the Reorganized Debtor, and (b) New GP LLC as the general partner of the Reorganized Debtor. The Claimant Trust, as limited partner, will ratify New GP LLC's appointment as general partner of the Reorganized Debtor. Also, on the Effective Date, the Claimant Trust, as limited partner, and New GP LLC, as general partner, will execute the Reorganized Limited Partnership Agreement and receive partnership interests in the Reorganized Debtor consistent with the terms of the Reorganized Limited Partnership Agreement.

(d) *Management of the Reorganized Debtor*

Subject to and consistent with the terms of the Reorganized Limited Partnership Agreement, the Reorganized Debtor shall be managed by its general partner, New GP LLC. The initial officers and employees of the Reorganized Debtor shall be selected by the Claimant Trustee. The Reorganized Debtor may, in its discretion, also utilize a Sub-Servicer in addition to or in lieu of the retention of officers and employees.

As set forth in the Reorganized Limited Partnership Agreement, New GP LLC will receive a fee for managing the Reorganized Debtor. Although New GP LLC will be a limited liability company, it will elect to be treated as a C-Corporation for tax purposes. Therefore, New GP LLC (and any taxable income attributable to it) will be subject to corporate income taxation on a standalone basis, which may reduce the return to Claimants.

(e) *Vesting of Assets in the Reorganized Debtor*

Except as otherwise provided in the Plan or the Confirmation Order, on or after the Effective Date, all Reorganized Debtor Assets will vest in the Reorganized Debtor, free and clear of all Liens, Claims, charges or other encumbrances pursuant to section 1141(c) of the Bankruptcy Code except with respect to such Liens, Claims, charges and other encumbrances that are specifically preserved under the Plan upon the Effective Date.

The Reorganized Debtor shall be the exclusive trustee of the Reorganized Debtor Assets for purposes of 31 U.S.C. § 3713(b) and 26 U.S.C. § 6012(b)(3), as well as the representative of the Estate appointed pursuant to section 1123(b)(3)(B) of the Bankruptcy Code with respect to the Reorganized Debtor Assets.

(f) *Purpose of the Reorganized Debtor*

Except as may be otherwise provided in the Plan or the Confirmation Order, the Reorganized Debtor will continue to manage the Reorganized Debtor Assets (which shall include, for the avoidance of doubt, serving as the investment manager of the Managed Funds) and may use, acquire or dispose of the Reorganized Debtor Assets and compromise or settle any Claims with respect to the Reorganized Debtor Assets without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules. The Reorganized Debtor shall oversee the resolution of Claims in Class 1 through Class 7.

Without limiting the foregoing, the Reorganized Debtor will pay the charges that it incurs after the Effective Date for Professionals' fees, disbursements, expenses or related support services (including reasonable fees relating to the preparation of Professional fee applications) in the ordinary course of business and without application or notice to, or order of, the Bankruptcy Court

(g) *Distribution of Proceeds from the Reorganized Debtor Assets; Transfer of Reorganized Debtor Assets*

Any proceeds received by the Reorganized Debtor will be distributed to the Claimant Trust, as limited partner, and New GP LLC, as general partner, in the manner set forth in the Reorganized Limited Partnership Agreement. As set forth in the Reorganized Limited Partnership Agreement, the Reorganized Debtor may, from time to time distribute Reorganized Debtor Assets to the Claimant Trust either in Cash or in-kind, including to institute the wind-down and dissolution of the Reorganized Debtor. Any assets distributed to the Claimant Trust will be (i) deemed transferred in all respects as forth in Article IV.B.1 of the Plan, (ii) deemed Claimant Trust Assets, and (iii) administered as Claimant Trust Assets.

4. Company Action

Each of the Debtor, the Reorganized Debtor, and the Trustees, as applicable, may take any and all actions to execute, deliver, File or record such contracts, instruments, releases and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and implement the provisions of the Plan, the Claimant Trust Agreement, the Reorganized Limited Partnership Agreement, or the New GP LLC Documents, as applicable, in the name of and on behalf of the Debtor, the Reorganized Debtor, or the Trustees, as applicable, and in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or any requirement of further action, vote or other approval or authorization by the security holders, officers, or directors of the Debtor or the Reorganized Debtor, as applicable, or by any other Person.

Prior to, on or after the Effective Date (as appropriate), all matters provided for pursuant to the Plan that would otherwise require approval of the stockholders, partners, directors, managers, or members of the Debtor, any Related Entity, or any Affiliate thereof (as of prior to the Effective Date) will be deemed to have been so approved and will be in effect prior to, on or after the Effective Date (as appropriate) pursuant to applicable law and without any requirement

of further action by the stockholders, partners, directors, managers or members of such Persons, or the need for any approvals, authorizations, actions or consents of any Person.

All matters provided for in the Plan involving the legal or corporate structure of the Debtor, the Reorganized Debtor, or the Claimant Trust, as applicable, and any legal or corporate action required by the Debtor, the Reorganized Debtor, or the Claimant Trust, as applicable, in connection with the Plan, will be deemed to have occurred and will be in full force and effect in all respects, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or any requirement of further action, vote or other approval or authorization by the security holders, partners, directors, managers, or members of the Debtor, the Reorganized Debtor, or the Claimant Trust, as applicable, or by any other Person. On the Effective Date, the appropriate officers of the Debtor and the Reorganized Debtor, as applicable, as well as the Trustees, are authorized to issue, execute, deliver, and consummate the transactions contemplated by, the contracts, agreements, documents, guarantees, pledges, consents, securities, certificates, resolutions and instruments contemplated by or described in the Plan in the name of and on behalf of the Debtor and the Reorganized Debtor, as well as the Trustees, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or any requirement of further action, vote or other approval or authorization by any Person. The appropriate officer of the Debtor, the Reorganized Debtor, as well as the Trustees, will be authorized to certify or attest to any of the foregoing actions.

#### 5. Release of Liens, Claims and Equity Interests

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, from and after the Effective Date and concurrently with the applicable distributions made pursuant to the Plan, all Liens, Claims, Equity Interests, mortgages, deeds of trust, or other security interests against the property of the Estate will be fully released, terminated, extinguished and discharged, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Entity. Any Entity holding such Liens or Equity Interests extinguished pursuant to the prior sentence will, pursuant to section 1142 of the Bankruptcy Code, promptly execute and deliver to the Debtor, the Reorganized Debtor, or the Claimant Trustee, as applicable, such instruments of termination, release, satisfaction and/or assignment (in recordable form) as may be reasonably requested by the Debtor, the Reorganized Debtor, or the Claimant Trustee, as applicable. For the avoidance of doubt, this section is in addition to, and shall not be read to limit in any respects, Article IV.C.2 of the Plan.

#### 6. Cancellation of Notes, Certificates and Instruments

Except for the purpose of evidencing a right to a distribution under the Plan and except as otherwise set forth in the Plan, on the Effective Date, all agreements, instruments, Securities and other documents evidencing any prepetition Claim or Equity Interest and any rights of any Holder in respect thereof shall be deemed cancelled, discharged, and of no force or effect. The holders of or parties to such cancelled instruments, Securities, and other documentation will have no rights arising from or related to such instruments, Securities, or other documentation or the

cancellation thereof, except the rights provided for pursuant to the Plan, and the obligations of the Debtor thereunder or in any way related thereto will be fully released, terminated, extinguished and discharged, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or any requirement of further action, vote or other approval or authorization by any Person. For the avoidance of doubt, this section is in addition to, and shall not be read to limit in any respects, Article IV.C.2 of the Plan.

7. Cancellation of Existing Instruments Governing Security Interests

Upon payment or other satisfaction of an Allowed Class 1 or Allowed Class 2 Claim, or promptly thereafter, the Holder of such Allowed Class 1 or Allowed Class 2 Claim shall deliver to the Debtor, the Reorganized Debtor, or the Claimant Trustee, as applicable, any collateral or other property of the Debtor held by such Holder, together with any termination statements, instruments of satisfaction, or releases of all security interests with respect to its Allowed Class 1 or Allowed Class 2 Claim that may be reasonably required to terminate any related financing statements, mortgages, mechanics' or other statutory Liens, or *lis pendens*, or similar interests or documents.

8. Control Provisions

To the extent that there is any inconsistency between the Plan as it relates to the Claimant Trust, the Claimant Trust Agreement, the Reorganized Debtor, or the Reorganized Limited Partnership Agreement, the Plan shall control.

9. Treatment of Vacant Classes

Any Claim or Equity Interest in a Class considered vacant under Article III.C of the Plan shall receive no Plan Distributions.

10. Plan Documents

The documents, if any, to be Filed as part of the Plan Documents, including any documents filed with the Plan Supplement, and any amendments, restatements, supplements, or other modifications to such documents, and any consents, waivers, or other deviations under or from any such documents, shall be incorporated herein by this reference (including to the applicable definitions in Article I of the Plan) and fully enforceable as if stated in full herein.

11. Highland Capital Management, L.P. Retirement Plan and Trust

The Highland Capital Management, L.P. Retirement Plan And Trust ("Pension Plan") is a single-employer defined benefit pension plan covered by Title IV of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). 29 U.S.C. §§ 1301-1461. The Debtor is the contributing sponsor and, as such, the PBGC asserts that the Debtor is liable along with any members of the contributing sponsor's controlled-group within the meaning of 29 U.S.C. §§ 1301(a)(13), (14) with respect to the Pension Plan.

Upon the Effective Date, the Reorganized Debtor shall be deemed to have assumed the Pension Plan and shall comply with all applicable statutory provisions of ERISA and the Internal

Revenue Code (the “IRC”), including, but not limited to, satisfying the minimum funding standards pursuant to 26 U.S.C. §§ 412, 430, and 29 U.S.C. §§ 1082, 1083; paying the PBGC premiums in accordance with 29 U.S.C. §§ 1306 and 1307; and administering the Pension Plan in accordance with its terms and the provisions of ERISA and the IRC. In the event that the Pension Plan terminates after the Plan of Reorganization Effective Date, the PBGC asserts that the Reorganized Debtor and each of its controlled group members will be responsible for the liabilities imposed by Title IV of ERISA.

Notwithstanding any provision of the Plan, the Confirmation Order, or the Bankruptcy Code (including section 1141 thereof) to the contrary, neither the Plan, the Confirmation Order, or the Bankruptcy Code shall be construed as discharging, releasing, exculpating or relieving the Debtor, the Reorganized Debtor, or any person or entity in any capacity, from any liability or responsibility, if any, with respect to the Pension Plan under any law, governmental policy, or regulatory provision. PBGC and the Pension Plan shall not be enjoined or precluded from enforcing such liability or responsibility against any person or entity as a result of any of the provisions of the Plan, the Confirmation Order, or the Bankruptcy Code. The Debtor reserves the right to contest any such liability or responsibility.

#### **A. Treatment of Executory Contracts and Unexpired Leases**

##### **1. Assumption, Assignment, or Rejection of Executory Contracts and Unexpired Leases**

Unless an Executory Contract or Unexpired Lease: (i) was previously assumed or rejected by the Debtor pursuant to a Final Order of the Bankruptcy Court entered prior to the Effective Date; (ii) previously expired or terminated pursuant to its own terms or by agreement of the parties thereto; (iii) is the subject of a motion to assume filed by the Debtor on or before the Confirmation Date; (iv) contains a change of control or similar provision that would be triggered by the Chapter 11 Case (unless such provision has been irrevocably waived); or (v) is specifically designated as a contract or lease to be assumed in the Plan Supplement, on the Effective Date, each Executory Contract and Unexpired Lease shall be deemed rejected pursuant to section 365 of the Bankruptcy Code, without the need for any further notice to or action, order, or approval of the Bankruptcy Court, unless such Executory Contract or Unexpired Lease is listed in the Plan Supplement.

At any time on or prior to the Effective Date, the Debtor may (i) amend the Plan Supplement in order to add or remove a contract or lease from the list of contracts to be assumed or (ii) assign (subject to applicable law) any Executory Contract or Unexpired Lease, as determined by the Debtor in consultation with the Committee, or the Reorganized Debtor, as applicable.

The Confirmation Order will constitute an order of the Bankruptcy Court approving the above-described assumptions, rejections, and assumptions and assignments. Except as otherwise provided herein or agreed to by the Debtor and the applicable counterparty, each assumed Executory Contract or Unexpired Lease shall include all modifications, amendments, supplements, restatements, or other agreements related thereto, and all rights related thereto. Modifications, amendments, supplements, and restatements to prepetition Executory Contracts

and Unexpired Leases that have been executed by the Debtor during the Chapter 11 Case shall not be deemed to alter the prepetition nature of the Executory Contract or Unexpired Lease or the validity, priority, or amount of any Claims that may arise in connection therewith. To the extent applicable, no change of control (or similar provision) will be deemed to occur under any such Executory Contract or Unexpired Lease.

If certain, but not all, of a contract counterparty's Executory Contracts and/or Unexpired Leases are rejected pursuant to the Plan, the Confirmation Order shall be a determination that such counterparty's Executory Contracts and/or Unexpired Leases that are being assumed pursuant to the Plan are severable agreements that are not integrated with those Executory Contracts and/or Unexpired Leases that are being rejected pursuant to the Plan. Parties seeking to contest this finding with respect to their Executory Contracts and/or Unexpired Leases must file a timely objection to the Plan on the grounds that their agreements are integrated and not severable, and any such dispute shall be resolved by the Bankruptcy Court at the Confirmation Hearing (to the extent not resolved by the parties prior to the Confirmation Hearing).

Notwithstanding anything herein to the contrary, the Debtor shall assume or reject that certain real property lease with Crescent TC Investors L.P. ("Landlord") for the Debtor's headquarters located at 200/300 Crescent Ct., Suite #700, Dallas, Texas 75201 (the "Lease") in accordance with the notice to Landlord, procedures and timing required by 11 U.S.C. §365(d)(4), as modified by that certain *Agreed Order Granting Motion to Extend Time to Assume or Reject Unexpired Nonresidential Real Property Lease* [D.I. 1122].

2. Claims Based on Rejection of Executory Contracts or Unexpired Leases

Any Executory Contract or Unexpired Lease not assumed or rejected on or before the Effective Date shall be deemed rejected, pursuant to the Confirmation Order. Any Person asserting a Rejection Claim shall File a proof of claim within thirty days of the Effective Date. Any Rejection Claims that are not timely Filed pursuant to the Plan shall be forever disallowed and barred. If one or more Rejection Claims are timely Filed, the Claimant Trustee may File an objection to any Rejection Claim.

Rejection Claims shall be classified as General Unsecured Claims and shall be treated in accordance with Article III of the Plan.

3. Cure of Defaults for Assumed or Assigned Executory Contracts and Unexpired Leases

Any monetary amounts by which any Executory Contract or Unexpired Lease to be assumed or assigned hereunder is in default shall be satisfied, under section 365(b)(1) of the Bankruptcy Code, by the Debtor upon assumption or assignment thereof, by payment of the default amount in Cash as and when due in the ordinary course or on such other terms as the parties to such Executory Contracts may otherwise agree. The Debtor may serve a notice on the Committee and parties to Executory Contracts or Unexpired Leases to be assumed or assigned reflecting the Debtor's or Reorganized Debtor's intention to assume or assign the Executory Contract or Unexpired Lease in connection with the Plan and setting forth the proposed cure amount (if any).

If a dispute regarding (1) the amount of any payments to cure a default, (2) the ability of the Debtor, the Reorganized Debtor, or any assignee to provide “adequate assurance of future performance” (within the meaning of section 365 of the Bankruptcy Code) under the Executory Contract or Unexpired Lease to be assumed or assigned or (3) any other matter pertaining to assumption or assignment, the cure payments required by section 365(b)(1) of the Bankruptcy Code will be made following the entry of a Final Order or orders resolving the dispute and approving the assumption or assignment.

Assumption or assignment of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise and full payment of any applicable cure amounts pursuant to Article V.C of the Plan shall result in the full release and satisfaction of any cure amounts, Claims, or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed or assigned Executory Contract or Unexpired Lease at any time prior to the effective date of assumption or assignment. Any and all Proofs of Claim based upon Executory Contracts or Unexpired Leases that have been assumed or assigned in the Chapter 11 Case, including pursuant to the Confirmation Order, and for which any cure amounts have been fully paid pursuant to Article V.C of the Plan, shall be deemed disallowed and expunged as of the Effective Date without the need for any objection thereto or any further notice to or action, order, or approval of the Bankruptcy Court.

## **B. Provisions Governing Distributions**

### **1. Dates of Distributions**

Except as otherwise provided in the Plan, on the Effective Date or as soon as reasonably practicable thereafter (or if a Claim is not an Allowed Claim or Equity Interest on the Effective Date, on the date that such Claim or Equity Interest becomes an Allowed Claim or Equity Interest, or as soon as reasonably practicable thereafter), each Holder of an Allowed Claim or Equity Interest against the Debtor shall receive the full amount of the distributions that the Plan provides for Allowed Claims or Allowed Equity Interests in the applicable Class and in the manner provided herein. If any payment or act under the Plan is required to be made or performed on a date that is not on a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date. If and to the extent there are Disputed Claims or Equity Interests, distributions on account of any such Disputed Claims or Equity Interests shall be made pursuant to the provisions provided in the Plan. Except as otherwise provided in the Plan, Holders of Claims and Equity Interests shall not be entitled to interest, dividends or accruals on the distributions provided for therein, regardless of whether distributions are delivered on or at any time after the Effective Date.

Upon the Effective Date, all Claims and Equity Interests against the Debtor shall be deemed fixed and adjusted pursuant to the Plan and none of the Debtor, the Reorganized Debtor, or the Claimant Trust will have liability on account of any Claims or Equity Interests except as set forth in the Plan and in the Confirmation Order. All payments and all distributions made by the Distribution Agent under the Plan shall be in full and final satisfaction, settlement and release of all Claims and Equity Interests against the Debtor and the Reorganized Debtor.

At the close of business on the Distribution Record Date, the transfer ledgers for the Claims against the Debtor and the Equity Interests in the Debtor shall be closed, and there shall be no further changes in the record holders of such Claims and Equity Interests. The Debtor, the Reorganized Debtor, the Trustees, and the Distribution Agent, and each of their respective agents, successors, and assigns shall have no obligation to recognize the transfer of any Claims against the Debtor or Equity Interests in the Debtor occurring after the Distribution Record Date and shall be entitled instead to recognize and deal for all purposes hereunder with only those record holders stated on the transfer ledgers as of the close of business on the Distribution Record Date irrespective of the number of distributions to be made under the Plan to such Persons or the date of such distributions.

## 2. Distribution Agent

Except as provided herein, all distributions under the Plan shall be made by the Claimant Trustee, as Distribution Agent, or by such other Entity designated by the Claimant Trustee, as a Distribution Agent on the Effective Date or thereafter. The Reorganized Debtor will be the Distribution Agent with respect to Claims in Class 1 through Class 7.

The Claimant Trustee, or such other Entity designated by the Claimant Trustee to be the Distribution Agent, shall not be required to give any bond or surety or other security for the performance of such Distribution Agent's duties unless otherwise ordered by the Bankruptcy Court.

The Distribution Agent shall be empowered to (a) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under the Plan; (b) make all distributions contemplated hereby; (c) employ professionals to represent it with respect to its responsibilities; and (d) exercise such other powers as may be vested in the Distribution Agent by order of the Bankruptcy Court, pursuant to the Plan, or as deemed by the Distribution Agent to be necessary and proper to implement the provisions of the Plan.

The Distribution Agent shall not have any obligation to make a particular distribution to a specific Holder of an Allowed Claim if such Holder is also the Holder of a Disputed Claim.

## 3. Cash Distributions

Distributions of Cash may be made by wire transfer from a domestic bank, except that Cash payments made to foreign creditors may be made in such funds and by such means as the Distribution Agent determines are necessary or customary in a particular foreign jurisdiction.

## 4. Disputed Claims Reserve

On or prior to the Initial Distribution Date, the Claimant Trustee shall establish, fund and maintain the Disputed Claims Reserve(s) in the appropriate Disputed Claims Reserve Amounts on account of any Disputed Claims.

As used above, "*Disputed Claims Reserve*" means the appropriate reserve(s) or account(s) to be established on the Initial Distribution Date and maintained by the Claimant

Trustee for distributions on account of Disputed Claims that may subsequently become an Allowed Claim.

“*Disputed Claims Reserve Amount*” means, for purposes of determining the Disputed Claims Reserve, the Cash that would have otherwise been distributed to a Holder of a Disputed Claim at the time any distributions of Cash are made to the Holders of Allowed Claims. The amount of the Disputed Claim upon which the Disputed Claims Reserve is calculated shall be: (a) the amount set forth on either the Schedules or the filed Proof of Claim, as applicable; (b) the amount agreed to by the Holder of the Disputed Claim and the Claimant Trustee or Reorganized Debtor, as applicable; (c) the amount ordered by the Bankruptcy Court if it enters an order disallowing, in whole or in part, a Disputed Claim; or (d) as otherwise ordered by the Bankruptcy Court, including an order estimating the Disputed Claim.

HarbourVest and Mr. Daugherty have objected to the mechanisms for calculating the amount of the Disputed Claims Reserve with respect to the HarbourVest Claim and the Daugherty Claim, respectively, and intend to press their objections at the hearing for confirmation of the Plan.

#### 5. Distributions from the Disputed Claims Reserve

The Disputed Claims Reserve shall at all times hold Cash in an amount no less than the Disputed Claims Reserve Amount. To the extent a Disputed Claim becomes an Allowed Claim pursuant to the terms of the Plan, within 30 days of the date on which such Disputed Claim becomes an Allowed Claim pursuant to the terms of the Plan, the Claimant Trustee shall distribute from the Disputed Claims Reserve to the Holder thereof any prior distributions, in Cash, that would have been made to such Allowed Claim if it had been Allowed as of the Effective Date. For the avoidance of doubt, each Holder of a Disputed Claim that subsequently becomes an Allowed Claim will also receive its Pro Rata share of the Claimant Trust Interests. If, upon the resolution of all Disputed Claims any Cash remains in the Disputed Claims Reserve, such Cash shall be transferred to the Claimant Trust and be deemed a Claimant Trust Asset.

#### 6. Rounding of Payments

Whenever the Plan would otherwise call for, with respect to a particular Person, payment of a fraction of a dollar, the actual payment or distribution shall reflect a rounding of such fraction to the nearest whole dollar (up or down), with half dollars being rounded down. To the extent that Cash to be distributed under the Plan remains undistributed as a result of the aforementioned rounding, such Cash or stock shall be treated as “Unclaimed Property” under the Plan.

#### 7. De Minimis Distribution

Except as to any Allowed Claim that is Unimpaired under the Plan, none of the Debtor, the Reorganized Debtor, or the Distribution Agent shall have any obligation to make any Plan Distributions with a value of less than \$100, unless a written request therefor is received by the Distribution Agent from the relevant recipient at the addresses set forth in Article VI.I of the Plan within 120 days after the later of the (i) Effective Date and (ii) the date such Claim becomes an Allowed Claim. *De minimis* distributions for which no such request is timely received shall

revert to the Claimant Trust. Upon such reversion, the relevant Allowed Claim (and any Claim on account of missed distributions) shall be automatically deemed satisfied, discharged and forever barred, notwithstanding any federal or state escheat laws to the contrary.

8. Distributions on Account of Allowed Claims

Except as otherwise agreed by the Holder of a particular Claim or as provided in the Plan, all distributions shall be made pursuant to the terms of the Plan and the Confirmation Order. Except as otherwise provided in the Plan, distributions to any Holder of an Allowed Claim shall, to the extent applicable, be allocated first to the principal amount of any such Allowed Claim, as determined for U.S. federal income tax purposes and then, to the extent the consideration exceeds such amount, to the remainder of such Claim comprising accrued but unpaid interest, if any (but solely to the extent that interest is an allowable portion of such Allowed Claim).

9. General Distribution Procedures

The Distribution Agent shall make all distributions of Cash or other property required under the Plan, unless the Plan specifically provides otherwise. All Cash and other property held by the Debtor, the Reorganized Debtor, or the Claimant Trust, as applicable, for ultimate distribution under the Plan shall not be subject to any claim by any Person.

10. Address for Delivery of Distributions

Distributions to Holders of Allowed Claims, to the extent provided for under the Plan, shall be made (1) at the addresses set forth in any written notices of address change delivered to the Debtor and the Distribution Agent; (2) at the address set forth on any Proofs of Claim Filed by such Holders (to the extent such Proofs of Claim are Filed in the Chapter 11 Case), (2), or (3) at the addresses in the Debtor's books and records.

If there is any conflict or discrepancy between the addresses set forth in (1) through (3) in the foregoing sentence, then (i) the address in Section (2) shall control; (ii) if (2) does not apply, the address in (1) shall control, and (iii) if (1) does not apply, the address in (3) shall control.

11. Undeliverable Distributions and Unclaimed Property

If the distribution to the Holder of any Allowed Claim is returned to the Reorganized Debtor or the Claimant Trust as undeliverable, no further distribution shall be made to such Holder, and Distribution Agent shall not have any obligation to make any further distribution to the Holder, unless and until the Distribution Agent is notified in writing of such Holder's then current address.

Any Entity that fails to claim any Cash within six months from the date upon which a distribution is first made to such Entity shall forfeit all rights to any distribution under the Plan and such Cash shall thereafter be deemed an Claimant Trust Asset in all respects and for all purposes. Entities that fail to claim Cash shall forfeit their rights thereto and shall have no claim whatsoever against the Debtor's Estate, the Reorganized Debtor, the Claimant Trust, or against any Holder of an Allowed Claim to whom distributions are made by the Distribution Agent.

12. Withholding Taxes

In connection with the Plan, to the extent applicable, the Distribution Agent shall comply with all tax withholding and reporting requirements imposed on them by any Governmental Unit, and all distributions made pursuant to the Plan shall be subject to such withholding and reporting requirements. The Distribution Agent shall be entitled to deduct any U.S. federal, state or local withholding taxes from any Cash payments made with respect to Allowed Claims, as appropriate. As a condition to receiving any distribution under the Plan, the Distribution Agent may require that the Holder of an Allowed Claim entitled to receive a distribution pursuant to the Plan provide such Holder's taxpayer identification number and such other information and certification as may be deemed necessary for the Distribution Agent to comply with applicable tax reporting and withholding laws. If a Holder fails to comply with such a request within one year, such distribution shall be deemed an unclaimed distribution. Any amounts withheld pursuant hereto shall be deemed to have been distributed to and received by the applicable recipient for all purposes of the Plan.

13. Setoffs

The Distribution Agent may, to the extent permitted under applicable law, set off against any Allowed Claim and any distributions to be made pursuant to the Plan on account of such Allowed Claim, the claims, rights and causes of action of any nature that the Debtor, the Reorganized Debtor, or the Distribution Agent may hold against the Holder of such Allowed Claim that are not otherwise waived, released or compromised in accordance with the Plan; *provided, however*, that neither such a setoff nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtor, the Reorganized Debtor, or the Claimant Trustee of any such claims, rights and causes of action that the Debtor, the Reorganized Debtor, or Claimant Trustee possesses against such Holder. Any Holder of an Allowed Claim subject to such setoff reserves the right to challenge any such setoff in the Bankruptcy Court or any other court with jurisdiction with respect to such challenge.

14. Surrender of Cancelled Instruments or Securities

As a condition precedent to receiving any distribution pursuant to the Plan on account of an Allowed Claim evidenced by negotiable instruments, securities, or notes canceled pursuant to Article IV of the Plan, the Holder of such Claim will tender the applicable negotiable instruments, securities, or notes evidencing such Claim (or a sworn affidavit identifying the negotiable instruments, securities, or notes formerly held by such Holder and certifying that they have been lost), to the Distribution Agent unless waived in writing by the Distribution Agent.

15. Lost, Stolen, Mutilated or Destroyed Securities

In addition to any requirements under any applicable agreement and applicable law, any Holder of a Claim or Equity Interest evidenced by a security or note that has been lost, stolen, mutilated, or destroyed will, in lieu of surrendering such security or note to the extent required by the Plan, deliver to the Distribution Agent: (i) evidence reasonably satisfactory to the Distribution Agent of such loss, theft, mutilation, or destruction; and (ii) such security or indemnity as may be required by the Distribution Agent to hold such party harmless from any

damages, liabilities, or costs incurred in treating such individual as a Holder of an Allowed Claim or Equity Interest. Upon compliance with Article VI.O of the Plan as determined by the Distribution Agent, by a Holder of a Claim evidenced by a security or note, such Holder will, for all purposes under the Plan, be deemed to have surrendered such security or note to the Distribution Agent.

### **C. Procedures for Resolving Contingent, Unliquidated and Disputed Claims**

#### **1. Filing of Proofs of Claim**

Unless such Claim appeared in the Schedules and is not listed as disputed, contingent, or unliquidated, or such Claim has otherwise been Allowed or paid, each Holder of a Claim was required to file a Proof of Claim on or prior to the Bar Date.

#### **2. Disputed Claims**

Following the Effective Date, each of the Reorganized Debtor or the Claimant Trustee, as applicable, may File with the Bankruptcy Court an objection to the allowance of any Disputed Claim or Disputed Equity Interest or any other appropriate motion or adversary proceeding with respect thereto, which shall be litigated to Final Order or, at the discretion of the Reorganized Debtor or Claimant Trustee, as applicable, compromised, settled, withdrew or resolved without further order of the Bankruptcy Court, and (ii) unless otherwise provided in the Confirmation Order, the Reorganized Debtor or the Claimant Trust, as applicable, are authorized to settle, or withdraw any objections to, any Disputed Claim or Disputed Equity Interests following the Effective Date without further notice to creditors (other than the Entity holding such Disputed Claim or Disputed Equity Interest) or authorization of the Bankruptcy Court, in which event such Claim or Equity Interest shall be deemed to be an Allowed Claim or Equity Interest in the amount compromised for purposes of the Plan.

#### **3. Procedures Regarding Disputed Claims or Disputed Equity Interests**

No payment or other distribution or treatment shall be made on account of a Disputed Claim or Disputed Equity Interest unless and until such Disputed Claim or Disputed Equity Interest becomes an Allowed Claim or Equity Interests and the amount of such Allowed Claim or Equity Interest, as applicable, is determined by order of the Bankruptcy Court or by stipulation between the Reorganized Debtor or Claimant Trust, as applicable, and the Holder of the Claim or Equity Interest.

#### **4. Allowance of Claims and Equity Interests**

Following the date on which a Disputed Claim or Disputed Equity Interest becomes an Allowed Claim or Equity Interest after the Distribution Date, the Distribution Agent shall make a distribution to the Holder of such Allowed Claim or Equity Interest in accordance with the Plan.

#### *Allowance of Claims*

After the Effective Date and subject to the other provisions of the Plan, the Reorganized Debtor or the Claimant Trust, as applicable, will have and will retain any and all rights and

defenses under bankruptcy or nonbankruptcy law that the Debtor had with respect to any Claim. Except as expressly provided in the Plan or in any order entered in the Chapter 11 Case prior to the Effective Date (including, without limitation, the Confirmation Order), no Claim or Equity Interest will become an Allowed Claim or Equity Interest unless and until such Claim or Equity Interest is deemed Allowed under the Plan or the Bankruptcy Code or the Bankruptcy Court has entered an order, including, without limitation, the Confirmation Order, in the Chapter 11 Case allowing such Claim or Equity Interest.

#### *Estimation*

Subject to the other provisions of the Plan, the Debtor, prior to the Effective Date, and the Reorganized Debtor or the Claimant Trustee, as applicable, after the Effective Date, may, at any time, request that the Bankruptcy Court estimate (a) any Disputed Claim or Disputed Equity Interest pursuant to applicable law and in accordance with the Plan and (b) any contingent or unliquidated Claim pursuant to applicable law, including, without limitation, section 502(c) of the Bankruptcy Code, and the Bankruptcy Court will retain jurisdiction under 28 U.S.C. §§ 157 and 1334 to estimate any Disputed Claim or Disputed Equity Interest, contingent Claim or unliquidated Claim, including during the litigation concerning any objection to any Claim or Equity Interest or during the pendency of any appeal relating to any such objection. All of the aforementioned objection, estimation and resolution procedures are cumulative and not exclusive of one another. Claims or Equity Interests may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court. The rights and objections of all parties are reserved in connection with any such estimation proceeding.

#### *Disallowance of Claims*

Any Claims or Equity Interests held by Entities from which property is recoverable under sections 542, 543, 550, or 553 of the Bankruptcy Code, or that are a transferee of a transfer avoidable under sections 522(f), 522(h), 544, 545, 547, 548, 549, or 724(a) of the Bankruptcy Code, shall be deemed disallowed pursuant to section 502(d) of the Bankruptcy Code, and holders of such Claims or Interests may not receive any distributions on account of such Claims or Interests until such time as such Causes of Action against that Entity have been settled or a Bankruptcy Court Order with respect thereto has been entered and all sums due, if any, to the Reorganized Debtor or the Claimant Trust, as applicable, by that Entity have been turned over or paid to the Reorganized Debtor or the Claimant Trust, as applicable.

**EXCEPT AS OTHERWISE PROVIDED HEREIN OR AS AGREED TO BY THE DEBTOR, REORGANIZED DEBTOR, OR CLAIMANT TRUSTEE, AS APPLICABLE, ANY AND ALL PROOFS OF CLAIM FILED AFTER THE BAR DATE SHALL BE DEEMED DISALLOWED AND EXPUNGED AS OF THE EFFECTIVE DATE WITHOUT ANY FURTHER NOTICE TO OR ACTION, ORDER, OR APPROVAL OF THE BANKRUPTCY COURT, AND HOLDERS OF SUCH CLAIMS MAY NOT RECEIVE ANY DISTRIBUTIONS ON ACCOUNT OF SUCH CLAIMS, UNLESS SUCH LATE PROOF OF CLAIM HAS BEEN DEEMED TIMELY FILED BY A FINAL ORDER.**

#### **D. Effectiveness of the Plan**

##### **1. Conditions Precedent to the Effective Date**

The Effective Date of the Plan will be conditioned upon the satisfaction or waiver by the Debtor (and, to the extent such condition requires the consent of the Committee, the consent of the Committee with such consent not to be unreasonably withheld), pursuant to the provisions of Article VIII.B of the Plan of the following:

- the Plan and the Plan Documents, including the Claimant Trust Agreement and the Reorganized Limited Partnership Agreement, and all schedules, documents, supplements and exhibits to the Plan shall have been Filed in form and substance reasonably acceptable to the Debtor and the Committee.
- The Confirmation Order shall have been entered, not subject to stay pending appeal, and shall be in form and substance reasonably acceptable to the Debtor and the Committee. The Confirmation Order shall provide that, among other things, (i) the Debtor, the Reorganized Debtor, the Claimant Trustee, or the Litigation Trustee are authorized to take all actions necessary or appropriate to effectuate and consummate the Plan, including, without limitation, (a) entering into, implementing, effectuating, and consummating the contracts, instruments, releases, and other agreements or documents created in connection with or described in the Plan, (b) assuming the Executory Contracts and Unexpired Leases set forth in the Plan Supplement, (c) making all distributions and issuances as required under the Plan; and (d) entering into any transactions as set forth in the Plan Documents; (ii) the provisions of the Confirmation Order and the Plan are nonseverable and mutually dependent; (iii) the implementation of the Plan in accordance with its terms is authorized; (iv) pursuant to section 1146 of the Bankruptcy Code, the delivery of any deed or other instrument or transfer order, in furtherance of, or in connection with the Plan, including any deeds, bills of sale, or assignments executed in connection with any disposition or transfer of Assets contemplated under the Plan, shall not be subject to any Stamp or Similar Tax; and (v) the vesting of the Claimant Trust Assets in the Claimant Trust and the Reorganized Debtor Assets in the Reorganized Debtor, in each case as of the Effective Date free and clear of liens and claims to the fullest extent permissible under applicable law pursuant to section 1141(c) of the Bankruptcy Code except with respect to such Liens, Claims, charges and other encumbrances that are specifically preserved under the Plan upon the Effective Date.
- All documents and agreements necessary to implement the Plan, including without limitation, the Reorganized Limited Partnership Agreement, the Claimant Trust Agreement, and the New GP LLC Documents, in each case in form and substance reasonably acceptable to the Debtor and the Committee, shall have (a) been tendered for delivery, and (b) been effected by, executed by, or otherwise deemed binding upon, all Entities party thereto and shall be in full force and effect. All conditions precedent to such documents and agreements shall have been satisfied or waived pursuant to the terms of such documents or agreements.

- All authorizations, consents, actions, documents, approvals (including any governmental approvals), certificates and agreements necessary to implement the Plan, including, without limitation, the Reorganized Limited Partnership Agreement, the Claimant Trust Agreement, and the New GP LLC Documents, shall have been obtained, effected or executed and delivered to the required parties and, to the extent required, filed with the applicable governmental units in accordance with applicable laws and any applicable waiting periods shall have expired without any action being taken or threatened by any competent authority that would restrain or prevent effectiveness or consummation of the Restructuring.
- The Professional Fee Reserve shall be funded pursuant to the Plan in an amount determined by the Debtor in good faith.

2. Waiver of Conditions

The conditions to effectiveness of the Plan set forth in Article VIII of the Plan (other than that the Confirmation Order shall have been entered) may be waived in whole or in part by the Debtor (and, to the extent such condition requires the consent of the Committee, the consent of the Committee), without notice, leave or order of the Bankruptcy Court or any formal action other than proceeding to confirm or effectuate the Plan. The failure to satisfy or waive a condition to the Effective Date may be asserted by the Debtor regardless of the circumstances giving rise to the failure of such condition to be satisfied. The failure of the Debtor to exercise any of the foregoing rights will not be deemed a waiver of any other rights, and each right will be deemed an ongoing right that may be asserted at any time by the Debtor, the Reorganized Debtor, or the Claimant Trust, as applicable.

3. Effect of Non-Occurrence of Conditions to Effectiveness

Unless waived as set forth in Article VIII.B of the Plan, if the Effective Date of the Plan does not occur within twenty calendar days of entry of the Confirmation Order, the Debtor may withdraw the Plan and, if withdrawn, the Plan shall be of no further force or effect.

4. Dissolution of the Committee

On the Effective Date, the Committee will dissolve, and the members of the Committee and the Committee's Professionals will cease to have any role arising from or relating to the Chapter 11 Case, except in connection with final fee applications of Professionals for services rendered prior to the Effective Date (including the right to object thereto). The Professionals retained by the Committee and the members thereof will not be entitled to assert any fee claims for any services rendered to the Committee or expenses incurred in the service of the Committee after the Effective Date, except for reasonable fees for services rendered, and actual and necessary costs incurred, in connection with any applications for allowance of Professional Fees pending on the Effective Date or filed and served after the Effective Date pursuant to the Plan. Nothing in the Plan shall prohibit or limit the ability of the Debtor's or Committee's Professionals to represent either of the Trustees or to be compensated or reimbursed per the Plan and the Claimant Trust Agreement in connection with such representation.

## **E. Exculpation, Injunction, and Related Provisions**

### **1. General**

Notwithstanding anything contained in the Plan to the contrary, the allowance, classification and treatment of all Allowed Claims and Equity Interests and their respective distributions and treatments under the Plan shall take into account the relative priority and rights of the Claims and the Equity Interests in each Class in connection with any contractual, legal and equitable subordination rights relating thereto whether arising under general principles of equitable subordination, section 510 of the Bankruptcy Code, or otherwise.

For purposes of the following provisions:

- “*Exculpated Parties*” means, collectively, (i) the Debtor and its successors and assigns, direct and indirect majority-owned subsidiaries, and the Managed Funds, (ii) the Employees, (iii) Strand, (iv) the Independent Directors, (v) the Committee, (vi) the members of the Committee (in their official capacities), (vii) the Professionals retained by the Debtor and the Committee in the Chapter 11 Case, (viii) the CEO/CRO; and (ix) the Related Persons of each of the parties listed in (iv) through (viii); *provided, however*, that, for the avoidance of doubt, none of James Dondero, Mark Okada, NexPoint Advisors, L.P. (and any of its subsidiaries and managed entities), the Charitable Donor Advised Fund, L.P. (and any of its subsidiaries, including CLO Holdco, Ltd., and managed entities), Highland CLO Funding, Ltd. (and any of its subsidiaries, members, and managed entities), Highland Capital Management Fund Advisors, L.P. (and any of its subsidiaries and managed entities), NexBank, SSB (and any of its subsidiaries), the Hunter Mountain Investment Trust (or any trustee acting for the trust), the Dugaboy Investment Trust (or any trustee acting for the trust), or Grant Scott is included in the term “Exculpated Party.”
- “*Released Parties*” means, collectively, (i) the Independent Directors; (ii) Strand (solely from the date of the appointment of the Independent Directors through the Effective Date); (iii) the CEO/CRO; (iv) the Committee; (v) the members of the Committee (in their official capacities), (vi) the Professionals retained by the Debtor and the Committee in the Chapter 11 Case; and (vii) the Employees.
- “*Protected Parties*” means, collectively, (i) the Debtor and its successors and assigns, direct and indirect majority-owned subsidiaries, and the Managed Funds, (ii) the Employees, (iii) Strand, (iv) the Reorganized Debtor, (v) the Independent Directors, (vi) the Committee, (vii) the members of the Committee (in their official capacities), (viii) the Claimant Trust, (ix) the Claimant Trustee, (x) the Litigation Sub-Trust, (xi) the Litigation Trustee, (xii) the members of the Claimant Trust Oversight Committee (in their official capacities), (xiii) New GP LLC, (xiv) the Professionals retained by the Debtor and the Committee in the Chapter 11 Case, (xv) the CEO/CRO; and (xvi) the Related Persons of each of the parties listed in (iv) through (xv); *provided, however*, that, for the avoidance of doubt, none of James Dondero, Mark Okada, NexPoint Advisors, L.P. (and any of its subsidiaries and managed entities), the Charitable Donor Advised Fund, L.P. (and any of its subsidiaries, including CLO

Holdco, Ltd., and managed entities), Highland CLO Funding, Ltd. (and any of its subsidiaries, members, and managed entities), NexBank, SSB (and any of its subsidiaries), Highland Capital Management Fund Advisors, L.P. (and any of its subsidiaries and managed entities), the Hunter Mountain Investment Trust (or any trustee acting for the trust), the Dugaboy Investment Trust (or any trustee acting for the trust), or Grant Scott is included in the term “Protected Party.”

## 2. Discharge of Claims

To the fullest extent provided under section 1141(d)(1)(A) and other applicable provisions of the Bankruptcy Code, except as otherwise expressly provided by the Plan or the Confirmation Order, all consideration distributed under the Plan will be in exchange for, and in complete satisfaction, settlement, discharge, and release of, all Claims and Equity Interests of any kind or nature whatsoever against the Debtor or any of its Assets or properties, and regardless of whether any property will have been distributed or retained pursuant to the Plan on account of such Claims or Equity Interests. Except as otherwise expressly provided by the Plan or the Confirmation Order, upon the Effective Date, the Debtor and its Estate will be deemed discharged and released under and to the fullest extent provided under section 1141(d)(1)(A) and other applicable provisions of the Bankruptcy Code from any and all Claims and Equity Interests of any kind or nature whatsoever, including, but not limited to, demands and liabilities that arose before the Confirmation Date, and all debts of the kind specified in section 502(g), 502(h), or 502(i) of the Bankruptcy Code.

## 3. Exculpation

Subject in all respects to Article XII.D of the Plan, to the maximum extent permitted by applicable law, no Exculpated Party will have or incur, and each Exculpated Party is hereby exculpated from, any claim, obligation, suit, judgment, damage, demand, debt, right, Cause of Action, remedy, loss, and liability for conduct occurring on or after the Petition Date in connection with or arising out of (i) the filing and administration of the Chapter 11 Case; (ii) the negotiation and pursuit of the Disclosure Statement, the Plan, or the solicitation of votes for, or confirmation of, the Plan; (iii) the funding or consummation of the Plan (including the Plan Supplement) or any related agreements, instruments, or other documents, the solicitation of votes on the Plan, the offer, issuance, and Plan Distribution of any securities issued or to be issued pursuant to the Plan, including the Claimant Trust Interests, whether or not such Plan Distributions occur following the Effective Date; (iv) the implementation of the Plan; and (v) any negotiations, transactions, and documentation in connection with the foregoing clauses (i)-(v); *provided, however*, the foregoing will not apply to (a) any acts or omissions of an Exculpated Party arising out of or related to acts or omissions that constitute bad faith, fraud, gross negligence, criminal misconduct, or willful misconduct or (b) Strand or any Employee other than with respect to actions taken by such Entities from the date of appointment of the Independent Directors through the Effective Date. This exculpation shall be in addition to, and not in limitation of, all other releases, indemnities, exculpations, any other applicable law or rules, or any other provisions of the Plan, including Article IV.C.2 of the Plan, protecting such Exculpated Parties from liability.

#### 4. Releases by the Debtor

On and after the Effective Date, each Released Party is deemed to be, hereby conclusively, absolutely, unconditionally, irrevocably, and forever released and discharged by the Debtor and the Estate, in each case on behalf of themselves and their respective successors, assigns, and representatives, including, but not limited to, the Claimant Trust and the Litigation Sub-Trust from any and all Causes of Action, including any derivative claims, asserted on behalf of the Debtor, whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereafter arising, in law, equity, contract, tort or otherwise, that the Debtor or the Estate would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the holder of any Claim against, or Interest in, a Debtor or other Person.

Notwithstanding anything contained herein to the contrary, the foregoing release does not release: (i) any obligations of any party under the Plan or any document, instrument, or agreement executed to implement the Plan, (ii) the rights or obligations of any current employee of the Debtor under any employment agreement or plan, (iii) the rights of the Debtor with respect to any confidentiality provisions or covenants restricting competition in favor of the Debtor under any employment agreement with a current or former employee of the Debtor, (iv) any Avoidance Actions, or (v) any Causes of Action arising from willful misconduct, criminal misconduct, actual fraud, or gross negligence of such applicable Released Party as determined by Final Order of the Bankruptcy Court or any other court of competent jurisdiction.

Notwithstanding anything herein to the contrary, any release provided pursuant to Article IX.D of the Plan (i) with respect to a Senior Employee, is conditioned in all respects on (a) such Senior Employee executing a Senior Employee Stipulation on or prior to the Effective Date and (b) the reduction of such Senior Employee's Allowed Claim as set forth in the Senior Employee Stipulation (such amount, the "Reduced Employee Claim"), and (ii) with respect to any Employee, including a Senior Employee, shall be deemed null and void and of no force and effect (1) if there is more than one member of the Claimant Trust Oversight Committee who does not represent entities holding a Disputed or Allowed Claim (the "Independent Members"), the Claimant Trustee and the Independent Members by majority vote determine or (2) if there is only one Independent Member, the Independent Member after discussion with the Claimant Trustee, determines (in each case after discussing with the full Claimant Trust Oversight Committee) that such Employee (regardless of whether the Employee is then currently employed by the Debtor, the Reorganized Debtor, or the Claimant Trustee):

- sues, attempts to sue, or threatens or works with or assists any entity or person to sue, attempt to sue, or threaten the Reorganized Debtor, the Claimant Trust, the Litigation Sub-Trust, or any of their respective employees or agents, or any Released Party on or in connection with any claim or cause of action arising prior to the Effective Date,
- has taken any action that, impairs or harms the value of the Claimant Trust Assets or the Reorganized Debtor Assets, or
- (x) upon the request of the Claimant Trustee, has failed to provide reasonable assistance in good faith to the Claimant Trustee or the Reorganized Debtor with

respect to (1) the monetization of the Claimant Trust Assets or Reorganized Debtor Assets, as applicable, or (2) the resolution of Claims, or (y) has taken any action that impedes or frustrates the Claimant Trustee or the Reorganized Debtor with respect to any of the foregoing.

*Provided, however,* that the release provided pursuant to Article IX.D of the Plan will vest and the Employee will be indefeasibly released pursuant to Article IX.D of the Plan if such Employee's release has not been deemed null and void and of no force and effect on or prior to the date that is the date of dissolution of the Claimant Trust pursuant to the Claimant Trust Agreement.

By executing the Senior Employee Stipulation embodying this release, each Senior Employee acknowledges and agrees, without limitation, to the terms of this release and the tolling agreement contained in the Senior Employee Stipulation.

The provisions of this release and the execution of a Senior Employee Stipulation will not in any way prevent or limit any Employee from (i) prosecuting its Claims, if any, against the Debtor's Estate, (ii) defending him or herself against any claims or causes of action brought against the Employee by a third party, or (iii) assisting other persons in defending themselves from any Estate Claims brought by the Litigation Trustee (but only with respect to Estate Claims brought by the Litigation Trustee and not collection or other actions brought by the Claimant Trustee).

In addition to the obligations set forth in Article IX.D of the Plan, as additional consideration for the foregoing releases, the Senior Employees will waive their rights to certain deferred compensation owed to them by the Debtor. As of the date hereof, the total deferred compensation owed to the Senior Employees was approximately \$3.9 million, which will be reduced by approximately \$2.2 million to approximately \$1.7 million. That reduction is composed of a reduction of (i) approximately \$560,000 in the aggregate in order to qualify as Convenience Claims, (ii) approximately \$510,000 in the aggregate to reflect the Convenience Claims treatment of 85% (and may be lower depending on the number of Convenience Claims), and (iii) of approximately \$1.15 million in the aggregate to reflect an additional reduction of 40%.

As of the date of this Disclosure Statement, the Debtor has not identified any Causes of Action against any Released Parties. However, as set forth above, during the Chapter 11 Case, the Committee was granted sole standing to investigate and pursue the Estate Claims, which may include Causes of Action against certain of the Released Parties. As of the date of this Disclosure Statement, the Committee has not identified any Estate Claims against any Released Parties. The Debtor currently believes that there are no material Estate Claims or other Causes of Action against any Released Party.

##### 5. Preservation of Rights of Action

###### *Maintenance of Causes of Action*

Except as otherwise provided in the Plan, after the Effective Date, the Reorganized Debtor or the Claimant Trust will retain all rights to commence, pursue, litigate or settle, as

appropriate, any and all Causes of Action included in the Reorganized Debtor Assets or Claimant Trust Assets, as applicable, whether existing as of the Petition Date or thereafter arising, in any court or other tribunal including, without limitation, in an adversary proceeding Filed in the Chapter 11 Case and, as the successors in interest to the Debtor and the Estate, may, and will have the exclusive right to, enforce, sue on, settle, compromise, transfer or assign (or decline to do any of the foregoing) any or all of the Causes of Action without notice to or approval from the Bankruptcy Court.

*Preservation of All Causes of Action Not Expressly Settled or Released*

Unless a Cause of Action against a Holder of a Claim or an Equity Interest or other Entity is expressly waived, relinquished, released, compromised or settled in the Plan or any Final Order (including, without limitation, the Confirmation Order), such Cause of Action is expressly reserved for later adjudication by the Reorganized Debtor or Claimant Trust, as applicable (including, without limitation, Causes of Action not specifically identified or of which the Debtor may presently be unaware or that may arise or exist by reason of additional facts or circumstances unknown to the Debtor at this time or facts or circumstances that may change or be different from those the Debtor now believes to exist) and, therefore, no preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable or otherwise) or laches will apply to such Causes of Action as a consequence of the confirmation, effectiveness, or consummation of the Plan based on the Disclosure Statement, the Plan or the Confirmation Order, except where such Causes of Action have been expressly released in the Plan or any other Final Order (including, without limitation, the Confirmation Order). In addition, the right of the Reorganized Debtor or the Claimant Trust to pursue or adopt any claims alleged in any lawsuit in which the Debtor is a plaintiff, defendant or an interested party, against any Entity, including, without limitation, the plaintiffs or co-defendants in such lawsuits, is expressly reserved.

6. Injunction

Upon entry of the Confirmation Order, all holders of Claims and Equity Interests and other parties in interest, along with their respective Related Persons, shall be enjoined from taking any actions to interfere with the implementation or consummation of the Plan.

Except as expressly provided in the Plan, the Confirmation Order, or a separate order of the Bankruptcy Court, all Entities who have held, hold, or may hold Claims against or Equity Interests in the Debtor (whether proof of such Claims or Equity Interests has been filed or not and whether or not such Entities vote in favor of, against or abstain from voting on the Plan or are presumed to have accepted or deemed to have rejected the Plan) and other parties in interest, along with their respective Related Persons, are permanently enjoined, on and after the Effective Date, with respect to such Claims and Equity Interests, from (i) commencing, conducting, or continuing in any manner, directly or indirectly, any suit, action, or other proceeding of any kind (including any proceeding in a judicial, arbitral, administrative or other forum) against or affecting the Debtor, the Independent Directors, the Reorganized Debtor, or the Claimant Trust or the property of any of the Debtor, the Independent Directors, the Reorganized Debtor, or the Claimant Trust, (ii) enforcing, levying, attaching (including any prejudgment attachment), collecting, or otherwise recovering by any manner or means, whether directly or indirectly, any

judgment, award, decree, or order against the Debtor, the Independent Directors, the Reorganized Debtor, or the Claimant Trust or the property of any of the Debtor, the Independent Directors, the Reorganized Debtor, or the Claimant Trust, (iii) creating, perfecting, or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the Debtor, the Independent Directors, the Reorganized Debtor, or the Claimant Trust or the property of any of the Debtor, the Independent Directors, the Reorganized Debtor, or the Claimant Trust, (iv) asserting any right of setoff, directly or indirectly, against any obligation due from the Debtor, the Independent Directors, the Reorganized Debtor, or the Claimant Trust or against property or interests in property of any of the Debtor, the Independent Directors, the Reorganized Debtor, or the Claimant Trust; and (v) acting or proceeding in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan.

The injunctions set forth herein shall extend to any successors of the Debtor, the Reorganized Debtor, and the Claimant Trust and their respective property and interests in property.

**Subject in all respects to Article XII. D of the Plan, no Entity may commence or pursue a claim or cause of action of any kind against any Protected Party that arose from or is related to the Chapter 11 Case, the negotiation of the Plan, the administration of the Plan or property to be distributed under the Plan, the wind down of the business of the Debtor or Reorganized Debtor, the administration of the Claimant Trust, or the transactions in furtherance of the foregoing without the Bankruptcy Court (i) first determining, after notice, that such claim or cause of action represents a colorable claim of bad faith, criminal misconduct, willful misconduct, fraud, or gross negligence against a Protected Party and (ii) specifically authorizing such Entity to bring such claim against any such Protected Party; *provided, however*, the foregoing will not apply to Strand or any Employee other than with respect to actions taken by such Entities from the date of appointment of the Independent Directors through the Effective Date. As set forth in Article XI of the Plan, the Bankruptcy Court will have sole jurisdiction to adjudicate any such claim for which approval of the Bankruptcy Court to commence or pursue has been granted.**

7. Term of Injunctions or Stays

Unless otherwise provided in the Plan, the Confirmation Order, or in a Final Order of the Bankruptcy Court, all injunctions or stays arising under or entered during the Chapter 11 Case under section 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the later of the Effective Date and the date indicated in the order providing for such injunction or stay.

8. Continuance of January 9 Order

Unless otherwise provided in the Plan, the Confirmation Order, or in a Final Order of the Bankruptcy Court, the restrictions set forth in paragraphs 9 and 10 of the *Order Approving Settlement with Official Committee of Unsecured Creditors Regarding Governance of the Debtor and Procedures for Operations in the Ordinary Course*, entered by the Bankruptcy Court on

January 9, 2020 [D.I. 339] shall remain in full force and effect following the Effective Date until the dissolution of each of the Claimant Trust and the Litigation Trust.

**F. Article XII.D of the Plan**

Article XII.D of the Plan provides that, notwithstanding anything in the Plan to the contrary, nothing in the Plan will affect or otherwise limit or release any non-Debtor Entity's (including any Exculpated Party's) duties or obligations, including any contractual and indemnification obligations, to the Debtor, the Reorganized Debtor, or any other Entity whether arising under contract, statute, or otherwise.

**G. Binding Nature of Plan**

On the Effective Date, and effective as of the Effective Date, the Plan, including, without limitation, the provisions in Article IX of the Plan, will bind, and will be deemed binding upon, all Holders of Claims against and Equity Interests in the Debtor and such Holder's respective successors and assigns, to the maximum extent permitted by applicable law, notwithstanding whether or not such Holder will receive or retain any property or interest in property under the Plan. All Claims and Debts shall be fixed and adjusted pursuant to the Plan. The Plan shall also bind any taxing authority, recorder of deeds, or similar official for any county, state, Governmental Unit or parish in which any instrument related to the Plan or related to any transaction contemplated thereby is to be recorded with respect to any taxes of the kind specified in Bankruptcy Code section 1146(a)

**H. Statutory Requirements for Confirmation of the Plan**

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies the requirements of section 1129 of the Bankruptcy Code. The Debtor believes that: (i) the Plan satisfies or will satisfy all of the statutory requirements of chapter 11 of the Bankruptcy Code; (ii) the Debtor has complied or will have complied with all of the requirements of chapter 11 of the Bankruptcy Code; and (iii) the Plan has been proposed in good faith. Specifically, the Debtor believes that the Plan satisfies or will satisfy the applicable confirmation requirements of section 1129 of the Bankruptcy Code set forth below.

- The Plan complies with the applicable provisions of the Bankruptcy Code;
- The Debtor has complied and will comply with the applicable provisions of the Bankruptcy Code;
- The Plan has been proposed in good faith and not by any means forbidden by law;
- Any payment made or promised under the Plan for services or for costs and expenses in, or in connection with, the Debtor's bankruptcy case, or in connection with the Plan and incident to the case, has been or will be disclosed to the Bankruptcy Court, and any such payment: (i) made before the confirmation of the Plan is reasonable; or (ii) is subject to the

approval of the Bankruptcy Court as reasonable if it is to be fixed after confirmation of the Plan;

- Each Class of Claims or Equity Interests that is entitled to vote on the Plan will have accepted the Plan, or the Plan can be confirmed without the approval of such voting Class pursuant to section 1129(b) of the Bankruptcy Code;
- Except to the extent that the Holder of a particular Claim will agree to a different treatment of its Claim, the Plan provides that Administrative Expense Claims and Priority Claims will be paid in full in Cash on the Effective Date, or as soon thereafter as is reasonably practicable;
- Confirmation of the Plan will not likely be followed by the liquidation or the need for further financial reorganization of the Debtor or any successor thereto under the Plan;
- The Debtor has paid or will pay all fees payable under section 1930 of title 28, and the Plan provides for the payment of all such fees on the Effective Date; and
- The Plan provides for the continuation after the Effective Date of payment of all retiree benefits, if applicable.

1. Best Interests of Creditors Test

Often called the “best interests” test, section 1129(a)(7) of the Bankruptcy Code requires that the bankruptcy court find, as a condition to confirmation of a chapter 11 plan, that each holder of a claim or equity interest in each impaired class: (i) has accepted the plan; or (ii) among other things, will receive or retain under the plan property of a value, as of the effective date of the plan, that is not less than the amount that such Person would receive if the debtor were liquidated under chapter 7 of the Bankruptcy Code. To make these findings, the Bankruptcy Court must: (a) estimate the net Cash proceeds (the “Liquidation Proceeds”) that a chapter 7 trustee would generate if the Debtor’s Chapter 11 Case were converted to a chapter 7 case on the Effective Date and the assets of such Debtor’s Estate were liquidated; (b) determine the distribution (the “Liquidation Distribution”) that each non-accepting Holder of a Claim or Equity Interest would receive from the Liquidation Proceeds under the priority scheme dictated in chapter 7; and (c) compare each Holder’s Liquidation Distribution to the distribution under the Plan that such Holder would receive if the Plan were confirmed and consummated.

2. Liquidation Analysis

Any liquidation analysis, including the estimation of Liquidation Proceeds and Liquidation Distributions, with respect to the Debtor (the “Liquidation Analysis”) is subject to numerous assumptions and there can be no guarantee that the Liquidation Analysis will be accurate. No order or finding has been entered by the Bankruptcy Court estimating or otherwise fixing the amount of Claims and Equity Interests at the projected amounts of Allowed Claims

and Equity Interests set forth in the Liquidation Analysis. In preparing the Liquidation Analysis, the Debtor has projected an amount of Allowed Claims and Equity Interests that represents its best estimate of the chapter 7 liquidation dividend to Holders of Allowed Claims and Equity Interests. The estimate of the amount of Allowed Claims and Equity Interests set forth in the Liquidation Analysis should not be relied on for any other purpose, including, without limitation, any determination of the value of any Plan Distribution to be made on account of Allowed Claims and Equity Interests under the Plan and Disclosure Statement.

The full Liquidation Analysis is attached hereto as **Exhibit C**.

Furthermore, any chapter 7 trustee appointed in a chapter 7 liquidation would have to confront all of the issues described in this Disclosure Statement, including the prepetition litigation claims. This process would be significantly time-consuming and costly, and reduce any recoveries available to the Debtor's Estate. The Debtor believes that liquidation under chapter 7 would result in (i) smaller distributions being made to creditors than those provided for in the Plan because of the additional administrative expenses involved in the appointment of a trustee and attorneys and other professionals to assist such trustee, (ii) additional expenses and claims, some of which would be entitled to priority, which would be generated during the liquidation and from the rejection of executory contracts in connection with the cessation of the Debtor's operations, and (iii) the failure to realize greater value from all of the Debtor's assets.

Therefore, the Debtor believes that confirmation of the Plan will provide each Holder of a Claim with a greater recovery than such Holder would receive pursuant to the liquidation of the Debtor under chapter 7 of the Bankruptcy Code.

### 3. Feasibility

Section 1129(a)(11) of the Bankruptcy Code requires that the bankruptcy court find that confirmation is not likely to be followed by the liquidation, or the need for further financial reorganization of the Debtor, or any successor to the Debtor, unless the plan contemplates such liquidation or reorganization. For purposes of demonstrating that the Plan meets this "feasibility" standard, the Debtor has analyzed the ability of the Claimant Trust and the Reorganized Debtor to meet their obligations under the Plan and to retain sufficient liquidity and capital resources to conduct their business. A copy of the financial projections prepared by the Debtor is attached hereto as **Exhibit C**.

The Debtor believes that the Plan meets the feasibility requirement set forth in section 1129(a)(11) of the Bankruptcy Code. In connection with the development of the Plan and for the purposes of determining whether the Plan satisfies this feasibility standard, the Debtor analyzed their ability to satisfy their financial obligations while maintaining sufficient liquidity and capital resources. The Debtor believes that its available Cash and any additional proceeds from the Debtor's Assets will be sufficient to allow the Debtor, the Reorganized Debtor, and the Claimant Trust, as applicable, to make all payments required to be made under the Plan. Accordingly, the Debtor believes that the Plan is feasible.

4. Valuation

In order to provide information and full disclosure to parties in interest regarding the Debtor's assets, the Debtor estimates that its value and the total value of its Assets, as of September 30, 2020, was approximately \$328.3 million.

5. Acceptance by Impaired Classes

The Bankruptcy Code requires, as a condition to confirmation, that, except as described in the following section, each class of claims or equity interests that is impaired under a plan, accepts the plan. A class that is not "impaired" under a plan is deemed to have accepted the plan and, therefore, solicitation of acceptances with respect to such class is not required. A class is "impaired" unless the plan: (i) leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder of such claim or interest; or (ii) notwithstanding any contractual provision or applicable law that entitles the holder of such claim or interest to demand or receive accelerated payment of such claim or interest after the occurrence of a default— (a) cures any such default that occurred before or after the commencement of the Chapter 11 Case, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code or of a kind that section 365(b)(2) expressly does not require to be cured; (b) reinstates the maturity of such claim or interest as such maturity existed before such default; (c) compensates the holder of such claim or interest for any damages incurred as a result of any reasonable reliance by such holder on such contractual provision or such applicable law; (d) if such claim or such interest arises from any failure to perform a nonmonetary obligation, other than a default arising from failure to operate a nonresidential real property lease subject to section 365(b)(1)(A), compensates the holder of such claim or such interest (other than the debtor or an insider) for any actual pecuniary loss incurred by such holder as a result of such failure; and (e) does not otherwise alter the legal, equitable, or contractual rights to which such claim or interest entitles the holder of such claim or interest.

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject the plan and are not insiders. Section 1126(d) of the Bankruptcy Code defines acceptance of a plan by a class of equity interests as acceptance by holders of at least two-thirds in amount of the allowed interests of such class. Thus, a class of claims will have voted to accept the plan only if two-thirds in amount and a majority in number actually voting cast their ballots in favor of acceptance. Section 1126(d) of the Bankruptcy Code, except as otherwise provided in section 1126(e) of the Bankruptcy Code, defines acceptance of a plan by a class of impaired equity interests as acceptance by holders of at least two-thirds in amount of equity interests in that class actually voting to accept or to reject the plan.

Pursuant to section 1129 of the Bankruptcy Code, the Holders of Claims or Equity Interests in any voting class must accept the Plan for the Plan to be confirmed without application of the "fair and equitable test" to such Class, and without considering whether the Plan "discriminates unfairly" with respect to such Class, as both standards are described herein.

6. Confirmation Without Acceptance by Impaired Classes

Section 1129(b) of the Bankruptcy Code allows a bankruptcy court to confirm a plan even if less than all impaired classes entitled to vote on the plan have accepted it, *provided* that the plan has been accepted by at least one impaired class of claims. Pursuant to section 1129(b) of the Bankruptcy Code, notwithstanding an impaired Class's rejection or deemed rejection of the Plan, the Plan will be confirmed, at the Debtor's request, in a procedure commonly known as "cram down," so long as the Plan does not "discriminate unfairly" and is "fair and equitable" with respect to each Class of Claims or Equity Interests that is impaired under, and has not accepted, the Plan.

7. No Unfair Discrimination

This test applies to classes of claims or equity interests that are of equal priority and are receiving different treatment under the Plan. The test does not require that the treatment be the same or equivalent, but that such treatment be "fair." In general, bankruptcy courts consider whether a plan discriminates unfairly in its treatment of classes of claims of equal rank (e.g., classes of the same legal character). Bankruptcy courts will take into account a number of factors in determining whether a plan discriminates unfairly and, accordingly, a plan could treat two classes of unsecured creditors differently without unfairly discriminating against either class.

8. Fair and Equitable Test

This test applies to classes of different priority and status (e.g., secured versus unsecured) and includes the general requirement that no class of claims receive more than 100% of the amount of the allowed claims in such class. As to the dissenting class, the test sets different standards depending on the type of claims or equity interests in such class:

The condition that a plan be "fair and equitable" to a non-accepting Class of Secured Claims includes the requirements that: (a) the Holders of such Secured Claims retain the liens securing such Claims to the extent of the Allowed amount of the Claims, whether the property subject to the liens is retained by the debtor or transferred to another entity under the Plan; and (b) each Holder of a Secured Claim in the Class receives deferred Cash payments totaling at least the Allowed amount of such Claim with a present value, as of the Effective Date of the Plan, at least equivalent to the value of the secured claimant's interest in the debtor's property subject to the liens.

The condition that a plan be "fair and equitable" with respect to a non-accepting Class of unsecured Claims includes the requirement that either: (a) the plan provides that each Holder of a Claim of such Class receive or retain on account of such Claim property of a value, as of the Effective Date of the plan, equal to the allowed amount of such Claim; or (b) the Holder of any Claim or Equity Interest that is junior to the Claims of such Class will not receive or retain under the plan on account of such junior Claim or Equity Interest any property.

The condition that a plan be "fair and equitable" to a non accepting Class of Equity Interests includes the requirements that either: (a) the plan provides that each Holder of an Equity Interest in that Class receives or retains under the plan, on account of that Equity Interest, property of a value, as of the Effective Date of the plan, equal to the greater of (i) the allowed

amount of any fixed liquidation preference to which such Holder is entitled, (ii) any fixed redemption price to which such Holder is entitled, or (iii) the value of such interest; or (b) if the Class does not receive such an amount as required under (a), no Class of Equity Interests junior to the non-accepting Class may receive a distribution under the plan.

To the extent that any class of Claims or Class of Equity Interests rejects the Plan, the Debtor reserves the right to seek (a) confirmation of the Plan under section 1129(b) of the Bankruptcy Code and/or (b) modify the Plan in accordance with Article XIII.C of the Plan.

The Debtor believes that the Plan and the treatment of all Classes of Claims and Equity Interests under the Plan satisfy the foregoing requirements for non-consensual confirmation of the Plan.

#### ARTICLE IV. RISK FACTORS

**ALL HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD READ AND CONSIDER CAREFULLY THE RISK FACTORS SET FORTH HEREIN, AS WELL AS ALL OTHER INFORMATION SET FORTH OR OTHERWISE REFERENCED IN THIS DISCLOSURE STATEMENT. THESE FACTORS SHOULD NOT BE REGARDED AS CONSTITUTING THE ONLY RISKS PRESENT IN CONNECTION WITH THE DEBTOR'S BUSINESS OR THE PLAN AND ITS IMPLEMENTATION.**

##### A. Certain Bankruptcy Law and Other Considerations

1. Parties in Interest May Object to the Debtor's Classification of Claims and Equity Interests, or Designation as Unimpaired.

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an equity interest in a particular class only if such claim or equity interest is substantially similar to the other claims or equity interests in such class. The Debtor believes that the classification of Claims and Equity Interests under the Plan complies with the requirements set forth in the Bankruptcy Code because the Debtor created Classes of Claims and Equity Interests, each encompassing Claims or Equity Interests, as applicable, that are substantially similar to the other Claims and Equity Interests in each such Class. Nevertheless, there can be no assurance that the Holders of Claims or Equity Interests or the Bankruptcy Court will reach the same conclusion.

There is also a risk that the Holders of Claims or Equity Interests could object to the Debtor's designation of Claims or Equity Interests as Unimpaired, and the Bankruptcy Court could reach the same conclusion.

2. The Debtor May Not Be Able to Secure Confirmation of the Plan.

Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation of a chapter 11 plan and requires, among other things, findings by the bankruptcy court that: (i) such plan "does not unfairly discriminate" and is "fair and equitable" with respect to any non-accepting classes; (ii) confirmation of such plan is not likely to be followed by a liquidation or a

need for further financial reorganization unless such liquidation or reorganization is contemplated by the plan; and (c) the value of distributions to Holders of Claims within a particular class under such plan will not be less than the value of distributions such holders would receive if the debtor was liquidated under chapter 7 of the Bankruptcy Code.

There can be no assurance that the Bankruptcy Court will confirm the Plan. The Bankruptcy Court could decline to confirm the Plan if it found that any of the statutory requirements for confirmation had not been met.

If the Plan is not confirmed by the Bankruptcy Court, there can be no assurance that any alternative plan of reorganization or liquidation would be on terms as favorable to Holders of Claims as the terms of the Plan. In addition, there can be no assurance that the Debtor will be able to successfully develop, prosecute, confirm and consummate an alternative plan that is acceptable to the Bankruptcy Court and the Debtor's creditors.

3. The Conditions Precedent to the Effective Date of the Plan May Not Occur.

As more fully set forth in Article IX of the Plan, the Effective Date of the Plan is subject to a number of conditions precedent. If such conditions precedent are not waived or not met, the Effective Date will not take place.

4. Continued Risk Following Effectiveness.

Even if the Effective Date of the Plan occurs, the Debtor, the Reorganized Debtor, and Claimant Trust will continue to face a number of risks, including certain risks that are beyond its control, such as changes in assets, asset values, and increasing expenses. Some of these concerns and effects typically become more acute when a case under the Bankruptcy Code continues for a protracted period without indication of how or when the case may be completed. As a result of these risks and others, there is no guarantee that a chapter 11 plan of liquidation reflecting the Plan will achieve the Debtor's stated goals.

In addition, at the outset of the Chapter 11 Case, the Bankruptcy Code provides the Debtor with the exclusive right to propose the Plan and prohibits creditors and others from proposing a plan. The Debtor will have retained the exclusive right to propose the Plan upon filing its petition. If the Bankruptcy Court terminates that right, however, or the exclusivity period expires, there could be a material adverse effect on the Debtor's ability to achieve confirmation of the Plan in order to achieve the Debtor's stated goals.

5. The Effective Date May Not Occur.

Although the Debtor believes that the Effective Date may occur quickly after the Confirmation Date, there can be no assurance as to such timing or as to whether the Effective Date will, in fact, occur.

6. The Chapter 11 Case May Be Converted to Cases Under Chapter 7 of the Bankruptcy Code

If the Bankruptcy Court finds that it would be in the best interest of creditors and/or the debtor in a chapter 11 case, the Bankruptcy Court may convert a chapter 11 bankruptcy case to a case under chapter 7 of the Bankruptcy Code. In such event, a chapter 7 trustee would be appointed or elected to liquidate the debtor's assets for distribution in accordance with the priorities established by the Bankruptcy Code. The Debtor believes that liquidation under chapter 7 would result in significantly smaller distributions being made to creditors than those provided for in the Plan because of (a) the likelihood that the assets would have to be sold or otherwise disposed of in a disorderly fashion over a short period of time, rather than selling the assets in an orderly and controlled manner, (b) additional administrative expenses involved in the appointment of a chapter 7 trustee, and (c) additional expenses and Claims, some of which would be entitled to priority, that would be generated during the liquidation.

7. Claims Estimation

There can be no assurance that the estimated Claim amounts set forth herein are correct, and the actual amount of Allowed Claims may differ from the estimates. The estimated amounts are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the actual amount of Allowed Claims may vary from those estimated herein.

8. The Financial Information Contained Herein is Based on the Debtor's Books and Records and, Unless Otherwise Stated, No Audit was Performed.

**The financial information contained in this Disclosure Statement has not been audited.** In preparing this Disclosure Statement, the Debtor relied on financial data derived from their books and records that was available at the time of such preparation. Although the Debtor has used its reasonable business judgment to ensure the accuracy of the financial information provided in this Disclosure Statement and, while the Debtor believes that such financial information fairly reflects its financial condition, the Debtor is unable to warrant or represent that the financial information contained herein and attached hereto is without inaccuracies.

**B. Risks Related to Recoveries under the Plan**

1. The Reorganized Debtor and/or Claimant Trust May Not Be Able to Achieve the Debtor's Projected Financial Results

The Reorganized Debtor or Claimant Trust, as applicable, may not be able to achieve their projected financial results. The Financial Projections represent the best estimate of the Debtor's future financial performance, which is necessarily based on certain assumptions regarding the anticipated future performance of the Reorganized Debtor or Claimant Trust, as well as the United States and world economies in general, and the investment industry in which the Debtor operates. The Debtor's Financial Projections include key assumptions on (i) target asset monetization values, (ii) timing of asset monetization, and (iii) costs to effectuate the Plan. In terms of achieving target asset monetization values, the Debtor faces issues including investment assets with cross-ownership across related entities and challenges associated with

collecting notes due from affiliates. The Debtor's Financial Projections anticipate that all investment assets will be sold by 2022, which may be at risk due to the semi-liquid or illiquid nature of the Debtor's assets, as well as general market conditions, including the sustained impact of COVID-19. Costs are based on estimates and may increase with delays or any other unforeseen factor. If the Reorganized Debtor or Claimant Trust do not achieve their projected financial results, the recovery for Claimant Trust Beneficiaries may be negatively affected and the Claimant Trust may lack sufficient liquidity after the Effective Date.

2. Claim Contingencies Could Affect Creditor Recoveries

The estimated Claims and projected creditor recoveries set forth in this Disclosure Statement are based on various assumptions the actual amount of Allowed Claims may differ from the estimates. Should one or more of the underlying assumptions ultimately prove incorrect, the actual Allowed amounts of Claims may vary materially from the estimated Claims contained in this Disclosure Statement. Moreover, the Debtor cannot determine with any certainty at this time, the number or amount of Claims that will ultimately be Allowed. Such differences may materially and adversely affect, among other things, the percentage recoveries to Holders of Allowed Claims under the Plan.

3. If Approved, the Debtor Release Could Release Claims Against Potential Defendants of Estate Causes of Action With Respect to Which the Claimant Trust Would Otherwise Have Recourse

The Claimant Trust Assets will include, among other things, Causes of Action, including Estate Claims that will be assigned to the Litigation Sub-Trust. The Committee's investigation of potential Estate Claims is still ongoing. Because the Committee has not concluded its investigation as of the date hereof, and such investigation will be transferred to the Litigation Trustee, there is no certainty of whether there are viable Estate Claims against any of the Released Parties. In the event there are viable Estate Claims against any of the Released Parties, such claims cannot be pursued for the ultimate benefit of Claimant Trust Beneficiaries if the Debtor Release is approved.

**C. Investment Risk Disclaimer**

1. Investment Risks in General.

The Reorganized Debtor is and will remain a registered investment adviser under the Investment Advisers Act of 1940, and the Reorganized Debtor will continue advising the Managed Funds. No guarantee or representation is made that the Reorganized Debtor's or the Managed Funds' investment strategy will be successful, and investment results may vary substantially over time.

2. General Economic and Market Conditions and Issuer Risk.

Any investment in securities carries certain market risks. Investments by the Reorganized Debtor, the Managed Funds, or the Claimant Trust may decline in value for any number of reasons over which none of the Managed Funds, the Reorganized Debtor, the Claimant Trust, or the Claimant Trustee may have control, including changes in the overall

market and other general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, currency exchange rates and controls and national, international political circumstances (including wars and security operations), and acts of God (including pandemics like COVID-19). The value of the Managed Funds or the assets held by the Reorganized Debtor or Claimant Trust may also decline as a result of factors pertaining to particular securities held by the Managed Funds, Reorganized Debtor, or Claimant Trust, as applicable, such as perception or changes in the issuer's management, the market for the issuer's products or services, sources of supply, technological changes within the issuer's industry, the availability of additional capital and labor, general economic conditions, political conditions, acts of God, and other similar conditions. All of these factors may affect the level and volatility of security prices and the liquidity and the value of the securities held by the Managed Fund, Reorganized Debtor, or Claimant Trust. Unexpected volatility or illiquidity could impair the Managed Funds', Reorganized Debtor's, or Claimant Trust's profitability or result in it suffering losses.

**D. Disclosure Statement Disclaimer**

1. The Information Contained Herein is for Disclosure Purposes Only.

The information contained in this Disclosure Statement is for purposes of disclosure in connection with the Plan and may not be relied upon for any other purposes.

2. This Disclosure Statement was Not Approved by the SEC.

Neither the SEC nor any state regulatory authority has passed upon the accuracy or adequacy of this Disclosure Statement, or the exhibits or the statements contained herein, and any representation to the contrary is unlawful.

3. This Disclosure Statement Contains Forward-Looking Statements.

This Disclosure Statement contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward looking terminology such as "may," "expect," "anticipate," "estimate" or "continue" or the negative thereof or other variations thereon or comparable terminology. The reader is cautioned that all forward-looking statements are necessarily speculative and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward-looking statements.

4. No Legal or Tax Advice is Provided to You by This Disclosure Statement.

**This Disclosure Statement is not legal or tax advice to you.** The contents of this Disclosure Statement should not be construed as legal, business or tax advice, and are not personal to any person or entity. Each Holder of a Claim or an Equity Interest should consult his or her own legal counsel and accountant with regard to any legal, tax and other matters concerning his or her Claim or Equity Interest. This Disclosure Statement may not be relied upon for any purpose other than as a disclosure of certain information to determine how to vote on the Plan or object to confirmation of the Plan.

5. No Admissions Are Made by This Disclosure Statement.

The information and statements contained in this Disclosure Statement will neither (i) constitute an admission of any fact or liability by any Entity (including, without limitation, the Debtor) nor (ii) be deemed evidence of the tax or other legal effects of the Plan on the Debtor, the Reorganized Debtor, the Claimant Trust, Holders of Allowed Claims or Equity Interests, or any other parties in interest.

6. No Reliance Should Be Placed on Any Failure to Identify Litigation Claims or Projected Objections.

No reliance should be placed on the fact that a particular litigation claim or projected objection to a particular Claim or Equity Interest is, or is not, identified in this Disclosure Statement. The Debtor or the Reorganized Debtor or Claimant Trustee, as applicable, may seek to investigate, file and prosecute litigation rights and claims against any third parties and may object to Claims after the Confirmation Date or Effective Date of the Plan irrespective of whether the Disclosure Statement identifies such litigation claims or objections to Claims or Equity Interests.

7. Nothing Herein Constitutes a Waiver of Any Right to Object to Claims or Equity Interests or Recover Transfers and Assets.

The Debtor, the Reorganized Debtor, the Claimant Trustee, or any party in interest, as the case may be, reserve any and all rights to object to that Holder's Allowed Claim regardless of whether any Claims or Causes of Action of the Debtor or its Estate are specifically or generally identified herein.

8. The Information Used Herein was Provided by the Debtor and was Relied Upon by the Debtor's Advisors.

Counsel to and other advisors retained by the Debtor have relied upon information provided by the Debtor in connection with the preparation of this Disclosure Statement. Although counsel to and other advisors retained by the Debtor have performed certain limited due diligence in connection with the preparation of this Disclosure Statement, they have not verified independently the information contained herein.

9. The Disclosure Statement May Contain Inaccuracies.

The statements contained in this Disclosure Statement are made by the Debtor as of the date hereof, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has not been a change in the information set forth herein since that date. While the Debtor has used its reasonable business judgment to ensure the accuracy of all of the information provided in this Disclosure Statement and in the Plan, the Debtor nonetheless cannot, and does not, confirm the current accuracy of all statements appearing in this Disclosure Statement. Further, the information contained in this Disclosure Statement is as of the date of the Disclosure Statement and does not address events that may occur after such date. The Debtor may update this Disclosure Statement but is not required to do so.

10. No Representations Made Outside the Disclosure Statement Are Authorized.

No representations concerning or relating to the Debtor, the Chapter 11 Case, or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. You should promptly report unauthorized representations or inducements to the counsel to the Debtor and the U.S. Trustee.

**ARTICLE V.**

**ALTERNATIVES TO CONFIRMATION AND EFFECTIVENESS OF THE PLAN**

If no chapter 11 plan can be confirmed, the Chapter 11 Case may be converted to a case under chapter 7 of the Bankruptcy Code in which case, a trustee would be elected or appointed to liquidate the Debtor's assets. If the Plan is not confirmed by the Bankruptcy Court, there can be no assurance that any alternative plan of reorganization or liquidation would be on terms as favorable to Holders of Claims as the terms of the Plan. In addition, there can be no assurance that the Debtor will be able to successfully develop, prosecute, confirm and consummate an alternative plan that is acceptable to the Bankruptcy Court and the Debtor's creditors.

**ARTICLE VI.**

**U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN**

Implementation of the Plan will have federal, state, local or foreign tax consequences to the Debtor and Holders of Equity Interests as well as Holders of Claims. No tax opinion or ruling has been sought or will be obtained with respect to any tax consequences of the Plan, and the following discussion does not constitute and is not intended to constitute either a tax opinion or tax advice to any person.

The following discussion summarizes certain U.S. federal income tax consequences of the Plan to the Debtor and to Holders of Claims. This discussion assumes that each Holder of Claims is for United States federal income tax purposes:

- An individual who is a citizen or resident of the United States for federal income tax purposes;
- a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- any other person that is subject to U.S. federal income taxation on a net income basis.
- an estate the income of which is subject to United States federal income tax without regard to its source; or
- a trust (1) that is subject to the primary supervision of a United States court and the control of one or more United States persons or (2) that has a valid election in effect under applicable treasury regulations to be treated as a United States person.

This discussion also assumes that each Holder holds the Claims as capital assets under Section 1221 of the Internal Revenue Code.

The summary provides general information only and does not purport to address all of the federal income tax consequences that may be applicable to the Debtor or to any particular Holder of Claims in light of such Holder's own individual circumstances. In particular, the summary does not address the federal income tax consequences of the Plan to Holders of Claims that may be subject to special rules, such as non-U.S. persons, insurance companies, financial institutions, regulated investment companies, broker-dealers, persons who acquired Claims as part of a straddle, hedge, conversion transaction or other integrated transaction, or persons who acquired Claims in connection with the performance of services; persons who hold Claims through a partnership or other pass-through entity and tax-exempt organizations. The summary does not address foreign, state, local, estate or gift tax consequences of the Plan, nor does it address the federal income tax consequences to Holders of Equity Interests.

This summary is based on the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), the final, temporary and proposed Treasury regulations promulgated thereunder, judicial decisions and administrative rulings and pronouncements of the Internal Revenue Service ("IRS"), all as in effect on the date hereof and all of which are subject to change (possibly with retroactive effect) by legislation, judicial decision or administrative action. Moreover, due to a lack of definitive authority, substantial uncertainties exist with respect to various tax consequences of the Plan.

**THE TAX CONSEQUENCES TO THE HOLDERS OF CLAIMS OR EQUITY INTERESTS MAY VARY BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER. MOREOVER, THE TAX CONSEQUENCES OF CERTAIN ASPECTS OF THE PLAN ARE UNCERTAIN DUE TO THE LACK OF APPLICABLE LEGAL PRECEDENT AND THE POSSIBILITY OF CHANGES IN THE APPLICABLE TAX LAW. THERE CAN BE NO ASSURANCE THAT THE IRS WILL NOT CHALLENGE ANY OF THE TAX CONSEQUENCES DESCRIBED HEREIN, OR THAT SUCH A CHALLENGE, IF ASSERTED, WOULD NOT BE SUSTAINED. ACCORDINGLY, EACH HOLDER OF A CLAIM OR EQUITY INTEREST SHOULD CONSULT WITH ITS OWN TAX ADVISOR REGARDING THE FOREIGN, FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF THE PLAN.**

**A. Consequences to the Debtor**

It is anticipated that the consummation of the Plan will not result in any federal income tax liability to the Debtor. The Debtor is a partnership for federal income tax purposes. Therefore, the income and loss of the Debtor is passed-through to the Holders of its Equity Interests, and the Debtor does not pay federal income tax.

1. Cancellation of Debt

Generally, the discharge of a debt obligation of a debtor for an amount less than the adjusted issue price (in most cases, the amount the debtor received on incurring the obligation, with certain adjustments) creates cancellation of indebtedness ("COD") income that must be included in the debtor's income. Due to the nature of the Impaired Claims, it is anticipated that

the Debtor will not recognize any material amount of COD income. If any such COD income is recognized, it will be passed-through to the Holders of its Equity Interests, and the Holders of such Equity Interest generally will be required to include such amounts in income, unless a Holder is entitled to exclude such amounts from income under Section 108 of the Internal Revenue Code, based on the Holder's individual circumstances.

## 2. Transfer of Assets

Pursuant to the Plan, the Debtor's assets (including the Claimant Trust Assets and Reorganized Debtor Assets) will be transferred directly or indirectly to the Claimant Trust. For federal income tax purposes, any such assets transferred to the Claimant Trust will be deemed to have been transferred to the Claimant Trust Beneficiaries followed by the transfer by such Holders to the Claimant Trust of such assets in exchange for the respective Holders' beneficial interests in the Claimant Trust. The Claimant Trust thereafter will be treated as a grantor trust for federal income tax purposes. See U.S. Federal Income Tax Treatment of the Claimant Trust, below.

The Debtor's transfer of its assets pursuant to the Plan will constitute a taxable disposition of such assets. As discussed above, the Debtor is a partnership for federal income tax purposes. Any gain or loss recognized as a result of the taxable disposition of such assets will be passed through to the Holders of Equity Interests in the Debtor. The Debtor will not be required to pay any tax as a result of such disposition.

### **B. U.S. Federal Income Tax Treatment of the Claimant Trust**

It is intended that the Claimant Trust will be treated as a "grantor trust" for U.S. federal income tax purposes. In general, a grantor trust is not a separate taxable entity. The IRS, in Revenue Procedure 94-45, 1994-2 C.B. 684, set forth the general criteria for obtaining an advanced ruling as to the grantor trust status of a liquidating trust under a chapter 11 plan. Consistent with the requirements of Revenue Procedure 94-45, the Claimant Trust Agreement requires all relevant parties to treat, for U.S. federal income tax purposes, the transfer of the Debtor's assets to the Claimant Trust as (i) a transfer of such assets to the Claimant Trust Beneficiaries (to the extent of the value of their respective interests in the applicable Claimant Trust Assets) followed by (ii) a transfer of such assets by such beneficiaries to the Claimant Trust (to the extent of the value of their respective interests in the applicable Claimant Trust Assets), with the beneficiaries being treated as the grantors and owners of the Claimant Trust.

The Plan and the Claimant Trust Agreement generally provide that the Claimant Trust Beneficiaries must value the assets of the Claimant Trust consistently with the values determined by the Claimant Trustee for all U.S. federal income tax purposes. As soon as possible after the Effective Date, the Claimant Trustee, based upon his good faith determination after consultation with his counsel and other advisors, shall inform the beneficiaries in writing as to his estimate of the value of the assets transferred to the Claimant Trust and the value of such assets allocable to each Class of beneficiaries.

Consistent with the treatment of the Claimant Trust as a grantor trust, the Claimant Trust Agreement will require each beneficiary to report on its U.S. federal income tax return its allocable share of the Claimant Trust's income, gain, loss or deduction that reflects the

beneficiary's interest in the interim and final distributions to be made by the Claimant Trust. Furthermore, certain of the assets of the Claimant Trust will be interests in the Reorganized Debtor, which will be a partnership for U.S. federal income tax purposes. The income, gain, loss or deduction of the Reorganized Debtor will also flow through the Claimant Trust to the beneficiaries of the Claimant Trust. Therefore, a beneficiary may incur a federal income tax liability with respect to its allocable share of the income of the Claimant Trust (including the income of the Reorganized Debtor) whether or not the Claimant Trust has made any distributions to such beneficiary. The character of items of income, gain, deduction, and credit to any beneficiary and the ability of such beneficiary to benefit from any deduction or losses will depend on the particular situation of such beneficiary. The interests of the beneficiaries may shift from time to time as the result of the allowance or disallowance of claims that have not been allowed at the Effective Date, which could give rise to tax consequences both to the Holders of claims that have, and have not been, allowed at the Effective Date. The Claimant Trustee will file with the IRS tax returns for the Claimant Trust as a grantor trust pursuant to Treasury Regulation Section 1.671-4(a) and will also send to each beneficiary a separate statement setting forth such beneficiary's share of items of Trust income, gain, loss, deduction, or credit. Each beneficiary will be required to report such items on its U.S. federal income tax return. Holders are urged to consult their tax advisors regarding the appropriate federal income tax treatment of distributions from the Claimant Trust.

The discussion above assumes that the Claimant Trust will be respected as a grantor trust for U.S. federal income tax purposes. If the IRS were to challenge successfully such classification, the U.S. federal income tax consequences to the Claimant Trust and the beneficiaries could differ materially from those discussed herein (including the potential for an entity level tax to be imposed on all income of the Claimant Trust).

### **C. Consequences to Holders of Allowed Claims**

#### **1. Recognized Gain or Loss**

In general, each Holder of an Allowed Claim will recognize gain or loss in an amount equal to the difference between (i) the "amount realized" by such Holder in satisfaction of its Claim (other than any Claim for accrued but unpaid interest) and (ii) such holder's adjusted tax basis in such Claim (other than any Claim for accrued but unpaid interest). In general, the "amount realized" by a Holder will equal the sum of any cash and the aggregate fair market value of any property received by such Holder pursuant to the Plan (for example, such Holder's undivided beneficial interest in the assets of the Claimant Trust). A Holder that receives or is deemed to receive for U.S. federal income tax purposes a non-cash asset under the Plan in respect of its Claim should generally have a tax basis in such asset in an amount equal to the fair market value of such asset on the date of its receipt or deemed receipt. See U.S. Federal Income Tax Treatment of the Claimant Trust, above for more information regarding the tax treatment of the Claimant Trust Interests.

Where gain or loss is recognized by a Holder, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the Holder, whether the claim constitutes a capital asset in the hands of the Holder and how long it has been held, whether the claim was acquired at

a market discount, and whether and to what extent the Holder had previously claimed a bad debt deduction.

A Holder who, under the Plan, receives in respect of an Allowed Claim an amount less than the Holder's tax basis in the Allowed Claim may be entitled to a deduction for U.S. federal income tax purposes. The rules governing the character, timing and amount of such a deduction place considerable emphasis on the facts and circumstances of the Holder, the obligor and the instrument with respect to which a deduction is claimed. Holders of Allowed Claims, therefore, are urged to consult their tax advisors with respect to their ability to take such a deduction.

## 2. Distribution in Discharge of Accrued Unpaid Interest

Pursuant to the Plan, a distribution received in respect of Allowed Claims will be allocated first to the principal amount of such Claims, with any excess allocated to unpaid accrued interest. However, there is no assurance that the IRS would respect such allocation for federal income tax purposes. In general, to the extent that an amount received (whether cash or other property) by a Holder of a claim is received in satisfaction of interest that accrued during its holding period, such amount will be taxable to the Holder as interest income if not previously included in the Holder's gross income. Conversely, a Holder generally recognizes a deductible loss to the extent that it does not receive payment of interest that has previously been included in its income. Holders of Claims are urged to consult their tax advisors regarding the allocation of consideration and the deductibility of unpaid interest for tax purposes.

## 3. Information Reporting and Withholding

All distributions to Holders of Allowed Claims under the Plan are subject to any applicable withholding tax requirements. Under federal income tax law, interest, dividends, and other reportable payments, may, under certain circumstances, be subject to "backup withholding" (currently at a rate of up to 24%). Backup withholding generally applies if the Holder (a) fails to furnish its social security number or other taxpayer identification number ("TIN"), (b) furnishes an incorrect TIN, (c) fails properly to report interest or dividends, or (d) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions.

## **D. Treatment of the Disputed Claims Reserve**

Pursuant to the Plan, the Claimant Trustee may file an election pursuant to Treasury Regulation 1.468B-9(c) to treat the Disputed Claims Reserve as a disputed ownership fund, in which case the Claimant Trustee will file federal income tax returns and pay taxes for the Disputed Claims Reserve as a separate taxable entity. Such taxes will be paid out of the Disputed Claims Reserve and therefore may reduce amounts paid to Holders of Allowed Claims from the Claimant Trust. If the Claimant Trustee does not make such an election to treat the Disputed Claims Reserve as a separate taxable entity, the net income, if any, earned in the Disputed Claims Reserve will be taxable to the Holders of Allowed Claims in accordance with

the principles discussed above under the heading “U.S. Federal Income Tax Treatment of the Claimant Trust”, possibly in advance of any distributions to the Holders.

**AS INDICATED ABOVE, THE FOREGOING IS INTENDED TO BE A SUMMARY ONLY AND NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND, IN SOME CASES, UNCERTAIN. ACCORDINGLY, EACH HOLDER OF A CLAIM OR EQUITY INTEREST IS STRONGLY URGED TO CONSULT WITH HIS OWN TAX ADVISOR REGARDING THE TAX CONSEQUENCES OF THE PLAN.**

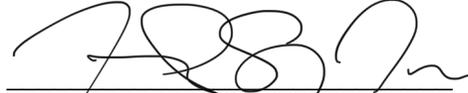
**ARTICLE VII.  
RECOMMENDATION**

In the opinion of the Debtor, the Plan is preferable to the alternatives described in this Disclosure Statement because it provides for the highest distribution to the Debtor’s creditors and interest holders. In addition, any alternative other than confirmation of the Plan could result in extensive delays and increased administrative expenses resulting in smaller distributions to Holders of Allowed Claims and Equity Interests than that which is proposed under the Plan. Accordingly, the Debtor recommends that all Holders of Claims and Equity Interests support confirmation of the Plan.

Dated: November 24, 2020

Respectfully submitted,

HIGHLAND CAPITAL MANAGEMENT, L.P.



James P. Seery, Jr.  
Chief Executive Officer and Chief Restructuring  
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**EXHIBIT A**

**PLAN OF REORGANIZATION**

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

In re:	)	)	Chapter 11
HIGHLAND CAPITAL MANAGEMENT, L.P., <sup>1</sup>	)	)	Case No. 19-34054-sgj11
Debtor.	)	)	

**FIFTH AMENDED PLAN OF REORGANIZATION OF HIGHLAND  
CAPITAL MANAGEMENT, L.P.**

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<sup>1</sup> The Debtor's last four digits of its taxpayer identification number are (6725). The headquarters and service address for the above-captioned Debtor is 300 Crescent Court, Suite 700, Dallas, TX 75201.

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**DEBTOR’S CHAPTER 11 PLAN OF REORGANIZATION**

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HIGHLAND CAPITAL MANAGEMENT, L.P., as debtor and debtor-in-possession in the above-captioned case (the “Debtor”), proposes the following chapter 11 plan of reorganization (the “Plan”) for, among other things, the resolution of the outstanding Claims against, and Equity Interests in, the Debtor. Unless otherwise noted, capitalized terms used in this Plan have the meanings set forth in Article I of this Plan. The Debtor is the proponent of this Plan within the meaning of section 1129 of the Bankruptcy Code.

Reference is made to the Disclosure Statement (as such term is defined herein and distributed contemporaneously herewith) for a discussion of the Debtor’s history, business, results of operations, historical financial information, projections and assets, and for a summary and analysis of this Plan and the treatment provided for herein. There also are other agreements and documents that may be Filed with the Bankruptcy Court that are referenced in this Plan or the Disclosure Statement as Exhibits and Plan Documents. All such Exhibits and Plan Documents are incorporated into and are a part of this Plan as if set forth in full herein. Subject to the other provisions of this Plan, and in accordance with the requirements set forth in section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019, the Debtor reserves the right to alter, amend, modify, revoke, or withdraw this Plan prior to the Effective Date.

If this Plan cannot be confirmed, for any reason, then subject to the terms set forth herein, this Plan may be revoked.

**ARTICLE I.**  
**RULES OF INTERPRETATION, COMPUTATION OF TIME,**  
**GOVERNING LAW AND DEFINED TERMS**

**A. Rules of Interpretation, Computation of Time and Governing Law**

For purposes hereof: (a) in the appropriate context, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and the neuter gender; (b) any reference herein to a contract, lease, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that the referenced document, as previously amended, modified or supplemented, if applicable, shall be substantially in that form or substantially on those terms and conditions; (c) any reference herein to an existing document or exhibit having been Filed or to be Filed shall mean that document or exhibit, as it may thereafter be amended, modified or supplemented in accordance with its terms; (d) unless otherwise specified, all references herein to “Articles,” “Sections,” “Exhibits” and “Plan Documents” are references to Articles, Sections, Exhibits and Plan Documents hereof or hereto; (e) unless otherwise stated, the words “herein,” “hereof,” “hereunder” and “hereto” refer to this Plan in its entirety rather than to a particular portion of this Plan; (f) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation hereof; (g) any reference to an Entity as a Holder of a Claim or Equity Interest includes such Entity’s successors and assigns;

(h) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; (i) any term used in capitalized form herein that is not otherwise defined but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to that term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be; and (j) “\$” or “dollars” means Dollars in lawful currency of the United States of America. The provisions of Bankruptcy Rule 9006(a) shall apply in computing any period of time prescribed or allowed herein.

**B. Defined Terms**

Unless the context otherwise requires, the following terms shall have the following meanings when used in capitalized form herein:

1. “*Acis*” means collectively Acis Capital Management, L.P. and Acis Capital Management GP, LLP.

2. “*Administrative Expense Claim*” means any Claim for costs and expenses of administration of the Chapter 11 Case that is Allowed pursuant to sections 503(b), 507(a)(2), 507(b) or 1114(2) of the Bankruptcy Code, including, without limitation, (a) the actual and necessary costs and expenses incurred after the Petition Date and through the Effective Date of preserving the Estate and operating the business of the Debtor; and (b) all fees and charges assessed against the Estate pursuant to sections 1911 through 1930 of chapter 123 of title 28 of the United States Code, and that have not already been paid by the Debtor during the Chapter 11 Case and a Professional Fee Claim.

3. “*Administrative Expense Claims Bar Date*” means, with respect to any Administrative Expense Claim (other than a Professional Fee Claim) becoming due on or prior to the Effective Date, 5:00 p.m. (prevailing Central Time) on such date that is forty-five days after the Effective Date.

4. “*Administrative Expense Claims Objection Deadline*” means, with respect to any Administrative Expense Claim, the later of (a) ninety (90) days after the Effective Date and (b) sixty (60) days after the timely Filing of the applicable request for payment of such Administrative Expense Claim; *provided, however*, that the Administrative Expense Claims Objection Deadline may be extended by the Bankruptcy Court upon a motion by the Claimant Trustee.

5. “*Affiliate*” means an “affiliate” as defined in section 101(2) of the Bankruptcy Code and also includes any other Entity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such affiliate. For the purposes of this definition, the term “control” (including the terms “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise.

6. “*Allowed*” means, with respect to any Claim, except as otherwise provided in the Plan: (a) any Claim that is evidenced by a Proof of Claim that has been timely Filed by the Bar Date, or that is not required to be evidenced by a Filed Proof of Claim under the Bankruptcy Code or a Final Order; (b) a Claim that is listed in the Schedules as not contingent, not

unliquidated, and not disputed and for which no Proof of Claim has been timely filed; (c) a Claim Allowed pursuant to the Plan or an order of the Bankruptcy Court that is not stayed pending appeal; or (d) a Claim that is not Disputed (including for which a Proof of Claim has been timely filed in a liquidated and noncontingent amount that has not been objected to by the Claims Objection Deadline or as to which any such objection has been overruled by Final Order); *provided, however*, that with respect to a Claim described in clauses (a) and (b) above, such Claim shall be considered Allowed only if and to the extent that, with respect to such Claim, no objection to the allowance thereof has been interposed within the applicable period of time fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules, or the Bankruptcy Court, or such an objection is so interposed and the Claim shall have been Allowed as set forth above.

7. “*Allowed Claim or Equity Interest*” means a Claim or an Equity Interest of the type that has been Allowed.

8. “*Assets*” means all of the rights, titles, and interest of the Debtor, Reorganized Debtor, or Claimant Trust, in and to property of whatever type or nature, including, without limitation, real, personal, mixed, intellectual, tangible, and intangible property, the Debtor’s books and records, and the Causes of Action.

9. “*Available Cash*” means any Cash in excess of the amount needed for the Claimant Trust and Reorganized Debtor to maintain business operations as determined in the sole discretion of the Claimant Trustee.

10. “*Avoidance Actions*” means any and all avoidance, recovery, subordination or other actions or remedies that may be brought by and on behalf of the Debtor or its Estate under the Bankruptcy Code or applicable nonbankruptcy law, including, without limitation, actions or remedies arising under sections 502, 510, 544, 545, and 547-553 of the Bankruptcy Code or under similar state or federal statutes and common law, including fraudulent transfer laws

11. “*Ballot*” means the form(s) distributed to holders of Impaired Claims or Equity Interests entitled to vote on the Plan on which to indicate their acceptance or rejection of the Plan.

12. “*Bankruptcy Code*” means title 11 of the United States Code, 11 U.S.C. §§ 101-1532, as amended from time to time and as applicable to the Chapter 11 Case.

13. “*Bankruptcy Court*” means the United States Bankruptcy Court for the Northern District of Texas, Dallas Division, or any other court having jurisdiction over the Chapter 11 Case.

14. “*Bankruptcy Rules*” means the Federal Rules of Bankruptcy Procedure and the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the Northern District of Texas, Dallas Division, in each case as amended from time to time and as applicable to the Chapter 11 Case.

15. “*Bar Date*” means the applicable deadlines set by the Bankruptcy Court for the filing of Proofs of Claim against the Debtor as set forth in the Bar Date Order, which deadlines may be or have been extended for certain Claimants by order of the Bankruptcy Court.

16. “*Bar Date Order*” means the *Order (I) Establishing Bar Dates for Filing Proofs of Claim and (II) Approving the Form and Manner of Notice Thereof* [D.I. 488].

17. “*Business Day*” means any day, other than a Saturday, Sunday or “legal holiday” (as defined in Bankruptcy Rule 9006(a)).

18. “*Cash*” means the legal tender of the United States of America or the equivalent thereof.

19. “*Causes of Action*” means any action, claim, cross-claim, third-party claim, cause of action, controversy, demand, right, Lien, indemnity, contribution, guaranty, suit, obligation, liability, debt, damage, judgment, account, defense, remedy, offset, power, privilege, license and franchise of any kind or character whatsoever, in each case whether known, unknown, contingent or non-contingent, matured or unmatured, suspected or unsuspected, liquidated or unliquidated, disputed or undisputed, foreseen or unforeseen, direct or indirect, choate or inchoate, secured or unsecured, assertable directly or derivatively (including, without limitation, under alter ego theories), whether arising before, on, or after the Petition Date, in contract or in tort, in law or in equity or pursuant to any other theory of law. For the avoidance of doubt, Cause of Action includes, without limitation,: (a) any right of setoff, counterclaim or recoupment and any claim for breach of contract or for breach of duties imposed by law or in equity; (b) the right to object to Claims or Equity Interests; (c) any claim pursuant to section 362 or chapter 5 of the Bankruptcy Code; (d) any claim or defense including fraud, mistake, duress and usury, and any other defenses set forth in section 558 of the Bankruptcy Code; (e) any claims under any state or foreign law, including, without limitation, any fraudulent transfer or similar claims; (f) the Avoidance Actions, and (g) the Estate Claims. The Causes of Action include, without limitation, the Causes of Action belonging to the Debtor’s Estate listed on the schedule of Causes of Action to be filed with the Plan Supplement.

20. “*CEO/CRO*” means James P. Seery, Jr., the Debtor’s chief executive officer and chief restructuring officer.

21. “*Chapter 11 Case*” means the Debtor’s case under chapter 11 of the Bankruptcy Code commenced on the Petition Date in the Delaware Bankruptcy Court and transferred to the Bankruptcy Court on December 4, 2019, and styled *In re Highland Capital Management, L.P.*, Case No. 19-34054-sgj-11.

22. “*Claim*” means any “claim” against the Debtor as defined in section 101(5) of the Bankruptcy Code.

23. “*Claims Objection Deadline*” means the date that is 180 days after the Confirmation Date; *provided, however*, the Claims Objection Deadline may be extended by the Bankruptcy Court upon a motion by the Claimant Trustee.

24. “*Claimant Trust*” means the trust established for the benefit of the Claimant Trust Beneficiaries on the Effective Date in accordance with the terms of this Plan and the Claimant Trust Agreement.

25. “*Claimant Trust Agreement*” means the agreement Filed in the Plan Supplement establishing and delineating the terms and conditions of the Claimant Trust.

26. “*Claimant Trust Assets*” means (i) other than the Reorganized Debtor Assets (which are expressly excluded from this definition), all other Assets of the Estate, including, but not limited to, all Causes of Action, Available Cash, any proceeds realized or received from such Assets, all rights of setoff, recoupment, and other defenses with respect, relating to, or arising from such Assets, (ii) any Assets transferred by the Reorganized Debtor to the Claimant Trust on or after the Effective Date, (iii) the limited partnership interests in the Reorganized Debtor, and (iv) the ownership interests in New GP LLC. For the avoidance of doubt, any Causes of Action that, for any reason, are not capable of being transferred to the Claimant Trust shall constitute Reorganized Debtor Assets.

27. “*Claimant Trust Beneficiaries*” means the Holders of Allowed General Unsecured Claims, Holders of Allowed Subordinated Claims, including, upon Allowance, Disputed General Unsecured Claims and Disputed Subordinated Claims that become Allowed following the Effective Date, and, only upon certification by the Claimant Trustee that the Holders of such Claims have been paid indefeasibly in full plus, to the extent all Allowed unsecured Claims, excluding Subordinated Claims, have been paid in full, post-petition interest from the Petition Date at the Federal Judgment Rate in accordance with the terms and conditions set forth in the Claimant Trust Agreement and all Disputed Claims in Class 8 and Class 9 have been resolved, Holders of Allowed Class B/C Limited Partnership Interests, and Holders of Allowed Class A Limited Partnership Interests.

28. “*Claimant Trustee*” means James P. Seery, Jr., the Debtor’s chief executive officer and chief restructuring officer, or such other Person identified in the Plan Supplement who will act as the trustee of the Claimant Trust in accordance with the Plan, the Confirmation Order, and Claimant Trust Agreement or any replacement trustee pursuant to (and in accordance with) the Claimant Trust Agreement. The Claimant Trustee shall be responsible for, among other things, monetizing the Estate’s investment assets, resolving Claims (other than those Claims assigned to the Litigation Sub-Trust for resolution), and, as the sole officer of New GP LLC, winding down the Reorganized Debtor’s business operations.

29. “*Claimant Trust Expenses*” means all reasonable legal and other reasonable professional fees, costs, and expenses incurred by the Trustees on account of administration of the Claimant Trust, including any reasonable administrative fees and expenses, reasonable attorneys’ fees and expenses, reasonable insurance costs, taxes, reasonable escrow expenses, and other expenses.

30. “*Claimant Trust Interests*” means the non-transferable interests in the Claimant Trust that are issued to the Claimant Trust Beneficiaries pursuant to this Plan; *provided, however*, Holders of Class A Limited Partnership Interests, Class B Limited Partnership Interests, and Class C Limited Partnership Interests will not be deemed to hold Claimant Trust Interests unless and until the Contingent Claimant Trust Interests distributed to such Holders vest in accordance with the terms of this Plan and the Claimant Trust Agreement.

31. “*Claimant Trust Oversight Committee*” means the committee of five Persons established pursuant to ARTICLE IV of this Plan to oversee the Claimant Trustee’s performance of its duties and otherwise serve the functions described in this Plan and the Claimant Trust Agreement.

32. “*Class*” means a category of Holders of Claims or Equity Interests as set forth in ARTICLE III hereof pursuant to section 1122(a) of the Bankruptcy Code.

33. “*Class A Limited Partnership Interest*” means the Class A Limited Partnership Interests as defined in the Limited Partnership Agreement held by The Dugaboy Investment Trust, Mark and Pamela Okada Family Trust – Exempt Trust 2, Mark and Pamela Okada – Exempt Descendants’ Trust, and Mark Kiyoshi Okada, and the General Partner Interest.

34. “*Class B Limited Partnership Interest*” means the Class B Limited Partnership Interests as defined in the Limited Partnership Agreement held by Hunter Mountain Investment Trust.

35. “*Class B/C Limited Partnership Interests*” means, collectively, the Class B Limited Partnership and Class C Limited Partnership Interests.

36. “*Class C Limited Partnership Interest*” means the Class C Limited Partnership Interests as defined in the Limited Partnership Agreement held by Hunter Mountain Investment Trust.

37. “*Committee*” means the Official Committee of Unsecured Creditors appointed by the U.S. Trustee pursuant to 11 U.S.C. § 1102(a)(1) on October 29, 2019 [D.I. 65], consisting of (i) the Redeemer Committee of Highland Crusader Fund, (ii) Meta-e Discovery, (iii) UBS, and (iv) Acis.

38. “*Confirmation Date*” means the date on which the clerk of the Bankruptcy Court enters the Confirmation Order on the docket of the Bankruptcy Court.

39. “*Confirmation Hearing*” means the hearing held by the Bankruptcy Court pursuant to section 1128 of the Bankruptcy Code to consider confirmation of this Plan, as such hearing may be adjourned or continued from time to time.

40. “*Confirmation Order*” means the order of the Bankruptcy Court confirming this Plan pursuant to section 1129 of the Bankruptcy Code.

41. “*Convenience Claim*” means any prepetition, liquidated, and unsecured Claim against the Debtor that as of the Confirmation Date is less than or equal to \$1,000,000 or any General Unsecured Claim that makes the Convenience Class Election. For the avoidance of doubt, the Reduced Employee Claims will be Convenience Claims.

42. “*Convenience Claim Pool*” means the \$13,150,000 in Cash that shall be available upon the Effective Date for distribution to Holders of Convenience Claims under the Plan as set forth herein. Any Cash remaining in the Convenience Claim Pool after all

distributions on account of Convenience Claims have been made will be transferred to the Claimant Trust and administered as a Claimant Trust Asset.

43. “*Convenience Class Election*” means the option provided to each Holder of a General Unsecured Claim that is a liquidated Claim as of the Confirmation Date on their Ballot to elect to reduce their claim to \$1,000,000 and receive the treatment provided to Convenience Claims.

44. “*Contingent Claimant Trust Interests*” means the contingent Claimant Trust Interests to be distributed to Holders of Class A Limited Partnership Interests, Holders of Class B Limited Partnership Interests, and Holders of Class C Limited Partnership Interests in accordance with this Plan, the rights of which shall not vest, and consequently convert to Claimant Trust Interests, unless and until the Claimant Trustee Files a certification that all holders of Allowed General Unsecured Claims have been paid indefeasibly in full, plus, to the extent all Allowed unsecured Claims, excluding Subordinated Claims, have been paid in full, all accrued and unpaid post-petition interest from the Petition Date at the Federal Judgment Rate and all Disputed Claims in Class 8 and Class 9 have been resolved. As set forth in the Claimant Trust Agreement, the Contingent Claimant Trust Interests distributed to the Holders of Class A Limited Partnership Interests will be subordinated to the Contingent Claimant Trust Interests distributed to the Holders of Class B/C Limited Partnership Interests.

45. “*Debtor*” means Highland Capital Management, L.P. in its capacity as debtor and debtor in possession in the Chapter 11 Case.

46. “*Delaware Bankruptcy Court*” means the United States Bankruptcy Court for the District of Delaware.

47. “*Disclosure Statement*” means that certain *Disclosure Statement for Debtor’s Fifth Amended Chapter 11 Plan of Reorganization*, as amended, supplemented, or modified from time to time, which describes this Plan, including all exhibits and schedules thereto and references therein that relate to this Plan.

48. “*Disputed*” means with respect to any Claim or Equity Interest, any Claim or Equity Interest that is not yet Allowed.

49. “*Disputed Claims Reserve*” means the appropriate reserve(s) or account(s) to be established on the Initial Distribution Date and maintained by the Claimant Trustee for distributions on account of Disputed Claims that may subsequently become an Allowed Claim.

50. “*Disputed Claims Reserve Amount*” means, for purposes of determining the Disputed Claims Reserve, the Cash that would have otherwise been distributed to a Holder of a Disputed Claim at the time any distributions of Cash are made to the Holders of Allowed Claims. The amount of the Disputed Claim upon which the Disputed Claims Reserve is calculated shall be: (a) the amount set forth on either the Schedules or the filed Proof of Claim, as applicable; (b) the amount agreed to by the Holder of the Disputed Claim and the Claimant Trustee or Reorganized Debtor, as applicable; (c) the amount ordered by the Bankruptcy Court if it enters an order disallowing, in whole or in part, a Disputed Claim; or (d) as otherwise ordered by the Bankruptcy Court, including an order estimating the Disputed Claim.

51. “*Distribution Agent*” means the Claimant Trustee, or any party designated by the Claimant Trustee to serve as distribution agent under this Plan.

52. “*Distribution Date*” means the date or dates determined by the Reorganized Debtor or the Claimant Trustee, as applicable, on or after the Initial Distribution Date upon which the Distribution Agent shall make distributions to holders of Allowed Claims and Interests entitled to receive distributions under the Plan.

53. “*Distribution Record Date*” means the date for determining which Holders of Claims and Equity Interests are eligible to receive distributions hereunder, which date shall be the Effective Date or such later date determined by the Bankruptcy Court.

54. “*Effective Date*” means the Business Day that this Plan becomes effective as provided in ARTICLE VIII hereof.

55. “*Employees*” means the employees of the Debtor set forth in the Plan Supplement.

56. “*Entity*” means any “entity” as defined in section 101(15) of the Bankruptcy Code and also includes any Person or any other entity.

57. “*Equity Interest*” means any Equity Security in the Debtor, including, without limitation, all issued, unissued, authorized or outstanding partnership interests, shares, of stock or limited company interests, the Class A Limited Partnership Interests, the Class B Limited Partnership Interests, and the Class C Limited Partnership Interests.

58. “*Equity Security*” means an “equity security” as defined in section 101(16) of the Bankruptcy Code.

59. “*Estate*” means the bankruptcy estate of the Debtor created by virtue of section 541 of the Bankruptcy Code upon the commencement of the Chapter 11 Case.

60. “*Estate Claims*” has the meaning given to it in Exhibit A to the *Notice of Final Term Sheet* [D.I. 354].

61. “*Exculpated Parties*” means, collectively, (i) the Debtor and its successors and assigns, direct and indirect majority-owned subsidiaries, and the Managed Funds, (ii) the Employees, (iii) Strand, (iv) the Independent Directors, (v) the Committee, (vi) the members of the Committee (in their official capacities), (vii) the Professionals retained by the Debtor and the Committee in the Chapter 11 Case, (viii) the CEO/CRO; and (ix) the Related Persons of each of the parties listed in (iv) through (viii); *provided, however*, that, for the avoidance of doubt, none of James Dondero, Mark Okada, NexPoint Advisors, L.P. (and any of its subsidiaries and managed entities), the Charitable Donor Advised Fund, L.P. (and any of its subsidiaries, including CLO Holdco, Ltd., and managed entities), Highland CLO Funding, Ltd. (and any of its subsidiaries, members, and managed entities), Highland Capital Management Fund Advisors, L.P. (and any of its subsidiaries and managed entities), NexBank, SSB (and any of its subsidiaries), the Hunter Mountain Investment Trust (or any trustee acting for the trust), the

Dugaboy Investment Trust (or any trustee acting for the trust), or Grant Scott is included in the term “Exculpated Party.”

62. “*Executory Contract*” means a contract to which the Debtor is a party that is subject to assumption or rejection under sections 365 or 1123 of the Bankruptcy Code.

63. “*Exhibit*” means an exhibit annexed hereto or to the Disclosure Statement (as such exhibits are amended, modified or otherwise supplemented from time to time), which are incorporated by reference herein.

64. “*Federal Judgment Rate*” means the post-judgment interest rate set forth in 28 U.S.C. § 1961 as of the Effective Date.

65. “*File*” or “*Filed*” or “*Filing*” means file, filed or filing with the Bankruptcy Court or its authorized designee in the Chapter 11 Case.

66. “*Final Order*” means an order or judgment of the Bankruptcy Court, which is in full force and effect, and as to which the time to appeal, petition for *certiorari*, or move for a new trial, reargument or rehearing has expired and as to which no appeal, petition for *certiorari*, or other proceedings for a new trial, reargument or rehearing shall then be pending or as to which any right to appeal, petition for *certiorari*, new trial, reargument, or rehearing shall have been waived in writing in form and substance satisfactory to the Debtor, the Reorganized Debtor, or the Claimant Trustee, as applicable, or, in the event that an appeal, writ of *certiorari*, new trial, reargument, or rehearing thereof has been sought, such order of the Bankruptcy Court shall have been determined by the highest court to which such order was appealed, or *certiorari*, new trial, reargument or rehearing shall have been denied and the time to take any further appeal, petition for *certiorari*, or move for a new trial, reargument or rehearing shall have expired; *provided, however*, that the possibility that a motion under Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be Filed with respect to such order shall not preclude such order from being a Final Order.

67. “*Frontier Secured Claim*” means the loan from Frontier State Bank to the Debtor in the principal amount of \$7,879,688.00 made pursuant to that certain First Amended and Restated Loan Agreement, dated March 29, 2018.

68. “*General Partner Interest*” means the Class A Limited Partnership Interest held by Strand, as the Debtor’s general partner.

69. “*General Unsecured Claim*” means any prepetition Claim against the Debtor that is not Secured and is not a/an: (a) Administrative Expense Claim; (b) Professional Fee Claim; (c) Priority Tax Claim; (d) Priority Non-Tax Claim; or (e) Convenience Claim.

70. “*Governmental Unit*” means a “governmental unit” as defined in section 101(27) of the Bankruptcy Code.

71. “*GUC Election*” means the option provided to each Holder of a Convenience Claim on their Ballot to elect to receive the treatment provided to General Unsecured Claims.

72. “*Holder*” means an Entity holding a Claim against, or Equity Interest in, the Debtor.

73. “*Impaired*” means, when used in reference to a Claim or Equity Interest, a Claim or Equity Interest that is impaired within the meaning of section 1124 of the Bankruptcy Code.

74. “*Independent Directors*” means John S. Dubel, James P. Seery, Jr., and Russell Nelms, the independent directors of Strand appointed on January 9, 2020, and any additional or replacement directors of Strand appointed after January 9, 2020, but prior to the Effective Date.

75. “*Initial Distribution Date*” means, subject to the “Treatment” sections in ARTICLE III hereof, the date that is on or as soon as reasonably practicable after the Effective Date, when distributions under this Plan shall commence to Holders of Allowed Claims and Equity Interests.

76. “*Insurance Policies*” means all insurance policies maintained by the Debtor as of the Petition Date.

77. “*Jefferies Secured Claim*” means any Claim in favor of Jefferies, LLC, arising under that certain Prime Brokerage Customer Agreement, dated May 24, 2013, between the Debtor and Jefferies, LLC, that is secured by the assets, if any, maintained in the prime brokerage account created by such Prime Brokerage Customer Agreement.

78. “*Lien*” means a “lien” as defined in section 101(37) of the Bankruptcy Code and, with respect to any asset, includes, without limitation, any mortgage, lien, pledge, charge, security interest or other encumbrance of any kind, or any other type of preferential arrangement that has the practical effect of creating a security interest, in respect of such asset.

79. “*Limited Partnership Agreement*” means that certain Fourth Amended and Restated Agreement of Limited Partnership of Highland Capital Management, L.P., dated December 24, 2015, as amended.

80. “*Litigation Sub-Trust*” means the sub-trust established within the Claimant Trust or as a wholly –owned subsidiary of the Claimant Trust on the Effective Date in each case in accordance with the terms and conditions set forth in the Litigation Sub-Trust Agreement and Claimant Trust Agreement. As set forth in the Litigation Sub-Trust Agreement, the Litigation Sub-Trust shall hold the Claimant Trust Assets that are Estate Claims.

81. “*Litigation Sub-Trust Agreement*” means the agreement filed in the Plan Supplement establishing and delineating the terms and conditions of the Litigation Sub-Trust.

82. “*Litigation Trustee*” means the trustee appointed by the Committee and reasonably acceptable to the Debtor who shall be responsible for investigating, litigating, and settling the Estate Claims for the benefit of the Claimant Trust in accordance with the terms and conditions set forth in the Litigation Sub-Trust Agreement.

83. “*Managed Funds*” means Highland Multi-Strategy Credit Fund, L.P., Highland Restoration Capital Partners, L.P., and any other investment vehicle managed by the Debtor pursuant to an Executory Contract assumed pursuant to this Plan.

84. “*New Frontier Note*” means that promissory note to be provided to the Allowed Holders of Class 2 Claims under this Plan and any other documents or security agreements securing the obligations thereunder.

85. “*New GP LLC*” means a limited liability company incorporated in the State of Delaware pursuant to the New GP LLC Documents to serve as the general partner of the Reorganized Debtor on the Effective Date.

86. “*New GP LLC Documents*” means the charter, operating agreement, and other formational documents of New GP LLC.

87. “*Ordinary Course Professionals Order*” means that certain *Order Pursuant to Sections 105(a), 327, 328, and 330 of the Bankruptcy Code Authorizing the Debtor to Retain, Employ, and Compensate Certain Professionals Utilized by the Debtor in the Ordinary Course* [D.I. 176].

88. “*Other Unsecured Claim*” means any Secured Claim other than the Jefferies Secured Claim and the Frontier Secured Claim.

89. “*Person*” means a “person” as defined in section 101(41) of the Bankruptcy Code and also includes any natural person, individual, corporation, company, general or limited partnership, limited liability company, unincorporated organization firm, trust, estate, business trust, association, joint stock company, joint venture, government, governmental agency, Governmental Unit or any subdivision thereof, the United States Trustee, or any other entity, whether acting in an individual, fiduciary or other capacity.

90. “*Petition Date*” means October 16, 2019.

91. “*Plan*” means this *Debtor’s Fifth Amended Chapter 11 Plan of Reorganization*, including the Exhibits and the Plan Documents and all supplements, appendices, and schedules thereto, either in its present form or as the same may be altered, amended, modified or otherwise supplemented from time to time.

92. “*Plan Distribution*” means the payment or distribution of consideration to Holders of Allowed Claims and Allowed Equity Interests under this Plan.

93. “*Plan Documents*” means any of the documents, other than this Plan, but including, without limitation, the documents to be filed with the Plan Supplement, to be executed, delivered, assumed, or performed in connection with the occurrence of the Effective Date, and as may be modified consistent with the terms hereof with the consent of the Committee.

94. “*Plan Supplement*” means the ancillary documents necessary for the implementation and effectuation of the Plan, including, without limitation, (i) the form of

Claimant Trust Agreement, (ii) the forms of New GP LLC Documents, (iii) the form of Reorganized Limited Partnership Agreement, (iv) the Sub-Servicer Agreement (if applicable), (v) the identity of the initial members of the Claimant Trust Oversight Committee, (vi) the form of Litigation Sub-Trust Agreement; (vii) the schedule of retained Causes of Action; (viii) the New Frontier Note, (ix) the schedule of Employees; (x) the form of Senior Employee Stipulation,; and (xi) the schedule of Executory Contracts and Unexpired Leases to be assumed pursuant to this Plan, which, in each case, will be in form and substance reasonably acceptable to the Debtor and the Committee.

95. “*Priority Non-Tax Claim*” means a Claim entitled to priority pursuant to section 507(a) of the Bankruptcy Code, including any Claims for paid time-off entitled to priority under section 507(a)(4) of the Bankruptcy Code, other than a Priority Tax Claim or an Administrative Claim.

96. “*Pro Rata*” means the proportion that (a) the Allowed amount of a Claim or Equity Interest in a particular Class bears to (b) the aggregate Allowed amount of all Claims or Equity Interests in such Class.

97. “*Professional*” means (a) any Entity employed in the Chapter 11 Case pursuant to section 327, 328 363 or 1103 of the Bankruptcy Code or otherwise and (b) any Entity seeking compensation or reimbursement of expenses in connection with the Chapter 11 Case pursuant to sections 327, 328, 330, 331, 363, 503(b), 503(b)(4) and 1103 of the Bankruptcy Code.

98. “*Professional Fee Claim*” means a Claim under sections 328, 330(a), 331, 363, 503 or 1103 of the Bankruptcy Code, with respect to a particular Professional, for compensation for services rendered or reimbursement of costs, expenses or other charges incurred after the Petition Date and prior to and including the Effective Date.

99. “*Professional Fee Claims Bar Date*” means with respect to Professional Fee Claims, the Business Day which is sixty (60) days after the Effective Date or such other date as approved by order of the Bankruptcy Court.

100. “*Professional Fee Claims Objection Deadline*” means, with respect to any Professional Fee Claim, thirty (30) days after the timely Filing of the applicable request for payment of such Professional Fee Claim.

101. “*Professional Fee Reserve*” means the reserve established and funded by the Claimant Trustee pursuant this Plan to provide sufficient funds to satisfy in full unpaid Allowed Professional Fee Claims.

102. “*Proof of Claim*” means a written proof of Claim or Equity Interest Filed against the Debtor in the Chapter 11 Case.

103. “*Priority Tax Claim*” means any Claim of a Governmental Unit of the kind specified in section 507(a)(8) of the Bankruptcy Code.

104. “*Protected Parties*” means, collectively, (i) the Debtor and its successors and assigns, direct and indirect majority-owned subsidiaries, and the Managed Funds, (ii) the Employees, (iii) Strand, (iv) the Reorganized Debtor, (v) the Independent Directors, (vi) the Committee, (vii) the members of the Committee (in their official capacities), (viii) the Claimant Trust, (ix) the Claimant Trustee, (x) the Litigation Sub-Trust, (xi) the Litigation Trustee, (xii) the members of the Claimant Trust Oversight Committee (in their official capacities), (xiii) New GP LLC, (xiv) the Professionals retained by the Debtor and the Committee in the Chapter 11 Case, (xv) the CEO/CRO; and (xvi) the Related Persons of each of the parties listed in (iv) through (xv); *provided, however*, that, for the avoidance of doubt, none of James Dondero, Mark Okada, NexPoint Advisors, L.P. (and any of its subsidiaries and managed entities), the Charitable Donor Advised Fund, L.P. (and any of its subsidiaries, including CLO Holdco, Ltd., and managed entities), Highland CLO Funding, Ltd. (and any of its subsidiaries, members, and managed entities), NexBank, SSB (and any of its subsidiaries), Highland Capital Management Fund Advisors, L.P. (and any of its subsidiaries and managed entities), the Hunter Mountain Investment Trust (or any trustee acting for the trust), the Dugaboy Investment Trust (or any trustee acting for the trust), or Grant Scott is included in the term “Protected Party.”

105. “*PTO Claims*” means any Claim for paid time off in favor of any Debtor employee in excess of the amount that would qualify as a Priority Non-Tax Claim under section 507(a)(4) of the Bankruptcy Code.

106. “*Reduced Employee Claims*” has the meaning set forth in ARTICLE IX.D.

107. “*Reinstated*” means, with respect to any Claim or Equity Interest, (a) leaving unaltered the legal, equitable, and contractual rights to which a Claim entitles the Holder of such Claim or Equity Interest in accordance with section 1124 of the Bankruptcy Code or (b) notwithstanding any contractual provision or applicable law that entitles the Holder of such Claim or Equity Interest to demand or receive accelerated payment of such Claim or Equity Interest after the occurrence of a default: (i) curing any such default that occurred before or after the Petition Date, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code or of a kind that section 365(b)(2) of the Bankruptcy Code expressly does not require to be cured; (ii) reinstating the maturity of such Claim or Equity Interest as such maturity existed before such default; (iii) compensating the Holder of such Claim or Equity Interest for any damages incurred as a result of any reasonable reliance by such Holder on such contractual provision or such applicable law; (iv) if such Claim or Equity Interest arises from any failure to perform a nonmonetary obligation, other than a default arising from failure to operate a non-residential real property lease subject to section 365(b)(1)(A) of the Bankruptcy Code, compensating the Holder of such Claim or Equity Interest (other than any Debtor or an insider of any Debtor) for any actual pecuniary loss incurred by such Holder as a result of such failure; and (v) not otherwise altering the legal, equitable, or contractual rights to which such Claim entitles the Holder of such Claim.

108. “*Rejection Claim*” means any Claim for monetary damages as a result of the rejection of an executory contract or unexpired lease pursuant to the Confirmation Order.

109. “*Related Entity*” means, without duplication, (a) James Dondero, (b) Mark Okada, (c) Grant Scott, (d) Hunter Covitz, (e) any entity or person that was an insider of the

Debtor on the Petition Date under Section 101(31) of the Bankruptcy Code, including any non-statutory insider, (f) any entity that, after the Effective Date, is controlled directly or indirectly by James Dondero, including, without limitation, The Dugaboy Investment Trust, (g) the Hunter Mountain Investment Trust and any of its direct or indirect parents, and (h) the Charitable Donor Advised Fund, L.P., and any of its direct or indirect subsidiaries.

110. “*Related Persons*” means, with respect to any Person, such Person’s predecessors, successors, assigns (whether by operation of law or otherwise), and each of their respective present and former officers, directors, employees, managers, managing members, members, financial advisors, attorneys, accountants, investment bankers, consultants, professionals, advisors, shareholders, principals, partners, employees, subsidiaries, divisions, management companies, and other representatives, in each case solely in their capacity as such.

111. “*Released Parties*” means, collectively, (i) the Independent Directors; (ii) Strand (solely from the date of the appointment of the Independent Directors through the Effective Date); (iii) the CEO/CRO; (iv) the Committee; (v) the members of the Committee (in their official capacities), (vi) the Professionals retained by the Debtor and the Committee in the Chapter 11 Case; and (vii) the Employees.

112. “*Reorganized Debtor*” means the Debtor, as reorganized pursuant to this Plan on and after the Effective Date.

113. “*Reorganized Debtor Assets*” means any limited and general partnership interests held by the Debtor, the management of the Managed Funds and those Causes of Action (including, without limitation, claims for breach of fiduciary duty), that, for any reason, are not capable of being transferred to the Claimant Trust. For the avoidance of doubt, “Reorganized Debtor Assets” includes any partnership interests or shares of Managed Funds held by the Debtor but does not include the underlying portfolio assets held by the Managed Funds.

114. “*Reorganized Limited Partnership Agreement*” means that certain Fifth Amended and Restated Agreement of Limited Partnership of Highland Capital Management, L.P., by and among the Claimant Trust, as limited partner, and New GP LLC, as general partner, Filed with the Plan Supplement.

115. “*Restructuring*” means the restructuring of the Debtor, the principal terms of which are set forth in this Plan and the Disclosure Statement.

116. “*Retained Employee Claim*” means any Claim filed by a current employee of the Debtor who will be employed by the Reorganized Debtor upon the Effective Date.

117. “*Schedules*” means the schedules of Assets and liabilities, statements of financial affairs, lists of Holders of Claims and Equity Interests and all amendments or supplements thereto Filed by the Debtor with the Bankruptcy Court [D.I. 247].

118. “*Secured*” means, when referring to a Claim: (a) secured by a Lien on property in which the Debtor’s Estate has an interest, which Lien is valid, perfected, and enforceable pursuant to applicable law or by reason of a Bankruptcy Court order, or that is subject to setoff pursuant to section 553 of the Bankruptcy Code, to the extent of the value of the

creditor's interest in the interest of the Debtor's Estate in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code or (b) Allowed pursuant to the Plan as a Secured Claim.

119. "*Security*" or "*security*" means any security as such term is defined in section 101(49) of the Bankruptcy Code.

120. "*Senior Employees*" means the senior employees of the Debtor Filed in the Plan Supplement.

121. "*Senior Employee Stipulation*" means the agreements filed in the Plan Supplement between each Senior Employee and the Debtor.

122. "*Stamp or Similar Tax*" means any stamp tax, recording tax, personal property tax, conveyance fee, intangibles or similar tax, real estate transfer tax, sales tax, use tax, transaction privilege tax (including, without limitation, such taxes on prime contracting and owner-builder sales), privilege taxes (including, without limitation, privilege taxes on construction contracting with regard to speculative builders and owner builders), and other similar taxes imposed or assessed by any Governmental Unit.

123. "*Statutory Fees*" means fees payable pursuant to 28 U.S.C. § 1930.

124. "*Strand*" means Strand Advisors, Inc., the Debtor's general partner.

125. "*Sub-Servicer*" means a third-party selected by the Claimant Trustee to service or sub-service the Reorganized Debtor Assets.

126. "*Sub-Servicer Agreement*" means the agreement that may be entered into providing for the servicing of the Reorganized Debtor Assets by the Sub-Servicer.

127. "*Subordinated Claim*" means any Claim that (i) is or may be subordinated to the Convenience Claims and General Unsecured Claims pursuant to 11 U.S.C. § 510 or Final Order of the Bankruptcy Court or (ii) arises from a Class A Limited Partnership Interest or a Class B/C Limited Partnership Interest.

128. "*Subordinated Claimant Trust Interests*" means the Claimant Trust Interests to be distributed to Holders of Allowed Subordinated Claims under the Plan, which such interests shall be subordinated in right and priority to the Claimant Trust Interests distributed to Holders of Allowed General Unsecured Claims as provided in the Claimant Trust Agreement.

129. "*Trust Distribution*" means the transfer of Cash or other property by the Claimant Trustee to the Claimant Trust Beneficiaries.

130. "*Trustees*" means, collectively, the Claimant Trustee and Litigation Trustee.

131. “*UBS*” means, collectively, UBS Securities LLC and UBS AG London Branch.

132. “*Unexpired Lease*” means a lease to which the Debtor is a party that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

133. “*Unimpaired*” means, with respect to a Class of Claims or Equity Interests that is not impaired within the meaning of section 1124 of the Bankruptcy Code.

134. “*Voting Deadline*” means the date and time by which all Ballots to accept or reject the Plan must be received in order to be counted under the under the Order of the Bankruptcy Court approving the Disclosure Statement as containing adequate information pursuant to section 1125(a) of the Bankruptcy Code and authorizing the Debtor to solicit acceptances of the Plan.

135. “*Voting Record Date*” means November 23, 2020.

## ARTICLE II.

### **ADMINISTRATIVE EXPENSES AND PRIORITY TAX CLAIMS**

#### **A. Administrative Expense Claims**

On the later of the Effective Date or the date on which an Administrative Expense Claim becomes an Allowed Administrative Expense Claim, or, in each such case, as soon as practicable thereafter, each Holder of an Allowed Administrative Expense Claim (other than Professional Fee Claims) will receive, in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Administrative Expense Claim either (i) payment in full in Available Cash for the unpaid portion of such Allowed Administrative Expense Claim; or (ii) such other less favorable treatment as agreed to in writing by the Debtor or the Reorganized Debtor, as applicable, and such Holder; *provided, however*, that Administrative Expense Claims incurred by the Debtor in the ordinary course of business may be paid in the ordinary course of business in the discretion of the Debtor in accordance with such applicable terms and conditions relating thereto without further notice to or order of the Bankruptcy Court. All statutory fees payable under 28 U.S.C. § 1930(a) shall be paid as such fees become due.

If an Administrative Expense Claim (other than a Professional Fee Claim) is not paid by the Debtor in the ordinary course, the Holder of such Administrative Expense Claim must File, on or before the applicable Administrative Expense Claims Bar Date, and serve on the Debtor or Reorganized Debtor, as applicable, and such other Entities who are designated by the Bankruptcy Rules, the Confirmation Order or other order of the Bankruptcy Court, an application for allowance and payment of such Administrative Expense Claim.

Objections to any Administrative Expense Claim (other than a Professional Fee Claim) must be Filed and served on the Debtor or the Reorganized Debtor, as applicable, and the party asserting such Administrative Expense Claim by the Administrative Expense Claims Objection Deadline.

**B. Professional Fee Claims**

Professionals or other Entities asserting a Professional Fee Claim for services rendered through the Effective Date must submit fee applications under sections 327, 328, 329,330, 331, 503(b) or 1103 of the Bankruptcy Code and, upon entry of an order of the Bankruptcy Court granting such fee applications, such Professional Fee Claim shall promptly be paid in Cash in full to the extent provided in such order.

Professionals or other Entities asserting a Professional Fee Claim for services rendered on or prior to the Effective Date must File, on or before the Professional Fee Claims Bar Date, and serve on the Debtor or Reorganized Debtor, as applicable, and such other Entities who are designated as requiring such notice by the Bankruptcy Rules, the Confirmation Order or other order of the Bankruptcy Court, an application for final allowance of such Professional Fee Claim.

Objections to any Professional Fee Claim must be Filed and served on the Debtor or Reorganized Debtor, as applicable, and the party asserting the Professional Fee Claim by the Professional Fee Claim Objection Deadline. Each Holder of an Allowed Professional Fee Claim will be paid by the Debtor or the Claimant Trust, as applicable, in Cash within ten (10) Business Days of entry of the order approving such Allowed Professional Fee Claim.

On the Effective Date, the Claimant Trustee shall establish the Professional Fee Reserve. The Professional Fee Reserve shall vest in the Claimant Trust and shall be maintained by the Claimant Trustee in accordance with the Plan and Claimant Trust Agreement. The Claimant Trust shall fund the Professional Fee Reserve on the Effective Date in an estimated amount determined by the Debtor in good faith prior to the Confirmation Date and that approximates the total projected amount of unpaid Professional Fee Claims on the Effective Date. Following the payment of all Allowed Professional Fee Claims, any excess funds in the Professional Fee Reserve shall be released to the Claimant Trust to be used for other purposes consistent with the Plan and the Claimant Trust Agreement.

**C. Priority Tax Claims**

On or as soon as reasonably practicable after the later of (i) the Initial Distribution Date if such Priority Tax Claim is an Allowed Priority Tax Claim as of the Effective Date or (ii) the date on which such Priority Tax Claim becomes an Allowed Priority Tax Claim, each Holder of an Allowed Priority Tax Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Priority Tax Claim, at the election of the Debtor: (a) Cash in an amount equal to the amount of such Allowed Priority Tax Claim, or (b) such other less favorable treatment as agreed to in writing by the Debtor and such Holder. Payment of statutory fees due pursuant to 28 U.S.C. § 1930(a)(6) will be made at all appropriate times until the entry of a final decree; *provided, however*, that the Debtor may prepay any or all such Claims at any time, without premium or penalty.

**ARTICLE III.**  
**CLASSIFICATION AND TREATMENT OF**  
**CLASSIFIED CLAIMS AND EQUITY INTERESTS**

**A. Summary**

All Claims and Equity Interests, except Administrative Expense Claims and Priority Tax Claims, are classified in the Classes set forth below. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims, and Priority Tax Claims have not been classified.

The categories of Claims and Equity Interests listed below classify Claims and Equity Interests for all purposes including, without limitation, confirmation and distribution pursuant to the Plan and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. The Plan deems a Claim or Equity Interest to be classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class and will be deemed classified in a different Class to the extent that any remainder of such Claim or Equity Interest qualifies within the description of such different Class. A Claim or Equity Interest is in a particular Class only to the extent that any such Claim or Equity Interest is Allowed in that Class and has not been paid, released or otherwise settled (in each case, by the Debtor or any other Entity) prior to the Effective Date.

**B. Summary of Classification and Treatment of Classified Claims and Equity Interests**

<b>Class</b>	<b>Claim</b>	<b>Status</b>	<b>Voting Rights</b>
1	Jefferies Secured Claim	Unimpaired	Deemed to Accept
2	Frontier Secured Claim	Impaired	Entitled to Vote
3	Other Secured Claims	Unimpaired	Deemed to Accept
4	Priority Non-Tax Claim	Unimpaired	Deemed to Accept
5	Retained Employee Claim	Unimpaired	Deemed to Accept
6	PTO Claims	Unimpaired	Deemed to Accept
7	Convenience Claims	Impaired	Entitled to Vote
8	General Unsecured Claims	Impaired	Entitled to Vote
9	Subordinated Claims	Impaired	Entitled to Vote
10	Class B/C Limited Partnership Interests	Impaired	Entitled to Vote
11	Class A Limited Partnership Interests	Impaired	Entitled to Vote

**C. Elimination of Vacant Classes**

Any Class that, as of the commencement of the Confirmation Hearing, does not have at least one Holder of a Claim or Equity Interest that is Allowed in an amount greater than zero for voting purposes shall be considered vacant, deemed eliminated from the Plan for purposes of

voting to accept or reject the Plan, and disregarded for purposes of determining whether the Plan satisfies section 1129(a)(8) of the Bankruptcy Code with respect to such Class.

**D. Impaired/Voting Classes**

Claims and Equity Interests in Class 2 and Class 7 through Class 11 are Impaired by the Plan, and only the Holders of Claims or Equity Interests in those Classes are entitled to vote to accept or reject the Plan.

**E. Unimpaired/Non-Voting Classes**

Claims in Class 1 and Class 3 through Class 6 are Unimpaired by the Plan, and such Holders are deemed to have accepted the Plan and are therefore not entitled to vote on the Plan.

**F. Impaired/Non-Voting Classes**

There are no Classes under the Plan that will not receive or retain any property and no Classes are deemed to reject the Plan.

**G. Cramdown**

If any Class of Claims or Equity Interests is deemed to reject this Plan or does not vote to accept this Plan, the Debtor may (i) seek confirmation of this Plan under section 1129(b) of the Bankruptcy Code or (ii) amend or modify this Plan in accordance with the terms hereof and the Bankruptcy Code. If a controversy arises as to whether any Claims or Equity Interests, or any class of Claims or Equity Interests, are Impaired, the Bankruptcy Court shall, after notice and a hearing, determine such controversy on or before the Confirmation Date.

**H. Classification and Treatment of Claims and Equity Interests**

*1. Class 1 – Jefferies Secured Claim*

- *Classification:* Class 1 consists of the Jefferies Secured Claim.
- *Treatment:* On or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Class 1 Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Class 1 Claim, at the election of the Debtor: (A) Cash equal to the amount of such Allowed Class 1 Claim; (B) such other less favorable treatment as to which the Debtor and the Holder of such Allowed Class 1 Claim will have agreed upon in writing; or (C) such other treatment rendering such Claim Unimpaired. Each Holder of an Allowed Class 1 Claim will retain the Liens securing its Allowed Class 1 Claim as of the Effective Date until full and final payment of such Allowed Class 1 Claim is made as provided herein.
- *Impairment and Voting:* Class 1 is Unimpaired, and the Holders of Class 1 Claims are conclusively deemed to have accepted this Plan

pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 1 Claims are not entitled to vote to accept or reject this Plan and will not be solicited.

2. Class 2 – Frontier Secured Claim

- *Classification:* Class 2 consists of the Frontier Secured Claim.
- *Treatment:* On or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Class 2 Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Class 2 Claim: (A) Cash in an amount equal to all accrued but unpaid interest on the Frontier Claim through and including the Effective Date and (B) the New Frontier Note. The Holder of an Allowed Class 2 Claim will retain the Liens securing its Allowed Class 2 Claim as of the Effective Date until full and final payment of such Allowed Class 2 Claim is made as provided herein.
- *Impairment and Voting:* Class 2 is Impaired, and the Holders of Class 2 Claims are entitled to vote to accept or reject this Plan.

3. Class 3 – Other Secured Claims

- *Classification:* Class 3 consists of the Other Secured Claims.
- *Allowance and Treatment:* On or as soon as reasonably practicable after the later of (i) the Initial Distribution Date if such Class 3 Claim is Allowed on the Effective Date or (ii) the date on which such Class 3 Claim becomes an Allowed Class 3 Claim, each Holder of an Allowed Class 3 Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, its Allowed Claim 3 Claim, at the option of the Debtor, or following the Effective Date, the Reorganized Debtor or Claimant Trustee, as applicable, (i) Cash equal to such Allowed Other Secured Claim, (ii) the collateral securing its Allowed Other Secured Claim, plus postpetition interest to the extent required under Bankruptcy Code Section 506(b), or (iii) such other treatment rendering such Claim Unimpaired.
- *Impairment and Voting:* Class 3 is Unimpaired, and the Holders of Class 3 Claims are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 3 Claims are not entitled to vote to accept or reject this Plan and will not be solicited.

4. Class 4 – Priority Non-Tax Claims

- *Classification:* Class 4 consists of the Priority Non-Tax Claims.

- *Allowance and Treatment:* On or as soon as reasonably practicable after the later of (i) the Initial Distribution Date if such Class 4 Claim is Allowed on the Effective Date or (ii) the date on which such Class 4 Claim becomes an Allowed Class 4 Claim, each Holder of an Allowed Class 4 Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, its Allowed Claim 4 Claim Cash equal to the amount of such Allowed Class 4 Claim.
- *Impairment and Voting:* Class 4 is Unimpaired, and the Holders of Class 4 Claims are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 4 Claims are not entitled to vote to accept or reject this Plan and will not be solicited.

5. Class 5 – Retained Employee Claims

- *Classification:* Class 5 consists of the Retained Employee Claims.
- *Allowance and Treatment:* On or as soon as reasonably practicable after the Effective Date, each Allowed Class 5 Claim will be Reinstated.
- *Impairment and Voting:* Class 5 is Unimpaired, and the Holders of Class 5 Claims are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 5 Claims are not entitled to vote to accept or reject this Plan and will not be solicited.

6. Class 6 – PTO Claims

- *Classification:* Class 6 consists of the PTO Claims.
- *Allowance and Treatment:* On or as soon as reasonably practicable after the later of (i) the Initial Distribution Date if such Class 6 Claim is Allowed on the Effective Date or (ii) the date on which such Class 6 Claim becomes an Allowed Class 6 Claim, each Holder of an Allowed Class 6 Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, its Allowed Claim 6 Claim Cash equal to the amount of such Allowed Class 6 Claim.
- *Impairment and Voting:* Class 6 is Unimpaired, and the Holders of Class 6 Claims are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 6 Claims are not entitled to vote to accept or reject this Plan and will not be solicited.

7. Class 7 – Convenience Claims

- *Classification:* Class 7 consists of the Convenience Claims.
- *Allowance and Treatment:* On or as soon as reasonably practicable after the later of (i) the Initial Distribution Date if such Class 7 Claim is Allowed on the Effective Date or (ii) the date on which such Class 7 Claim becomes an Allowed Class 7 Claim, each Holder of an Allowed Class 7 Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, its Allowed Class 7 Claim (1) the treatment provided to Allowed Holders of Class 8 General Unsecured Claims if the Holder of such Class 7 Claim makes the GUC Election or (2) an amount in Cash equal to the lesser of (a) 85% of the Allowed amount of such Holder's Class 7 Claim or (b) such Holder's Pro Rata share of the Convenience Claims Cash Pool.
- *Impairment and Voting:* Class 7 is Impaired, and the Holders of Class 7 Claims are entitled to vote to accept or reject this Plan.

8. Class 8 – General Unsecured Claims

- *Classification:* Class 8 consists of the General Unsecured Claims.
- *Treatment:* On or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Class 8 Claim, in full satisfaction, settlement, discharge and release of, and in exchange for, such Claim shall receive (i) its Pro Rata share of the Claimant Trust Interests, (ii) such other less favorable treatment as to which such Holder and the Claimant Trustee shall have agreed upon in writing, or (iii) the treatment provided to Allowed Holders of Class 7 Convenience Claims if the Holder of such Class 8 General Unsecured Claim is eligible and makes a valid Convenience Class Election.

Notwithstanding anything to the contrary herein, after the Effective Date and subject to the other provisions of this Plan, the Debtor, the Reorganized Debtor, and the Claimant Trust, as applicable, will have and will retain any and all rights and defenses under bankruptcy or nonbankruptcy law that the Debtor had with respect to any General Unsecured Claim, except with respect to any General Unsecured Claim Allowed by Final Order of the Bankruptcy Court.

- *Impairment and Voting:* Class 8 is Impaired, and the Holders of Class 8 Claims are entitled to vote to accept or reject this Plan.

9. Class 9 – Subordinated Claims

- *Classification:* Class 9 consists of the Subordinated Claims.

- *Treatment:* On or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Class 9 Claim, in full satisfaction, settlement, discharge and release of, and in exchange for, such Claim shall receive either (i) the treatment provided to Allowed Class 8 Claims or (ii) if such Allowed Class 9 Claim is subordinated to the Convenience Claims and General Unsecured Claims pursuant to 11 U.S.C. § 510 or Final Order of the Bankruptcy Court, its Pro Rata share of the Subordinated Claimant Trust Interests or (ii) such other less favorable treatment as to which such Holder and the Claimant Trustee shall have agreed upon in writing.

Notwithstanding anything to the contrary herein, after the Effective Date and subject to the other provisions of this Plan, the Debtor, the Reorganized Debtor, and the Claimant Trust, as applicable, will have and will retain any and all rights and defenses under bankruptcy or nonbankruptcy law that the Debtor had with respect to any Subordinated Claim, except with respect to any Subordinated Claim Allowed by Final Order of the Bankruptcy Court.

- *Impairment and Voting:* Class 9 is Impaired, and the Holders of Class 9 Claims are entitled to vote to accept or reject this Plan.

10. *Class 10 – Class B/C Limited Partnership Interests*

- *Classification:* Class 10 consists of the Class B/C Limited Partnership Interests.
- *Treatment:* On or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Class 10 Claim, in full satisfaction, settlement, discharge and release of, and in exchange for, such Claim shall receive (i) its Pro Rata share of the Contingent Claimant Trust Interests or (ii) such other less favorable treatment as to which such Holder and the Claimant Trustee shall have agreed upon in writing.

Notwithstanding anything to the contrary herein, after the Effective Date and subject to the other provisions of this Plan, the Debtor, the Reorganized Debtor, and the Claimant Trust, as applicable, will have and will retain any and all rights and defenses under bankruptcy or nonbankruptcy law that the Debtor had with respect to any Class B/C Limited Partnership Interest Claim, except with respect to any Class B/C Limited Partnership Interest Claim Allowed by Final Order of the Bankruptcy Court.

- *Impairment and Voting:* Class 10 is Impaired, and the Holders of Class 10 Claims are entitled to vote to accept or reject this Plan.

11. Class 11 – Class A Limited Partnership Interests

- *Classification:* Class 11 consists of the Class A Limited Partnership Interests.
- *Treatment:* On or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Class 11 Claim, in full satisfaction, settlement, discharge and release of, and in exchange for, such Claim shall receive (i) its Pro Rata share of the Contingent Claimant Trust Interests or (ii) such other less favorable treatment as to which such Holder and the Claimant Trustee shall have agreed upon in writing.

Notwithstanding anything to the contrary herein, after the Effective Date and subject to the other provisions of this Plan, the Debtor, the Reorganized Debtor, and the Claimant Trust, as applicable, will have and will retain any and all rights and defenses under bankruptcy or nonbankruptcy law that the Debtor had with respect to any Class A Limited Partnership Interest, except with respect to any Class A Limited Partnership Interest Allowed by Final Order of the Bankruptcy Court.

- *Impairment and Voting:* Class 11 is Impaired, and the Holders of Class 11 Claims are entitled to vote to accept or reject this Plan.

**I. Special Provision Governing Unimpaired Claims**

Except as otherwise provided in the Plan, nothing under the Plan will affect the Debtor’s rights in respect of any Unimpaired Claims, including, without limitation, all rights in respect of legal and equitable defenses to or setoffs or recoupments against any such Unimpaired Claims.

**J. Subordinated Claims**

The allowance, classification, and treatment of all Claims under the Plan shall take into account and conform to the contractual, legal, and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code, or otherwise. Under section 510 of the Bankruptcy Code, upon written notice, the Debtor the Reorganized Debtor, and the Claimant Trustee reserve the right to re-classify, or to seek to subordinate, any Claim in accordance with any contractual, legal, or equitable subordination relating thereto, and the treatment afforded any Claim under the Plan that becomes a subordinated Claim at any time shall be modified to reflect such subordination.

**ARTICLE IV.  
MEANS FOR IMPLEMENTATION OF THIS PLAN**

**A. Summary**

As discussed in the Disclosure Statement, the Plan will be implemented through (i) the Claimant Trust, (ii) the Litigation Sub-Trust, and (iii) the Reorganized Debtor.

On the Effective Date, all Class A Limited Partnership Interests, including the Class A Limited Partnership Interests held by Strand, as general partner, and Class B/C Limited Partnerships in the Debtor will be cancelled, and new Class A Limited Partnership Interests in the Reorganized Debtor will be issued to the Claimant Trust and New GP LLC – a newly-chartered limited liability company wholly-owned by the Claimant Trust. The Claimant Trust, as limited partner, will ratify New GP LLC’s appointment as general partner of the Reorganized Debtor, and on and following the Effective Date, the Claimant Trust will be the Reorganized Debtor’s limited partner and New GP LLC will be its general partner. The Claimant Trust, as limited partner, and New GP LLC, as general partner, will execute the Reorganized Limited Partnership Agreement, which will amend and restate, in all respects, the Debtor’s current Limited Partnership Agreement. Following the Effective Date, the Reorganized Debtor will be managed consistent with the terms of the Reorganized Limited Partnership Agreement by New GP LLC. The sole managing member of New GP LLC will be the Claimant Trust, and the Claimant Trustee will be the sole officer of New GP LLC on the Effective Date.

Following the Effective Date, the Claimant Trust will administer the Claimant Trust Assets pursuant to this Plan and the Claimant Trust Agreement, and the Litigation Trustee will pursue, if applicable, the Estate Claims pursuant to the terms of the Litigation Sub-Trust Agreement and the Plan. The Reorganized Debtor will administer the Reorganized Debtor Assets and, if needed, with the utilization of a Sub-Servicer, which administration will include, among other things, managing the wind down of the Managed Funds.

Although the Reorganized Debtor will manage the wind down of the Managed Funds, it is currently anticipated that neither the Reorganized Debtor nor the Claimant Trust will assume or assume and assign the contracts between the Debtor and certain Related Entities pursuant to which the Debtor provides shared services and sub-advisory services to those Related Entities. The Debtor believes that the continued provision of the services under such contracts will not be cost effective.

The Reorganized Debtor will distribute all proceeds from the wind down to the Claimant Trust, as its limited partner, and New GP LLC, as its general partner, in each case in accordance with the Reorganized Limited Partnership Agreement. Such proceeds, along with the proceeds of the Claimant Trust Assets, will ultimately be distributed to the Claimant Trust Beneficiaries as set forth in this Plan and the Claimant Trust Agreement.

**B. The Claimant Trust**<sup>2</sup>

*1. Creation and Governance of the Claimant Trust and Litigation Sub-Trust.*

On or prior to the Effective Date, the Debtor and the Claimant Trustee shall execute the Claimant Trust Agreement and shall take all steps necessary to establish the Claimant Trust and the Litigation Sub-Trust in accordance with the Plan in each case for the benefit of the Claimant Trust Beneficiaries. Additionally, on or prior to the Effective Date, the Debtor shall irrevocably transfer and shall be deemed to have irrevocably transferred to the Claimant Trust all of its

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<sup>2</sup> In the event of a conflict between the terms of this summary and the terms of the Claimant Trust Agreement and the Litigation Sub-Trust Agreement, the terms of the Claimant Trust Agreement or the Litigation Sub-Trust Agreement, as applicable, shall control.

rights, title, and interest in and to all of the Claimant Trust Assets, and in accordance with section 1141 of the Bankruptcy Code, the Claimant Trust Assets shall automatically vest in the Claimant Trust free and clear of all Claims, Liens, encumbrances, or interests subject only to the Claimant Trust Interests and the Claimant Trust Expenses, as provided for in the Claimant Trust Agreement, and such transfer shall be exempt from any stamp, real estate transfer, mortgage from any stamp, transfer, reporting, sales, use, or other similar tax.

The Claimant Trustee shall be the exclusive trustee of the Claimant Trust Assets, excluding the Estate Claims and the Litigation Trustee shall be the exclusive trustee with respect to the Estate Claims in each case for purposes of 31 U.S.C. § 3713(b) and 26 U.S.C. § 6012(b)(3), as well as the representative of the Estate appointed pursuant to section 1123(b)(3)(B) of the Bankruptcy Code with respect to the Claimant Trust Assets. The Claimant Trustee shall also be responsible for resolving all Claims and Equity Interests in Class 8 through Class 11, under the supervision of the Claimant Trust Oversight Committee.

On the Effective Date, the Claimant Trustee and Litigation Trustee shall execute the Litigation Sub-Trust Agreement and shall take all steps necessary to establish the Litigation Sub-Trust. Upon the creation of the Litigation Sub-Trust, the Claimant Trust shall irrevocably transfer and assign to the Litigation Sub-Trust the Estate Claims. The Claimant Trust shall be governed by the Claimant Trust Agreement and administered by the Claimant Trustee. The powers, rights, and responsibilities of the Claimant Trustee shall be specified in the Claimant Trust Agreement and shall include the authority and responsibility to, among other things, take the actions set forth in this ARTICLE IV, subject to any required reporting to the Claimant Trust Oversight Committee as may be set forth in the Claimant Trust Agreement. The Claimant Trust shall hold and distribute the Claimant Trust Assets (including the proceeds from the Estate Claims, if any) in accordance with the provisions of the Plan and the Claimant Trust Agreement; *provided* that the Claimant Trust Oversight Committee may direct the Claimant Trust to reserve Cash from distributions as necessary to fund the Claimant Trust and Litigation Sub-Trust. Other rights and duties of the Claimant Trustee and the Claimant Trust Beneficiaries shall be as set forth in the Claimant Trust Agreement. After the Effective Date, neither the Debtor nor the Reorganized Debtor shall have any interest in the Claimant Trust Assets.

The Litigation Sub-Trust shall be governed by the Litigation Sub-Trust Agreement and administered by the Litigation Trustee. The powers, rights, and responsibilities of the Litigation Trustee shall be specified in the Litigation Sub-Trust Agreement and shall include the authority and responsibility to, among other things, take the actions set forth in this ARTICLE IV, subject to any required reporting as may be set forth in the Litigation Sub-Trust Agreement. The Litigation Sub-Trust shall investigate, prosecute, settle, or otherwise resolve the Estate Claims in accordance with the provisions of the Plan and the Litigation Sub-Trust Agreement and shall distribute the proceeds therefrom to the Claimant Trust for distribution. Other rights and duties of the Litigation Trustee shall be as set forth in the Litigation Sub-Trust Agreement.

2. Claimant Trust Oversight Committee

The Claimant Trust, the Claimant Trustee, the management and monetization of the Claimant Trust Assets, and the management of the Reorganized Debtor (through the Claimant Trust's role as managing member of New GP LLC) and the Litigation Sub-Trust will be

overseen by the Claimant Trust Oversight Committee, subject to the terms of the Claimant Trust Agreement and the Litigation Sub-Trust Agreement, as applicable.

The Claimant Trust Oversight Committee will initially consist of five members. Four of the five members will be representatives of the members of the Committee: (i) the Redeemer Committee of Highland Crusader Fund, (ii) UBS, (iii) Acis, and (iv) Meta-e Discovery. The fifth member will be an independent, natural Person chosen by the Committee and reasonably acceptable to the Debtor. The members of the Claimant Trust Oversight Committee may be replaced as set forth in the Claimant Trust Agreement. The identity of the members of the Claimant Trust Oversight Committee will be disclosed in the Plan Supplement.

As set forth in the Claimant Trust Agreement, in no event will any member of the Claimant Trust Oversight Committee with a Claim against the Estate be entitled to vote, opine, or otherwise be involved in any matters related to such member's Claim.

The independent member(s) of the Claimant Trust Oversight Committee may be entitled to compensation for their services as set forth in the Claimant Trust Agreement. Any member of the Claimant Trust Oversight Committee may be removed, and successor chosen, in the manner set forth in the Claimant Trust Agreement.

3. Purpose of the Claimant Trust.

The Claimant Trust shall be established for the purpose of (i) managing and monetizing the Claimant Trust Assets, subject to the terms of the Claimant Trust Agreement and the oversight of the Claimant Trust Oversight Committee, (ii) serving as the limited partner of, and holding the limited partnership interests in, the Reorganized Debtor, (iii) serving as the sole member and manager of New GP LLC, the Reorganized Debtor's general partner, (iv) in its capacity as the sole member and manager of New GP LLC, overseeing the management and monetization of the Reorganized Debtor Assets pursuant to the terms of the Reorganized Limited Partnership Agreement; and (v) administering the Disputed Claims Reserve and serving as Distribution Agent with respect to Disputed Claims in Class 7 or Class 8.

In its management of the Claimant Trust Assets, the Claimant Trust will also reconcile and object to the General Unsecured Claims, Subordinated Claims, Class B/C Limited Partnership Interests, and Class A Limited Partnership Interests, as provided for in this Plan and the Claimant Trust Agreement, and make Trust Distributions to the Claimant Trust Beneficiaries in accordance with Treasury Regulation section 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business.

The purpose of the Reorganized Debtor is discussed at greater length in ARTICLE IV.C.

4. Purpose of the Litigation Sub-Trust.

The Litigation Sub-Trust shall be established for the purpose of investigating, prosecuting, settling, or otherwise resolving the Estate Claims. Any proceeds therefrom shall be distributed by the Litigation Sub-Trust to the Claimant Trust for distribution to the Claimant Trust Beneficiaries pursuant to the terms of the Claimant Trust Agreement.

5. Claimant Trust Agreement and Litigation Sub-Trust Agreement.

The Claimant Trust Agreement generally will provide for, among other things:

- (i) the payment of the Claimant Trust Expenses;
- (ii) the payment of other reasonable expenses of the Claimant Trust;
- (iii) the retention of employees, counsel, accountants, financial advisors, or other professionals and the payment of their reasonable compensation;
- (iv) the investment of Cash by the Claimant Trustee within certain limitations, including those specified in the Plan;
- (v) the orderly monetization of the Claimant Trust Assets;
- (vi) litigation of any Causes of Action, which may include the prosecution, settlement, abandonment, or dismissal of any such Causes of Action, subject to reporting and oversight by the Claimant Trust Oversight Committee;
- (vii) the resolution of Claims and Equity Interests in Class 8 through Class 11, subject to reporting and oversight by the Claimant Trust Oversight Committee;
- (viii) the administration of the Disputed Claims Reserve and distributions to be made therefrom; and
- (ix) the management of the Reorganized Debtor, including the utilization of a Sub-Servicer, with the Claimant Trust serving as the managing member of New GP LLC.

Except as otherwise ordered by the Bankruptcy Court, the Claimant Trust Expenses shall be paid from the Claimant Trust Assets in accordance with the Plan and Claimant Trust Agreement. The Claimant Trustee may establish a reserve for the payment of Claimant Trust Expenses and shall periodically replenish such reserve, as necessary.

In furtherance of, and consistent with the purpose of, the Claimant Trust and the Plan, the Trustees, for the benefit of the Claimant Trust, shall, subject to reporting and oversight by the Claimant Trust Oversight Committee as set forth in the Claimant Trust Agreement: (i) hold the Claimant Trust Assets for the benefit of the Claimant Trust Beneficiaries, (ii) make Distributions to the Claimant Trust Beneficiaries as provided herein and in the Claimant Trust Agreement, and (iii) have the sole power and authority to prosecute and resolve any Causes of Action and objections to Claims and Equity Interests (other than those assigned to the Litigation Sub-Trust), without approval of the Bankruptcy Court. Except as otherwise provided in the Claimant Trust Agreement, the Claimant Trustee shall be responsible for all decisions and duties with respect to the Claimant Trust and the Claimant Trust Assets; *provided, however*, that the prosecution and resolution of any Estate Claims included in the Claimant Trust Assets shall be the responsibility of the Litigation Trustee. In all circumstances, the Claimant Trustee shall act in the best interests of the Claimant Trust Beneficiaries and with the same fiduciary duties as a chapter 7 trustee.

The Litigation Sub-Trust Agreement generally will provide for, among other things:

- (i) the payment of other reasonable expenses of the Litigation Sub-Trust;
- (ii) the retention of employees, counsel, accountants, financial advisors, or other professionals and the payment of their reasonable compensation; and
- (iii) the investigation and prosecution of Estate Claims, which may include the prosecution, settlement, abandonment, or dismissal of any such Estate Claims, subject to reporting and oversight as set forth in the Litigation Sub-Trust Agreement.

The Trustees, on behalf of the Claimant Trust and Litigation Sub-Trust, as applicable, may each employ, without further order of the Bankruptcy Court, employees and other professionals (including those previously retained by the Debtor and the Committee) to assist in carrying out the Trustees' duties hereunder and may compensate and reimburse the reasonable expenses of these professionals without further Order of the Bankruptcy Court from the Claimant Trust Assets in accordance with the Plan and the Claimant Trust Agreement.

The Claimant Trust Agreement and Litigation Sub-Trust Agreement may include reasonable and customary provisions that allow for indemnification by the Claimant Trust in favor of the Claimant Trustee, Litigation Trustee, and the Claimant Trust Oversight Committee. Any such indemnification shall be the sole responsibility of the Claimant Trust and payable solely from the Claimant Trust Assets.

6. Compensation and Duties of Trustees.

The salient terms of each Trustee's employment, including such Trustee's duties and compensation shall be set forth in the Claimant Trust Agreement and the Litigation Sub-Trust Agreement, as appropriate. The Trustees shall each be entitled to reasonable compensation in an amount consistent with that of similar functionaries in similar types of bankruptcy cases.

7. Cooperation of Debtor and Reorganized Debtor.

To effectively investigate, prosecute, compromise and/or settle the Claims and/or Causes of Action that constitute Claimant Trust Assets (including Estate Claims), the Claimant Trustee, Litigation Trustee, and each of their professionals may require reasonable access to the Debtor's and Reorganized Debtor's documents, information, and work product relating to the Claimant Trust Assets. Accordingly, the Debtor and the Reorganized Debtor, as applicable, shall reasonably cooperate with the Claimant Trustee and Litigation Trustee, as applicable, in their prosecution of Causes of Action and in providing the Claimant Trustee and Litigation Trustee with copies of documents and information in the Debtor's possession, custody, or control on the Effective Date that either Trustee indicates relates to the Estate Claims or other Causes of Action.

The Debtor and Reorganized Debtor shall preserve all records, documents or work product (including all electronic records, documents, or work product) related to the Claims and Causes of Action, including Estate Claims, until the earlier of (a) the dissolution of the Reorganized Debtor or (b) termination of the Claimant Trust and Litigation Sub-Trust.

8. United States Federal Income Tax Treatment of the Claimant Trust.

Unless the IRS requires otherwise, for all United States federal income tax purposes, the parties shall treat the transfer of the Claimant Trust Assets to the Claimant Trust as: (a) a transfer of the Claimant Trust Assets (other than the amounts set aside in the Disputed Claims Reserve, if the Claimant Trustee makes the election described in Section 7 below) directly to the applicable Claimant Trust Beneficiaries followed by (b) the transfer by the such Claimant Trust Beneficiaries to the Claimant Trust of such Claimant Trust Assets in exchange for the Claimant Trust Interests. Accordingly, the applicable Claimant Trust Beneficiaries shall be treated for United States federal income tax purposes as the grantors and owners of their respective share of the Claimant Trust Assets. The foregoing treatment shall also apply, to the extent permitted by applicable law, for state and local income tax purposes.

9. Tax Reporting.

(a) The Claimant Trustee shall file tax returns for the Claimant Trust treating the Claimant Trust as a grantor trust pursuant to Treasury Regulation section 1.671-4(a). The Claimant Trustee may file an election pursuant to Treasury Regulation 1.468B-9(c) to treat the Disputed Claims Reserve as a disputed ownership fund, in which case the Claimant Trustee will file federal income tax returns and pay taxes for the Disputed Claims Reserve as a separate taxable entity.

(b) The Claimant Trustee shall be responsible for payment, out of the Claimant Trust Assets, of any taxes imposed on the Claimant Trust or its assets.

(c) The Claimant Trustee shall determine the fair market value of the Claimant Trust Assets as of the Effective Date and notify the applicable Claimant Trust Beneficiaries of such valuation, and such valuation shall be used consistently for all federal income tax purposes.

(d) The Claimant Trustee shall distribute such tax information to the applicable Claimant Trust Beneficiaries as the Claimant Trustee determines is required by applicable law.

10. Claimant Trust Assets.

The Claimant Trustee shall have the exclusive right, on behalf of the Claimant Trust, to institute, file, prosecute, enforce, abandon, settle, compromise, release, or withdraw any and all Causes of Action included in the Claimant Trust Assets (except for the Estate Claims) without any further order of the Bankruptcy Court, and the Claimant Trustee shall have the exclusive right, on behalf of the Claimant Trust, to sell, liquidate, or otherwise monetize all Claimant Trust Assets, except as otherwise provided in this Plan or in the Claimant Trust Agreement, without any further order of the Bankruptcy Court. Notwithstanding anything herein to the contrary, the Litigation Trustee shall have the exclusive right to institute, file, prosecute, enforce, abandon, settle, compromise, release, or withdraw any and all Estate Claims included in the Claimant Trust Assets without any further order of the Bankruptcy Court.

From and after the Effective Date, the Trustees, in accordance with section 1123(b)(3) and (4) of the Bankruptcy Code, and on behalf of the Claimant Trust, shall each serve as a representative of the Estate with respect to any and all Claimant Trust Assets, including the

Causes of Action and Estate Claims, as appropriate, and shall retain and possess the right to (a) commence, pursue, settle, compromise, or abandon, as appropriate, any and all Causes of Action in any court or other tribunal and (b) sell, liquidate, or otherwise monetize all Claimant Trust Assets.

11. Claimant Trust Expenses.

From and after the Effective Date, the Claimant Trust shall, in the ordinary course of business and without the necessity of any approval by the Bankruptcy Court, pay the reasonable professional fees and expenses incurred by the Claimant Trust, the Litigation Sub-Trust, and any professionals retained by such parties and entities from the Claimant Trust Assets, except as otherwise provided in the Claimant Trust Agreement.

12. Trust Distributions to Claimant Trust Beneficiaries.

The Claimant Trustee, in its discretion, may make Trust Distributions to the Claimant Trust Beneficiaries at any time and/or use the Claimant Trust Assets or proceeds thereof, *provided* that such Trust Distributions or use is otherwise permitted under the terms of the Plan, the Claimant Trust Agreement, and applicable law.

13. Cash Investments.

With the consent of the Claimant Trust Oversight Committee, the Claimant Trustee may invest Cash (including any earnings thereon or proceeds therefrom) in a manner consistent with the terms of the Claimant Trust Agreement; *provided, however*, that such investments are investments permitted to be made by a “liquidating trust” within the meaning of Treasury Regulation section 301.7701-4(d), as reflected therein, or under applicable IRS guidelines, rulings or other controlling authorities.

14. Dissolution of the Claimant Trust and Litigation Sub-Trust.

The Trustees and the Claimant Trust and Litigation Sub-Trust shall be discharged or dissolved, as the case may be, at such time as: (a) the Litigation Trustee determines that the pursuit of Estate Claims is not likely to yield sufficient additional proceeds to justify further pursuit of such Estate Claims, (b) the Claimant Trustee determines that the pursuit of Causes of Action (other than Estate Claims) is not likely to yield sufficient additional proceeds to justify further pursuit of such Causes of Action, (c) the Claimant Trustee determines that the pursuit of sales of other Claimant Trust Assets is not likely to yield sufficient additional proceeds to justify further pursuit of such sales of Claimant Trust Assets, (d) all objections to Disputed Claims and Equity Interests are fully resolved, (e) the Reorganized Debtor is dissolved, and (f) all Distributions required to be made by the Claimant Trustee to the Claimant Trust Beneficiaries under the Plan have been made, but in no event shall the Claimant Trust be dissolved later than three years from the Effective Date unless the Bankruptcy Court, upon motion made within the six-month period before such third anniversary (and, in the event of further extension, by order of the Bankruptcy Court, upon motion made at least six months before the end of the preceding extension), determines that a fixed period extension (not to exceed two years, together with any prior extensions, without a favorable letter ruling from the Internal Revenue Service or an opinion of counsel that any further extension would not adversely affect the status of the

Claimant Trust as a liquidating trust for federal income tax purposes) is necessary to facilitate or complete the recovery on, and liquidation of, the Claimant Trust Assets; *provided, however*, that each extension must be approved, upon a finding that the extension is necessary to facilitate or complete the recovery on, and liquidation of the Claimant Trust Assets, by the Bankruptcy Court within 6 months of the beginning of the extended term and no extension, together with any prior extensions, shall exceed three years without a favorable letter ruling from the Internal Revenue Service or an opinion of counsel that any further extension would not adversely affect the status of the Claimant Trust as a liquidating trust for federal income tax purposes.

Upon dissolution of the Claimant Trust, and pursuant to the Claimant Trust Agreement, any remaining Claimant Trust Assets that exceed the amounts required to be paid under the Plan will be transferred (in the sole discretion of the Claimant Trustee) in Cash or in-kind to the Holders of the Claimant Trust Interests as provided in the Claimant Trust Agreement.

### **C. The Reorganized Debtor**

#### *1. Corporate Existence*

The Debtor will continue to exist after the Effective Date, with all of the powers of partnerships pursuant to the law of the State of Delaware and as set forth in the Reorganized Limited Partnership Agreement.

#### *2. Cancellation of Equity Interests and Release*

On the Effective Date, (i) all prepetition Equity Interests, including the Class A Limited Partnership Interests and the Class B/C Limited Partnership Interests, in the Debtor shall be canceled, and (ii) all obligations or debts owed by, or Claims against, the Debtor on account of, or based upon, the Interests shall be deemed as cancelled, released, and discharged, including all obligations or duties by the Debtor relating to the Equity Interests in any of the Debtor's formation documents, including the Limited Partnership Agreement.

#### *3. Issuance of New Partnership Interests*

On the Effective Date, the Debtor or the Reorganized Debtor, as applicable, will issue new Class A Limited Partnership Interests to (i) the Claimant Trust, as limited partner, and (ii) New GP LLC, as general partner, and will admit (a) the Claimant Trust as the limited partner of the Reorganized Debtor, and (b) New GP LLC as the general partner of the Reorganized Debtor. The Claimant Trust, as limited partner, will ratify New GP LLC's appointment as general partner of the Reorganized Debtor. Also, on the Effective Date, the Claimant Trust, as limited partner, and New GP LLC, as general partner, will execute the Reorganized Limited Partnership Agreement and receive partnership interests in the Reorganized Debtor consistent with the terms of the Reorganized Limited Partnership Agreement.

#### *4. Management of the Reorganized Debtor*

Subject to and consistent with the terms of the Reorganized Limited Partnership Agreement, the Reorganized Debtor shall be managed by its general partner, New GP LLC. The initial officers and employees of the Reorganized Debtor shall be selected by the Claimant

Trustee. The Reorganized Debtor may, in its discretion, also utilize a Sub-Servicer in addition to or in lieu of the retention of officers and employees.

As set forth in the Reorganized Limited Partnership Agreement, New GP LLC will receive a fee for managing the Reorganized Debtor. Although New GP LLC will be a limited liability company, it will elect to be treated as a C-Corporation for tax purposes. Therefore, New GP LLC (and any taxable income attributable to it) will be subject to corporate income taxation on a standalone basis, which may reduce the return to Claimants.

5. *Vesting of Assets in the Reorganized Debtor*

Except as otherwise provided in this Plan or the Confirmation Order, on or after the Effective Date, all Reorganized Debtor Assets will vest in the Reorganized Debtor, free and clear of all Liens, Claims, charges or other encumbrances pursuant to section 1141(c) of the Bankruptcy Code except with respect to such Liens, Claims, charges and other encumbrances that are specifically preserved under this Plan upon the Effective Date.

The Reorganized Debtor shall be the exclusive trustee of the Reorganized Debtor Assets for purposes of 31 U.S.C. § 3713(b) and 26 U.S.C. § 6012(b)(3), as well as the representative of the Estate appointed pursuant to section 1123(b)(3)(B) of the Bankruptcy Code with respect to the Reorganized Debtor Assets.

6. *Purpose of the Reorganized Debtor*

Except as may be otherwise provided in this Plan or the Confirmation Order, the Reorganized Debtor will continue to manage the Reorganized Debtor Assets (which shall include, for the avoidance of doubt, serving as the investment manager of the Managed Funds) and may use, acquire or dispose of the Reorganized Debtor Assets and compromise or settle any Claims with respect to the Reorganized Debtor Assets without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules. The Reorganized Debtor shall oversee the resolution of Claims in Class 1 through Class 7.

Without limiting the foregoing, the Reorganized Debtor will pay the charges that it incurs after the Effective Date for Professionals' fees, disbursements, expenses or related support services (including reasonable fees relating to the preparation of Professional fee applications) in the ordinary course of business and without application or notice to, or order of, the Bankruptcy Court.

7. *Distribution of Proceeds from the Reorganized Debtor Assets; Transfer of Reorganized Debtor Assets*

Any proceeds received by the Reorganized Debtor will be distributed to the Claimant Trust, as limited partner, and New GP LLC, as general partner, in the manner set forth in the Reorganized Limited Partnership Agreement. As set forth in the Reorganized Limited Partnership Agreement, the Reorganized Debtor may, from time to time distribute Reorganized Debtor Assets to the Claimant Trust either in Cash or in-kind, including to institute the wind-down and dissolution of the Reorganized Debtor. Any assets distributed to the Claimant Trust

will be (i) deemed transferred in all respects as forth in ARTICLE IV.B.1, (ii) deemed Claimant Trust Assets, and (iii) administered as Claimant Trust Assets.

**D. Company Action**

Each of the Debtor, the Reorganized Debtor, and the Trustees, as applicable, may take any and all actions to execute, deliver, File or record such contracts, instruments, releases and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and implement the provisions of this Plan, the Claimant Trust Agreement, the Reorganized Limited Partnership Agreement, or the New GP LLC Documents, as applicable, in the name of and on behalf of the Debtor, the Reorganized Debtor, or the Trustees, as applicable, and in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or any requirement of further action, vote or other approval or authorization by the security holders, officers, or directors of the Debtor or the Reorganized Debtor, as applicable, or by any other Person.

Prior to, on or after the Effective Date (as appropriate), all matters provided for pursuant to this Plan that would otherwise require approval of the stockholders, partners, directors, managers, or members of the Debtor, any Related Entity, or any Affiliate thereof (as of prior to the Effective Date) will be deemed to have been so approved and will be in effect prior to, on or after the Effective Date (as appropriate) pursuant to applicable law and without any requirement of further action by the stockholders, partners, directors, managers or members of such Persons, or the need for any approvals, authorizations, actions or consents of any Person.

All matters provided for in this Plan involving the legal or corporate structure of the Debtor, the Reorganized Debtor, or the Claimant Trust, as applicable, and any legal or corporate action required by the Debtor, the Reorganized Debtor, or the Claimant Trust, as applicable, in connection with this Plan, will be deemed to have occurred and will be in full force and effect in all respects, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or any requirement of further action, vote or other approval or authorization by the security holders, partners, directors, managers, or members of the Debtor, the Reorganized Debtor, or the Claimant Trust, as applicable, or by any other Person. On the Effective Date, the appropriate officers of the Debtor and the Reorganized Debtor, as applicable, as well as the Trustees, are authorized to issue, execute, deliver, and consummate the transactions contemplated by, the contracts, agreements, documents, guarantees, pledges, consents, securities, certificates, resolutions and instruments contemplated by or described in this Plan in the name of and on behalf of the Debtor and the Reorganized Debtor, as well as the Trustees, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or any requirement of further action, vote or other approval or authorization by any Person. The appropriate officer of the Debtor, the Reorganized Debtor, as well as the Trustees, will be authorized to certify or attest to any of the foregoing actions.

**E. Release of Liens, Claims and Equity Interests**

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, from and after the

Effective Date and concurrently with the applicable distributions made pursuant to the Plan, all Liens, Claims, Equity Interests, mortgages, deeds of trust, or other security interests against the property of the Estate will be fully released, terminated, extinguished and discharged, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Entity. Any Entity holding such Liens or Equity Interests extinguished pursuant to the prior sentence will, pursuant to section 1142 of the Bankruptcy Code, promptly execute and deliver to the Debtor, the Reorganized Debtor, or the Claimant Trustee, as applicable, such instruments of termination, release, satisfaction and/or assignment (in recordable form) as may be reasonably requested by the Debtor, the Reorganized Debtor, or the Claimant Trustee, as applicable. For the avoidance of doubt, this section is in addition to, and shall not be read to limit in any respects, ARTICLE IV.C.2.

**F. Cancellation of Notes, Certificates and Instruments**

Except for the purpose of evidencing a right to a distribution under this Plan and except as otherwise set forth in this Plan, on the Effective Date, all agreements, instruments, Securities and other documents evidencing any prepetition Claim or Equity Interest and any rights of any Holder in respect thereof shall be deemed cancelled, discharged, and of no force or effect. The holders of or parties to such cancelled instruments, Securities, and other documentation will have no rights arising from or related to such instruments, Securities, or other documentation or the cancellation thereof, except the rights provided for pursuant to this Plan, and the obligations of the Debtor thereunder or in any way related thereto will be fully released, terminated, extinguished and discharged, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or any requirement of further action, vote or other approval or authorization by any Person. For the avoidance of doubt, this section is in addition to, and shall not be read to limit in any respects, ARTICLE IV.C.2.

**G. Cancellation of Existing Instruments Governing Security Interests**

Upon payment or other satisfaction of an Allowed Class 1 or Allowed Class 2 Claim, or promptly thereafter, the Holder of such Allowed Class 1 or Allowed Class 2 Claim shall deliver to the Debtor, the Reorganized Debtor, or the Claimant Trustee, as applicable, any collateral or other property of the Debtor held by such Holder, together with any termination statements, instruments of satisfaction, or releases of all security interests with respect to its Allowed Class 1 or Allowed Class 2 Claim that may be reasonably required to terminate any related financing statements, mortgages, mechanics' or other statutory Liens, or *lis pendens*, or similar interests or documents.

**H. Control Provisions**

To the extent that there is any inconsistency between this Plan as it relates to the Claimant Trust, the Claimant Trust Agreement, the Reorganized Debtor, or the Reorganized Limited Partnership Agreement, this Plan shall control.

**I. Treatment of Vacant Classes**

Any Claim or Equity Interest in a Class considered vacant under ARTICLE III.C of this Plan shall receive no Plan Distributions.

**J. Plan Documents**

The documents, if any, to be Filed as part of the Plan Documents, including any documents filed with the Plan Supplement, and any amendments, restatements, supplements, or other modifications to such documents, and any consents, waivers, or other deviations under or from any such documents, shall be incorporated herein by this reference (including to the applicable definitions in ARTICLE I hereof) and fully enforceable as if stated in full herein.

The Debtor and the Committee are currently working to finalize the forms of certain of the Plan Documents to be filed with the Plan Supplement. To the extent that the Debtor and the Committee cannot agree as to the form and content of such Plan Documents, they intend to submit the issue to non-binding mediation pursuant to the *Order Directing Mediation* entered on August 3, 2020 [D.I. 912].

**K. Highland Capital Management, L.P. Retirement Plan and Trust**

The Highland Capital Management, L.P. Retirement Plan And Trust (“Pension Plan”) is a single-employer defined benefit pension plan covered by Title IV of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). 29 U.S.C. §§ 1301-1461. The Debtor is the contributing sponsor and, as such, the PBGC asserts that the Debtor is liable along with any members of the contributing sponsor’s controlled-group within the meaning of 29 U.S.C. §§ 1301(a)(13), (14) with respect to the Pension Plan.

Upon the Effective Date, the Reorganized Debtor shall be deemed to have assumed the Pension Plan and shall comply with all applicable statutory provisions of ERISA and the Internal Revenue Code (the “IRC”), including, but not limited to, satisfying the minimum funding standards pursuant to 26 U.S.C. §§ 412, 430, and 29 U.S.C. §§ 1082, 1083; paying the PBGC premiums in accordance with 29 U.S.C. §§ 1306 and 1307; and administering the Pension Plan in accordance with its terms and the provisions of ERISA and the IRC. In the event that the Pension Plan terminates after the Plan of Reorganization Effective Date, the PBGC asserts that the Reorganized Debtor and each of its controlled group members will be responsible for the liabilities imposed by Title IV of ERISA.

Notwithstanding any provision of the Plan, the Confirmation Order, or the Bankruptcy Code (including section 1141 thereof) to the contrary, neither the Plan, the Confirmation Order, or the Bankruptcy Code shall be construed as discharging, releasing, exculpating or relieving the Debtor, the Reorganized Debtor, or any person or entity in any capacity, from any liability or responsibility, if any, with respect to the Pension Plan under any law, governmental policy, or regulatory provision. PBGC and the Pension Plan shall not be enjoined or precluded from enforcing such liability or responsibility against any person or entity as a result of any of the provisions of the Plan, the Confirmation Order, or the Bankruptcy Code. The Debtor reserves the right to contest any such liability or responsibility.

**ARTICLE V.**  
**TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

**A. Assumption, Assignment, or Rejection of Executory Contracts and Unexpired Leases**

Unless an Executory Contract or Unexpired Lease: (i) was previously assumed or rejected by the Debtor pursuant to a Final Order of the Bankruptcy Court entered prior to the Effective Date; (ii) previously expired or terminated pursuant to its own terms or by agreement of the parties thereto; (iii) is the subject of a motion to assume filed by the Debtor on or before the Confirmation Date; (iv) contains a change of control or similar provision that would be triggered by the Chapter 11 Case (unless such provision has been irrevocably waived); or (v) is specifically designated as a contract or lease to be assumed in the Plan Supplement, on the Effective Date, each Executory Contract and Unexpired Lease shall be deemed rejected pursuant to section 365 of the Bankruptcy Code, without the need for any further notice to or action, order, or approval of the Bankruptcy Court, unless such Executory Contract or Unexpired Lease is listed in the Plan Supplement.

At any time on or prior to the Effective Date, the Debtor may (i) amend the Plan Supplement in order to add or remove a contract or lease from the list of contracts to be assumed or (ii) assign (subject to applicable law) any Executory Contract or Unexpired Lease, as determined by the Debtor in consultation with the Committee, or the Reorganized Debtor, as applicable.

The Confirmation Order will constitute an order of the Bankruptcy Court approving the above-described assumptions, rejections, and assumptions and assignments. Except as otherwise provided herein or agreed to by the Debtor and the applicable counterparty, each assumed Executory Contract or Unexpired Lease shall include all modifications, amendments, supplements, restatements, or other agreements related thereto, and all rights related thereto. Modifications, amendments, supplements, and restatements to prepetition Executory Contracts and Unexpired Leases that have been executed by the Debtor during the Chapter 11 Case shall not be deemed to alter the prepetition nature of the Executory Contract or Unexpired Lease or the validity, priority, or amount of any Claims that may arise in connection therewith. To the extent applicable, no change of control (or similar provision) will be deemed to occur under any such Executory Contract or Unexpired Lease.

If certain, but not all, of a contract counterparty's Executory Contracts and/or Unexpired Leases are rejected pursuant to the Plan, the Confirmation Order shall be a determination that such counterparty's Executory Contracts and/or Unexpired Leases that are being assumed pursuant to the Plan are severable agreements that are not integrated with those Executory Contracts and/or Unexpired Leases that are being rejected pursuant to the Plan. Parties seeking to contest this finding with respect to their Executory Contracts and/or Unexpired Leases must file a timely objection to the Plan on the grounds that their agreements are integrated and not severable, and any such dispute shall be resolved by the Bankruptcy Court at the Confirmation Hearing (to the extent not resolved by the parties prior to the Confirmation Hearing).

Notwithstanding anything herein to the contrary, the Debtor shall assume or reject that certain real property lease with Crescent TC Investors L.P. (“Landlord”) for the Debtor’s headquarters located at 200/300 Crescent Ct., Suite #700, Dallas, Texas 75201 (the “Lease”) in accordance with the notice to Landlord, procedures and timing required by 11 U.S.C. §365(d)(4), as modified by that certain *Agreed Order Granting Motion to Extend Time to Assume or Reject Unexpired Nonresidential Real Property Lease* [Docket No. 1122].

**B. Claims Based on Rejection of Executory Contracts or Unexpired Leases**

Any Executory Contract or Unexpired Lease not assumed or rejected on or before the Effective Date shall be deemed rejected, pursuant to the Confirmation Order. Any Person asserting a Rejection Claim shall File a proof of claim within thirty days of the Effective Date. Any Rejection Claims that are not timely Filed pursuant to this Plan shall be forever disallowed and barred. If one or more Rejection Claims are timely Filed, the Claimant Trustee may File an objection to any Rejection Claim.

Rejection Claims shall be classified as General Unsecured Claims and shall be treated in accordance with ARTICLE III of this Plan.

**C. Cure of Defaults for Assumed or Assigned Executory Contracts and Unexpired Leases**

Any monetary amounts by which any Executory Contract or Unexpired Lease to be assumed or assigned hereunder is in default shall be satisfied, under section 365(b)(1) of the Bankruptcy Code, by the Debtor upon assumption or assignment thereof, by payment of the default amount in Cash as and when due in the ordinary course or on such other terms as the parties to such Executory Contracts may otherwise agree. The Debtor may serve a notice on the Committee and parties to Executory Contracts or Unexpired Leases to be assumed or assigned reflecting the Debtor’s or Reorganized Debtor’s intention to assume or assign the Executory Contract or Unexpired Lease in connection with this Plan and setting forth the proposed cure amount (if any).

If a dispute regarding (1) the amount of any payments to cure a default, (2) the ability of the Debtor, the Reorganized Debtor, or any assignee to provide “adequate assurance of future performance” (within the meaning of section 365 of the Bankruptcy Code) under the Executory Contract or Unexpired Lease to be assumed or assigned or (3) any other matter pertaining to assumption or assignment, the cure payments required by section 365(b)(1) of the Bankruptcy Code will be made following the entry of a Final Order or orders resolving the dispute and approving the assumption or assignment.

Assumption or assignment of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise and full payment of any applicable cure amounts pursuant to this ARTICLE V.C shall result in the full release and satisfaction of any cure amounts, Claims, or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed or assigned Executory Contract or Unexpired Lease at any time prior to the effective date of assumption or assignment. Any and all Proofs of Claim based upon Executory Contracts

or Unexpired Leases that have been assumed or assigned in the Chapter 11 Case, including pursuant to the Confirmation Order, and for which any cure amounts have been fully paid pursuant to this ARTICLE V.C, shall be deemed disallowed and expunged as of the Effective Date without the need for any objection thereto or any further notice to or action, order, or approval of the Bankruptcy Court.

**ARTICLE VI.**  
**PROVISIONS GOVERNING DISTRIBUTIONS**

**A. Dates of Distributions**

Except as otherwise provided in this Plan, on the Effective Date or as soon as reasonably practicable thereafter (or if a Claim is not an Allowed Claim or Equity Interest on the Effective Date, on the date that such Claim or Equity Interest becomes an Allowed Claim or Equity Interest, or as soon as reasonably practicable thereafter), each Holder of an Allowed Claim or Equity Interest against the Debtor shall receive the full amount of the distributions that this Plan provides for Allowed Claims or Allowed Equity Interests in the applicable Class and in the manner provided herein. If any payment or act under this Plan is required to be made or performed on a date that is not on a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date. If and to the extent there are Disputed Claims or Equity Interests, distributions on account of any such Disputed Claims or Equity Interests shall be made pursuant to the provisions provided in this Plan. Except as otherwise provided in this Plan, Holders of Claims and Equity Interests shall not be entitled to interest, dividends or accruals on the distributions provided for therein, regardless of whether distributions are delivered on or at any time after the Effective Date.

Upon the Effective Date, all Claims and Equity Interests against the Debtor shall be deemed fixed and adjusted pursuant to this Plan and none of the Debtor, the Reorganized Debtor, or the Claimant Trust will have liability on account of any Claims or Equity Interests except as set forth in this Plan and in the Confirmation Order. All payments and all distributions made by the Distribution Agent under this Plan shall be in full and final satisfaction, settlement and release of all Claims and Equity Interests against the Debtor and the Reorganized Debtor.

At the close of business on the Distribution Record Date, the transfer ledgers for the Claims against the Debtor and the Equity Interests in the Debtor shall be closed, and there shall be no further changes in the record holders of such Claims and Equity Interests. The Debtor, the Reorganized Debtor, the Trustees, and the Distribution Agent, and each of their respective agents, successors, and assigns shall have no obligation to recognize the transfer of any Claims against the Debtor or Equity Interests in the Debtor occurring after the Distribution Record Date and shall be entitled instead to recognize and deal for all purposes hereunder with only those record holders stated on the transfer ledgers as of the close of business on the Distribution Record Date irrespective of the number of distributions to be made under this Plan to such Persons or the date of such distributions.

**B. Distribution Agent**

Except as provided herein, all distributions under this Plan shall be made by the Claimant Trustee, as Distribution Agent, or by such other Entity designated by the Claimant Trustee, as a Distribution Agent on the Effective Date or thereafter. The Reorganized Debtor will be the Distribution Agent with respect to Claims in Class 1 through Class 7.

The Claimant Trustee, or such other Entity designated by the Claimant Trustee to be the Distribution Agent, shall not be required to give any bond or surety or other security for the performance of such Distribution Agent's duties unless otherwise ordered by the Bankruptcy Court.

The Distribution Agent shall be empowered to (a) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under this Plan; (b) make all distributions contemplated hereby; (c) employ professionals to represent it with respect to its responsibilities; and (d) exercise such other powers as may be vested in the Distribution Agent by order of the Bankruptcy Court, pursuant to this Plan, or as deemed by the Distribution Agent to be necessary and proper to implement the provisions hereof.

The Distribution Agent shall not have any obligation to make a particular distribution to a specific Holder of an Allowed Claim if such Holder is also the Holder of a Disputed Claim.

**C. Cash Distributions**

Distributions of Cash may be made by wire transfer from a domestic bank, except that Cash payments made to foreign creditors may be made in such funds and by such means as the Distribution Agent determines are necessary or customary in a particular foreign jurisdiction.

**D. Disputed Claims Reserve**

On or prior to the Initial Distribution Date, the Claimant Trustee shall establish, fund and maintain the Disputed Claims Reserve(s) in the appropriate Disputed Claims Reserve Amounts on account of any Disputed Claims.

**E. Distributions from the Disputed Claims Reserve**

The Disputed Claims Reserve shall at all times hold Cash in an amount no less than the Disputed Claims Reserve Amount. To the extent a Disputed Claim becomes an Allowed Claim pursuant to the terms of this Plan, within 30 days of the date on which such Disputed Claim becomes an Allowed Claim pursuant to the terms of this Plan, the Claimant Trustee shall distribute from the Disputed Claims Reserve to the Holder thereof any prior distributions, in Cash, that would have been made to such Allowed Claim if it had been Allowed as of the Effective Date. For the avoidance of doubt, each Holder of a Disputed Claim that subsequently becomes an Allowed Claim will also receive its Pro Rata share of the Claimant Trust Interests. If, upon the resolution of all Disputed Claims any Cash remains in the Disputed Claims Reserve, such Cash shall be transferred to the Claimant Trust and be deemed a Claimant Trust Asset.

**F. Rounding of Payments**

Whenever this Plan would otherwise call for, with respect to a particular Person, payment of a fraction of a dollar, the actual payment or distribution shall reflect a rounding of such fraction to the nearest whole dollar (up or down), with half dollars being rounded down. To the extent that Cash to be distributed under this Plan remains undistributed as a result of the aforementioned rounding, such Cash or stock shall be treated as “Unclaimed Property” under this Plan.

**G. De Minimis Distribution**

Except as to any Allowed Claim that is Unimpaired under this Plan, none of the Debtor, the Reorganized Debtor, or the Distribution Agent shall have any obligation to make any Plan Distributions with a value of less than \$100, unless a written request therefor is received by the Distribution Agent from the relevant recipient at the addresses set forth in ARTICLE VI.J hereof within 120 days after the later of the (i) Effective Date and (ii) the date such Claim becomes an Allowed Claim. *De minimis* distributions for which no such request is timely received shall revert to the Claimant Trust. Upon such reversion, the relevant Allowed Claim (and any Claim on account of missed distributions) shall be automatically deemed satisfied, discharged and forever barred, notwithstanding any federal or state escheat laws to the contrary.

**H. Distributions on Account of Allowed Claims**

Except as otherwise agreed by the Holder of a particular Claim or as provided in this Plan, all distributions shall be made pursuant to the terms of this Plan and the Confirmation Order. Except as otherwise provided in this Plan, distributions to any Holder of an Allowed Claim shall, to the extent applicable, be allocated first to the principal amount of any such Allowed Claim, as determined for U.S. federal income tax purposes and then, to the extent the consideration exceeds such amount, to the remainder of such Claim comprising accrued but unpaid interest, if any (but solely to the extent that interest is an allowable portion of such Allowed Claim).

**I. General Distribution Procedures**

The Distribution Agent shall make all distributions of Cash or other property required under this Plan, unless this Plan specifically provides otherwise. All Cash and other property held by the Debtor, the Reorganized Debtor, or the Claimant Trust, as applicable, for ultimate distribution under this Plan shall not be subject to any claim by any Person.

**J. Address for Delivery of Distributions**

Distributions to Holders of Allowed Claims, to the extent provided for under this Plan, shall be made (1) at the addresses set forth in any written notices of address change delivered to the Debtor and the Distribution Agent; (2) at the address set forth on any Proofs of Claim Filed by such Holders (to the extent such Proofs of Claim are Filed in the Chapter 11 Case), (2), or (3) at the addresses in the Debtor’s books and records.

If there is any conflict or discrepancy between the addresses set forth in (1) through (3) in the foregoing sentence, then (i) the address in Section (2) shall control; (ii) if (2) does not apply, the address in (1) shall control, and (iii) if (1) does not apply, the address in (3) shall control.

**K. Undeliverable Distributions and Unclaimed Property**

If the distribution to the Holder of any Allowed Claim is returned to the Reorganized Debtor or the Claimant Trust as undeliverable, no further distribution shall be made to such Holder, and Distribution Agent shall not have any obligation to make any further distribution to the Holder, unless and until the Distribution Agent is notified in writing of such Holder's then current address.

Any Entity that fails to claim any Cash within six months from the date upon which a distribution is first made to such Entity shall forfeit all rights to any distribution under this Plan and such Cash shall thereafter be deemed an Claimant Trust Asset in all respects and for all purposes. Entities that fail to claim Cash shall forfeit their rights thereto and shall have no claim whatsoever against the Debtor's Estate, the Reorganized Debtor, the Claimant Trust, or against any Holder of an Allowed Claim to whom distributions are made by the Distribution Agent.

**L. Withholding Taxes**

In connection with this Plan, to the extent applicable, the Distribution Agent shall comply with all tax withholding and reporting requirements imposed on them by any Governmental Unit, and all distributions made pursuant to this Plan shall be subject to such withholding and reporting requirements. The Distribution Agent shall be entitled to deduct any U.S. federal, state or local withholding taxes from any Cash payments made with respect to Allowed Claims, as appropriate. As a condition to receiving any distribution under this Plan, the Distribution Agent may require that the Holder of an Allowed Claim entitled to receive a distribution pursuant to this Plan provide such Holder's taxpayer identification number and such other information and certification as may be deemed necessary for the Distribution Agent to comply with applicable tax reporting and withholding laws. If a Holder fails to comply with such a request within one year, such distribution shall be deemed an unclaimed distribution. Any amounts withheld pursuant hereto shall be deemed to have been distributed to and received by the applicable recipient for all purposes of this Plan.

**M. Setoffs**

The Distribution Agent may, to the extent permitted under applicable law, set off against any Allowed Claim and any distributions to be made pursuant to this Plan on account of such Allowed Claim, the claims, rights and causes of action of any nature that the Debtor, the Reorganized Debtor, or the Distribution Agent may hold against the Holder of such Allowed Claim that are not otherwise waived, released or compromised in accordance with this Plan; *provided, however*, that neither such a setoff nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtor, the Reorganized Debtor, or the Claimant Trustee of any such claims, rights and causes of action that the Debtor, the Reorganized Debtor, or Claimant Trustee possesses against such Holder. Any Holder of an Allowed Claim subject to

such setoff reserves the right to challenge any such setoff in the Bankruptcy Court or any other court with jurisdiction with respect to such challenge.

**N. Surrender of Cancelled Instruments or Securities**

As a condition precedent to receiving any distribution pursuant to this Plan on account of an Allowed Claim evidenced by negotiable instruments, securities, or notes canceled pursuant to ARTICLE IV of this Plan, the Holder of such Claim will tender the applicable negotiable instruments, securities, or notes evidencing such Claim (or a sworn affidavit identifying the negotiable instruments, securities, or notes formerly held by such Holder and certifying that they have been lost), to the Distribution Agent unless waived in writing by the Distribution Agent.

**O. Lost, Stolen, Mutilated or Destroyed Securities**

In addition to any requirements under any applicable agreement and applicable law, any Holder of a Claim or Equity Interest evidenced by a security or note that has been lost, stolen, mutilated, or destroyed will, in lieu of surrendering such security or note to the extent required by this Plan, deliver to the Distribution Agent: (i) evidence reasonably satisfactory to the Distribution Agent of such loss, theft, mutilation, or destruction; and (ii) such security or indemnity as may be required by the Distribution Agent to hold such party harmless from any damages, liabilities, or costs incurred in treating such individual as a Holder of an Allowed Claim or Equity Interest. Upon compliance with ARTICLE VI.O of this Plan as determined by the Distribution Agent, by a Holder of a Claim evidenced by a security or note, such Holder will, for all purposes under this Plan, be deemed to have surrendered such security or note to the Distribution Agent.

**ARTICLE VII.**  
**PROCEDURES FOR RESOLVING CONTINGENT,**  
**UNLIQUIDATED AND DISPUTED CLAIMS**

**A. Filing of Proofs of Claim**

Unless such Claim appeared in the Schedules and is not listed as disputed, contingent, or unliquidated, or such Claim has otherwise been Allowed or paid, each Holder of a Claim was required to file a Proof of Claim on or prior to the Bar Date.

**B. Disputed Claims**

Following the Effective Date, each of the Reorganized Debtor or the Claimant Trustee, as applicable, may File with the Bankruptcy Court an objection to the allowance of any Disputed Claim or Disputed Equity Interest or any other appropriate motion or adversary proceeding with respect thereto, which shall be litigated to Final Order or, at the discretion of the Reorganized Debtor or Claimant Trustee, as applicable, compromised, settled, withdrew or resolved without further order of the Bankruptcy Court, and (ii) unless otherwise provided in the Confirmation Order, the Reorganized Debtor or the Claimant Trust, as applicable, are authorized to settle, or withdraw any objections to, any Disputed Claim or Disputed Equity Interests following the Effective Date without further notice to creditors (other than the Entity holding such Disputed Claim or Disputed Equity Interest) or authorization of the Bankruptcy Court, in which event such

Claim or Equity Interest shall be deemed to be an Allowed Claim or Equity Interest in the amount compromised for purposes of this Plan.

**C. Procedures Regarding Disputed Claims or Disputed Equity Interests**

No payment or other distribution or treatment shall be made on account of a Disputed Claim or Disputed Equity Interest unless and until such Disputed Claim or Disputed Equity Interest becomes an Allowed Claim or Equity Interests and the amount of such Allowed Claim or Equity Interest, as applicable, is determined by order of the Bankruptcy Court or by stipulation between the Reorganized Debtor or Claimant Trust, as applicable, and the Holder of the Claim or Equity Interest.

**D. Allowance of Claims and Equity Interests**

Following the date on which a Disputed Claim or Disputed Equity Interest becomes an Allowed Claim or Equity Interest after the Distribution Date, the Distribution Agent shall make a distribution to the Holder of such Allowed Claim or Equity Interest in accordance with the Plan.

*1. Allowance of Claims*

After the Effective Date and subject to the other provisions of this Plan, the Reorganized Debtor or the Claimant Trust, as applicable, will have and will retain any and all rights and defenses under bankruptcy or nonbankruptcy law that the Debtor had with respect to any Claim. Except as expressly provided in this Plan or in any order entered in the Chapter 11 Case prior to the Effective Date (including, without limitation, the Confirmation Order), no Claim or Equity Interest will become an Allowed Claim or Equity Interest unless and until such Claim or Equity Interest is deemed Allowed under this Plan or the Bankruptcy Code or the Bankruptcy Court has entered an order, including, without limitation, the Confirmation Order, in the Chapter 11 Case allowing such Claim or Equity Interest.

*2. Estimation*

Subject to the other provisions of this Plan, the Debtor, prior to the Effective Date, and the Reorganized Debtor or the Claimant Trustee, as applicable, after the Effective Date, may, at any time, request that the Bankruptcy Court estimate (a) any Disputed Claim or Disputed Equity Interest pursuant to applicable law and in accordance with this Plan and (b) any contingent or unliquidated Claim pursuant to applicable law, including, without limitation, section 502(c) of the Bankruptcy Code, and the Bankruptcy Court will retain jurisdiction under 28 U.S.C. §§ 157 and 1334 to estimate any Disputed Claim or Disputed Equity Interest, contingent Claim or unliquidated Claim, including during the litigation concerning any objection to any Claim or Equity Interest or during the pendency of any appeal relating to any such objection. All of the aforementioned objection, estimation and resolution procedures are cumulative and not exclusive of one another. Claims or Equity Interests may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court. The rights and objections of all parties are reserved in connection with any such estimation proceeding.

3. Disallowance of Claims

Any Claims or Equity Interests held by Entities from which property is recoverable under sections 542, 543, 550, or 553 of the Bankruptcy Code, or that are a transferee of a transfer avoidable under sections 522(f), 522(h), 544, 545, 547, 548, 549, or 724(a) of the Bankruptcy Code, shall be deemed disallowed pursuant to section 502(d) of the Bankruptcy Code, and holders of such Claims or Interests may not receive any distributions on account of such Claims or Interests until such time as such Causes of Action against that Entity have been settled or a Bankruptcy Court Order with respect thereto has been entered and all sums due, if any, to the Reorganized Debtor or the Claimant Trust, as applicable, by that Entity have been turned over or paid to the Reorganized Debtor or the Claimant Trust, as applicable.

**EXCEPT AS OTHERWISE PROVIDED HEREIN OR AS AGREED TO BY THE DEBTOR, REORGANIZED DEBTOR, OR CLAIMANT TRUSTEE, AS APPLICABLE, ANY AND ALL PROOFS OF CLAIM FILED AFTER THE BAR DATE SHALL BE DEEMED DISALLOWED AND EXPUNGED AS OF THE EFFECTIVE DATE WITHOUT ANY FURTHER NOTICE TO OR ACTION, ORDER, OR APPROVAL OF THE BANKRUPTCY COURT, AND HOLDERS OF SUCH CLAIMS MAY NOT RECEIVE ANY DISTRIBUTIONS ON ACCOUNT OF SUCH CLAIMS, UNLESS SUCH LATE PROOF OF CLAIM HAS BEEN DEEMED TIMELY FILED BY A FINAL ORDER.**

**ARTICLE VIII.  
EFFECTIVENESS OF THIS PLAN**

**A. Conditions Precedent to the Effective Date**

The Effective Date of this Plan will be conditioned upon the satisfaction or waiver by the Debtor (and, to the extent such condition requires the consent of the Committee, the consent of the Committee with such consent not to be unreasonably withheld), pursuant to the provisions of ARTICLE VIII.B of this Plan of the following:

- This Plan and the Plan Documents, including the Claimant Trust Agreement and the Reorganized Limited Partnership Agreement, and all schedules, documents, supplements and exhibits to this Plan shall have been Filed in form and substance reasonably acceptable to the Debtor and the Committee.
- The Confirmation Order shall have been entered, not subject to stay pending appeal, and shall be in form and substance reasonably acceptable to the Debtor and the Committee. The Confirmation Order shall provide that, among other things, (i) the Debtor, the Reorganized Debtor, the Claimant Trustee, or the Litigation Trustee are authorized to take all actions necessary or appropriate to effectuate and consummate this Plan, including, without limitation, (a) entering into, implementing, effectuating, and consummating the contracts, instruments, releases, and other agreements or documents created in connection with or described in this Plan, (b) assuming the Executory Contracts and Unexpired Leases set forth in the Plan Supplement, (c) making all distributions and issuances as required under this Plan; and (d) entering

into any transactions as set forth in the Plan Documents; (ii) the provisions of the Confirmation Order and this Plan are nonseverable and mutually dependent; (iii) the implementation of this Plan in accordance with its terms is authorized; (iv) pursuant to section 1146 of the Bankruptcy Code, the delivery of any deed or other instrument or transfer order, in furtherance of, or in connection with this Plan, including any deeds, bills of sale, or assignments executed in connection with any disposition or transfer of Assets contemplated under this Plan, shall not be subject to any Stamp or Similar Tax; and (v) the vesting of the Claimant Trust Assets in the Claimant Trust and the Reorganized Debtor Assets in the Reorganized Debtor, in each case as of the Effective Date free and clear of liens and claims to the fullest extent permissible under applicable law pursuant to section 1141(c) of the Bankruptcy Code except with respect to such Liens, Claims, charges and other encumbrances that are specifically preserved under this Plan upon the Effective Date.

- All documents and agreements necessary to implement this Plan, including without limitation, the Reorganized Limited Partnership Agreement, the Claimant Trust Agreement, and the New GP LLC Documents, in each case in form and substance reasonably acceptable to the Debtor and the Committee, shall have (a) been tendered for delivery, and (b) been effected by, executed by, or otherwise deemed binding upon, all Entities party thereto and shall be in full force and effect. All conditions precedent to such documents and agreements shall have been satisfied or waived pursuant to the terms of such documents or agreements.
- All authorizations, consents, actions, documents, approvals (including any governmental approvals), certificates and agreements necessary to implement this Plan, including, without limitation, the Reorganized Limited Partnership Agreement, the Claimant Trust Agreement, and the New GP LLC Documents, shall have been obtained, effected or executed and delivered to the required parties and, to the extent required, filed with the applicable governmental units in accordance with applicable laws and any applicable waiting periods shall have expired without any action being taken or threatened by any competent authority that would restrain or prevent effectiveness or consummation of the Restructuring.
- The Professional Fee Reserve shall be funded pursuant to this Plan in an amount determined by the Debtor in good faith.

**B. Waiver of Conditions**

The conditions to effectiveness of this Plan set forth in this ARTICLE VIII (other than that the Confirmation Order shall have been entered) may be waived in whole or in part by the Debtor (and, to the extent such condition requires the consent of the Committee, the consent of the Committee), without notice, leave or order of the Bankruptcy Court or any formal action other than proceeding to confirm or effectuate this Plan. The failure to satisfy or waive a condition to the Effective Date may be asserted by the Debtor regardless of the circumstances giving rise to the failure of such condition to be satisfied. The failure of the Debtor to exercise any of the foregoing rights will not be deemed a waiver of any other rights, and each right will be deemed an ongoing right that may be asserted at any time by the Debtor, the Reorganized

Debtor, or the Claimant Trust, as applicable.

**C. Effect of Non-Occurrence of Conditions to Effectiveness**

Unless waived as set forth in ARTICLE VIII.B, if the Effective Date of this Plan does not occur within twenty calendar days of entry of the Confirmation Order, the Debtor may withdraw this Plan and, if withdrawn, the Plan shall be of no further force or effect.

**D. Dissolution of the Committee**

On the Effective Date, the Committee will dissolve, and the members of the Committee and the Committee's Professionals will cease to have any role arising from or relating to the Chapter 11 Case, except in connection with final fee applications of Professionals for services rendered prior to the Effective Date (including the right to object thereto). The Professionals retained by the Committee and the members thereof will not be entitled to assert any fee claims for any services rendered to the Committee or expenses incurred in the service of the Committee after the Effective Date, except for reasonable fees for services rendered, and actual and necessary costs incurred, in connection with any applications for allowance of Professional Fees pending on the Effective Date or filed and served after the Effective Date pursuant to the Plan. Nothing in the Plan shall prohibit or limit the ability of the Debtor's or Committee's Professionals to represent either of the Trustees or to be compensated or reimbursed per the Plan and the Claimant Trust Agreement in connection with such representation.

**ARTICLE IX.**

**EXCULPATION, INJUNCTION AND RELATED PROVISIONS**

**A. General**

Notwithstanding anything contained in the Plan to the contrary, the allowance, classification and treatment of all Allowed Claims and Equity Interests and their respective distributions and treatments under the Plan shall take into account the relative priority and rights of the Claims and the Equity Interests in each Class in connection with any contractual, legal and equitable subordination rights relating thereto whether arising under general principles of equitable subordination, section 510 of the Bankruptcy Code, or otherwise.

**B. Discharge of Claims**

To the fullest extent provided under section 1141(d)(1)(A) and other applicable provisions of the Bankruptcy Code, except as otherwise expressly provided by this Plan or the Confirmation Order, all consideration distributed under this Plan will be in exchange for, and in complete satisfaction, settlement, discharge, and release of, all Claims and Equity Interests of any kind or nature whatsoever against the Debtor or any of its Assets or properties, and regardless of whether any property will have been distributed or retained pursuant to this Plan on account of such Claims or Equity Interests. Except as otherwise expressly provided by this Plan or the Confirmation Order, upon the Effective Date, the Debtor and its Estate will be deemed discharged and released under and to the fullest extent provided under section 1141(d)(1)(A) and other applicable provisions of the Bankruptcy Code from any and all Claims and Equity Interests of any kind or nature whatsoever, including, but not limited to, demands and liabilities that arose

before the Confirmation Date, and all debts of the kind specified in section 502(g), 502(h), or 502(i) of the Bankruptcy Code.

**C. Exculpation**

Subject in all respects to ARTICLE XII.D of this Plan, to the maximum extent permitted by applicable law, no Exculpated Party will have or incur, and each Exculpated Party is hereby exculpated from, any claim, obligation, suit, judgment, damage, demand, debt, right, Cause of Action, remedy, loss, and liability for conduct occurring on or after the Petition Date in connection with or arising out of (i) the filing and administration of the Chapter 11 Case; (ii) the negotiation and pursuit of the Disclosure Statement, the Plan, or the solicitation of votes for, or confirmation of, the Plan; (iii) the funding or consummation of the Plan (including the Plan Supplement) or any related agreements, instruments, or other documents, the solicitation of votes on the Plan, the offer, issuance, and Plan Distribution of any securities issued or to be issued pursuant to the Plan, including the Claimant Trust Interests, whether or not such Plan Distributions occur following the Effective Date; (iv) the implementation of the Plan; and (v) any negotiations, transactions, and documentation in connection with the foregoing clauses (i)-(v); *provided, however*, the foregoing will not apply to (a) any acts or omissions of an Exculpated Party arising out of or related to acts or omissions that constitute bad faith, fraud, gross negligence, criminal misconduct, or willful misconduct or (b) Strand or any Employee other than with respect to actions taken by such Entities from the date of appointment of the Independent Directors through the Effective Date. This exculpation shall be in addition to, and not in limitation of, all other releases, indemnities, exculpations, any other applicable law or rules, or any other provisions of this Plan, including ARTICLE IV.C.2, protecting such Exculpated Parties from liability.

**D. Releases by the Debtor**

On and after the Effective Date, each Released Party is deemed to be, hereby conclusively, absolutely, unconditionally, irrevocably, and forever released and discharged by the Debtor and the Estate, in each case on behalf of themselves and their respective successors, assigns, and representatives, including, but not limited to, the Claimant Trust and the Litigation Sub-Trust from any and all Causes of Action, including any derivative claims, asserted on behalf of the Debtor, whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereafter arising, in law, equity, contract, tort or otherwise, that the Debtor or the Estate would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the holder of any Claim against, or Interest in, a Debtor or other Person.

Notwithstanding anything contained herein to the contrary, the foregoing release does not release: (i) any obligations of any party under the Plan or any document, instrument, or agreement executed to implement the Plan, (ii) the rights or obligations of any current employee of the Debtor under any employment agreement or plan, (iii) the rights of the Debtor with respect to any confidentiality provisions or covenants restricting competition in favor of the Debtor under any employment agreement with a current or former employee of the Debtor, (iv) any Avoidance Actions, or (v) any Causes of Action arising from willful misconduct, criminal

misconduct, actual fraud, or gross negligence of such applicable Released Party as determined by Final Order of the Bankruptcy Court or any other court of competent jurisdiction.

Notwithstanding anything herein to the contrary, any release provided pursuant to this ARTICLE IX.D (i) with respect to a Senior Employee, is conditioned in all respects on (a) such Senior Employee executing a Senior Employee Stipulation on or prior to the Effective Date and (b) the reduction of such Senior Employee's Allowed Claim as set forth in the Senior Employee Stipulation (such amount, the "Reduced Employee Claim"), and (ii) with respect to any Employee, including a Senior Employee, shall be deemed null and void and of no force and effect (1) if there is more than one member of the Claimant Trust Oversight Committee who does not represent entities holding a Disputed or Allowed Claim (the "Independent Members"), the Claimant Trustee and the Independent Members by majority vote determine or (2) if there is only one Independent Member, the Independent Member after discussion with the Claimant Trustee, determines (in each case after discussing with the full Claimant Trust Oversight Committee) that such Employee (regardless of whether the Employee is then currently employed by the Debtor, the Reorganized Debtor, or the Claimant Trustee):

- sues, attempts to sue, or threatens or works with or assists any entity or person to sue, attempt to sue, or threaten the Reorganized Debtor, the Claimant Trust, the Litigation Sub-Trust, or any of their respective employees or agents, or any Released Party on or in connection with any claim or cause of action arising prior to the Effective Date,
- has taken any action that, impairs or harms the value of the Claimant Trust Assets or the Reorganized Debtor Assets, or
- (x) upon the request of the Claimant Trustee, has failed to provide reasonable assistance in good faith to the Claimant Trustee or the Reorganized Debtor with respect to (1) the monetization of the Claimant Trust Assets or Reorganized Debtor Assets, as applicable, or (2) the resolution of Claims, or (y) has taken any action that impedes or frustrates the Claimant Trustee or the Reorganized Debtor with respect to any of the foregoing.

*Provided, however,* that the release provided pursuant to this ARTICLE IX.D will vest and the Employee will be indefeasibly released pursuant to this ARTICLE IX.D if such Employee's release has not been deemed null and void and of no force and effect on or prior to the date that is the date of dissolution of the Claimant Trust pursuant to the Claimant Trust Agreement.

By executing the Senior Employee Stipulation embodying this release, each Senior Employee acknowledges and agrees, without limitation, to the terms of this release and the tolling agreement contained in the Senior Employee Stipulation.

The provisions of this release and the execution of a Senior Employee Stipulation will not in any way prevent or limit any Employee from (i) prosecuting its Claims, if any, against the Debtor's Estate, (ii) defending him or herself against any claims or causes of action brought against the Employee by a third party, or (iii) assisting other persons in defending themselves from any Estate Claims brought by the Litigation Trustee (but only with respect to Estate Claims

brought by the Litigation Trustee and not collection or other actions brought by the Claimant Trustee).

**E. Preservation of Rights of Action**

*1. Maintenance of Causes of Action*

Except as otherwise provided in this Plan, after the Effective Date, the Reorganized Debtor or the Claimant Trust will retain all rights to commence, pursue, litigate or settle, as appropriate, any and all Causes of Action included in the Reorganized Debtor Assets or Claimant Trust Assets, as applicable, whether existing as of the Petition Date or thereafter arising, in any court or other tribunal including, without limitation, in an adversary proceeding Filed in the Chapter 11 Case and, as the successors in interest to the Debtor and the Estate, may, and will have the exclusive right to, enforce, sue on, settle, compromise, transfer or assign (or decline to do any of the foregoing) any or all of the Causes of Action without notice to or approval from the Bankruptcy Court.

*2. Preservation of All Causes of Action Not Expressly Settled or Released*

Unless a Cause of Action against a Holder of a Claim or an Equity Interest or other Entity is expressly waived, relinquished, released, compromised or settled in this Plan or any Final Order (including, without limitation, the Confirmation Order), such Cause of Action is expressly reserved for later adjudication by the Reorganized Debtor or Claimant Trust, as applicable (including, without limitation, Causes of Action not specifically identified or of which the Debtor may presently be unaware or that may arise or exist by reason of additional facts or circumstances unknown to the Debtor at this time or facts or circumstances that may change or be different from those the Debtor now believes to exist) and, therefore, no preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable or otherwise) or laches will apply to such Causes of Action as a consequence of the confirmation, effectiveness, or consummation of this Plan based on the Disclosure Statement, this Plan or the Confirmation Order, except where such Causes of Action have been expressly released in this Plan or any other Final Order (including, without limitation, the Confirmation Order). In addition, the right of the Reorganized Debtor or the Claimant Trust to pursue or adopt any claims alleged in any lawsuit in which the Debtor is a plaintiff, defendant or an interested party, against any Entity, including, without limitation, the plaintiffs or co-defendants in such lawsuits, is expressly reserved.

**F. Injunction**

Upon entry of the Confirmation Order, all holders of Claims and Equity Interests and other parties in interest, along with their respective Related Persons, shall be enjoined from taking any actions to interfere with the implementation or consummation of the Plan.

Except as expressly provided in the Plan, the Confirmation Order, or a separate order of the Bankruptcy Court, all Entities who have held, hold, or may hold Claims against or Equity Interests in the Debtor (whether proof of such Claims or Equity Interests has been filed or not and whether or not such Entities vote in favor of, against or abstain from voting on the Plan or are presumed to have accepted or deemed to have rejected the Plan) and other parties in interest,

along with their respective Related Persons, are permanently enjoined, on and after the Effective Date, with respect to such Claims and Equity Interests, from (i) commencing, conducting, or continuing in any manner, directly or indirectly, any suit, action, or other proceeding of any kind (including any proceeding in a judicial, arbitral, administrative or other forum) against or affecting the Debtor, the Independent Directors, the Reorganized Debtor, or the Claimant Trust or the property of any of the Debtor, the Independent Directors, the Reorganized Debtor, or the Claimant Trust, (ii) enforcing, levying, attaching (including any prejudgment attachment), collecting, or otherwise recovering by any manner or means, whether directly or indirectly, any judgment, award, decree, or order against the Debtor, the Independent Directors, the Reorganized Debtor, or the Claimant Trust or the property of any of the Debtor, the Independent Directors, the Reorganized Debtor, or the Claimant Trust, (iii) creating, perfecting, or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the Debtor, the Independent Directors, the Reorganized Debtor, or the Claimant Trust or the property of any of the Debtor, the Independent Directors, the Reorganized Debtor, or the Claimant Trust, (iv) asserting any right of setoff, directly or indirectly, against any obligation due from the Debtor, the Independent Directors, the Reorganized Debtor, or the Claimant Trust or against property or interests in property of any of the Debtor, the Independent Directors, the Reorganized Debtor, or the Claimant Trust; and (v) acting or proceeding in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan.

The injunctions set forth herein shall extend to any successors of the Debtor, the Reorganized Debtor, and the Claimant Trust and their respective property and interests in property.

**Subject in all respects to ARTICLE XII.D, no Entity may commence or pursue a claim or cause of action of any kind against any Protected Party that arose from or is related to the Chapter 11 Case, the negotiation of this Plan, the administration of the Plan or property to be distributed under the Plan, the wind down of the business of the Debtor or Reorganized Debtor, the administration of the Claimant Trust, or the transactions in furtherance of the foregoing without the Bankruptcy Court (i) first determining, after notice, that such claim or cause of action represents a colorable claim of bad faith, criminal misconduct, willful misconduct, fraud, or gross negligence against a Protected Party and (ii) specifically authorizing such Entity to bring such claim against any such Protected Party; *provided, however*, the foregoing will not apply to Strand or any Employee other than with respect to actions taken by such Entities from the date of appointment of the Independent Directors through the Effective Date. As set forth in ARTICLE XI, the Bankruptcy Court will have sole jurisdiction to adjudicate any such claim for which approval of the Bankruptcy Court to commence or pursue has been granted.**

#### **G. Term of Injunctions or Stays**

Unless otherwise provided in this Plan, the Confirmation Order, or in a Final Order of the Bankruptcy Court, all injunctions or stays arising under or entered during the Chapter 11 Case under section 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the later of the Effective Date and the date indicated in the order providing for such injunction or stay.

**H. Continuance of January 9 Order**

Unless otherwise provided in this Plan, the Confirmation Order, or in a Final Order of the Bankruptcy Court, the restrictions set forth in paragraphs 9 and 10 of the *Order Approving Settlement with Official Committee of Unsecured Creditors Regarding Governance of the Debtor and Procedures for Operations in the Ordinary Course*, entered by the Bankruptcy Court on January 9, 2020 [D.I. 339] shall remain in full force and effect following the Effective Date until the dissolution of each of the Claimant Trust and the Litigation Trust.

**ARTICLE X.  
BINDING NATURE OF PLAN**

On the Effective Date, and effective as of the Effective Date, the Plan, including, without limitation, the provisions in ARTICLE IX, will bind, and will be deemed binding upon, all Holders of Claims against and Equity Interests in the Debtor and such Holder's respective successors and assigns, to the maximum extent permitted by applicable law, notwithstanding whether or not such Holder will receive or retain any property or interest in property under the Plan. All Claims and Debts shall be fixed and adjusted pursuant to this Plan. The Plan shall also bind any taxing authority, recorder of deeds, or similar official for any county, state, Governmental Unit or parish in which any instrument related to the Plan or related to any transaction contemplated thereby is to be recorded with respect to pay taxes of the kind specified in Bankruptcy Code section 1146(a).

**ARTICLE XI.  
RETENTION OF JURISDICTION**

Pursuant to sections 105 and 1142 of the Bankruptcy Code and notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall, after the Effective Date, retain such jurisdiction over the Chapter 11 Case and all Entities with respect to all matters related to the Chapter 11 Case, the Reorganized Debtor, the Claimant Trust, and this Plan as legally permissible, including, without limitation, jurisdiction to:

- allow, disallow, determine, liquidate, classify, estimate or establish the priority, secured, unsecured, or subordinated status of any Claim or Equity Interest, including, without limitation, the resolution of any request for payment of any Administrative Expense Claim and the resolution of any and all objections to the allowance or priority of any Claim or Equity Interest;
- grant or deny any applications for allowance of compensation or reimbursement of expenses authorized pursuant to the Bankruptcy Code or this Plan, for periods ending on or before the Effective Date; *provided, however*, that, from and after the Effective Date, the Reorganized Debtor shall pay Professionals in the ordinary course of business for any work performed after the Effective Date subject to the terms of this Plan and the Confirmation Order, and such payment shall not be subject to the approval of the Bankruptcy Court;

- resolve any matters related to the assumption, assignment or rejection of any Executory Contract or Unexpired Lease to which the Debtor is party or with respect to which the Debtor, Reorganized Debtor, or Claimant Trust may be liable and to adjudicate and, if necessary, liquidate, any Claims arising therefrom, including, without limitation, any dispute regarding whether a contract or lease is or was executory or expired;
- make any determination with respect to a claim or cause of action against a Protected Party as set forth in ARTICLE IX;
- resolve any claim or cause of action against an Exculpated Party or Protected Party arising from or related to the Chapter 11 Case, the negotiation of this Plan, the administration of the Plan or property to be distributed under the Plan, the wind down of the business of the Debtor or Reorganized Debtor, or the transactions in furtherance of the foregoing;
- if requested by the Reorganized Debtor or the Claimant Trustee, authorize, approve, and allow any sale, disposition, assignment or other transfer of the Reorganized Debtor Assets or Claimant Trust Assets, including any break-up compensation or expense reimbursement that may be requested by a purchaser thereof; *provided, however*, that neither the Reorganized Debtor nor the Claimant Trustee shall be required to seek such authority or approval from the Bankruptcy Court unless otherwise specifically required by this Plan or the Confirmation Order;
- if requested by the Reorganized Debtor or the Claimant Trustee, authorize, approve, and allow any borrowing or the incurrence of indebtedness, whether secured or unsecured by the Reorganized Debtor or Claimant Trust; *provided, however*, that neither the Reorganized Debtor nor the Claimant Trustee shall be required to seek such authority or approval from the Bankruptcy Court unless otherwise specifically required by this Plan or the Confirmation Order;
- resolve any issues related to any matters adjudicated in the Chapter 11 Case;
- ensure that distributions to Holders of Allowed Claims and Allowed Equity Interests are accomplished pursuant to the provisions of this Plan;
- decide or resolve any motions, adversary proceedings, contested or litigated matters and any other Causes of Action (including Estate Claims) that are pending as of the Effective Date or that may be commenced in the future, including approval of any settlements, compromises, or other resolutions as may be requested by the Debtor, the Reorganized Debtor, the Claimant Trustee, or the Litigation Trustee whether under Bankruptcy Rule 9019 or otherwise, and grant or deny any applications involving the Debtor that may be pending on the Effective Date or instituted by the Reorganized Debtor, the Claimant Trustee, or Litigation Trustee after the Effective Date, provided that the Reorganized Debtor, the Claimant Trustee, and the Litigation Trustee shall reserve the right to commence actions in all appropriate forums and jurisdictions;

- enter such orders as may be necessary or appropriate to implement, effectuate, or consummate the provisions of this Plan, the Plan Documents, and all other contracts, instruments, releases, and other agreements or documents adopted in connection with this Plan, the Plan Documents, or the Disclosure Statement;
- resolve any cases, controversies, suits or disputes that may arise in connection with the implementation, effectiveness, consummation, interpretation, or enforcement of this Plan or any Entity's obligations incurred in connection with this Plan;
- issue injunctions and enforce them, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with implementation, effectiveness, consummation, or enforcement of this Plan, except as otherwise provided in this Plan;
- enforce the terms and conditions of this Plan and the Confirmation Order;
- resolve any cases, controversies, suits or disputes with respect to the release, exculpation, indemnification, and other provisions contained herein and enter such orders or take such others actions as may be necessary or appropriate to implement or enforce all such releases, injunctions and other provisions;
- enter and implement such orders or take such others actions as may be necessary or appropriate if the Confirmation Order is modified, stayed, reversed, revoked or vacated;
- resolve any other matters that may arise in connection with or relate to this Plan, the Disclosure Statement, the Confirmation Order, the Plan Documents, or any contract, instrument, release, indenture or other agreement or document adopted in connection with this Plan or the Disclosure Statement; and
- enter an order concluding or closing the Chapter 11 Case after the Effective Date.

**ARTICLE XII.**  
**MISCELLANEOUS PROVISIONS**

**A. Payment of Statutory Fees and Filing of Reports**

All outstanding Statutory Fees shall be paid on the Effective Date. All such fees payable, and all such fees that become due and payable, after the Effective Date shall be paid by the Reorganized Debtor when due or as soon thereafter as practicable until the Chapter 11 Case is closed, converted, or dismissed. The Claimant Trustee shall File all quarterly reports due prior to the Effective Date when they become due, in a form reasonably acceptable to the U.S. Trustee. After the Effective Date, the Claimant Trustee shall File with the Bankruptcy Court quarterly reports when they become due, in a form reasonably acceptable to the U.S. Trustee. The Reorganized Debtor shall remain obligated to pay Statutory Fees to the Office of the U.S. Trustee until the earliest of the Debtor's case being closed, dismissed, or converted to a case under chapter 7 of the Bankruptcy Code.

**B. Modification of Plan**

Effective as of the date hereof and subject to the limitations and rights contained in this Plan: (a) the Debtor reserves the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify this Plan prior to the entry of the Confirmation Order with the consent of the Committee, such consent not to be unreasonably withheld; and (b) after the entry of the Confirmation Order, the Debtor may, after notice and hearing and entry of an order of the Bankruptcy Court, amend or modify this Plan, in accordance with section 1127(b) of the Bankruptcy Code or remedy any defect or omission or reconcile any inconsistency in this Plan in such manner as may be necessary to carry out the purpose and intent of this Plan.

**C. Revocation of Plan**

The Debtor reserves the right to revoke or withdraw this Plan prior to the Confirmation Date and to File a subsequent chapter 11 plan with the consent of the Committee. If the Debtor revokes or withdraws this Plan prior to the Confirmation Date, then: (i) this Plan shall be null and void in all respects; (ii) any settlement or compromise embodied in this Plan, assumption of Executory Contracts or Unexpired Leases effected by this Plan and any document or agreement executed pursuant hereto shall be deemed null and void except as may be set forth in a separate order entered by the Bankruptcy Court; and (iii) nothing contained in this Plan shall: (a) constitute a waiver or release of any Claims by or against, or any Equity Interests in, the Debtor or any other Entity; (b) prejudice in any manner the rights of the Debtor or any other Entity; or (c) constitute an admission, acknowledgement, offer or undertaking of any sort by the Debtor or any other Entity.

**D. Obligations Not Changed**

Notwithstanding anything in this Plan to the contrary, nothing herein will affect or otherwise limit or release any non-Debtor Entity's (including any Exculpated Party's) duties or obligations, including any contractual and indemnification obligations, to the Debtor, the Reorganized Debtor, or any other Entity whether arising under contract, statute, or otherwise.

**E. Entire Agreement**

Except as otherwise described herein, this Plan supersedes all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, and representations on such subjects, all of which have become merged and integrated into this Plan.

**F. Closing of Chapter 11 Case**

The Claimant Trustee shall, after the Effective Date and promptly after the full administration of the Chapter 11 Case, File with the Bankruptcy Court all documents required by Bankruptcy Rule 3022 and any applicable order of the Bankruptcy Court to close the Chapter 11 Case.

**G. Successors and Assigns**

This Plan shall be binding upon and inure to the benefit of the Debtor and its successors and assigns, including, without limitation, the Reorganized Debtor and the Claimant Trustee. The rights, benefits, and obligations of any Person or Entity named or referred to in this Plan shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor, or assign of such Person or Entity.

**H. Reservation of Rights**

Except as expressly set forth herein, this Plan shall have no force or effect unless and until the Bankruptcy Court enters the Confirmation Order and the Effective Date occurs. Neither the filing of this Plan, any statement or provision contained herein, nor the taking of any action by the Debtor, the Reorganized Debtor, the Claimant Trustee, or any other Entity with respect to this Plan shall be or shall be deemed to be an admission or waiver of any rights of: (1) the Debtor, the Reorganized Debtor, or the Claimant Trustee with respect to the Holders of Claims or Equity Interests or other Entity; or (2) any Holder of a Claim or an Equity Interest or other Entity prior to the Effective Date.

Neither the exclusion or inclusion by the Debtor of any contract or lease on any exhibit, schedule, or other annex to this Plan or in the Plan Documents, nor anything contained in this Plan, will constitute an admission by the Debtor that any such contract or lease is or is not an executory contract or lease or that the Debtor, the Reorganized Debtor, the Claimant Trustee, or their respective Affiliates has any liability thereunder.

Except as explicitly provided in this Plan, nothing herein shall waive, excuse, limit, diminish, or otherwise alter any of the defenses, claims, Causes of Action, or other rights of the Debtor, the Reorganized Debtor, or the Claimant Trustee under any executory or non-executory contract.

Nothing in this Plan will increase, augment, or add to any of the duties, obligations, responsibilities, or liabilities of the Debtor, the Reorganized Debtor, or the Claimant Trustee, as applicable, under any executory or non-executory contract or lease.

If there is a dispute regarding whether a contract or lease is or was executory at the time of its assumption under this Plan, the Debtor, the Reorganized Debtor, or the Claimant Trustee, as applicable, shall have thirty (30) days following entry of a Final Order resolving such dispute to alter their treatment of such contract.

**I. Further Assurances**

The Debtor, the Reorganized Debtor, or the Claimant Trustee, as applicable, all Holders of Claims and Equity Interests receiving distributions hereunder, and all other Entities shall, from time to time, prepare, execute and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of this Plan or the Confirmation Order. On or before the Effective Date, the Debtor shall File with the Bankruptcy Court all agreements and other documents that may be necessary or appropriate to effectuate and further evidence the terms and conditions hereof.

**J. Severability**

If, prior to the Confirmation Date, any term or provision of this Plan is determined by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court will have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision will then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of this Plan will remain in full force and effect and will in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order will constitute a judicial determination and will provide that each term and provision of this Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

**K. Service of Documents**

All notices, requests, and demands to or upon the Debtor, the Reorganized Debtor, or the Claimant Trustee to be effective shall be in writing and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered addressed as follows:

**If to the Claimant Trust:**

Highland Claimant Trust  
c/o Highland Capital Management, L.P.  
300 Crescent Court, Suite 700  
Dallas, Texas 75201  
Attention: James P. Seery, Jr.

**If to the Debtor:**

Highland Capital Management, L.P.  
300 Crescent Court, Suite 700  
Dallas, Texas 75201  
Attention: James P. Seery, Jr.

**with copies to:**

Pachulski Stang Ziehl & Jones LLP  
10100 Santa Monica Blvd., 13th Floor  
Los Angeles, CA 90067  
Telephone: (310) 277-6910  
Facsimile: (310) 201-0760  
Attn: Jeffrey N. Pomerantz, Esq.  
Ira D. Kharasch, Esq.  
Gregory V. Demo, Esq.

**If to the Reorganized Debtor:**

Highland Capital Management, L.P.  
300 Crescent Court, Suite 700  
Dallas, Texas 75201  
Attention: James P. Seery, Jr.

**with copies to:**

Pachulski Stang Ziehl & Jones LLP  
10100 Santa Monica Blvd., 13th Floor  
Los Angeles, CA 90067  
Attn: Jeffrey N. Pomerantz, Esq.  
Ira D. Kharasch, Esq.  
Gregory V. Demo, Esq.

**L. Exemption from Certain Transfer Taxes Pursuant to Section 1146(a) of the Bankruptcy Code**

To the extent permitted by applicable law, pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property pursuant hereto shall not be subject to any Stamp or Similar Tax or governmental assessment in the United States, and the Confirmation Order shall direct the appropriate federal, state or local governmental officials or agents or taxing authority to forego the collection of any such Stamp or Similar Tax or governmental assessment and to accept for filing and recordation instruments or other documents pursuant to such transfers of property without the payment of any such Stamp or Similar Tax or governmental assessment. Such exemption specifically applies, without limitation, to (i) all actions, agreements and documents necessary to evidence and implement the provisions of and the distributions to be made under this Plan; (ii) the maintenance or creation of security or any Lien as contemplated by this Plan; and (iii) assignments, sales, or transfers executed in connection with any transaction occurring under this Plan.

**M. Governing Law**

Except to the extent that the Bankruptcy Code, the Bankruptcy Rules or other federal law is applicable, or to the extent that an exhibit or schedule to this Plan provides otherwise, the rights and obligations arising under this Plan shall be governed by, and construed and enforced in accordance with, the laws of Texas, without giving effect to the principles of conflicts of law of such jurisdiction; *provided, however*, that corporate governance matters relating to the Debtor, the Reorganized Debtor, New GP LLC, or the Claimant Trust, as applicable, shall be governed by the laws of the state of organization of the Debtor, the Reorganized Debtor, New GP LLC, or the Claimant Trustee, as applicable.

**N. Tax Reporting and Compliance**

The Debtor is hereby authorized to request an expedited determination under section 505(b) of the Bankruptcy Code of the tax liability of the Debtor is for all taxable periods ending after the Petition Date through, and including, the Effective Date.

**O. Exhibits and Schedules**

All exhibits and schedules to this Plan, if any, including the Exhibits and the Plan Documents, are incorporated and are a part of this Plan as if set forth in full herein.

**P. Controlling Document**

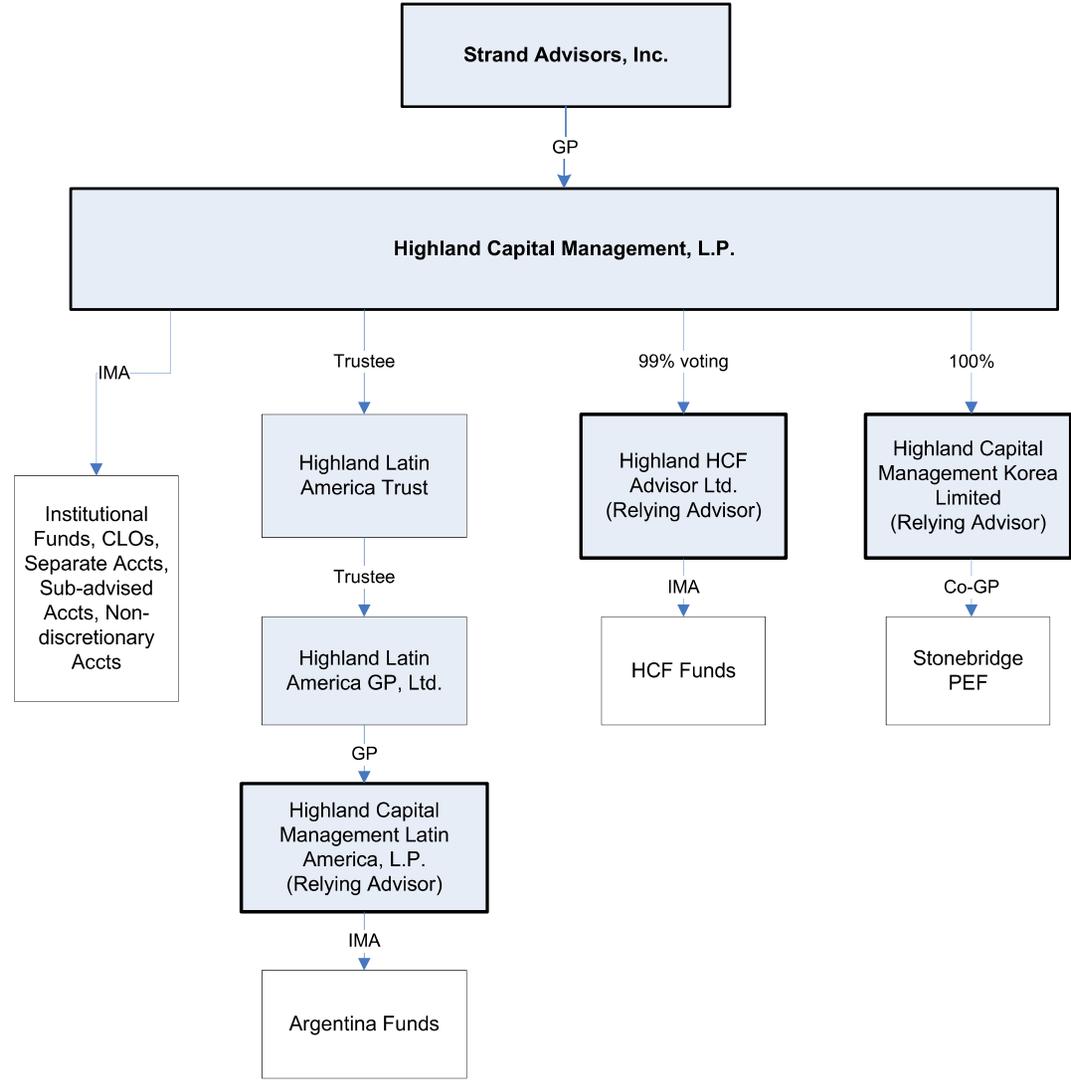
In the event of an inconsistency between this Plan and any other instrument or document created or executed pursuant to this Plan, or between this Plan and the Disclosure Statement, this Plan shall control. The provisions of this Plan, the Disclosure Statement, and any Plan Document, on the one hand, and of the Confirmation Order, on the other hand, shall be construed in a manner consistent with each other so as to effectuate the purposes of each; *provided, however*, that if there is determined to be any inconsistency between any provision of this Plan, the Disclosure Statement, and any Plan Document, on the one hand, and any provision of the Confirmation Order, on the other hand, that cannot be so reconciled, then, solely to the extent of such inconsistency, the provisions of the Confirmation Order shall govern, and any such provisions of the Confirmation Order shall be deemed a modification of this Plan, the Disclosure Statement, and the Plan Documents, as applicable.

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**EXHIBIT B**

**ORGANIZATIONAL CHART OF THE DEBTOR**



**EXHIBIT C**

**LIQUIDATION ANALYSIS/FINANCIAL PROJECTIONS**

**Highland Capital Management, L.P.  
Disclaimer For Financial Projections**

This document includes financial projections for July 2020 through December 2022 (the “Projections”) for Highland Capital Management, L.P. (“Company”). These Projections have been prepared by DSI with input from management at the Company. The historical information utilized in these Projections has not been audited or reviewed for accuracy by DSI.

This Memorandum includes certain statements, estimates and forecasts provided by the Company with respect to the Company’s anticipated future performance. These estimates and forecasts contain significant elements of subjective judgment and analysis that may or may not prove to be accurate or correct. There can be no assurance that these statements, estimates and forecasts will be attained and actual outcomes and results may differ materially from what is estimated or forecast herein.

These Projections should not be regarded as a representation of DSI that the projected results will be achieved.

Management may update or supplement these Projections in the future, however, DSI expressly disclaims any obligation to update its report.

These Projections were not prepared with a view toward compliance with published guidelines of the Securities and Exchange Commission or the American Institute of Certified Public Accountants regarding historical financial statements, projections or forecasts.

**Highland Capital Management, L.P.**  
**Statement of Assumptions**

- A. Plan effective date is January 31, 2021.
- B. All investment assets are sold by December 31, 2022.
- C. All demand notes are collected in the year 2021.
- D. All notes receivable with maturity dates beyond 12/31/2022 are sold in Q4 2022; in the interim interest income and principal payments are collected as they become due.
- E. Fixed assets used in daily business operations are sold in February 2021.
- F. Accrual for employee bonuses as of January 2021 are reversed and not paid.
- G. All Management advisory or shared service contracts are terminated on their terms by the effective date or shortly thereafter
- H. Post-effective date, the reorganized Debtor would retain three HCMLP employees as contractors to help monetize the remaining assets.
- I. Litigation Trustee budget is \$6,500,000.
- J. Unrealized gains or losses are not recorded on a monthly basis; all gains or losses are recorded as realized gains or losses upon sale of asset.
- K. Plan does not provide for payment of interest to Class 8 holders of general unsecured claims, as set forth in the Plan. If holders of general unsecured claims receive 100% of their allowed claims, they would then be entitled to receive interest at the federal judgement rate, prior to any funds being available for claims or interest of junior priority.
- L. Plan assumes zero allowed claims for UBS, IFA, the HarbourVest entities (collectively "HV") and Hunter Mountain Investment Trust ("HM").
- M. Claim amounts listed in Plan vs. Liquidation schedule are subject to change; claim amounts in Class 8 assume \$0 for UBS, IFA, HM and HV.  
Assumes RCP claims will offset against HCMLP's interest in fund and will not be paid from Debtor assets
- N. With the exception of Class 2 - Frontier, Classes 1-7 will be paid in full within 30 days of effective date.
- O. Class 7 payout limited to 85% of each individual creditor claim or in the aggregate \$13.15 million. Plan currently projects Class 7 payout of \$9.96 million.
- P. See below for Class 8 estimated payout schedule; payout is subject to certain assets being monetized by payout date:
  - o By September 30, 2021 - \$50,000,000
  - o By March 31, 2022 – additional \$50,000,000
  - o By June 30, 2022 – additional \$25,000,000
  - o All remaining proceeds are assumed to be paid out on or soon after all remaining assets are monetized.

**Highland Capital Management, L.P.  
Plan Analysis Vs. Liquidation Analysis  
(US \$000's)**

	<b>Plan Analysis</b>	<b>Liquidation Analysis</b>
Estimated cash on hand at 1/31/2020	\$ 25,076	\$ 25,076
Estimated proceeds from monetization of assets [1][2]	190,445	149,197
Estimated expenses through final distribution[1][3]	(33,642)	(36,232)
<b>Total estimated \$ available for distribution</b>	<b>181,879</b>	<b>138,042</b>
Less: Claims paid in full		
Unclassified [4]	(1,078)	(1,078)
Administrative claims [5]	(10,574)	(10,574)
Class 1 - Jefferies Secured Claim	-	-
Class 2 - Frontier Secured Claim [6]	(5,463)	(5,463)
Class 3 - Other Secured Claims	(551)	(551)
Class 4 – Priority Non-Tax Claims	(16)	(16)
Class 5 - Retained Employee Claims	-	-
Class 6 - PTO Claims	-	-
Class 7 – Convenience Claims [7][8][9]	(10,255)	-
<b>Subtotal</b>	<b>(27,937)</b>	<b>(17,682)</b>
<b>Estimated amount remaining for distribution to general unsecured claims</b>	<b>153,942</b>	<b>120,359</b>
Class 8 – General Unsecured Claims [8][10]	176,049	192,258
<b>Subtotal</b>	<b>176,049</b>	<b>192,258</b>
<b>% Distribution to general unsecured claims</b>	<b>87.44%</b>	<b>62.60%</b>
Estimated amount remaining for distribution	-	-
Class 9 – Subordinated Claims	<i>no distribution</i>	<i>no distribution</i>
Class 10 – Class B/C Limited Partnership Interests	<i>no distribution</i>	<i>no distribution</i>
Class 11 – Class A Limited Partnership Interest	<i>no distribution</i>	<i>no distribution</i>

**Footnotes:**

[1] Assumes chapter 7 Trustee will not be able to achieve same sales proceeds as Claimant Trustee

Assumes Chapter 7 Trustee engages new professionals to help liquidate assets

[2] Sale of investment assets, sale of fixed assets, collection of accounts receivable and interest receivable

[3] Estimated expenses through final distribution exclude non-cash expenses:

Depreciation of \$462 thousand in 2021

[4] Unclassified claims include payments for priority tax claims and settlements with previously approved by the Bankruptcy Court

[5] Represents \$4.7 million in unpaid professional fees and \$4.5 million in timing of payments to vendors

[6] Debtor will pay all unpaid interest estimated at \$253 thousand of Frontier on effective date and continue to pay interest quarterly at 5.25% until Frontier's collateral is sold

[7] Claims payout limited to 85% of each individual creditor claim or limited to a total class payout of \$13.15 million

[8] Class 7 includes \$1.1 million estimate for aggregate contract rejections damage and Class 8 includes \$1.4 million for contract rejection damages

[9] Assumes 3 claimants with allowed claims less than \$2.5 million opt into Class 7 along with claims of Senior Employees

[10] Class estimates \$0 allowed claim for the following creditors: IFA, HV, HM and UBS; assumes RCP claims offset against HCMLP interest in RCP fund

**Notes:**

All claim amounts are estimated as of November 20, 2020 and subject to change



**Highland Capital Management, L.P.**  
**Profit/Loss**  
**(US \$000's)**

	Actual Jan 2020 to June 2020 Total	Actual 3 month ended Sept 2020	Forecast ---> 3 month ended Dec 2020	Total 2020	3 month ended Mar 2021	3 month ended Jun 2021	3 month ended Sept 2021	3 month ended Dec 2021	Total 2021
Revenue									
Management Fees	\$ 6,572	\$ 1,949	\$ 2,651	\$ 11,173	\$ 779	\$ -	\$ -	\$ -	\$ 779
Shared Service Fees	7,672	3,765	3,788	15,225	1,263	-	-	-	1,263
Other Income	3,126	538	340	4,004	113	-	-	-	113
Total revenue	\$ 17,370	\$ 6,252	\$ 6,779	\$ 30,401	\$ 2,154	\$ -	\$ -	\$ -	\$ 2,154
Operating Expenses [1]	13,328	9,171	9,079	31,579	8,428	1,646	1,807	2,655	14,536
Income/(loss) From Operations	\$ 4,042	\$ (2,918)	\$ (2,301)	\$ (1,177)	\$ (6,274)	\$ (1,646)	\$ (1,807)	\$ (2,655)	\$ (12,381)
Professional Fees	17,522	7,707	7,741	32,971	5,450	5,058	2,048	1,605	14,160
Other Income/(Expenses) [2]	2,302	1,518	1,057	4,878	(59,016)	573	423	423	(57,598)
Operating Gain/(Loss)	\$ (11,178)	\$ (9,107)	\$ (8,985)	\$ (29,270)	\$ (70,741)	\$ (6,130)	\$ (3,432)	\$ (3,837)	\$ (84,139)
Realized and Unrealized Gain/(Loss)									
Other Realized Gains/(Loss)	-	-	-	-	(763)	522	-	-	(241)
Net Realized Gain/(Loss) on Sale of Investment	(28,418)	1,549	(12,167)	(39,036)	(290)	19	(4,702)	(8,006)	(12,979)
Net Change in Unrealized Gain/(Loss) of Investments	(29,929)	(7,450)	-	(37,380)	-	-	-	-	-
Net Realized Gain/(Loss) from Equity Method Investees	-	-	(94)	(94)	-	(22,578)	-	(1,349)	(23,927)
Net Change in Unrealized Gain/(Loss) from Equity Method Investees	(80,782)	(1,700)	-	(82,482)	-	-	-	-	-
Total Realized and Unrealized Gain/(Loss)	\$ (139,129)	\$ (7,601)	\$ (12,262)	\$ (158,992)	\$ (1,053)	\$ (22,037)	\$ (4,702)	\$ (9,355)	\$ (37,147)
Net Income	\$ (150,307)	\$ (16,708)	\$ (21,247)	\$ (188,262)	\$ (71,794)	\$ (28,167)	\$ (8,134)	\$ (13,192)	\$ (121,287)

**Footnotes:**

[1] Operating expenses include an adjustment in January 2021 to account for expenses that have not been accrued or paid prior to effective date.

[2] Other income and expenses of \$61.2 million in January 2021 includes:

[a] \$77.7 million was expensed to record for the increase of allowed claims.

[b] Income of \$15.8 million for the accrued, but unpaid payroll liability related to the Debtor's deferred bonus programs amount written-off.

**Highland Capital Management, L.P.**  
**Profit/Loss**  
**(US \$000's)**

	Forecast --->					
	3 month ended Mar 2022	3 month ended Jun 2022	3 month ended Sept 2022	3 month ended Dec 2022	Total 2022	Plan
Revenue						
Management Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 779
Shared Service Fees	-	-	-	-	-	1,263
Other Income	-	-	-	-	-	113
Total revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,154
Operating Expenses	1,443	643	758	1,088	3,932	18,468
Income/(loss) From Operations	\$ (1,443)	\$ (643)	\$ (758)	\$ (1,088)	\$ (3,932)	\$ (16,314)
Professional Fees	2,788	2,788	1,288	1,288	8,153	22,313
Other Income/(Expenses)	408	419	434	184	1,444	(56,154)
Operating Gain/(Loss)	\$ (3,823)	\$ (3,013)	\$ (1,613)	\$ (2,193)	\$ (10,641)	\$ (94,780)
Realized and Unrealized Gain/(Loss)						
Other Realized Gains/(Loss)	-	-	-	(51,775)	(51,775)	(52,016)
Net Realized Gain/(Loss) on Sale of Investment	-	-	-	-	-	(12,979)
Net Change in Unrealized Gain/(Loss) of Investments	-	-	-	-	-	-
Net Realized Gain/(Loss) from Equity Method Investees	-	-	-	-	-	(23,927)
Net Change in Unrealized Gain/(Loss) from Equity Method Investees	-	-	-	-	-	-
Total Realized and Unrealized Gain/(Loss)	\$ -	\$ -	\$ -	\$ (51,775)	\$ (51,775)	\$ (88,922)
Net Income	\$ (3,823)	\$ (3,013)	\$ (1,613)	\$ (53,967)	\$ (62,415)	\$ (183,702)

**Highland Capital Management, L.P.**  
**Cash Flow Indirect**  
**(US \$000's)**

	Forecast ---->									
	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Net (Loss) Income	\$ (16,708)	\$ (21,247)	\$ (71,794)	\$ (28,167)	\$ (8,134)	\$ (13,192)	\$ (3,823)	\$ (3,013)	\$ (1,613)	\$ (53,967)
Cash Flow from Operating Activity										
(Increase) / Decrease in Cash										
Depreciation and amortization	231	231	231	231	-	-	-	-	-	-
Other realized (gain)/ loss	-	-	763	(522)	-	-	-	-	-	51,775
Investment realized (gain)/ loss	(1,549)	12,262	290	22,559	4,702	9,355	-	-	-	-
Unrealized (gain) / loss	(9,150)	-	-	-	-	-	-	-	-	-
(Increase) Decrease in Current Assets	(470)	3,092	930	1,884	417	1,933	(658)	(669)	(684)	2,010
Increase (Decrease) in Current Liabilities	(7,110)	(4,251)	(54,172)	(2,891)	-	-	-	-	-	-
Net Cash Increase / (Decrease) - Operating Activities	(34,757)	(9,913)	(123,752)	(6,907)	(3,015)	(1,904)	(4,481)	(3,681)	(2,297)	(182)
Cash Flow From Investing Activities										
Proceeds from Sale of Fixed Assets	-	-	250	1,639	-	-	-	-	-	-
Proceeds from Investment Assets	25,650	32,366	3,002	102,457	46,531	18,278	-	-	-	7,780
Net Cash Increase / (Decrease) - Investing Activities	25,650	32,366	3,252	104,096	46,531	18,278	-	-	-	7,780
Cash Flow from Financing Activities										
Claims payable	-	-	(73,997)	-	-	-	-	-	-	-
Claim reclasses/(paid)	-	-	181,259	(5,210)	(50,000)	-	(50,000)	(25,000)	-	(28,942)
Maple Avenue Holdings	-	-	(4,975)	-	-	-	-	-	-	-
Frontier Note	-	-	(5,195)	-	-	-	-	-	-	-
Net Cash Increase / (Decrease) - Financing Activities	-	-	97,092	(5,210)	(50,000)	-	(50,000)	(25,000)	-	(28,942)
Net Change in Cash	\$ (9,107)	\$ 22,454	\$ (23,408)	\$ 91,979	\$ (6,484)	\$ 16,374	\$ (54,481)	\$ (28,681)	\$ (2,297)	\$ (21,344)
Beginning Cash	14,994	5,888	28,342	4,934	96,913	90,428	106,803	52,322	23,641	21,344
Ending Cash	\$ 5,887	\$ 28,342	\$ 4,934	\$ 96,913	\$ 90,428	\$ 106,803	\$ 52,322	\$ 23,641	\$ 21,344	\$ -

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

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	)	<b>Case No. 19-34054-sgj-11</b>
In Re:	)	Chapter 11
	)	
HIGHLAND CAPITAL	)	Dallas, Texas
MANAGEMENT, L.P.,	)	Tuesday, February 2, 2021
	)	9:30 a.m. Docket
Debtor.	)	
	)	CONFIRMATION HEARING [1808]
	)	AGREED MOTION TO ASSUME [1624]
	)	

TRANSCRIPT OF PROCEEDINGS  
BEFORE THE HONORABLE STACEY G.C. JERNIGAN,  
UNITED STATES BANKRUPTCY JUDGE.

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1 DALLAS, TEXAS - FEBRUARY 2, 2021 - 9:38 A.M.

2 THE COURT: Good morning. Please be seated. All  
3 right. We are ready to get started now in Highland Capital.  
4 We have a confirmation hearing as well as a motion to assume  
5 the non-residential real property lease at the headquarters.  
6 All right. This is Case No. 19-34054. I know we're going to  
7 have a lot of appearances today. I think we're just down to a  
8 handful of objections, but I'm nevertheless going to go ahead  
9 and get formal appearances from our key parties that we've had  
10 historically in this case.

11 First, for the Debtor team, do we have Mr. Pomerantz and  
12 your crew?

13 MR. POMERANTZ: Yes. Good morning, Your Honor. Jeff  
14 Pomerantz, along with John Morris, Ira Kharasch, and Greg  
15 Demo, on behalf of the Debtor-in-Possession, Highland Capital.

16 THE COURT: All right. Good morning. All right.  
17 For the Unsecured Creditors' Committee team, do we have Mr.  
18 Clemente and others?

19 MR. CLEMENTE: Yes. Good morning, Your Honor.  
20 Matthew Clements; Sidley Austin; on behalf of the Official  
21 Committee of Unsecured Creditors.

22 THE COURT: All right. I'm actually going to call a  
23 roll call for the Committee members who have obviously been  
24 very active during this case. For the Redeemer Committee and  
25 Crusader Fund, do we have Ms. Mascherin and her team?

1 (Pause.) Okay. We're -- if -- you must be on mute.

2 MS. MASCHERIN: Your Honor, I apologize.

3 THE COURT: Okay. Go ahead.

4 MS. MASCHERIN: I apologize, Your Honor. I was on  
5 mute and could not figure out how to unmute myself quickly.

6 Terri Mascherin; Jenner & Block; on behalf of the Redeemer  
7 Committee.

8 THE COURT: All right. Good morning.

9 All right. What about Acis? Do we have Ms. Patel and  
10 others for the Acis team?

11 MS. PATEL: Good morning, Your Honor. Rakhee Patel  
12 on behalf of Acis Capital Management.

13 THE COURT: Good morning.

14 All right. Mr. Clubok, I see you there for the UBS team,  
15 correct?

16 MR. CLUBOK: Yes. Good morning, Your Honor.

17 THE COURT: Good morning.

18 All right. For Patrick Daugherty, I think I see Mr.  
19 Kathman out there, correct?

20 MR. KATHMAN: Good morning, Your Honor. Jason  
21 Kathman on behalf of Patrick Daugherty.

22 THE COURT: All right. Good morning.

23 All right. What about HarbourVest? Anyone on the line  
24 for HarbourVest?

25 MS. WEISGERBER: Good morning, Your Honor. Erica

1 Weisgerber for HarbourVest.

2 THE COURT: All right. Very good.

3 All right. Well, I'll now, I guess, turn to some of the  
4 Objectors that I haven't hit yet. Who do we have appearing  
5 for Mr. Dondero this morning?

6 MR. TAYLOR: Good morning, Your Honor. Clay Taylor  
7 of the law firm of Bonds Ellis Eppich Schaefer & Jones  
8 appearing on behalf of Mr. Dondero. I have with me, of  
9 course, Mr. Dondero, who is in the room with me. Dennis  
10 Michael Lynn, John Bonds, and Bryan Assink are also appearing  
11 on behalf of Mr. Dondero.

12 THE COURT: All right. Thank you, Mr. Taylor.

13 All right. For the Dugaboy Trust and Get Good Trust, do  
14 we have Mr. Draper and others?

15 MR. DRAPER: Yes, Your Honor. This is Douglas Draper  
16 on the line.

17 THE COURT: All right. Good morning.

18 MR. DRAPER: Good morning, Your Honor.

19 THE COURT: All right. What about what I'll call  
20 Highland Fund, the Highland Funds and Advisors? Do we have  
21 Mr. Rukavina this morning, or who do we have?

22 MR. RUKAVINA: Your Honor, good morning. Davor  
23 Rukavina and Julian Vasek for the Funds and Advisors. I can  
24 make a full appearance, but it's the parties listed on Docket  
25 1670.

1 THE COURT: All right. Thank you, Mr. Rukavina.

2 All right. What about --

3 MR. HOGWOOD: Your Honor?

4 THE COURT: Go ahead.

5 MR. HOGWOOD: Your Honor, Lee Hogewood. I'm sorry,  
6 Your Honor. Lee Hogewood is also here on behalf of the same  
7 parties.

8 THE COURT: All right. Thank you, sir.

9 All right. What about NexPoint Real Estate Partners, HCRE  
10 Partners?

11 MS. DRAWHORN: Good morning, Your Honor. Lauren  
12 Drawhorn with Wick Phillips on behalf of NexPoint Real Estate  
13 Partners, LLC. I'm also here on behalf of the NexPoint Real  
14 Estate entities which are listed on Docket 1677, and NexBank,  
15 which is -- their objection is 1676.

16 THE COURT: All right. Thank you.

17 All right. Let's cover some of the employees. I think I  
18 see Ms. Smith out there. Are you appearing for Mr. Ellington  
19 and Mr. Leventon?

20 MS. SMITH: Yes, Your Honor. Frances Smith with Ross  
21 & Smith, along with Debra Dandeneau of Baker McKenzie, on  
22 behalf of Scott Ellington, Isaac Leventon, Thomas Surgent, and  
23 Frank Waterhouse.

24 THE COURT: All right. Could you spell the last name  
25 of your co-counsel from Baker McKenzie? I didn't clearly get

1 that.

2 MS. SMITH: Yes, Your Honor. It's Debra Dandeneau,  
3 D-A-N-D-E-N-N-A-U [sic].

4 THE COURT: Okay. Thank you.

5 All right. CLO Holdco, do we have you appearing this  
6 morning?

7 MR. KANE: Your Honor, John Kane on behalf of CLO  
8 Holdco.

9 THE COURT: Thank you, Mr. Kane.

10 All right. I know we had a different group of current or  
11 former employees -- Brad Borud, Jack Yang -- and some joining  
12 parties: Kauffman, Travers, Deadman. Who do we have  
13 appearing for those? (Pause.) Anyone? If you're appearing,  
14 we're not hearing you. Go ahead.

15 MR. KATHMAN: Good morning, Your Honor. Jason  
16 Kathman. I represent Mr. Deadman, Mr. Travers, and Mr.  
17 Kauffman as well.

18 THE COURT: Okay. Thank you. And I can't remember  
19 who represents Mr. Borud and Yang. Someone separately.

20 MR. KATHMAN: It's Mr. Winikka, Your Honor.

21 THE COURT: Oh, Mr. Winikka.

22 MR. KATHMAN: And I haven't scrolled through to see  
23 whether he's with -- in the 120 people signed in this morning.  
24 But I believe that objection has been resolved. I think Mr.  
25 Pomerantz will probably address that later. So Mr. Winikka

1 may not be appearing.

2 THE COURT: Okay. All right. Well, anyone for the  
3 IRS?

4 MR. ADAMS: Good morning, Your Honor. David Adams,  
5 Department of Justice, on behalf of the United States and its  
6 agency, the Internal Revenue Service.

7 THE COURT: Thank you, Mr. Adams.

8 For the U.S. Trustee, who do we have appearing this  
9 morning? (No response.) I'm not hearing you. If you're  
10 trying to appear, you must be on mute. (No response.) All  
11 right. Well, I suspect at some point we'll hear from the U.S.  
12 Trustee, even though I don't hear anyone now.

13 At this point, I will open it up to anyone else who wishes  
14 to appear who I failed to call.

15 MS. MATSUMURA: Your Honor, this is Rebecca Matsumura  
16 from King & Spalding representing Highland CLO Funding, Ltd.  
17 Thank you.

18 THE COURT: All right. Thank you, Ms. Matsumura.  
19 HCLOF.

20 Anyone else?

21 MR. HELD: Your Honor, this is Michael Held with the  
22 law firm of Jackson Walker, LLP on behalf of the office  
23 landlord, Crescent TC Investors, LP.

24 THE COURT: All right. Thank you, Mr. Held.

25 MR. HELD: Thank you, Your Honor.

1 THE COURT: Okay. Any other lawyer appearances?

2 All right. Well, again, if there's anyone out there who  
3 did not get to appear, maybe we'll hear from you at some point  
4 as the day goes on.

5 All right. Mr. Pomerantz, this is an important day,  
6 obviously. How did you want to begin things?

7 MR. POMERANTZ: So, Your Honor, I have a brief  
8 opening to talk about what I plan to do, and a little more  
9 lengthy opening, and it'll be come clear. So if I may  
10 proceed, Your Honor?

11 THE COURT: You may.

12 MR. POMERANTZ: Your Honor, we're here to request  
13 that the Court confirm the Debtor's Fifth Amended Plan of  
14 Reorganization, as modified. The operative documents before  
15 Your Honor are the Fifth Amended Plan, as modified, that was  
16 filed along with our pleadings in support of confirmation on  
17 January 22nd and the minor amendments that we filed on  
18 February 1st.

19 Here is my proposal on how we can proceed this morning. I  
20 would intend to provide the Court with an opening statement  
21 that would last approximately 20 minutes. And then after any  
22 other party who desires to make an opening statement, I would  
23 propose that the Debtor put on its evidence that it intends to  
24 rely on in support of confirmation. The evidence consists of  
25 the exhibits that the Debtor filed with its witness and

1 exhibit list on January 22nd and certain amendments that we  
2 filed yesterday.

3 We would also put on the testimony of the following  
4 witnesses: Jim Seery, the Debtor's chief executive officer,  
5 who Your Honor is very familiar with, and also a member of  
6 Strand's board of directors; John Dubel, a member of Strand's  
7 board of directors; and Mark Tauber, a vice president with Aon  
8 Financial Services, the Debtor's D&O broker.

9 We have also submitted the declaration of Patrick Leatham,  
10 who is with KCC, the Debtor's balloting agent. And we don't  
11 intend to put Mr. Leatham on the stand, but he is available on  
12 the WebEx for cross-examination, to the extent necessary.

13 I propose that I would leave the bulk of my argument,  
14 which includes going through the Section 1129 requirements for  
15 plan confirmation, as well as responding to the remaining  
16 outstanding objections, until my closing argument.

17 With that, Your Honor, I will pause and ask the Court if  
18 Your Honor has any questions before I proceed.

19 THE COURT: I do not have questions, so your method  
20 of going forward sounds appropriate. You may go ahead.

21 MR. POMERANTZ: Thank you, Your Honor.

22 OPENING STATEMENT ON BEHALF OF THE DEBTOR

23 MR. POMERANTZ: As I indicated, Your Honor, we stand  
24 here side by side with the Creditors' Committee asking that  
25 the Court confirm the Debtor's plan of reorganization.

1           As Your Honor is well aware, this case started in December  
2 in -- October 2019, was transferred to Your Honor's court in  
3 December 2019, and has been pending for approximately 15  
4 months.

5           On January 9, 2020, I stood before Your Honor seeking the  
6 approval of the independent board of directors of Strand, the  
7 general partner of the Debtor, pursuant to a heavily-  
8 negotiated agreement with the Committee. And as the Court has  
9 remarked on occasions throughout the case, the economic  
10 stakeholders in this case believed that the installation of a  
11 new board consisting of highly-qualified restructuring  
12 professionals and a bankruptcy judge, a former bankruptcy  
13 judge, was far more attractive than the alternative, which was  
14 appointment of a trustee. And upon approval of the  
15 settlement, members of the board -- principally, Mr. Seery --  
16 testified that one of the board's goals was to change the  
17 culture of litigation that plagued Highland in the decade  
18 before filing and threatened to embroil the Debtor in  
19 continued litigation if changes were not made.

20           And as Your Honor is well aware, the last 14 months have  
21 not been easy. The board took its role as an independent  
22 fiduciary extremely seriously, much to the consternation of  
23 the Committee at times, and more recently, to the  
24 consternation of Mr. Dondero and his affiliated entities.

25           And what has the Debtor, under the leadership of the

1 board, been able to accomplish during this case? The answer  
2 is a lot more than many parties believed when the board was  
3 installed.

4 The Debtor reached a settlement with the Redeemer  
5 Committee, resolving disputes that had been litigated for many  
6 years, in many forums, and that resulted in an arbitration  
7 award that was the catalyst for the bankruptcy filing.

8 Participating in a court-ordered mediation at the end of  
9 August 2020 and September, the Debtor reached agreement with  
10 Acis and Josh Terry. The Court is all too familiar with the  
11 years of disputes between the Debtor and Acis and Josh Terry,  
12 which spanned arbitration proceedings and an extremely  
13 combative Chapter 11 that Your Honor presided over.

14 The Debtor next reached an agreement with HarbourVest  
15 regarding their assertion of over \$300 million of claims  
16 against the estate. The HarbourVest litigation stemmed from  
17 its investment in the Acis CLOs and would have resulted in  
18 complex, fact-intensive litigation which would have forced the  
19 Court to revisit many of the issues addressed in the Acis  
20 case.

21 And perhaps most significantly, Your Honor, the Debtor was  
22 able to resolve disputes with UBS, disputes which took the  
23 most time of any claim in this case, through a contested stay  
24 relief motion, a hotly-contested summary judgment motion, and  
25 a Rule 3018 motion.

1           While the Debtor and UBS hoped to file a 9019 motion prior  
2 to the commencement of the hearing, they were not able to do  
3 so. However, I am now in a position to disclose to the Court  
4 the terms of the settlement, which is the subject of  
5 documentation acceptable to the Debtor and UBS. The  
6 settlement provides for, among other things, the following  
7 terms:

8           UBS will receive a \$50 million Class 8 general unsecured  
9 claim against the Debtor.

10           UBS will receive a \$25 million Class 9 subordinated  
11 general unsecured claim against the Debtor.

12           UBS will receive a cash payment of \$18.5 million from  
13 Multi-Strat, which was a defendant and the subject of  
14 fraudulent transfer claims.

15           The Debtor will use reasonable efforts to assist UBS to  
16 collect its Phase I judgment against CDL Fund and assets CDL  
17 Fund may have.

18           The parties will also agree to mutual and general  
19 releases, subject to agreed carve-outs.

20           And, of course, the parties will not be bound until the  
21 Court approves the settlement pursuant to a 9019 motion we  
22 would hope to get on file shortly.

23           I am also pleased to let the Court know -- breaking news  
24 -- that this morning we reached an agreement to settle Patrick  
25 Daugherty's claims. I would now like to, at the request of

1 Mr. Kathman, read into the record the Patrick Daugherty  
2 settlement.

3 Under the Patrick Daugherty settlement, Mr. Daugherty will  
4 receive a \$750,000 cash payment on the effective date. He  
5 will receive an \$8.25 million general unsecured claim, and he  
6 will receive a \$2.75 million Class 9 subordinated claim.

7 The settlement of all claims against the Debtor and its  
8 affiliates -- and affiliates will be defined in the documents  
9 -- with the exception of the tax claim against the Debtor, Mr.  
10 Dondero, and Mr. Okada -- and for the avoidance of doubt,  
11 except as I describe below, nothing in the settlement is  
12 intended to affect any pending litigation Mr. Daugherty has  
13 against Mr. Dondero, Scott Ellington, Isaac Leventon, Marc  
14 Katz, Michael Hurst, and Hunton Andrew Kurth.

15 Mr. Daugherty will release the Debtor and its affiliates  
16 and current employees for all claims and causes of action,  
17 except for the agreements I identify below, and dismiss all  
18 current employees as to pending actions. We believe this only  
19 applies to Thomas Surgent and no other employee is implicated.

20 Mr. Surgent and other employees, including but not limited  
21 to David Klos, Frank Waterhouse, Brian Collins, Lucy Bannon,  
22 and Matt Diorio, will receive releases similar to the covenant  
23 in Paragraph 1D of the Acis settlement agreement, which  
24 essentially provided the release would go away if they  
25 assisted anyone in pursuing claims against Mr. Daugherty.

1 Highland and the above-mentioned parties will accept  
2 service of any subpoenas and acknowledge the jurisdiction of  
3 the Delaware Chancery Court for the purposes of accepting any  
4 subpoenas. And for the avoidance of doubt, Highland will  
5 accept service on behalf of the employees only in their  
6 capacity as such.

7 Highland will also use material -- will use reasonable  
8 efforts at no material cost to assist Daugherty in vacating a  
9 Texas judgment that was issued against him. We've also looked  
10 at a form of the motion and believe we have agreed on the form  
11 of the motion.

12 Highland, its affiliates, and current employees will  
13 covenant and agree they will not pursue or seek to enforce the  
14 injunction and the Texas judgment against Daugherty.

15 And lastly, Daugherty will not be able to settle any  
16 claims for negligence or other claims that might be subject to  
17 indemnification by the Debtor or any successor.

18 Accordingly, Your Honor, other than the claims of Mr.  
19 Dondero and his related entities, and the unliquidated claims  
20 of certain employees, substantially all claims have been  
21 resolved in this case, a truly remarkable achievement.

22 Separate and apart, Your Honor, from the work done  
23 resolving the claims, the Debtor, under the direction of the  
24 independent board, has worked extremely hard to develop a plan  
25 of reorganization.

1           After the independent board got its bearings, it started  
2 to work on various plan alternatives. And the board received  
3 a lot of pressure from the Committee to go straight to a plan  
4 seeking to monetize assets like the one before Your Honor  
5 today. However, the board believed that before proceeding to  
6 do so and go down an asset monetization path, it should  
7 adequately diligence all alternatives, including a  
8 continuation of the current business model, a reorganization  
9 sponsored by Mr. Dondero and his affiliates, a sale of the  
10 Debtor's assets, including a sale to Mr. Dondero.

11           In June 2020, plan negotiations proceeded in earnest, and  
12 the Debtor started to negotiate an asset monetization plan  
13 with the Committee, while still pursuing other alternatives.

14           Preparation of an asset monetization plan is not typically  
15 a complicated process. However, creating the appropriate  
16 structure for a business like the Debtor's was extremely  
17 complicated, because of the contractual, regulatory, tax, and  
18 governance issues that had to be carefully considered.

19           At the same time the Committee negotiations were  
20 proceeding down that path, Mr. Seery continued to spend  
21 substantial time trying to negotiate a grand bargain plan with  
22 Mr. Dondero. It is not an exaggeration to say that over the  
23 last several months Mr. Seery has dedicated hundreds of hours  
24 towards a potential grand bargain plan.

25           And why did he do it? Because he has always believed that

1 a global restructuring among all parties was the best  
2 opportunity to fully and finally resolve the acrimony that  
3 continued to plague the Debtor.

4 Notwithstanding Mr. Seery's and the independent board's  
5 best efforts, they were not able to reach consensus on a grand  
6 bargain plan, and the Debtor filed the plan, the initial plan,  
7 on August 12th, which ultimately evolved into the plan before  
8 the Court today.

9 The Court conducted an initial hearing on the disclosure  
10 statement on October 27th, and then ultimately approved -- the  
11 Court approved the disclosure statement at a hearing on  
12 November 23rd.

13 While the Debtor continued to work towards resolving  
14 issues with the Committee with the filed plan, Mr. Dondero,  
15 beginning to finally see that the train was leaving the  
16 station, started to do whatever he could to get in the way of  
17 plan confirmation.

18 He objected to the Acis settlement. When his objection  
19 was overruled, he filed an appeal.

20 He objected to the HarbourVest settlement. When his  
21 objection was overruled, he had Dugaboy file an appeal.

22 He started to interfere with the Debtor's management of  
23 its CLOs, stopping trades, refusing to provide support, and  
24 threatening Mr. Seery and the Debtor's employees.

25 He had his Advisors and Funds that he owned and controlled

1 file motions that Your Honor said was a waste of time.

2 He had those same Funds and Advisors threaten to terminate  
3 the Debtor as a manager, in blatant violation of the Court's  
4 January 9, 2020 order.

5 His conduct was so egregious that it warranted entry of a  
6 temporary restraining order and preliminary injunction against  
7 him. And of course, he has appealed that ruling as well.

8 But that was not all. He brazenly threw out his phone, in  
9 what the Court has remarked was spoliation of evidence, and he  
10 violated the TRO in other ways, actions for which he will  
11 answer for at the contempt hearing scheduled later this week.

12 And, of course, he and his pack of related entities have  
13 filed a series of objections. We have received 12 objections  
14 to the plan, Your Honor, excluding three joinders. And as I  
15 mentioned, we have been pleased to report that we've been able  
16 to resolve six of them: those of the Senior Employees, those  
17 of Patrick Daugherty, those of CLO Holdco, those of the IRS,  
18 those of Texas Taxing Authorities, and those of Jack Young and  
19 Brad Borud.

20 The CLO Holdco objection was withdrawn in connection with  
21 the settlement reached with them in connection with the  
22 preliminary injunction hearing that the Court heard -- started  
23 to hear last week.

24 The Taxing Authorities' objections have been resolved by  
25 the Debtor agreeing to make certain modifications to the plan

1 that were included in our filing yesterday and to include  
2 certain provisions in the confirmation order to address other  
3 concerns.

4 The group of employees who are referred to as the Senior  
5 Employee are comprised of four individuals -- Frank  
6 Waterhouse, Thomas Surgent, Scott Ellington, and Isaac  
7 Leventon -- although Mr. Ellington and Mr. Leventon are no  
8 longer employed by the Debtor.

9 On January 22nd, Your Honor, we filed executed  
10 stipulations with Frank Waterhouse and Thomas Surgent. These  
11 stipulations were essentially the Senior Employee stipulations  
12 that were referred to in the plan and the disclosure  
13 statement.

14 And as part of those stipulations, the Debtor, in  
15 consultation with and agreement from the Committee, agreed to  
16 certain modifications of the prior version of the Senior  
17 Employee stipulation with both Mr. Waterhouse and Mr. Surgent  
18 that effectively reduced the compensation they needed to  
19 provide for the release from 40 percent to five percent of  
20 their claims.

21 The Debtor and the Committee believed the resolution with  
22 Mr. Surgent and with Mr. Waterhouse was fair, given the  
23 importance of these two people to the transition effort and  
24 the increased reliance upon them that the Debtor would have  
25 with the departure of Mr. Ellington and Mr. Leventon. And as

1 a result of that agreement, Your Honor, on January 27th, Mr.  
2 Waterhouse and Mr. Surgent withdrew from the Senior Employee  
3 objection.

4 Subsequently, we reached agreement with Mr. Ellington and  
5 Mr. Leventon to resolve the objections they raised with  
6 confirmation. And at Ms. Dandeneau's request, I would like to  
7 read into the record the agreement reached with both of them,  
8 and I know she will correct me if I get anything wrong.

9 THE COURT: Okay.

10 MR. POMERANTZ: Among other things, Mr. Ellington and  
11 Mr. Leventon asserted in their objection that they were  
12 entitled to have their liquidated bonus claims treated as  
13 Class 7 convenience claims under the plan, under their reading  
14 of the plan, and their understanding of communications with  
15 Mr. Seery. The Debtor disputed the entitlement to elect Class  
16 7 based upon the terms of the plan, the disclosure statement,  
17 and applicable law. But as I said, the parties have resolved  
18 this dispute.

19 Mr. Ellington asserts liquidated bonus claims in the  
20 aggregate amount of \$1,367,197, which, to receive convenience  
21 class treatment under anybody's analysis, would have had to be  
22 reduced to a million dollars.

23 Mr. Leventon asserts a liquidated bonus claim in the  
24 amount of \$598,198.

25 If Mr. Ellington and Mr. Leventon were entitled to be

1 included in the convenience class, as they claimed, they would  
2 be entitled to receive 85 percent of their claim as and when  
3 the claims were allowed under the plan.

4 To settle the dispute regarding whether, in fact, they  
5 would be entitled to the convenience class treatment, they  
6 have agreed to reduce the percentage they would otherwise be  
7 entitled to receive from 85 percent to 70.125 percent. And as  
8 a result, Mr. Ellington's Class 7 convenience claim would be  
9 entitled to receive \$701,250 if allowed, and Mr. Leventon's  
10 Class 7 convenience claim would be entitled to receive  
11 \$413,175.10 if allowed.

12 Mr. Ellington and Mr. Leventon would reserve the right to  
13 assert that a hundred percent of their liquidated bonus claims  
14 are entitled to administrative priority, and the Debtor, the  
15 Committee, the estate and their successors, would reserve all  
16 rights to object.

17 If anyone did object to the allowance of the liquidated  
18 bonus claims and Mr. Ellington and/or Mr. Leventon prevailed  
19 in such disputes, then the discount that was previously agreed  
20 to -- 85 percent to 70.125 percent -- would go away and they  
21 would be entitled to receive the full 85 percent payout as  
22 essentially a penalty for litigating against them on their  
23 allowed claims and losing.

24 As an alternative to the estate preserving the right to  
25 object to the allowance of Mr. Ellington and Mr. Leventon's

1 liquidated bonus claims, the Debtor and the Committee have an  
2 option to be exercised before the effective date to just agree  
3 that both their claims will be allowed, and allowed as Class 7  
4 convenience claims. And if that agreement was reached, then  
5 the amount of such liquidated bonus claims, they would receive  
6 a payment equal to 60 percent of their allowed convenience  
7 class claim.

8 In exchange, Mr. Ellington and Mr. Leventon would waive  
9 their right to assert payment of a hundred percent of their  
10 liquidated bonus claims as an administrative expense.

11 So, under this circumstance, Mr. Ellington would receive  
12 an allowed claim of \$600,000, which is 60 percent of a million  
13 dollars, and Mr. Leventon will receive a payment on account of  
14 his Class 7 claim of \$358,918.80.

15 Under both scenarios, Mr. Ellington and Mr. Leventon would  
16 preserve their paid time off claims that are treated in Class  
17 6, and they would preserve their other claims in Class 8,  
18 largely unliquidated indemnification claims, subject to the  
19 rights of any party in interest to object to those claims.

20 Mr. Ellington will change his vote in Class 8 from  
21 rejecting the plan to accepting the plan, and Mr. Leventon  
22 would change his votes in Class 8 and Class 7 from rejecting  
23 the plan to accepting the plan. And Mr. Ellington and Mr.  
24 Leventon would withdraw any remaining objections to  
25 confirmation of the plan, and we intend to put this settlement

1 in the confirmation order.

2 Your Honor, six objections to the plan remain outstanding.  
3 One objection was filed by the Office of the United States  
4 Trustee, and the remaining five objections are from Mr.  
5 Dondero and his related entities. And I would like to put up  
6 a demonstrative on the screen which shows how all of these  
7 objections lead back to Jim Dondero.

8 THE COURT: All right.

9 MR. POMERANTZ: You see on the top left, Your Honor,  
10 there's a box in white that says A through E, which are the  
11 five remaining objections. And you can see how they relate.  
12 But all of it goes back to that orange box in the middle, Jim  
13 Dondero.

14 These objections, which I will address in my closing  
15 argument in detail, are not really focused on concerns that  
16 creditors are being treated unfairly, and that's because Mr.  
17 Dondero and his entities don't really have any valid claims.  
18 Mr. Dondero owns no equity in the Debtor. He owns the  
19 Debtor's general partner, Strand, which in turn owns a quarter  
20 percent of the total equity in the Debtor. Mr. Dondero's only  
21 other claim is a claim for indemnification. And as Your Honor  
22 would expect, the Debtor intends to fight that claim  
23 vigorously.

24 Dugaboy and Get Good have asserted frivolous  
25 administrative and unsecured claims, which I will discuss in

1 more detail later.

2 Dugaboy does have an equity interest in the Debtor, but it  
3 represents eighteen-hundredths of a percent of the Debtor's  
4 total equity.

5 And Mr. Rukavina's clients similarly have no general  
6 unsecured claims against the Debtor. Either his clients did  
7 not file proofs of claim or filed claims and then agreed to  
8 have them expunged. The only claims that his clients assert  
9 is a disputed administrative claim filed by NexPoint Advisors.

10 And the objections aren't legitimately concerned about the  
11 post-confirmation operations of the estate, to preserve equity  
12 value, how much people are getting, whether Mr. Seery is  
13 really the right person to run these estates. That's because  
14 Mr. Dondero has repeatedly told the Court that he believes his  
15 offer, which doesn't come close to satisfying claims in full  
16 in this case, is for fair value and that creditors, who are  
17 owed more than \$280 million, will not receive anywhere close  
18 to the amount of their claims.

19 Rather, Mr. Dondero and his entities are concerned with  
20 one thing and one thing only: how to preserve their rights to  
21 continue their frivolous litigation after confirmation against  
22 the independent directors, the Claimant Trustee, the  
23 Litigation Trustee, the employees, the Claimant Trust  
24 Oversight Board, and anyone who will stand in their way. For  
25 Mr. Dondero, the decision is binary: Either give him what he

1 wants, or as he has told Mr. Seery, he will burn down the  
2 place.

3 Your Honor will hear a lot of argument today about how the  
4 -- and tomorrow, in closing -- about how the injunction, the  
5 gatekeeper, and the exculpation provisions of the plan are not  
6 appropriate under applicable law. The Debtor, of course,  
7 disagrees with these arguments, and I will address them in  
8 detail in my closing argument.

9 But I do think it's important to focus the Court at the  
10 outset on the January 9, 2020 order that the Court entered  
11 which addressed some of these issues. This order, which has  
12 not been appealed, which was actually agreed to by Mr.  
13 Dondero, has no expiration by its terms and will continue  
14 post-confirmation, did some things that the Objectors just  
15 refuse to recognize and accept.

16 It approved an exculpation for negligence for the  
17 independent directors and their agents. It provided that the  
18 Court would be the gatekeeper to determine whether any claims  
19 asserted for them -- against them for gross negligence and  
20 willful misconduct could be pursued, and if so, provided that  
21 this Court would have exclusive jurisdiction to adjudicate  
22 those claims. And it prevented Mr. Dondero and his related  
23 entities from causing any related entity to terminate any  
24 agreements with the Debtor.

25 I also note, Your Honor, that the Court's July 16, 2020

1 order approving Mr. Seery as chief executive officer and chief  
2 restructuring officer included the same exculpation and  
3 gatekeeping provision as contained in the January 29th --  
4 January 9th order.

5 Your Honor, we have all come too far to allow Mr. Dondero  
6 to make good on his promise to Mr. Seery to burn down the  
7 place if he didn't get what he wanted. The Debtor deserves  
8 better, the creditors deserve better, and this Court deserves  
9 better.

10 That concludes my opening argument, Your Honor.

11 THE COURT: All right. Thank you. I had one follow-  
12 up question about the Daugherty settlement. You did not  
13 mention, is it going to be reflected in the confirmation  
14 order, is it going to be the subject of a 9019 motion, or  
15 something else?

16 MR. POMERANTZ: It'll be subject to a -- it'll be  
17 subject to a 9019 motion, Your Honor.

18 THE COURT: All right.

19 MR. POMERANTZ: I apologize for leaving that out.

20 THE COURT: All right. Thank you. Well, --

21 MR. KATHMAN: Your --

22 THE COURT: -- I appreciate that you stuck closely to  
23 your 20-minute time estimate.

24 As far as other opening statements today, I'm going to  
25 start with the objections that were resolved. Mr. Kathman, I

1 see you there. Who will speak on behalf of Patrick Daugherty  
2 and the announced settlement?

3 OPENING STATEMENT ON BEHALF OF PATRICK DAUGHERTY

4 MR. KATHMAN: Good morning, Your Honor. Jason  
5 Kathman on behalf of Mr. Daugherty.

6 Mr. Pomerantz correctly recited the bullet points of the  
7 settlement that we agreed to in principle this morning. There  
8 was one that he did leave off that I do want to make sure that  
9 I mention and that it's read into the record. And he read at  
10 the top end that Mr. Daugherty does maintain his ability to  
11 pursue his 2008 tax refund bonus claim, or tax refund  
12 compensation claim. If the Court will recall, there's a  
13 contingent liability out there based on how compensation was  
14 paid back in 2008 that's the subject of an IRS audit. And so  
15 the settlement expressly contemplates that those -- that that  
16 claim will be preserved and Mr. Daugherty may pursue that  
17 claim. Should the IRS have an adverse ruling and we have to  
18 pay money back, we get to preserve that claim.

19 And so the one thing that is preserved, Your Honor -- and  
20 the same way that Mr. Pomerantz read verbatim the words, I'm  
21 going to read verbatim the words that we've agreed to:  
22 Daugherty maintains and may pursue the 2008 tax refund  
23 compensation portion of his claim that is currently a disputed  
24 contingent liability. The Debtor and all successors reserve  
25 the right to assert any and all defenses to this portion of

1 the Daugherty claim. The litigation of this claim shall be  
2 stayed until the IRS makes a final determination, provided,  
3 however, Daugherty may file a motion with the Bankruptcy Court  
4 seeking to have the amount of his tax claim determined for  
5 reservation purposes as a "disputed claim" under the Debtor's  
6 plan. The Debtor and all successors reserve the right to  
7 assert any and all defenses to any such motion.

8 So the Debtor's plan says that they can make estimations  
9 for disputed claims. There is not currently something  
10 reserving this particular claim, so we wanted to make sure we  
11 reserve our rights to be able to have that amount reserved  
12 under the Debtor's plan. And the Debtor obviously preserves  
13 their ability to object to that.

14 With that, Your Honor, it is going to be papered up in a  
15 9019, and we'll have some further things to say at the 9019  
16 hearing, but didn't want to derail the Debtor's confirmation  
17 hearing this morning.

18 THE COURT: All right. And --

19 MR. POMERANTZ: And Mr. Kathman is -- Mr. Kathman is  
20 correct. I neglected to mention that provision, but he is --  
21 he read it, and that's agreed to.

22 THE COURT: All right. And I did not hear anything  
23 about Mr. Daugherty's vote on the plan. Is there an agreement  
24 to change or a motion to change the vote from no to yes?

25 MR. KATHMAN: Your Honor, that wasn't, I think,

1 directly -- and Mr. Pomerantz can correct me if I'm wrong, or  
2 Mr. Morris, actually, probably more could -- that wasn't  
3 directly addressed, but I think the answer to that is probably  
4 they don't need our vote.

5 THE COURT: Okay.

6 MR. KATHMAN: I think they have enough votes in that  
7 class to carry.

8 THE COURT: Okay.

9 MR. KATHMAN: But the answer directly is that that  
10 wasn't specifically addressed one way or the other.

11 THE COURT: All right.

12 MR. POMERANTZ: That is correct, Your Honor. We  
13 would, of course, not oppose Mr. Daugherty changing his vote,  
14 but as Your Honor saw in the ballot summary, we are way over  
15 the amount in dollar amounts of claims. But if they wanted to  
16 change their vote, we wouldn't oppose.

17 THE COURT: All right. Well, --

18 MR. KATHMAN: Your Honor, I have -- I have the  
19 benefit of Mr. Daugherty. He is on -- I should note, Mr.  
20 Daugherty is on the hearing this morning. He just let me know  
21 that he is willing to change his vote. If the Debtor were to  
22 so make a motion, we're fine changing our vote to in favor of  
23 the plan.

24 THE COURT: All right. All right. Well, we'll get  
25 the ballot agent declaration or testimony later. At one time

1 when I had checked, there was a numerosity problem but not a  
2 dollar amount problem. And it sounds like that is no longer  
3 an issue, perhaps because of the employee votes, or I don't  
4 know.

5 But, all right. Well, thank you.

6 MR. POMERANTZ: Your Honor, there is still a  
7 numerosity problem.

8 THE COURT: Okay.

9 MR. POMERANTZ: There's not a dollar amount problem.

10 THE COURT: Okay.

11 MR. POMERANTZ: But we'll address that and cram-down  
12 in closing.

13 THE COURT: All right. Very good.

14 All right. Well, I want to hear from the -- what we've  
15 called the Senior Employee group. Is Ms. Dandeneau going to  
16 confirm the announcement of Mr. Pomerantz?

17 MS. DANDENEAU: Yes, Your Honor. I confirm that Mr.  
18 Pomerantz's recitation of the terms to which we've agreed is  
19 accurate.

20 THE COURT: All right. Very good.

21 All right. I suppose I should circle back to UBS. We've,  
22 of course, heard in prior hearings the past few weeks that  
23 there was a settlement with UBS, but Mr. Clubok, could I get  
24 you to confirm what Mr. Pomerantz announced earlier about the  
25 UBS settlement?

1 MR. CLUBOK: Yes. Good morning again, Your Honor.

2 Yes, we have reached a settlement, and it's just -- and  
3 it's been approved internally at UBS and obviously by the  
4 Debtor. It's just subject to the final documentation. And we  
5 are working very closely with the Debtor to try to do that as  
6 quickly as possible.

7 THE COURT: All right. Thank you.

8 All right. Well, let me go, then, to other opening  
9 statements. Is there anyone else who at this time wishes to  
10 make an opening statement? And, you know, for the pending  
11 objectors, please, no more than 20 minutes.

12 MR. CLEMENTE: Your Honor? Your Honor, if I may,  
13 it's Matt Clemente on behalf of the Committee.

14 THE COURT: Okay.

15 MR. CLEMENTE: I'd be very brief, but I would like to  
16 make some remarks to Your Honor. It'll be less than five  
17 minutes.

18 THE COURT: All right. Go ahead.

19 MR. CLEMENTE: Thank you, Your Honor.

20 OPENING STATEMENT ON BEHALF OF THE UNSECURED CREDITORS' COMMITTEE

21 MR. CLEMENTE: Again, for the record, Matt Clemente;  
22 Sidley Austin; on behalf of the Official Committee of  
23 Unsecured Creditors.

24 Your Honor, to be clear, the Committee fully supports  
25 confirmation of the Debtor's plan and believes the plan is

1 confirmable and should be confirmed.

2       Although it has taken us quite some time to get to this  
3 point, Your Honor, and as Mr. Pomerantz referred, the Debtor's  
4 business is somewhat complex, the plan is remarkably  
5 straightforward, Your Honor, and has only been made  
6 complicated by the various objections filed by Mr. Dondero's  
7 tentacles.

8       At bottom, Your Honor, the plan is designed to recognize  
9 the reality of the situation that the Committee has  
10 continually been expressing to Your Honor, and that is the  
11 overwhelming amount of creditors in terms of dollars are  
12 litigation creditors, creditors who are here entirely because  
13 of the fraudulent and other conduct of Mr. Dondero and his  
14 tentacles.

15       The other third-party creditors, Your Honor, by and large  
16 are those collateral to these litigation claims in terms of  
17 true trade creditors and service providers.

18       Recognizing this fact, Your Honor, the plan contains an  
19 appropriate convenience class, which, in the Committee's view,  
20 provides a fair way to capture a large number of claims and  
21 appropriately recognizes the distinction between those claims  
22 and the large litigation claims. And the holders of these  
23 large litigation claims, including now Mr. Daugherty, have  
24 voted in favor of allowing this convenience class treatment.

25       Your Honor, after distributions are made to the

1 administrative creditors, the priority creditors, the secured  
2 creditors, and the convenience creditors, the remainder goes  
3 to general unsecured creditors who will control how this value  
4 is realized. These are the large litigation creditors.

5       Additionally, Your Honor, recognizing the possibility of  
6 recovery in excess of general unsecured claims plus interest,  
7 and to thwart, from the Committee's perspective, what would  
8 have undoubtedly been an argument by one of the Dondero  
9 tentacles that the general unsecured creditors could be paid  
10 more than they are owed, the plan provides for a contingent  
11 interest to kick in after payment in full for interests of all  
12 prior claims.

13       Your Honor, this is the sum and substance of the plan. At  
14 bottom, fairly straightforward. And the true creditors, Your  
15 Honor, have voted overwhelmingly in favor of the plan. Class  
16 8 has voted to support the plan. Class 7 has voted to accept  
17 the plan. And now I believe, with Mr. Daugherty's settlement,  
18 one hundred percent in amount of Class 8, non-insider, non-  
19 Dondero-controlled or (audio gap) have voted in favor of the  
20 plan.

21       To be clear, as Your Honor pointed out and as Mr.  
22 Pomerantz referenced, there is not numerosity in Class 8, Your  
23 Honor, but that is driven, as Your Honor will see, from  
24 approximately 30 no-votes of current employees who the  
25 Committee believes are not owed any amounts and therefore they

1 will not be receiving payments under the plan, yet they voted  
2 against the plan. So although we have a technical cram-down  
3 plan from the Class 8 perspective, Your Honor, the plan voting  
4 reflects the reality that the economic parties in interest  
5 overwhelmingly support the plan.

6 So, Your Honor, cutting through the machinations of the  
7 Dondero tentacles, we do have a fairly straightforward plan  
8 and a plan that the Committee believes is confirmable and  
9 should be confirmed.

10 Your Honor, since I've been in front of you for over a  
11 year now, I've referred to the goals of the Committee in this  
12 case, and the goals are straightforward in terms of expressing  
13 them but can be difficult in reality to implement them. The  
14 Committee's goals have been two-fold: to maximize the value  
15 of the estate and therefore the recoveries for its  
16 constituency, and to disentangle from the Dondero (audio gap).

17 As with all things Highland, although these goals are  
18 straightforward, they're remarkably difficult to achieve,  
19 given the Dondero tentacles. However, the Committee strongly  
20 believes the plan achieves these two goals.

21 First, the plan provides a credible path to maximize  
22 recovery with Mr. Seery, who has gotten to know the assets and  
23 who has performed skillfully and credibly throughout this very  
24 difficult process. It is a difficult set of assets and  
25 complex set of assets, as Your Honor knows very well.

1 To be sure, there is uncertainty associated with the  
2 Debtor's projections, but that is inherent in the nature of  
3 the assets of the Debtor, and frankly, is inherent in the  
4 nature of projections themselves. And Mr. Dondero and his  
5 tentacles will point to the downside, potentially, in those  
6 projections, but the Court will be reminded that there is also  
7 potential upside in those projections, an upside that would  
8 inure to the benefit of the general unsecured claims.

9 Second, Your Honor, although it is seemingly impossible to  
10 free yourself from the Dondero web until every single one of  
11 the 2,000 barbed tentacles is painfully removed, if that's  
12 even possible, Your Honor, the Reorganized Debtor, the  
13 Claimant Trust, the Claimant Trustee, the Litigation Sub-  
14 Trust, the Litigation Trustee, and the Oversight Board  
15 construct and mechanisms is a structure that the Committee  
16 believes provides the creditors with the best possibility to  
17 do so, and that is to deal with what will undoubtedly be a  
18 flurry of attacks from Mr. Dondero and his tentacles.

19 This is a virtual certainty, Your Honor. The creditors  
20 have seen this movie before and Your Honor has seen this movie  
21 before. They have seen Mr. Dondero make and break promises.  
22 They have seen Mr. Dondero attempt to bludgeon adversaries  
23 into submission in order to accept his offerings, and they  
24 have heard Mr. Dondero say that which he has said in this  
25 court during the preliminary injunction hearing --

1 specifically, that the Debtor's plan "is going to end up in a  
2 myriad of litigation."

3 The creditors are steeled in their will to be rid of Mr.  
4 Dondero, and they're confident in this structure to do so.

5 To be clear, Your Honor, what is before the Court today  
6 for confirmation is the Debtor's plan, not some other plan  
7 that no one supports other than Mr. Dondero and his tentacles.  
8 The question isn't whether Mr. Dondero has a better proposal  
9 -- and footnote, Your Honor, the answer is he does not, both  
10 from a qualitative and quantitative perspective -- but whether  
11 the plan before the Court is in the best interest of creditors  
12 and should be confirmed. The Committee strongly believes it  
13 is, and should, and all the Committee members support  
14 confirmation of the Debtor's plan.

15 Recognizing Mr. Dondero's behavior, Your Honor, and  
16 threats regarding how he will behave in the future, there are  
17 certain provisions in the plan that are of critical importance  
18 to the creditors. Of course, all provisions in the plan are  
19 extremely important, Your Honor, but as Mr. Pomerantz  
20 referenced, the creditors need the gatekeeper, exculpation,  
21 and injunction provisions.

22 The reason is obvious, and is emphasized by the  
23 supplemental objection filed just yesterday by some of Mr.  
24 Dondero's tentacles -- namely, the Dugaboy and the Get Good  
25 Trusts. And I quote, Your Honor: "It is virtually certain

1 that, under the Debtor's plan, there will be years of  
2 litigation in multiple adversary proceedings, appeals, and  
3 collection activities, all adding substantial uncertainty and  
4 delay."

5       Additionally, Your Honor has seen from the proceedings in  
6 this case and has expressed frustration at numerous times at  
7 the myriad and at times baseless and borderline frivolous and  
8 out of touch with reality suits and objections and proceedings  
9 that the Dondero tentacles bring. The creditors need the  
10 gatekeeper, exculpation, and injunction provisions to preserve  
11 and protect value. And the record, I think, to this point is  
12 clear, and will be further made clear through the confirmation  
13 proceedings, that the protections are appropriate and entirely  
14 within this Court's authority to grant.

15       In sum, Your Honor, the Committee fully supports  
16 confirmation of the plan. The Committee believes it is  
17 confirmable and should be confirmed, and two classes of  
18 creditors and the overwhelming amount of creditors in terms of  
19 dollars agree.

20       That's it, Your Honor. Unless you have questions for me,  
21 I have nothing further at this time.

22               THE COURT: All right. Thank you, Mr. Clemente.

23               MR. CLEMENTE: Thank you, Your Honor.

24               THE COURT: All right. Who else wishes to be heard?

25               MR. DRAPER: Your Honor, this is Douglas Draper. I'd

1 like to be heard. I have a few -- I'll take five minutes, at  
2 most --

3 THE COURT: All right. Go ahead.

4 MR. DRAPER: -- and just focus on a few things.

5 OPENING STATEMENT ON BEHALF OF THE GET GOOD TRUST AND DUGABOY  
6 INVESTMENT TRUST

7 MR. DRAPER: I'm going to focus my opening remarks on  
8 the releases, the exculpations, and channeling injunctions in  
9 the plan. I'm not waiving my other objections, but, rather,  
10 trying not to subject the Court to hearing the same argument  
11 from multiple lawyers.

12 The good thing about the law is that it's absolute in  
13 certain respects. It does not matter who is asserting a legal  
14 protection, the law applies it. For example, a serial killer  
15 is entitled to a *Miranda* warning and a protection against  
16 unlawful search and seizure. The law does not allow tainted  
17 evidence or an unlawful admission into evidence,  
18 notwithstanding the fact that the lack of admission of that  
19 evidence may lead to the freeing of that serial killer.

20 Today, you must make an independent evaluation as to  
21 whether the plan complies with 1129 and applicable law. The  
22 decision must be made notwithstanding the fact that it is  
23 being made by a Dondero entity. It's not being -- it must be  
24 applied notwithstanding the fact that it's being made by me.

25 We contend that the plan does not meet the hurdle and

1 confirmation should be denied, notwithstanding the fact that  
2 the infirmity with the plan is asserted by me and  
3 notwithstanding the fact that Mr. Pomerantz and the unsecured  
4 creditors have overwhelming support.

5 We all know 1141, the Barton Doctrine, and 544 -- 524  
6 provide injunctions and protections for certain parties  
7 associated with the Debtor. Had the plan merely referenced  
8 these sections and stated that the injunction, et cetera,  
9 shall not exceed those allowed pursuant to *Pacific Lumber*, I  
10 would not be making this argument.

11 Instead, we see a plan that has a definition of Exculpated  
12 Parties, Released Parties, Related Parties, that exceed the  
13 protections afforded by the Bankruptcy Code, the Barton  
14 Doctrine, and 524.

15 We have a grant of jurisdiction and oversight that exceeds  
16 that allowed under *Craig's Store*, the *Craig's Store* line of  
17 cases.

18 We have releases of claims against non-debtor parties,  
19 such as Strand, who is, under the Bankruptcy Code, under 723,  
20 liable for the debts of the Debtor.

21 The plan, with its expansive releases, released parties,  
22 grant of injunctions, exculpations and channeling injunctions,  
23 are impermissible under Fifth Circuit case law. And I would  
24 ask the Court to look closely at those definitions, who is --  
25 who the law allows to be exculpated and released and who the

1 law specifically prohibits being exculpated and released, and,  
2 in fact, apply the *Pacific Lumber* line of -- case, as well as  
3 524 and the Bankruptcy Code when you look at these issues.

4 Notwithstanding the overwhelming so-called support by the  
5 creditors at issue, the law must be applied, and it must be  
6 applied pursuant to what the Fifth Circuit requires.

7 THE COURT: All right. Thank you, Mr. Draper.

8 Other Objectors with opening statements?

9 MR. RUKAVINA: Your Honor, Davor Rukavina. Briefly?

10 THE COURT: Okay.

11 OPENING STATEMENT ON BEHALF OF CERTAIN FUNDS AND ADVISORS

12 MR. RUKAVINA: Your Honor, I represent various funds,  
13 including three of which have independent boards. The Debtor  
14 manages more than \$140 million of those funds, and the Debtor  
15 manages around a billion dollars in CLOs.

16 Whether I am a tentacle of Mr. Dondero or not -- I'm not,  
17 since there's an independent board -- the fact remains that  
18 the Debtor wants to manage these assets and my clients' money  
19 post-assumption and post-confirmation with effective judicial  
20 immunity. So our fundamental problem with this plan is the  
21 assumption of those contracts under 365(c) and (b). I think  
22 we'll have to wait for the evidence to see what the Debtor  
23 proposes and has, and I will reserve, I guess, the balance of  
24 my arguments on that to closing, depending on what the  
25 evidence is.

1 But I don't want the Court to lose sight of the fact that  
2 what the Debtor wants to do is, in contravention of our  
3 desires, continue managing our assets post-confirmation, even  
4 as it liquidates, just to make a buck. It's our money, Your  
5 Honor, and whether we're Dondero or not, we're a couple  
6 hundred million, probably, or more, of third-party investment  
7 professionals, pension funds, et cetera, and we should not be  
8 all tainted without evidence as a tentacle of someone whom,  
9 I'll remind everyone here, built a multi-billion dollar  
10 company and made a lot of money for people.

11 The second objection, Your Honor, goes to the Class 8  
12 rejection. It sounds like there's still a problem with the  
13 number of creditors, even though certain creditors have  
14 switched their votes. That raises now the fair and equitable  
15 standard, together with the undue discrimination and the  
16 absolute priority rule. I think we'll have to let the  
17 evidence play out, and I'll reserve the balance of my closing  
18 or the balance of my remarks to closing on that issue.

19 The third issue, Your Honor, is the same exculpation and  
20 release and injunction provisions that Mr. Draper raised.  
21 Those are legal matters that I'll discuss at closing, but I do  
22 note that the Debtor purports to prevent my clients from  
23 exercising post-assumption post-confirmation rights, period.  
24 And that's just inappropriate, because if the Debtor wants the  
25 benefits of these agreements, well, then of course it has to

1 comply with the burdens. And to say *a priori* that anything  
2 that my clients might do post-confirmation would be the result  
3 of a bad-faith Mr. Dondero strategy, there's no basis for that  
4 and that's not the basis on which my clients' rights in the  
5 future, when there is no bankruptcy estate and there is no  
6 bankruptcy jurisdiction, can be enjoined.

7 And the final point, Your Honor, entails this channeling  
8 injunction. I'll talk about it during closing. It is  
9 inappropriate under 28 U.S.C. 959. This is not a Barton  
10 Doctrine trustee issue, this is a debtor-in-possession, and a  
11 channeling injunction, the Court will have no jurisdiction  
12 post-confirmation.

13 Thank you, Your Honor.

14 THE COURT: All right. Thank you.

15 Does Mr. Dondero's counsel have an opening statement?

16 MR. TAYLOR: I do, Your Honor. I'll keep it brief.  
17 This is Clay Taylor on behalf of Mr. Dondero.

18 THE COURT: Okay.

19 OPENING STATEMENT ON BEHALF OF JAMES D. DONDERO

20 MR. TAYLOR: Your Honor, the plan is clear in some  
21 respects, and I'm not going to belabor these points, as other  
22 objecting counsel have already addressed this. But the plan  
23 does provide for non-debtor releases, and it provides for non-  
24 debtor releases for parties beyond that which is allowed by  
25 *Pacific Lumber* and under the Code.

1 It also provides for exculpations of non-debtor parties in  
2 excess of that which is allowed under the Code and applicable  
3 case law.

4 Finally -- or, not finally, but third, it requires this  
5 Court to keep a broad retention of post-confirmation  
6 jurisdiction that could go on for years, and that is improper.

7 Finally, it requires the parties to submit to the  
8 jurisdiction of this Court via a channeling injunction, which  
9 we believe is beyond that which is allowed under applicable  
10 Fifth Circuit precedent.

11 What is clear, what the evidence will show -- and I  
12 thought it was interesting that none of the proponents of plan  
13 confirmation ever talk about what the evidence is going to  
14 show. They testified a lot before Your Honor, but they didn't  
15 ever talk about what the evidence would show. What the  
16 evidence will show is this plan was solicited via a disclosure  
17 statement that told all the unsecured creditors, we project  
18 that you're going to receive 87 cents on the dollar on your  
19 claim.

20 About two months later, and this was Friday of this past  
21 week, they changed those projections, and those projections  
22 then showed unsecured creditors, under a plan analysis, that  
23 they were going to receive 62 cents on the dollar. That is in  
24 contrast to the liquidation analysis that had been prepared  
25 just two months prior showing that, under a hypothetical

1 Chapter 7 liquidation analysis, that the unsecured creditors  
2 would receive 65 cents on the dollar. Obviously, 62 cents is  
3 less than 65 percent.

4 Realizing they had a problem, I guess, over the weekend,  
5 they changed last night, the night before confirmation, and  
6 sent us some new projections that now show that the unsecured  
7 creditors under a plan would receive 71 cents on the dollar.

8 Your Honor, what the evidence will show, and it is  
9 Highland's burden to show this, is that -- that they meet the  
10 best interests of the creditors. And part of that is that  
11 they will do better under a plan rather than under a  
12 hypothetical Chapter 7.

13 Quite simply, they don't have the evidence, nor have they  
14 done the analysis to be able to prove that to this Court.

15 What the evidence will also show is clear is that Mr.  
16 Seery, under the plan analysis, is scheduled to receive at  
17 least \$3.6 million over just the first two years of this plan  
18 if it doesn't go any further. And that's just for monthly  
19 payouts of \$150,000 per month. That's not including a to-be-  
20 agreed-upon success fee structure, which hasn't been  
21 negotiated yet. And if it hasn't been negotiated yet, it  
22 can't be analyzed yet to see if those costs would exceed their  
23 benefits and therefore drive the return down such that a  
24 hypothetical Chapter 7 trustee could do better.

25 There is also going to be additional costs for the

1 Litigation Trustee and the fees that they are going to charge.  
2 There's going to be an Oversight Committee, and those fees are  
3 also to be negotiated. There's also U.S. Trustee fees, which  
4 Mr. Seery tells us that he has calculated within the  
5 liquidation and plan analysis numbers, albeit both myself and  
6 Mr. Draper, as the evidence will show, have asked for the  
7 rollups that come behind the liquidation and plan analysis in  
8 each instance of the three iterations that have been done in  
9 two months, and we have been denied that information. That  
10 evidence is not going to come in before this Court, and  
11 without that rollup information, this Court can't make an  
12 independent verification that this meets the best interests of  
13 the creditor and better than a hypothetical Chapter 7 trustee.

14 What the evidence will also show, make an assumption that,  
15 under a plan analysis, that Mr. Seery will be able to generate  
16 higher returns on the sale of the assets of the Highland  
17 debtor and its subsidiaries, to the neighborhood of \$60  
18 million higher. There is no independent verification of this.  
19 There has been no due diligence done. It was merely an  
20 assumption done by Mr. Seery and his advisors, and we submit  
21 that they will not have the evidence to show that they can  
22 beat a Chapter 7 trustee.

23 This Court does have an alternative before it. There is  
24 an alternative plan that has been filed under seal. The Court  
25 is aware of it. And it guarantees that creditors will receive

1 at least 65 cents on the dollar. Moreover, those claims are  
2 guaranteed -- and they're going to be secured that they will  
3 be paid that money.

4 MR. POMERANTZ: Your Honor, this is under -- this is  
5 under seal. And I never interrupt somebody's argument, but  
6 this plan is under seal for a reason, Your Honor, and I object  
7 to any description of the terms of a plan that's not before  
8 Your Honor and is under seal.

9 THE COURT: Okay. I sustain that objection.

10 MR. TAYLOR: Your Honor has a means to cut the  
11 Gordian knot of the litigation and appeals before it and to  
12 ensure that there is certainty for creditors. It would  
13 massively reduce the administrative fee burn that is  
14 contemplated under the proposed plan before the Court. As  
15 I've mentioned, it's at least \$3.6 million just in monthly  
16 fees for Mr. Seery alone. All of the rest of the fees are yet  
17 to be determined and to be negotiated. I don't see how any  
18 analysis could have been done regarding the administrative fee  
19 burn that is going to happen over the two years and  
20 potentially much further as this case draws on.

21 For those reasons alone, Your Honor, we believe that the  
22 plan confirmation should be denied and this Court should look  
23 at the alternatives before it.

24 MR. KATHMAN: Can I say something before --

25 MR. TAYLOR: Thank you, Your Honor.

1 THE COURT: All right. Thank you.

2 All right. Have I missed any Objectors?

3 MR. KATHMAN: Your Honor?

4 MS. DRAWHORN: Yes, Your Honor.

5 THE COURT: Okay. Ms. --

6 MR. KATHMAN: Your Honor, if I could spend just one  
7 minute, and I -- we -- I -- we filed a joinder on behalf of  
8 Mr. -- or, Jason Kathman on behalf of Davis Deadman, Todd  
9 Travers, and Paul Kauffman.

10 THE COURT: Uh-huh.

11 OPENING STATEMENT ON BEHALF OF DAVIS DEADMAN, TODD TRAVERS,  
12 AND PAUL KAUFFMAN

13 MR. KATHMAN: Mr. Pomerantz had noted, I think, at  
14 the front end that the Debtor amended their plan that resolved  
15 those objections. I just want to say for the record that  
16 those had been resolved.

17 And with that, Your Honor, may I be dismissed?

18 THE COURT: Yes, you may. Thank you.

19 MR. KATHMAN: Thank you, Your Honor.

20 THE COURT: All right. Was Ms. Drawhorn speaking up  
21 to make an opening statement?

22 MS. DRAWHORN: Yes.

23 THE COURT: Go ahead.

24 MS. DRAWHORN: Yes, Your Honor.

25 THE COURT: Go ahead.

1           OPENING STATEMENT ON BEHALF OF THE NEXPOINT PARTIES

2           MS. DRAWHORN: Just very briefly, Lauren Drawhorn on  
3 behalf of NexPoint Real Estate Partners, the NexPoint Real  
4 Estate entities, and NexBank.

5           Just a very brief opening. Just wanted to note that it  
6 seems that the Debtor's and the Committee's position seems to  
7 be if there's some way, any way, to connect an entity to Mr.  
8 Dondero, then they don't need to perform any true evaluation  
9 of potential claims or that party's rights or their concerns,  
10 and that results in ignoring not only the merits of many  
11 claims but also the basic requirements of due process and the  
12 statutes, the Bankruptcy Code, and the case law.

13           We filed objections that were focused largely on the  
14 injunctions and the releases, and then also the proposed  
15 subordination provisions.

16           Two of my clients, one of them has a proof of claim, and  
17 while it is being disputed, that claim is out there and should  
18 get -- be entitled to be pursued and defended, and many of the  
19 injunctions appear to prevent my client from doing so.

20           Similarly, it was mentioned that NexBank, in the  
21 demonstrative, had a terminated service agreement, but there's  
22 periods of time for which no services were provided but  
23 payment was made, and that's a potential admin claim that has  
24 been raised. And the injunction, again, appears to prevent my  
25 clients from pursuing these claims.

1           So I think, despite the general response to any connection  
2 to Dondero means there's no merit, that's not what we're here  
3 for today. We need to really look at the merits of all  
4 potential claims and all -- the rights of all parties and the  
5 -- how the injunction and release provisions prevent that and  
6 how they don't comply with the required law.

7           And, of course, we join in with many of the other  
8 objections, but that's my main point for the opening today.

9           THE COURT: All right. Thank you.

10           All right. I think I have covered all of the at least  
11 pending objections except the U.S. Trustee. I'll check again  
12 to see if someone is out there for the U.S. Trustee. (No  
13 response.) All right. If you're there, we're not hearing  
14 you. You're on mute.

15           Okay. Any other attorneys out there who wish to make an  
16 opening statement?

17           All right. Well, I'll turn back to Mr. Pomerantz. You  
18 may call your first witness.

19           MR. POMERANTZ: Okay. I will turn the virtual podium  
20 over to my partner, John Morris, who will be putting on our  
21 witnesses.

22           THE COURT: All right. Mr. Morris, you may call your  
23 first witness.

24           MR. MORRIS: Good morning, Your Honor. John Morris  
25 from Pachulski Stang Ziehl & Jones on behalf of the Debtor.

1 Can you hear me okay?

2 THE COURT: I can.

3 MR. MORRIS: Okay. Thank you very much.

4 The Debtor calls James Seery as its first witness.

5 THE COURT: All right. Mr. Seery, if you could say,  
6 "Testing, one, two," please.

7 MR. SEERY: Testing, one, two.

8 THE COURT: All right. Hmm, I've not picked up your  
9 video yet. Let's try it again.

10 MR. SEERY: Testing, one, two. Testing.

11 MR. MORRIS: We have the audio.

12 THE COURT: We have the audio.

13 MR. SEERY: Oh.

14 MR. MORRIS: There we go.

15 THE COURT: There you are.

16 MR. SEERY: The video should be working.

17 THE COURT: All right.

18 MR. POMERANTZ: Yeah. Actually, one -- Your Honor,  
19 one thing before we start. We have Patrick Leatham from KCC.  
20 He is prepared to sit on the line for the whole day until his  
21 time comes. I would just like to know if anyone intends to  
22 cross-examine him or object to his declaration. Because if  
23 they don't, we could excuse Mr. Leatham.

24 THE COURT: All right. What about that? Anyone  
25 want to cross-examine the balloting agent?

1 MR. RUKAVINA: Your Honor, Davor Rukavina. I do not.  
2 If the Debtor would just state, with the change of votes in  
3 Class 8, what the final tally is, I see no reason to dispute  
4 that, and then we can dismiss this gentleman. But I do think  
5 that we should all know, with the change of votes, what it now  
6 is.

7 THE COURT: All right.

8 MR. POMERANTZ: We will -- we will work on that, Your  
9 Honor, with the changes as a result of the settlements today,  
10 and including Mr. Daugherty's client. We can get that  
11 information sometime today.

12 THE COURT: All right. So, Mr. Rukavina, do you  
13 agree that he can be excused with that representation, or do  
14 you want --

15 MR. RUKAVINA: Yes, Your Honor.

16 THE COURT: Okay. All right. So, it's Mr. Leatham?  
17 You are excused if you want to drop off this video.

18 All right. Mr. Seery, please raise your right hand.

19 JAMES P. SEERY, DEBTOR'S WITNESS, SWORN

20 THE COURT: All right. Thank you. Mr. Morris, go  
21 ahead.

22 MR. MORRIS: Thank you, Your Honor.

23 If I may, I'd like to just begin by moving my exhibits  
24 into evidence so that it'll make this all go a little bit  
25 smoother.

1 THE COURT: All right.

2 MR. MORRIS: And if you'll indulge me just a little  
3 patience, please, because the Debtor's exhibits are found in  
4 three separate places.

5 THE COURT: Uh-huh.

6 MR. MORRIS: And I would just take them one at a  
7 time.

8 First, at Docket No. 1822, the Court will find Debtor's  
9 Exhibits A through what I'm referring to as 6Z. Six Zs. So  
10 the Debtor respectfully moves into evidence Exhibits A through  
11 6Z on Docket No. 1822.

12 THE COURT: All right. Are there any objections?

13 MR. RUKAVINA: Your Honor, I have a number of  
14 targeted objections to all of the exhibits. Did I hear Mr.  
15 Morris say 6Z?

16 THE COURT: Yes.

17 MR. MORRIS: Yes.

18 MR. RUKAVINA: Or six -- then, Your Honor, I can go  
19 through my limited objections, if that pleases the Court.

20 THE COURT: All right. Go ahead.

21 MR. RUKAVINA: Your Honor, Exhibit B, a transcript, B  
22 as in boy. Exhibit D, an email, D as in dog. Exhibit E as in  
23 Edward. Moving on, Your Honor, 4D as in dog. 4E as in  
24 Edward.

25 MR. MORRIS: Slow down, please.

1 THE COURT: Okay.

2 MR. RUKAVINA: I'm sorry.

3 THE COURT: You said 4D as in dog, correct?

4 MR. RUKAVINA: Then -- yes, Your Honor. Then 4E as  
5 in Edward.

6 THE COURT: Okay.

7 MR. RUKAVINA: 4G as in George. Your Honor, one,  
8 two, three, four, five T. 5T as in Tom. And then, Your  
9 Honor, one, two -- 6R. 6S. 6T as in Tom. And 6U as in  
10 under. That's it.

11 THE COURT: All right. Well, Mr. Morris, do you want  
12 to carve those out for now and just offer them the old-  
13 fashioned way and I can rule on the objections then?

14 MR. MORRIS: Why don't we do that? I may just deal  
15 with it at the end of the case. But subject to those  
16 objections, the Debtor then moves into evidence the balance of  
17 the exhibits on Docket 1822.

18 THE COURT: All right. So, for the record, the Court  
19 will admit all exhibits at Docket No. 1822 at this time except  
20 B, D, E, 4D, 4E, 4G, 5T, 6R, 6S, 6T, and 6U.

21 (Debtor's Docket 1822 exhibits, exclusive of Exhibits B,  
22 D, E, 4D, 4E, 4G, 5T, 6R, 6S, 6T, and 6U, are received into  
23 evidence.)

24 THE COURT: All right. Mr. Morris, continue.

25 MR. MORRIS: Thank you, Your Honor.

1 Next, at Docket 1866, you'll find Debtor's Exhibits 7A  
2 through 7E, and the Debtor respectfully moves those dockets --  
3 documents into evidence.

4 THE COURT: All right. Any objection? (No  
5 response.) Are there any objections?

6 MR. RUKAVINA: Your Honor, not from -- not from me.

7 THE COURT: All right. Hearing no objections, the  
8 Court will admit all Debtor exhibits appearing at Docket Entry  
9 No. 1866.

10 MR. MORRIS: Thank you, Your Honor.

11 (Debtor's Docket 1866 exhibits are received into  
12 evidence.)

13 MR. MORRIS: And finally, at Docket 1877, the Court  
14 will find Debtor's Exhibits 7F through 7Q, and the Debtor  
15 respectfully moves for the admission of those documents into  
16 evidence.

17 THE COURT: All right. Any objection?

18 MR. RUKAVINA: Your Honor, I might have to talk about  
19 this with Mr. Morris, but I have 7F as any document entered in  
20 the case, 7G as any document to be filed, et cetera. Mr.  
21 Morris, am I wrong about that?

22 MR. MORRIS: I don't have that list in front of me.  
23 So I'll reserve on those documents and we can talk about them  
24 at a break, Your Honor.

25 THE COURT: All right.

1 MR. DRAPER: Your Honor, this is Douglas Draper. I  
2 object, and I don't have the number in front of me, it's the  
3 liquidation analysis and the plan summary. It's a summary  
4 exhibit, and we've not been given the underlying documentation  
5 with respect to them. I'd ask Mr. Morris to deal with that  
6 separately also.

7 MR. MORRIS: All right. Well, we're certainly going  
8 to be moving that into evidence, so we can deal with that at  
9 the time, Your Honor.

10 THE COURT: Okay. Which documents are they? Which  
11 exhibits are those?

12 MR. DRAPER: I don't have the number in front -- Mr.  
13 Morris, do you have the number for that exhibit?

14 MR. MORRIS: I do, but why don't we just deal with it  
15 when I -- when I get into --

16 THE COURT: Okay.

17 MR. MORRIS: -- into the testimony?

18 THE COURT: I just wanted the record clear what I am  
19 admitting at this time at Docket Entry No. 1877. Or do you  
20 want to just --

21 MR. MORRIS: Okay.

22 THE COURT: -- hold all those --

23 MR. MORRIS: Mr. Rukavina, other than F and G, which  
24 you noted, is there any objection to any of the other  
25 documents on that witness and exhibit list?

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1 MR. RUKAVINA: Well, I also have H as impeachment/  
2 rebuttal, I as any document offered by any other party. So I  
3 would suggest, Mr. Morris, that I have my associate confirm  
4 that I have the right -- the right stuff here, and we can take  
5 it up maybe during a break. But I have F, G, H, I as so-  
6 called catchalls, not any discrete exhibits.

7 MR. MORRIS: All right. All right, Your Honor.  
8 Let's, let's just proceed. We've got -- we took care of  
9 Docket No. 1822 and 1866, and the balance we'll deal with at a  
10 break, --

11 THE COURT: All right.

12 MR. MORRIS: -- unless they come up through  
13 testimony.

14 THE COURT: All right. That sounds good.

15 MR. MORRIS: Okay. Thank you very much. May I  
16 proceed?

17 THE COURT: You may.

18 MR. MORRIS: Okay.

19 DIRECT EXAMINATION

20 BY MR. MORRIS:

21 Q Good morning, Mr. Seery.

22 A (no response)

23 Q Can you hear me?

24 A Apologies. I went on mute. Can you hear me now? I  
25 apologize.

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1 Q Yes. Good morning.

2 MR. MORRIS: So, let's begin, Your Honor, with just a  
3 little bit of background of Mr. Seery and how he got involved  
4 in the case.

5 BY MR. MORRIS:

6 Q Mr. Seery, what's your current position with the Debtor?

7 A I am the CEO, the CRO -- the chief restructuring officer  
8 -- as well as an independent director on the Strand Advisors  
9 board of directors.

10 Q Okay.

11 MR. MORRIS: Your Honor, I'm going to ask Mr. Seery  
12 to describe a bit for his background. For the record, you'll  
13 find that Exhibits 6X, 6Y, and 6Z, on the Debtor's exhibit  
14 list at Docket 1822, the resumes and C.V.s of the three  
15 independent members of the board. If Your Honor has any  
16 question about their qualifications and their experience, that  
17 evidence is already in the record.

18 THE COURT: Okay.

19 BY MR. MORRIS:

20 Q But Mr. Seery, without going into the detail of everything  
21 that's on your C.V., can you just describe for the Court  
22 generally your professional background, starting, well, with  
23 your time as a lawyer?

24 A I've been involved in the restructuring, finance,  
25 investing and managing of assets and banking-type assets for

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1 over 30 years.

2 I began in restructuring in real estate. Became a lawyer,  
3 and was a lawyer in private practice dealing with  
4 restructuring and finance for approximately ten years, in  
5 addition to time before that on the real estate side.

6 I joined Lehman Brothers on the business side in 1999,  
7 where I immediately began working on the -- with a distress  
8 team as a team member investing off the balance sheet, Lehman  
9 Brothers assets in various types of distressed financing  
10 investments. Bonds, loans, equities. In addition, then I  
11 became the head of Lehman's loan business globally. I ran  
12 that business for the number of years. Was one of the key  
13 players in selling Lehman Brothers to Barclays in a very  
14 difficult situation and structure.

15 After that, joined some of my partners, we formed a hedge  
16 fund called RiverBirch Capital, about a billion and a half  
17 dollar hedge fund in -- operating in -- globally, but mostly  
18 U.S. stressed/distressed assets that we invested in.  
19 Oftentimes, though, we would run from high-grade assets all  
20 the way down to equities, different types of investors,  
21 different types of investments.

22 Thereafter, I left -- was -- joined Guggenheim. I left  
23 Guggenheim, and shortly thereafter became a director at  
24 Strand.

25 Q Prior to acceptance of the positions that you described

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1 earlier, were you at all familiar with Highland or Mr.  
2 Dondero?

3 A Yeah. I was, yes.

4 Q Can you just describe for the Court how you became  
5 familiar with Highland and Mr. Dondero?

6 A Highland was a customer of Lehman Brothers, and it was --  
7 particularly in the loan business. And the CLO businesses.  
8 Highland was run by Mr. Dondero, and I knew of that business  
9 through that --

10 (Interruption.)

11 MR. MORRIS: Can somebody please put their device on  
12 mute?

13 A VOICE: That's Mr. Taylor.

14 THE COURT: Mr. Taylor, you were off mute,  
15 apparently, for a moment. Make sure you're staying on mute.  
16 Thank you.

17 MR. TAYLOR: Yes. Sorry, Your Honor. I thought we  
18 might have a hearsay objection. I wasn't sure what the answer  
19 was going to be, so I wanted to be prepared to object.

20 THE COURT: All right. Thank you.

21 BY MR. MORRIS:

22 Q Did you know or meet Mr. Dondero in the course of what you  
23 just described?

24 A Yes, I did. I believe we met once or twice over the  
25 years. There was a senior team member who handled the

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1 Highland relationship. He was quite good, quite experienced,  
2 and he handled most of the Highland relationship issues. But  
3 Highland, we came across a number of times, whether it be in  
4 -- I came across a number of times, whether it be in specific  
5 investments we had where they would be either a competing  
6 party or holding a similar interest, whether they were a  
7 customer purchasing loans or securities, whether they were a  
8 potential CLO customer where we were structuring some assets  
9 for them.

10 Q Okay. And who are the two other members of the  
11 independent board at Strand?

12 A John Dubel and Russel Nelms.

13 Q And had you had any personal experience with either of  
14 those gentleman prior to this case?

15 A I knew of Mr. Nelms and his experience as a bankruptcy  
16 judge in the Northern District of Texas, and I had worked on  
17 one matter with Mr. Dubel, but very, very briefly, while he  
18 was the CEO of FGIC, which is a large insurer in the financial  
19 insurance space that he was responsible for reorganizing and  
20 ultimately winding down.

21 Q Okay. How did you learn about this particular case? How  
22 did you learn about the opportunity or the possibility of  
23 becoming an independent director?

24 A Initially, I was contacted by some of the creditors and  
25 asked whether I was interested, and I indicated that I was.

1 Subsequently, I received a call from the Debtor's  
2 representatives as well meeting the counsel as well as the  
3 financial advisor as well as specific members of the Debtor's  
4 senior management.

5 Q Do you know how long in advance of the January 9th  
6 settlement you were first contacted?

7 A Probably four, four or five days at the most, but started  
8 working immediately at that time because it was a pretty  
9 complicated matter and the interview process would be quick  
10 because of the hearing date that was coming up.

11 Q Do you recall the names of any of the creditors who  
12 reached out to you?

13 A I spoke to counsel for UBS. Certainly, Committee counsel.  
14 I don't recall if I spoke to anybody from Jenner Block in the  
15 initial interview. And then I spoke to representatives from  
16 your firm as well as Mr. Leventon and ultimately Mr.  
17 Ellington.

18 Q Did you do any due diligence before accepting the  
19 appointment?

20 A I did, yes.

21 Q Can you describe for the Court the due diligence you did  
22 before accepting your appointment as independent director?

23 A Well, I got the petition, I read the petition, as well as  
24 the first day, as well as the venue-changing motion. In  
25 addition, I went through the schedules. Ultimately, I took a

1 look at and examined the limited partnership agreement of the  
2 Debtor, with particular focus on the indemnity provisions. I  
3 then sat down with the Committee to get their views as part of  
4 the interview process, as well as the Debtor's counsel and  
5 Debtor's representatives.

6 Q Did you -- in the course of your diligence, did you come  
7 to an understanding or did you form a view as to why an  
8 independent board was being sought at that time?

9 A Yes, I did.

10 Q And what view or understanding did you come to?

11 A There was extreme antipathy from the creditors, as  
12 evidenced by the venue motion and the documents around that  
13 venue motion.

14 In addition, in the first day order, or affidavit, you  
15 could see the issues related to Redeemer and the length of  
16 time that litigation has been gone on, going on.

17 The creditors became extremely concern with Mr. Dondero  
18 having any control over the operations of the Debtor and  
19 wanted to make sure that either he was removed from that or  
20 that -- and someone else was brought in, or that the case was  
21 somehow taken over by a trustee.

22 Q Did you form any views as to the causes of the Debtor's  
23 bankruptcy filing?

24 A The initial cause was the entry or the soon-to-be-entered  
25 order related to the arbitration with Redeemer, but it was

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1 pretty clear from looking at the first day that there was a  
2 number of litigations. The bulk of the creditor body was made  
3 up of -- on the liquidated side was made up of litigation  
4 creditors. And then the other creditors, the Committee  
5 members, other than Meta-e, were significant litigation  
6 creditors.

7 MR. MORRIS: Your Honor, I think Mr. Seery was sworn  
8 in, but unless -- unless you -- if you think there's a need,  
9 I'm happy to have you swear Mr. Seery in again just to make  
10 sure his testimony is under oath.

11 THE WITNESS: I was sworn in.

12 THE COURT: Yes, I swore him in.

13 MR. MORRIS: That's what I thought. That's what I  
14 thought. Somebody had made the suggestion to me, so I was  
15 just trying to make sure, because I didn't want any unsworn  
16 testimony here today.

17 THE COURT: We did.

18 MR. MORRIS: Okay.

19 THE COURT: We did.

20 MR. MORRIS: Thank you. Thank you.

21 BY MR. MORRIS:

22 Q Ultimately, sir, just to move this along a little bit, do  
23 you recall that an agreement was reached with the UCC and Mr.  
24 Dondero and the Debtor concerning governance issues?

25 A Yes, I do.

1 Q And did you accept your position as an independent  
2 director at Strand as part of that corporate governance  
3 settlement?

4 A That, that was part of the appointment. We -- the  
5 independent directors were brought in to take -- really, to  
6 take control of the company as independent fiduciaries. And  
7 the idea, I think, was that there was a Chapter 7 motion that  
8 was about to be filed by the Committee, or at least that was  
9 the representation, and the Debtor had a choice, they could  
10 either accept the independent directors or they could face the  
11 motion.

12 What actually happened was a little bit more complicated.  
13 The creditors and the Debtor agreed on the selection of Mr.  
14 Dubel and myself. And then because they couldn't agree on the  
15 third member of the independent board, they left it to Mr.  
16 Dubel and myself to actually come up with a process, interview  
17 candidates, and make that selection, which we did, which  
18 ultimately became Mr. Nelms.

19 Q And did all of this take place during that four- or five-  
20 day period prior to January 9th?

21 A It did, yes.

22 Q Okay. And let's talk about the makeup of the board.  
23 You've identified the other individuals. How would you  
24 characterize the skillset and the capability of the  
25 individual?

1 A Well, on paper, I think it's a pretty uniquely-constructed  
2 board for this type of asset management business with the  
3 diversity of these types of assets and the diversity of issues  
4 that we had.

5 So, former Judge Nelms, obviously skilled in bankruptcy  
6 and the law around bankruptcy, but also very skilled in  
7 mediation, conflict resolution, and in particular his  
8 prepetition or maybe pre-judicial experience in litigation and  
9 litigation involving fiduciary duties we thought could be  
10 very, very important because of the myriad of interrelated  
11 issues that we could see that might arise.

12 John Dubel is an extremely well-known and respected  
13 restructuring professional. He has been dealing these kinds  
14 of assignments as an independent fiduciary for, gosh, as long  
15 as I can recall, but at least going back 15 to 20 years. He  
16 had experience in accounting, but he's also been the leader of  
17 these kinds of organizations going through restructuring in  
18 many operational type roles, and so he was a perfect fit.

19 And my experience in both restructuring as well as asset  
20 management and investment I think dovetailed nicely with the  
21 experience that Mr. Nelms and Mr. Dubel have.

22 Q Okay. Let's talk for just a moment at a high level of the  
23 agreement that was reached. Do you remember that there were  
24 several documents that embodied the terms of the agreement?

25 A Yes, I do.

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1 Q And do you remember one of them was an order that the  
2 Court entered on January 9th?

3 A Yes.

4 MR. MORRIS: All right. Your Honor, just for the  
5 record, and we'll be looking at this, but that would be  
6 document Exhibit 5Q as in queen, and that's at Docket No.  
7 1822.

8 BY MR. MORRIS:

9 Q Do you remember there was a separate term sheet, Mr.  
10 Seery, that was also part of the agreement among the  
11 constituents?

12 A Yes. There were -- I think there were a couple of term  
13 sheets and stipulations, but I do recall that there was some  
14 very specific term sheets with the terms.

15 MR. MORRIS: All right. And we'll look at that one  
16 as well, Your Honor, but that can be found at Exhibit 50 as in  
17 Oscar.

18 BY MR. MORRIS:

19 Q And then, finally, do you recall that Mr. Dondero signed a  
20 stipulation that was also part of the agreement?

21 A Yes. That was absolutely key to the agreement for the  
22 creditors and perhaps the Court. But it was really -- it  
23 needed to be clear that he was signed on to this transaction.

24 MR. MORRIS: Okay. And we'll look at that as well.  
25 That's Exhibit 7Q. And remind me, we'll move that one into

1 evidence.

2 BY MR. MORRIS:

3 Q Did you and the other prospective independent directors  
4 actually participate in the negotiation of any aspect of this  
5 agreement that you've generally described?

6 A Absolutely. Although we hadn't been appointed yet, these  
7 agreements were going to be the structure with which -- or  
8 under which we would come in as independent fiduciaries. They  
9 would govern a lot of our relationships. They would provide  
10 for the protections that we required and that I required. So  
11 they were exceedingly important to me.

12 Q Can you describe for the Court at a general level your  
13 understanding of the overall structure of the corporate  
14 governance settlement?

15 A From a very high level, the settlement was -- Highland  
16 Capital Partners is a limited partnership. It's managed by  
17 its general partner, Strand Advisors. Although Strand is the  
18 GP, its effective interest in Highland is minimal, about .25  
19 percent of the effective partnership interest. But it is the  
20 general partner. So it does govern the -- the partnership.

21 We came in as an independent board that would oversee and  
22 control Strand Advisors and thereby, through the general  
23 partner position, oversee and control HCMLP, the Debtor.

24 In addition, the Committee then overlaid what we could do  
25 with respect to how we operated the business in the ordinary

1 course in Chapter 11 with a specific set of protocols that  
2 governed certain transactions that we would have to get  
3 permission from either the Committee or the Court to engage  
4 in.

5 And in addition, Mr. Dondero, notwithstanding the  
6 insertion of the independent board at Strand, also had a set  
7 of restrictions around him, because, of course, not only was  
8 he the former control entity at Highland and Strand, he also  
9 had a hundred percent of the ownership -- indirectly, of  
10 course -- of Strand and could have removed the board. So  
11 there were restrictions around what he could do with respect  
12 to the board. There were also restrictions around what he  
13 could do through various entities to terminate contracts and  
14 --

15 Q All right. We'll look at some of those in detail. Did,  
16 to the best of your recollection, did Mr. Dondero give up his  
17 position as president or CEO of the Debtor?

18 A He did, yes.

19 Q And did he nevertheless stay on as an employee of the  
20 Debtor and retain a position as portfolio manager?

21 A He did. At the last second, I believe it was the night  
22 before, when we were actually in Dallas preparing for the  
23 hearing, but Mr. Ellington raised the concern that if Dondero  
24 was removed from not only the presidency but also the  
25 portfolio management position, potentially there would be some

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1 agreements that might or might not be subject to Court  
2 approval that could be terminated and value would be lost. So  
3 this was a very last-second provision. Obviously, the -- as  
4 new estate fiduciaries, we didn't want value to be lost  
5 instantly for key man or some other reason. And the Committee  
6 ultimately, or I guess you'd say reluctantly, agreed to that  
7 because we just didn't have time to look at any of -- any such  
8 agreements.

9 MR. MORRIS: All right. Let's -- can we put up on  
10 the screen, Ms. Canty, Debtor's Exhibit 5Q?

11 And this is in evidence, Your Honor. This is the January  
12 9th order.

13 And can we please go to Paragraph 8?

14 BY MR. MORRIS:

15 Q Mr. Seery, you had mentioned just a few minutes ago that  
16 there were certain restrictions that were placed on Mr.  
17 Dondero. Does Paragraph 8, to the best of your recollection,  
18 provide for the substance of at least some of those  
19 restrictions?

20 A It does, yes.

21 Q And can you just describe for the Court your understanding  
22 of the restrictions that were imposed on Mr. Dondero pursuant  
23 to Paragraph 8?

24 A Well, as I recall, when Mr. Ellington came in with the  
25 last-minute request, the Committee was extremely upset about

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1 it. We talked about it. Obviously, we, as an independent  
2 board that was going to come in, didn't know the underlying  
3 contracts and couldn't really render any judgment as to  
4 whether there would be value lost. So, the Committee agreed,  
5 but they wanted to make sure that Mr. Dondero still reported  
6 to -- directly to the board, and if the board asked Mr.  
7 Dondero to leave, he would do so.

8 Q Okay. Just looking at this paragraph, is it your  
9 understanding that the scope and responsibilities of Mr.  
10 Dondero would be determined by the board?

11 A Yes.

12 Q And was it your understanding that Mr. Dondero would serve  
13 without compensation?

14 A Yes.

15 MR. DRAPER: Objection. Leading, Your Honor.

16 THE COURT: Overruled.

17 BY MR. MORRIS:

18 Q Was it your understanding that Mr. Dondero's role would be  
19 subject to the direct supervision, direction, and authority of  
20 the board?

21 A That's, you know, that's what the order says and that's  
22 what the agreement was. In practice, that was really going to  
23 have to evolve because we were coming in very cold and  
24 obviously he'd been there for --

25 (Interruption.)

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1 THE COURT: All right. Someone needs to put their  
2 phone on mute. I don't know who it is.

3 BY MR. MORRIS:

4 Q Was it also part of the agreement that Mr. Dondero would  
5 (garbled) upon the board's request?

6 A I think I got you, but yes, that's contained in this  
7 paragraph, and Mr. Dondero agreed to that.

8 THE COURT: All right. Whoever LC is, your phone  
9 needs to be put on mute. Okay. Please be sensitive to  
10 keeping your device on mute except for Mr. Morris and Mr.  
11 Seery.

12 All right. Go ahead.

13 BY MR. MORRIS:

14 Q Do you recall, Mr. Seery, whether there were any  
15 restrictions placed on Mr. Dondero's ability to terminate  
16 agreements with the Debtor?

17 A Yes. That was a very specific provision as well.

18 Q Can we take a look at Paragraph 9 below? Is that the  
19 provision that you're referring to?

20 A That's the provision in the order. I believe there were  
21 other agreements -- certainly, discussion around it -- because  
22 it was an important provision because it had been borne out of  
23 some experience that Acis and Mr. Terry had had in particular.  
24 So it was supposed to be broad and prevent both direct and  
25 indirect termination of agreements.

1 Q Okay. And do you know, do you recall that the definition  
2 of related entity is contained within the term sheet that you  
3 referred to earlier?

4 A It's a pretty extensive -- I recall the definition not  
5 specifically, but it's a pretty extensive definition. It  
6 includes any of the entities that he owns, that Mr. Dondero  
7 owns, that Mr. Dondero controls, that Mr. Dondero manages,  
8 that Mr. Dondero owns indirectly, that Mr. Dondero manages  
9 indirectly, and it really covers a wide swath of those  
10 entities in which he has interests and control.

11 MR. MORRIS: All right. Let's see if we could just  
12 look at the definition specifically at Exhibit 50 as in Oscar.  
13 And if we could just scroll down to the next page.

14 Now, this was -- this is part of the term sheet that was  
15 filed at Docket 354.

16 BY MR. MORRIS:

17 Q At Definition I(d), is that the definition of related  
18 entity that you were referring to?

19 A That's correct.

20 Q Okay. In addition to what you've described, I think you  
21 also mentioned that there was a separate stipulation that Mr.  
22 Dondero entered into as part of the corporate governance  
23 settlement. Do I have that right?

24 A That's my recollection, yes. And I believe he signed it,  
25 and that was a key gating issue to the hearing that we had on

1 January 9th.

2 Q And what do you recall about that document as being a key  
3 gating issue?

4 A The key gating issue that I recall is that it had to be  
5 signed. And I don't believe it was signed until that very  
6 morning.

7 MR. MORRIS: All right. Can we call up Exhibit 7Q as  
8 in queen?

9 BY MR. MORRIS:

10 Q All right. Is this the stipulation that you were  
11 referring to? We can scroll down to any portion you want.

12 A I believe that is, yes.

13 MR. MORRIS: Okay. Can we just scroll down to see  
14 Mr. Dondero's signature? Yeah. That's -- okay.

15 So, that's dated January 9th. This was filed at Docket  
16 338. It's on the Debtor's exhibit list as Exhibit 7Q. And  
17 the Debtor would respectfully move Exhibit 7Q into evidence.

18 THE COURT: Any objection? All right. 7Q is  
19 admitted.

20 (Debtor's Exhibit 7Q is received into evidence.)

21 MR. MORRIS: Okay. And if we could just scroll up a  
22 page or two to the four bullet points. Yeah, right there. A  
23 little more.

24 BY MR. MORRIS:

25 Q Okay. So, do you see Paragraph 10 contains the

1 stipulation?

2 A Yes.

3 Q And as you recall, Mr. Seery, in the events leading up to  
4 the entry of the order approving the settlement, was this one  
5 of the documents that was being negotiated among -- among the  
6 parties?

7 A Yes, it was.

8 Q Okay. You mentioned that there were certain provisions of  
9 the January 9th order that were important to you and the other  
10 independent directors. Do I have that right?

11 A Yes.

12 MR. MORRIS: Let's see if we can back to Exhibit 5Q,  
13 please, Paragraph 4.

14 BY MR. MORRIS:

15 Q Okay. Paragraph 4, can you tell me what Paragraph -- what  
16 Paragraph 4 is and why it was important to you?

17 A Well, there really were four key, I guess I'll use the  
18 term gating items again, for my involvement, and ultimately in  
19 discussions with Mr. Nelms and Mr. Dondero -- Mr. Dubel, their  
20 involvement in the matter.

21 Because of the litigious nature of the Highland operations  
22 and the expectations we had for more litigation after taking a  
23 look at the Acis case, we wanted to make sure that, as  
24 independents coming into a situation with really no stake in  
25 the particular outcome, other than trying to achieve a

1 successful reorganization, that we were protected. So, number  
2 one, I looked at the limited partnership agreement. I wanted  
3 to make sure that the LPA contained broad and at least  
4 standard indemnification provisions and that they would apply  
5 to the board.

6 Number two, because -- that then requires you to look at  
7 the indemnification provisions at Strand, because you're a  
8 director of Strand, the GP. So then we looked at those. I  
9 took a close examination of those. They looked okay, except  
10 Strand didn't have any assets other than its equity interest  
11 in Highland, and if that equity interest turned out to be  
12 zero, that indemnity wouldn't be very valuable.

13 So I wanted to make sure that Highland, the Debtor,  
14 guaranteed the indemnity (garbled) on a postpetition basis, so  
15 that if there were a failure of D&O, which I'll get to in a  
16 second, or it wasn't enough, that we would have a senior claim  
17 in the case, an admin claim in the case.

18 I then, of course, wanted to make sure that we had D&O  
19 insurance. This was very difficult to get, because, frankly,  
20 there's a Dondero exclusion in some of the markets, we've been  
21 told by our insurance brokers, and so getting the right policy  
22 that would cover the independent board was difficult. We did  
23 get that.

24 And then ultimately there'll be another provision in the  
25 agreement here -- I don't see it off the top of my head -- but

1 a gatekeeper provision. And that provision --

2 Q Hold on one second, Mr. Seery, because we'd want to  
3 scroll. So Paragraph 4 and Paragraph 5, were those, were  
4 those provisions put in there at the insistence of the  
5 prospective independent directors?

6 A Yes. And remember, so the Paragraph 4, as I said, is the  
7 guarantee of Strand's obligations for its indemnity. Again,  
8 Strand didn't have any money, so the Debtor had to be the one  
9 purchasing the D&O for the directors and for Strand. So those  
10 are the two provisions that really worked to address my  
11 concerns about the indemnities and then the D&O.

12 MR. MORRIS: Okay. Can we go to Paragraph 10,  
13 please? There you go.

14 BY MR. MORRIS:

15 Q Is this the other provision that you were referring to?

16 A This is. It's come to be known as the gatekeeper  
17 provision, but it's a provision that I actually got from other  
18 cases. Again, another very litigious case that I thought it  
19 was appropriate to bring in to this case.

20 And the concept here is that when you're dealing with  
21 parties that seem to be willing to engage in decade-long  
22 litigation in multiple forums, not only domestically but even  
23 throughout the world, it seemed important and prudent for me  
24 and a requirement that I set out that somebody would have to  
25 come to this Court, the court with jurisdiction over these

1 matters, to determine whether there was a colorable claim.  
2 And that colorable claim would have to show gross negligence  
3 and willful misconduct, *i.e.*, something that would not  
4 otherwise be indemnified.

5       So it basically sets an exculpation standard for  
6 negligence. It exculpates the directors from negligence. And  
7 if somebody wants to bring a cause against the directors, they  
8 have to come to this Court first and get a finding that  
9 there's a colorable claim for gross negligence or willful  
10 misconduct.

11 Q    Would you have accepted the engagement as an independent  
12 director without the Paragraphs 4, 5, and 10 that we just  
13 looked at?

14 A    No. These were very specific requests. The language here  
15 has been 'smithed, to be sure, but I provided the original  
16 language for 10 and insisted on the guaranty provision above  
17 to assure that the indemnity would have some support.

18 Q    And ultimately, did the Committee and the Debtor agree to  
19 provide all of the protection afforded by Paragraphs 4, 5, and  
20 10?

21 A    Yes.

22 Q    Okay.

23               MR. MORRIS: Your Honor, we're going to move on now  
24 to good faith, Section 1129(e)(3), just to give you a little  
25 bit of a roadmap of where we're going.

1 BY MR. MORRIS:

2 Q Let's talk about the process that led to the plan that the  
3 Debtor is asking the Court to confirm today. Real basic stuff  
4 at the beginning. Can you tell me your understanding of the  
5 makeup of the UCC, of the Creditors' Committee?

6 A The Creditors' Committee in this case has four members.  
7 It's UBS, the Redeemer Committee, which are former holders of  
8 interests in a fund called the Crusader Fund, which was a  
9 Highland fund, who had redeemed and then had a dispute with  
10 Highland.

11 And the next creditor is Mr. Terry and Acis. We generally  
12 group them as one, but the creditor is Acis.

13 And the fourth creditor is an entity called Meta-e, and  
14 they provide litigation support and technical support and  
15 discovery support in litigations for the Debtor, including in  
16 this case now.

17 Q All right. Just focusing really on the early period, the  
18 first few months, can you describe the early stages of the  
19 negotiations with the UCC as best as you can recall?

20 A Well, I think the early stage of the case wasn't directly  
21 a negotiation; it was really trying to understand as best we  
22 could the myriad of assets that we had here, the various  
23 businesses that the Debtor either owned, controlled, or  
24 managed, as well as the claims.

25 We went through a process of trying to understand each of

1 the claims that the Debtor -- or against the Debtor that were  
2 represented by the Committee, as well as some other claims  
3 that were not on the Committee.

4 Q Was the Debtor -- I mean, was the Committee initially  
5 pushing the independent board to go to a monetization plan, an  
6 asset monetization plan?

7 A Very quickly and early on, the Debtor -- the Committee  
8 took a pretty aggressive approach with the Debtor and the  
9 independent board. I think the Committee's perspective, as  
10 articulated to me, and where -- at least how we took it, was  
11 that they'd been litigating for years and they sort of knew  
12 the situation and the value of their claims, that the Debtor  
13 was insolvent, in their view, and that we should be operating  
14 the estate in essence for the benefit of the creditors.

15 Q And what was the board's view in reaction to that?

16 A We disputed it. And the reason we disputed it was very  
17 straightforward. Save for the Redeemer claim, which at least  
18 had an arbitration award, Acis and Mr. Terry didn't have any  
19 specific awards, notwithstanding the results of the Acis  
20 bankruptcy, and UBS, while it had a judgment, that judgment  
21 was not against the Debtor.

22 So our view was, until we have our hands around these  
23 claims and we determine what the validity is in our estate,  
24 that we would treat the Debtor as if it were solvent. We also  
25 wanted to assess the value of the assets. So, looking at the

1 assets not just from a book value but what they might be  
2 really worth in the market.

3 Q And did the board in the early portion of the case  
4 consider all strategic alternatives?

5 A I don't know if we considered every strategic alternative,  
6 but we certainly considered a lot of alternatives.

7 Q Can you describe for the Court the alternatives that were  
8 considered by the board before settling on the asset  
9 monetization plan?

10 A Well, early on, you know, we looked at each of the -- what  
11 we would think of the large category types of ways to resolve  
12 a case. Number one, could we go through a very traditional  
13 reorganization with either stretching out claims to creditors  
14 after settlement or converting some of those to equity,  
15 getting new equity infusions? We considered those  
16 alternatives.

17 Number two, we considered whether we should simply sell  
18 the assets. That's one of the things that the Committee was  
19 pushing for. They could be sold to third parties. They could  
20 be sold individually. Mr. Dondero potentially could buy some  
21 of the assets. That'd be a reasonable reorganization in this  
22 case.

23 We also considered whether that, you know, we would just  
24 do a straight liquidation. Is there some value to doing --  
25 converting the case to a 7 and doing a straight liquidation?

1 We also considered a grand bargain plan, and this was  
2 something that I worked on quite a bit. The phrase is mine,  
3 although no pride of authorship, certainly, since it didn't  
4 work out. But that perhaps we could come to an agreement with  
5 the major creditors and with Mr. Dondero and then shift some  
6 of the expenses in the case out further to litigate some of  
7 the other claims while reorganizing around the base business.

8 And then, finally, we considered the asset monetization  
9 plan, and ultimately that evolved into what we have today.

10 Q Were there guiding principles or factors that the board  
11 was focused on as it assessed these different options?

12 A Well, the number one guiding principle was overall  
13 fairness and equitable treatment of the various stakeholders.  
14 So, again, at that point, we didn't know exactly what, if  
15 anything, we would owe to claimants like UBS or HarbourVest or  
16 even Mr. Terry and Acis. We had a good sense of where we  
17 would end up with Redeemer, I think, but we still had some  
18 options and wanted to negotiate the issues related to  
19 potential appeal rights that we had. So I think that was the  
20 number one overall concern.

21 But that did evolve over time. Costs of the case were  
22 exceptionally high. And the reason they're so high is that  
23 Highland was run for a long time, at least from what we can  
24 tell, at an operating deficit. Typically, what it would do is  
25 run at a deficit and then sell assets to cover the shortfall,

1 and it would defer a whole bunch of employee -- potential  
2 employee compensation. And because of the way the environment  
3 was going, particularly in the first half of the year, it  
4 didn't look to us like there was going to be any great asset  
5 increase that would somehow save us from the hole that was  
6 being dug, the considerable amount of expenses to run the  
7 case.

8 Q Did changing the culture of litigation factor into the  
9 path that the board considered?

10 A Well, we certainly looked at the way the company had run  
11 and why it got to where it is in terms of litigating. And not  
12 just litigating valid claims, but litigating any claim to the  
13 *nth* degree. And stories are legion, I won't talk about them,  
14 but of Highland taking outrageous positions and then pursuing  
15 them, hoping that the other side caves.

16 We determined that this estate couldn't bear that kind of  
17 expense, and it wasn't fair and equitable to do that anyway.  
18 So we wanted to attack the claims that we could -- and I say  
19 attack; try to resolve them as swiftly as we could --  
20 protecting the Debtor's interests but trying to find an  
21 equitable resolution.

22 I'm not averse to litigating. And I think when there are  
23 claims that are legitimate, the Debtor should pursue them.  
24 There's always -- a good settlement is always better than a  
25 bad litigation. But if there (indecipherable) to resolve

1 them, we should -- we should pursue those. And if we have  
2 defenses, we should pursue those, and not just be held up  
3 because someone else is willing to, you know, take a more  
4 difficult position than we are.

5 But in this case, it really did cry out for some sort of  
6 resolution on many of these cases because they were far beyond  
7 -- far beyond the facts and far beyond the dollars. There was  
8 personal antipathy involved in virtually every one of the  
9 unlitigated or unliquidated Committee cases.

10 Q Did the board, as it was assessing the various strategic  
11 alternatives, consider maximization of the value?

12 A Always number one was, can we maximize value? But that  
13 has to be done within the context of the risk you're taking  
14 and the time it takes. So, not all wine ages well in a cave  
15 and not all investments get to be more valuable over time. We  
16 wanted to look at each individual asset that the Debtor had,  
17 each claim that the Debtor had, each defense that the Debtor  
18 had, and consider the time and the costs and then try to find  
19 the best way to maximize value with those multiple  
20 considerations.

21 Q How about the role and support of the UCC, how did that  
22 factor into the decision-making, the Debtor's decision-making  
23 as to what plan to pursue?

24 A Well, you know, the decision-making with the UCC was  
25 cumbersome and oftentimes difficult. Sometimes our relations

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1 were very contentious, and sometimes they continue to be. But  
2 the Committee had significant oversight because of the  
3 protocols that had been agreed to. Some of the disputes we  
4 had with the Committee found their way into the court. Those  
5 time and that cost, some of which we won, some of which we  
6 lost, but those factored into our analysis.

7 But eventually we knew that we were going to need to get,  
8 you know, some significant portion of the Committee to agree,  
9 because, at minimum, Meta-e had a liquidated claim, and  
10 Redeemer was very close to fully liquidated, so we were going  
11 to need support from the Committee with whatever we tried to  
12 push through. And so that's how we negotiated with the  
13 Committee from that perspective.

14 Q Is it fair to say that the Debtor and the Committee's  
15 interests became aligned upon approval of the disclosure  
16 statement back at the end of November?

17 A I don't think they became perfectly aligned, because we  
18 still have, you know, some disputes around, you know,  
19 implementation and things like the employee releases, which  
20 were very important to me. But I think we're largely aligned  
21 and that the Committee is supportive, as Mr. Clemente said at  
22 the start of this hearing, of the plan. We negotiated at  
23 arm's length with them about most of the provisions. I would  
24 say virtually everything was a relatively significant  
25 negotiation, or at least there was a good faith exchange of

1 views on each side and assessment of legal and financial  
2 risks. And I think at this point they're largely in support  
3 of the plan.

4 Q All right. Let's -- you mentioned the grand bargain, and  
5 I just want to spend a few minutes talking about that, how  
6 that evolved. Focusing your attention in the kind of late  
7 spring/early summer, can you tell me what efforts you and the  
8 board made in trying to achieve a grand bargain in that early  
9 part of the case?

10 A Well, we had -- at that point, we had reached agreement,  
11 at least in principle, with Redeemer. And the thought was --  
12 my thought was that we could construct a plan, understanding  
13 what the cash flows looked like and what we thought the base  
14 value of the asset looked like -- and those are not just the  
15 assets that are tangible assets, but the notes that are  
16 collectible by the Debtor as well -- and then engage with UBS  
17 in particular. Redeemer. To some degree, Mr. Terry. We had  
18 not yet reached any agreement with him. But UBS, we thought  
19 of as a slightly -- I don't mean this to be disparaging -- but  
20 a slightly more commercial player than Acis because of the  
21 history that Acis had to deal with and endure.

22 And we were hoping that we could get some sort of  
23 coalescence around an agreed distribution that would require  
24 those creditors to take a lot less than they might have  
25 otherwise agreed, Mr. Dondero to put in more than he otherwise

1 thought he could put in or would be willing to put in, and  
2 then we would get out to Acis and the other creditors with a  
3 plan.

4 And so I built, with the team at DSI, a detailed model on  
5 how the distributions could work and what the potential timing  
6 could be, trying to, each time, move in a multidimensional way  
7 with UBS, Redeemer, Mr. Dondero, and to some degree Acis,  
8 around the respective issues for their claims.

9 Again, UBS and Acis had not been resolved and weren't  
10 close, but the thought was if we could get dollar agreements  
11 for distribution, perhaps we could then figure out how to  
12 construct settlements of their claims.

13 Q During this time period, did you work directly with Mr.  
14 Dondero in the formulation of a potential grand bargain?

15 A I did, yes.

16 Q And the model that you described, did that go through a  
17 number of iterations?

18 A It went through multiple iterations. I don't believe I  
19 ever shared the model with anybody. One of the reasons for  
20 that is I didn't want -- I felt I had -- if I was going to  
21 share it with Mr. Dondero, for example, I'd have to share it  
22 with UBS and I'd have to share it with Redeemer. And I wanted  
23 it to be -- I wanted it to be a working model with the team at  
24 DSI. In particular, we would make, you know, adjustments on  
25 an almost-daily basis.

1 Mr. Dondero had -- remember, he was still portfolio  
2 manager at that time. He also had a related-party interest,  
3 as people have seen from some of the litigation around the  
4 sales of securities. He had access and was receiving emails  
5 from the team as well as from the finance team. So he had  
6 access to the information at that point and had a view around  
7 the value. And this was more trying to adjust what those  
8 distributions would look like depending on the amounts that he  
9 would be willing to contribute.

10 Q Moving on in time, did there come a time when the Debtor  
11 participated in a mediation with certain of the major  
12 constituents in the case?

13 A Yes. That was towards the end of the summer.

14 Q And during that mediation, did the concept of a grand  
15 bargain, was that put on the table? Without discussing any  
16 particulars about it, just as a matter of process, was the  
17 grand bargain subject to the mediation discussions?

18 A Well, the mediation had multiple components, so the answer  
19 to the question in short is yes, but I'll go longer because I  
20 tend to. The grand bargain plan stayed in place, and that was  
21 going to be an overall settlement. The mediation was  
22 initially, I think, as a main course, focused on Acis, UBS,  
23 and then the third piece being the grand bargain. And if you  
24 could settle one of those claims, perhaps -- obviously, if you  
25 could settle both of them, you could get to then focusing on

1 the grand bargain.

2 But even before we got to mediation, the idea of the  
3 monetization plan had also been put forth. Notwithstanding  
4 that it wasn't my idea, I actually thought that it was a good  
5 idea, ultimately. Didn't initially. And the reason for that  
6 is that it set a marker for what a base expectation could be  
7 for the creditors and just for Mr. Dondero. And knowing that  
8 that was out there, at least with them, that could hopefully  
9 be a catalyst in the mediation for folks to say, let's see if  
10 we can get our claims done and get a grand bargain done,  
11 because if we don't we have this Debtor monetization plan.  
12 And by that -- at that point, I don't think we had much  
13 agreement with the Committee on anything, and certainly with  
14 Mr. Dondero, on -- on a monetization plan.

15 Q All right. And let's just bring it forward from the fall,  
16 post-mediation, to the present. Has -- has -- have you and  
17 the board continued discussing with Mr. Dondero the  
18 possibility of a grand bargain?

19 A Well, it's shifted. So, the grand bargain discussions  
20 really -- you had multiple phases. So, you had pre-mediation.  
21 There was the grand bargain discussions that I just described  
22 previously that also involved UBS and Redeemer, and to some  
23 degree Acis and Mr. Terry. Then you have the mediation, which  
24 is much more focused on the claims and whether they can fit  
25 into the grand bargain with Mr. Dondero.

1           And the way that was conducted was a little bit more  
2 separated, meaning the parties would talk to the mediator, the  
3 mediator would then go and talk to other parties and try to  
4 work a settlement on each of those components.

5           Subsequent to the mediation where we reached the agreement  
6 with Acis and Mr. Terry, and we ultimately in that timeframe  
7 banged out the final terms of our agreement with Redeemer, we  
8 engaged with Mr. Dondero around -- I wouldn't call it the  
9 grand bargain, but a different plan. By that point, the  
10 monetization plan had started to gain some traction with the  
11 creditor group, and Mr. Dondero and his counsel, I believe,  
12 focused on the potential of what was referred to as a pot  
13 plan. And while it has the -- it could have the ability of  
14 being a resolution plan, it wasn't the grand bargain plan that  
15 I had initially envisioned. And pot plan was really a  
16 misnomer, because it didn't have a whole pot, so -- so it's a  
17 little bit of a hybrid.

18       Q     Did the board spend time during its meetings discussing  
19 various pot plan proposals that had been put forth by Mr.  
20 Dondero?

21       A     Oh, absolutely. And not only the board. I mean, we did  
22 our own work as an independent board and then brought in our  
23 professional advisors, both your firm and the DSI folks, to go  
24 through analytics around the pot plan, and even before that,  
25 the other plan alternatives, but we had direct discussions

1 with Mr. Dondero and his counsel.

2 Q And in the last couple of months, has the board listened  
3 to presentations that were made by Mr. Dondero and his counsel  
4 concerning various forms of the pot plan?

5 A Yes. At least two or three.

6 Q And during this time, has the board and the Debtor  
7 communicated with the Committee concerning different  
8 iterations of the proposed pot plan?

9 A Yes. We've had continual discussions with the Committee  
10 regarding the various iterations of the potential grand  
11 bargain all the way through the pot plan.

12 Q And during this process, did the Debtor provide Mr.  
13 Dondero and his counsel with certain financial information  
14 that had been requested?

15 A Yes. As I said, up 'til the point where he resigned and  
16 was then ultimately, at the end of the year, removed from the  
17 office, he had access to financial information related to the  
18 Debtor and even got the information from the financial group.  
19 Subsequent to that, we've provided him with requests -- with  
20 financial information that was requested by his counsel.

21 Q Okay. Were your efforts at the grand bargain or the  
22 pursuit of the pot plan successful?

23 A No, they were not.

24 Q Do you have an understanding as to -- just, again, without  
25 going into -- into details about any particular proposal, do

1 you have an understanding as to what the barrier was to  
2 success?

3 A The grand bargain, we just never got the traction that we  
4 needed to get that going and the sides were just far -- too  
5 far apart. And the pot plan, similarly. Our discussions with  
6 Mr. Dondero and the Committee, they're -- they're very far  
7 apart.

8 Q And is it fair to say that the Committee's lack of support  
9 in either the grand bargain or the pot plan is the principal  
10 cause as to why we're not talking about that today?

11 A Well, it's -- it -- right now, we've got the plan that's  
12 on file, the monetization plan. The monetization plan has  
13 gone out for creditor vote and has received support. It  
14 distributes, we think, equitably, as well as a significant  
15 amount of distributions to unsecured creditors. And there  
16 really isn't an alternative that we see, based upon the  
17 numbers I've seen, that competes with it or has any traction  
18 with the largest creditors.

19 Q All right. So, now we've talked about various proposals  
20 or alternatives that were considered by the board, including  
21 the grand bargain and the pot plan. Let's spend some time  
22 talking about the plan that is before the Court today and how  
23 we got here. And I'd like to take you really back to the  
24 beginning, if I may.

25 Tell us, tell the Court just what the board was doing in

1 the early months after getting appointed, because I think  
2 context is important here. What were you all doing the first  
3 few months of the case?

4 A Well, the first few months, we really were drinking from  
5 the proverbial fire hose, trying to get an understanding of  
6 the business, how it had been managed previously, what the  
7 issues related to the different parts of the business were.  
8 And then an understanding of each of the employees that were  
9 working under us, what their roles were, how they performed  
10 them, who sat where with respect to each of the assets, what  
11 the contracts looked like, whether they be shared service or  
12 management agreements. And then we started looking at the  
13 individual assets in terms of value.

14 At the same time, we were trying to get up to speed on the  
15 complex nature of the claims that were in the case. The  
16 liquidated claims were relatively easy, but there had been a  
17 significant amount of transfers in and out of the Debtor, and  
18 then there's a myriad of relationships involving related  
19 entities that we had to understand, both with respect to the  
20 claims as well as with respect to the assets.

21 And so that -- those were the main things we were doing  
22 for those first few months in the case.

23 Q Just a couple months into the case, the COVID pandemic  
24 reared its head. Do you recall that?

25 A Yes. We had been in Dallas every day working up 'til the

1 time of the COVID and some of the shutdown orders,  
2 particularly in the Northeast, and so that changed the dynamic  
3 of how we could function every day.

4 Notwithstanding that, we -- we were able to manage from  
5 afar, and ultimately, when there were some cases in the office  
6 of COVID, we -- on the Highland side, not the related entity  
7 side, but on the Highland side -- we determined that the staff  
8 and the team should work from home, which they were able to do  
9 quite well.

10 Q Okay. In those early months, do you recall that there was  
11 a substantial erosion of value, at least as of the time you  
12 were appointed in those first three or four months?

13 A There was. And I think we've heard some -- some noise  
14 about what that value was and the drop in the asset value as  
15 opposed to net value. But the asset value did, did drop  
16 significantly.

17 Q Can you describe for the Court your recollection as to the  
18 causes of the drop in the value that you just described?

19 A Yes. The number one drop was a reservation that the board  
20 took for a receivable from an entity called Hunter Mountain.  
21 The quick version of this is that Hunter Mountain owns  
22 Highland. As I mentioned, while Strand is the GP, it only has  
23 a quarter-percent interest in Highland. The vast majority of  
24 the interests are owned by an entity called the Hunter  
25 Mountain Investment Trust in a very complicated, tax-driven

1 structure.

2 Dondero and Okada transferred their interests in Highland  
3 at a high valuation to Hunter Mountain. Hunter Mountain then  
4 didn't have the money, so it, in essence, borrowed the money  
5 from the Debtor in a note to pay for those interests. There's  
6 a circular running of the cash, but we were not sure where, if  
7 any, where any assets are, if they would be sufficient. So we  
8 took a reservation of \$58 million for that note.

9 The second biggest piece of the reduction in value was the  
10 equity that was lost in the Select Equity account. This is a  
11 Debtor trading account that was managed by Mr. Dondero. \$54  
12 million was lost in that account. Basically, it was really  
13 highly margined, very high leverage in that account when the  
14 market volatility came in. As it grew through January,  
15 February, March, more and more margin calls. Ultimately,  
16 Jefferies, which had Safe Harbor protections -- technically,  
17 the account was not a Debtor account, but they would have had  
18 it anyway -- they seized that account. \$54 million in equity  
19 was lost in that account.

20 The next highest amount is about \$35 million, but it's  
21 higher now. That's just the bankruptcy costs, where we have  
22 spent cash and Debtor assets in the case. It was about \$36 to  
23 \$40 million through the end of the year. That's now higher.

24 About \$30 million was lost in paying back Jefferies on the  
25 asset side of the ledger in the Highland internal equity

1 account. This was similar to the equity -- the Select Equity  
2 account, also managed by Mr. Dondero. Extremely highly-  
3 levered coming into the market volatility of the first  
4 quarter, which was exacerbated, obviously, by the COVID. That  
5 was about \$30 million that was repaid in margin loan in that  
6 account.

7 In addition, \$25 million of equity was lost in that  
8 account while Mr. Dondero was managing it. I took over  
9 effectively managing it in mid-March and worked with Jefferies  
10 to keep them from seizing the account. We've since gotten a  
11 bunch of value coming back from that account, but that was the  
12 amount that was lost.

13 About \$10 million was lost in the Carey Limousine loan  
14 transaction. That is a -- an interesting little company. Has  
15 done a nice job -- management did a very good job coming into  
16 the year, and it actually had real value, notwithstanding the  
17 changeover to Uber in people's preferences. But with the  
18 COVID, it really relied on events, airport travel, executive  
19 travel, and that really took a bite out of it, although, you  
20 know, we're hoping to be able to restructure, we have  
21 restructured it to some degree, and we're hoping that there  
22 could be value there.

23 And then about \$7 million was lost in equity in an entity  
24 called NexPoint Hospitality Trust. This is another extremely  
25 highly-levered hospitality REIT that NexPoint manages. It

1 trades on the Toronto Stock Exchange. And I think likely that  
2 -- it's got a lot of issues with respect to its mortgage debt.  
3 And because it was hospitality, it was really hurt by the  
4 COVID.

5 And I think that's probably -- those numbers add up to  
6 north of \$200 million of the loss.

7 Q All right. Thank you for that recitation, Mr. Seery. So,  
8 turning to the spring, after all of those issues were  
9 addressed, at the same time you were working on the grand  
10 bargain, did the Debtor and its professionals begin  
11 formulating the monetization plan that we have today?

12 A I'm sorry, in the spring? I lost that question. I  
13 apologize.

14 Q That's okay. After you dealt with everything that you  
15 just described, were you doing two things at once? Were you  
16 working on the grand bargain and the asset monetization plan  
17 at the same time?

18 A Yes, that's correct.

19 Q All right. Can you just describe for the Court kind of,  
20 you know, how the asset monetization plan evolved up until the  
21 point of the mediation?

22 A Yes. I alluded to it earlier, but because the Debtor was  
23 running an operating deficit, we were very concerned about  
24 liquidity. Highland typically runs, from a liquidity  
25 perspective and a cash perspective, very close to the edge. I

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1 don't feel particularly comfortable helping lead an  
2 organization that's running that close to the edge. And I was  
3 very focused on the burn that we had on an operating basis, as  
4 well as the professional cost burn, because for a case this  
5 size it was significant.

6 The rest of the board felt similarly, and one of the  
7 directors, and I'm not sure if it was Mr. Nelms or Mr. Dubel,  
8 came up with the idea that we needed an alternative to  
9 continuing to just burn assets while we were in this case.  
10 There had to be some sort of catalyst to get the parties, both  
11 Mr. Dondero as well as the creditors -- at that point, as I  
12 said, we weren't settled with Acis or UBS, and we weren't,  
13 frankly, close with either of them. And so we needed what --  
14 what I think the -- the idea was that we needed a catalyst to  
15 have people focus on what the alternative was. Because  
16 continuing to run the case until we ran out of money was not  
17 an acceptable alternative.

18 What I didn't like about the plan was it didn't have  
19 anybody's support, and so I wasn't sure how we made progress  
20 with it without having some Committee member or Mr. Dondero in  
21 support of it. I was outvoted, although maybe I came around  
22 in the actual vote. But ultimately, I think it was actually a  
23 quite smart idea, because it did set the basis for what the  
24 case would be. Either there would be some resolution or it  
25 would push towards the monetization plan, and parties could

1 then assess whether they liked the monetization plan or not.

2 That if I was going to be the Claimant Trustee or the --

3 defending the, you know, against the claims, they would have

4 the pleasure of litigating with me for some period of time.

5 Or they could come to some either grand bargain or ultimately

6 some other resolution.

7 And as we started to develop a plan and put more of a

8 framework -- more flesh around the framework, it actually

9 started to look more and more like a real viable alternative

10 to either long-term litigation or some other grand bargain if

11 we couldn't get there.

12 Q And ultimately, did the board authorize the Debtor to file

13 its initial version of the asset monetization plan at around

14 the time of the mediation?

15 A Yeah. We developed it over the summer and really fleshed

16 it out in terms of how the structure would work, what the tax

17 issues were, what the governance issues were. We did that

18 largely negotiating with ourselves, so we -- we were extremely

19 successful. And then we filed, we filed that plan right

20 before the mediation.

21 And my recollection is that there was some concern from

22 the mediators that they thought that putting that plan out in

23 the public could upset the possibility of a grand bargain, so

24 we ended up filing that under seal.

25 Q Do you recall what the Committee's initial reaction was to

1 the asset monetization plan that you filed under seal?

2 A Well, initially, they -- the Committee didn't like it.  
3 They didn't like the governance. They didn't like the fact  
4 that it set up for those creditors who didn't litigate the  
5 prospect of litigations to try to resolve their claims. It  
6 effectively cut out some of the advisory that the Committee  
7 currently had. The -- one of the driving forces behind the  
8 asset monetization plan and how we initially started it is we  
9 can't continue these costs, as I said. Well, an easy way to  
10 get rid of -- to reduce the costs is to get rid of half of  
11 them.

12 So if you could get rid of the Committee, effectively, and  
13 coalesce around an asset monetization vehicle, then if folks  
14 wanted to resolve their claim, you could. If you had to  
15 litigate it, you could, but you'd have one set of lawyers that  
16 the estate was paying for, one set of financial advisors the  
17 estate was paying for, as opposed to multiple sets.

18 Q In addition to the corporate governance issues that you  
19 just described, did the Committee and the Debtor quickly reach  
20 an agreement on the terms of the treatment of employee claims  
21 and the scope of the releases for the employees?

22 A No. Not very quickly at all.

23 Q Yeah.

24 A You know, again, one of the issues in this case that  
25 drives perspectives is the history that creditors have in

1 dealing with Highland and in dealing with many of the  
2 employees at Highland, you know, who had worked for Mr.  
3 Dondero and served at his pleasure for a long time, and how  
4 they had been treated in various of their attempts to collect  
5 their claims. So the idea of giving any sort of releases to  
6 the employees was anathema to -- to many of the Committee  
7 members.

8 From my perspective, you know, releases are particularly  
9 important because there's a *quid pro quo* leading up to the  
10 confirmation of a plan, particularly with a monetization plan  
11 where it's clear that the employees are all going to be or  
12 largely going to be either transitioned or terminated. If  
13 they're going to keep working towards that, we either have to  
14 have some sort of financial incentive or some sort of  
15 assurance that their actions which are done in good faith to  
16 try to pursue this give them the benefit of more than just  
17 their paycheck.

18 And so we thought we were setting up the *quid pro quo* in  
19 terms of work towards the monetization, bring the case home,  
20 and you're entitled to a release, so long as you haven't done  
21 something that was grossly negligent or willful misconduct.  
22 And the Committee, I think, wanted to have a more aggressive  
23 posture.

24 Q And did those disagreements over corporate governance and  
25 the employee releases kind of spill out into the public at

1 that disclosure statement hearing in October?

2 A I think they spilled out at that hearing as well as in the  
3 hearing either the next day or two days later around Mr.  
4 Daugherty's claim. And again, it was -- it was contentious.  
5 I tend to try to reach resolution, but I tend to hold firm  
6 when I think that there's a good reason, an equitable reason  
7 to do so, and compromising that issue was very difficult for  
8 me.

9 Q But in the weeks that followed, did the Committee and the  
10 Debtor indeed negotiate to resolve to their mutual  
11 satisfaction the issues surrounding corporate governance and  
12 employee releases?

13 A We did, yes.

14 Q And were -- was the Debtor able to get its disclosure  
15 statement approved with Committee support in late November?

16 A We did, yes.

17 Q Can you describe for the Court generally kind of the  
18 process by which the Debtor negotiated with the Committee?  
19 I'll ask it as broadly as I can, and I'll focus if I need to.

20 A Yeah. The process was usually in group settings with the  
21 independent directors, professionals, and the Committee  
22 members and their professionals. Oftentimes, then, there  
23 would be certain one-off conversations if there was a  
24 particular issue that was more important to one Committee  
25 member or another, or if they were designated by the Committee

1 to be the point on that. And so I negotiated on behalf of the  
2 Debtor, both collectively and individually, around these  
3 points.

4 The biggest issues related to governance of the Claimant  
5 Trust, the separation of the Claimant Trust and the Litigation  
6 Trust, which was important to me, the treatment of employees  
7 between the filing -- the time we came up with the case and  
8 when we were going to exit, and then how that release  
9 provision would work.

10 Q Is it fair to say that numerous iterations of the various  
11 documents that embodied the plan were exchanged between the  
12 Debtor and the Committee?

13 A Yes. There were -- there were dozens.

14 Q Fair to say that the negotiations were arm's length?

15 A Absolutely. Often contentious, always professional, but I  
16 do think that there were, you know, well -- good-faith views  
17 held by folks on both sides. And I think we were fortunate to  
18 be able to get resolution of those, because they were  
19 strongly-held views.

20 Q Okay. And ultimately, I think you've already testified,  
21 and Mr. Clemente certainly made it clear: Is the Debtor --  
22 does the Debtor have the Committee on board for their plan  
23 today?

24 A My understanding is again -- and you heard Mr. Clemente --  
25 both the Committee and each of the individual members are

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1 supportive of the plan.

2 Q All right. Let's switch to Mr. Dondero and his reaction  
3 to the asset monetization plan. Can you describe for the  
4 Court based on your experience and your interaction with him  
5 what you interpreted Mr. Dondero's position to be?

6 A VOICE: Objection, hearsay, or --

7 MR. DRAPER: Objection, hearsay. Calls for  
8 speculation, Your Honor.

9 THE COURT: Overruled.

10 THE WITNESS: Yeah. I had direct discussions with  
11 Mr. Dondero regarding the plan, the asset monetization plan,  
12 as I mentioned, direct discussions regarding a potential grand  
13 bargain. The initial view from Mr. Dondero was, and he told  
14 me, that if he didn't get a plan that he agreed to, if he  
15 didn't have a specific control or agreement around what got  
16 paid to Acis and Mr. Terry and what got paid to Redeemer  
17 specifically, that he would, quote, burn the place down. I  
18 know that because it is, excuse the pun, seared into my mind,  
19 but I also wrote it down. And that was, you know, in the  
20 early summer.

21 We had subsequent discussions around the plan, and as we  
22 were talking about the -- about the grand bargain or -- the  
23 pot plan hadn't come out at that point -- even on a large call  
24 -- the plan initially called for a transition, and still does,  
25 of employees of the Debtor to a related entity to continue

1 performing services that were under the prior shared service  
2 agreements that we were going to terminate.

3 But that transition is wholly dependent on Mr. Dondero.  
4 And we had a call with at least five to seven people on it  
5 where I said to Mr. Dondero, look, this is going to be in your  
6 financial interest to agree to a smooth transition. These  
7 people have worked for you for a long time. It's for their  
8 benefit. You portfolio-manage these funds. It's to the  
9 benefit of those funds to do this smoothly. And if there's  
10 litigation between you and the estate later, then those chips  
11 will fall where they may.

12 And he told me to be prepared for a much more difficult  
13 transition than I envisioned.

14 And I specifically said to him, and this one sticks in my  
15 mind because I recall it, I said, don't worry, Mr. Dondero --  
16 I think I used Jim -- I will be prepared. I was a Boy Scout  
17 and we spend time preparing for these kinds of things. So  
18 we're -- we would love to get done the best transition we can,  
19 but we will be prepared for a difficult one.

20 So, from the start, the idea of the monetization plan was  
21 not something that obviously he supported. We did agree with  
22 -- after his inquiry or request with the mediators, to file it  
23 under seal while we went into the mediation.

24 BY MR. MORRIS:

25 Q And after, after that was filed in September, early

1 October, did Mr. Dondero start to act in a way that the board  
2 perceived to be against the Debtor's interests?

3 A Certainly. I mean, he previously had shown inclinations  
4 of that, but that -- it got very aggressive as he interfered  
5 with the trades we were trying to do in terms of managing the  
6 CLO assets. He took a position that postpetition, which was  
7 really one of his entities taking a position, that  
8 postposition a sale of life policy assets was somehow not in  
9 the best interests of the funds and that we had abused our  
10 position, notwithstanding that he turned it over to us with no  
11 liquidity to maintain those life policies. There were several  
12 other instances. And those led to the decision to, one, have  
13 him resign, and then ultimately, after the text to me that I  
14 perceived as threatening, and we've had subsequent hearings on  
15 it, we asked him to leave the office.

16 Q Okay. Let's move back to the plan here. Can you  
17 describe, you know, generally, if you can, the purpose and  
18 intent of the asset monetization plan?

19 A Well, very simply, the main purpose is to maximize value.  
20 This is not a competition between Mr. Dondero and myself. I  
21 have no stake in getting more money out of the maximization  
22 other than my duty to do the job that I was hired to do.

23 So our goal is to manage the assets in what we think is  
24 the best way to do that over time, and find opportunities  
25 where the market is right to monetize the assets, primarily

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1 through sales. There may be other instances, depending on the  
2 type of asset, whether a sale makes sense, if we can structure  
3 it through some kind of distribution that's more structured.

4 Q We've used the phrase a bunch of times already. Can you  
5 describe in your own words what an asset monetization plan is  
6 in the context of the Debtor's proposal?

7 A Well, it may be slightly an awkward moniker, but I think  
8 it's not completely different than what you'd see, in some  
9 respects, to a regular plan, where you equitize debt and you  
10 operate the business for the benefit of the equitized debt.  
11 Here, it's a little different in that we know exactly how  
12 we're going to move forward. We've effectively -- we'll  
13 effectively turn the debt obligations into trust interests and  
14 we will pay those as we sell down assets. So we've got it  
15 structured in a way where we can pivot depending on market  
16 conditions and we'll be managing certain funds that the assets  
17 sit in.

18 So there's really four assets where the assets sit, and  
19 we'll manage those. First are the ones that the Debtor owns  
20 directly. Second will be the ones that are in Restoration  
21 Capital -- Restoration Capital Partners. Third are the assets  
22 in a fund called Multi-Strat. Fourth is the direct ownership  
23 interest in Cornerstone, and technically (garbled) would be  
24 the -- would be the next one.

25 So we have the ability to manage these individual assets

1 and then be able to sell them in what we determine to be the  
2 best way to maximize value, depending on the timing.

3 Q And when you say that you're going to continue to operate  
4 the business, do you mean that the Debtor will continue to  
5 manage the assets you've just described in the same way that  
6 it had prior to the petition date?

7 A It'll be a smaller team, but that's the Debtor's business.  
8 So what we won't be doing are the shared services anymore.  
9 That was part of the Debtor's business. But we will be  
10 managing the assets. So the 1.0 CLOs, we'll manage those  
11 assets. The RCP assets, we'll manage those assets. The  
12 Trussway Holdings assets, we'll managing those assets. Each  
13 of them is a little bit different. There's things as diverse  
14 as operating companies to real estate. We'll operate, subject  
15 to final agreement, but the Longhorn A and B, which are  
16 separate accounts that are -- were funded and are controlled  
17 by the largest -- one of the largest investors in the world.  
18 And so they have agreed that we should manage those assets for  
19 them.

20 So we're -- that's the business that the Debtor is in. It  
21 won't be doing all of the businesses that the Debtor was in  
22 before, like the shared services, but the management of the  
23 assets will be very similar.

24 Q And why do these funds and these assets need continued  
25 management? Why aren't you just selling them?

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1 A Well, in some respects, they could just be sold, but the  
2 -- we believe that the value would be a lot lower. So, a lot  
3 of them are complex. The time to sell them may not be now.  
4 Some will require restructuring in some way, whether -- not  
5 through a reorganization process, but some sort of structural  
6 treatment to how the obligations at the individual asset are  
7 treated, or the equity at the individual asset. So we're  
8 going to manage each of them and look for market opportunities  
9 where we think the value can be maximized.

10 MR. MORRIS: Your Honor, I'm about to switch to  
11 another topic. We have been going for a little bit more than  
12 two and a half hours. I'm happy to just continue if you and  
13 the witness are, but I just wanted to give you a head's up  
14 that I'm about to switch topics. If you wanted to take a  
15 short break, we could. If you want me to continue, I'm happy  
16 to do that, too.

17 THE COURT: Well, let me ask you, how much longer do  
18 you think you're going to take overall with Mr. Seery?

19 MR. MORRIS: I think I'll probably have another hour  
20 to an hour and a half, Your Honor. We want to make a complete  
21 factual record here.

22 THE COURT: All right. Well, it's 12:07 Central  
23 time. Why don't we take a 30-minute lunch break, okay? Can  
24 everybody do their lunch snack that fast?

25 MR. MORRIS: Sure.

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1 THE COURT: I think that would probably be the way to  
2 go. So we'll come back -- it's now 12:08. We'll come back at  
3 12:38 Central time and resume --

4 MR. MORRIS: Okay.

5 THE COURT: -- resume this direct testimony, okay?  
6 So, see you in 30 minutes.

7 MR. MORRIS: Thank you very much.

8 THE COURT: Okay.

9 THE CLERK: All rise.

10 (A recess ensued from 12:08 p.m. to 12:44 p.m.)

11 THE COURT: We are going back on the record in the  
12 Highland confirmation hearing. It's 12:44 Central time. I  
13 took a little bit longer break than I said we would.

14 Mr. Morris and Mr. Seery, are you ready to resume?

15 MR. MORRIS: I am, Your Honor.

16 THE WITNESS: Yes, Your Honor.

17 THE COURT: Okay, good. A couple of things. I'm  
18 required to remind you you're still under oath, Mr. Seery.  
19 And also, just for people's planning purposes, what I intend  
20 to do is, when the direct examination of Mr. Seery is  
21 finished, I'm going to allow cross-examination of the  
22 Objectors in the same amount of time in the aggregate that the  
23 Debtor got, okay? So, Objectors, in the aggregate, you can  
24 spend as long cross-examining as the Debtor spent examining.  
25 I can figure out this is the most significant witness, so I'm

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1 assuming that Debtor's other witnesses are going to be a lot  
2 shorter than this, but --

3 MR. MORRIS: Yes, I promise.

4 THE COURT: -- that's how we'll proceed. And I  
5 expect to finish Mr. Seery today.

6 So, all right. With that, you may proceed, Mr. Morris.

7 MR. MORRIS: Okay.

8 DIRECT EXAMINATION, RESUMED

9 BY MR. MORRIS:

10 Q Can you hear me okay, Mr. Seery?

11 A Yes, sir.

12 Q Okay. Before we move on to the next topic, you spent some  
13 time describing the asset monetization plan. Would it be fair  
14 to describe that as a long-term going-concern liquidation?

15 A Long-term is subjective. We anticipate that we'll be able  
16 to monetize the assets in two years. We could go out longer  
17 to three. There's no absolute restriction that we couldn't  
18 take longer, depending on what we see in the market, but the  
19 objective would be to find maximization opportunities within  
20 that time period.

21 Q Okay. So let's turn now to the post-confirmation  
22 corporate governance structure.

23 (Interruption.)

24 THE WITNESS: Mr. Golub (phonetic), you should mute.

25 THE COURT: Yes. I don't know -- I didn't catch who

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1 that was. But anyway, anyone other than --

2 A VOICE: It's someone named Garrett Golub.

3 THE COURT: -- Morris and Seery, please mute. All  
4 right. Go ahead.

5 MR. MORRIS: Okay.

6 BY MR. MORRIS:

7 Q At a high level, Mr. Seery, can you please describe for  
8 the Court the post-confirmation structure that's envisioned  
9 under the proposed plan?

10 A At a high level, we anticipate reorganizing HCMLP such  
11 that the current parties of interest will be extinguished and,  
12 in exchange, creditors will get trust interests. There'll be  
13 a trust that will sit on top of HCMLP and it will have an  
14 overall responsibility for the Claimant Trust, which will be  
15 the HCMLP assets plus the assets that we move into the  
16 Claimant Trust, depending on structural considerations. And  
17 then a Litigation Trust, which will be a separate trust, and  
18 that will roll up into the main trust. And the main trust  
19 will be where the creditors hold their interests. And those  
20 interests take the form of senior interests or junior  
21 interests.

22 Q All right. You mentioned a Claimant Trust. Who is  
23 proposed to serve as the Claimant Trustee?

24 A I am.

25 Q And you mentioned a Litigation Trust. Is there someone

1 proposed to serve as the Litigation Trustee?

2 A A gentleman named Marc Kirschner. He's been doing these  
3 kinds of things for a long time.

4 Q Is there going to be any kind of oversight group or  
5 committee?

6 A There is an oversight committee that sits at the main  
7 trust. Into it will report Mr. Kirschner and myself. It has  
8 oversight responsibilities similar to a board of directors in  
9 terms of the operations of the Claimant Trust and the  
10 Litigation Trust.

11 Q Do you have an understanding as to who the initial members  
12 of the Claimant Oversight Committee?

13 A The initial members will be each of the members of the  
14 Creditors' Committee. So, UBS, Acis, Redeemer, a  
15 representative from Redeemer, and Meta-e, as well as an  
16 independent named David Pauker. So that's the initial  
17 structure.

18 Q And can you describe for the Court, how did Mr. Pauker get  
19 involved in this?

20 A He was selected by the Committee.

21 Q Okay. Is there -- Meta-e is a convenience class claim  
22 holder. Do I have that right?

23 A Yeah. They're -- they -- as I went through earlier, they  
24 had a liquidated claim for litigation services. So we  
25 expected that they'll be paid off rather early in the process.

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1 At that point, we suspect they wouldn't -- they would no  
2 longer be an Oversight Committee member and they would be  
3 replaced by an independent.

4 Q And do you have any understanding as to how that  
5 independent will be chosen?

6 A I believe it's chosen by the other members.

7 Q Okay. Can you describe your proposed compensation  
8 structure as the proposed Claimant Trustee?

9 A My compensation will be \$150,000 a month, which is the  
10 same compensation I have now. In addition, we'll negotiate a  
11 bonus structure with the Oversight Committee. And that will  
12 likely be a bonus not just for myself but for the entire team,  
13 depending on performance.

14 Q Okay. And that -- and who is that negotiation going to be  
15 had with?

16 A The Oversight Committee.

17 Q Okay. Are you familiar with Mr. Pauker's compensation  
18 structure?

19 A I -- I've seen it. I don't recall specifically. I think  
20 his -- from the models, I think he's about 40 or 50 grand a  
21 month, something along those lines.

22 Q Okay. How about Mr. Kirschner? Do you recall -- let me  
23 just ask you this. Does it refresh your recollection at all  
24 if I said that 250 in year one for Mr. Pauker?

25 A Yeah. So maybe closer to \$20,000 to \$25,000 a month. And

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1 then Mr. Kirschner is a lower amount, but he would get a  
2 contingency fee arrangement somewhere dependent on the  
3 recoveries from his litigations.

4 Q Okay. You mentioned earlier that the Debtor intends to  
5 continue operations at least for some period of time post-  
6 effective date. Do you have a view as to whether the post-  
7 confirmation entity will have sufficient personnel to manage  
8 the business?

9 A I do, yes.

10 Q And why is that? What makes you believe that the Debtor  
11 will have -- the post-confirmation Debtor will have sufficient  
12 personnel to manage the business?

13 A Well, we've gone through and looked at each of the assets  
14 and what is required to manage those assets. We have a lot of  
15 experience doing it during the case. The bulk of the  
16 employees, who do a fine job, are really doing shared service  
17 arrangements. The direct asset management group is a smaller  
18 group, and we'll be able to manage those with the team we're  
19 putting together.

20 Q Okay. How does the ten employees compare to the original  
21 plan that was set forth in the disclosure statement, if you  
22 recall?

23 A Well, we had less, and I believe the number was either two  
24 or three, along with me, and then using a lot of outside  
25 professional help. But we determined that we wanted to have a

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1 much more robust team, based on the litigation that we're  
2 seeing around the case and we expect to continue post-exit, so  
3 that the team can manage those assets unfettered.

4 In addition, we were taking on the CLO management, the 1.0  
5 CLO contracts. These one -- as I've mentioned before, they're  
6 not traditional CLOs in the sense that they require the same  
7 hands-on management, but they do require an experienced team  
8 to help manage the exposures, most of which are cross-holdings  
9 in different -- in different entities or different investments  
10 that Highland also has exposure to.

11 Q In addition to the assumption of the CLO management  
12 agreements, has the Debtor made any decisions regarding the  
13 possibility of hiring a sub-servicer?

14 A We have, yes.

15 Q And did that factor into the Debtor's decision to increase  
16 the number of personnel it was going to retain?

17 A Well, we determined we weren't going to hire a sub-  
18 servicer. And I'm not sure exactly when we made that  
19 determination. We do have a TPA, which is SEI, and that's a  
20 third-party administrator, to sift through the funds and  
21 provide accounting supporting to those, to those funds. So  
22 that -- they will help. We also have an outside consultant  
23 that we're using, Experienced Advisory Consultants, who are  
24 financial consultants who've worked in the business. So we do  
25 have those.

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1 But we didn't think that we would get a third-party sub-  
2 servicer, as was the case in Acis, and determined that wasn't  
3 in the best interest of the estate.

4 Q Can you just shed a little light on what factors the  
5 Debtor took into account in deciding not to hire a sub-  
6 servicer?

7 A Well, we primarily looked at cost, as well as control of  
8 the assets, and determined that that was -- those were in the  
9 best interests of the estate, to keep them managed internally.  
10 We reviewed that with the Committee, and they agreed.

11 Q Okay.

12 MR. MORRIS: Let's turn now to the best interests of  
13 creditors' test, Your Honor, 1129(a)(7), and let's talk about  
14 whether the plan is in the best interests of creditors.

15 BY MR. MORRIS:

16 Q Has the Debtor done any analysis to determine the likely  
17 value to be realized in a Chapter 7 liquidation?

18 A We have, yes.

19 Q And has the Debtor done any analysis to determine the  
20 likely recoveries under the plan?

21 A Yes.

22 Q Okay. Do you recall when these projections were first  
23 prepared?

24 A We started working on projections in the fall, as we were  
25 developing the monetization plan. We filed projections, I

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1 believe, in November. We've subsequently updated those  
2 projections based on the claims, market condition, and value  
3 of the assets.

4 Q And were those updates provided to plan objectors last  
5 week?

6 A Yes, they were.

7 Q Okay. Can we refer to the projections that were in the  
8 disclosure statement as the November projections?

9 A That'd be fine.

10 Q And can we refer to the projections that were provided to  
11 the objectors last week as the January projections?

12 A Yes.

13 Q And as --

14 A I think they're actually -- I think they're actually dated  
15 February 1, is the most recent update.

16 Q Okay. And then was a further update provided yesterday  
17 and filed on the docket, to the best of your knowledge?

18 A Yes.

19 Q All right. We'll talk about some of the changes in those  
20 projections.

21 MR. MORRIS: Can we call up on the screen Debtor's  
22 Exhibit 7D as in dog? And this document is in evidence. Um,  
23 --

24 THE COURT: No, this is -- oh, wait. How many Ds is  
25 it? Seven?

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1 MR. MORRIS: It's 7D, so that would be on Docket  
2 1866, all of which has been admitted.

3 THE COURT: Okay. You're right.

4 MR. MORRIS: Okay.

5 And if we could just, I'm sorry, go to Page 3.

6 BY MR. MORRIS:

7 Q Is there any way to look at this, Mr. Seery? Is this the  
8 January projections that were provided last week?

9 A Yes.

10 Q Okay. Can you describe for the Court the process by which  
11 this set of projections and the November projections were  
12 prepared? How did the Debtor go about preparing these  
13 projections?

14 A Yeah. These are prepared what I would call bottoms-up.  
15 So what we did was we looked at each of the assets that the  
16 Debtor owns or manages or has a direct or indirect interest  
17 in, used the values that we have for those assets, because we  
18 do keep valuations for each of the assets that the Debtor owns  
19 or manages in the ordinary course of business. We then  
20 adjusted those depending on what we saw as the outcomes for  
21 the case, either a plan outcome or a liquidation outcome, and  
22 then rolled those into the -- into the numbers that you see  
23 here.

24 So the 257 and change. And please excuse my eyesight.

25 I'm going to make this bigger. The 257 is the estimated

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1 proceeds from monetization. Above that, you see cash. That's  
2 our estimated cash at 131. And we monitor those, those values  
3 daily.

4 Q And were these projections prepared under your  
5 supervision?

6 A They were, yes.

7 Q Okay. And who was involved in the preparation of this  
8 document and other iterations of the projections?

9 A The team at DSI. Obviously, myself; the team at DSI; as  
10 well as the, at least from a review perspective, counsel.

11 Q All of these contain various assumptions. Do I have that  
12 right?

13 A Yes.

14 MR. MORRIS: Can we go to the prior page, please, I  
15 think is where the assumptions are? And let's just look at a  
16 few of them. Okay. Can we make that a little bigger, La  
17 Asia? Okay. Good.

18 BY MR. MORRIS:

19 Q Why does the Debtor's projections and liquidation analysis  
20 contain any assumptions? Why, why include assumptions?

21 A Well, all projections contain assumptions. So an  
22 assumption -- I was strangely asked the question at  
23 deposition, what does that mean? It's a thing or fact that  
24 one accepts as true for the purposes of analysis. And so in  
25 terms of looking out into the future as to what the potential

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1 operation expenses will be and what the potential recoveries  
2 will be, one has to make assumptions in order to be able to  
3 compare apples to apples.

4 Q And do you believe that these assumptions are reasonable?

5 A Yes. It would make no sense to have assumptions that  
6 aren't reasonable. I mean, and we've all seen that with  
7 analysis through our respective careers. It really should be  
8 grounded in some fact and a reasonable projection on what can  
9 happen in the future, based upon experience.

10 Q Okay. And have you personally vetted each of the  
11 assumptions on this page?

12 A Yes.

13 Q Okay. Let's just look at a few of them. Let's start with  
14 B. It says, All investment assets are sold by December 31,  
15 2022. Do you see that?

16 A Yes.

17 Q Why did the Debtor make that assumption?

18 A We looked at a two-year projection horizon. We thought  
19 that that was a reasonable amount of time, looking at these  
20 assets, to monetize the assets. Remember that we did go  
21 through a process of the case over the last year, and we did  
22 consider monetization asset events for certain of the assets  
23 throughout the case, some of which we were successful on, some  
24 of which we weren't, some we just determined to pull back.  
25 But we do believe that, based upon our view of the market and

1 where we think these assets will be positioned, that  
2 monetizing them over a two-year period makes sense.

3 Q And is it possible that it takes longer than that?

4 A It's possible. The -- you know, we would be wrong about  
5 the market. The -- we could go into a full-blown recession.  
6 Capital could dry up. The financing markets could turn  
7 negative. But they're extremely positive right now. Those  
8 things could happen. But we're assuming that they won't.

9 Q And is it possible that you complete the process on a more  
10 accelerated timeframe?

11 A That's always possible. It's not, in my experience, a  
12 good way to plan. Luck really isn't a business strategy. But  
13 if good opportunity shows up and folks want to pay full value  
14 for an asset, we certainly wouldn't turn them away just so we  
15 could stretch out the time period.

16 Q Is it fair to say that this projected time period is your  
17 best estimate on the most likely timeframe needed?

18 A It's -- I think it's the best estimate that we have based  
19 upon our experience with the assets, again, and our projection  
20 of the marketplace that we see now. If things change, we'll  
21 adjust it, but this is a fair estimate of when we can get the  
22 monetization accomplished.

23 Q Okay. The next assumption relates to certain demand  
24 notes. Do you see that?

25 A Yes.

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1 Q Can you explain to the Court what that assumption is and  
2 why the Debtor believed that it was reasonable?

3 A Well, the Debtor has certain notes that are demand notes.  
4 These are all from related entities. Most of the notes, the  
5 demand notes, we have demanded, and we've commenced litigation  
6 to collect. And we assume that we're going to be able to  
7 collect those.

8 Three notes that were long-term notes -- these were notes  
9 with maturities in 2047 that had been stretched out a couple  
10 years ago -- were defaulted recently. And we have accelerated  
11 those notes and we've asserted demands and we have commenced  
12 litigation, I believe, on each of those last week to collect.  
13 So we do estimate that we will collect on all of the notes  
14 that we've demanded and that we've commenced action on. So  
15 the demand notes as well as the accelerated notes.

16 The next, the next bullet shows there's one Dugaboy note  
17 that has not defaulted. That also has a 2047 maturity. I  
18 believe it's about \$18 million. And we expect that one to  
19 stay current, because now I think the relater parties learned  
20 that when you don't pay a long-dated note, it accelerates,  
21 provided the holder, which is us, wishes to accelerate it,  
22 which we did. And so that note we do not expect to be  
23 collected in the time period.

24 Q Okay.

25 MR. MORRIS: Let's go down to M.

1 BY MR. MORRIS:

2 Q M relates to certain claims. Do you see that?

3 A Yes.

4 Q Can you just describe at a high level what assumption was  
5 made with which -- with respect to which particular claims?

6 A Well, we've summarized them there. And what we've assumed  
7 is that, with respect to Class 8, IFA, which is a derivative  
8 litigation claim that seeks to hold, loosely, HCMLP liable for  
9 obligations of NexBank, is worth zero. I think that's pretty  
10 close to settling. We assumed here \$94.8 million for UBS,  
11 which was the estimated amount, and \$45 million for  
12 HarbourVest.

13 Q And when you say the estimated amount, are you referring  
14 to the 3018 order on voting?

15 A Yes. We just use the estimated amount in this projection  
16 based upon the 3018 order.

17 Q Okay. And finally, let's look at P. P has a payout  
18 schedule. Do I have that right?

19 A That's an estimated payout schedule, yes.

20 Q And what do you mean by that, that it's estimated?

21 A Based upon our projections and how we perceive being able  
22 to monetize the assets and reach the valuations that we want  
23 to reach, we believe we could make these distributions.  
24 However, there's no requirement to make them.

25 So the first and foremost objective we have, as I said

1 earlier, is to maximize value, and not -- it's not based on a  
2 payment schedule, it's based upon the market opportunity. And  
3 we've estimated for our purposes here that we'll be able to  
4 meet these distribution amounts, but there's no requirement to  
5 do so.

6 Q Okay.

7 MR. MORRIS: Let's go to Page 3 of the document,  
8 please.

9 BY MR. MORRIS:

10 Q Can you just describe generally what this page reflects?

11 A This is a comparison of the plan analysis and what we  
12 expect to achieve under the plan and the liquidation analysis  
13 if a trustee, a Chapter 7 trustee, were to take over. And it  
14 compares those two distribution amounts based upon the  
15 assumptions on the prior page.

16 Q All right. Let's just look at some of the -- some of the  
17 data points on here. If we look at the plan analysis, what is  
18 -- what is projected to be available for distribution, the  
19 value that's available for distribution?

20 A \$222.6 million.

21 Q Okay. So, 222? And on a claims pool that's estimated to  
22 be, for this purpose, how much?

23 A \$313 million.

24 Q And what is the distribution, the projected distribution  
25 to general unsecured creditors on a percentage basis?

1 A On this analysis, to general unsecured creditors, it's  
2 62.14 percent. But remember, that backs out the payment to  
3 the Class 7 creditors of 85 cents above.

4 Q Okay. And does this plan analysis include any value for  
5 litigation claims?

6 A No, it does not.

7 Q And is that true for all forms of the Debtor's  
8 projections?

9 A That's correct, yes.

10 Q Okay. And let's look at the right-hand column for a  
11 moment. It says, Liquidation Analysis. What does that column  
12 represent?

13 A That represents our estimate of what a Chapter 7 trustee  
14 could achieve if it were to take over the assets, sell them,  
15 and make distributions.

16 Q Okay. And let's just look at the comparable data points  
17 there. Under the liquidation analysis, as of -- the January  
18 liquidation analysis as of last week, what was projected to be  
19 available for distribution?

20 A A hundred and -- approximately \$175 million.

21 Q Okay. And what was the claims pool?

22 A The claims pool was \$326 million. Recall that that's a  
23 slightly larger claims pool because it doesn't back out the  
24 Class 7 claims.

25 Q Okay. The convenience class claims?

1 A Correct.

2 Q Okay. And what's the projected recovery for general  
3 unsecured claims under the liquidation analysis?

4 A Based on this analysis and the assumptions, 48 (audio  
5 gap).

6 Q Okay. Based on the Debtor's analysis, are creditors  
7 expected to do better under this analysis in the -- under the  
8 Debtor's plan versus the hypothetical Chapter 7 liquidation?

9 A Yes. Both -- both Class 7 and Class 8.

10 Q Okay. Now, this set of projections differs from the  
11 projections that were included in the disclosure statement; is  
12 that right?

13 A That's correct.

14 Q Okay. Can we just talk about what the differences are  
15 between the November projections that were in the disclosure  
16 statement and the January projections that are up on the  
17 screen? Let's start with the monetization of assets, the  
18 second line. Do you recall if there was an increase, a  
19 decrease, or did the value from the monetization of assets  
20 stay the same between the November projections and the January  
21 projections?

22 A They increased from November 'til -- 'til now.

23 Q Okay. Can you explain to the judge why the value from the  
24 monetization of assets increased from November to January?

25 A Well, really, it's the composition of the assets and their

1 value. So there's four main drivers.

2 The first is HarbourVest. We had a settlement with  
3 HarbourVest, which include HarbourVest transferring to the  
4 Debtor \$22-1/2 million of HCLOF interests. Those have a real  
5 value, and we've now included them in the -- in the asset  
6 pool. We've also included HarbourVest in the claims pool.

7 The second was we talked a little bit earlier on the  
8 assumptions on the notes. We previously had anticipated that,  
9 on the long-dated notes, a collection, we -- we'd receive  
10 principal and interest currently, but we wouldn't receive the  
11 full amount of the principal that was due well off in the  
12 future, and we would sell it a discount.

13 So the amount of the asset pool has been increased by \$24  
14 million, and that reflects the delta between or the change  
15 between what was in the prior plan, the notes paying and then  
16 being sold at a discount, and what's in the current plan,  
17 which include the accelerated notes, which is a \$24 million  
18 note that Advisors defaulted on that we have accelerated and  
19 brought action on, as well as two six -- roughly \$6 million  
20 notes, one from Highland Capital Real Estate and the other  
21 from HCM Services. So that's, that's additional 24.

22 In addition, Trussway, we've reexamined where Trussway is  
23 in the market, both its marketplace and its performance, and  
24 reassessed where the value is. So that has increased by about  
25 \$10.6 million.

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1 That doesn't mean that we would sell it today. It means  
2 that, when you look at the performance of the company, what we  
3 think are the best opportunities in the market. As we see the  
4 marketplace with managing the company over time, we think that  
5 that asset has appreciated considerably since November.

6 And then, finally, there were additional revenues that  
7 flow into the model from the November analysis which would be  
8 distributable, and those include revenues from the 1.0 CLOs.

9 Q Okay. So that accounts for the difference and the  
10 increase in value from the monetization of assets. Is there  
11 also an increase in expenses from the November projections to  
12 the January projections?

13 A Yeah. It's -- it's about -- it's around \$25 million  
14 additional increase.

15 Q And can you explain to the Court what is the driver behind  
16 that increase in expenses?

17 A Yeah. There's several drivers to that. The first one is  
18 head count. So our head count, we've increased. As I  
19 mentioned earlier, we determined that we wanted to have a much  
20 more robust management presence. So we've increased the head  
21 count, so we have a base comp, compensation, about \$5 million  
22 more than we initially thought.

23 Secondly, we have bonus comp. So we've back-ended --  
24 structured a backend bonus performance bonus for the team, and  
25 that will run another \$5 million, roughly.

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1 Previously, we had thought about, as you mentioned  
2 earlier, the sub-servicing, but we've now talked about and we  
3 have engaged a TPA, SEI, as well as experienced advisors.  
4 That's another \$1 to \$2 million.

5 Operating expenses have increased by about \$8 million,  
6 based upon our assessment. The biggest driver there is D&O,  
7 which is up about \$3 million. In addition, we've gotten -- we  
8 determined to keep a bunch of agreements related to data  
9 collection and operations. Those were requested by the  
10 Committee, but they also serve us in performing our functions.  
11 That's another couple million dollars.

12 My comp, my bonus comp was not in the prior model. So I  
13 have a bonus that has not been agreed to by the Court for the  
14 bankruptcy performance. This is not a future bonus. And we  
15 built that into the model. Obviously, it's subject to Court  
16 approval and Committee objection, and I suppose anybody else's  
17 objection, but we'll -- we'll be before the Court for that.  
18 But we wanted to build that into the model so that we had it  
19 covered in the event that it was approved.

20 Q Was there also a change in the assumption from November to  
21 January with respect to the size of the general unsecured  
22 claim pool?

23 A Yes. There have been -- there have been several changes  
24 that have happened, and we've added those and refined the  
25 claim pool numbers.

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1 Q And are those changes reflected in the assumption we  
2 looked at earlier, Exhibit -- Assumption M, which went through  
3 certain claims that have been liquidated?

4 A Some, some are. That assumption, I don't believe, was --  
5 it's not in front of me, but wasn't up to date. So, that one,  
6 for example, assumed UBS at the 3018 estimated amount. We've  
7 since refined that number to reflect the agreed-upon  
8 transaction with UBS, which is subject to Court approval.

9 Q Right. But before we get to that, for purposes of the  
10 January model, the one that's up on the page -- and if we need  
11 to look at the prior page --

12 MR. MORRIS: Let's go to the prior page, the  
13 assumption. Assumption M.

14 BY MR. MORRIS:

15 Q Assume the UBS, the UBS claim at the \$94.8 million, the  
16 3018 number. Do you remember that?

17 A Yeah. That's, that -- that's the assumption in this  
18 model. I think back in November we assumed HarbourVest at  
19 zero and UBS at zero. So we've since -- we've since refined  
20 those numbers, obviously, through both the 3018 process as  
21 well as the settlement with HarbourVest.

22 Q And did the -- did the inclusion -- withdrawn. At the  
23 time that you prepared the November model -- withdrawn. At  
24 the time the Debtor prepared the November model, did it know  
25 what the UBS or the HarbourVest claims would be valued at?

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1 A No. We just had our assumption back then, which was zero.  
2 And now, obviously, we know.

3 Q And so the January model took into account the settlement  
4 with HarbourVest and the 3018 motion; do I have that right?

5 A That's correct. That's in the assumptions.

6 Q And what was the impact on the projected recoveries to  
7 general unsecured creditors from the changes that you've just  
8 described, including the increase in the claims amount?

9 A Well, when -- like any fraction, the distribution will go  
10 down if the claimant pool goes up. So, with the denominator  
11 going up by the UBS and the UBS amount -- the UBS and the  
12 HarbourVest amounts, the distribution percentage went down.

13 Q Okay. I want to focus your attention on the second line  
14 where we've got the monetization of assets under the plan at  
15 \$258 million but under the liquidation analysis it's \$192  
16 million. Do you see that?

17 A Yes.

18 Q Can you tell Judge Jernigan why the Debtor believes that  
19 under the plan the Debtor or the post-confirmation Debtor is  
20 likely to receive or recover more for the --

21 (Interruption.)

22 THE COURT: All right. Hang on a minute. Where is  
23 that coming from, Mike?

24 THE CLERK: Someone is calling in.

25 THE COURT: Okay.

1 MR. MORRIS: Thank you.

2 THE COURT: Mr. --

3 MR. MORRIS: Let me restate the question.

4 THE COURT: Yes. Restate.

5 BY MR. MORRIS:

6 Q Can you explain to Judge Jernigan why the Debtor believes  
7 that the -- under the plan corporate structure, the Debtor is  
8 likely to recover more from the monetization of assets than a  
9 Chapter 7 liquidation trustee would?

10 A Sure. My experience is that Chapter 7 trustees will  
11 generally try to move quickly to monetize assets. They will  
12 retain their own professionals, they will examine the assets,  
13 and they will look to sell those assets swiftly.

14 The monetization plan does not plan to do that. I've got  
15 a year's of experience -- a year now of experience with these  
16 assets, as well as we'll have a team with several years at  
17 least each of experience with the assets. We intend to look  
18 for market opportunities, and think we'll be able to do it in  
19 a much better fashion than a liquidating Chapter 7 trustee.

20 The nature of these assets is complex. Many of them are  
21 private equity investments in operating businesses. Certain  
22 of them are complicated real estate structures that need to be  
23 dealt with. Some of them are securities that, depending on  
24 when you want to sell them, we believe there'll be better  
25 times than moving quickly forward to sell them now.

1           So, with each of them, we think that we'll be able to do  
2 better than a Chapter 7 trustee based upon our experience.  
3 The only thing that we're level-set with a Chapter 7 trustee  
4 on is that cash is cash.

5       Q     Do you have any concerns that a Chapter 7 trustee might  
6 not be able to retain the same personnel that the Debtor is  
7 projected to retain?

8       A     Well, again, in my experience, it would be very difficult  
9 for a Chapter 7 trustee to retain the same professionals, and  
10 typically they don't.

11           Secondly, retaining the individuals, I think, would be  
12 very difficult for a Chapter 7 trustee, would not have a  
13 relationship with them, and that gap of time and the risks  
14 that they would have to take to join a Chapter 7 trustee I  
15 think would lead most of them to look for different  
16 opportunities.

17       Q     Okay. One of the other things, one of the other changes I  
18 think you mentioned between the November and the January  
19 projections was the decision to assume the CLO management  
20 contracts. Do I have that right?

21       A     That's correct.

22       Q     And why has the Debtor decided to assume the CLO  
23 management contracts? How does that impact the analysis on  
24 the screen?

25       A     Well, it does add to the expense, but it also adds to the

1 proceeds.

2 When we did the HarbourVest settlement, we ended up with  
3 the first significant interest in HCLOF. HCLOF owns the vast  
4 majority of the equity in Acis 7, and also owns significant  
5 preferred share interests in the 1.0 CLOs. And we think it's  
6 in the best interest of the estate to keep the management of  
7 those assets where we have an interest in the outcome of  
8 maximizing value with the estate.

9 In addition, we're going to have employees who are going  
10 to work with us to manage those specific assets, so we feel  
11 like that will be something where we can control the  
12 disposition much better.

13 There's also cross-interests that these CLOs have in --  
14 the 1.0 CLOs have in a number of other investments that  
15 Highland has. As in all things Highland, it's interrelated,  
16 and so many of the companies have direct loans from the CLOs.  
17 We intend to refinance that, but we feel much more comfortable  
18 and feel that there would be value maximization if we're able  
19 to work directly with the Issuers as a manager while we seek  
20 in those underlying investments to refinance the CLO debt.

21 Q Has the Debtor -- has the Debtor reached an agreement with  
22 the Issuers on the assumption of the CLO management  
23 agreements?

24 A Yes, we have.

25 Q Can you describe for the Court the terms of the

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1 assumption?

2 MR. RUKAVINA: Your Honor, this --

3 THE WITNESS: Yes.

4 MR. RUKAVINA: Your Honor, this is Davor Rukavina. I  
5 would object to this as hearsay.

6 THE COURT: Well, he has not --

7 MR. MORRIS: It's --

8 THE COURT: He's not said an out-of-court statement  
9 yet, so I overrule.

10 Go ahead.

11 THE WITNESS: Yeah, we -- we are going to assume the  
12 CLO contracts. We have had direct discussions with the  
13 Issuers. They have agreed.

14 The basic terms are that we're going to cure them by  
15 satisfying about \$500,000 of cure costs related to costs that  
16 the CLO Issuers have incurred in respect of the case, and  
17 we'll be able to pay that over time.

18 MR. RUKAVINA: Your Honor, this is Davor Rukavina. I  
19 would renew my objection and move to strike his answer that  
20 they've agreed. That is hearsay, an out-of-court statement  
21 offered to prove the truth of the matter asserted.

22 THE COURT: Okay. Mr. Morris, what is your response?

23 MR. MORRIS: He's describing an agreement. I  
24 actually think it's in the Debtor's plan that's on file  
25 already. But he's describing the terms of an agreement. He's

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1 not saying what anybody said. There's no out-of-court  
2 statement. It's an agreement that's being described.

3 THE COURT: All right. Thank you. I overrule the  
4 objection.

5 MR. MORRIS: Okay.

6 BY MR. MORRIS:

7 Q Does the Debtor believe that the CLO agreements will be  
8 profitable?

9 A Yes.

10 Q And why does the Debtor believe that the CLO agreements  
11 will be profitable to the post-confirmation estate?

12 A Well, we don't -- we don't break out profitability on a  
13 line-by-line basis. But the simple math is that the revenues  
14 from the CLO contracts which will roll in to the Debtor from  
15 the management fees are more than what we anticipate the  
16 actual direct costs of monitoring and managing those assets  
17 would be.

18 Q Okay. Are you aware that yesterday the Debtor filed a  
19 further revised set of projections?

20 A I am, yes.

21 Q All right. Let's call those the February projections.

22 MR. MORRIS: Can we put those on the screen?

23 It's Exhibit 7P, Your Honor.

24 THE COURT: Okay.

25 MR. MORRIS: All right. I think that for some reason

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1 -- yeah, okay. There we go. Perfect. Right there.

2 Your Honor, these are the projections that were filed  
3 yesterday. I'm going to move for the admission into evidence  
4 of these projections.

5 THE COURT: All right.

6 MR. TAYLOR: Your Honor, this is Clay Taylor.

7 THE COURT: Go ahead.

8 MR. TAYLOR: We object. These were -- these were not  
9 previously provided. They were provided on the eve of the  
10 confirmation hearing, after the Debtors had already revised  
11 them once and provided those on -- after close of business on  
12 a Friday before Mr. Seery's deposition. And these were  
13 provided even later, certainly not within the three days  
14 required by the Rule. And therefore we move to -- that these  
15 should not be allowed into evidence.

16 THE COURT: Mr. Morris, what is your response to  
17 that?

18 MR. MORRIS: Your Honor, first of all, the January  
19 projections were provided in advance of Mr. Seery's deposition  
20 and he was questioned extensively on it. These projections  
21 have been updated since then, I think for the singular purpose  
22 of reflecting the UBS settlement.

23 As Your Honor just saw, the prior projections included an  
24 assumption based on the 3018 motion. Since Mr. Seery's  
25 deposition, UBS and the Debtor have agreed to publicly

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1 disclose the terms of the settlement, and that's reflected in  
2 these revised numbers. I think there was one other change  
3 that Mr. Seery can testify to, but those are the only changes  
4 that were made.

5 THE COURT: All right. Mr. Seery, what besides the  
6 UBS settlement do you think was put in these overnight ones?

7 THE WITNESS: I believe the only other change, Your  
8 Honor, was correcting a mistake. In Assumption M, the second  
9 line is assumes RCP claims will offset against HCMLP's  
10 interest in the fund and will not be paid from the Debtor's  
11 assets. That hasn't changed.

12 Basically, the Debtor got an advance from RCP that was to  
13 -- for tax distributions, and did not repay it. The RCP  
14 investors are entitled to recovery of that. So we had  
15 previously backed that out. It's about four million bucks.  
16 What happened was it was just double-counted.

17 THE COURT: Okay.

18 THE WITNESS: So, as an additional claim, it was  
19 counted as \$8 million. I think that's the only other change.

20 THE COURT: All right. I overrule the objection.  
21 You may go forward. I admit 7P.

22 MR. MORRIS: Thank you, Your Honor.

23 (Debtor's Exhibit 7P is received into evidence.)

24 MR. MORRIS: Can you just -- if we can go to the next  
25 page, please.

1 BY MR. MORRIS:

2 Q So, with -- seeing that the claims pool under the plan  
3 previously was \$313 million, and what's the claims pool under  
4 the projections up on the screen under the plan?

5 A Two -- well, remember, there's 273 for Class 8, and then  
6 you'd add in the Class 7 as well, which is the \$10.2 million.  
7 So the 273 went from 313 to 273 with that settlement.

8 Q And is there any -- is there any reason for the decrease  
9 other than the change from the 3018 settlement -- order figure  
10 to the actual settlement amount?

11 A For the UBS piece, no. And then, as I mentioned, I  
12 believe the other piece would have been that four million --  
13 that additional \$4 million that was taken out.

14 Q And did those two changes have a -- did those two changes  
15 have an impact on the projected recoveries under the plan?

16 A Sure, particularly with respect to -- to the Class 8.  
17 Those recoveries went up significantly because the denominator  
18 went up.

19 Q Okay. Does the Debtor believe that its plan is feasible?

20 A Yes, absolutely.

21 Q And do you know whether the administrative priority and  
22 convenience class claims will be paid in full under the  
23 Debtor's plan?

24 A Yes. We monitor the cash very closely, so we do have  
25 additional cash to raise, but we're set to reach or exceed

1 that target, so we do believe we'll be able to pay all the  
2 administrative claims when they come in. Obviously, we have  
3 to see what they are. We will be able to pay Class 7 on the  
4 effective date. Any other distributions, we expect to be able  
5 to make as well.

6 So, and then it's -- then it's a question of going forward  
7 with a few other claims that we have to pay over time. We  
8 have the cash flow to pay those. Frontier, for example, we'll  
9 be able to pay that claim over time in accordance with the  
10 restructured terms. If the assets that secure that claim are  
11 sold, they would be paid when those assets are sold.

12 Q Frontier, will the plan enable the Debtor to pay off the  
13 Frontier secured claim?

14 A Yes. That's what I was explaining. The cash flow is  
15 sufficient to support the current P&I on that claim. We will  
16 be able to satisfy it from other assets if we determine not to  
17 sell the asset securing the Frontier claim, or if we sell the  
18 asset securing the Frontier claim we could satisfy that claim.  
19 The asset far exceeds the value of the claim.

20 Q Has the plan been proposed for the purpose of avoiding the  
21 payment of any taxes?

22 A No. We expect all tax claims to be paid in accordance  
23 with the Code, and to the extent that there are additional  
24 taxes generated, we would pay them.

25 Q Okay. Let's just talk about Mr. Dondero for a moment

1 before we move on. Are you aware that Mr. Dondero's counsel  
2 has requested the backup to, you know, these numbers,  
3 including the asset values?

4 A It -- I'm not sure if it was his counsel or one of the  
5 other related-entity counsels.

6 Q Okay. But you're aware that a request was made for the  
7 details regarding the asset values and the other aspects of  
8 this?

9 A Yes.

10 Q Those were -- were those formal requests or informal  
11 requests?

12 A They were certainly at my deposition.

13 Q Right. But you haven't seen a document request or  
14 anything like that, have you?

15 A No.

16 Q Did the Debtor make a decision as to whether or not to  
17 provide the rollup, the backup information to Mr. Dondero or  
18 the entities acting on his behalf?

19 A Yes.

20 Q And what did the Debtor decide?

21 A We would not do that.

22 Q And why did the Debtor decide that?

23 A Well, I think that's pretty standard. The underlying  
24 documentation and the specific terms of the model are very  
25 specific, and they are -- they are confidential business

1 information that runs through what we expect to spend and what  
2 we expect to receive and when we expect to sell assets and  
3 then receive proceeds, and the prices at which we expect to  
4 sell them.

5 To the extent that any entity wants to have that  
6 information as a potential bidder, that would be very  
7 detrimental to our ability to maximize value. So, typically,  
8 I wouldn't expect that to be given out, and I would not  
9 approve it to be given out here.

10 Q Did the Debtor disclose to Mr. Dondero's counsel or  
11 counsel for one of his entities the agreement in principle  
12 with UBS before the updated plan analysis was filed last  
13 night?

14 A I believe that disclosure was done a while ago, to Mr.  
15 Lynn.

16 Q So, to the best of your -- so, to the best of your  
17 knowledge, the Debtor actually shared the specifics of the  
18 agreement with UBS with Mr. Dondero and his counsel before  
19 last night?

20 A Yes. I have specific personal knowledge of it because we  
21 had to ask UBS for their permission, and they agreed.

22 Q Okay.

23 MR. MORRIS: All right. Let's move on to 1129(b),  
24 Your Honor, the cram-down portion.

25 BY MR. MORRIS:

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1 Q Are you aware, Mr. Seery, how various classes have voted  
2 under the plan?

3 A I am generally, yes.

4 Q Okay. Did any class vote to reject the plan, to the best  
5 of your knowledge?

6 A I don't -- I guess it depends on how you define the class.  
7 I think the answer is that I don't believe that, when you  
8 count the full votes of the -- the allowed claims and the  
9 votes in any class, I don't believe any of the classes voted  
10 to reject the plan.

11 Q What type of claims are in Class 8?

12 A General unsecured claims.

13 Q And what percentage of the dollar amount of Class 8 voted  
14 to accept?

15 A It's -- I think it's near -- now with the Daugherty  
16 agreements, it's near a hundred percent of the third-party  
17 dollars. I don't know the individual employees' claims off  
18 the top of my head.

19 Q All right. And what about the number in Class 8? Have a  
20 majority voted to accept or reject in Class 8?

21 A If you include the employee claims -- which, again, we  
22 think have no dollar amounts -- then I think it's a majority  
23 would have rejected. The vast dollar amounts did accept.

24 Q Okay. Let's talk about those employees claims for a  
25 moment. Do you have an understanding as to the basis of the

1 claims?

2 A Yes.

3 Q What's your understanding of the basis of the claims?

4 A Most of the claims are based on deferred compensation, and  
5 that's the 2005 Highland Capital Management bonus plan. And  
6 that bonus plan provides certain deferred payment amounts to  
7 the employees to be paid over multiple-year periods, provided  
8 that they are in the seat when the payment is due. That's the  
9 vesting date.

10 Q Okay.

11 MR. MORRIS: Your Honor, just as a note-keeping  
12 matter, the deferred compensation plan and the annual bonus  
13 plan are Exhibits 6F and 6G, respectively, and they're on  
14 Docket 1822.

15 THE COURT: All right.

16 BY MR. MORRIS:

17 Q And Mr. Seery, are you generally familiar with those  
18 plans?

19 A I am, yes.

20 Q In order to receive benefits under the plans, are the  
21 employees required to be employed at the time of vesting?

22 A Yeah. Our counsel refers to them, various terms, but  
23 generally -- our outside labor counsel. They're referred to  
24 as seat-in-the-seat plans, meaning that your seat has to be in  
25 a seat at the office at the day that the payment is due. If

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1 you're terminated for cause or if you resign, you're not  
2 entitled to any payment.

3 So either you're there and you receive it or you're not  
4 and you don't. The only exception to that, I believe, is  
5 death and disability. Or disability.

6 Q All right. Did the Debtor terminate the annual bonus  
7 plan?

8 A Yes, we did.

9 Q And in what context did the Debtor terminate the annual  
10 bonus plan?

11 A Well, we had discussion on it last week. As Mr. Dondero  
12 had also testified, the plan was to terminate all the  
13 employees prior to the transition. That's well known among  
14 the employees. The board terminated the 2005 bonus plan and  
15 instead replaced it with a KERP plan that was approved by this  
16 Court.

17 Q And what was your understanding of the consequences of the  
18 termination of the bonus plan for -- for purposes of the  
19 claims that have been asserted by the employees who rejected  
20 in Class 8?

21 A It's clear that, under the 2005 HCMLP bonus plan, no  
22 amounts are due because the plan has been terminated.

23 Q All right. Do you have an understanding as to when  
24 payments become due under the deferred compensation -- under  
25 the compensation plan?

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1 A I do, yes.

2 Q And when are they due?

3 A The next payments are due in May.

4 Q And what is the Debtor intending to do with respect to the  
5 objecting employees?

6 A The Debtor will have terminated all those employees before  
7 that date.

8 Q All right. So, what's -- what are the consequences of  
9 their termination vis-à-vis their claims under the deferred  
10 compensation plan?

11 A They won't have any claims.

12 Q Okay. So is it the Debtor's view that the employees who  
13 voted to reject in Class 8 have no valid claims under the  
14 annual comp -- annual bonus plan or the deferred compensation  
15 plan?

16 MR. RUKAVINA: Your Honor, this is Davor Rukavina.  
17 With due respect, Your Honor, these employees have voted. The  
18 voting is on file. There has been no claim objections to  
19 their claims filed. There's been no motion to designate their  
20 votes filed. So Mr. Seery's answer to this is irrelevant.  
21 They have votes -- pursuant to this Court's disclosure  
22 statement order, they have votes and they have counted, and  
23 now Mr. Seery is attempting to basically impeach his own  
24 balloting summary.

25 THE COURT: Mr. Morris, what is your response?

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1 MR. MORRIS: The point of cram-down, Your Honor, is  
2 it fair and equitable. Does -- does -- is it really fair and  
3 equitable to the 99 percent of the economic interests to allow  
4 24 employees who have no valid claims to carry the day here?  
5 And this is -- that's what cram-down is about, Your Honor.

6 THE COURT: All right. I overrule the objection.

7 BY MR. MORRIS:

8 Q Let's talk about Class 7 for a moment, Mr. Seery. That's  
9 the convenience class; is that right?

10 A That's correct.

11 Q How and why was that created?

12 A Well, initially, that was created because we had two types  
13 of creditors in the case, broadly speaking. We had liquidated  
14 claims, which were primarily trade-type creditors, and we had  
15 unliquidated claims, which were the litigation-type creditors.  
16 And so that class was created to deal with the liquidated  
17 claims, and the Class 8 would deal with the unliquidated  
18 claims, which were expected to, as we talked about earlier  
19 with respect to the monetization plan, take some time to  
20 resolve.

21 Q Was the creation of the convenience class a product of  
22 negotiations with the Committee?

23 A The initial discussion on how we set it up I believe was  
24 generated by the Debtor's side, but how it evolved and who  
25 would be in it and how it was treated in terms of

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1 distributions was a product of negotiation with the Committee.

2 Q Okay. So how was the dollar threshold figure arrived at?  
3 How did you actually determine to create a convenience class  
4 at a million dollars?

5 A It was through negotiation with the Committee. So this  
6 was one of those items that moved a fair bit, in my  
7 recollection, through the many negotiations we had, heated  
8 negotiations on some of these items, with the Committee.

9 Q And are all convenience class -- all holders of  
10 convenience class claims holders of claims that were  
11 liquidated at the time the decision was made to create the  
12 class?

13 A I believe so. I don't think there's been -- other than --  
14 well, there -- we just had some settlements today, and I think  
15 that relates to the employees, but those would be the only  
16 ones that there would be disputes about, and that would roll  
17 into the liquidat... the convenience class.

18 Q Okay. Finally, is there any circumstance under which  
19 holders of Class 10 or 11, Class 10 or Class 11 claims will be  
20 able to obtain a recovery under the plan?

21 A Theoretically, there's a circumstance, and that is if  
22 every other creditor in the case were to be paid in full, with  
23 interest at the federal judgment rate, including Class 9,  
24 which are the subordinated claims. If those all got paid in  
25 full, then theoretically the junior interest holders could

1 receive distributions.

2       However, based upon our projections, that would be wholly  
3 dependent on a significant recovery in the Litigation -- by  
4 the Litigation Trustee.

5 Q    Okay. Let's move now to questions of the Debtor release  
6 and the plan injunction. Is the Debtor providing a release  
7 under the plan?

8 A    Yes.

9 Q    Is anyone other than the Debtor providing a release under  
10 the plan?

11 A    No.

12 Q    Who is the Debtor proposing to release under the plan?

13 A    The release parties are pretty similar to what you  
14 typically would see, in my experience, in most plans. You  
15 have the independent board, myself as CEO and CRO, the  
16 professional -- the Committee members, the professionals in  
17 the case, and the employees that we reached agreement with  
18 respect to certain of them who have signed on to a  
19 stipulation, and others, get a broader release for negligence.

20 Q    Okay. Is the Debtor aware of any facts that might give  
21 rise to a colorable claim against any of the proposed release  
22 parties?

23 A    Not with respect to any of the release parties. So the --  
24 obviously, I don't think there's any claims against me. But  
25 the same is true with respect to the oversight board, the

1 independent board.

2 The Committee has been, you know, working with us hand-in-  
3 glove, and I think if they thought we -- there was something  
4 there, we would have heard it.

5 With respect to the professionals, we haven't seen  
6 anything as an independent board.

7 And with respect to the employees' that -- general  
8 negligence release, these are current employees and we have  
9 been monitoring them for a year and we don't have any evidence  
10 or anything to suggest that there would be a claim against  
11 them.

12 Q Are there conditions to the employees' release?

13 A There are. So, the employee release, as we talked about  
14 earlier, was highly negotiated with the Committee. It  
15 requires that employees assist in the monetization efforts,  
16 which is really on the transition and the monetization. They  
17 don't have to assist in bringing litigations against anybody,  
18 so that's not part of what the provision requires. But it  
19 does require that they assist generally in our efforts to  
20 monetize assets.

21 We don't think that's going to be significant, but if  
22 there are individual questions or help we need, we certainly  
23 would reach out to them. If it's significant time, that will  
24 be a different discussion.

25 And then with respect to the two senior employees who

1 signed the stipulation, they have to give up a part of their  
2 distribution for their release.

3 Q All right. I think you just alluded to this, but has the  
4 release been the subject of negotiation with the Creditors'  
5 Committee?

6 A Yeah. We've touched on it a bunch of times, and we  
7 certainly, unfortunately, let it spill over into the court a  
8 couple times. It was a hotly-negotiated piece of the plan.

9 Q Okay. Has the Committee indicated to the Debtor in any  
10 way that anybody subject to the release is the subject of a  
11 colorable claim?

12 A Anyone subject to the release? No.

13 Q Yeah. All right. Let's talk about the plan injunction  
14 for a moment. Are you familiar with the plan injunction?

15 A Broadly, yes.

16 Q And what is your broad understanding of the plan  
17 injunction?

18 A Anybody who has a claim or thinks they have a claim will  
19 broadly be enjoined from bringing that, other than as it's  
20 satisfied under the plan or else ultimately bringing it before  
21 this Court. And that's the gatekeeper part, which is a little  
22 bit of combining the two pieces.

23 Q And what's your understanding of the purpose of the  
24 injunction?

25 A It's really to prevent vexatious litigation. We, as

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1 independent directors, stepped into what I think most people  
2 would fairly say is one of the more litigious businesses and  
3 enterprises that they've seen. And we have a plan that will  
4 allow us to monetize assets for the benefit of the creditor  
5 body, provided we're able to do that and not have to put out  
6 fires every day on different fronts. So what we're hoping to  
7 do with the injunction is ensure that we can actually fulfill  
8 the purposes of the plan.

9 Q All right. Let's talk about some of the litigation that  
10 you're referring to.

11 MR. MORRIS: Can we put up on the screen the  
12 demonstrative for the Crusader litigation?

13 BY MR. MORRIS:

14 Q And Mr. Seery, I would just ask you to kind of describe  
15 your understanding in a general way about the history of the  
16 Crusader litigation.

17 MR. MORRIS: And, Your Honor, just to be clear here,  
18 this is a demonstrative exhibit. As you can see in the  
19 footnotes, it's heavily footnoted to the documents and to --  
20 and, really, to the court cases themselves. The documents on  
21 the exhibit list include the dockets from each of the  
22 underlying litigations. And I just want to just have Mr.  
23 Seery describe at an extremely high level some of the  
24 litigation that the Debtor has confronted over the years, you  
25 know, as the driver, as he just testified to, for the decision

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1 to seek this gatekeeper injunction.

2 THE COURT: All right.

3 BY MR. MORRIS:

4 Q So, Mr. Seery, can you just describe kind of in general  
5 terms the Crusader litigation?

6 A Yeah. I apologize to the Redeemer team for maybe not  
7 doing this justice. But this is litigation that came out of a  
8 financial crisis upheaval related to this fund. Disputes  
9 arose with respect to the holders of the interests, which were  
10 the -- ultimately became the Redeemers, and Highland as the  
11 manager.

12 That went through initial litigation, and then into the  
13 Bermuda courts, where it was subject to a scheme. The scheme  
14 required or allowed for the liquidation of the fund and then  
15 distributions to the -- to the holders, and then deferred many  
16 of the payments to Highland.

17 At some point, Highland, frustrated that it wasn't able to  
18 get the payments, decided to just take them, and I think, you  
19 know, fairly -- can be fairly described, at least by the  
20 arbitration panel, as coming up with reasons that may not have  
21 been wholly anchored in reality as to what its reasons were  
22 for taking that money.

23 That led to further disputes with the Redeemers, who then  
24 terminated Highland and brought an arbitration action against  
25 Highland. They were successful in that arbitration and

1 received a \$137 arbitration award. And right up to the  
2 petition date, that arbitration pursued. When they finally  
3 got their -- the arbitration award, they were going to  
4 Delaware Chancery Court to file it and perfect it, and the  
5 Debtor filed.

6 Q Okay.

7 MR. MORRIS: Let's go to the next slide, the Terry/  
8 Acis slide. If we could just open that up a little bit. It's  
9 -- as you can imagine, Your Honor, it's a little difficult to  
10 kind of summarize the Acis/Terry saga in one slide, but we've  
11 done the best we can.

12 BY MR. MORRIS:

13 Q Mr. Seery, can you describe generally for Judge Jernigan,  
14 who is well-versed in the matter, the broad overview of this  
15 litigation?

16 A There's clearly nothing I can tell the Court about the  
17 bankruptcy that it doesn't already know. But very quickly,  
18 for the record, Mr. Terry was an employee at Highland. He  
19 also has a partnership interest in Acis, which was, in  
20 essence, the Highland CLO business. He -- and he got into a  
21 dispute with Mr. Dondero regarding certain transactions that  
22 Mr. Dondero wanted to enter into and Mr. Terry didn't believe  
23 were appropriate for the investors.

24 Strangely, the assets that underlie that dispute are still  
25 in the Highland portfolio, both Targa (phonetic) and Trussway.

1 Mr. Terry was terminated, or quit, depending on whose side of  
2 the argument you take. Mr. Terry then sought compensation in  
3 the arbitration pursuant to the partnership agreement.  
4 Ultimately, he was awarded an arbitration award of roughly \$8  
5 million.

6 When he went to enforce that -- that was against Acis.  
7 When he went to enforce that against Acis, which had all the  
8 contracts, Highland went about, I think, terribly denuding  
9 Acis and moving value. Mr. Terry ultimately was able to file  
10 an involuntary against Acis, and after a tremendous amount of  
11 litigation had a plan confirmed that gave him certain rights  
12 in Acis and any ability to challenge certain transactions with  
13 respect to Highland that formed the basis of his claims in the  
14 Highland bankruptcy.

15 That wasn't the end of the saga, because Highland  
16 commenced a litigation -- well, not Highland, but HCLOF and  
17 others, directed by others -- commenced litigation against Mr.  
18 Terry in Guernsey, an island in the English Channel. That  
19 litigation wound its way for a couple -- probably close to two  
20 years, at least a year and a half, and ultimately was -- it  
21 was dismissed in Mr. Terry's favor.

22 While that was pending, litigation was commenced in New  
23 York Supreme Court against Mr. Terry and virtually anybody who  
24 had ever associated with him in the business, including --  
25 including some of the rating agencies. That was withdrawn as

1 part of our efforts working with DAF to try to bring a little  
2 bit of sanity to the case. But it was withdrawn without  
3 prejudice.

4 But ultimately, you know, we've agreed to a claims  
5 settlement, which was approved by this Court, with Acis and  
6 Mr. Terry.

7 Q All right.

8 MR. MORRIS: How about UBS? Can we get the UBS  
9 slide?

10 THE WITNESS: I should mention that there's other  
11 litigations involving Mr. Terry and Highland individuals that  
12 are outstanding, I believe, in Texas court. We have not yet  
13 had to deal with those.

14 BY MR. MORRIS:

15 Q Okay. Can you describe for the Court your general  
16 understanding of the UBS litigation?

17 A Again, UBS comes out of the financial crisis. It was a  
18 warehouse facility that UBS had established for Highland. It  
19 actually was a pre-crisis facility that was restructured in  
20 early '08, while the markets were starting to slide but before  
21 they really collapsed. That litigation started after Highland  
22 failed to make a margin call. UBS foreclosed out -- or it  
23 wasn't really a foreclosure, because it's a warehouse  
24 facility, but basically closed out all the interest and sought  
25 recovery from Highland for the shortfall.

1 Highland was one of the defendants, but there are numerous  
2 defendants, including some foreign subsidiaries of Highland.

3 That case went its way through the New York Supreme Court,  
4 up and down between the Supreme and the Appellate Division,  
5 which is the intermediate appellate court in New York.  
6 Incredibly litigious effort over virtually every single item  
7 you could possibly think of.

8 Ultimately, UBS got a judgment for \$500-plus million and  
9 -- plus prejudgment interest against two of the Highland  
10 subsidiaries. It then sought to commence action up -- enforce  
11 its judgment through various theories against Highland. That  
12 is part of the settlement that we have -- it's been part of  
13 the lift stay motion here, the 3019, as well as the 3018, and  
14 as well as the ultimate settlement we've discussed today.

15 Q Okay. Moving on to Mr. Daugherty, can you describe for  
16 the Court your understanding of the Daugherty litigation?

17 A The Daugherty litigation goes back even further. It did  
18 -- I think the original disputes were -- or, again, started to  
19 happen between Mr. Daugherty and Mr. Dondero even prior to the  
20 crisis, but Mr. Dondero -- Daugherty certainly stayed with  
21 Highland post-crisis. And then when Mr. Daugherty was severed  
22 or either resigned or terminated from his position, there was  
23 various litigations that began between the parties very  
24 intensely in state court, one of the more nasty litigations  
25 that you can imagine, replete with salacious allegations and

1 press releases.

2 That litigation then led to an award originally for Mr.  
3 Daugherty from HERA, which was an entity that had assets that  
4 Mr. Daugherty alleges were stripped. Mr. Daugherty had to pay  
5 a judgment against Highland. Ultimately, litigations were  
6 commenced in both the state court and the Delaware Chancery  
7 Court. Those litigations, many of those continue, because  
8 they're not just against the entities but specific  
9 individuals. Mr. Daugherty got a voting -- a claim allowed  
10 for voting purposes in our case of \$9.1 million, and we've  
11 since reached an agreement with Mr. Daugherty on his claim,  
12 save for a tax case which we announced earlier that relates to  
13 compensation, claimed compensation with respect to a tax  
14 distribution, which we have defenses for and he has claims  
15 for.

16 MR. MORRIS: All right. We can take that down,  
17 please.

18 BY MR. MORRIS:

19 Q And let's just talk for a few minutes about some of the  
20 things that have happened in this case. Did Mr. Dondero  
21 engage in conduct that caused the Debtor to seek and obtain a  
22 temporary restraining order?

23 A Yes, he did.

24 Q And did the Debtor -- did Mr. Dondero engage in conduct  
25 that caused the Debtor to seek and obtain a preliminary

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1 injunction against him?

2 A Yes.

3 Q And has the Debtor filed a motion to hold Mr. Dondero in  
4 contempt for violation of the TRO?

5 A Yes.

6 Q Are you aware that -- of the CLO-related motion that was  
7 filed in mid-December?

8 A It's similar in that these are controlled entities that  
9 brought similar types of claims against the Debtor and  
10 interfered in similar ways, albeit not as directly threatening  
11 with respect to the personnel of the Debtor.

12 Q Okay. And you're aware of how that -- that motion was  
13 resolved?

14 A I know we resolved it, and I'm drawing a blank on that.  
15 But --

16 Q All right. Are you aware, did Mr. Daugherty also object  
17 to the Acis and HarbourVest settlements, or at least either  
18 him or entities acting on his behalf?

19 A I think you meant Mr. Dondero. I don't believe Mr.  
20 Daugherty did.

21 Q You're right. Thank you. Let me ask the question again.  
22 Thank you for the clarification. We're almost done. To the  
23 best of your knowledge, did Mr. Dondero or entities that he  
24 controls file objections to the Acis and HarbourVest  
25 settlements?

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1 A Yes, they did.

2 Q And we're here today with this long recitation because the  
3 remaining objectors are all Mr. Dondero or entities owned or  
4 controlled by him; is that right?

5 A That's correct.

6 Q All right.

7 MR. RUKAVINA: Your Honor, I didn't have a chance to  
8 object in time. Entities owned or controlled by Mr. Dondero.  
9 There's no evidence of that with respect to at least three of  
10 my clients, and this witness has not been asked predicate  
11 questions to lay a foundation. Mr. Dondero does not own or  
12 control the three retail (inaudible). So I move to strike  
13 that answer.

14 MR. MORRIS: Your Honor, I withdraw with respect to  
15 the three funds. It's fine.

16 THE COURT: All right. With that withdrawal, then I  
17 think that resolves the objection.

18 MR. MORRIS: Uh, --

19 THE COURT: Or I overrule the remaining portion.

20 Okay. Go ahead.

21 MR. RUKAVINA: That does, Your Honor. Thank you.

22 BY MR. MORRIS:

23 Q Are -- are -- is everything that you just described, Mr.  
24 Seery, the basis for the Debtor's request for the gatekeeper  
25 and injunction features of the plan?

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1 A Well, everything I described are a part of the basis for  
2 that. I didn't describe every single basis with respect to  
3 why those --

4 Q So what are -- what are the other reasons that the Debtor  
5 is seeking the gatekeeper and injunction provisions in the  
6 plan?

7 A We really do need to be able to operate the business and  
8 monetize the assets without direct interference and litigation  
9 threats. We didn't go through some of the specifics, and I  
10 hesitate to burden the Court again, but the email to me, the  
11 email to Mr. Surgent, the testimony threatening -- effectively  
12 threatening Mr. Surgent, in my opinion, by Mr. Dondero, in the  
13 court in previous weeks, statements by his counsel indicating  
14 that Mr. Dondero is going to sue me for hundreds of millions  
15 of dollars down the road.

16 I mean, this is nonstop. I'm an independent fiduciary.  
17 I'm trying to maximize value for the estate. I've got some  
18 guy who's threatening to sue me? It's absurd.

19 MR. MORRIS: Your Honor, I have no further questions,  
20 but what I would respectfully request is that we take just a  
21 short five-minute break. I'd like to just confer with my  
22 colleagues before I pass the witness.

23 THE COURT: All right. Five-minute break.

24 MR. MORRIS: Thank you, Your Honor.

25 THE CLERK: All rise.

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1 (A recess ensued from 1:58 p.m. to 2:06 p.m.)

2 THE CLERK: All rise.

3 THE COURT: All right. Please be seated. We're back  
4 on the record in Highland. Mr. Morris, anything else?

5 MR. MORRIS: All right, Your Honor. Can you hear me?

6 THE COURT: I can, uh-huh.

7 MR. MORRIS: Okay. Mr. Seery, are you there?

8 THE WITNESS: I am, yes.

9 MR. MORRIS: I just have a few follow-up questions,  
10 Your Honor, if I may.

11 THE COURT: Okay.

12 DIRECT EXAMINATION, RESUMED

13 BY MR. MORRIS:

14 Q Okay. Mr. Seery, we talked for a bit about the difference  
15 between the convenience class and the general unsecured  
16 claims. Do you recall that?

17 A Yes.

18 Q And that's the difference between Class 7 and 8; do I have  
19 that right?

20 A Yes.

21 Q And what is the recovery for claimants in Class 7, to the  
22 best of your recollection, the convenience class?

23 A It's 85 cents.

24 Q And under --

25 A On the dollar.

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1 Q And under the projections that were filed last night, and  
2 we can call them up on the screen if you don't have total  
3 recall, do you recall what Class 8 is projected to recover now  
4 that we've taken into account the UBS settlement?

5 A Approximately 71.

6 Q Okay.

7 A Percent. 71 cents on the dollar.

8 THE COURT: Okay. The answer --

9 BY MR. MORRIS:

10 Q Okay. Do I this right --

11 THE COURT: The answer was a little garbled. Can you  
12 repeat the answer, Mr. Seery?

13 THE WITNESS: Approximately 71 cents on the dollar,  
14 Your Honor.

15 THE COURT: Okay. Thank you.

16 BY MR. MORRIS:

17 Q Okay. And do I have that right, that that 71 cents  
18 includes no value for potential litigation claims?

19 A That's correct. We didn't even put that in our  
20 projections at all.

21 Q So is it possible, depending on Mr. Kirschner's work, that  
22 holders of Class 8 claims could recover an amount in excess of  
23 85 percent?

24 A It's possible, yes.

25 Q Okay. Are you aware that Dugaboy has suggested that the

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1 Debtor should resolicit because their -- their -- the  
2 projections in the November disclosure statement were  
3 misleading?

4 A I'm aware that they've made allegations along those lines,  
5 yes.

6 Q Okay. Do you think the November projections were  
7 misleading in any way?

8 A No, not at all.

9 Q And why not?

10 A Well, the plan was -- the projections are for the plan,  
11 and they contain assumptions. And it was clear in the plan  
12 that those assumptions could change. So the value of the  
13 assets, which aren't static, does change. The costs aren't  
14 static. They do change. The amount of the claims, the  
15 denominator, was not static and would change.

16 Q Okay. And were the -- were the changes in the claims, for  
17 example, changes that were all subject to public viewing, as  
18 the Court ruled on 3018, as the settlement with HarbourVest  
19 was announced?

20 A Well, the plan -- the terms of the plan made clear that  
21 the Class 8 claims would -- would be whatever the final  
22 amounts of those claims were going to be. We did resolve the  
23 claims of HarbourVest and then ultimately the settlement  
24 announced today, but in front of -- in front of the world, in  
25 front of the Court, with a 9019 motion.

1 Q Okay. We had finished up with some questioning about the  
2 gatekeeper and the injunction provision. Do you recall that?

3 A Yes, I do.

4 Q And you had testified as to the reasons why the Debtor was  
5 seeking that particular protection. Do you recall that?

6 A Yes.

7 Q In the absence of that protection, does the Debtor have  
8 any concerns that interference by Mr. Dondero could adversely  
9 impact the timing of the Debtor's plan?

10 A Well, that's my opinion and what I testified to before. I  
11 think the -- the injunction -- the exculpation, the  
12 injunction, and the gatekeeper are really critical and  
13 essential elements of this plan, because we have to have the  
14 ability, unfettered by litigation, particularly vexatious  
15 litigation in multiple jurisdictions, we have to be able to  
16 avoid that and be able to focus on monetizing the assets and  
17 try to maximize value.

18 Q Is there a concern that that value would erode if  
19 resources and time and attention are diverted to the  
20 litigation you've just described?

21 A Absolutely. The focus of the team has to be on the  
22 assets' monetization, creative ways to get the most value out  
23 of those assets, and not on defending itself, trying to paper  
24 up some sort of litigation defense against vexatious  
25 litigation, and also spending time actually defending

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1 ourselves in various courts.

2 Q Okay. Last couple of questions. If there was no  
3 gatekeeper provision in the plan, would you accept appointment  
4 as the Claimant Trustee?

5 A You broke up. No which provision?

6 Q If there was no gatekeeper provision in the -- in the  
7 confirmation order, would you accept the position as Claimant  
8 Trustee?

9 A No, I wouldn't. Just -- just like when I came on, there  
10 were -- there are some pretty essential elements that I  
11 mentioned before. One is indemnification. Two is directors  
12 and officers insurance. And three was a gatekeeper function.  
13 I want to make sure that we're not at risk, that I'm not at  
14 risk, for doing my job.

15 Q And I think you just said it, but if you were unable to  
16 obtain D&O insurance, would you accept the position as  
17 Claimant Trustee?

18 A No, I would not.

19 MR. MORRIS: I have no further questions, Your Honor.

20 THE COURT: All right. So, you went two hours and 34  
21 minutes in total with your direct. So we'll now pass the  
22 witness for cross. And the Objectors get an aggregate of two  
23 hours and 34 minutes.

24 Who's going to go first?

25 MR. RUKAVINA: Your Honor, Davor Rukavina. I will.

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1 THE COURT: Okay. Go ahead.

2 MR. RUKAVINA: Mr. Vasek, if you can pull up Exhibit  
3 6N, the ballot summary, Page 7 of 15 on the top.

4 MR. POMERANTZ: Mr. Morris, you're not on mute.

5 MR. MORRIS: Thank you, sir.

6 MR. RUKAVINA: Mr. Vasek, did you hear me? There it  
7 is.

8 CROSS-EXAMINATION

9 BY MR. RUKAVINA:

10 Q Mr. Seery, are you familiar with this ballot tabulation  
11 that was filed with the Court and that has been admitted into  
12 evidence?

13 A Yes, I believe I've seen this.

14 Q Okay. And this says that 31 Class 8 creditors rejected  
15 and 12 Class 8 creditors accepted the plan, correct?

16 A That's correct.

17 Q And since then, I think we've heard that Mr. Daugherty and  
18 maybe two other employees have changed their vote to an  
19 accept; is that correct?

20 A That's correct, yes.

21 Q Okay. Other than three, those three employees that are  
22 changing, do you know of any other Class 8 creditors that are  
23 changing their votes?

24 A Mr. Daugherty is not an employee.

25 Q I apologize. Other than those three Class 8 creditors

1 that are changing their votes, do you know of any other ones  
2 that are changing their votes?

3 A No.

4 Q Okay. You didn't tabulate the ballots, did you?

5 A No, I did not.

6 Q Do you have any reason to question the accuracy of this  
7 ballot summary that's been filed with the Court?

8 A No, I do not.

9 Q Okay. You mentioned that many of the people that rejected  
10 the plan are former employees who you don't think will  
11 ultimately have allowed claims, correct?

12 A Not ultimately. I said they don't have them now.

13 Q Okay. Are you aware that the Court ordered that  
14 contingent unliquidated claims be allowed to vote in an  
15 estimated amount of one dollar?

16 A I'm aware of that, yes.

17 Q Okay. All right. Now, no motion to reconsider that order  
18 has been filed, correct?

19 A Not to my knowledge.

20 Q Okay. No objection to these rejecting employees' claims  
21 have been filed yet, correct?

22 A Correct.

23 Q Okay. And no motion to strike or designate their vote has  
24 been filed as of now, correct?

25 A Correct.

1 MR. RUKAVINA: You can take down that exhibit, Mr.  
2 Vasek.

3 BY MR. RUKAVINA:

4 Q Mr. Seery, the Debtor itself is a limited partnership; I  
5 think you confirmed that earlier, correct?

6 A Correct.

7 Q And its sole general partner is Strand Advisors, Inc.,  
8 correct?

9 A Correct.

10 Q And to your understanding, the Debtor, as a limited  
11 partnership, is managed by its general partner, correct?

12 A Correct.

13 Q Okay. And Strand, that's where the independent board of  
14 you, Mr. Nelms, and Mr. Dubel -- or I apologize if I'm  
15 misspelling, misstating his name -- that's where the board  
16 sits, at Strand, correct?

17 A Yes.

18 Q Okay. And that board has been in place since about  
19 January 9, 2020?

20 A Yes.

21 Q Okay. Strand is not a debtor in bankruptcy, correct?

22 A No.

23 Q Okay. Do you have any understanding as to whether, under  
24 non-bankruptcy law, a general partner is liable for the debts  
25 of the limited partnership that it manages?

1 A I do.

2 Q Okay. What's your understanding?

3 A Typically, a general partner is liable for the debts of  
4 the partnership.

5 Q Okay. And under the plan, Strand itself is an exculpated  
6 party and a protected party and a released party for matters  
7 arising after January 9, 2020, correct?

8 A Yes.

9 Q Okay. You mentioned that you're the chief executive  
10 officer and chief restructuring officer in this case for the  
11 Debtor, correct?

12 A For the Debtor, yes.

13 Q Yeah. You are not a Chapter 11 trustee, right?

14 A No.

15 Q Okay. You are one of the principal authors of this plan,  
16 correct?

17 A Consultant.

18 MR. MORRIS: Objection to the form of the question.

19 THE COURT: Sustained.

20 BY MR. RUKAVINA:

21 Q You are --

22 THE COURT: Sustained.

23 BY MR. RUKAVINA:

24 Q You are --

25 THE COURT: Rephrase.

1 BY MR. RUKAVINA:

2 Q -- one of the principal --

3 MR. RUKAVINA: I apologize.

4 BY MR. RUKAVINA:

5 Q You had input in creating this plan, didn't you?

6 A I did, yes.

7 Q Okay. And you're familiar with the plan's provisions,  
8 aren't you?

9 A Yes.

10 Q Okay. And you, of course, approve of the plan, correct?

11 A Yes.

12 Q Okay. And you are, of course, familiar generally with  
13 what the property of the estate currently is, correct?

14 A Yes.

15 Q Okay. And part of the purpose of the plan, I take it, is  
16 to vest that property in the Claimant Trust in some respects  
17 and the Reorganized Debtor in some respects, correct?

18 A I don't -- I don't know if that's a fair characterization.  
19 Some property -- maybe some property will stay with the  
20 Debtor, some will be transferred directly to the Trust.

21 Q Okay. All property of the estate as it currently exists  
22 will stay with the Debtor or go to the Trust, correct?

23 A Yes.

24 Q Okay. And under the plan, the Creditor Trust will be  
25 responsible for payment of prepetition claims, correct?

1 A Yes.

2 Q And under the plan, the Creditor Trust will be responsible  
3 for the payment of postpetition pre-confirmation claims,  
4 correct?

5 A Do you mean admin claims? I don't --

6 Q Sure.

7 A I don't understand your question. I'm sorry.

8 Q Yes. We can call them admin claims.

9 A Yeah. Those -- they'll be -- they will be paid on the  
10 effective date or in and around that time. So I'm not sure if  
11 that's actually going to be from the Trust, but I think it's  
12 actually from the Debtor, as opposed to from the Trust.

13 Q Okay. But after the creation of the Claimant Trust, --

14 A Uh-huh.

15 Q -- whatever administrative claims are not paid by that  
16 time will be assumed by and paid from the Claimant Trust,  
17 correct?

18 A I don't recall that specifically.

19 Q Is it your testimony that the Reorganized Debtor will be  
20 obligated post-effective date of the plan to pay any admin  
21 claims that are then unpaid?

22 MR. MORRIS: Objection to the form of the question.

23 THE COURT: Sustained. Rephrase.

24 BY MR. RUKAVINA:

25 Q Who pays unpaid admin claims under the plan once the plan

1 goes effective?

2 A I believe the Debtor does. The Reorganized Debtor.

3 Q Okay. The Reorganized Debtor also gets a discharge,  
4 correct?

5 A Yes.

6 Q Okay. And there is no bankruptcy estate left after the  
7 plan goes effective, correct?

8 MR. MORRIS: Objection to the form of the question.

9 THE COURT: Overruled.

10 MR. RUKAVINA: Your Honor, I have the right to know  
11 what the objection to my question is.

12 THE COURT: I overruled.

13 MR. MORRIS: Okay.

14 THE COURT: I overruled the objection.

15 MR. RUKAVINA: Thank you.

16 BY MR. RUKAVINA:

17 Q Mr. Seery, do you remember my question?

18 A That whether there was a bankruptcy estate after the  
19 effective date?

20 Q Yes.

21 A There wouldn't be a bankruptcy estate anymore, no.

22 Q Okay. Under the plan, the creditors, to the extent that  
23 they have their claims allowed, the prepetition creditors,  
24 they're the beneficiaries of the Claimant Trust, correct?

25 A They are some of the beneficiaries, yes.

1 Q Okay. And you would be the Trustee, I think you said, of  
2 the Claimant Trust?

3 A Of the Claimant Trust, yes.

4 Q Okay. And you will have fiduciary duties to the  
5 beneficiaries of the Claimant Trust, correct?

6 A I believe I have some, yes.

7 Q Okay. Well, as the Trustee, you will have some fiduciary  
8 duties; you do agree with that?

9 A That's what I said, yes.

10 Q Okay. What's your understanding of what those fiduciary  
11 duties to the beneficiaries of the Claimant Trust will be?

12 A I think they'll be -- they are cabined to some degree by  
13 the provisions of the agreement, but generally there will be a  
14 duty of care and a duty of loyalty.

15 Q Do you feel like you'll have a duty to try to maximize  
16 their recoveries?

17 A That depends.

18 Q On what?

19 A My judgment on what's the -- if I'm exercising my duty of  
20 care and my duty of loyalty.

21 Q Okay. But surely you'd like to, whether you have a duty  
22 or not, you'd like to maximize their recoveries as Trustee,  
23 wouldn't you?

24 A Yes.

25 Q Okay. Now, in addition to the beneficiaries, which I

1 believe are the Class 8 and Class 9 creditors, the plan  
2 proposes to give non-vested contingent interests in the Trust  
3 to certain holders of limited partnership interests, correct?

4 A Yes.

5 Q Okay. And those non-vested contingent interests would  
6 only be paid and would only vest if and when all unsecured  
7 creditors and subordinated creditors are paid in full, with  
8 interest, correct?

9 A Yes.

10 Q Okay. And those non-vested contingent interests are a  
11 property interest, although they're an inchoate property  
12 interest, correct?

13 A I don't know. I think I testified in my deposition that I  
14 -- I reached for inchoate, but I'm not an expert in the  
15 definitions of property interests. I don't know if they're  
16 too ethereal to be considered a property interest.

17 Q Okay.

18 MR. RUKAVINA: Mr. Vasek, will you please pull up Mr.  
19 Seery's deposition at Page 215? And if you'll go to Page 200  
20 -- can you zoom -- can you zoom that in a little bit? Mr.  
21 Vasek, can you zoom on that?

22 MR. VASEK: Just a moment. There's some sort of  
23 issue here.

24 MR. RUKAVINA: Okay. And then go to Page 216.  
25 Scroll down to 216, please.

1 MR. VASEK: Okay. I can't see it, so --

2 MR. RUKAVINA: Okay. Stay, stay where you are. Go  
3 down one more row.

4 BY MR. RUKAVINA:

5 Q Okay. Mr. Seery, can you see this?

6 A Yes.

7 Q Okay. So, I ask you on Line 21, "They may be a property  
8 interest, but inchoate only, correct?" And you answer, "That  
9 is my belief. I don't claim to be an expert on the different  
10 types of property interests," --

11 MR. RUKAVINA: Mr. Vasek, can you go to the next  
12 page?

13 BY MR. RUKAVINA:

14 Q (continues) "-- whether they be inchoate, reversionary,  
15 ethereal. I don't claim to be an expert on the different  
16 types of property interests."

17 Do you see that answer, sir?

18 A Yes.

19 Q And do you stand by your answer given on Lines 23 through  
20 Line 4 of the next page?

21 A Yes.

22 Q Okay. And these non-vested contingency -- contingent  
23 interests in the Claimant Trust, they may have some value in  
24 the future, correct?

25 A Yes.

1 MR. RUKAVINA: Okay. You can take that down, Mr.  
2 Vasek.

3 BY MR. RUKAVINA:

4 Q Have you tried to see whether anyone outside this case, or  
5 anyone at all, would pay anything for those unvested  
6 contingent interests to the Claimant Trust?

7 A No.

8 Q Okay. Now, the Debtor is a registered investment advisor  
9 under the Investment Advisers Act of 1940; is that correct?

10 A That's correct.

11 Q And under that Act, the Debtor owes a fiduciary duty to  
12 the funds that it manages and to the investors of those funds,  
13 correct?

14 A Clearly to the funds, and generally to the investors more  
15 broadly, yes.

16 Q Okay. And would you agree that that duty compels the  
17 Debtor to look for the interests of the funds and the  
18 investors of those funds ahead of its own interests?

19 A Generally, but it's a much more fine line than what you're  
20 describing. It means you can't -- the manager can't put its  
21 own interests in front of the investors and the funds. It  
22 doesn't mean that the manager subordinates its interest in the  
23 -- to the investors and the funds.

24 MR. RUKAVINA: Well, Mr. Vasek, please pull up the  
25 October 20th transcript at Page 233.

1 MR. MORRIS: What transcript is this?

2 MR. RUKAVINA: October 20, 2019. Mr. Vasek has the  
3 docket entry.

4 MR. MORRIS: Oh, so it's the -- Your Honor, I just do  
5 want to point out that Mr. Rukavina objected, in fact, to the  
6 use of trial transcripts, but we'll get to that when we put on  
7 our evidence, when we finish up.

8 MR. RUKAVINA: Well, Your Honor, I believe that  
9 you're allowed to use a trial transcript to impeach testimony,  
10 which is what I'm going to do now.

11 So, for that purpose, Mr. Vasek, if you could -- are you  
12 on Page 233?

13 THE COURT: And just so the record is clear, this is  
14 from October 2020, not October 2019, which is, I think, what I  
15 heard. Continue.

16 MR. MORRIS: Your --

17 MR. RUKAVINA: Your Honor, I apologize, you did hear  
18 that and I did make a mistake. Yes, this is at Docket 1271.

19 Mr. Vasek, if you'll scroll down, please. Okay. No, stop  
20 there.

21 BY MR. RUKAVINA:

22 Q And you see on Line 16, sir, you're asked your  
23 understanding, and then you answer, "Okay." "And in  
24 exercising those duties, the manager, under the Advisers Act,  
25 has a duty to subordinate its interests to the interests of

1 those investors in the CLOs, correct?" And you answer --

2 MR. RUKAVINA: Go down, Mr. Vasek.

3 BY MR. RUKAVINA:

4 Q -- "I think -- I think, generally, when you think about  
5 the fiduciary duty, and I think that we -- I want to make sure  
6 I'm very specific about this, is that the manager has a duty,  
7 fiduciary duties -- there's a whole bunch of legal analysis of  
8 what they are, but they are significant -- that the manager  
9 owes to the investors. And to the extent" --

10 MR. RUKAVINA: Scroll down, please.

11 BY MR. RUKAVINA:

12 Q "And to the extent that the manager's interests would  
13 somehow be -- somehow interfere with the investors' in the  
14 CLO, he is supposed to -- he or she is supposed to subordinate  
15 those to the benefit of the investors."

16 Did I read that accurately, Mr. Seery?

17 A You did.

18 Q Was that your testimony on October 20th last?

19 A Yes.

20 Q Okay. Are you willing to revise your testimony from a few  
21 minutes ago that the manager does not have to subordinate its  
22 interests to the interests of the investors?

23 A No. I think that's very similar.

24 Q Okay.

25 A You left out the part about garbled up top where I said it

1 was nuanced, almost exactly what I just said. On Line 9, I  
2 believe, on the prior page.

3 Q Well, I heard you say a couple of minutes ago, and maybe I  
4 misunderstood because of the WebEx nature, that the manager  
5 does not have to subordinate its interests to the interests of  
6 the investors. Did I misheard you say that a few minutes ago?

7 A I think you misheard it. I said it's a nuanced analysis,  
8 and it's -- it's pretty significant. But the manager does  
9 subordinate his general interest and assures that the CLO or  
10 any of the investors' interests are paramount, but he doesn't  
11 subordinate every single interest.

12 For example, and I think it's in this testimony, the  
13 manager, if the fund isn't doing well, doesn't just have to  
14 take his fee and not get paid. He's allowed -- entitled to  
15 take his fee. He doesn't subordinate every single interest of  
16 his. He doesn't give up his home and his family. So it's --  
17 it's a nuanced analysis. The interests of the manager are  
18 subordinated to the interests of the investors and the fund.  
19 I don't -- I don't disagree with anything I said there. I  
20 think I'm consistent.

21 Q Okay.

22 MR. RUKAVINA: You can take that down, Mr. Vasek.

23 BY MR. RUKAVINA:

24 Q So, how do you describe, sir, the fiduciary duty that the  
25 Debtor owes to the funds that it manages and to the investors

1 in those funds?

2 MR. MORRIS: Objection to the -- to the extent it  
3 calls for a legal conclusion, Your Honor. I just want to make  
4 sure we're -- we're asking a witness for his lay views.

5 THE COURT: Okay. I overrule the objection. He can  
6 answer.

7 THE WITNESS: Yes. As a manager of a fund, the  
8 manager is a fiduciary to the fund, and sometimes to the  
9 investors, depending on the structure of the fund. Some funds  
10 are purposely set up where the investors are actually debt-  
11 holders, and their interests are much more cabined by the  
12 terms of the contract, as opposed to straight equity holders.  
13 But the manager has a duty to seek to maximize value of the  
14 assets in the best interests of the underlying -- of the fund  
15 and the underlying investors, to the extent that it can,  
16 within the confines and structure of the fund.

17 BY MR. RUKAVINA:

18 Q Okay. And these duties as you just described them, they  
19 would apply to the Reorganized Debtor, correct?

20 A They would apply to the Reorganized Debtor to the extent  
21 that it's a manager for a fund, not, for example, with respect  
22 to necessarily interests -- the inchoate interests that we  
23 talked about earlier.

24 Q Sure. And I apologize, I meant just for the fund. And if  
25 the manager, the Reorganized Debtor, breaches those duties,

1 then it's possible that there's going to be liability,  
2 correct?

3 A It's possible.

4 Q Okay. Now, under the plan, the limited partnership  
5 interests in the Reorganized Debtor will be owned by the  
6 Claimant Trust, correct?

7 A Yes.

8 Q Okay. And there's a new entity called New GP, LLC that  
9 will be created or already has been created, correct?

10 A Yes.

11 Q Okay. And that entity will hold the general partnership  
12 interest in the Reorganized Debtor, correct?

13 A I believe that's correct.

14 Q Okay. And that entity -- that being New GP, LLC -- will  
15 also be owned by the Claimant Trust, correct?

16 A Yes.

17 Q Okay. Who will manage the Reorganized Debtor?

18 A The G -- the GP will manage the Reorganized Debtor.

19 Q Okay. And will there be an officer or officers of the  
20 Reorganized Debtor, or will it all be managed through the GP?

21 A It'll be managed through the GP.

22 Q Okay. And who will manage the GP?

23 A Likely, I will.

24 Q Okay. That's the current plan, that you will?

25 A I'll be the Claimant Trustee, and I believe that I'll be

1 responsible for any assets that remain in the Reorganized  
2 Debtor, yes.

3 Q Okay. Right now, the Debtor is managing its own assets as  
4 the Debtor-in-Possession, right?

5 A Yes.

6 Q And it is managing various funds and CLOs, right?

7 A Yes.

8 Q Okay. And right now, the Debtor is attempting to reduce  
9 some of its assets to money, like the promissory notes that  
10 you mentioned earlier that the Debtor filed suit on, correct?

11 A Yes.

12 Q And the Debtor is trying to reduce some of its assets to  
13 money, like the promissory notes, to benefit its creditors,  
14 correct?

15 A Yes.

16 Q Okay. And correct me if I'm wrong, but the Committee has  
17 filed various claims and causes of action against Mr. Dondero,  
18 correct?

19 A They -- they've filed some. I haven't -- I haven't looked  
20 at their (indecipherable) closely, but --

21 Q Okay.

22 A -- some are preserved in the case.

23 Q You understand --

24 A In the plan. I'm sorry.

25 Q You understand that the Committee is doing that for the

1 benefit of the estate, correct?

2 A Yes.

3 Q And you understand that they're also doing that for the  
4 benefit of creditors, correct?

5 A Yes.

6 Q Okay. And under the plan, just so that I'm clear, those  
7 claims that the Committee has asserted will be preserved and  
8 will vest in either the Claimant Trust or the Litigation Sub-  
9 Trust, correct?

10 A Yes.

11 Q Okay. And under the plan, the Reorganized Debtor would  
12 continue to manage its assets, correct?

13 A Yes.

14 Q And it would continue to manage the Funds and the CLOs,  
15 correct?

16 A Yes.

17 Q And the Claimant Trust would attempt to liquidate and  
18 distribute to its beneficiaries the assets that are  
19 transferred to it, correct?

20 A Yes.

21 Q Okay. And you mentioned that the Claimant Trust will have  
22 an Oversight Board comprised of five members, right?

23 A Yes.

24 Q And four of them will be the people that are currently on  
25 the Committee, right?

1 A Yes.

2 Q And the fifth is David Pauker, and I think you mentioned  
3 that he's independent. David Pauker is the fifth member,  
4 right?

5 A Yes.

6 Q Who -- who is he?

7 A David Pauker is a very well-known professional in the  
8 restructuring world. He's a long-time financial advisor in --  
9 in reorganizations. He's served on numerous boards in  
10 restructuring -- restructurings.

11 Q Okay. So, other than a different corporate structure and  
12 the Claimant Trust, the monetization of assets for the benefit  
13 of creditors would continue post-confirmation as now, correct?

14 A I -- I believe so. I'm not exactly sure what you asked  
15 there.

16 Q No one is putting in any new money under the plan, are  
17 they?

18 A No. No.

19 Q Okay. There's no exit financing contingent on the plan  
20 being confirmed, right?

21 A You mean no exit -- the plan is not contingent on exit  
22 financing. I think you just mixed up your -- your financing  
23 and your plan.

24 Q I apologize. There's no exit financing in place today,  
25 correct?

1 A No.

2 Q Okay. So, post-confirmation, you are basically going to  
3 continue managing the CLOs and funds and trying to monetize  
4 assets for creditors the same as you are today, correct?

5 A Similar, yes.

6 Q Okay. And just like the Committee has some oversight role  
7 in the case, the members of the Oversight Board will have some  
8 oversight role post-confirmation, correct?

9 A Yes.

10 Q Okay. You don't need anything in the plan itself to  
11 enable you to continue managing the Debtor and its assets,  
12 correct?

13 A I don't need anything in the plan?

14 Q Correct.

15 A I don't -- I don't understand the question. Can you  
16 rephrase it?

17 Q Well, you are managing the Debtor and its assets today,  
18 correct?

19 A Yes.

20 Q Okay. Nothing in the plan is going to change that,  
21 correct?

22 A Well, it's going to change it a lot.

23 Q Okay. Well, with respect to you managing the Funds and  
24 the CLOs, you don't need anything in the plan that you don't  
25 have today to keep managing them, do you?

1 A No. The Debtor manages them, and I will -- I'm the CEO  
2 and I'll be in a similar position with a different team.

3 Q Okay. And I believe you told me that you expect the  
4 Debtor to administer the CLOs for two or three years, maybe?

5 A However long it takes, but we expect -- our projections  
6 are that we'd be able to monetize most of the assets within  
7 two years.

8 Q Does that include the CLOs?

9 A It does, yes.

10 Q Okay. Now, you're going to be the person for the  
11 Reorganized Debtor in charge of managing the CLOs, correct?

12 A I'll be the person responsible for managing the  
13 Reorganized Debtor. The Reorganized Debtor will be the  
14 manager of the CLOs.

15 Q Okay. But the buck will stop with you at the Reorganized  
16 Debtor, right?

17 A Yes.

18 Q Okay. You're going to have a team of employees and  
19 outside professionals helping you, but ultimately, on behalf  
20 of the Reorganized Debtor, you're going to be the one in  
21 charge of managing the CLOs, correct?

22 A Yes.

23 Q Okay. That means that you'll also be making decisions as  
24 to when to sell assets of the CLOs, correct?

25 A Yes.

1 Q Okay. And to be clear, the CLOs, they own their own  
2 assets, whatever they are, and the Debtor just manages those  
3 assets, right?

4 A Correct.

5 Q The Debtor doesn't directly own those assets, right?

6 A No.

7 Q And currently there's more than one billion dollars in CLO  
8 assets that the Debtor manages?

9 A Approximately.

10 Q Yeah. And the Debtor receives fees for its services,  
11 correct?

12 A Yes.

13 Q Can you generally describe how the amount of those fees is  
14 calculated and paid, if you have an understanding?

15 A How the fees are calculated and paid?

16 Q Yes, sir.

17 A It's a percentage of the assets.

18 Q Assets administered or assets sold in any given time  
19 period?

20 A Administered.

21 Q Okay. So the sale of CLO assets does not affect the fees  
22 that the Reorganized Debtor would receive under these  
23 agreements?

24 MR. MORRIS: Objection to the form of the question.

25 THE COURT: Over --

1 THE WITNESS: That's not correct.

2 THE COURT: Overruled.

3 BY MR. RUKAVINA:

4 Q Okay. What is not correct about that?

5 A When you sell the assets, the amount administered shrinks,  
6 so you have less fees.

7 MR. RUKAVINA: Your Honor, the answer cut out at the  
8 very end. You have less--?

9 THE WITNESS: Fees.

10 BY MR. RUKAVINA:

11 Q Fees? I understand. Okay. So are you saying that there  
12 is a disincentive to the Reorganized Debtor to sell assets in  
13 the CLOs?

14 A No.

15 Q Okay. Is there an incentive to the Reorganized Debtor to  
16 sell assets in the CLOs?

17 A To do their job correctly, yes.

18 Q Okay. And the Debtor wishes to assume those contracts  
19 because the Debtor will get those fees going forward and  
20 there'll be a profit, even after the expenses of servicing  
21 those contracts are taken out, correct?

22 A They are profitable. That's one of the reasons that we're  
23 assuming, yes.

24 Q Okay. Now, over my objection, you testified that the CLOs  
25 have agreed to the assumption of these contracts, right?

1 A Yes.

2 Q Okay. Is there anything in the record other than your  
3 testimony here today demonstrating that?

4 A I believe there is, yes.

5 Q What do you believe there is in the record other than your  
6 testimony?

7 A I believe we filed a notice of assumption.

8 Q Okay. My question is a little bit different. You  
9 testified that the CLOs, over my objection, have agreed to the  
10 assumption. You did testify so, right?

11 A Yes.

12 Q Okay. What is there in the record, sir, from the CLOs  
13 confirming that?

14 A You mean today's record?

15 Q Yes, sir.

16 A I'm the only one who's testified so far.

17 Q Okay. Are you aware of anything in the exhibits that  
18 would confirm your testimony?

19 A Not that I know of.

20 Q Has there been an agreement with the CLOs that's been  
21 reduced to writing?

22 A Yes.

23 Q So there is a written agreement with the CLOs providing  
24 for assumption?

25 A Yes.

1 Q A signed, written agreement?

2 A No, it's -- it's email.

3 Q Okay. When was this email agreement reached?

4 A Within the last couple weeks. There's a number of back  
5 and forths where that was agreed to, and I believe we filed a  
6 notice of assumption.

7 MR. RUKAVINA: Mr. Vasek, if you will please pull up  
8 Mr. Seery's January 29th deposition.

9 BY MR. RUKAVINA:

10 Q Mr. Seery, you remember me deposing you last Friday,  
11 correct?

12 A Yes.

13 Q And you remember me asking you if there was a written  
14 agreement in place with the CLOs?

15 A I don't recall specifically.

16 MR. RUKAVINA: Okay. Mr. Vasek, if you would please  
17 scroll to that. Okay. Stop there.

18 BY MR. RUKAVINA:

19 Q Sir, you'll recall I also deposed you January 20th, right?

20 A Yes.

21 Q Okay. And do you remember that we had some discussion  
22 regarding whether the CLOs would consent or not?

23 A Yes.

24 Q Okay. And do you remember telling me something like that  
25 like you think that they will and that's still in the works on

1 January 20th?

2 A I don't recall specifically, but if you say that's what it  
3 says.

4 Q Okay. Well, here I'm asking you on January 29th, Line 17,  
5 "I asked you before and you didn't have anything in writing by  
6 then, so let me ask now. As of today, do you have anything in  
7 writing from the CLOs consenting to the assumption of those  
8 management agreements?" I'm sorry. Contracts. Answer, "I  
9 don't believe that I do. It could be on my email I opened. I  
10 don't recall."

11 MR. RUKAVINA: Scroll down, Mr. Vasek.

12 BY MR. RUKAVINA:

13 Q Okay. Then I ask, "Do you have an understanding of  
14 whether those CLOs have consented in writing to the assumption  
15 of the management agreements?" And you answer, "I believe  
16 they have. The actual final docs haven't been completed, but  
17 I believe they have agreed in writing, yes."

18 Then I ask --

19 MR. RUKAVINA: Scroll down a little bit more.

20 BY MR. RUKAVINA:

21 Q I ask, "Do you expect the final docs to be completed  
22 before Tuesday's confirmation hearing?" Answer, "I don't know  
23 whether they will be done by Tuesday."

24 Did I read all of that correctly, sir?

25 A Other than your misstatement. The word was "unopened."

1 Q Thank you. So, let me ask you again today. As of today,  
2 is there a written agreement that has been signed by the  
3 parties providing for the assumption of the CLO agreements?

4 A When phrased the way you did, is it signed by the parties,  
5 no.

6 Q Okay.

7 MR. RUKAVINA: You can take that down, Mr. Vasek.

8 BY MR. RUKAVINA:

9 Q I think -- I'm not sure if you quantified this earlier,  
10 but it might help. I believe that the Reorganized Debtor  
11 projects that it will generate revenue of \$8.269 million post-  
12 reorganization from managing the CLO contracts, correct?

13 A It's in that neighborhood. I did not testify to that  
14 earlier.

15 Q That's what I meant. And when I asked you at deposition,  
16 you were able to give me an estimate of how much it would cost  
17 to generate that revenue, correct?

18 A I was not?

19 Q You were? I'm sorry. Let me --

20 A Did you say I wasn't or I was?

21 Q Let me -- I apologize. Let me ask again. I talk too fast  
22 and I have an accent. You have been able to give an estimate  
23 of how much the Reorganized Debtor will expend to generate  
24 that revenue, correct?

25 A Yes.

1 Q Okay. Do you remember what your estimate is?

2 A I -- I think it was around \$2 million a year. It was a  
3 portion of our employees plus the contracts.

4 Q Okay. So, over the life of the projection at \$8.2  
5 million, do you remember that you projected costs of about  
6 \$3.5 to \$4 million to generate that revenue?

7 A If -- if you are representing that to me, I'd accept it.  
8 Yes, that sounds about right.

9 Q Well, suffice it to say you're projecting at least \$4  
10 million in net profit over the next two years for the  
11 Reorganized Debtor from managing the CLO agreements, correct?

12 A Net profit is not a fair, fair way to analyze it, no.

13 Q Okay. Are you projecting any profit for the Reorganized  
14 Debtor from managing the CLO agreements post-confirmation?

15 A Yes.

16 Q Okay. Do you have an estimate of what that profit is?

17 A General overview are the contracts are profitable to about  
18 the tune of \$4 million over that period.

19 Q Okay. Thank you. If the Reorganized Debtor makes a  
20 profit post-confirmation, is it fair to say that that would  
21 then be dividended up or distributed up to the partners,  
22 ultimately to the Claimant Trust?

23 A I don't think that's fair to say, no.

24 Q Okay. So, if the Reorganized Debtor makes a profit post-  
25 confirmation, where does that profit go?

1 A The Reorganized Debtor -- what kind of profit? I don't  
2 understand your question.

3 Q Okay. I apologize if I'm being too simplistic about it.  
4 If a business, after it takes account of its expenses to  
5 generate revenue, has any money left over, would that be  
6 profit to you?

7 A Yes.

8 Q Okay. Do you think that the Reorganized Debtor, post-  
9 confirmation, will make a profit?

10 A I don't know.

11 Q Okay. Do you think that the Reorganized Debtor, post-  
12 confirmation, will lose money?

13 A I think there will be costs, and the costs will exceed the  
14 -- the amount that it generates on an income basis, yes.

15 Q Okay. Thank you.

16 MR. RUKAVINA: Mr. Vasek, if you'll please pull up  
17 the plan, the injunctions, and releases. 9F.

18 (Pause.)

19 BY MR. RUKAVINA:

20 Q I apologize, Mr. Seery.

21 MR. RUKAVINA: So, Mr. Vasek, if you'll go to the  
22 bottom of the Page 51. Stop there.

23 BY MR. RUKAVINA:

24 Q So, I'm going to read just the first couple sentences  
25 here, Mr. Seery, if you'll read it along with me. Subject --

1 this is the bottom paragraph: Subject in all respects to  
2 Article 12(b), no enjoined party may commence or pursue a  
3 claim or cause of action of any kind against any protected  
4 party that arose or arises from or is related to the Chapter  
5 11 case, the negotiation of the plan, the administration of  
6 the plan, or property to be distributed under the plan, the  
7 wind-down of the business of the Debtor or Reorganized Debtor.

8 I'd like to stop there. Do you see that clause there, Mr.  
9 Seery, talking about the wind-down of the business of the  
10 Debtor or Reorganized Debtor? Do you see that, sir?

11 A Yes.

12 Q Okay. Do I understand correctly that this provision we've  
13 just read means that, upon the assumption of these CLO  
14 management agreements, if the counterparties to those  
15 agreements want to take any action against the Reorganized  
16 Debtor, they first have to go through this channeling  
17 injunction?

18 A I believe that's what it says, yes.

19 Q Okay. Because the wind-down of the business of the  
20 Reorganized Debtor will include the management of these CLO  
21 portfolio management agreements, correct?

22 A Yes.

23 Q Okay. As well as the management of various funds that the  
24 Debtor owns, correct?

25 A Yes.

1 Q Okay. And would you agree with me that the new general  
2 partner, New GP, LLC, is also a protected party under the  
3 plan?

4 A I assume it is. I don't recall specifically.

5 Q I believe you discussed to some degree postpetition  
6 losses. I'd like to visit a little bit about those. Since  
7 January 9th, 2020, Mr. Dondero was not an officer of the  
8 Debtor, correct?

9 A Correct.

10 Q And since January 9th, 2020, he was no longer a director  
11 of Strand, correct?

12 A That's correct.

13 Q Since January 9th, 2020, until he was asked to resign, he  
14 was an employee, correct?

15 A Yes.

16 Q And about -- I'm trying to remember. About when did he  
17 resign? October something of 2020? Do you remember?

18 A I don't recall.

19 Q Okay. Do you recall if it was in October 2020?

20 A It was in the fall.

21 Q Okay. And he resigned because the independent board asked  
22 him to resign, correct?

23 A Yes.

24 Q Okay. And you mentioned that the estate has had a  
25 postpetition drop in the value of its assets and the assets

1 that it manages. Right?

2 A I believe I went through the estate's assets. The only  
3 asset that wasn't a direct estate asset was the hundred  
4 percent control of Select Equity Fund. I didn't talk about  
5 the Fund assets.

6 Q Okay. Do you recall that the disclosure statement that  
7 the Court approved states that, postpetition, there was a drop  
8 from approximately \$566 million to \$328 million in the value  
9 of Debtor assets and assets under Debtor management?

10 A Yes. That's the \$200 million I walked through earlier.

11 Q Okay. And I believe you mentioned some of it was due to  
12 the pandemic, right?

13 A It certainly impacted the markets. The pandemic didn't  
14 cause a specific loss. It impacted the markets and the  
15 ability to work within those markets.

16 Q But you also believe that Mr. Dondero was responsible for  
17 something like a hundred million dollars of these losses,  
18 right?

19 A Probably more.

20 Q Okay. Mr. Dondero is not being released or exculpated for  
21 that, is he?

22 A No.

23 Q And while Mr. Dondero was an employee during the period of  
24 these losses, he answered to you as CEO and CRO, correct?

25 A Not during that period. I wasn't (audio gap) until later.

1 Q I'm sorry. As of January 9th, 2020, were you the CEO of  
2 the Debtor?

3 A No.

4 Q When did you become the CEO of the Debtor?

5 A I believe the order was July 9th, retroactive to a date in  
6 March.

7 Q July 9th, 2020?

8 A Correct.

9 Q Okay. And when did you become the CRO of the Debtor?

10 A At the same time.

11 Q Okay. So, between January and July 2020, you were one of  
12 the independent directors, correct?

13 A Yes.

14 Q Okay. So, during that period of time, would Mr. Dondero  
15 have answered to that independent board?

16 A Yes.

17 Q Okay. Now, if someone alleges that that independent board  
18 has any liability on account of Mr. Dondero's losses, that's  
19 released under this plan, isn't it?

20 A Yes.

21 Q Okay. And if someone alleges that Strand has any  
22 liability on account of Mr. Dondero's losses, that's released  
23 under this plan, correct?

24 A Yes.

25 Q Okay. And if someone believes that the Debtor -- that the

1 way that the Debtor has managed the CLOs or its funds  
2 postpetition gives rise to a cause of action in negligence,  
3 that's also released and exculpated in the plan, correct?

4 A I believe it would be. I'm not positive, but I believe it  
5 would be.

6 Q Well, let's be clear. The plan does not release or  
7 exculpate you or Strand or the board for willful misconduct,  
8 gross negligence, fraud, or criminal conduct, correct?

9 A No, it does not.

10 Q Okay. And I'm not, just so we're clear, I'm not alleging  
11 that, okay? So I want the judge to understand I'm not  
12 alleging that. But the plan does release and exculpate for  
13 negligence, right?

14 A Yes.

15 Q Okay. Where do you have an understanding a cause of  
16 action for breach of fiduciary duty lies on the spectrum of  
17 negligence all the way to criminal conduct?

18 A It's -- it's not -- generally not criminal, although I  
19 suppose that breach of fiduciary duty could be criminal.  
20 Typically, it's negligence, and that you would breach a duty  
21 for either duty of care, duty of loyalty. But it could slide  
22 to willful. And probably most of the instances where they  
23 come up are where someone has done something willfully or  
24 grossly negligent.

25 Q Okay. But -- and I would agree with you. But there are

1 certain breaches of fiduciary duty that are possible based on  
2 simple negligence, correct?

3 A They are, and in these instances, they don't -- they don't  
4 rise to actionable claims because they're indemnified by the  
5 funds.

6 Q Okay. You have to explain that to me. So, the negligence  
7 claim is not actionable because someone is indemnifying it?

8 A Typically, there's no way to recover because it's  
9 indemnified by the fund that the investor might be in. If it  
10 goes beyond that, then it wouldn't be.

11 Q Okay. So there are potential negligence breach of  
12 fiduciary duty claims that might be subject to these  
13 exculpations and releases that would not be indemnified?

14 A Gross negligence and willful misconduct, certainly.

15 Q Okay. Now, post-confirmation, post-confirmation, if the  
16 Debtor, or the Reorganized Debtor, rather, engages in  
17 negligence or any actionable conduct, that's when the  
18 channeling injunction comes into play, right?

19 A I don't quite understand your question.

20 Q Okay.

21 A Can you repeat that?

22 Q Sure. To your understanding, does the channeling  
23 injunction we're looking at right now -- and you can read it  
24 if you need to -- does it apply to purely post-confirmation  
25 alleged causes of action?

1 A It does apply to those, yes.

2 Q Okay. And it says that the Bankruptcy Court will have  
3 sole and exclusive jurisdiction to determine whether a claim  
4 or cause of action is colorable, and, only to the extent  
5 legally permissible and as provided for in Article 11, shall  
6 have jurisdiction to adjudicate the underlying colorable claim  
7 or cause of action.

8 Do you see that, sir?

9 A I do.

10 Q Okay. And this -- the Bankruptcy Court's exclusive  
11 jurisdiction here, that would continue after confirmation? Is  
12 that the intent behind the plan?

13 A It has -- it says what it says. Will have the sole and  
14 exclusive jurisdiction to determine whether a claim is  
15 colorable, and then, to the extent permissible, it'll have  
16 jurisdiction to adjudicate.

17 Q Okay. Nothing in this plan limits the period of the  
18 Bankruptcy Court's inquiry to the pre-confirmation time frame,  
19 correct?

20 A I don't believe it does, no.

21 Q Okay. Have you taken into account the potential that this  
22 bankruptcy case will eventually be closed with a final decree?

23 A Have I taken that into account?

24 Q Well, do you know what a final decree in Chapter 11 is?

25 A I do.

1 Q Okay. So, help me understand. If there's a final decree  
2 and the bankruptcy case is closed, then who do I go to,  
3 because the Bankruptcy Court has exclusive jurisdiction, to  
4 get this clearing injunction cleared?

5 MR. MORRIS: Objection to the form of the question,  
6 Your Honor.

7 THE COURT: Sustained. Rephrase.

8 MR. RUKAVINA: Okay.

9 BY MR. RUKAVINA:

10 Q Is it the plan's intent, Mr. Seery, that this channeling  
11 injunction that we just looked at would continue to apply even  
12 after a point in time in which the bankruptcy case is closed?

13 A I don't believe so.

14 MR. RUKAVINA: Again, Your Honor, someone -- I heard  
15 someone's phone right when he answered, and I didn't hear his  
16 answer, if he could please re-answer.

17 THE WITNESS: I don't -- I don't think if the case is  
18 closed that's the intention.

19 BY MR. RUKAVINA:

20 Q Okay. What about if there's a final decree entered?

21 MR. MORRIS: Objection, Your Honor. You know, the  
22 document kind of speaks for itself.

23 THE COURT: Overruled. He can answer if he knows.

24 THE WITNESS: Yeah. I don't -- I don't -- I'm not  
25 making a distinction between the case being closed and the

1 final decree. I believe in both instances they'll be pretty  
2 close to the same time and we'll make a judgment then as to  
3 how to close the case in accordance --

4 Q Okay.

5 A -- with the rules.

6 MR. RUKAVINA: Mr. Vasek, if you'll please scroll up  
7 to the beginning of this injunction. A little bit higher.  
8 Right there. Right there.

9 BY MR. RUKAVINA:

10 Q The very first clause, Mr. Seery, if you'll read with me,  
11 says, Upon entry of the confirmation order -- pardon me --  
12 all enjoined parties are and shall be permanently enjoined on  
13 and after the effective date from taking any actions to  
14 interfere with the implementation or consummation of the  
15 plan.

16 Do you see that, sir?

17 A I do, yes.

18 Q What does interfering with the implementation or  
19 consummation of the plan mean?

20 A It means in some way taking actions to upset, distract,  
21 stop, or otherwise prohibit or hurt the estate from  
22 implementing or consummating the plan.

23 Q Okay. And is that intended -- is that clause we just  
24 read and you described intended to be very broad?

25 A I -- I think it's -- if the words have meaning, yes, that

1 it should -- it's pretty broad.

2 Q Okay. Is the Debtor not able to state with more  
3 specificity what it would believe interference with the  
4 implementation or consummation of the plan would mean?

5 MR. MORRIS: Objection to the form of the question.

6 THE COURT: Sustained.

7 THE WITNESS: I think it's -- I think it's --

8 THE COURT: Sustained.

9 MR. RUKAVINA: Okay.

10 THE WITNESS: I'm sorry.

11 BY MR. RUKAVINA:

12 Q Well, you just gave us four or five examples of what  
13 interfering with the implementation or consummation of the  
14 plan might be. Why isn't that, those four or five examples,  
15 why aren't they listed here?

16 MR. MORRIS: Object to the form of the question.

17 MR. RUKAVINA: Well, Your Honor, I'll withdraw it  
18 and I'll argue this at closing argument.

19 THE COURT: Okay.

20 BY MR. RUKAVINA:

21 Q When did the Committee agree to you serving as the  
22 Claimant Trustee?

23 A In the late -- in the late fall. I've been contemplated  
24 to be the Claimant Trustee. I'm willing to take -- if we can  
25 come to an agreement. They have their options open if we

1 can't come to an agreement on compensation.

2 Q Okay. And since the Committee agreed to you being the  
3 Claimant Trustee, you have reached a resolution with UBS,  
4 correct?

5 A I don't think so. I think that that was before UBS, the  
6 UBS resolution was reached.

7 Q I'm sorry. When did you reach the UBS resolution in  
8 principle with UBS?

9 A I don't recall the exact date, but I do recall specific  
10 conversations where some of the Committee members were  
11 supportive. I didn't know that UBS wasn't, but I assumed  
12 that some meant not all. And that was UBS, because I don't  
13 think we had a deal yet.

14 Q Well, let me ask the question in a little bit of a  
15 different way. Whenever the Debtor reached the agreement in  
16 principle with UBS that your counsel described this morning,  
17 whenever that point in time was, the Committee had already  
18 agreed before that point in time to you serving as Claimant  
19 Trustee, correct?

20 A I believe so, yes.

21 Q And is the answer the same with respect to the  
22 HarbourVest settlement?

23 A I believe so. With HarbourVest, I believe so as well,  
24 yes.

25 Q What about the Acis settlement?

1 A I don't believe so. I think Acis came first. I don't  
2 think we settled on an agreement on Claimant Trustee until  
3 after the Acis -- certainly after the Acis agreement, maybe  
4 not after the Acis 9019. I just don't recall.

5 Q Okay. And the million-dollar cutoff for convenience  
6 class creditors, that number was a negotiated amount with the  
7 Committee, correct?

8 A Yes.

9 Q Okay. Thank you, Mr. Seery.

10 MR. RUKAVINA: Your Honor, I'll pass the witness.

11 THE COURT: All right. Just for purposes of time,  
12 it's 3:00 o'clock, so you went 48 minutes.

13 Who's next?

14 MR. DRAPER: Mr. Taylor is.

15 THE COURT: All right. Mr. Taylor, go ahead.

16 MR. TAYLOR: Yes, Your Honor. At this time, what we  
17 would like the Court to do, we are asking for a brief  
18 continuance and to go into tomorrow, and there is a reason  
19 for that and I would like to explain it.

20 Mr. Dondero has communicated an offer which we believe to  
21 be a higher and better offer than what the plan analysis,  
22 even in its most recent iteration that was just changed last  
23 night, will yield significantly higher recoveries. Those are  
24 guaranteed recoveries. There is a cash component to that  
25 offer. There are some debt components, but they would be

1 secured by substantially all of the assets of Highland.

2 We believe it's a higher and better offer, that the  
3 creditors and the Creditors' Committee, Mr. Seery, who  
4 obviously has been testifying all day on the stand, may have  
5 heard some -- some inkling of it via a text or an email he  
6 might have been able to glance at, or maybe not, because he's  
7 been too busy, and that's understandable.

8 But we do believe it is a material offer. It is a real  
9 offer. And for that reason, we would like to request the  
10 Court's indulgence. This has gone rather fast. We believe  
11 that in the event that it does not gain any traction, then we  
12 could complete this confirmation hearing tomorrow, or it's  
13 more than likely that we could. And therefore we would  
14 request a continuance until tomorrow morning beginning at  
15 9:30 so all the parties can confer, consider that offer, and  
16 see if it gains any traction.

17 THE COURT: All right.

18 MR. POMERANTZ: Your -- Your --

19 THE COURT: Go ahead. Mr. Morris? Or who is going  
20 to respond --

21 MR. POMERANTZ: Your --

22 THE COURT: -- to that?

23 MR. POMERANTZ: Your Honor, this is Jeff --

24 THE COURT: Mr. Pomerantz?

25 MR. POMERANTZ: This is Jeff Pomerantz. I will

1 respond.

2 I think right at the beginning of the hearing, or  
3 slightly after, I did receive an email from Michael Lynn  
4 extending this offer. The email was also addressed to Mr.  
5 Clemente. As we have told Your Honor before, if the Committee  
6 is interested in continuing negotiations with Mr. Dondero, far  
7 be it from us to stand in the way.

8 So what I would really ask is for Mr. Clemente to respond  
9 to think if -- to see if he thinks that this offer is worthy.  
10 If it's worthy and the Committee wants to consider it, we  
11 would by all means support a continuance. If it is not, I  
12 think this is just a last-minute delay without a reason. And  
13 if there is no likelihood of that being acceptable or the  
14 Committee wanting to engage, we would want to continue on.

15 THE COURT: All right. Mr. Clemente, what say you?

16 MR. CLEMENTE: Yes. Yes, Your Honor. Matt Clemente  
17 on behalf of the Committee.

18 Obviously, I haven't had a chance to confer with my  
19 Committee members, but there's no reason to not continue the  
20 confirmation hearing today. I will be able to confer with  
21 them over email, et cetera, this evening. There's simply no  
22 reason to not continue going forward at this particular point  
23 in time, Your Honor.

24 So, although I haven't conferred with the Committee  
25 members, that would be what I would recommend to them. And so

1 my view, the Committee's view, I believe, would be let's  
2 continue forward and we'll discuss Mr. Dondero's proposal that  
3 I know came across after opening statements this morning, you  
4 know, in due course. But I do not believe that a continuance  
5 here is necessary or appropriate.

6 THE COURT: All right. Mr. Taylor, that request is  
7 denied, so you may cross-examine.

8 MR. TAYLOR: Yes. (Pause.) I'm sorry, Your Honor.  
9 I have a couple people that are in my ear. But yes, I'm ready  
10 to proceed.

11 THE COURT: Okay.

12 CROSS-EXAMINATION

13 BY MR. TAYLOR:

14 Q Mr. Seery, I believe you can probably largely testify from  
15 your memory of the various iterations of the plan analysis  
16 versus the liquidation analysis. But to the extent that  
17 you're unable to, we can certainly pull those up.

18 Mr. Seery, you put forth or Highland put forth on November  
19 24th of 2020 a plan analysis versus a liquidation analysis,  
20 correct?

21 A I think that's the approximate date, yes.

22 Q Okay. And do you recall what the plan analysis predicted  
23 the recovery to general unsecured creditors in Class 8 would  
24 be at that time?

25 A I believe it was in the 80s.

1 Q And approximately 87.44 percent?

2 A That sounds close, yes.

3 Q Okay. And then just right before -- the evening before  
4 your deposition that took place on January 29th, I believe a  
5 revised plan analysis versus a liquidation analysis was  
6 provided. Do you remember that?

7 A Yes.

8 Q Okay. And what was the predicted recovery to general  
9 unsecured creditors under that analysis?

10 A I believe that was --

11 MR. MORRIS: Object to the form of the question. I  
12 just want to make sure that we're talking about the -- and  
13 maybe I misunderstood the question -- plan versus liquidation.

14 THE COURT: Okay. Could you restate --

15 MR. TAYLOR: I said plan analysis.

16 THE COURT: Plan.

17 THE WITNESS: I believe that that initially was in  
18 the -- in the high 60s.

19 BY MR. TAYLOR:

20 Q It was --

21 A Might have been --

22 Q -- 62.14 percent; is that correct?

23 A Okay. Yeah. That sounds -- I'll take your  
24 representation. That's fine.

25 Q Okay. And going back to the November 28th liquidation

1 analysis, what did Highland believe that creditors in Class 8  
2 would get under a liquidation analysis?

3 A I don't recall the -- if you just tell me, I'll -- I'll --  
4 if you're reading it, I'll agree with -- because I -- from my  
5 memory.

6 Q 62.6 percent? Is that correct?

7 A That sounds about right.

8 Q You would agree with me, would you not, that 62.6 cents on  
9 the dollar is higher than 62.14 cents, correct?

10 A Yes.

11 Q And so at least comparing the January 28th versus -- of  
12 2021 versus the November 24th of 2020, the liquidation  
13 analysis actually ended up being higher than the plan  
14 analysis, correct?

15 A Yes.

16 Q But there was -- there was some changes also in the plan  
17 analysis. I'm sorry. There were some subsequent changes that  
18 were done over the weekend that were provided on February 1st.  
19 Is that correct?

20 A Yes.

21 Q Okay. And what were -- give us an overview of what those  
22 changes were.

23 A What are -- what are you comparing? What would you like  
24 me to compare?

25 Q Okay. The January to February plan analysis, what were

1 the changes? Why did it go up from 62.6 to 71.3?

2 A The main changes, as we discussed earlier, and maybe the  
3 only major change, was the UBS claim amount, which went down  
4 significantly from the earlier iteration. And then there was  
5 the small change related to the RCP recovery, which was a  
6 double-count.

7 Q Okay. And you talked about earlier about what assumptions  
8 went into these analyses, correct?

9 A Yes.

10 Q And you said these assumptions were always done after  
11 careful consideration. Is that a correct summation of what  
12 you said?

13 A I think that's fair.

14 Q Okay.

15 MR. TAYLOR: Mr. Assink, could you pull up the  
16 November assumptions?

17 BY MR. TAYLOR:

18 Q I believe that's coming up, Mr. Seery. The Court.

19 (Pause.)

20 MR. TAYLOR: And go down one page, please, Mr.  
21 Assink. Roll up. The Assumption L.

22 BY MR. TAYLOR:

23 Q So, these are the November assumptions, correct, Mr.  
24 Seery?

25 A I believe so, yes.

1 Q Okay. And what was the assumption that you made after  
2 careful consideration regarding the claims for UBS and  
3 HarbourVest?

4 A The plan assumes zero, that was L, for those claims.

5 Q Okay. And ultimately what did -- and I believe you just  
6 announced this today and made this public today -- what is  
7 UBS's claim? What are you proposing that it be allowed at?

8 A \$50 million in Class 8, and then they have a junior claim  
9 as well.

10 Q Okay. And what about HarbourVest? What kind of allowed  
11 claim did they end up with?

12 A \$45 million in Class 8 and a \$35 million junior claim.

13 Q So your well-reasoned assumption, carefully considered,  
14 was off by \$95 million; is that correct?

15 MR. MORRIS: Objection to the form of the question.

16 THE COURT: Overruled.

17 THE WITNESS: The difference between zero and those  
18 numbers is \$95 million, yes.

19 BY MR. TAYLOR:

20 Q You solicited creditors of the Highland estate based upon  
21 the November plan analysis and liquidation analysis that was  
22 provided and that we're looking at right now, correct?

23 A It was one of the bases, yes. It's the plan is what --  
24 what we solicited votes for, not the projections.

25 Q But this was included within the disclosure statement; is

1 that correct?

2 A It's one of the bases. It was included, yes.

3 Q And this is the bases by which you believe that the best  
4 interests of the creditors have been met better than a Chapter  
5 7 liquidation, correct?

6 A I believe this evidences that the best interest test would  
7 be satisfied, yes.

8 Q And so the record is very clear, for this Court and  
9 anybody looking at the record, no solicitation was done of the  
10 creditor body after the disclosure statement was sent out? No  
11 updates were sent, correct?

12 A Updated projections were filed, but no solicitation was --  
13 was -- there was only one solicitation. We did not resolicit.  
14 That's correct.

15 Q Okay. Mr. Seery, how much are you -- after this plan, or  
16 if this plan is confirmed, how much are you going to be paid  
17 per month to be the Trustee?

18 A For the Trustee role, \$150,000 per month is the base.

19 Q It's a base amount? On top of that, you're going to  
20 receive some sort of bonus amount, correct?

21 A There's two bonuses. There's a bonus for the bankruptcy  
22 case, which I'd need Court approval for, and then I'm going to  
23 seek a bonus for the Trustee work, which would be a  
24 combination of myself and the team for a performance bonus.  
25 That's to be negotiated.

1 To be fair, the Committee or the Oversight Group may not  
2 agree to any change, in which case we would not have an  
3 agreement.

4 Q And what would happen if you don't come to an agreement,  
5 Mr. Seery?

6 A They would have to get a different Plan Trustee.

7 Q Okay. So it's certainly going to have to be greater than  
8 zero, correct?

9 A Typically.

10 Q Is it going to be in the nature of three or four percent  
11 of the sales proceeds, or have you considered that?

12 A Oh, I'm sorry. Yeah, you mean the bonus? No. I've been  
13 thinking -- my apologies. I misunderstood. I thought you  
14 meant any number. I haven't -- I haven't had negotiation with  
15 them. I'm thinking about looking at the full recovery of the  
16 team -- for the team, looking at expected performance numbers,  
17 and then trying to negotiate a structure of bonus compensation  
18 that would be payable to the whole team, and then allocated by  
19 the CEO (garbled) which would be made.

20 Q When predicting the expenses of the Trust going forward in  
21 your projections, did you build in an amount for a bonus fee?

22 A No. It wouldn't be part of the expenses. It would come  
23 out at the end.

24 Q Okay. So those additional expenses are not shown in the  
25 plan analysis, correct?

1 A No, they're not. It's just not going to be an expense.  
2 It'll be a -- as an operating expense. It'll be an  
3 expenditure at the end out of distributions.

4 Q Okay. And did you subtract those from the distributions?

5 A No.

6 Q Okay. A Chapter 7 trustee is not going to charge \$150,000  
7 or more to monetize these assets, is he?

8 A No.

9 Q Have you priced how much D&O insurance is going to be on a  
10 go-forward basis post-confirmation?

11 A I'm sorry. I couldn't -- couldn't hear you.

12 Q Sorry. Let me get closer to my mic. Have you priced what  
13 D&O insurance is going to run the Trust on a go-forward basis  
14 post-confirmation?

15 A Yes.

16 Q Okay. And what are you projecting that to run?

17 A About \$3-1/2 million.

18 Q And is that per annum for over the two-year life of this  
19 plan?

20 A Well, it's the two-year projection period, not life. But  
21 I expect that that's for the two-year projection period.

22 Q Okay. So approximately one point -- I'm sorry, you said  
23 \$3.5 million, correct?

24 A Yes.

25 Q Okay. So, \$1.75 million per year?

1 A Yes.

2 Q On top of the minimum \$1.8 million per year that you're  
3 going to be paid, correct?

4 A Well, that's -- that's the base compensation. But, again,  
5 to be fair to the Oversight Committee, they haven't approved  
6 it yet. So the Committee, the Committee reserves their rights  
7 to negotiate a total package.

8 Q And there's going to be a Litigation Trustee, correct?

9 A Yes.

10 Q And that Litigation Trustee is going to be paid some  
11 amount of compensation, correct?

12 A Yes.

13 Q That has not been negotiated yet, correct?

14 A No, I believe -- I believe the base piece has. But his --  
15 I don't know what the contingency fee or if that's been  
16 negotiated yet. I don't know.

17 Q And what is the base fee for the Litigation Trustee?

18 A My recollection is it was about \$250,000 a year, some  
19 number in that area.

20 Q Thank you. So, at this point, over the two-year period,  
21 we're looking at approximately \$3.6 million to you, \$3.5  
22 million to the D&O insurance, and approximately \$500,000 base  
23 fee to the Litigation Trustee, plus a contingency. Is that  
24 correct?

25 A That's probably real close, yes.

1 Q Okay. And how about U.S. Trustee fees? You've estimated  
2 of how much those are going to be during the two-year period,  
3 correct?

4 A They're built into the plan up 'til -- I think it's only  
5 up until the actual effective date, but I don't recall the  
6 specifics.

7 Q Okay. And U.S. Trustee fees, the case is going to stay  
8 open and those are going to continue to have to be paid, even  
9 after confirmation, correct?

10 A Yes.

11 Q Okay. And do you have an estimate of how much those are  
12 going to run per annum or over that two-year period?

13 A I don't recall, no.

14 Q Okay. Well, they're provided within your projections,  
15 correct?

16 A Yes.

17 Q Okay. A Chapter 7 trustee would not have to incur any of  
18 these costs, would they?

19 A I don't think they'll have to incur Chapter -- U.S.  
20 Trustee fees. I don't know whether they would bring on a  
21 litigation trustee or not. I would assume, since there's --  
22 appear to be valuable claims, they probably would, but perhaps  
23 they would do it themselves. So I don't know the specifics of  
24 what they would do.

25 Q In preparing your liquidation analysis, did you ask

1 Pachulski if they would be willing to work for a Chapter 7  
2 trustee if one was appointed?

3 A I didn't specifically ask, no.

4 Q Did you ask DIS, your, for lack of a better word,  
5 financial advisors in this case, if they would be willing to  
6 work with a Chapter 7 trustee?

7 A DSI. No, I did not specifically ask them.

8 Q Okay. All right. Any of the accountants that you're  
9 working with, did you ask them if they would be willing to  
10 work with a Chapter 7 trustee?

11 A I didn't specifically ask them, no.

12 Q Okay. The proposed plan has no requirements that you  
13 notice any potential sale of either Highland assets or  
14 Highland subsidiary assets; is that correct?

15 A Do you mean after the effective date?

16 Q Yes.

17 A No, it does not.

18 Q In the SSP sale, which is a subsidiary of Trussway, which  
19 is a subsidiary of Highland, or actually it's a sub of a sub  
20 of Highland, you conducted the sale of SSP, correct?

21 A The team did, yes. I was part.

22 Q All right. That was not noticed to the creditor body; is  
23 that correct?

24 A That's correct.

25 Q And it is the Debtor's and your position that no notice

1 was required because this was a sub of a sub and therefore  
2 this was in the ordinary course?

3 A Not exactly, no.

4 Q Okay. Then what is your position?

5 A It was in the ordinary course. It was -- I believe it's a  
6 sub of a sub of a sub, and a significant portion of the  
7 interests are owned by third parties.

8 Q It is possible, is it not, that had you noticed this to  
9 the larger creditor body, that you might have engendered a  
10 competitive bidding situation that might have reached a higher  
11 return for investors, correct?

12 A The same possibility is it could have gone lower.

13 Q But it is possible, correct?

14 A Certainly possible.

15 Q In fact, there is normally requirements under the  
16 Bankruptcy Code and the Rules that asset sales are noticed out  
17 to the creditor body, correct?

18 A Asset sales that -- property of the estate, yes. Other  
19 than in the ordinary course, of course.

20 Q I believe you have described Mr. Dondero as being very  
21 litigious within this case; is that correct?

22 A I believe so, yes.

23 Q Okay. Did Mr. Dondero initiate any litigation in this  
24 case prior to September 2020?

25 A Prior to September? I don't believe so. I don't know

1 when he filed the claim from NexPoint. It certainly indicated  
2 that -- I believe it was from NexPoint. My memory is slightly  
3 off here. He filed a claim in -- administrative claim, which  
4 effectively is like you're bringing a complaint, against HCMLP  
5 for the management of Multi-Strat and the sale of the life  
6 settlement policies out of Multi-Strat, which was conducted in  
7 the spring.

8 Q And wasn't Mr. Dondero seeking document production related  
9 to that sale?

10 A No.

11 Q Okay. I believe that the preliminary injunction that you  
12 talked about and were questioned earlier, the plan asks to  
13 enjoin (garbled) party from allowing the plan to go effective.  
14 Is that correct?

15 A I'm sorry. I didn't understand your question. There was a  
16 -- there was a bunch of interference.

17 Q Okay. Sure. I'm sorry about that. I don't know if  
18 that's -- I don't think that's me, but --

19 A It may not be. It sounded like someone else.

20 Q The injunction prohibits anybody from interfering with the  
21 plan going effective, correct?

22 A The plan injunction?

23 Q Yes.

24 A Yes.

25 Q Okay. Just so I'm clear, is the plan injunction

1 attempting to strip appellate rights of Mr. Dondero?

2 A No.

3 Q Okay. So, if, for instance, if he were to file any appeal  
4 of an order confirming this plan, he wouldn't be in violation  
5 of that plan injunction?

6 A I don't think so, because the order wouldn't be final.

7 Q Okay. But it -- it says upon entry of a confirmation  
8 order, you're enjoined from doing so. So that's not the  
9 intent?

10 A It certainly would not be my intent. I don't think that  
11 anybody had that in mind.

12 Q Okay. And if Mr. Dondero were to seek a stay pending  
13 appeal either during that 14-day period or afterwards, is that  
14 plan injunction attempting to stop that -- that sort of  
15 action?

16 A I apologize. You're breaking up. But I think I  
17 understood your question. No, it was -- it was your screen as  
18 well. No. If either this Court stays its own order or a  
19 higher court says that the order is stayed, then there would  
20 be no way there could be any allegation that it's interfering  
21 with an order if it's not effective.

22 Q Mr. Dondero opposed the Acis sale, correct?

23 A The Acis settlement?

24 Q Correct.

25 A Yes.

1 Q After he opposed the Acis settlement, the next filing Mr.  
2 Dondero made was requesting that the Debtor notice the sale of  
3 any assets or any major subsidiary assets. Is that correct?

4 A I don't recall the sequence of his filings. I think that  
5 Judge Lynn at least sent a letter to that effect. I don't  
6 recall if there is a filing to that effect.

7 Q Did Mr. Dondero, through his counsel, attempt to resolve  
8 that motion without filing anything further?

9 A I don't recall the specifics of the motion. I know they  
10 asked for some sort of relief that -- that we thought was  
11 inappropriate.

12 Q When the Court postponed any hearing on Mr. Dondero's  
13 request for relief until the eve of the confirmation hearing,  
14 and Mr. Pomerantz announced that no sales were expected before  
15 confirmation, did Mr. Dondero withdraw his motion?

16 A Again, I don't recall the specifics of the motion. I only  
17 recall the letter from Judge Lynn.

18 Q Did Mr. Dondero do anything more than object to the  
19 HarbourVest deal?

20 A Not that I know of.

21 Q Did Mr. Dondero do anything more than respond to the  
22 Defendants' injunction suit?

23 MR. MORRIS: Objection to the form of the question.  
24 I mean, -- objection to the form.

25 THE COURT: Overruled.

1 MR. TAYLOR: I apologize. I should have said the  
2 Debtor's injunction suit.

3 THE WITNESS: Yeah, the -- I'm not sure of the  
4 specific order, but certainly the communications with me,  
5 which I think are prior to the order. The communications with  
6 Mr. Surgent, which I believe are after the order. Certain  
7 communications with Mr. Waterhouse, which were oral. Those  
8 were all similarly difficult and obstreperous actions.

9 BY MR. TAYLOR:

10 Q Has Mr. Dondero commenced any adversary proceeding or  
11 litigation in this case other than filing a competing plan?

12 MR. MORRIS: Objection to the form of the question.

13 THE COURT: Over --

14 THE WITNESS: Yeah, I don't --

15 THE COURT: -- ruled.

16 THE WITNESS: I don't believe he's commenced an  
17 adversary. I'm sorry, Judge. I don't believe he's commenced  
18 an adversary proceeding, no.

19 BY MR. TAYLOR:

20 Q Mr. Dondero didn't file any opposition to the life  
21 settlement sale, did he?

22 A We didn't do the life settlement (garbled) Court.

23 Q Right. Again, that wasn't noticed through the -- this  
24 Court, was it?

25 A It was an -- the reason was it was an asset of Multi-Strat

1 Fund. It wasn't an asset of the Debtor's.

2 Q Okay. Mr. Dondero did have concerns regarding the life  
3 settlement sale, correct?

4 A Yes.

5 Q In fact, he believed that they were being sold for  
6 substantially less than what could have otherwise been  
7 received, correct?

8 A He may have.

9 Q And if you conduct any subsequent sales for less than  
10 market value that might ultimately prevent the waterfall from  
11 ever reaching Mr. Dondero, he would have no recourse under  
12 this proposed plan to object to this sale or otherwise have  
13 any comment on it. Is that correct?

14 A I clearly object to the thinking that that was less than  
15 market value. It was -- it was more than market value. So I  
16 don't -- I disagree with the premise of your question.

17 Q So, I don't believe that was the question that was asked.  
18 The question that was asked is, as you move forward with your  
19 -- what I will characterize as a wind-down plan, not putting  
20 that word in your mouth -- but as you execute forward on your  
21 plan, as these sales of these assets go through, no notice is  
22 going to be provided, correct?

23 A Not necessarily. It depends on the asset and what we  
24 think of the, you know, the -- the position of the parties at  
25 the time.

1           If we have a -- if we have a transaction that's pending  
2 that wouldn't be hurt by a notice and that we'd be able to get  
3 the Court's imprimatur to maybe more better insulate, if you  
4 will, against Mr. Dondero's attacks, then we may well come to  
5 the Court to seek that.

6           The problem with noticing sales is that -- that it often  
7 depresses value. That's just not the way folks outside of the  
8 bankruptcy world (audio gap) sales.

9           Q     So there's no requirement that either public or private  
10 notice be provided, correct?

11          A     No. Meaning it is correct.

12          Q     Okay. And if Mr. Dondero had objections either to the  
13 pricing of the sale or the manner and means by which the sale  
14 was being conducted, he would be prohibited by the plan  
15 injunction from bringing any objection to such sale, correct?

16          A     I believe so, yes.

17          Q     Mr. Dondero also had concerns regarding the OmniMax sale,  
18 correct?

19          A     Mr. Dondero did not go along with the OmniMax sale with  
20 the assets that he managed. I don't know if he had concerns  
21 with -- with our sale or OmniMax's interests.

22          Q     Did Mr. Dondero ever express to you any concern that the  
23 value wasn't being maximized regarding the sale of those  
24 assets?

25          A     He thought he could get more. I don't know that he

1 thought that he could get more for his assets that he was  
2 managing or whether he thought he could get more for all of  
3 the assets.

4 Q Other than voicing those concerns, did Mr. Dondero file  
5 any pleading with this Court attempting to block that sale?

6 A Pleading with the Court? No.

7 MR. TAYLOR: Your Honor, I would like to confer with  
8 my colleagues just very briefly and see if they have anything  
9 further. And even if they don't, Mr. Lynn of my firm would  
10 like a very brief moment to address the Court prior to me  
11 passing the witness.

12 So, if I may have a literally hopefully one-minute break  
13 where I can turn my camera off and my microphone off to confer  
14 with my colleagues, and then move forward?

15 THE COURT: Okay. Well, you can have a one-minute  
16 break, but we're going to continue on with cross-examination  
17 at this point. Okay? I'm not sure what you meant by Mr. Lynn  
18 wants to raise an issue at this point. Could you elaborate?

19 MR. TAYLOR: I will get some elaboration during our  
20 30-second to one-minute break, Your Honor. I was just passed  
21 a note.

22 THE COURT: All right. So, but I'll just you know,  
23 --

24 A VOICE: Your Honor?

25 THE COURT: -- I'm inclined to continue with the

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1 cross-examination. You know, this isn't a time for, you know,  
2 arguments or anything like that. All right?

3 So, we'll take a one-minute break. You can turn off your  
4 audio and video for one minute, and come back.

5 (Off the record, 3:33 p.m. to 3:34 p.m.)

6 THE WITNESS: Your Honor?

7 THE COURT: Yes?

8 THE WITNESS: It's Jim Seery. Can I turn it into  
9 just a two-minute break, since I've sat in my seat, and it  
10 would be better for him to just continue straight through. I  
11 could use one or two minutes.

12 THE COURT: Okay.

13 THE WITNESS: I apologize.

14 THE COURT: All right. Well, it's been more than  
15 minute. Let's just say a five-minute break for everyone, and  
16 we'll come back at 3:39 Central time. Okay.

17 THE WITNESS: Okay. Thank you, Your Honor. I  
18 appreciate that.

19 (A recess ensued from 3:35 p.m. until 3:40 p.m.)

20 THE CLERK: All rise.

21 THE COURT: Please be seated. All right. We are  
22 back on the record. Mr. Taylor, are you there?

23 MR. TAYLOR: I am, Your Honor. My video is not  
24 wanting to start, but my -- I believe my audio is on.

25 THE COURT: Okay. After you went offline for your

1 one-minute break, Mr. Seery asked for a five-minute bathroom  
2 break, or a couple-minute. Anyway, we've been gone on a  
3 bathroom break. We're back now.

4 MR. TAYLOR: Thank you. I was actually -- I was  
5 still listening with one ear, --

6 THE COURT: Okay.

7 MR. TAYLOR: -- Your Honor, so I understand.

8 THE COURT: All right.

9 MR. TAYLOR: So, thank you.

10 THE COURT: Are you finished with cross, or no?

11 MR. TAYLOR: Just a little bit of a follow-up.

12 CROSS-EXAMINATION, RESUMED

13 BY MR. TAYLOR:

14 Q Mr. Seery, you had previously testified that Mr. Dondero's  
15 counsel had threatened you and/or the independent board, I was  
16 not exactly sure who you were referring to, with suits, and I  
17 believe you said a hundred million dollars' worth of suits and  
18 getting dragged into litigation.

19 Is that still your testimony today, that you were -- you  
20 were threatened with suit by this firm of a suit of over a  
21 hundred million dollars?

22 A I believe what I was told by my counsel was that, not Mr.  
23 Dondero's, but one of the other counsel, who I can name, said  
24 specifically that Dondero will sue Seery for hundreds of  
25 millions of dollars. We're going to take it up to the Fifth

1 Circuit, get it reversed, and he'll go after him.

2 Q Okay. So it was not Mr. Dondero's counsel, and you were  
3 not -- is that correct?

4 A No. It was one of the other counsel on the phone today.

5 Q Okay. And you base that not upon your own personal  
6 knowledge but based on some -- something else that you were  
7 told, correct?

8 A Yes. By my counsel.

9 Q Thank you.

10 MR. TAYLOR: Yes, Your Honor. We can pass the  
11 witness.

12 THE COURT: Okay. So, you've gone, or you and Mr.  
13 Rukavina collectively have gone one hour and 17 minutes. Mr.  
14 Draper, you're next.

15 MR. DRAPER: Yes, Your Honor. Thank you. I  
16 basically have no more than ten questions, so I gather the  
17 Court will welcome that.

18 THE COURT: Okay.

19 CROSS-EXAMINATION

20 BY MR. DRAPER:

21 Q Mr. Seery, has the new general partner been formed yet?

22 A I don't know if they've been -- we've actually done the  
23 formation, but it -- it would be in process.

24 Q So it either has been formed or has not been formed?

25 A I don't -- I don't know the answer.

1 Q Okay. Now, going forward, Judge Nelms and Mr. Dubel will  
2 have nothing to do with the Reorganized Debtor, correct?

3 A Not necessarily, but they don't have a specific role at  
4 this time.

5 Q They won't be officers or directors of the new general  
6 partner or the Reorganized Debtor, correct?

7 A I don't -- I don't believe so, but it's not set in stone.

8 Q All right. Has any finance -- has any party who is the  
9 beneficiary of an exculpation, a release, or the channeling  
10 injunction contributed anything to this plan of reorganization  
11 in terms of money?

12 A No.

13 Q Have you ever interviewed a trustee as to how they would  
14 liquidate the assets or monetize the assets in this case?

15 A No.

16 Q And last question is, is there any bankruptcy prohibition  
17 that you're aware of that a Chapter 7 trustee could not do  
18 what you're doing?

19 A Which -- which -- what do you mean, under the plan?

20 Q No. Could not monetize the assets of the estate in the  
21 manner that you're attempting to monetize them.

22 A I don't think there's a specific rule, but I just haven't  
23 -- I haven't seen that before, no. So I don't think there's a  
24 specific rule that I know of.

25 Q Okay.

1 MR. DRAPER: I have nothing further for this witness.

2 THE COURT: All right. I should have asked, we had a  
3 couple of other objectors. Ms. Drawhorn, did you have any  
4 questions?

5 MS. DRAWHORN: I have no questions, Your Honor.

6 THE COURT: All right. Were there any other  
7 objectors out there that I missed that might have questions?

8 All right. Any redirect?

9 MR. MORRIS: Your Honor, if I may, can I -- can I  
10 just take a short minute to confer with my colleagues?

11 THE COURT: Sure. You can --

12 MR. MORRIS: Thank you.

13 THE COURT: -- put you --

14 MR. MORRIS: Two -- two minutes, Your Honor.

15 THE COURT: Okay.

16 (Pause, 3:45 p.m. until 3:48 p.m.)

17 THE COURT: All right. We've been a couple of  
18 minutes. Mr. Morris?

19 MR. MORRIS: Yes, Your Honor.

20 THE COURT: What are --

21 MR. MORRIS: Just, just a few points, Your Honor.

22 THE COURT: Okay.

23 MR. MORRIS: Hold on a sec. You ready, Mr. Seery?

24 THE WITNESS: I am, yes.

25 REDIRECT EXAMINATION

1 BY MR. MORRIS:

2 Q You were asked a number of questions about your  
3 compensation. Do you recall all that?

4 A Yes, I do.

5 Q And you testified to the \$150,000 a month. Do you recall  
6 that?

7 A Yes.

8 Q Under the -- under the documentation right now, your  
9 compensation is still subject to negotiation with the  
10 Committee; is that right?

11 A Yes, it is.

12 Q Okay. You were asked a couple of questions about the  
13 conduct of Mr. Dondero. Earlier, you testified that the  
14 monetization plan was filed under seal at around the time of  
15 the mediation. Do I have that right?

16 A Yes. Right at the start of the mediation.

17 Q Okay. And is that the first time that the Debtor made the  
18 constituents aware, including Mr. Dondero, that it intended to  
19 use that as a catalyst towards getting to a plan?

20 A That's the first time that we filed it, but that plan had  
21 been discussed prior to that.

22 Q And do you recall that there came a point in time where  
23 you -- when the Debtor gave notice that it intended to  
24 terminate the shared services agreements with the Dondero-  
25 related entities?

1 A Yes.

2 Q And when did that happen?

3 A That was about 60 -- now it's like 62 days ago.

4 Q Uh-huh. And you know, from your perspective, from the  
5 filing of the monetization plan in August through the notice  
6 of shared services, is that what you believe has contributed  
7 to the resistance by Mr. Dondero to the Debtor's pursuit of  
8 this plan?

9 A Well, I think there's a number of factors that  
10 contributed, but the evidence that I've seen is that when we  
11 started talking about a transition, if there wasn't going to  
12 be a deal, if Mr. Dondero couldn't reach a deal with the  
13 creditors, we were going to push forward with the monetization  
14 plan. And the monetization plan required the transition of  
15 the employees. And indeed, it called specifically, and we had  
16 testimony regarding it all through the case, about the  
17 employees being terminated or transferred.

18 In order to transfer them over to an entity that's  
19 related, Mr. Dondero pulls all of those strings. And he  
20 refused to engage on that. We started in the fall. We  
21 specifically told employees of the Debtor not to engage. They  
22 couldn't spend his money, which made sense --

23 MR. TAYLOR: Objection, Your Honor.

24 THE WITNESS: So, very -- that --

25 THE COURT: Just -- there's an objection.

1 MR. MORRIS: There's an objection.

2 THE WITNESS: I'm sorry.

3 THE COURT: There was an objection.

4 MR. TAYLOR: Yes, Your Honor. Object --

5 THE COURT: Go ahead.

6 MR. TAYLOR: Yes, Your Honor. This is Clay, Clay  
7 Taylor. Objection. He's directly said Mr. Dondero told other  
8 employees x, and that is purely hearsay, not based upon his  
9 personal opinion, or his personal knowledge, and therefore  
10 that part of the answer should be struck.

11 MR. MORRIS: Your Honor, it's a statement against  
12 interest.

13 THE COURT: Overrule the objection. Go ahead.

14 THE WITNESS: Yeah. The difficulty of transitioning  
15 this business, I've equated it to doing a corporate carve-out  
16 transaction on an M&A side. It's hard, and you need  
17 counterparties on the other side willing to engage. And what  
18 we went through over the weekend, on Friday, was seemingly  
19 that the Funds, you know, directed by Mr. Dondero, just  
20 haven't engaged.

21 We actually gave them an extra two weeks to engage,  
22 because it's -- they've really been unable to do anything. I  
23 mean, hopefully, we've got the employees working in a way that  
24 can -- that can foster and get around some of this  
25 obstreperousness, and I've used that word before, but that's

1 what it is. It's really an attempt to just prevent the plan  
2 from going forward.

3 And at some point, the plan will go forward. And if we  
4 are unable to transition people, we will simply have to  
5 terminate them. And that is not a good outcome for those  
6 employees, but it's not a good outcome for the Funds, either.  
7 And the Funds, Mr. Dondero, the Advisors, the boards, nobody  
8 wants to do anything except come in this court.

9 BY MR. MORRIS:

10 Q Do you recall being asked about Mr. Dondero and certain  
11 things that he didn't do and certain actions that he hadn't  
12 taken?

13 A Yes.

14 Q By Mr. Taylor? To the best of your recollection, did Mr.  
15 Dondero personally object to the HarbourVest settlement?

16 A I -- I don't recall if he did or if it was one of the  
17 entities.

18 Q It was Dugaboy. Does that refresh your recollection?

19 A Dugaboy certainly objected, yes.

20 Q And do you understand that Dugaboy has appealed the  
21 granting of the 9019 order in the HarbourVest settlement?

22 A Yes.

23 Q And Mr. Taylor asked you to confirm that Mr. Dondero  
24 hadn't taken any action with respect to the life settlement  
25 deal. Do you remember that?

1 A I do.

2 Q But are you aware that Dugaboy actually filed an  
3 administrative claim relating to the alleged mismanagement of  
4 the life settlement sale?

5 A Yes, I did, I did allude to that. I wasn't sure it was  
6 Dugaboy, but -- but that was very --

7 Q Uh-huh.

8 A -- very early on, an objection filed in the form of an  
9 administrative claim or complaint against, if you will,  
10 against Highland for the management of Multi-Strat.

11 Q Uh-huh. And Mr. Dondero didn't personally file any motion  
12 seeking to inhibit the Debtor from managing the CLO assets; is  
13 that right?

14 A No, not the CLO assets, no.

15 Q Yeah. But the Funds and the Advisors did. That was the  
16 hearing on December 16th. Do you recall that?

17 A Yeah. That was the -- the Funds. K&L Gates, the Funds,  
18 and the various Advisors.

19 Q All right. Do you recall Mr. Rukavina asking you whether  
20 there was any evidence in the record to support your testimony  
21 that there was an agreement in place to assume the CLO  
22 management agreements?

23 A I recall the question, yes.

24 Q Okay.

25 MR. MORRIS: Your Honor, I'm going to ask Ms. Canty

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1 to put up on the screen the Debtor's omnibus reply to the plan  
2 objections.

3 THE COURT: Okay.

4 MR. MORRIS: It was filed -- it was filed on January  
5 22nd. And if we can go, I think, to -- I think it's Paragraph  
6 -- I think it's Paragraph 135 on Page 71. Yeah. Okay.

7 BY MR. MORRIS:

8 Q Take a look at that, Mr. Seery. Does that -- does that  
9 statement in Paragraph 135 accurately reflect the  
10 understanding that's been reached between the Debtor and the  
11 CLO Issuers with respect to the Debtor's assumption of the CLO  
12 management agreements?

13 A Yes. I think that's consistent with what I testified to  
14 earlier, the substance of the agreement.

15 MR. MORRIS: And if we can just scroll to the top,  
16 just to see the date. Or the bottom. I guess the top.

17 THE WITNESS: Do you mean the date of this pleading?

18 BY MR. MORRIS:

19 Q Yeah. So, it was filed on January 22nd, right, ten days  
20 ago? Okay.

21 A That's correct.

22 MR. MORRIS: I'd like to put up on the screen an  
23 email, Your Honor, that I'd like to mark as Debtor's Exhibit  
24 10A. And this is --

25 BY MR. MORRIS:

1 Q Do you recall, Mr. Seery, you testified that the agreement  
2 was reflected in an email?

3 A Yes.

4 Q Is this the email that you're referring to?

5 MR. MORRIS: If we could scroll down. Right there.

6 THE WITNESS: Yes.

7 MR. MORRIS: Okay. One -- the email below. Okay.

8 Right there.

9 BY MR. MORRIS:

10 Q Is that the -- is that the email you had in mind?

11 A It was the series of emails. We -- we had a -- I think I  
12 testified in the prior testimony, or my -- one of my  
13 depositions, that we had had a number of conversations with  
14 the Issuers and their counsel, and this was the summary of the  
15 agreement that was contained in these emails.

16 Q Okay. And this is, this is the same date as the omnibus  
17 reply that we just looked at, right, January 22nd?

18 A That's correct.

19 Q Okay. You were asked a question, I think, late in your  
20 cross-examination about a Chapter 7 trustee's ability to sell  
21 the assets in the same way as you are proposing to do. Do you  
22 recall that testimony?

23 A Yes.

24 Q And I think, if I understood correctly, the question was  
25 narrowly tailored to whether there was any legal impediment to

1 a trustee doing -- performing the same functions as you. Do I  
2 have that right?

3 A That's the question I was asked, whether the Bankruptcy  
4 Code had a specific prohibition.

5 Q Okay. And I think, I think you testified that you weren't  
6 aware of anything. Is that right?

7 A That's correct.

8 Q All right. But let's talk about practice. Do you think a  
9 Chapter 7 trustee will realize the same value as you and the  
10 team that you're assembling will, in terms of maximizing value  
11 and getting the maximum recovery for the assets?

12 A No. As I testified earlier, you know, I've been working  
13 with these assets now for a year. It's a complicated  
14 structure. The assets are all slightly different. And  
15 sometimes much more than slightly. And the team that we're  
16 going to have helping managing is familiar with the assets as  
17 well. We believe we'll be able to execute very well in the  
18 markets that we (garbled).

19 Q Do you think a Chapter 7 trustee will have a steep  
20 learning curve in trying to even begin to understand the  
21 nature of the assets and how to market and sell them?

22 A I think anybody coming into this, the way this company is  
23 set up, as an asset manager, and the diversity of the assets,  
24 would have a steep learning curve, yes.

25 Q Do you have any view as to whether the perception in the

1 marketplace of a Chapter 7 trustee taking over to sell the  
2 assets will have an impact on value as compared to a post-  
3 confirmation estate of the type that's being proposed under  
4 the plan?

5 A Yes, I do, and it certainly would be negative, in my  
6 experience. Typically, assets are not conducted -- asset  
7 sales are not conducted through a bankruptcy court, and  
8 certainly not with a Chapter 7 trustee that has to sell them,  
9 and generally is viewed as having to sell them quickly. So we  
10 -- we approach each asset differently, but certainly in a way  
11 that would be much more conducive to maximizing value than a  
12 Chapter 7 trustee could, just by the nature of their role.

13 Q Is it -- is it your understanding that, under the proposed  
14 plan and under the proposed corporate governance structure,  
15 that the Claims Oversight Committee will -- will manage you?  
16 That you'll report to that Committee and that they'll have the  
17 opportunity to make their assessment as to the quality of your  
18 work?

19 A Yeah, absolutely. And that's consistent with what we've  
20 done before in this case. Even where it wasn't an asset of  
21 the estate or was being sold in the ordinary course, we spent  
22 time with the Committee and the Committee professionals before  
23 selling assets.

24 Q And you've worked with the Committee for over -- for a  
25 year now, right?

1 A It's over a year.

2 Q And the Committee is comfortable with you taking this  
3 role; is that right?

4 A I think they're supportive of it. Comfortable might be  
5 not the right word choice.

6 Q Okay. I appreciate the clarification. And do you have  
7 any reason to believe that the -- that the Oversight Committee  
8 is going to allow you the unfettered discretion to do whatever  
9 you want with the assets of the Trust?

10 A Not a chance. Not with this group. Nor would I want to.  
11 There's no right or wrong answer for most of these things, and  
12 the collaborative views from professionals and people who have  
13 an economic stake in the outcome will be helpful.

14 Q Okay. You were asked some questions about the November  
15 projections and the -- and the assumption that was made that  
16 valued the HarbourVest and the UBS claims at zero. Do you  
17 recall that?

18 A Yes.

19 Q As of that time, was the Debtor still in active litigation  
20 with both of those claim holders?

21 A Very much so.

22 Q And after the disclosure statement was issued, do you  
23 recall that the Court entered its order on UBS's Rule 3018  
24 motion?

25 A Yes.

1 Q And do you recall what the -- what the claims estimate was  
2 for voting purposes under that order?

3 A It was about \$95 million. That was -- it was together  
4 with the summary judgment orders of that date. They were  
5 separate orders, but that was the lone hearing.

6 Q And was that public information, that order was publicly  
7 filed on the docket; isn't that right?

8 A Yes, it was.

9 Q Is there anything in the world that you can think of that  
10 would have prevented any claim holder from doing the math to  
11 try to figure out the impact on the estimated recoveries from  
12 the -- by using that 3018 claims estimate?

13 A No. It would have -- it would have been quite easy to do.

14 Q And, in fact, that's what you wound up doing with respect  
15 to the January projections, right?

16 A That's correct.

17 Q And do you recall when the HarbourVest settlement, when  
18 the 9019 motion was filed?

19 A I don't recall the actual filing. It was subsequent to  
20 the UBS, though.

21 MR. MORRIS: Ms. Canty, if you have it, can we just  
22 put it on the screen, to see if we can refresh Mr. Seery's  
23 recollection? If we could just look at the very top.

24 BY MR. MORRIS:

25 Q Does that refresh your recollection that the 9019 motion

1 was filed on December 23rd?

2 A Yes, it does. The agreement was reached before that, but  
3 it took a little bit of time to document the particulars and  
4 then to -- to get it filed.

5 Q And this wasn't filed under seal, to the best of your  
6 recollection, was it?

7 A No, no. This was -- this was open, and we had a very open  
8 hearing about it, because it was a related-party objection.

9 Q And to the best of your recollection, did this 9019 motion  
10 publicly disclose all of the material terms of the proposed  
11 settlement?

12 A Yes, it did.

13 Q Can you think of anything in the world that would have  
14 prevented any interested party from doing the math to figure  
15 out how this particular settlement would impact the claim  
16 recoveries set forth in the Debtor's disclosure statement?

17 A No. And just again, to be clear, the plan and the  
18 projections had assumptions, but the plan was very clear that  
19 the denominator was going to be determined by the total amount  
20 of allowed claims.

21 Q And, again, at the time that that was filed, you hadn't  
22 reached a settlement with HarbourVest, had you?

23 A No.

24 Q And the order on the 3018 motion hadn't yet been filed; is  
25 that right?

1 A That's correct.

2 Q Okay. Has -- are you aware of any creditor expressing any  
3 interest in trying to change their vote as a result of the  
4 updates of the forecasts?

5 A Only Mr. Daugherty. And actually, they have a stipulation  
6 with the two -- the two former employees.

7 Q All right. But to be fair, that wasn't -- had nothing to  
8 do with the revisions to the projections? That was just in  
9 connection with their settlement; is that right?

10 A That's correct. As was, I suspect, Mr. Daugherty's, but  
11 he'd been aware of the settlements, just like everyone else.

12 Q Okay. You were asked a couple of questions, I think, by  
13 Mr. Rukavina about whether there is anything that you need to  
14 do your job on a go-forward basis. And I think you said no.  
15 Do I -- do I have that right? Nothing further that you need?

16 A I -- I'm not really sure what your question means, to be  
17 honest.

18 Q Okay. Fair enough. To be clear, is there any chance that  
19 you would accept the position as the Claimant Trustee if the  
20 gatekeeper and injunction provisions of the proposed plan were  
21 extracted from those documents?

22 A No. As I said earlier, they're integral in my view to the  
23 entire plan, but they're absolutely essential to my bottom.

24 Q Okay. And through -- through the date of the effective  
25 date, are you relying on the exculpation clause of the -- have

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1 you been relying on the exculpation clause in the January 9th  
2 order that you testified to at the beginning of this hearing?

3 A Yeah. Both the January 9th order as well as the July  
4 order with respect to my CEO/CRO positions.

5 Q Okay.

6 MR. MORRIS: I've got nothing further, Your Honor.

7 THE COURT: All right. Any recross on that redirect?

8 A VOICE: I believe Mr. Rukavina is speaking but is  
9 muted, Your Honor.

10 THE COURT: Mr. Rukavina, do you have any recross?

11 MR. RUKAVINA: Your Honor, I do, yes. Thank you. I  
12 apologize.

13 THE COURT: Okay.

14 MR. RUKAVINA: Can you hear me now?

15 THE COURT: Yes.

16 THE WITNESS: Yes.

17 MR. RUKAVINA: Thank you.

18 Mr. Vasek, if you'll please pull up the Debtor's Omnibus  
19 Reply, Docket 1807. And if you'll go to Exhibit C. Do a word  
20 search for Exhibit C. It's attached to it. Okay. Now scroll  
21 down. Stop there.

22 RECCROSS-EXAMINATION

23 BY MR. RUKAVINA:

24 Q Mr. Seery, do you see what's attached as Exhibit C to the  
25 Omnibus Reply, which is proposed language in the confirmation

1 order?

2 A I see the exhibit. I didn't know if this was -- I don't  
3 know exactly what it's for. If it's proposed language, I'll  
4 accept your representation.

5 MR. RUKAVINA: Well, scroll back up to Exhibit C, Mr.  
6 Vasek. I want to make sure that I understand what you're  
7 saying. Scroll back up. Do the word search for where Exhibit  
8 C appears first. Start again. Okay. So scroll up.

9 BY MR. RUKAVINA:

10 Q So, you'll recall Mr. Morris was asking you about the  
11 paragraph in here where you outlined the terms of the  
12 agreement with the CLOs. Do you recall that testimony?

13 A Yes.

14 Q Okay. And then you see it says, The Debtor and the CLOs  
15 agreed to seek approval of this compromise by adding language  
16 to the confirmation order. A copy of that language is  
17 attached hereto as Exhibit C and will be included in the  
18 confirmation order.

19 Do you see that, sir?

20 A I do.

21 Q Okay.

22 MR. RUKAVINA: Mr. Vasek, go back to Exhibit C.

23 BY MR. RUKAVINA:

24 Q So it's correct that this Exhibit C is the referenced  
25 agreement that the Debtor and the CLOs will seek approval of,

1 correct?

2 A The -- the -- it may be word-splitting, but I believe it  
3 says that they've reached agreement and this is the language  
4 that will evidence that agreement or embody that agreement.

5 Q Okay.

6 MR. RUKAVINA: Scroll down, Ms. Vasek, to the next  
7 page, please.

8 BY MR. RUKAVINA:

9 Q Real quick, do the CLOs owe the Debtor any money for the  
10 management fees?

11 A I don't -- well, the answer is there are accrued fees that  
12 haven't been paid, but when they have cash they run through  
13 the waterfall and pay them.

14 Q And I believe you mentioned to me those accrued fees  
15 before. They're several million dollars, correct?

16 A It -- I don't know right off the top of my head. They can  
17 aggregate and then they get paid down in the quarter depending  
18 on the waterfall. And it's -- it's not a fair statement by  
19 either of us to say the CLOs, as if they're all the same.  
20 Each one is different.

21 Q I understand. But as of today, you agree that the CLOs  
22 collectively owe some amount of money to the Debtor in accrued  
23 and unpaid management fees?

24 A I believe that's the case.

25 Q Okay. And do you believe it's north of a million dollars?

1 A I don't recall.

2 Q Okay.

3 MR. RUKAVINA: Well, scroll down a couple of more  
4 lines, Mr. Vasek. Stay there.

5 BY MR. RUKAVINA:

6 Q Sir, if you'll read with me, isn't the Debtor releasing  
7 each Issuer, which is the CLOs, for and from any and all  
8 claims, debts, et cetera, by this provision?

9 A Claims. Not -- not fees, but claims. I don't believe  
10 there's any release of fees that the CLOs might owe and would  
11 run through the waterfall here.

12 Q Okay. For and from any and all claims, debts,  
13 liabilities, demands, obligations, promises, acts, agreements,  
14 liens, losses, costs, and expenses, including without  
15 limitation attorneys' fees and related costs, damages,  
16 injuries, suits, actions, and causes of action, of whatever  
17 kind or nature, whether known or unknown, suspected or  
18 unsuspected, matured or unmatured, liquidated or unliquidated,  
19 contingent or fixed.

20 Are you saying that that does not release whatever fees  
21 have accrued and the CLOs owe?

22 A I don't believe it would. If it did, your client should  
23 be ecstatic. But I don't believe it does that.

24 Q And you don't believe that it releases the CLOs of any and  
25 all other obligations that they may have to the Debtor and the

1 estate?

2 A I -- again, I don't believe there are any, but I think  
3 it's a broad release of claims away from the actual fees that  
4 are generated by the Debtor. I don't believe there's an  
5 intention to release fees that have accrued.

6 Q Have you seen this language before I showed it to you  
7 right now?

8 A I believe I have, yes.

9 Q Okay. Take a minute. Can you point the Court to anywhere  
10 where present or future fees under the CLO agreements are  
11 excepted from the release?

12 A I could go through, I'll take your representation, but I  
13 don't believe that that's what it -- it's supposed to release  
14 fees. Again, if the fees are owed, they get paid, if there  
15 are assets there to pay them.

16 Q Okay. This release and this settlement was never noticed  
17 out as part of a 9019, was it?

18 A I don't believe so, no.

19 Q Okay. So, other than bringing it up here today, this is  
20 the first that the Court, at least, has heard of this,  
21 correct?

22 A Yeah, again, I don't --

23 MR. MORRIS: Objection to the form of the question.

24 THE WITNESS: Yeah. I just stated before that I  
25 don't think this is a -- that there claims.

1 THE COURT: Wait. Slow down. I think --

2 MR. SEERY: Oh, I'm sorry, Your Honor.

3 THE COURT: -- there was an objection. Go ahead, Mr.  
4 Morris.

5 MR. MORRIS: The notion that this is the first time  
6 the Court has heard of this is just factually incorrect.  
7 First of all, it's in the document from January 22nd. Second  
8 of all, Mr. Seery testified to it last week at the preliminary  
9 injunction hearing. I mean, --

10 THE COURT: I -- I --

11 MR. MORRIS: -- I don't know what the point of the  
12 inquiry is, but there's -- this is not new news.

13 THE COURT: Okay. I sustain the objection.

14 BY MR. RUKAVINA:

15 Q And Mr. Seery, can you point me to any document where  
16 counsel for the CLOs has signed this particular confirmation  
17 order or any other document agreeing to this language in the  
18 confirmation order?

19 A I don't think there's any document that's signed. I think  
20 we already went over that. I think the email is evidence  
21 their agreement to the general terms. I don't see any  
22 agreement with respect to this particular language.

23 Q Well, you have no personal information? You're going on  
24 what your lawyers told you that the CLOs agreed to, correct?

25 A That's correct.

1 Q Okay. You didn't personally --

2 A Excuse me. That's correct with respect to this language,  
3 not with respect to the agreement. I was on the phone when  
4 they agreed.

5 Q Okay. And they agreed orally, you're saying, to basically  
6 the assumption of the CLO management agreements?

7 A Correct.

8 Q Okay.

9 MR. RUKAVINA: Thank you, Your Honor. I'll pass the  
10 witness.

11 THE COURT: All right. Other recross?

12 MR. TAYLOR: Yes, Your Honor, I do.

13 THE COURT: Go ahead.

14 RECCROSS-EXAMINATION

15 BY MR. TAYLOR:

16 Q Mr. Seery, Clay Taylor again. You worked -- I'm sorry,  
17 let me restart. I believe you testified earlier, in response  
18 to questions by Mr. Morris, that you didn't believe a Chapter  
19 7 trustee would be very effective in monetizing these assets,  
20 correct?

21 A I think I said I didn't believe that the Chapter 7 trustee  
22 would be as effective at monetizing the assets as the  
23 Reorganized Debtor would be, and me in the role as Claimant  
24 Trustee.

25 Q And one of the reasons that you gave is you believe that

1 the Chapter 7 trustee had to liquidate assets so quickly that  
2 it could not be effective; is that correct?

3 A Typically, that's the case, yes.

4 Q You worked for the Lehman trustee, correct?

5 A That's incorrect.

6 Q Okay. Did you work on the Lehman case?

7 A Did I work in the case? No.

8 Q Okay. Did you -- how were you involved within -- within  
9 the Lehman case?

10 A It's a long history, but I was a relatively senior person,  
11 not senior level, not senior management level person at  
12 Lehman. I ran the loan businesses and I helped a number of  
13 other places and I -- in the organization. I helped construct  
14 the sale of Lehman to Barclays out of the broker-dealer and  
15 then helped consummate that sale.

16 Q Okay. I believe, in that case, it was a SIPC -- the  
17 trustee was a SIPC trustee, correct?

18 A With respect to the broker-dealer.

19 Q Okay. And you believe that a SIPC trustee is very -- has  
20 very similar rules with respect to asset sales; is that  
21 correct?

22 A There are some similarities, absolutely.

23 Q Okay. And so in that case, the trustee was in place for  
24 seven years, yet you believe -- you want this Court to believe  
25 that a Chapter 7 trustee has to liquidate assets in a very

1 short time frame, is that correct?

2 MR. MORRIS: Objection to the form of the question.

3 THE WITNESS: Yeah, in the Lehman case, --

4 THE COURT: Overruled.

5 THE WITNESS: I'm sorry, Judge.

6 THE COURT: Go ahead.

7 THE WITNESS: In the Lehman case, the SIPC trustee  
8 spent years litigating, not liquidating. The broker-dealer  
9 was sold in our structured deal to Barclays, and then the SIPC  
10 trustee liquidated the remainder of the estate, which was the  
11 broker-dealer, but most of it had been sold to Barclays. It  
12 was really a litigation case.

13 BY MR. TAYLOR:

14 Q But it did -- that trustee did sell off subsequent assets  
15 after the initial sale, correct?

16 A That trustee, I don't think, managed -- I don't know about  
17 that. The trustee didn't really manage any assets. Other  
18 than litigations.

19 Q You've also testified that you didn't believe or that you  
20 would not take on this role without the gatekeeper and  
21 injunction -- gatekeeper role and injunction being in place;  
22 is that correct?

23 A Yes.

24 Q And you're also familiar with the Barton Doctrine,  
25 correct?

1 A I'm not.

2 Q Okay. Do you believe that a Chapter 7 trustee could be  
3 sued by third parties without obtaining either relief from  
4 this Court -- let me just stop there. Do you believe that a  
5 Chapter 7 trustee could be sued without seeking leave of this  
6 Court?

7 A I think it would be difficult. I know that Chapter 7  
8 trustees have qualified immunity, so I think, whether it would  
9 be leave of this Court or it's just that there's a very high  
10 bar to suing them, I'm not exactly sure. It's not something  
11 I've spent time on.

12 Q Okay. So a hypothetical Chapter 7 trustee would have no  
13 need of the gatekeeper role or injunction if this case were  
14 converted to one under Chapter 7, correct?

15 A That's probably true.

16 Q Thank you.

17 MR. TAYLOR: No further questions.

18 THE COURT: All right. Any other recross?

19 MR. DRAPER: Your Honor, I have nothing --

20 THE COURT: All right.

21 MR. DRAPER: -- further.

22 THE COURT: All right. I think we're done, but  
23 anyone I've missed?

24 All right. Mr. Seery, it's been a long day. You are  
25 excused from the virtual witness stand.

1 THE WITNESS: Thank you, Your Honor.

2 THE COURT: All right. Mr. Morris, let's see if  
3 there's anything else we can accomplish today. It's 4:18  
4 Central time. Who would be your next witness?

5 MR. MORRIS: My next witness would be John Dubel,  
6 Your Honor.

7 THE COURT: All right. Can you give us a time  
8 estimate for direct?

9 MR. MORRIS: I wouldn't expect Mr. Dubel to be more  
10 than 20 minutes or so, but I would offer the Court, if you  
11 think it would be helpful, counsel for the CLO Issuers is on  
12 the call, and I believe that they would be prepared to just  
13 confirm for Your Honor that there is an agreement in  
14 principle, just as Mr. Seery has testified to, and maybe you  
15 want to hear from her. I know she's not really a witness, but  
16 she might be able to make some representations to give the  
17 Court some comfort that everything Mr. Seery has said is true.

18 THE COURT: I think that would be useful. Is it Ms.  
19 Anderson or who is it?

20 MS. ANDERSON: That is -- it is, Your Honor. And you  
21 know, I appreciate the testimony given. I certainly do not  
22 want to testify, but thought it might be useful for the Court  
23 to hear from us.

24 Amy Anderson on behalf of the Issuers from Jones Walker.  
25 Schulte Roth also represents the Issuers. And I can represent

1 to the Court that the agreement as it's represented on Docket  
2 1807, as more particularly described in Exhibit C, which Your  
3 Honor has seen, is the agreement reached between the Issuers  
4 and the Debtor.

5 There was some testimony about fees owed, accrued fees  
6 owed to the Debtor. I certainly cannot speak to the substance  
7 of each particular management agreement with each CLO. They  
8 are all distinct and unique and very lengthy documents. I  
9 will -- I can represent to the Court that any accrued fees  
10 that are owed were not intended to be included in the release.  
11 It is -- it is not meant to release fees owed to Highland  
12 under the particular management agreements.

13 Of course, if the Court has any questions or if I can  
14 provide anything further, I'm happy to. And I will be on the  
15 hearing today and tomorrow, but I thought it might be useful,  
16 given the topic of the testimony this afternoon.

17 THE COURT: All right. That was useful. Thank you,  
18 Ms. Anderson.

19 All right. Well, Mr. Morris, shall we go ahead and hear  
20 from Mr. Dubel today, perhaps finish up a second witness?

21 MR. MORRIS: Yeah. I think we have the time. I  
22 think Mr. Dubel is here. Are you here, Mr. Dubel?

23 MR. DUBEL: I am. Can you hear me, Your Honor?

24 THE COURT: I can hear you, but I cannot see you.  
25 Oh, now I can see you. Please raise your right hand.

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1 JOHN S. DUBEL, DEBTOR'S WITNESS, SWORN

2 THE COURT: All right. Thank you. Mr. Morris, go  
3 ahead.

4 MR. MORRIS: Thank you very much, Your Honor.

5 DIRECT EXAMINATION

6 BY MR. MORRIS:

7 Q Mr. Dubel, can you hear me?

8 A I can, Mr. Morris.

9 Q Okay. Do you have a position today with the Debtor, sir?

10 A I am a director of Strand Advisors, Inc., which is the  
11 general partner of the Debtor.

12 Q Okay. And can you --

13 MR. MORRIS: Your Honor, just as a reminder, I'm  
14 going to ask Mr. Dubel to describe his professional experience  
15 in some detail, to put into context his testimony, but his  
16 C.V. can be found at Exhibit 6Y as in yellow on Docket No.  
17 1822.

18 THE COURT: All right.

19 BY MR. MORRIS:

20 Q Mr. Dubel, can you describe your professional background?

21 A Yes. I have approximately, almost, and I hate to say it  
22 because it's making me feel old, but I have almost 40 years of  
23 experience working in the restructuring industry.

24 I have served in many roles in that, both as an advisor,  
25 an investor in distressed debt, and also a member of

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1 management teams, and as a director, both an independent  
2 director and a non-independent director.

3 My executive roles have included the -- both an executive  
4 director, chief executive officer, president, chief  
5 restructuring officer, chief financial officer. And I have  
6 been involved in some of the largest Chapter 11 cases over the  
7 last several decades, including cases like *WorldCom* and  
8 *SunEdison*.

9 Q Let's focus your attention for a moment just on the  
10 position of independent director. Have you served in that  
11 capacity before this case?

12 A I have.

13 Q Can you describe for the Court some of the cases in which  
14 you've served as an independent director?

15 A Sure. I've served as an independent director in several  
16 cases that were I'll call post-reorg cases. *Werner Company*,  
17 which was the largest climbing equipment manufacturer in the  
18 world, manufacturer of ladders, *Werner Ladders*. You'll see  
19 them on every pickup truck running around the countryside.

20 *FXI Corporation*, which is a -- one of the largest foam  
21 manufacturers. Everybody's probably slept or sat on one of  
22 their products.

23 *Barneys New York*, back in 2012, when they did an out-of-  
24 court restructuring. I had previously been involved with  
25 *Barneys* 15 years before that, and so I was called upon because

1 of my knowledge to be an independent director in that  
2 situation. Have had no relationship with Barneys since it  
3 emerged from Chapter 11 back in 1998.

4 I have been the independent director in *WMC Mortgage*,  
5 which was a mortgage company owned by General Electric.

6 And I am currently serving as an independent director in a  
7 company -- in two companies. One, *Alpha Media*, which is a  
8 large radio station chain that recently filed Chapter 11, I  
9 believe it was late Sunday night, and I am also an independent  
10 director in the *Purdue Pharma* bankruptcy, and have served  
11 prior to the bankruptcy and am the chair of the special  
12 independent committee of directors -- special committee of  
13 independent directors in that particular situation.

14 Q That sounds like a lot. In terms of other fiduciary  
15 capacities, I think your C.V. refers to Leslie Fay. Were you  
16 involved in that case, and if so, how?

17 A I was. That was -- for those people who may remember it,  
18 that goes back into the 1993 era. *Leslie Fay* was a large  
19 apparel manufacturer, and at the time was one of the largest  
20 companies that had gone through an extensive fraud. I say at  
21 the time because it was about a \$180 million fraud, which  
22 pales by some of the ones that have followed it.

23 I was brought in as the executive vice president in charge  
24 of restructuring, chief financial officer, and was also added  
25 to the board of directors. Even though I wasn't independent,

1 I was added to the board of directors to have the fresh face  
2 on the board in that particular situation because of the fraud  
3 that had taken place.

4 Q And --

5 A Sun --

6 Q Go ahead.

7 A SunEdison, I was brought in as the CEO. Actually,  
8 initially, as the chief restructuring officer, with a mandate  
9 to replace the CEO, which took place shortly after I was  
10 brought on board and -- because of various issues surrounding  
11 investigations by the SEC, DOJ, and allegations by the  
12 creditors of fraud. And so I was brought in to run the  
13 company through its Chapter 11 process.

14 As I'd mentioned earlier, WorldCom, I was brought in at  
15 the beginning of the case as the fresh chief financial  
16 officer. And I think everybody is familiar with what happened  
17 in the WorldCom situation.

18 Q All right. Based on that experience, do you have a view  
19 as to whether the appointment of independent directors is  
20 unusual?

21 A It is not. More recently, it has -- it had been in the  
22 past. Usually, you know, they would try and take the existing  
23 directors and form a special committee of the existing  
24 directors. But I think the state of the art has become more  
25 where independent directors are brought in, mainly because the

1 cases have become a lot more complex in nature, and larger,  
2 and the transactions themselves are much more sophisticated.  
3 And so having somebody independent has been important for  
4 analyzing the various transactions. And also, quite often,  
5 it's just bringing a fresh, independent voice to the company  
6 on the board.

7 Q Do you have an understanding as to the purpose and the  
8 role of independent directors generally in restructuring and  
9 bankruptcy cases?

10 A Sure. As I kind of alluded to a little bit earlier, the  
11 -- probably the most critical thing is for restoring  
12 confidence in the company and in the management in terms of  
13 corporate governance, especially when there have been troubled  
14 situations, where -- whether it's been fraud or allegations  
15 made against the company and its prior management or when  
16 management has left under difficult situations.

17 Also, you know, independent thought process being brought  
18 to the board is very important for helping guide companies.  
19 It's quite often the existing management team or the existing  
20 board may get stuck in a rut, as you can say, you know, in  
21 terms of their thinking on how to manage it, and having  
22 somebody with restructuring experience who provides that  
23 independent voice is very important to the operations.

24 In addition, having someone who can look at conflicts that  
25 might arise between shareholders or shareholders and the board

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1 members is important. As I mentioned earlier, the *WMC*  
2 *Mortgage* situation was one where I was brought on to -- as an  
3 independent member of the board to effectively negotiate an  
4 agreement or a settlement between WMC and its parent, General  
5 Electric. That entity was being -- WMC was being sued for  
6 billions of dollars, and there were issues as to whether or  
7 not General Electric should fund those obligations. And so  
8 that was a role that is quite often occurring in today's day  
9 and age.

10 In addition, evaluating transactions for companies is  
11 important, whereby either the shareholders who sit on the  
12 board or board members may be involved in those transactions,  
13 needing an independent voice to review it. And, you know, I  
14 have served in situations. Again, *Barneys New York* and *Alpha*  
15 *Media* is another example where, as an independent director, I  
16 am one of the parties responsible for evaluating those  
17 transactions and making recommendations to the entire board.

18 And then, again, you know, situations where it's just  
19 highly-contentious and having, as I said, having that  
20 independent view brought to the table is something that is  
21 very helpful in these cases.

22 Q I appreciate the fulsomeness of the answer. During the  
23 time that you served in these various fiduciary capacities, is  
24 it fair to say you spent a lot of time considering and  
25 addressing issues relating to D&O and other executive

1 liability issues?

2 A It's usually one of the things that you get involved with  
3 thinking about prior to taking on the role because you want to  
4 make sure that there are the appropriate protections for the  
5 director.

6 Q Can you describe for the Court some of the protections  
7 that you've sought or that you've seen employed in some of the  
8 cases you've worked on, including this one, by the way?

9 A Sure. I mean, one of the first things you look to is does  
10 the company -- will the company indemnify the director for  
11 serving in that capacity? And if the company will not  
12 indemnify, then there's always a question as to why not, and  
13 it's probably something you don't want to get involved with.

14 Generally, that is something that I don't think I've ever  
15 seen a case where there has not been indemnification.  
16 Obviously, it would, you know, cause great pause or concern if  
17 they weren't willing to indemnify. But that is important.

18 Providing D&O insurance is very important. And in most  
19 situations, you know, over the last 10-15 years, if there's  
20 not adequate D&O insurance -- quite often, the D&O insurance  
21 has been tapped out because of claims that will -- have been  
22 brought or are anticipated to be brought -- new D&O insurance  
23 is something that's front and center for the minds of  
24 independent directors such as myself.

25 As you -- that gets you into the case and gets you moving.

1 As you start to look towards the confirmation and exit from  
2 the case, things that would be appropriate, that, you know,  
3 would always be something you would want to look at would be  
4 exculpation language, releases. And in this particular case,  
5 the injunction, or what Mr. Seery earlier referred to as the  
6 gatekeeper clause, is something that is very important for  
7 directors, both, you know, as they're thinking through it and  
8 as they emerge.

9 Q All right. Let's shift now to this case, with that  
10 background. How did you learn about this case?

11 A I had a party who was involved in the case reach out to me  
12 in early part of December of 2019 to see if I would be  
13 interested in getting involved. I think that was about the  
14 time -- it was after -- as I recall, it was after the case had  
15 been moved to Dallas and when there was a -- consideration of  
16 either a Chapter 11 or a Chapter 7 trustee. I can't remember  
17 exactly which it was. But there was talk about a motion to  
18 bring on a trustee and get rid of all the management and the  
19 like and such.

20 Q Can you describe in as much detail as you can recall the  
21 facts and circumstances that led to your appointment as an  
22 independent director?

23 A Sure. I, as I said, I had -- early December, I had an --  
24 one of the parties involved -- had, probably within the next  
25 week, probably two or three others -- that reached out to see

1 if I would be interested in participating. I met with the  
2 Creditors' Committee or -- I'm not sure if it was all the  
3 members, but representatives of the Creditors' Committee,  
4 along with counsel, and I believe financial advisors were  
5 involved. They walked me through the issues. They wanted to  
6 hear about my C.V. Quite a few of them knew me, knew me well,  
7 but others wanted to hear about my background and how I would  
8 look at things as an independent director.

9 That went through into the latter part of December. I  
10 knew that they were talking to other parties. I think it was  
11 probably right around the first of the year or so that I was  
12 informed, maybe a little bit earlier than that, that I was  
13 informed that Mr. Seery was one of the other parties that they  
14 were talking to, and Mr. Seery and I were put in touch with  
15 each other. I had worked with Mr. Seery back probably nine  
16 years earlier when I was the CEO of FGIC. He was involved in  
17 a matter that we were restructuring, and so knew him a little  
18 bit and was comfortable working with him as a, you know,  
19 another independent director.

20 Then we took the time that we had to to -- or, I took the  
21 time to -- from the beginning, you know, the early part of  
22 December, look at the docket, understand what was taking  
23 place. I -- in addition, I met with the company and its  
24 advisors, in-house counsel, the folks at DSI who were at the  
25 time the CRO and the company's counsel to better understand

1 some of the issues.

2 Mr. Seery and I, as I said, were both selected, and we  
3 went through the process of, I guess, breaking the tie, I  
4 think, if I could say it that way, amongst the creditors and  
5 the Debtor as to who would be the third member of the board.  
6 And we were given the opportunity to go out, interview, and  
7 select the third member, which resulted in Russell Nelms'  
8 appointment to the board. And also during that time, we were  
9 given the opportunity to have some input -- not a hundred  
10 percent input, but some input -- on the January 9th order that  
11 -- the January 9, 2020 order that was put in place appointing  
12 us and giving us some of the protections that we felt were  
13 appropriate and necessary in this case.

14 Q All right. We'll get to that in a moment, but during this  
15 diligence period, did you form an understanding as to why an  
16 independent board was being formed, why it was being sought?

17 A Yes. There was, my words, there was a lot of distrust  
18 between the creditors and the management -- not the CRO, but  
19 the prior management of the company -- and there had been a  
20 motion brought both to obviously bring the case back to Dallas  
21 from I think it was originally in Delaware and then there was  
22 a motion to seek, you know, to remove management and put in a  
23 trustee.

24 There had been a dozen years of litigation with one party,  
25 about eight or nine years with another major party, and

1 several other of the major creditors were litigants. The  
2 other, as I understood, the other creditors, main creditors in  
3 the case were all lawyers who had not yet gotten paid for the  
4 litigation work that they had done. And so it was obvious  
5 that this was a very -- a highly-litigious situation.

6 Q In addition to speaking with the various constituents, did  
7 you do any diligence on your own to try to understand the case  
8 before you accepted the appointment?

9 A Yes. I went to the docket to look at all the -- not every  
10 single thing that had been filed, but to try and look at all  
11 the key, relevant items that had been filed, get a better  
12 understanding of what was out there. Looked at some of the  
13 initial filings of the company in terms of the, you know, the  
14 creditors, to understand who the creditor base was per the  
15 schedules that had been filed. Looked at the -- some of the  
16 various pleadings that had been put in place.

17 Q Did you form a view as to the causes of the bankruptcy  
18 filing?

19 A Litigation. That was my clear view. This company had  
20 been in litigation with multiple parties, various different  
21 parties, since around 2008. Generally, you would see  
22 litigation like the types that were, you know, that were here,  
23 you know, you'd litigate for a while, then you'd try and  
24 settle it.

25 It did not appear to me that there was any intention on

1 the -- the Debtor to settle these litigations, but would  
2 rather just continue the process and proceed forward on the  
3 litigation until the very last minute. And so it was obvious  
4 that this was going to -- that the Debtor was a, as I said, a  
5 highly-litigious shop, and that was one of the causes,  
6 obviously, the cause of the filing, along with the fact that  
7 judgments were about to be entered against the Debtor.

8 Q All right. And in January 2020, do you recall that's when  
9 the agreement was reached between the Debtor, the Committee,  
10 and Mr. Dondero?

11 A Yeah, it was the first week or so, which resulted in a  
12 hearing on I believe it was January 9th in front of Judge  
13 Jernigan.

14 Q And as a part of that -- I think you testified at that  
15 hearing. Do I have that right?

16 A I don't recall if I did. I might have. I might have  
17 testified at a subsequent hearing. But --

18 Q But was --

19 A -- I was in the courtroom for that hearing, yes.

20 Q Was it part of that process by which you accepted the  
21 appointment as independent director?

22 A I accepted it based upon the order that had been  
23 negotiated amongst the parties, the creditors, the Debtor, Mr.  
24 Dondero, and others. And that was the key thing that was --  
25 and approved by the Court on that date. And that was key for

1 my acceptance of the role as an independent director.

2 Q And did you and the other prospective independent  
3 directors participate in the negotiation of the substance of  
4 the agreement?

5 A We did. We didn't have a hundred percent say over it, but  
6 we were able to get our voices heard. As Mr. Seery testified  
7 earlier, he was instrumental in coming up with an idea about  
8 how to put in place the injunction, you know, the -- I think  
9 he referred to it as the gatekeeper injunction, which was  
10 obviously in this case very critical to all three of us: Mr.  
11 Seery, Mr. Nelms, and myself.

12 Q Can you describe for the Court kind of the issues of  
13 concern to you and the other prospective board members? What  
14 was it that you were focused on in terms of the negotiations?

15 A Well, obviously, indemnification was important, but that  
16 was something that was going to be granted. Having the right  
17 to obtain separate D&O insurance just for the three directors  
18 was important. We were concerned that Strand Advisors, Inc.  
19 really had no assets, and so we wanted to make sure that the  
20 Debtor was going to get -- was going to basically guarantee  
21 the indemnification.

22 The -- because of the litigious nature and what we had  
23 heard from all of the various parties involved, including  
24 people inside the Debtor who we had talked with, that it would  
25 be something that was important for us to make sure that the

1 injunction, the gatekeeper injunction was put in place.

2 Q And can you elaborate a little bit on I think you said you  
3 had done some diligence and you had formed a view as to the  
4 causes of the bankruptcy filing, but did this case present any  
5 specific concerns or issues that you and the board members had  
6 to address perhaps above and beyond what you experienced in  
7 some of the other cases you described?

8 A Well, as I said earlier, the fact that the litigation --  
9 the various litigations with the creditors have been going on  
10 for what I viewed as an inordinate amount of years, and that  
11 it was clear from my diligence that I had done that this had  
12 been directed by Mr. Dondero, to keep this moving forward in  
13 the litigation, and to, in essence, just, you know, never give  
14 up on the litigation.

15 It was important that the types of protections that we  
16 were afforded in the January 9th order were put in place,  
17 because we -- none of us -- none of the three of us, and  
18 myself in particular, did not want to be in a position where  
19 we would be sued and harassed through lawsuits for the next,  
20 you know, ten years or so. That's not something anybody would  
21 want to sign up for.

22 Q All right. Let's look at the January 9th order and the  
23 specific provisions I think that you're alluding to.

24 MR. MORRIS: Can we call up Exhibit 5Q, please?

25 THE WITNESS: Pardon me while I put my glasses on to

1 read this.

2 MR. MORRIS: All right. And if we can go to  
3 Paragraph 4.

4 BY MR. MORRIS:

5 Q Is that the paragraph, sir, that was intended to address  
6 the concern that you just articulated about Strand not having  
7 any assets of its own?

8 A Yes, it is.

9 Q And can you just describe for the Court how that  
10 particular provision addressed that concern?

11 A Sure. Since we were directors of Strand, which is the  
12 general partner of the Debtor, we felt it was important that  
13 the general -- that Highland, the Debtor, would provide the  
14 guaranty on indemnification, because Highland had the assets  
15 to back up the indemnification.

16 It was also pretty clear, from my experience in having  
17 placed D&O insurance, you know, over the last 25-30 years,  
18 that if there was no, you know, opportunity for  
19 indemnification, putting in place insurance would be very  
20 difficult or exorbitantly expensive. So having this  
21 indemnification by Highland was a very important piece of the  
22 order that we were seeking.

23 Q And the next piece is the insurance piece in Paragraph 5.  
24 Do you see that?

25 A I do.

1 Q Did you have any involvement in the Debtor's efforts to  
2 obtain D&O insurance for the independent board?

3 A I did.

4 Q Can you just describe for the Court what role you played  
5 and what issues came up as the Debtor sought to obtain that  
6 insurance?

7 A Sure. The Debtors had been looking to get an insurance  
8 policy in place. They were not able to do that. I happen to  
9 have worked with an insurance broker on D&O situations in some  
10 very difficult situations over the years and brought them into  
11 the mix. They were able to go out to the market and find a  
12 policy that would cover us, the -- kind of the key components  
13 of that policy, though, were, number one, the guaranty that  
14 HCMLP would give -- I'm sorry, the guaranty that HCMLP would  
15 give to Strand's obligations, and also the -- I'll call it the  
16 gatekeeper provision was very important because these parties  
17 did not want to have -- they wanted to have what was referred  
18 to, commonly referred to as the Dondero Exclusion.

19 So while we were -- we purchased a policy that covered us,  
20 it did have an exclusion, unless there were no assets left,  
21 and then the what I'll call -- we refer to as kind of a Side A  
22 policy would kick in.

23 Q Okay. What do you mean by the Dondero Exclusion?

24 A The insurers did not want to cover the -- any litigation  
25 that Mr. Dondero would bring against directors. It was pretty

1 commonly known in the marketplace that Mr. Dondero was very  
2 litigious, and insurers were not willing to write the  
3 insurance without the protections that this order afforded  
4 because they did not want to be hit with frivolous -- hit with  
5 claims on the policy for frivolous litigation that might be  
6 brought.

7 MR. TAYLOR: Your Honor, this is Mr. Taylor. I've  
8 got to object to the last answer. He testified as to what the  
9 insurers' belief was and what they would or would not do based  
10 upon their own knowledge. It's not within his personal  
11 knowledge. And therefore we'd move to strike.

12 THE COURT: I overrule that objection.

13 MR. MORRIS: Your Honor?

14 THE COURT: I overrule the objection.

15 MR. MORRIS: Thank you. Thank you, Your Honor.

16 BY MR. MORRIS:

17 Q Mr. Dubel, can you explain to the Court, in your work in  
18 trying to secure the D&O insurance, what rule the gatekeeper  
19 provision played in the Debtor's ability to get that?

20 A Based upon my discussions with the insurance broker, who I  
21 have worked with for 25-plus years, had that gatekeeper  
22 provision not been put in place, we would not have been able  
23 to get insurance.

24 Q All right. Let's look at the gatekeeper provision.

25 MR. MORRIS: Can we go down to Paragraph 10, please?

1 Perfect. Right there.

2 BY MR. MORRIS:

3 Q Is this gatekeeper provision, is this also the source of  
4 the exculpation that you referred to?

5 A Yes.

6 Q And what's your understanding of how the exculpation and  
7 gatekeeper functions together?

8 A Well, my apologies, I'm not an attorney, so just from a  
9 business point of view, the way I look at this is that, you  
10 know, obviously, we're -- you know, the directors are not  
11 protected from willful misconduct or gross negligence, but any  
12 negligence -- you know, claims brought under negligence and  
13 the likes of such, and things that might be considered  
14 frivolous, would have to first go to Your Honor in the  
15 Bankruptcy Court for a review to determine if they were claims  
16 that should be entitled to be brought.

17 Q If you take a look at the provision, right, do you  
18 understand that nobody can bring a claim without -- in little  
19 i, it says, first determining -- without the Court first  
20 determining, after notice, that such claim or cause of action  
21 represents a colorable claim of willful misconduct or gross  
22 negligence against an indirect -- independent director. Do  
23 you see that?

24 A I do.

25 Q Is it your understanding that parties can only bring

1 claims for gross negligence or willful misconduct if the Court  
2 makes a determination that there is a colorable claim?

3 A That's my understanding.

4 Q And the second --

5 A I think they have the right -- I think they have the right  
6 to go to the Court to ask if they can bring the claim, but the  
7 Court has to make the determination that it's a colorable  
8 claim for willful misconduct or gross negligence.

9 Q And if the Court -- is it your understanding that if the  
10 Court doesn't find that there is a colorable claim of willful  
11 misconduct or gross negligence, then the claim can't be  
12 brought against the independent directors?

13 A That is my understanding, yes.

14 Q And was -- taken together, Paragraphs 4, 5, and 10, were  
15 they of importance to you and the other independent directors  
16 before accepting the position?

17 A They were absolutely critical to me and definitely  
18 critical to the other directors, because we all negotiated  
19 that together, and it would -- I don't -- I don't think any of  
20 the three of us would have taken on this role if those  
21 paragraphs had not been included in the order.

22 Q Okay. Just speaking for yourself personally, is there any  
23 chance you would have accepted the appointment without all  
24 three of those provisions?

25 A I would not have.

1 Q And why is that? In this particular case, why did you  
2 personally believe that you needed all three of those  
3 provisions?

4 A Well, you know, people like myself, you know, someone  
5 who's coming in as an independent director, come in in a  
6 fiduciary capacity. And, you know, we take on risks. Now,  
7 granted, in a Chapter 11 case, as the saying goes, you know,  
8 it's a lot safer because everything has to be approved by the  
9 Court, but there are still opportunities for parties to, in  
10 essence, have mischief going on and bring nuisance lawsuits  
11 that would take a lot of time and effort away from either the  
12 role of our job of restructuring the entity or post-  
13 restructuring, would just be nuisance things that would cost  
14 us money. And we, you know, I did not want to be involved in  
15 that situation, knowing the litigious nature of Mr. Dondero  
16 from the research that I had done, you know, the diligence  
17 that I had done. I did not want to subject myself to that.  
18 And it has proven an appropriate and very solid order because  
19 of the conduct of Mr. Dondero, as Mr. Seery has testified to  
20 earlier.

21 Q Do you have a view as to what the likely effect would be  
22 on future corporate restructurings if you and your fellow  
23 directors weren't able to obtain the type of protection  
24 afforded in the January 9th order?

25 A I think it would be very difficult to find qualified

Dubel - Direct

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1 people who would be willing to serve in these types of  
2 positions if they knew they had a target on their backs. You  
3 know, it was something that was clear to us, to Mr. Seery, Mr.  
4 Nelms, myself at the time, that if we had a target -- we felt  
5 like we would have a target on our back if we didn't have  
6 these protections.

7 It just wasn't worth the risk, the stress, the  
8 uncertainty, the potential cost to us. And so I don't think  
9 anybody else would be, you know, willing to take on the roles  
10 as an independent director with the facts and circumstances  
11 and the players involved in this particular case.

12 MR. MORRIS: I have no further questions, Your Honor.

13 THE COURT: All right. Pass the witness. Let's see.  
14 You went -- I'm going to give a time. You went 32 minutes.  
15 So, for cross of this witness, I'm going to limit it to an  
16 aggregate of 32 minutes. Who wants to go first?

17 MR. DRAPER: Your Honor, this is Douglas Draper.  
18 I'll be happy to go first.

19 THE COURT: All right.

20 CROSS-EXAMINATION

21 BY MR. DRAPER:

22 Q Mr. Dubel, prior to your engagement, did you happen to  
23 read the case of *Pacific Lumber*?

24 A I did not.

25 Q And were you advised about *Pacific Lumber* by somebody

1 other than a -- your lawyer?

2 A I'm not familiar with the case at all, Mr. Draper.

3 Q Are you aware, and you've been around a long time, that  
4 different circuits have different rules for liabilities of  
5 officers, directors, and people like that?

6 A I am aware that there are different, I don't know what the  
7 right term is, but precedents, I guess, in different circuits  
8 for any number of things, whether it's a sale motion or  
9 protections of officers and directors or anything. So each  
10 circuit has its own unique situations.

11 Q And one last question. On a go-forward, after -- if this  
12 plan is confirmed and on the effective date, you will not have  
13 any role whatsoever as an officer or director of the new  
14 general partner, correct?

15 A I have not been asked to. As Mr. Seery testified, he may  
16 ask for assistance or just -- in most situations that I'm  
17 involved with, I may have a continuing role just as a -- I'll  
18 call it an advisor or somebody to provide a history. But at  
19 this point in time, I have not been asked to have any  
20 involvement.

21 Q And based on your experience, you know that there's a  
22 different liability for a director and an officer versus  
23 somebody who is an advisor?

24 MR. MORRIS: Objection to the form of the question.

25 No foundation.

1 THE COURT: Overruled.

2 MR. DRAPER: Mr. Dubel has shown --

3 THE COURT: Mr. Dubel, you can answer if you know.

4 MR. DRAPER: Mr. Dubel, you can answer.

5 THE WITNESS: I'm sorry, Your Honor, I didn't hear  
6 you say overruled. Thank you.

7 Mr. Draper, I apologize, could you repeat the question?

8 BY MR. DRAPER:

9 Q The question is you know from your experience that there's  
10 a different liability for somebody who is an officer or  
11 director versus somebody who's an advisor?

12 A Yes, that's my experience, which is why in several  
13 situations post-reorganization, while I have not been involved  
14 *per se*, and I use the term involved meaning, you know, on a  
15 day-to-day basis, if someone asks me to assist, I'll usually  
16 ask them to bring me in as a non -- an unpaid employee or a,  
17 you know, a nominally-amount-paid employee, so that I would be  
18 protected by whatever protections the company might provide.

19 MR. DRAPER: I have nothing further for this witness,  
20 Your Honor.

21 THE COURT: All right. Other cross?

22 MR. TAYLOR: Yes, Your Honor.

23 MR. RUKAVINA: Yes, Your Honor.

24 MR. TAYLOR: Oh, go ahead, Davor.

25 MR. RUKAVINA: No, Clay, go ahead.

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CROSS-EXAMINATION

BY MR. TAYLOR:

Q Mr. Dubel, this is Clay Taylor here on behalf on Mr. Dondero. I believe you had previously testified in response to questions from Mr. Morris that Mr. Dondero had engaged in a pattern of litigious behavior; is that correct?

A I believe that's the testimony I gave, yes.

Q Okay. And please give me the specific examples of which cases you believe he has engaged in overly-litigious behavior.

A Well, all of the cases that resulted in creditors, large creditors in our bankruptcy. That would be the UBS situation, the Crusader situation which became the Redeemer Committee, litigation with Mr. Daugherty, with Acis and Mr. Terry. And as I mentioned earlier, I'd, you know, been informed by members of the management team that it was Mr. Dondero's style to just litigate until the very end to try and grind people down.

Q Okay. Was Mr. Dondero or a Highland entity the plaintiff in the UBS case?

A No, but what was referred -- what I was referring to was the nature in which he defended it and went overboard and refused to ever, you know, try and settle things in a manner that would have gotten things done. And just looking at, having been involved in the restructuring industry for the last 40 years, as I said, almost 40 years, and been involved

1 in many, many litigious situations, it's obvious when someone  
2 is litigious, whether they're the plaintiff or the defendant.

3 Q So are you personally familiar with the settlement  
4 negotiations in the UBS case that happened pre-bankruptcy,  
5 then?

6 A I have been informed that there were settlement  
7 negotiations, and subsequently determined, through discussions  
8 with the parties, that they weren't really close to -- to a  
9 settlement.

10 Q But are you aware of --

11 A Mr. Dondero might have thought they were, but they were  
12 not.

13 Q Okay. Would you be surprised to learn if UBS had offered  
14 to settle pre-bankruptcy for \$7 million?

15 A As I understand, settlements -- settlement offers pre-  
16 bankruptcy had a tremendous number of -- I don't know what the  
17 right term is -- things tied to it and that clearly were never  
18 going to get done.

19 Q Okay. When you say things were tied to it, what things  
20 were tied to it?

21 A I don't know all of the settlement discussions that took  
22 place, but what I was informed was that there were a lot of  
23 conditions that were included in that. And it's -- if it had  
24 been an offer of \$7 million and Mr. Dondero didn't settle for  
25 that, there must have been a reason why. So, you know, since

1 the entities -- all of the entities within the Highland  
2 Capital empire, if you'd call it that, were being sued for  
3 almost a billion dollars.

4 Q Okay. And you say there was lots of conditions that were  
5 tied to that. What were the conditions?

6 A As I said earlier, I wasn't informed of them on all the  
7 prepetition settlements. That's just what I was told, there  
8 was conditions.

9 Q Okay. And who were you told these things by?

10 A Both external counsel and internal counsel. Mr.  
11 Ellington, Scott Ellington, and Isaac -- the litigation  
12 counsel.

13 Q Okay. So --

14 A That's -- sorry.

15 Q Okay. In each of these cases, you were informed by your  
16 views by statements that were made to you by other people?

17 A Yes.

18 Q Okay.

19 A Made -- and particularly made by members of management of  
20 the Debtor, which is pretty informed.

21 Q Okay. Which members of management were those?

22 A As I just testified, it was Mr. Ellington, who was the  
23 general -- the Debtor's general counsel, and Mr. Leventon,  
24 Isaac Leventon, who was the -- I believe his title was  
25 associate general counsel in charge of litigation.

1 Q Okay. Thank you.

2 MR. TAYLOR: No further questions.

3 THE COURT: All right. Mr. Rukavina?

4 CROSS-EXAMINATION

5 BY MR. RUKAVINA:

6 Q Mr. Dubel, we've never met, although I think we were on  
7 the phone once together. I know you're a director, so you're  
8 at the top, but having been in this case for more than a year,  
9 you probably have some understanding of the assets that the  
10 Debtor has, don't you?

11 A I do, but I'm not as facile with it as Mr. Seery,  
12 obviously.

13 Q Sure. Is it true, to your understanding, that the Debtor  
14 owns various equity interests in third-party companies?

15 A Either directly or indirectly. That's my understanding,  
16 yes.

17 Q Okay. Have you heard of an entity called Highland Select  
18 Equity Fund, LP?

19 A I have.

20 Q And is that a publicly-traded company?

21 A I'm not familiar with its nature there, no.

22 Q Do you know how much of the equity of that entity the  
23 Debtor owns?

24 A I don't know off the top of my head, no.

25 Q And again, these may be unfair questions because you're at

1 the top, so I'm not trying to make you look foolish. I'm just  
2 trying to see. Let me ask one more. Have you heard of  
3 Wright, W-R-I-G-H-T, Limited?

4 MR. MORRIS: Objection, Your Honor. Beyond the  
5 scope.

6 MR. RUKAVINA: Your Honor, I can recall him on my  
7 direct, then.

8 THE COURT: Yeah. I'll --

9 MR. RUKAVINA: But I'd just rather get it over with.

10 THE COURT: I'll allow it.

11 MR. MORRIS: All right. If we're going to get rid of  
12 --

13 THE COURT: Overruled.

14 MR. MORRIS: No, that's fine.

15 BY MR. RUKAVINA:

16 Q Have you heard of Wright, W-R-I-G-H-T, Limited?

17 A I think I have, but I just don't recall it, Mr. Rukavina.  
18 I'm sorry, Rukavina. Sorry.

19 Q It's okay. It's a --

20 A I'm looking at your chart here, at your name here, and it  
21 looks like Drukavina, so I really apologize.

22 Q Believe it or not, it's actually a very famous name in  
23 Croatia, although it means nothing here.

24 So, all of the entities that the Debtor owns equity in, I  
25 guess you probably, just because, again, you're not in the

1 weeds, you can't tell us how much of that equity the Debtor  
2 owns, can you?

3 A I can't individually, no. You know, Mr. Seery is our CEO  
4 and he's responsible for the day-to-day, you know, issues. So  
5 usually we look at it more on a consolidated basis and not in  
6 the, you know, down in the weeds, as you refer to it, unless  
7 something specific came up.

8 Q Well, would you remember whether, when Mr. Seery or the  
9 prior CRO would provide you, as the board member, financial  
10 reports, whether that included P&Ls and balance sheets and  
11 financial reports for the entities that the Debtor owned  
12 interests in?

13 A We might -- we would have seen certain consolidating  
14 reports that might -- that would be, you know, consolidating  
15 financial statements that would be P&Ls. Where we didn't  
16 consolidate them, I'm not sure we saw the actual individual-  
17 entity P&Ls on a regular basis. We might have seen them if  
18 there was a transaction taking place. But again, you know, I  
19 don't have -- I don't remember every single one of them, no.

20 Q And you would agree with me, sir, that the Pachulski law  
21 firm is an excellent restructuring, reorganization, insolvency  
22 law firm, wouldn't you?

23 A Yes, I would agree with you there.

24 Q Okay. And you would expect them to ensure that anything  
25 that has to be filed with Her Honor is timely filed, wouldn't

1 you?

2 A I would expect that they would follow the rules.

3 Q Okay. And you have the utmost of confidence, I take it,  
4 in your CRO, don't you?

5 A I have a tremendous amount of confidence in our CEO, who  
6 also happens to hold the title of CRO, yes, if that's what  
7 you're referring to as, Mr. Seery.

8 (Interruption.)

9 MR. RUKAVINA: John.

10 BY MR. RUKAVINA:

11 Q Okay, I think -- yeah, I think I heard that you have  
12 tremendous confidence in the CEO, who happens to be the CRO,  
13 right?

14 A Yes, that's the case.

15 MR. RUKAVINA: Thank you, Your Honor. I'll pass the  
16 witness.

17 THE COURT: All right. Any other cross of Mr. Dubel?  
18 All right. Mr. Morris, redirect?

19 MR. MORRIS: Yeah, just very briefly, Your Honor.

20 REDIRECT EXAMINATION

21 BY MR. MORRIS:

22 Q You were asked about that *Pacific Lumber* case, Mr. Dubel;  
23 do you remember that?

24 A I do remember being asked about it.

25 Q And you weren't familiar with that case, right?

1 A I'm not familiar with the name of the case, no.

2 Q But you did know that the exculpation and gatekeeping  
3 provisions were going to be included in the order; is that  
4 fair?

5 A I did.

6 Q And did you testify that you wouldn't have accepted the  
7 position without it?

8 A I did testify that way.

9 Q And if you knew that you couldn't get those provisions in  
10 the Fifth Circuit, would you ever accept a position as an  
11 independent director in the Fifth Circuit on a go-forward  
12 basis?

13 A Not in a situation such as this, no.

14 Q Okay. Okay.

15 MR. MORRIS: No further questions, Your Honor.

16 THE COURT: All right. Any recross on that narrow  
17 redirect?

18 All right. Well, Mr. Dubel, you are excused from the  
19 virtual witness stand.

20 THE WITNESS: Thank you, Your Honor.

21 THE COURT: All right. I want to go ahead and --

22 MR. DUBEL: Do you mind if I turn my video off?

23 THE COURT: I'm sorry, what?

24 MR. DUBEL: I said, do you mind if I turn my video  
25 off?

1 THE COURT: No, you may. That's fine.

2 MR. DUBEL: Thank you, Your Honor.

3 THE COURT: All right. I want to break now, unless  
4 there's any quick housekeeping matter. Anything?

5 MR. MORRIS: No, Your Honor, but I would just ask  
6 all parties to let me know by email if they have any  
7 objections to any of the exhibits on the witness list that was  
8 filed at Docket No. 1877, because I want to begin tomorrow by  
9 putting into evidence the balance of our exhibits.

10 MR. RUKAVINA: And Your Honor, I was responsible for  
11 this due to an internal mistake. The only ones I have an  
12 objection to are -- is that 7? John, is that 7, right, 700 --

13 MR. MORRIS: Yes.

14 MR. RUKAVINA: Your Honor, I only have an objection  
15 to 70 and 7P, although I think -- think the Court has already  
16 admitted 7P, so my objection is moot.

17 THE COURT: I have.

18 MR. RUKAVINA: Okay.

19 THE COURT: So, what --

20 MR. RUKAVINA: Then it would just be --

21 THE COURT: Go ahead.

22 MR. RUKAVINA: I'm sorry. It would just be 70.  
23 Septuple O or whatever the word is.

24 THE COURT: All right. So I will go ahead and admit  
25 7F through 7Q, with the exception of 70. Again, these appear

1 at Docket Entry 1877. And Mr. Morris, you can try to get in  
2 70 the old-fashioned way if you want to.

3 MR. MORRIS: Yeah, I'll deal with 70 and the very  
4 limited number of other objections at the beginning of  
5 tomorrow's hearing.

6 THE COURT: All right.

7 (Debtor's Exhibits 7F through 7Q, with the exception of  
8 70, are received into evidence.)

9 THE COURT: So we will reconvene at 9:30 Central time  
10 tomorrow. I think we're going to hear from the Aon, the D&O  
11 broker, Mr. Tauber; is that correct?

12 MR. MORRIS: That's right. And that should be  
13 shorter than even Mr. Dubel.

14 THE COURT: All right. Well, we will see you at 9:30  
15 in the morning. We are in recess.

16 MR. MORRIS: Thank you so much.

17 THE CLERK: All rise.

18 (Proceedings concluded at 5:09 p.m.)

19 --oOo--

20 CERTIFICATE

21 I certify that the foregoing is a correct transcript from  
22 the electronic sound recording of the proceedings in the  
above-entitled matter.

23 **/s/ Kathy Rehling**

**02/04/2021**

24 \_\_\_\_\_  
25 Kathy Rehling, CETD-444  
Certified Electronic Court Transcriber

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Date

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IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

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	)	<b>Case No. 19-34054-sgj-11</b>
In Re:	)	Chapter 11
	)	
HIGHLAND CAPITAL	)	Dallas, Texas
MANAGEMENT, L.P.,	)	Wednesday, February 3, 2021
	)	9:30 a.m. Docket
Debtor.	)	
	)	CONFIRMATION HEARING [1808]
	)	AGREED MOTION TO ASSUME [1624]
	)	
	)	<i>Continued from 02/02/2021</i>
	)	

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TRANSCRIPT OF PROCEEDINGS  
BEFORE THE HONORABLE STACEY G.C. JERNIGAN,  
UNITED STATES BANKRUPTCY JUDGE.

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Proceedings recorded by electronic sound recording;  
transcript produced by transcription service.

1 DALLAS, TEXAS - FEBRUARY 3, 2021 - 9:38 A.M.

2 THE CLERK: All rise. The United States Bankruptcy  
3 Court for the Northern District of Texas, Dallas Division, is  
4 now in session, the Honorable Stacey Jernigan presiding.

5 THE COURT: Good morning. Please be seated. All  
6 right. We are ready for Day Two of the confirmation hearing  
7 in Highland Capital Management, LP, Case No. 19-34054. I'll  
8 just make sure we've got the key parties at the moment. Do we  
9 have Mr. Pomerantz, Mr. Morris, for the Debtor team?

10 MR. POMERANTZ: Yes. Good morning, Your Honor. Jeff  
11 Pomerantz for the Debtors.

12 MR. MORRIS: And I'm here as well, Your Honor.

13 THE COURT: All right. Good.

14 All right. For our objecting parties, do we have Mr.  
15 Taylor and your crew for Mr. Dondero?

16 MR. TAYLOR: Yes, Your Honor.

17 THE COURT: Good morning.

18 All right. For Dugaboy Trust and Get Good Trust, do we  
19 have Mr. Draper? (No response.) All right. I do see Mr.  
20 Draper. I didn't hear an appearance. You must be on mute.

21 MR. DRAPER: I'm present, --

22 THE COURT: Okay.

23 MR. DRAPER: -- Your Honor.

24 THE COURT: Okay. Good morning.

25 MR. DRAPER: I'm present, Your Honor.

1 THE COURT: Good morning. I heard you that time.  
2 Thank you.

3 All right. And now for what I'll call the Funds and  
4 Advisors Objectors, do we have Ms. Rukavina present?

5 MR. RUKAVINA: Yes, Your Honor. Good morning.

6 THE COURT: Good morning. All right. And I will  
7 check. Do we have Mr. Clemente or your team there?

8 MR. CLEMENTE: Yes. Good morning, Your Honor. Matt  
9 Clemente from Sidley Austin on behalf of the Committee.

10 THE COURT: All right. Ms. Drawhorn, do we have you  
11 there for the NexPoint Real Estate Partners and related funds?

12 MS. DRAWHORN: Yes, Your Honor. Good morning.

13 THE COURT: Good morning. All right. Did I miss --  
14 I think that captured all of our Objectors. Anyone who I've  
15 missed?

16 All right. Well, when we recessed yesterday, Mr. Morris,  
17 I think you were about to call your third witness; is that  
18 correct?

19 MR. MORRIS: It is, Your Honor. But if I may, I'd  
20 like to just address the objections to the remaining exhibits,  
21 since I hope that won't take too long.

22 THE COURT: All right. You may.

23 MR. POMERANTZ: Actually, Your Honor, before we go  
24 there, we filed the supplemental declaration of Patrick  
25 Leatham, as we indicated we would do yesterday. We just

1 wanted to get confirmation again that nobody intends to cross-  
2 examine him, so that he doesn't have to sit through the  
3 festivities today.

4 THE COURT: All right. Well, I did see that you  
5 filed that.

6 Does anyone anticipate wanting to cross-examine Mr.  
7 Leatham, the balloting agent?

8 MR. RUKAVINA: Your Honor, I take it that that  
9 declaration is part of the record. As long as the Court  
10 confirms that, I do not intend to call the gentlemen.

11 THE COURT: All right. Well, I will take judicial  
12 notice of it and make it part of the record. It appears at  
13 Docket Entry No. 1887. Again, it was filed -- well, it was  
14 actually filed early this morning, I think. So, all right.  
15 So, with --

16 MR. MORRIS: And to avoid --

17 THE COURT: Go ahead.

18 MR. MORRIS: To -- I was just going to say, to avoid  
19 any ambiguity, Your Honor, the Debtor respectfully moves that  
20 document into the evidentiary record.

21 THE COURT: All right. The Court will --

22 (Interruption.)

23 THE COURT: Someone needs to put their phone on mute,  
24 perhaps. Unless someone was intentionally speaking.

25 All right. So, I will grant that request. Docket Entry

1 No. 1887 will be part of the confirmation evidence of this  
2 hearing.

3 (Debtor's Patrick Leatham Declaration at Docket 1887 is  
4 received into evidence.)

5 THE COURT: All right. Anything else? There were  
6 other exhibits I think you were going to talk about?

7 MR. MORRIS: Yeah. Let me just go through them one  
8 at a time, if I may, Your Honor.

9 THE COURT: Okay.

10 MR. MORRIS: All right. So, I'm going to deal with  
11 the transcripts that have been objected to one at a time. And  
12 I'll just take them in order. The first one can be found at  
13 Exhibit B. It is on Docket No. 1822.

14 THE COURT: Okay.

15 MR. MORRIS: Exhibit B is the deposition transcript  
16 from the December 16, 2020 hearing on the Advisor and the  
17 Funds' motion for an order restricting the Debtor from  
18 engaging in certain CLO-related transactions.

19 During that hearing, the Court heard the testimony of  
20 Dustin Norris. Mr. Norris is an executive vice president for  
21 each of the Funds and each of the Advisors.

22 We would be offering the transcript for the limited  
23 purposes of establishing Mr. Dondero's ownership and control  
24 over the Advisors.

25 Mr. Norris also gave some pretty substantial testimony

1 concerning the so-called independent board of the Funds.

2 And as a general matter, Your Honor, to the extent that  
3 the objection is on hearsay grounds, the transcript -- at  
4 least the portions relating to Mr. Norris's testimony --  
5 simply are not hearsay under Evidentiary Rule 801(d)(2).  
6 These are statements of an opposing party, and I think we fall  
7 well within that.

8 So, we would respectfully request that the Court admit  
9 into the record the transcript from December 16th, at least  
10 the portions of which are Mr. Norris's testimony.

11 THE COURT: All right. And, again, these appear at  
12 -- I think I heard you say B and then E. Is that correct?

13 MR. MORRIS: Just B. Just B at the moment. B as in  
14 boy.

15 THE COURT: Okay. Just B at the moment?

16 All right. Any objections to that?

17 MR. RUKAVINA: Your Honor, I had objected, but now  
18 that it's offered for that limited purpose, I withdraw my  
19 objection.

20 THE COURT: All right. Then B -- I'm sorry. Was  
21 there anyone else speaking?

22 B will be admitted. And, again, it appears at Docket  
23 Entry 1822.

24 (Debtor's Exhibit B, Docket Entry 1822, is received into  
25 evidence.)

1 MR. MORRIS: Okay. Next, the next transcript can be  
2 found at Exhibit 6R, and that's Docket 1866. Exhibit 6R is  
3 the transcript of the January 9, 2020 hearing where the Court  
4 approved the corporate governance settlement. We think that  
5 that transcript is highly relevant, Your Honor, because it  
6 reflects not only Mr. Dondero's notice and active  
7 participation in the consummation of the corporate governance  
8 agreement, but it also reflects the Court and the parties'  
9 views and expectations that were established at that time,  
10 such that if anybody contends that there's any ambiguity about  
11 any aspect of the order, I believe that that would be the best  
12 evidence to resolve any such disputes.

13 So, for the purpose of establishing Mr. Dondero's notice,  
14 Mr. Dondero's participation, and the parties' discussions and  
15 expectations with regard to every aspect of the corporate  
16 governance settlement, including Mr. Dondero's stipulation,  
17 the order that emerged from it, and the term sheet, we think  
18 that that's properly into evidence.

19 THE COURT: Any objection?

20 All right. 6R will be admitted. Again, at Docket Entry  
21 1822.

22 (Debtor's Exhibit 6R, Docket Entry 1822, is received into  
23 evidence.)

24 MR. MORRIS: Next, Your Honor, we've got Exhibits 6S  
25 as in Sam and 6T as in Thomas. They're companions. And they

1 can be found at Docket 1866. And those are the transcripts.  
2 The first one is from the October 27th disclosure statement  
3 hearing, and the second one actually is from the Patrick  
4 Daugherty, I believe, lift stay motion.

5 I'll deal with the first one first, Your Honor. We  
6 believe that the transcript of the October 27th hearing goes  
7 to the good faith nature of the Debtor's proposed plan. It  
8 shows that the Debtor and the Committee were not always  
9 aligned on every interest. It shows that the Committee, in  
10 fact, strenuously objected to certain aspects of the then-  
11 proposed plan by the Debtors. And we just think it goes to  
12 the heart of the good faith argument.

13 The transcript for the 28th, we would propose to offer for  
14 the limited purpose of the commentary that you offered at the  
15 end of that hearing, where Your Honor made it clear that  
16 employee releases would not be -- would not likely be  
17 acceptable to the Court unless there was some consideration  
18 paid.

19 And it was really, frankly, Your Honor's comments that  
20 helped spur the Committee and the Debtor to discuss over the  
21 next few weeks the resolution of the issues concerning the  
22 employee releases.

23 So we're not offering Exhibit 6T for anything having to do  
24 with Mr. Daugherty or his claim, but just the latter portion  
25 relating to the discussion about the employee releases. And,

1 with that, we'd move those transcripts into evidence.

2 THE COURT: Any objection?

3 MR. RUKAVINA: Your Honor, yes, I do object. 6S is  
4 hearsay, and under Rule 804(b)(1) it's admissible only if the  
5 witnesses are unavailable to be called. There's been no  
6 suggestion that they're not.

7 As far as 6T, what Your Honor says is not hearsay, so as  
8 long as it's just what Your Honor was saying, I do not object  
9 to 6T. I object to the balance of it.

10 THE COURT: Okay. What about that objection on 6S?

11 MR. MORRIS: Yeah. One second, Your Honor. I would  
12 go to the residual exception to the hearsay rule under 807.  
13 807 specifically applies if the statement being offered is  
14 supported by sufficient guarantees of trustworthiness and it's  
15 more probative on the point -- and the point here is simply to  
16 help buttress the Debtor's good faith argument -- and it's  
17 more probative on the point than any other evidence. And I'm  
18 not sure what better evidence there would be than an on-the-  
19 record discussion between the Debtor and the Committee as to  
20 the disputes they were having on the disclosure statement.

21 THE COURT: All right. I'm going to overrule the  
22 objection and accept that 807 exception as being valid here.  
23 So, I am admitting both 6S and 6T. And for the record, I  
24 think you said they appeared at 1866. They actually appear at  
25 1822.

1 MR. MORRIS: Okay, Your Honor. I am corrected. It  
2 is 6S and 6T, and they are indeed at 1822. Forgive me.

3 THE COURT: Okay.

4 (Debtor's Exhibits 6S and 6T, Docket Entry 1822, is  
5 received into evidence.)

6 MR. MORRIS: The next transcript and the last one is  
7 6U, which is also at 1822. 6U is the transcript from the  
8 December 10th hearing on the Debtor's motion for a TRO against  
9 Mr. Dondero. We believe the entirety of that transcript is  
10 highly relevant, and it relates specifically to the Debtor's  
11 request for the exculpation, gatekeeper, and injunction  
12 provisions of their plan. And on that basis, we would offer  
13 that into evidence.

14 THE COURT: Any objection?

15 MR. TAYLOR: Yes, Your Honor. This is Clay Taylor on  
16 behalf of Mr. Dondero.

17 We do object, on the same basis that it is hearsay. There  
18 has certainly been plenty of testimony before this Court and  
19 on the record as to why the Debtor believes that its plan  
20 provisions are appropriate and allowable, and there's no need  
21 to allow hearsay in for that. All of the witnesses were  
22 available to be called by the Debtor. The Debtor is in the  
23 midst of its case and can call whoever else it needs to call  
24 to get these into evidence or to get those docs into evidence.  
25 And therefore, we don't believe that any residual exception

1 should apply.

2 THE COURT: Mr. Morris, your response?

3 MR. MORRIS: First, Your Honor, any statements made  
4 by or on behalf of Mr. Dondero would not be hearsay under  
5 801(d)(2).

6 And secondly, there is no other evidence of the Debtor's  
7 motion of the -- of the argument that was had. There is no  
8 other evidence, let alone better evidence, than the transcript  
9 itself. And I believe 807 is certainly the best rule to  
10 capture that.

11 It is a statement that's supported by sufficient  
12 guarantees of trustworthiness. Again, these are the litigants  
13 appearing before Your Honor. It may not be sworn testimony,  
14 but I would hope that everybody is doing their best to comply  
15 with the guarantee of trustworthiness in that regard, putting  
16 aside advocacy.

17 And it is more probative on the point for which we're  
18 offering -- and that is on the very issues of exculpation,  
19 gatekeeper, and injunction -- than anything else we can offer  
20 in that regard.

21 THE COURT: All right. I overrule the objection and  
22 I will admit 6U. Okay.

23 (Debtor's Exhibit 6U, Docket Entry 1822, is received into  
24 evidence.)

25 MR. MORRIS: All right. Going back to the top, Your

1 Honor, Companions Exhibit D as in David and E as in Edward,  
2 which are at Docket 1822.

3 Exhibit D is an email string that relates to the Debtor's  
4 communications with the Creditors' Committee concerning a  
5 transaction known as SSP, which stands for Steel Products --  
6 Structural and Steel Products. So that was an asset that the  
7 Debtor was selling, trying to sell at a particular point in  
8 time. And Exhibit E is a deck that the Debtor had prepared  
9 for the benefit of the UCC.

10 And if we looked that those documents, Your Honor, you'd  
11 see that the Debtor was properly following the protocols that  
12 were put in place in connection with the January 9th corporate  
13 governance settlement. And the Committee is being informed by  
14 the Debtor of what the Debtor intends to do with that  
15 particular asset.

16 And the reason that it's particularly relevant here, Your  
17 Honor, is Dustin Norris had submitted a declaration in support  
18 of their motion that was heard on September -- on December  
19 16th. That declaration is an exhibit to what is Exhibit A on  
20 Docket 1822. Exhibit A on the docket is the Advisor and the  
21 Funds' motion. Okay? So, Exhibit A is the motion. Attached  
22 to that Exhibit A is an exhibit, which is Mr. Norris's  
23 declaration.

24 At Paragraph 9 of Mr. Norris's declaration, he takes issue  
25 with the Debtor's process for the sale of that particular

1 asset.

2 And so, having admitted already into the record Mr.  
3 Norris's declaration, we believe that these documents rebut  
4 the statements made in Mr. Norris's declaration, and indeed,  
5 were part of the transcript that has now already been admitted  
6 into evidence. So we think the documents are needed because  
7 they were exhibits during that hearing.

8 THE COURT: All right. Any objection?

9 MR. RUKAVINA: Your Honor, yes, I object based on  
10 authenticity. This document has not been authenticated, nor  
11 has the attachment. And on hearsay. And I don't think that  
12 the Debtor can introduce one exhibit just to introduce another  
13 to rebut the first.

14 THE COURT: Your response?

15 MR. MORRIS: You know, in all honesty, I wish that  
16 the authenticity objection had been made yesterday and I might  
17 have been able to deal with that.

18 These documents have already been admitted by the Court  
19 against these very same parties. I think it would be a little  
20 unfair for them now to exclude the document that they had no  
21 objection to the first time around. They clearly relate to  
22 Paragraph 9 of Mr. Norris's declaration, which was admitted  
23 into evidence in this case without objection.

24 THE COURT: All right. I overrule the objection. D  
25 and E are admitted.

1 (Debtor's Exhibits D and E, Docket Entry 1822, is received  
2 into evidence.)

3 MR. MORRIS: Next, Your Honor, we have Exhibits 4D as  
4 in David, 4E as in Edward, and 4G as in Gregory. And those  
5 can all be found on Docket 1822. And to just cut to the  
6 chase, Your Honor, these are the K&L Gates letter that were  
7 sent in late December and my firm's responses to those  
8 letters.

9 Those letters are being offered, again, to support --  
10 well, the Debtor contends that, in the context of this case,  
11 and at the time and under the circumstances, the letters  
12 constituted interference and evinces a disregard for the  
13 January 9th order, for Mr. Dondero's TRO, and for the Court's  
14 comments at the December 16th hearing. And they go  
15 specifically to the Debtor's request for the gatekeeper,  
16 exculpation, and injunction provisions.

17 To the extent that those exhibits contain the letters that  
18 were sent on behalf of the Funds and on behalf of the  
19 Advisors, they would simply not be hearsay under 801(d)(2).  
20 And to the extent the objection goes to my firm's response, I  
21 think just as a matter of completeness the Court -- I won't  
22 offer them for the truth of the matter asserted. I'll simply  
23 offer the Pachulski responses at those exhibits for the  
24 purpose of stating the Debtor's position, without regard to  
25 the truth of the matter asserted.

1 THE COURT: All right. Any objection?

2 MR. RUKAVINA: Your Honor, with that understanding,  
3 I'll withdraw my objection to these exhibits.

4 THE COURT: All right. So, 4D, 4E, and 4G are  
5 admitted.

6 (Debtor's Exhibits 4D, 4E, and 4G, Docket Entry 1822, are  
7 received into evidence.)

8 MR. MORRIS: Next, Your Honor, we've got Exhibit 5T  
9 as in Thomas. That document can be found at Docket No. 1822.  
10 Your Honor, that document is a schedule of a long list of  
11 promissory notes that are owed to the Debtor by the Advisors,  
12 Dugaboy, and Mr. Dondero. But I think that, upon reflection,  
13 I'll withdraw that exhibit.

14 THE COURT: All right.

15 (Debtor's Exhibit 5T is withdrawn.)

16 MR. MORRIS: And then, finally, just one last one. I  
17 think Mr. Rukavina objected to Exhibit 70 as in Oscar, which  
18 can be found at Docket No. 1877. Exhibit 70 are the documents  
19 that were admitted in the January 21st hearing, and I believe  
20 that they all go -- they're being offered to support the  
21 Debtor's application for the gatekeeper, exculpation, and  
22 injunction provisions.

23 THE COURT: All right. 70 is being offered. Any  
24 objection?

25 MR. RUKAVINA: Yes, Your Honor. I do object. Those

1 are exhibits from a separate adversary proceeding that has not  
2 been concluded. In fact, my witness is still on the stand in  
3 that.

4 And I'll note that that's another 20,000 pages that's very  
5 duplicative of the current record, and we already are going to  
6 have an unwieldy record. So I question why Mr. Norris -- why  
7 Mr. Morris would even need this.

8 So that's my objection, Your Honor.

9 MR. MORRIS: You know what? That's a fair point,  
10 Your Honor. And -- that is a fair point, and I guess what I'd  
11 like to do is at some point this morning see if I can single  
12 out documents that are not duplicative and come back to you  
13 with very specific documents. I think that's a very fair  
14 point.

15 THE COURT: All right.

16 MR. MORRIS: And with that, Your Honor, I think we've  
17 now addressed every single document that the Debtor has  
18 offered into evidence, and I believe, other than the  
19 withdrawal of --

20 THE COURT: 5T.

21 MR. MORRIS: -- 5T --

22 THE COURT: Uh-huh.

23 MR. MORRIS: -- and the open question on 70, I  
24 believe every single document at Docket 1822, 1866, and 1877  
25 has been admitted. Do I have that right?

1 THE COURT: All right. Yes, because I did admit  
2 yesterday 7F through 7Q, minus 7O, at 1877. So, yes, I agree  
3 with what you just said.

4 MR. RUKAVINA: Your Honor, I apologize. And Mr.  
5 Morris. I have that 5S -- or six -- that 5S and 6C, Legal  
6 Entities List, have not been admitted. But if I'm wrong on  
7 that, then I apologize.

8 THE COURT: Okay. 5S was part of 1866, which I  
9 admitted entirely.

10 And what was the other thing?

11 MR. RUKAVINA: I'm counting letters, Your Honor.  
12 One, two, three, four. 6D, Legal Entities List, Redacted.

13 THE COURT: Okay. 6B would have been --

14 MR. RUKAVINA: D, Your Honor, as in dog. I'm sorry.  
15 6-dog.

16 THE COURT: Okay. 6D, yeah, that was part of 1822  
17 that I admitted *en masse* yesterday.

18 MR. MORRIS: Yeah, I didn't hear an objection to that  
19 one yesterday, and I agree, Your Honor. My records show that  
20 it was already admitted.

21 MR. RUKAVINA: Then I apologize to the Court.

22 THE COURT: All right. Any --

23 MR. MORRIS: No worries. Let's get --

24 THE COURT: Any other housekeeping matters before we  
25 go to the next witness?

1 MR. MORRIS: No, Your Honor. Not from the Debtor.

2 THE COURT: Anyone else?

3 All right. Well, let's hear from the next witness.

4 MR. MORRIS: All right, Your Honor. The Debtor calls  
5 as its next and last witness Marc Tauber.

6 THE COURT: All right. Mr. --

7 MR. MORRIS: Mr. Tauber, if you're on the phone,  
8 please identify yourself.

9 (No response.)

10 THE COURT: Mr. Tauber, we're not hearing you.  
11 Perhaps you are on mute. Could you unmute your device?

12 (No response.)

13 THE COURT: All right. If it's a phone, you need to  
14 hit \*6.

15 Hmm. Any -- do you know which caller he is?

16 THE CLERK: I'm trying to find out.

17 THE COURT: All right. We've got well over a hundred  
18 people, so we can't easily identify where he is at the moment.

19 All right. Mr. Tauber, Marc Tauber? This is Judge  
20 Jernigan. We cannot hear you, so -- all right. Well, maybe  
21 we can --

22 MR. MORRIS: Can we just take a three-minute break  
23 and let me see if I can track him down?

24 THE COURT: Yes. Why don't you do that? So let's  
25 take a three-minute break.

1 MR. MORRIS: Thank you, Your Honor.

2 THE COURT: Okay.

3 (A recess ensued from 10:02 a.m. until 10:04 a.m.)

4 MR. MORRIS: Your Honor, if we may, he'll be dialing  
5 in in a moment. But I've been reminded that there is one more  
6 exhibit. It's the exhibit I used on rebuttal yesterday with  
7 Mr. Seery. There was the one document that was on the docket,  
8 and that was the Debtor's omnibus reply to the plan  
9 objections, where we looked at Paragraph 135, I believe. And  
10 we would offer that into evidence for the purpose of just  
11 establishing that the Debtor had given notice no later than  
12 January 22nd of its agreement in principle to assume the CLO  
13 management contracts.

14 And then the second exhibit that we had offered that I  
15 think I suggested could be marked as Exhibit 10A was the email  
16 string between my firm and counsel for the CLO Issuers where  
17 they agreed to the agreement in principle for the Debtor's  
18 assumption of the CLO management contracts.

19 And we would offer both of those documents into evidence  
20 as well.

21 THE COURT: All right. Any objections?

22 All right. Well, I will admit them.

23 As far as this email string with the CLO Issuers that you  
24 called 10A, does that appear on the docket? I remember you  
25 putting it on the screen, but, if not, you'll need to file a

1 supplement to the record, a supplemental exhibit.

2 MR. MORRIS: We will, Your Honor. We'll do that for  
3 both of those exhibits.

4 THE COURT: And then as -- okay, for both? Because I  
5 -- I've read that reply, and I could reference the docket  
6 number if we need to.

7 MR. MORRIS: We'll clean that up, Your Honor.

8 THE COURT: Okay.

9 (Debtor's Exhibit 10A is received into evidence.)

10 (Clerk advises Court re new caller.)

11 THE COURT: Oh, okay. Just a minute. I was looking  
12 up something.

13 (Pause.)

14 THE COURT: All right. Well, you're going to file --  
15 hmm, I really wanted to just reference where that reply brief  
16 appears on the record. There were a heck of a lot of things  
17 filed on January 22nd.

18 (Interruption.)

19 THE COURT: Okay. We'll --

20 MR. MORRIS: All right. We're just going to need one  
21 more minute with Mr. Tauber. It's my fault, Your Honor.

22 THE COURT: Okay.

23 MR. MORRIS: I didn't send him easily-digestible  
24 dial-in instructions. He'll be just a moment.

25 THE COURT: Okay.

1 (Court confers with Clerk regarding exhibit.)

2 THE COURT: Oh, it's at 1807? Okay. So, the reply  
3 brief that we talked about Paragraph 35, that is at Docket No.  
4 1807. Okay? All right.

5 (Debtor's Omnibus Reply to Plan Objections, Docket 1807,  
6 is received into evidence.)

7 (Pause.)

8 MR. TAUBER: Hi. It's Marc Tauber.

9 THE COURT: All right.

10 MR. MORRIS: Excellent.

11 THE COURT: Mr. Tauber, this is Judge Jernigan. I  
12 can hear you, but I can't see you. Do you have a video --

13 MR. TAUBER: Yeah, I don't know why it's not working.

14 THE COURT: Hmm.

15 MR. TAUBER: I'm on WebEx all day. Usually it works  
16 no problem.

17 THE COURT: Okay. Well, do you want to give it  
18 another try or two?

19 MR. TAUBER: Yeah. It looks like it's starting to  
20 come up. It's all -- pictures, so --

21 THE COURT: Okay.

22 MR. TAUBER: -- hopefully you'll be able to see me in  
23 a second.

24 THE COURT: Okay. The first thing I'm going to need  
25 to do is swear you in, so we'll see if the video comes up here

1 in a minute.

2 MR. TAUBER: Okay.

3 THE COURT: Can you see us, Mr. Tauber?

4 MR. TAUBER: I can see four people. The rest are  
5 just names still.

6 THE COURT: Okay.

7 MR. TAUBER: I can go out and try to come back in, if  
8 you think that's --

9 THE COURT: I'm afraid of losing you. So, your  
10 audio, is it on your phone or is it on --

11 MR. TAUBER: No.

12 THE COURT: -- a computer?

13 MR. TAUBER: On the computer. Yeah.

14 THE COURT: Okay. So you're coming through loud and  
15 clear on your computer.

16 MR. TAUBER: Yeah. Like I said, we use WebEx for  
17 work, so I have them on all day long without any issues,  
18 typically.

19 THE COURT: Okay.

20 (Court confers with Clerk.)

21 THE COURT: Okay. Our court reporter thinks it's a  
22 bandwidth issue on your end, so I don't --

23 MR. TAUBER: There's only two of us here at home on  
24 the line right now, so I don't know why. It looks like it's  
25 trying to come in, and then just keeps --

Tauber - Direct

25

1 THE COURT: I at least see your name on the screen  
2 now, which I did not before.

3 MR. TAUBER: Yeah.

4 THE COURT: So hopefully we're going to -- ah. We  
5 got you.

6 MR. TAUBER: There it is.

7 THE COURT: All right.

8 MR. TAUBER: Yeah.

9 MR. MORRIS: There we go.

10 MR. TAUBER: I might lose you, though. Give me one  
11 second, because I have a thing saying the WebEx meeting has  
12 stopped working. Let me close that.

13 THE COURT: Okay. We've still got you. Please raise  
14 your right hand.

15 MR. TAUBER: Okay.

16 MARC TAUBER, DEBTOR'S WITNESS, SWORN

17 THE COURT: All right. Thank you. Mr. Morris?

18 MR. MORRIS: Thank you, Your Honor.

19 DIRECT EXAMINATION

20 BY MR. MORRIS:

21 Q Good morning, Mr. Tauber.

22 A Good morning.

23 Q I apologize for the delay in getting you the information.  
24 Are you currently employed, sir?

25 A Yes, sir.

1 Q By whom?

2 A Aon Financial Services.

3 Q And does Aon Financial Services provide insurance  
4 brokerage services among its services?

5 A Yes.

6 Q And what position do you currently hold?

7 A Vice president.

8 Q How long have you been a vice president at Aon?

9 A Since October of 2019.

10 Q Can you just describe for the Court generally your  
11 professional background?

12 A Sure. I spent about 20 years on Wall Street, working in a  
13 variety of jobs, in research, trading, and as the COO of a  
14 hedge fund. And then in 2010 I switched to the insurance  
15 world. I was an underwriter for ten-plus years for Zurich and  
16 QBE. And then in 2019 switched to the brokering side for Aon.

17 Q And what are your duties and responsibilities as a vice  
18 president at Aon?

19 A Well, we're responsible for my team and I am responsible  
20 for creating bespoke insurance programs, focusing on D&O and  
21 E&O insurance for our insureds.

22 Q And what is, for the benefit of the record, what do you  
23 mean by bespoke insurance program?

24 A Well, each client is different, so the programs and the  
25 policies that we put in place might be off-the-shelf policies,

1 but we endorse and amend them as needed to meet the needs of  
2 the individual client.

3 Q And during your work, both as an underwriter and now as a  
4 broker, have you familiarized yourself with the market for D&O  
5 and E&O insurance policies?

6 A Yes.

7 Q All right. Let's talk about the early part of this case.  
8 Did there come a time in early 2020 when Aon was asked to  
9 place insurance on behalf of the board of Strand Advisors?

10 A Yes.

11 Q Can you describe for the Court how that came about?

12 A Sure. One of our account executives, a man by the name of  
13 Jim O'Neill, had a relationship with a man named John Dubel,  
14 who was one of the appointees to serve on -- as a member of  
15 Strand, which was being appointed, as we understood it, to be  
16 the general partner of Highland Capital Management by the  
17 Bankruptcy Court. And they -- we had done -- or, Jim and John  
18 had a longstanding relationship. I had actually underwritten  
19 an account for a previous appointment of John's when I was an  
20 underwriter, so I had some familiarity with John as well, and  
21 actually brokered a subsequent deal for John at Aon.

22 So I had, again, some familiarity with John, and we were,  
23 you know, tasked with going out and finding a program for  
24 Strand.

25 Q Can you describe what happened next? How did you go about

1 accomplishing that task?

2 A So, there are a number of markets or insurance companies  
3 that provide management liability insurance, which this was a  
4 management liability-type policy. D&O is a synonym for  
5 management liability, I guess you'd say. And we approached  
6 the, I think, 14 or 15 markets that we knew to provide  
7 insurance in this space and that would be willing to buy the  
8 type of policy we were seeking and have interest in a risk  
9 like this, which had a little hair on it. Obviously, there  
10 was the Dondero involvement, as well as the bankruptcy.

11 Q As part of that process, did you and your firm put  
12 together a package of information for prospective interested  
13 parties?

14 A Yes.

15 Q Can you describe for the Court what was contained in the  
16 package?

17 A Had the *C.V.s*, some relevant pleadings from the case,  
18 court order. I'd have to go back and look exactly. But sort  
19 of just general, you know, general information that was  
20 available about the situation at hand and Strand's  
21 appointment.

22 Q And the court order that you just mentioned, is that the  
23 one that had that gatekeeper provision in it?

24 A Correct.

25 Q And can you explain to the Court why you and your team

1 decided to include the order with the gatekeeper provision in  
2 the package that you were delivering to prospective carriers?

3 A Sure. In our initial conversations to discuss our  
4 engagement, the gatekeeper function was explained to us by  
5 John. And I'm not sure who else was on the initial call.  
6 And, but it was explained to us that I guess Judge Jernigan  
7 would sit as the gatekeeper between any potential claimant  
8 against the insureds and, you know, would basically have to  
9 approve any claim that would be made against (indecipherable),  
10 which would thereby prevent any frivolous claims from  
11 happening.

12 Q All right. Let's just talk for a moment. How did you and  
13 your firm decide which underwriters to present the package to?

14 A Again, you know, I -- my background, or my Wall Street  
15 background, obviously, sort of made me have a -- it was very  
16 unique for the insurance world when I switched over, so I had  
17 sort of risen to a certain level of expertise within the  
18 space. And, you know, our team also is very experienced, and  
19 decades of experience in the insurance world. So we're very  
20 familiar with the markets that are willing to provide these  
21 types of policies and the markets that would be likely to take  
22 a look at a risk such as this.

23 Q Okay. You mentioned that there was -- I think your words  
24 were a little hair on this, and one of the things you  
25 mentioned was bankruptcy. How did the fact that Strand was

1 the general partner of a debtor in bankruptcy impact your  
2 ability to solicit D&O insurance?

3 A Well, it's just not a plain vanilla situation, so people  
4 are somewhat, you know, are -- I think -- so, the type of  
5 insurance, D&O insurance, that we write is very different from  
6 auto insurance, as an example. Auto insurance, people expect  
7 there to be a certain amount of claims, and they expect the  
8 premiums to cover the claims plus the expenses and then  
9 provide them a reasonable profit on top of that.

10 Our insurance is really much more by binary. The  
11 expectation for underwriters is that they will be completing  
12 ignoring -- or, avoiding risk at all costs, wherever possible.  
13 So anytime there is a situation that looks a little risky, so  
14 the premium might be a little higher, the deductible might be  
15 a little higher, but, again, the underwriters are really  
16 making a bet that they will not have a claim. Because the  
17 premiums pale in comparison to the limits that are available  
18 to the policyholder.

19 Q And so --

20 A So, -- I'm sorry. What were you going to say?

21 Q I didn't mean to interrupt.

22 A Yeah.

23 Q Have you finished your answer?

24 A Sure.

25 Q Okay. So, were some of the 14 or 15 markets that you

1 contacted reluctant to underwrite because there was a  
2 bankruptcy ongoing?

3 A Well, I think that probably -- I mean, there are certain  
4 markets that we didn't go to in the beginning because they  
5 would be very reluctant to write a risk that had that kind of  
6 hair on it, based on our experience from dealing with them.  
7 And, you know, I think the bankruptcy was certainly a little  
8 bit of an issue. And then, obviously, as people did their  
9 research and -- or if they weren't already familiar with  
10 Highland and got to know, you know, got -- I will just say for  
11 a simple Google search and learned a little bit about Mr.  
12 Dondero, I think there was definitely some significant  
13 reluctance to write this program.

14 Q Was the fact that the Debtor -- was the fact that the  
15 Debtor is a partnership an issue that came up, in your -- in  
16 your process?

17 A There are certainly some carriers who won't write what's  
18 known as general partnership liability insurance. So, yes,  
19 that is part of that. It was part of the limiting factor in  
20 terms of who we went to.

21 Q Okay. And, finally, you mentioned Mr. Dondero. What role  
22 did he play in your ability to obtain insurance for the Strand  
23 board?

24 A Well, that's a very significant role. As, you know, as  
25 mentioned, the underwriters are very risk-averse, so the

1 litigiousness of Mr. Dondero is a very strong red flag  
2 prohibiting a number of people from writing the insurance at  
3 all. And the ones that were writing, that were willing to  
4 provide options, were looking for protections from Mr.  
5 Dondero.

6 Q And what kind of protections were they looking for?

7 A Well, the gatekeeper function was a key factor. That was  
8 really the only way we could even start a conversation with  
9 any of the people that we were able to engage. And in  
10 addition, they wanted a, you know, sort of a belts and  
11 suspenders additional protection of having an exclusion  
12 preventing any litigation brought by or on behalf of Mr.  
13 Dondero.

14 Q Were you able to identify any carrier who was prepared to  
15 underwrite D&O insurance for Strand without the gatekeeper  
16 provision or without a Dondero exclusion?

17 A We were not.

18 Q Okay. Let's fast-forward now. Has your firm been  
19 requested to obtain professional management insurance for the  
20 contemplated post-confirmation debtor entities and individuals  
21 associated with those entities?

22 A Yes.

23 Q Okay. So let's just talk about the entities first, the  
24 Claimant Trust and the Litigation Trust. In response to that  
25 request, have you and your team gone out into the marketplace

1 to try to find an underwriter willing to underwrite a policy  
2 for those entities?

3 A Yes.

4 Q And have you been able to find any carrier who's willing  
5 to provide coverage for the Claimant Trust and the Litigation  
6 Trust?

7 A Yes.

8 Q And how many -- how many have expressed a willingness to  
9 do that?

10 A Two.

11 Q And have those two carriers indicated that there would be  
12 conditions to coverage for the entities?

13 A Both will require a -- the continuation of the gatekeeper  
14 function, as well as a Dondero exclusion.

15 Q Okay. Have you also been tasked with the responsibility  
16 of trying to find coverage for the individuals associated with  
17 the Claimant Trust and the Litigation Trust, meaning the  
18 Claimant Trustee, the Litigation Trustee, and the Oversight  
19 Board?

20 A Yes. So we did it concurrently.

21 Q Okay. So, are the two firms that you just mentioned  
22 willing to provide insurance for the individuals as well as  
23 the entities?

24 A Correct. With the same stipulations.

25 Q They require -- they both require the gatekeeper and the

1 Dondero exclusion?

2 A That's correct.

3 Q Is there any other firm who has indicated a willingness to  
4 consider providing D&O insurance for the individuals?

5 A There is one that is willing to do so, as long as the  
6 gatekeeper function remains in place. They have indicated  
7 that if the gatekeeper function was to be removed, that they  
8 would then add a Dondero exclusion to their coverage.

9 Q So is there any insurance carrier that you're aware of who  
10 is prepared to insure either the individuals or the entities  
11 without a gatekeeper provision?

12 A No.

13 Q And that last company, I just want to make sure the record  
14 is clear: If the gatekeeper provision is overturned on appeal  
15 or is otherwise not effective, do you have an understanding as  
16 to what happens to the insurance coverage?

17 A They will either add an exclusion for any claims brought  
18 by or on behalf of Mr. Dondero or cancel the coverage  
19 altogether.

20 MR. MORRIS: I have no further questions, Your Honor.

21 THE COURT: All right. Cross of this witness?

22 CROSS-EXAMINATION

23 BY MR. RUKAVINA:

24 Q Mr. Tauber, I'm a little confused. So, the insurance  
25 that's being written now for the post-bankruptcy entities, did

1 I hear you say that there is one carrier that would give that  
2 insurance subject to having a Dondero exclusion?

3 A So, first of all, there's nothing currently being written.  
4 We have solicited quotes. So, just to make sure that that --  
5 I want to make sure that's clear.

6 We have three carriers that are willing to provide varying  
7 levels of coverage. All three will only do so with the  
8 existence of the gatekeeper function continuing to be in  
9 place. One of the three has -- two of those three will also  
10 provide the coverage with -- even with the gatekeeper function  
11 and the Dondero exclusion. The third one was not requiring a  
12 Dondero exclusion unless the gatekeeper function goes away.

13 Q Okay. So the third one, you believe, will, whatever the  
14 term is, write the insurance or provide the coverage without a  
15 gatekeeper, as long as there is a strong Dondero exclusion?

16 A No. Their initial requirement is that the gatekeeper  
17 function remains in place. That is their preferred option.  
18 If the gatekeeper function is removed, then they will add a  
19 Dondero exclusion in place of the gatekeeper exclusion. In  
20 addition, that carrier is only willing to provide coverage for  
21 the individuals, not for the entities.

22 Q Okay. Thank you.

23 MR. RUKAVINA: I'll pass the witness, Your Honor.

24 THE COURT: All right. Other cross?

25 MR. TAYLOR: Clay Taylor on behalf of Mr. Dondero.

1 THE COURT: Okay.

2 CROSS-EXAMINATION

3 BY MR. TAYLOR:

4 Q Good morning, Mr. Tauber.

5 A Good morning.

6 Q Are you generally familiar with placing D&O insurance at  
7 distressed debt level private equity firms?

8 A I am familiar with it probably more from the underwriting  
9 side, and I also worked at a fund that was distressed and had  
10 to be liquidated, so I -- as the COO, so I have a fair amount  
11 of familiarity, yes.

12 Q Okay. Before taking this to market for the first time for  
13 the pre-confirmation policies that you have in place, did your  
14 firm conduct any due diligence or analysis of comparing the  
15 amount of litigation the Highland entities and Mr. Dondero  
16 were involved in as compared to other comparable firms in the  
17 marketplace? Say, you know, Apollo, Fortress, Cerberus, other  
18 similar market participants?

19 A Well, it wouldn't really be our role as the broker.  
20 That's the role of the underwriter.

21 Q Are you familiar if any of the underwriters undertook any  
22 such analysis?

23 A I would assume that they did, since they all had concerns  
24 about Mr. Dondero almost immediately.

25 Q Do you have any -- you didn't conduct any personal due

1 diligence on comparing the amount of litigation that the  
2 Highland entities were involved in as compared to, say,  
3 Fortress, do you?

4 A Well, again, that wouldn't really be my role as the  
5 broker. But I will say that I used to write the primary  
6 insurance for Fortress Investment Group when I was at Zurich.  
7 So I'm extremely familiar with Fortress, to use your example,  
8 and I would say that the level of litigation at Fortress was  
9 much, just out of personal knowledge, was significantly less  
10 than I had encountered or than I had read about at Highland.

11 Q That you have read about? Is that based upon a number of  
12 cases where Fortress was a plaintiff as compared to Highland  
13 was a plaintiff? Over what time period?

14 A Again, not my role. Not something that I've done. I'm  
15 just generally familiar with Fortress and I'm generally  
16 familiar with Highland.

17 Q All right. So you're generally familiar and you say that  
18 -- you're telling me and this Court that Fortress is involved  
19 in less litigation. Could you quantify that for me, please?

20 A No, but it's really irrelevant to the situation at hand.  
21 The issue is not my feelings whatsoever. The issue is the  
22 underwriters' feelings and their concern with Mr. Dondero, not  
23 mine or anybody else's.

24 Q So, I appreciate your answer and thank you for that, but I  
25 believe the question that was before you is, have you

1 quantitatively -- do you have any quantitative analysis by  
2 which you can back up the statement that Fortress is less  
3 litigious than Highland?

4 A I wouldn't even try, no.

5 Q Okay. Do you have any quantitative analysis for -- that  
6 Cerberus is any less litigious than Highland?

7 A I don't have any real knowledge of Cerberus's  
8 litigiousness.

9 Q Same question as to Apollo.

10 A Again, the Fortress, you just happened to mention  
11 Fortress, which was a special case because I used to be their  
12 primary underwriter. I don't have any specific -- I'm not a  
13 claims attorney. I don't have any specific knowledge of the  
14 level of litigiousness.

15 And, again, it's not up to me, my decision. It's the  
16 underwriters' decision of whether or not they're willing to  
17 write the coverage, not mine.

18 Q You mentioned that the -- when you took this out to  
19 market, it had a little hair on it. Correct?

20 A Correct.

21 Q And you put together a package of materials that you sent  
22 out to 14 or 15 market participants; is -- did I get that  
23 correct?

24 A Yes.

25 Q And in that package, you had certain pleadings, including

1 the court order, correct?

2 A Yes. I believe that's correct.

3 Q And that was after your initial conversation with John and  
4 -- where he pointed out the gatekeeper role. Correct?

5 A Correct.

6 Q And so when you went out to market, presumably you  
7 highlighted the gatekeeper role to all the people you  
8 solicited offers from because you thought it included less  
9 risk, correct?

10 A It offered a level of protection that was not -- that's  
11 not common. So it's, yes, it's a huge selling point for the  
12 risk.

13 Q Okay. So, to be clear, you never went out to the market  
14 to even see if you could get underwriting the first time  
15 without the gatekeeper function; is that correct?

16 A Well, it's my job as a broker to present the risk in the  
17 best possible light. So if we have a fact that makes the risk  
18 a better write for the underwriters, we, of course, will  
19 highlight it. So, no, I did not do that.

20 Q Okay. So, the quick answer to the question is no, you did  
21 not go out and solicit any bids without the gatekeeper  
22 function?

23 A Correct.

24 Q When you have approached the market for the post-  
25 confirmation potential coverage, did you approach the same 14

1 or 15 parties that you did before?

2 A I don't have the two lists in front of me. They would  
3 have been vastly similar, yes.

4 Q Okay. And so, again, all of the 14 or 15 parties or the  
5 lists that you solicited were already familiar with the  
6 gatekeeper function, correct?

7 A Yes.

8 Q And so therefore they already had that right; they're not  
9 going to trade against themselves and therefore say that,  
10 without it, we'll go ahead and write coverage. Correct?

11 A I -- I -- it'd be hard to answer that question. I don't  
12 know.

13 Q Okay. Because you didn't try that, did you?

14 A I would have had no reason to, no.

15 Q Okay. So you don't know if a market exists without the  
16 gatekeeper function because you haven't asked, have you?

17 A I guess that's fair, yeah.

18 MR. TAYLOR: I have no further questions.

19 THE COURT: All right. Any other Objectors with  
20 cross-examination?

21 MR. DRAPER: I have no questions for the witness,  
22 Your Honor.

23 THE COURT: All right. Anyone else? Mr. Morris,  
24 redirect?

25 MR. MORRIS: Just one.

Tauber - Redirect

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REDIRECT EXAMINATION

BY MR. MORRIS:

Q One question, Mr. Tauber. Is there any -- do all underwriters -- any underwriters for Fortress require, as a condition to underwriting the D&O insurance, require a gatekeeping provision?

A In my, you know, 11, 12 years of experience in this industry, in this space, I have never seen that gatekeeper function be available, as an underwriter or as a broker. So, no.

MR. MORRIS: No further questions, Your Honor.

THE COURT: Any recross on that redirect?

All right. Well, Mr. Tauber, you are excused. We thank you for your testimony today. So you can log off.

THE WITNESS: Thank you.

THE COURT: Okay.

(The witness is excused.)

THE COURT: Mr. Morris, does the Debtor rest?

MR. MORRIS: The Debtor does rest, Your Honor.

THE COURT: All right. Well, what are we going to have from the Objectors as far as evidence?

MR. RUKAVINA: Your Honor, I will be very short. I will call Mr. Seery for less than ten minutes. I will call Mr. Post for less than ten minutes. I will have one exhibit. And I think that that's it for all the Objectors, unless I'm

1 mistaken, gentlemen.

2 MR. TAYLOR: Your Honor, I had one witness, Mr.  
3 Sevilla, under subpoena to testify, and needed a brief moment  
4 to discuss with my colleagues whether we're going to call him,  
5 and if so, put him on notice that he would be coming up  
6 probably about -- I don't know your schedule, Your Honor, but  
7 probably, I'm guessing, either before lunch or after, and I  
8 need to let him know that also.

9 So I do need a brief three to five minutes to confer with  
10 my colleagues and some direction from the Court to, if we  
11 decide to call him, as to when we would tell him to be  
12 available.

13 THE COURT: All right. Well, before I get to that,  
14 Mr. Draper, do you have any witnesses?

15 MR. DRAPER: I do not.

16 THE COURT: All right. Well, let's see. It's 10:34.  
17 We're making good time this morning. If Seery is truly ten  
18 minutes of direct, and Post is truly ten minutes of direct,  
19 and I don't know how long the documentary exhibits are going  
20 to take, it sounds to me like we are very likely to get to Mr.  
21 Sevilla before a lunch break.

22 So if you want to -- you know, I don't know what that  
23 involves, you sending text messages or making a quick phone  
24 call. Do you need a five-minute break for that?

25 MR. TAYLOR: Yes, Your Honor. It involves a phone

1 call and an email. Just a confirmatory phone call just to  
2 make sure that the guy -- just so you know who he is, he is  
3 actually a Highland employee, but he's represented by separate  
4 counsel, and so we do need to go through him just because  
5 that's the right thing to do.

6 THE COURT: All right. Well, again, I mean, I never  
7 know how long cross is going to take, but I'm guessing, you  
8 know, we're going to get to him in an hour or so, if not  
9 sooner, it sounds like. So, all right. So, do we need a  
10 five-minute break?

11 MR. RUKAVINA: And Your Honor, it might make more  
12 sense to make it a ten-minute break. I suspect that Mr.  
13 Taylor will be able to release his witness if he and I will  
14 just be able to talk. So I would ask the Court's indulgence  
15 for a ten-minuter.

16 THE COURT: Okay. We'll take a ten-minute break.  
17 We'll come back at 10:46 Central time.

18 THE CLERK: All rise.

19 (A recess ensued from 10:36 a.m. until 10:46 a.m.)

20 THE CLERK: All rise.

21 THE COURT: Please be seated. We're going back on  
22 the record in the Highland confirmation hearing. Are the  
23 Objectors ready to proceed?

24 MR. RUKAVINA: Your Honor, Davor Rukavina. We are.

25 THE COURT: All right. Well, Mr. Rukavina, are you

1 going to call your witnesses first?

2 MR. RUKAVINA: Yes, I will. Before that, if it might  
3 help the Court and Mr. Morris: Mr. Morris, with respect to  
4 that last exhibit, I do not object to the admission of any of  
5 the exhibits that were admitted at that PI hearing.

6 But I do think, Your Honor, for the record, that -- and I  
7 would ask Mr. Morris that he should refile those exhibits here  
8 in this case, except for those that are duplicative. Because,  
9 again, there's 10,000 pages of indentures, et cetera.

10 MR. MORRIS: Thank you very much, sir.

11 Your Honor, if that's acceptable to you, we'll do that as  
12 soon as possible.

13 THE COURT: All right. And let me make sure the  
14 record is clear. Are we talking about what you've described  
15 as 70? I'm getting mixed up now. Am I --

16 MR. MORRIS: Yes, Your Honor.

17 THE COURT: Okay.

18 MR. MORRIS: It's 70, which is the documents that  
19 were introduced into evidence in the prior hearing. And Mr.  
20 Rukavina is exactly right, that there is substantial overlap  
21 between that and other documents that have already been  
22 admitted in the record in this case. So we'll just file an  
23 abridged version of Exhibit O that only includes non-  
24 duplicative documents.

25 THE COURT: All right. So that will be admitted, and

Seery - Direct

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1 we'll look for your filed abridged version to show up on the  
2 docket. 70.

3 (Debtor's Exhibit 70 is received into evidence as  
4 specified.)

5 THE COURT: All right. What's next?

6 MR. RUKAVINA: Your Honor, Jim Seery, please. Mr.  
7 James Seery.

8 THE COURT: All right. Mr. Seery, welcome back.  
9 Please raise your right hand.

10 MR. SEERY: Can you -- can you hear me, Your Honor?

11 THE COURT: I can now.

12 JAMES P. SEERY, CERTAIN FUNDS AND ADVISORS' WITNESS, SWORN

13 THE COURT: All right. Thank you.

14 Mr. Rukavina, go ahead.

15 DIRECT EXAMINATION

16 BY MR. RUKAVINA:

17 Q Mr. Seery, --

18 MR. RUKAVINA: Thank you.

19 BY MR. RUKAVINA:

20 Q Mr. Seery, good morning.

21 MR. RUKAVINA: Mr. Vasek, if you'll please pull up  
22 the schedules.

23 What we have here, Your Honor, is Docket 247, the Debtor's  
24 schedules. I'd ask the Court to take judicial notice of it.

25 THE COURT: All right. The Court will do so.

1 BY MR. RUKAVINA:

2 Q Mr. Seery, are you familiar with these entities listed  
3 here on the Debtor's schedules?

4 A Generally. Each one a little bit different.

5 Q Okay. Do you agree that the Debtor still owns equity  
6 interests in these entities?

7 A I believe it does, yes.

8 Q Okay. Is it true that none of these entities are publicly  
9 traded?

10 A I don't believe any of these are publicly-traded entities,  
11 no.

12 Q Okay. And none of these, to your knowledge, are debtors  
13 in this bankruptcy case, right?

14 A No. We only have one debtor in the case.

15 Q Okay. So, Highland Select Equity Fund, LP, the Debtor  
16 owns more than 20 percent of the equity in that entity, right?

17 A I believe the Debtor owns the majority of that entity.  
18 That is a fund with an on- and offshore feeder. And I, off  
19 the top of my head, don't recall exactly how the allocations  
20 of equity work. But I believe we do.

21 Q Does 67 percent refresh your memory? Are you prepared to  
22 say that the Debtor owns 67 percent of that equity?

23 A I'm not prepared to say that, no.

24 Q Okay. Wright, Ltd. Does the Debtor own more than 20  
25 percent of that equity?

Seery - Direct

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1 A There's about -- I don't recall. There's about at least  
2 25 artist, designers, or designs. Wright, AMES, Hockney,  
3 Rothco, all own in different places, and they all own in turn  
4 some other thing. So I don't know what each of them, off the  
5 top of my head, own. There's -- they're part of a myriad of  
6 corporate structures here.

7 Q Strak, Ltd. Do you know whether the Debtor owns more than  
8 20 percent of the equity of that entity?

9 A Stark? I don't know.

10 Q Okay. I don't know how to pronounce the next one. Eamis  
11 (phonetic) Ltd. Do you know whether the Debtor owns more than  
12 20 percent of that equity?

13 A Off the top of my head, I don't recall.

14 Q What about Maple Avenue Holdings, LLC?

15 A I believe, I don't know if it's directly or indirectly,  
16 that we own a hundred percent of that entity. But I'm not  
17 sure.

18 Q What about Highland Capital Management Korea, Ltd.?

19 A Effectively, Highland Capital Management is owned a  
20 hundred percent.

21 Q What about Highland Capital Management Singapore Pte.  
22 Ltd.?

23 A We are in the process of shutting it down, so I don't know  
24 that -- what the equity percentages are. It's really just a  
25 question -- it's -- it's dissolved save for a signature from a

1 Singaporean.

2 Q Okay. But did the Debtor own more than 20 percent of that  
3 entity?

4 A I don't know the specific allocations of equity ownership.

5 Q Okay. What about Pennant (phonetic) Management, LP? Do  
6 you know whether the Debtor owns or owned more than 20 percent  
7 of that entity?

8 A I don't recall, no.

9 MR. RUKAVINA: You can take that exhibit down, Mr.  
10 Vasek.

11 BY MR. RUKAVINA:

12 Q Mr. Seery, very quick, are you familiar with Bankruptcy  
13 Rule 2015.3?

14 A I am, yes.

15 Q Okay. Has the Debtor filed any Rule 2015.3 statements in  
16 this case?

17 A I don't believe we have.

18 Q Okay.

19 MR. RUKAVINA: Thank you, Your Honor. I'll pass the  
20 witness.

21 THE COURT: All right. Any other Objector  
22 questioning? None from Mr. Taylor, none from Mr. Draper, none  
23 from Ms. Drawhorn?

24 All right. Any cross -- any examination from you, Mr.  
25 Morris?

Seery - Cross

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1 MR. MORRIS: Just one question.

2 THE COURT: Go ahead.

3 CROSS-EXAMINATION

4 BY MR. MORRIS:

5 Q Mr. Seery, do you know why the Debtor has not yet filed  
6 the 2015.3 statement?

7 A I have a recollection of it, yes.

8 Q Can you just describe that for the Court?

9 A When we -- when we initially filed, when the Debtor filed  
10 and it was transferred over, we started trying to get all the  
11 various rules completed. There are, as the Court is aware, at  
12 least a thousand and maybe more, more like three thousand,  
13 entities in the total corporate structure.

14 We pushed our internal counsel to try to get that done,  
15 and were never able to really get it completed. We did not  
16 have -- we were told we didn't have separate consolidating  
17 statements for every entity, and it would be difficult. And  
18 just in the rush of things that happened from the first  
19 quarter into the COVID into the year, we just didn't complete  
20 that filing. There was no reason for it other than we didn't  
21 get it done initially and I think it fell through the cracks.

22 MR. MORRIS: Nothing further, Your Honor.

23 THE COURT: All right. Anything further, Mr.  
24 Rukavina?

25 REDIRECT EXAMINATION

1 BY MR. RUKAVINA:

2 Q Mr. Seery, I appreciate that answer. But you never sought  
3 leave from the Bankruptcy Court to postpone the deadlines for  
4 filing 2015.3, did you?

5 A No. If it hadn't fallen through the cracks, it would have  
6 been something we recalled and we would have done something  
7 with it. But, frankly, it just fell off the -- through the  
8 cracks. We didn't deal with it.

9 Q Okay.

10 MR. RUKAVINA: Thank you, Your Honor. Thank you, Mr.  
11 Seery.

12 THE COURT: All right. Any other Objector  
13 examination?

14 Mr. Morris, anything further on that point?

15 MR. MORRIS: No, thank you, Your Honor. No further  
16 questions.

17 THE COURT: All right. Mr. Seery, thank you. You're  
18 excused once again from the witness stand.

19 (The witness is excused.)

20 THE COURT: Your next witness?

21 MR. SEERY: Thank you, Your Honor.

22 THE COURT: Uh-huh.

23 MR. RUKAVINA: Your Honor, I'll call Jason Post. Mr.  
24 Post, if you're listening, which I believe you are, if you'll  
25 please activate your camera.

1 THE COURT: Mr. Post, we do not see or hear you yet.

2 MR. RUKAVINA: Talk, Mr. Post, and I think it'll  
3 focus on you.

4 MR. POST: Yes. Can you hear me now?

5 THE COURT: We can hear you. We cannot see you yet.  
6 Could you say, "Testing, one, two; testing, one, two"?

7 MR. POST: Testing, one, two. Testing, one, two.

8 THE COURT: There you are. Okay. Please raise your  
9 right hand.

10 JASON POST, CERTAIN FUNDS AND ADVISORS' WITNESS, SWORN

11 THE COURT: All right. Thank you. You may proceed.

12 DIRECT EXAMINATION

13 BY MR. RUKAVINA:

14 Q Mr. Post, good morning. State your name for the record,  
15 please.

16 A Robert Jason Post.

17 Q How are you employed?

18 A I'm employed by NexPoint Advisors, LP.

19 Q What is your title?

20 A Chief compliance officer.

21 Q Were you ever employed by the Debtor here?

22 A Yes.

23 Q Between when and when? Approximately?

24 A I believe it was July of '08 through October of 2020.

25 Q What was your last title while you were employed at the

1 Debtor?

2 A Still chief compliance officer. For the retail funds.

3 Q Okay. Very, very quickly, what does a chief compliance  
4 officer do? Or what do you do?

5 A It's multiple things. Interaction with the regulators.  
6 Adherence to prospectus and SAI limitations for the funds.  
7 And then establishment of written policies and procedures to  
8 prevent and detect violations of the federal securities laws  
9 and then testing those on a frequent basis.

10 Q And I believe you mentioned you're the CCO for NexPoint  
11 Advisors and Highland Capital Management Fund Advisors. Are  
12 you also the CCO for any funds that they advise?

13 A Yes. For all the funds that they advise.

14 Q Okay. Does that include so-called retail funds?

15 A Yes. They're all retail funds.

16 Q What is a retail fund?

17 A It typically constitutes funds that are subject to the  
18 Investment Company Act of 1940, such as open-end mutual funds,  
19 closed-end funds, ETFs.

20 Q Obviously, you know who my clients are. Are any of my  
21 clients so-called retail funds that you just described?

22 A Yes.

23 Q Name them, please.

24 A You've got NexPoint Capital, Inc., Highland Income Fund,  
25 and NexPoint Strategic Opportunities Fund.

1 Q Do those three retail funds hold any voting preference  
2 shares in the CLOs that the Debtor manages?

3 A Yes.

4 MR. RUKAVINA: Mr. Vasek, if you'll please pull up  
5 Exhibit 2.

6 Your Honor, I believe I have a stipulation with Mr. Morris  
7 that this exhibit can be admitted, so I'll move for its  
8 admission.

9 MR. MORRIS: No objection, Your Honor.

10 THE COURT: All right. Exhibit 2 will be admitted.  
11 And let's be clear. That appears at -- is it Docket No. --  
12 let's see. Is it 1673 that you have your -- no, no, no, no.  
13 1670? Is that where your exhibits are?

14 MR. RUKAVINA: No, Your Honor. It's 1863. I think  
15 we did an amended one because we numbered our exhibits instead  
16 of having seventeen Os and Ps. So it's 1863.

17 THE COURT: 1863? Okay. All right. There it is.  
18 Okay. Again, this is -- I'm sorry. I got sidetracked. What  
19 exhibit? It's Exhibit 2, is admitted. Okay.

20 MR. RUKAVINA: Thank you, Your Honor.

21 (Certain Funds and Advisors' Exhibit 2 is received into  
22 evidence.)

23 BY MR. RUKAVINA:

24 Q Real quick, Mr. Seery. What do these HIF, NSOF, NC, what  
25 do they stand for? Do they stand for the retail funds you

1 just named?

2 MR. SEERY: I don't think he meant me.

3 THE WITNESS: Yeah.

4 BY MR. RUKAVINA:

5 Q I'm sorry, Mr. Post. I didn't hear you.

6 A You addressed me as Mr. Seery.

7 Q Oh. I apologize. What do those initials stand for?

8 A The names of the funds that I mentioned.

9 Q Okay. And what do these percentages show?

10 A The percentages show the amount of shares outstanding and  
11 the preference shares that each of the respective funds hold  
12 of the named CLOs.

13 Q And those CLOs on the left there, those are the CLOs that  
14 the Debtor manages pursuant to agreements, correct?

15 A Yes. Those are some of them, correct.

16 Q Yes. The ones that the retail funds you mentioned have  
17 interests in, correct?

18 A Correct.

19 Q And what does the far-right column summarize or show?

20 A That would be the aggregate across the three retail funds.

21 Q In each of those CLOs?

22 A Correct.

23 Q Thank you.

24 MR. RUKAVINA: Mr. Vasek, you may pull this down.

25 BY MR. RUKAVINA:

1 Q Mr. Post, in the aggregate, how much do those three retail  
2 funds have invested in those CLOs, ballpark?

3 A I believe it's approximately \$130 million, give or take.

4 Q Is it closer to 140 or 130?

5 A A hundred -- I think it's 140, actually.

6 Q Okay. Thank you. Who controls those three retail funds?

7 A Ultimately, the board --

8 Q And what --

9 A -- of the funds.

10 Q What is -- what do you mean by the board? Do they have  
11 independent boards?

12 A Yes. They have a majority independent board, the funds  
13 do.

14 Q Do you report to that board?

15 A Yes.

16 Q Does Mr. Dondero sit on those boards?

17 A He does not.

18 Q Okay.

19 MR. RUKAVINA: I'll pass the witness, Your Honor.

20 Thank you, Mr. Post.

21 THE COURT: All right. Any other Objector  
22 examination of Mr. Post?

23 All right. Mr. Morris, do you have cross?

24 MR. MORRIS: Yes, Your Honor, I do.

25 THE COURT: Okay.

1 CROSS-EXAMINATION

2 BY MR. MORRIS:

3 Q Mr. Post, can you hear me okay, sir?

4 A Yes, I can hear you.

5 Q Okay. Nice to see you again. When did you first join  
6 Highland?

7 A I believe it was July of '08.

8 Q So you've worked with the Highland family of companies for  
9 about a dozen years now; is that right?

10 A Yes.

11 Q And you were actually employed by the Debtor from 2008  
12 until October 2020; is that right?

13 A Correct.

14 Q And you left at that time and went to join Mr. Dondero as  
15 the chief compliance officer of the Advisors; do I have that  
16 right?

17 A Yes. I transitioned to NexPoint Advisors shortly, I  
18 believe, after Mr. Dondero left, but I was already the named  
19 CCO for that entity.

20 Q Right, but your employment status changed from being an  
21 employee of the Debtor to being an employee of NexPoint; is  
22 that right?

23 A Correct.

24 Q And that happened shortly after Mr. Dondero resigned from  
25 the Debtor and went to NexPoint Advisors, correct?

1 A Correct.

2 Q Okay. You mentioned that the funds are controlled by  
3 independent boards; do I have that right?

4 A It's a majority independent board, correct.

5 Q Okay. There's no independent board member testifying in  
6 this hearing, is there?

7 A I --

8 MR. RUKAVINA: Your Honor, Mr. Post wouldn't know  
9 that, but I'll stipulate to that as a fact.

10 THE COURT: All right.

11 MR. MORRIS: Okay.

12 BY MR. MORRIS:

13 Q Did you -- do you speak with the board members from time  
14 to time?

15 A Yes.

16 Q Did you tell them that it might be best if they came and  
17 identified themselves and helped persuade the Court that they  
18 were, in fact, independent?

19 A They have counsel to assist them with that determination.  
20 I never mentioned anything along those lines to them.

21 Q Okay. Can you tell me who the board members are?

22 A Yes. Ethan Powell, Bryan Ward, Dr. Bob Froehlich, John  
23 Honis, and then Ed Constantino. He is only a board member,  
24 though, for NSOF. NexPoint Strategic Opportunities Fund.

25 Q All right. Mr. Honis, is he -- has he been determined to

1 be an interested director, for purposes of the securities  
2 laws?

3 A Yes.

4 Q Okay. Mr. Froeh..., do you know much about his  
5 background?

6 A I believe he worked at Deutsche Bank and a couple of the  
7 other -- or maybe a couple of other investment firms in the  
8 past. And he also owns a minor league baseball team.

9 Q Do you know how long he served as a director of the funds?

10 A I don't know, approximately. I think maybe seven -- six,  
11 seven years.

12 Q Okay. How about Mr. Ward? Did Mr. Froehlich ever work  
13 for Highland?

14 A Not that I can recall.

15 Q Did Mr. Ward ever work for Highland?

16 A Not that I can recall.

17 Q Do you recall how long he's been serving as a director of  
18 the funds?

19 A Mr. Ward?

20 Q Yes.

21 A I believe -- I'd be -- I don't recall specifically. I  
22 think it's been, you know, 10 to 12 years, give or take.

23 Q He was a director when you got to Highland; isn't that  
24 right?

25 A He was on the board of directors.

1 Q Yeah. So fair to say that Mr. Ward has been a director  
2 since at least the mid to late oughts? 2005 to 2008?

3 A I'm sorry, you cut out. Late what?

4 Q The late oughts. Withdrawn. Is it fair to say that Mr.  
5 Ward's been a director of the funds since somewhere between  
6 2005 and 2008?

7 A Again, I don't recall specifically. You know, I joined  
8 the complex, the retail complex as the named CCO in 2015, and  
9 he had been serving in that role prior to that, and I believe  
10 it was for probably a period of five to seven years, so that  
11 sounds in line.

12 Q Did you have a chance to review Dustin Norris's testimony  
13 from the December 16th hearing?

14 A I did not.

15 Q Do you know -- are you aware that he testified at some  
16 length regarding the relationship of each of these directors  
17 to Mr. Dondero and Highland?

18 A I didn't review anything, so I don't know what he said or  
19 how long it took.

20 Q Do you know if Mr. Powell's ever worked for Highland?

21 A He has.

22 Q Do you know in what capacity and during what time periods?

23 A He was -- I think his last title was -- I believe was  
24 chief product strategist, I believe. And he was also the  
25 named PM for one of -- or, a suite of ETF funds. I think he

1 was last employed maybe --from my recollection, 2014,  
2 possibly. Or 2015. Somewhere around in there.

3 Q Okay. And to the best of your knowledge, did Mr. Dondero  
4 appoint Mr. Powell to be the chief product strategist?

5 A I don't -- I don't know. I wasn't involved in the  
6 decision for his appointment. I don't know how he attained  
7 that role.

8 Q To the best of your knowledge, did Mr. Dondero appoint Mr.  
9 Powell as the PM of the ETF funds?

10 A Again, I wasn't involved in that determination, but he  
11 probably would have had a role in making the determination on  
12 who was the PM, along with probably some other investment  
13 professionals.

14 Q Okay. And did Mr. Powell join the board of the funds  
15 before or after he left Highland around 2015?

16 A I can't recall specifically if he was already on the board  
17 or was an interested member, but I believe he, you know, I  
18 believe he joined shortly after he left.

19 Q Okay. So he went from being an employee and being a  
20 portfolio manager at Highland to being on the board of these  
21 funds. Do I have that right?

22 A Again, I can't recall specifically. He may have already  
23 been on the board as an interested board member. But, you  
24 know, I believe, you know, if that wasn't the case, he would  
25 have joined the board shortly after leaving.

1 Q And Mr. Ward, I think you said, has been on the funds'  
2 board since somewhere between 2005 and 2008. Does that sound  
3 right?

4 A I think that was a time frame you referenced, and I think  
5 that was kind of in line, walking it back. But I don't recall  
6 specifically when he joined.

7 Q And to the best of your knowledge, have the Advisors for  
8 which you serve as the chief compliance officer managed the  
9 Funds for which Mr. Ward has served as a director since the  
10 time he became a director?

11 A I'm sorry. Can you repeat the question?

12 Q Yeah. I'm just trying to understand if the advisors --  
13 withdrawn. The Advisors manage the Funds; do I have that  
14 right?

15 A They provide investment advice on behalf of the Funds.

16 Q And they do that pursuant to written agreements; do I have  
17 that right?

18 A Correct.

19 Q And is it your understanding that, for the entire time  
20 that Mr. Ward has served as a member of the board of the  
21 Funds, the Advisors have provided the investment advice to  
22 each of those Funds?

23 A Yes, in one form or fashion. I believe at one period in  
24 time, historically, the Advisor may have changed its name, but  
25 it would have been, you know, at the end of the day, one or

1 more -- one of either NexPoint Advisors or Highland Capital  
2 Management Fund Advisors would have advised those Funds.

3 Q Is it fair to say that each of the Advisors for which you  
4 serve as the chief compliance officer has always been managed  
5 by an Advisor owned and controlled by Mr. Dondero?

6 A I believe so, yes.

7 MR. MORRIS: I have no further questions, Your Honor.

8 THE COURT: All right. Any redirect?

9 MR. RUKAVINA: Yes.

10 THE COURT: Okay. Mr. Rukavina?

11 MR. RUKAVINA: Your Honor, was I on mute? I  
12 apologize.

13 THE COURT: Yes.

14 REDIRECT EXAMINATION

15 BY MR. RUKAVINA:

16 Q Mr. Post, why did you leave Highland?

17 A It -- because I was a HCMLP employee and it was --  
18 basically, there was conflicts that were created by being an  
19 employee of the Debtor and by also serving as the CCO to the  
20 named Funds and the Advisors, and it coincided with Jim  
21 toggling over from HCMLP to NexPoint. It just made sense more  
22 functionally and from a silo perspective for me to be the  
23 named CCO for that entity since he was no longer an employee  
24 of HCMLP.

25 Q And by Jim, you mean Jim Dondero?

1 A Yes, sorry. Jim Dondero.

2 Q You're not some kind of lackey for Mr. Dondero, where you  
3 go wherever he goes, are you?

4 MR. MORRIS: Objection to the question.

5 THE WITNESS: No.

6 THE COURT: Overruled. He can answer.

7 MR. RUKAVINA: Okay.

8 THE WITNESS: No.

9 MR. RUKAVINA: Okay. Thank you, Your Honor. I'll  
10 pass the witness.

11 THE COURT: Any other Objector examination?

12 All right. Any recross, Mr. Morris?

13 RECROSS-EXAMINATION

14 BY MR. MORRIS:

15 Q Just one question, sir. The conflicts that you just  
16 mentioned, they were in existence for the one-year period  
17 between the petition date and the date you left; isn't that  
18 right?

19 A I think -- I believe so, and I think they became more  
20 evident as, you know, time progressed.

21 Q Okay. But they existed on day one of the bankruptcy  
22 proceeding; isn't that right?

23 A Yes, I believe so.

24 Q All right.

25 MR. MORRIS: No further questions, Your Honor.

1 THE COURT: All right. Thank you, Mr. Post. You're  
2 excused from the virtual witness stand.

3 (The witness is excused.)

4 THE COURT: All right. Your next witness?

5 MR. RUKAVINA: Your Honor, my exhibit has been  
6 admitted, I promised I'd be short, and my evidentiary  
7 presentation is done. Thank you.

8 THE COURT: All right. Well, Mr. Taylor, your  
9 evidence?

10 MR. TAYLOR: First of all, given the testimony that  
11 we have received just recently, we have released Mr. Sevilla  
12 from his subpoena and are not going to call him.

13 With that being said, we do have some documents that we  
14 would like to get into evidence. We filed our witness and  
15 exhibit list at Docket No. 1874. I don't believe any of these  
16 are controversial. I'm trying to keep from duplicating those  
17 that are already into evidence by the Debtor. And therefore I  
18 would like to offer into evidence Exhibits No. 6 through 12  
19 and 17. And that is it, Your Honor.

20 THE COURT: Okay. Is there any objection to Dondero  
21 Exhibits 6 through 12 and 17, appearing at Docket 1874?

22 MR. MORRIS: I just want to be clear that Exhibits 6  
23 and 7, which are letters, I believe, from Mr. Lee (phonetic)  
24 are not being offered for the truth of the matter asserted in  
25 either letter.

1 MR. TAYLOR: That is correct, Your Honor. Just  
2 merely that those requests and the words that were stated in  
3 there were indeed sent on those dates.

4 MR. MORRIS: And the same comment, Your Honor, with  
5 respect to Exhibits 9 through 12, that those documents are not  
6 being offered for the truth of the matter asserted.

7 MR. TAYLOR: Again, just that those requests were  
8 sent and those responses as stated were sent.

9 And I apologize. I missed one, Your Honor. Also No. 15.  
10 6 through 12, 15, and 17.

11 MR. MORRIS: Your Honor, the Debtor has no objection  
12 to Exhibits 15, 16, and 17.

13 THE COURT: All right. So, so they are all admitted  
14 with the representation that 6 and 9 through 12 are not being  
15 offered for the truth of the matter asserted. With that  
16 representation, you have no objection, Mr. Morris?

17 MR. MORRIS: That's right. I do just want to get  
18 confirmation that Exhibits 1 through 5 and 13 through 16 -- 13  
19 and 14 are not being offered at all.

20 THE COURT: Mr. Taylor?

21 MR. TAYLOR: So, that -- that is correct. 1 through  
22 5 would be duplicative of what has already been introduced  
23 into the record by Mr. Morris, so I am not offering those.  
24 And do not believe that 13 and 14 are relevant anymore, and so  
25 therefore did not offer those.

1 THE COURT: Okay. So, with that, I have admitted 6  
2 through 12, 15, 16, and 17 at Docket Entry 1874.

3 (Dondero Exhibits 6 through 12 and 15 through 17 are  
4 received into evidence.)

5 THE COURT: All right. Anything else, Mr. Taylor?

6 MR. TAYLOR: No, Your Honor. We are not calling any  
7 witnesses.

8 THE COURT: All right. Mr. Draper, what about you?  
9 Any evidence?

10 MR. DRAPER: No evidence or witnesses. The evidence  
11 that's been introduced by Mr. Taylor and Mr. Rukavina are  
12 sufficient for me.

13 THE COURT: All right. Ms. Drawhorn, anything from  
14 you?

15 MS. DRAWHORN: No additional evidence, Your Honor.

16 THE COURT: All right. Well, then, Mr. Morris, did  
17 you have anything in rebuttal?

18 MR. MORRIS: No, Your Honor. I think we can proceed  
19 to closing statements. I would just appreciate confirmation  
20 by the Objecting Parties that they rest.

21 THE COURT: All right. Well, I guess we'll get that  
22 clear if it is isn't clear. All of the Objectors rest.  
23 Confirm, yes, Mr. Rukavina?

24 MR. RUKAVINA: Confirm.

25 THE COURT: And Mr. Taylor?

1 MR. TAYLOR: Confirmed, Your Honor.

2 THE COURT: Okay. And Draper and Drawhorn?

3 MR. DRAPER: Yes, Your Honor.

4 MS. DRAWHORN: Confirmed, Your Honor.

5 THE COURT: All right. By the way, I assume Mr.

6 Dondero has been participating this morning. I didn't

7 actually get that clarification before we started. Mr.

8 Taylor, is he there with you this morning?

9 MR. TAYLOR: Your Honor, he is. He has been  
10 participating. He is sitting directly to my left about  
11 slightly more than six feet apart.

12 THE COURT: Okay. All right. Good.

13 All right. Well, let's talk about our closing arguments  
14 and let me figure out, do we have -- should we break a bit  
15 before starting? I have an idea in my brain about a time  
16 limitation, but before I do that, let me ask. Mr. Morris,  
17 first I'll ask you. How much time do you think you need for a  
18 closing argument?

19 MR. MORRIS: Your Honor, --

20 MR. POMERANTZ: Your Honor?

21 MR. MORRIS: -- I'll defer to Mr. Pomerantz, who's  
22 going to deliver that portion of our presentation today.

23 THE COURT: All right. Mr. Pomerantz?

24 MR. POMERANTZ: Your Honor, I will be making -- yes,  
25 Your Honor. I will be making the majority portion of the

1 argument. Mr. Kharasch will be making the portion of the  
2 argument dealing with the Advisor and Funds' objection. But I  
3 expect my closing to be quite lengthy, given the 1129  
4 requirements, all the legal issues, which I plan to spend a  
5 fair amount of time. So I would anticipate a range of an hour  
6 and 45 minutes.

7 THE COURT: An hour and 45 minutes? All right.

8 Well, --

9 MR. POMERANTZ: Correct.

10 THE COURT: I'm getting an echo.

11 MR. CLEMENTE: Your Honor, it's Matt Clemente on  
12 behalf on the Committee. I'll have 15 minutes or less, Your  
13 Honor. Just some things I would like to touch on.

14 THE COURT: All right. So, two hours. If I were to  
15 --

16 MR. POMERANTZ: And then you need, Your Honor, to add  
17 Mr. Kharasch. I think he's on. He can indicate how long his  
18 part of the closing will be.

19 THE COURT: Mr. Kharasch?

20 MR. KHARASCH: Yes. I would figure my argument would  
21 probably be about 20 minutes to 30 minutes.

22 THE COURT: Okay.

23 MR. RUKAVINA: Your Honor, let me interject something  
24 that I think will help everyone out. With the CLOs having  
25 consented through their counsel to the assumption, the bulk of

1 my objection is now moot. We no longer can and will argue  
2 that the contracts are unassignable under 365(b) or (c)  
3 because we do have now their consent. So that will hopefully  
4 help the Debtor on that issue.

5 MR. KHARASCH: Your Honor, Ira Kharasch again. I was  
6 not anticipating that. I believe that that will take away the  
7 bulk of my argument. I'm still going to be dealing with some  
8 of the other non-assumption-type arguments raised by the CLO  
9 Objectors, kind of dovetailing with Mr. Pomerantz's arguments  
10 on the injunction. But that will greatly reduce, Your Honor,  
11 my argument.

12 THE COURT: All right. So if I say two hours of  
13 argument for the Debtor and Creditors' Committee, Rukavina,  
14 Taylor and Draper and Drawhorn, can you collectively manage to  
15 share that two hours? Have a two-hour argument in the  
16 aggregate? That seems fair to me.

17 MR. RUKAVINA: Your Honor, I think -- I think that's  
18 fine, Your Honor.

19 THE COURT: All right. And I guess I'll --

20 MR. TAYLOR: This is Mr. Taylor. And yes, I agree.

21 THE COURT: Okay. And Mr. Draper?

22 MR. DRAPER: This is Douglas Draper. I agree. I  
23 agree also, Your Honor.

24 THE COURT: All right. And I'm going to ask --

25 MR. POMERANTZ: Your Honor, I --

1 THE COURT: Go ahead.

2 MR. POMERANTZ: Your Honor, we -- I think we may need  
3 like two hours and ten minutes, because mine was 1:45, Mr.  
4 Clemente was 15, and then Mr. Kharasch. But we'll be around  
5 that. And I tend to speak fast, so I might even shorten mine.

6 THE COURT: Okay. You negotiated me up to two hours  
7 and ten minutes, Debtors/Objectors, each.

8 I'm going to ask one more time. The U.S. Trustee lobbed a  
9 written objection, but we've not heard anything from the U.S.  
10 Trustee. Are you out there wanting to make an oral argument?

11 MS. LAMBERT: Yes, Your Honor. The United States  
12 Trustee is on the line. And we've been listening to the  
13 hearing. I can turn my video on. I think you're --

14 THE COURT: Yes. I can hear you. I can't see you.

15 MS. LAMBERT: Okay. All right. And so the U.S.  
16 Trustee feels that the issues about the releases have been  
17 adequately joined and raised by the other parties and that  
18 it's an issue of law. The U.S. Trustee does not feel that we  
19 can add to that dialogue by, you know, wasting more of the  
20 Court's time. I think it's been adequately briefed and it's  
21 been adequately argued here today.

22 THE COURT: Okay.

23 MS. LAMBERT: And we do have an agreement to include  
24 governmental release language in the order. I understand that  
25 agreement is still being honored. That's a separate agreement

1 than the issue of whether the releases are precluded. But  
2 we're going to let the other people carry the water on that.

3 THE COURT: Okay.

4 MR. POMERANTZ: Yeah. And that is correct. That is  
5 correct, Your Honor. They asked for some information -- a  
6 provision on government releases. They also asked for a  
7 provision regarding joint and several liability for Trustee  
8 fees.

9 As I mentioned previously, the IRS has asked for a  
10 provision in the confirmation order, as have the Texas Taxing  
11 Authorities.

12 We have not uploaded a proposed confirmation order, but I  
13 will state right now on the record that, before we do so, we  
14 will, of course, give Ms. Lambert, Mr. Adams, and the Texas  
15 Taxing Authorities the opportunity to review. We expect there  
16 won't be any issue because the language has already been  
17 agreed to.

18 THE COURT: All right. Well, how about this. It's  
19 11:23 Central time. Let's break until 12:00 noon Central  
20 time, okay, so that gives everyone a little over 30 minutes to  
21 have a snack and get their notes together, and we'll start  
22 with closing arguments at 12:00 noon. All right? So we're in  
23 recess until then.

24 THE CLERK: All rise.

25 (A recess ensued from 11:24 a.m. until 12:05 p.m.)

1 THE COURT: All right. Please be seated. All right.  
2 This is Judge Jernigan. We are back on the record in  
3 Highland. Let me make sure we have the people we need. Do we  
4 have the Pachulski team there? Mr. Pomerantz, Mr. Kharasch?

5 MR. POMERANTZ: Yes, you do, Your Honor.

6 THE COURT: All right. For our Objectors, Mr.  
7 Taylor, are you there?

8 MR. TAYLOR: Yes, Your Honor, I am.

9 THE COURT: All right. I see Mr. Draper there on the  
10 video. You're there.

11 MR. DRAPER: I'm here. Can you hear me?

12 THE COURT: I can hear you loud and clear, yes.

13 MR. DRAPER: Great, because I didn't -- I'm not  
14 hearing, something so I apologize.

15 THE COURT: All right. So we have Mr. Rukavina, and  
16 I think I see Mr. Hogewood there as well. Is that correct?  
17 You're ready to go forward?

18 MR. RUKAVINA: Yes, Your Honor.

19 THE COURT: All right.

20 MR. RUKAVINA: Yes, Your Honor. Good afternoon.

21 THE COURT: All right. And Ms. Drawhorn, you're  
22 there?

23 MS. DRAWHORN: Yes, Your Honor.

24 THE COURT: Okay. Committee. Mr. Clemente, are you  
25 there?

1 MR. CLEMENTE: Yes, Your Honor. I'm here, Your  
2 Honor.

3 THE COURT: Okay. Very good. All right. So, let me  
4 reiterate. We've given two-hour and 10-minute time  
5 limitations for the Debtor, and that'll be both any time you  
6 reserve for rebuttal and your closing, initial closing  
7 argument. Mr. Clemente, you're going to be in that time frame  
8 as well. Okay?

9 MR. CLEMENTE: Yes, Your Honor.

10 THE COURT: And so, as supporters of the plan.

11 And then, of course, the Objectors, they have collectively  
12 two hours and ten minutes.

13 A couple of things. I'm going to have my law clerk, Nate,  
14 who you can't see but he's to my right, he's going to keep  
15 time. I promise I won't be a jerk and cut anyone off  
16 midsentence, but please don't push the limit if I say, you  
17 know, "Time."

18 The other thing I will tell you is I'll probably have some  
19 questions here or there. And I've told Nate, cut off the  
20 timer if we're in a question-answer session. I won't count  
21 that as part of the two hours and ten minutes.

22 All right. So, with that, Mr. Pomerantz, you may begin.

23 CLOSING STATEMENT ON BEHALF OF THE DEBTOR

24 MR. POMERANTZ: Thank you, Your Honor. As Your Honor  
25 is aware, the Debtor has been able to resolve all objections

1 to confirmation other than the objection by Mr. Dondero or his  
2 entities and the United States Trustee.

3 Your Honor, I have a very lengthy closing argument, given  
4 the number of issues that are raised in the objections, and I  
5 want to make a complete record, since I understand that  
6 there's a good likelihood that (garbled) appeal.

7 With that in mind, Your Honor, I'm prepared to go through  
8 each and every confirmation requirement in Section 1129.  
9 However, as an alternative, I might propose that I can go  
10 through each of the Section 1129 requirements that are the  
11 subject of pending objections or otherwise depend upon  
12 evidence that Your Honor has heard.

13 THE COURT: Okay.

14 MR. POMERANTZ: And of course, I'll be happy to  
15 answer any questions that you have in the process.

16 THE COURT: Okay.

17 MR. POMERANTZ: And after my closing argument, I will  
18 turn it over to Mr. Kharasch to address the Advisor and Funds'  
19 objections.

20 THE COURT: Okay.

21 MR. POMERANTZ: Before I walk the Court through the  
22 confirmation requirements, I did want to note for the Court,  
23 as I did previously, that we filed an updated ballot summary  
24 at Docket No. 1887. And as reflected in the summary, Classes  
25 2 and 7 have voted to accept the plan with the respective

1 numerosity and amounts required. In fact, the votes are a  
2 hundred percent.

3 Class 8, however, has voted to reject the plan. Seventeen  
4 creditors in Class 8 voted yes and 24 objectors, which are, I  
5 think, all but one the employees with one-dollar claims for  
6 voting purposes, voted against.

7 In dollar amount, Class 8 has accepted the plan by 99.8  
8 percent of the claims. And I will address the issues of the  
9 cram-down over that class a little bit later on.

10 Lastly, during the course of my presentation, I will  
11 identify for the Court certain modifications we have made to  
12 address the objections that were filed on January 22nd and  
13 then also on February 1st. And at the end of my presentation,  
14 I will raise a couple of other modifications that I won't get  
15 to during my presentation and will explain to the Court why  
16 all the modifications do not require resolicitation and are  
17 otherwise appropriate under Section 1127.

18 Your Honor, as Your Honor is aware, Section 1129 requires  
19 the Debtors to demonstrate to the court that the plan  
20 satisfies a number of statutory requirements. 1129(a)(1)  
21 provides that the plan requires -- complies with all statutory  
22 provisions of Title 11, and courts interpreted this provision  
23 as requiring the debtor to demonstrate it complies with  
24 Section 1122 and 1123.

25 With respect to classification, Your Honor, there has been

1 one objection that was raised to essentially a classification,  
2 and that was raised by Mr. Dondero to Article 3C of the plan  
3 on the grounds that it purports to eliminate a class that did  
4 not have any claims in it as of the effective date but which  
5 may later have a claim in that class.

6 I think he was primarily concerned about Class 9  
7 subordinated claims. But Mr. Dondero misunderstands the  
8 provision. It only eliminates a claim for voting purposes,  
9 and if there's later a claim in that class, it will be treated  
10 as the plan provides the treatment.

11 In any event, Class 9, as we know now, will be populated  
12 by the HarbourVest claims, as well as the UBS claims and the  
13 Patrick Daugherty claims, if the Court approves the settlement  
14 approving those claims.

15 Next, Your Honor, Section 1123(a) contains seven mandatory  
16 requirements that a plan must include. Sections 1, 2, and 3  
17 of 1123(a) apply to the classification of claims and where  
18 they're impaired and treatment. The plan does that.

19 There has been an objection to 1123(a)(3) raised by  
20 several parties with respect to the classification and  
21 treatment of subordinated claims. The concerns stem from the  
22 mistaken belief that the Debtor reserved the right to  
23 subordinate claims without providing parties with notice and  
24 without obtaining a court order.

25 The Debtor never intended to have unilateral ability to

1 subordinate claims without affording parties due process  
2 rights, and we've added some clarificatory language to so  
3 provide.

4 We made changes to the plan on January 22nd, and then on  
5 February 1st, and the plan addresses all those issues in  
6 Article 3(j) and it talks about when a claim is going to be  
7 subordinated as a non-creditor. We've also redefined the  
8 definition of subordinated claims to make clear that a claim  
9 is only subordinated upon entry of an order subordinating that  
10 claim.

11 Mr. Dondero also objected on the grounds that the plan did  
12 not contain a deadline pursuant to which the Debtor would be  
13 required to seek any subordination, and we have revised  
14 Article 7(b) of the plan to provide that any request to  
15 subordinate a claim would have to be made on or before the  
16 claim objection deadline, which is 180 days after the  
17 effective date.

18 Lastly, certain former employees, Mr. Yang and Borud,  
19 objection also joined by Mr. Deadman, Travers, and Kauffman,  
20 objected to the inclusion of language in the definition of  
21 "Subordinated Claims" that a claims arising from a Class A, B,  
22 or C limited partnership is deemed automatically subordinated.  
23 The concerns were that the language could broadly apply to any  
24 potential claims by a former partner, and could be also read  
25 to encompass claims outside the statutory scope of 510(b) or

1 otherwise relating to limited partnership interests.

2 While the Debtor does reserve the right to seek to  
3 subordinate the claims on any basis, we have modified the plan  
4 to address that concern and to address the concern that we're  
5 not attempting to create any new causes of action for  
6 subordination that don't otherwise exist under applicable law,  
7 but it just preserves the parties' rights with respect to  
8 subordination and deals with that at a later date.

9 Next, Your Honor, Section 1123(a)(5). I skipped over  
10 1123(a)(4) because there are no objections to that provision.

11 THE COURT: Okay.

12 MR. POMERANTZ: Section 1123(a)(5), a plan must  
13 provide for adequate means of implementation. And the plan  
14 provides a detailed structure and blueprint how the Debtor's  
15 operations will continue, how the assets will be monetized,  
16 including the establishment of the Claimant Trust,  
17 establishment of the Litigation Sub-Trust, the Reorganized  
18 Debtor, the Claimant Trust Oversight Board. And the documents  
19 precisely describing how this will occur were filed as part of  
20 the various plan supplements.

21 1123(a)(7), Your Honor, requires that the plan only  
22 contain provisions that are consistent with the interest of  
23 equity holders and creditors with respect to the manner,  
24 selection, and -- of any director, officer, or trustee under  
25 the plan. And as discussed in the plan, at the disclosure

1 statement, and as testified to by Mr. Seery, the Committee and  
2 the Debtor had arm's-length negotiations regarding the post-  
3 effective date corporate governance and believe that the  
4 selection of the claimant Trustee, the Litigation Sub-Trustee,  
5 and the Claimant Trust Oversight Board are in the best  
6 interest of stakeholders.

7 HCMFA has raised a particular objection, I think, to these  
8 issues, but I will address it in the context of the  
9 requirement under Section 1129(a)(5).

10 Your Honor, Section 1129(a)(2) requires that the plan  
11 comply with the disclosure and solicitation requirements under  
12 the plan. Section 1125 requires that the Debtor only solicit  
13 with a court-approved disclosure statement. The Court  
14 approved the disclosure statement on November 23rd, and  
15 pursuant to the proofs of service on file, the plan and  
16 disclosure statement were mailed, along with solicitation  
17 materials that the court approved.

18 Now, there has been an objection raised by Dugaboy, and  
19 also alluded to by Mr. Taylor in some of his comments before,  
20 that the plan does violate 1129(a)(2) because the Debtor's  
21 disclosure statement was deficient.

22 In support of that argument, Dugaboy points to the  
23 reduction in the anticipated distribution to creditors from  
24 the November plan analysis to the January plan analysis, and  
25 argues that that reduction requires resolicitation. However,

1 those arguments are not well-taken.

2 First, none of the people making these objections were  
3 solicited for their vote on the plan, or if they had been,  
4 they didn't vote or decided to reject the plan. And to the  
5 extent that Class 8 creditors, the distribution has gone down  
6 -- that's the class that Mr. Taylor and Mr. Draper are  
7 concerned about -- you don't hear the Committee, Acis,  
8 Redeemer, UBS, HarbourVest, Daugherty, or the Senior Employees  
9 making their argument, this argument, and they represent over  
10 99 percent of the claims in that class. And in fact, of the  
11 17 Class 8 creditors that have accepted the plan, 15 are  
12 represented by the parties I just mentioned.

13 So who are the two creditors that they're so concerned  
14 about? One is Contrarian, which is a claims trader that  
15 actually elected to be treated in Class 7, and one is one of  
16 the employees who voted to accept the plan.

17 Second, Your Honor, the argument conflates the difference  
18 between adverse change to the treatment of a claim or interest  
19 that would require a resolicitation under Section 1127 and a  
20 change to the distribution that would not.

21 More importantly, Your Honor, the argument is specious.  
22 As Mr. Seery testified yesterday, the material differences  
23 between the analysis contained on November and late January  
24 and the one we filed on February 1st were based on three types  
25 of changes: an update regarding the increased value of assets

1 based upon events that had transpired during this period,  
2 which included an increase in asset value, no recoveries, and  
3 revenues expected to be generated by the CLO management  
4 agreements; an update to the expected costs of the Reorganized  
5 Debtor and the Claimant Trust as a result of the continued  
6 evaluation of staffing needs, operational expenses, and  
7 professional fees; and an update to reflect resolution of the  
8 HarbourVest and UBS claims.

9 In the filing Monday, Your Honor, we updated the plan  
10 projection, a liquidation analysis which revised the unsecured  
11 claims based upon the UBS settlement that I was able to  
12 disclose to Your Honor. And in the filing, the distribution  
13 now revised to Class 8 creditors is now 71 percent, compared  
14 to the 87 percent that was in the disclosure statement that  
15 went out for solicitation.

16 Your Honor, there can be no serious argument that the  
17 creditors in this case were not fully aware of the potential  
18 for the UBS and HarbourVest creditors receiving claims. Your  
19 Honor's UBS 3018 order granting its claim for voting purposes  
20 was entered right around the time that the disclosure  
21 statement was approved. And, in fact, a last-minute addition  
22 to the disclosure statement disclosed the 3018 amount,  
23 although the amount did not make it to the attachment to the  
24 disclosure statement. And that reference, Your Honor, to the  
25 UBS claim being allowed for voting purposes can be found at

1 Page 41 of Docket No. 1473.

2 And the HarbourVest settlement was filed on about December  
3 23, two weeks before the voting deadline, sufficient time for  
4 people to take that into consideration.

5 And as Your Honor surely knows, the hearings in this case  
6 have been very well-attended by the major parties, and I  
7 believe that if we went back and looked at the records of who  
8 was on the WebEx system during the HarbourVest and UBS  
9 hearings, you would find that representatives of basically  
10 every creditor, every major creditor in this case in Class 8  
11 participated.

12 Moreover, Your Honor, creditors were not guaranteed any  
13 percentage recovery under the plan and disclosure statement,  
14 which clearly identified the size of the claims pool as a  
15 material risk.

16 Article 4(a)(7) of the disclosure statement, which is at  
17 Docket 1473, is entitled "Claims Estimation" and warns  
18 creditors that there can be no assurances that the Debtor's  
19 claims estimates will prove correct, and that the actual  
20 amount of the allowed claims may vary materially.

21 And if Dugaboy is arguing it was misled as the holder of a  
22 disputed administrative claim and general unsecured claim,  
23 that argument is simply preposterous.

24 Dugaboy cites several cases for the proposition that  
25 deficient disclosure may warrant resolicitation, and the

1 Debtor agrees with the proposition as a general matter. But  
2 if one looks at the cases that were filed -- that Dugaboy  
3 cited to, it will see that they are clearly inapposite and  
4 distinguishable.

5 *In re Michaelson*, the Bankruptcy Court for the Eastern  
6 District of California, revoked confirmation because the  
7 debtor failed to disclose in the disclosure statement a mail  
8 fraud indictment of the turnaround specialist who was to lead  
9 the reorganization effort and a prior Chapter 7 company he  
10 drove into the ground.

11 In *In re Brotby*, the Ninth Circuit BAP affirmed a decision  
12 of the Bankruptcy Court that the individual debtor's decision  
13 to modify its financial projections on the eve of confirmation  
14 did not require a resolicitation. And there, the financial  
15 projections were off by 75 percent.

16 And in *Renegade Holdings*, the Bankruptcy Court granted a  
17 motion by a group of states to revoke confirmation by the  
18 debtors, who manufactured and distributed tobacco products,  
19 because the debtors failed to disclose in its disclosure  
20 statement that the debtor and its principals were under  
21 criminal investigation for unlawful trafficking in cigarettes,  
22 which was not disclosed to creditors.

23 Your Honor, none of these cases are remotely analogous to  
24 this case, and they certainly do not stand for the proposition  
25 that the Debtor was required to resolicit.

1           Next, Your Honor, the next requirement is 1129(a)(3),  
2           which requires that any plan be proposed in good faith. As  
3           Mr. Seery testified at length, and the Court has personal  
4           knowledge of, having presided over this case for a year, the  
5           plan is the result of substantial arm's-length negotiations  
6           with the Committee over a period of several months.

7           Mr. Seery testified yesterday that, soon after the board  
8           was appointed, the Committee wanted to immediately pursue down  
9           the path of an asset monetization plan. However, as Mr. Seery  
10          testified, the board decided that it was inappropriate to rush  
11          to judgment and that it should consider all potential  
12          restructuring alternatives for the Debtor. And Mr. Seery  
13          testified what those alternatives were: a traditional  
14          restructuring and continuation of the Debtor's business; a  
15          potential sale of the Debtor's assets in one or more  
16          transactions; an asset monetization plan like the one before  
17          the Court today; and, last but not least, a grand bargain plan  
18          that would involve Mr. Dondero sponsoring the plan with a  
19          substantial equity infusion.

20          As Mr. Seery testified, by the early summer of 2020, the  
21          Debtor decided that it was appropriate to start moving down  
22          the path of an asset monetization plan while it continued to  
23          work on the grand bargain plan. Accordingly, Mr. Seery  
24          testified that the Debtor commenced good-faith negotiations  
25          with the Committee regarding the asset monetization plan, and

1 that those negotiations took several months, were hard-fought  
2 and at arm's-length, and involved substantial analysis of the  
3 appropriate post-confirmation corporate structure, governance,  
4 operational, regulatory, and tax issues. And on August 12th,  
5 Your Honor, the plan was filed with the Court.

6 And although the Debtor at that time had not reached an  
7 agreement with the Committee on some of the most significant  
8 issues, Mr. Seery testified that the independent board  
9 believed that it was important to file that plan at that time,  
10 a proverbial stake in the ground to act as a catalyst for  
11 reaching a consensual plan with the Committee or others, which  
12 it has done.

13 As Mr. Seery testified, he continued to work with Mr.  
14 Dondero to try to achieve a grand bargain plan, while at the  
15 same time proceeding down the path of the filed plan.

16 He testified that the parties participated in mediation at  
17 the end of August and early September to try to reach an  
18 agreement on a grand bargain plan, but were unsuccessful. And  
19 the Debtor proceeded on the path of the August 12th plan and  
20 sought approval of its disclosure statement on August 27th,  
21 2020.

22 Mr. Seery testified that, at that time, the Debtor still  
23 had not reached an agreement with the Committee on certain  
24 significant issues involving post-confirmation governance and  
25 the scope of releases. And as a result, after a contested

1 hearing, Your Honor, Your Honor did not approve the disclosure  
2 statement on October 27th, but asked us to go back again to  
3 try to work out the issues, and we came back on November 23rd.

4 Mr. Seery testified that the Debtor continued to negotiate  
5 with the Committee to resolve the material disputes leading --  
6 which led up to the November 23rd hearing, where we came in  
7 with the support of the Committee. But as Mr. Seery has also  
8 testified, he has continued to try to reach a consensus on a  
9 global plan, notwithstanding the approval of the disclosure  
10 statement. And he spent personally several hundred hours  
11 since his appointment trying to build consensus.

12 As part of this process, Mr. Seery testified that Mr.  
13 Dondero received access to substantial information regarding  
14 the Debtor's assets and liabilities, most recently in  
15 connection with a series of informal document requests which  
16 were made at the end of December.

17 And after the Court asked the parties to again reengage in  
18 efforts to try to reach a global hearing after the Debtor's  
19 preliminary injunction motion, Mr. Seery testified that he and  
20 the board participated in calls with Mr. Dondero and his  
21 advisors and the Committee to see if common ground could be  
22 attained.

23 Unfortunately, as Mr. Seery testified, the Committee and  
24 Mr. Dondero were not able to reach an agreement.

25 Accordingly, Your Honor, the testimony unequivocally and

1 overwhelmingly demonstrates that the plan was proposed in good  
2 faith.

3 I expect the Objectors may argue in closing that they have  
4 filed a plan under seal that is a better alternative than that  
5 being proposed by the plan that the Debtor seeks to confirm.  
6 Your Honor, as a threshold matter, yesterday I said any  
7 mention of the specifics of the recent plan would be  
8 inappropriate. We are not here today to debate the merits of  
9 Mr. Dondero's plan, which the Court permitted him to file  
10 under seal. He had ample opportunity to file this plan after  
11 exclusivity was terminated, seek approval of a disclosure  
12 statement, and, if approved, solicit votes in connection with  
13 a confirmation hearing, but he failed to do so.

14 What matters today, Your Honor, is whether the Debtor's  
15 plan, the plan that has been accepted by 99.8 percent of the  
16 amount of creditors, and opposed only by Mr. Dondero, his  
17 related entities, and certain employees, meets the  
18 confirmation requirements of Section 1129, which we most  
19 certainly argue it does.

20 And perhaps most importantly, Your Honor, the Court  
21 remarked at the last hearing that, without the Committee's  
22 support for a competing plan, Mr. Dondero's plan would be dead  
23 on arrival. And as you have heard from Mr. Clemente, Mr.  
24 Dondero does not yet have the Committee's support.

25 Next, Your Honor, is Section 1129(a)(5). That requires

1 that the plan disclose the identity of any director,  
2 affiliate, officer, or insider of the debtor, and such  
3 appointment be consistent with the best interest of creditors  
4 and equity holders. Courts have held that this section  
5 requires the disclosure of the post-confirmation governance of  
6 the reorganized entity.

7 HCMFA objects to the plan, arguing that it did not comply  
8 with Section 1129(a)(5) because it didn't disclose the people  
9 who would control and manage the Reorganized Debtor and who  
10 might be a sub-servicer. HCMFA's objection is off-base.  
11 Under the plan, Mr. Seery will be the claimant Trustee and  
12 Marc Kirschner will be the Litigation Trustee. Mr. Seery  
13 testified extensively about his background, and he has  
14 appeared before the Court many times and the Court is familiar  
15 with him. We have also introduced his C.V. into evidence.

16 As he testified, he will be paid \$150,000 per month,  
17 subject to further negotiations with the Claimant Trust  
18 Oversight Committee regarding the monthly amount and any  
19 success fee and severance fee, which negotiation is expected  
20 to be completed within the 45 days following the effective  
21 date.

22 Mr. Seery also testified regarding the names of the  
23 members of the Claimant Trust Oversight Committee, which  
24 information was also contained in the plan supplement and it  
25 generally includes the four members of the Committee and David

1 Pauker, a restructuring professional with decades of  
2 restructuring experience.

3 The members of the Oversight Committee will serve without  
4 compensation, except for Mr. Pauker, who Mr. Seery testified  
5 will receive \$250,000 in the first year and \$150,000 for  
6 subsequent years.

7 As set forth in the Claimant Trust agreement, if at any  
8 time there is a vacant seat to be filled by another  
9 independent member, their compensation will be negotiated by  
10 and between the Claimant Trust Oversight Board and them.

11 Mr. Seery has also testified that he believed the Claimant  
12 Trust will have sufficient personnel to manage its business.  
13 Specifically, he has testified that he intends to employ  
14 approximately ten of the Debtor's employees, who will be  
15 sufficient to enable him to continue to operate the Debtor's  
16 business, including as an advisor to the managed funds and the  
17 CLOs, until the Claimant Trust is able to effectively and  
18 efficiently monetize its assets for fair value, whether that  
19 takes two years or whether that takes 18 months or whether  
20 that takes longer.

21 Mr. Seery further testified that he believes that the  
22 operations can be best conducted by the Debtor's employees.  
23 And while he did consider the retention of a sub-servicer, he  
24 ultimately decided, in consultation with the Committee, that  
25 the monetization would be a lot more effective if done with a

1 subset of the Debtor's current employees.

2 The proposed corporate governance is also consistent with  
3 the interests of the Debtor and its stakeholders. The Court  
4 is very familiar with Mr. Seery and the Debtor, and I believe  
5 that Mr. Clemente, when he comments, will say the Committee  
6 can think of no better person to continue managing the  
7 Claimant Trust than Mr. Seery.

8 Mr. Kirschner is also well qualified to be the Litigation  
9 Trustee. His C.V. is part of the evidence that's been  
10 admitted and contains additional information regarding his  
11 background. And he will receive \$40,000 a month for the first  
12 three months and \$20,000 a month thereafter, plus a to-be-  
13 negotiated success fee.

14 There just simply can be no challenge to Mr. Seery's or  
15 Mr. Kirschner's qualifications or abilities to act in a manner  
16 contemplated by the plan or that their involvement is not in  
17 the best interest of the estate and its creditors.

18 Your Honor, the next requirement that is objected to is  
19 Section 1129(a)(7). That, of course, requires the Debtor to  
20 demonstrate that creditors will receive not less under the  
21 plan than they would receive if the Debtor was to be  
22 liquidated in Chapter 7. And on February 1st, Your Honor, we  
23 filed our updated liquidation analysis, which contains the  
24 latest-and-greatest evidence to support that.

25 These documents, the updated documents, in connection with

1 the prior analysis, was provided to objecting parties in  
2 advance of the January 29th deposition, and Your Honor has  
3 heard the differences between the January 29th and the  
4 February 1st documents being very minimal.

5 The Court heard extensive evidence and testimony from Mr.  
6 Seery regarding the assumptions that went into the preparation  
7 of the liquidation analysis and the differences of what  
8 creditors are projected to receive under the plan as compared  
9 to what they are projected to receive in a Chapter 7.

10 Such testimony also included a comparison between the  
11 liquidation analysis that was filed with the plan in November,  
12 the updated liquidation analysis filed on the -- or, provided  
13 to parties on January 28th, and the last version, filed on  
14 February 1st.

15 Mr. Seery testified that, on the revenue side, the  
16 liquidation analysis was updated to include the HCLOF  
17 interest, which was required as part of the settlement with  
18 HarbourVest; the increase in value of certain assets,  
19 including Trussway; revenue expected to be generated from  
20 continued management of the CLOs; and increased recovery on  
21 notes as a result of the acceleration of certain related  
22 notes.

23 On the expense side, Mr. Seery testified regarding his  
24 best estimate of the likely expenses to be incurred by a  
25 Chapter 7 trustee -- by the Claimant Trust, including

1 personnel costs; professional costs, which increase because of  
2 the litigious nature this case has become; and operating  
3 expenses.

4 And lastly, on the claim side, Your Honor, Mr. Seery  
5 testified that the claims numbers have been updated to include  
6 the settlement from HarbourVest and initially the amount  
7 approved to UBS pursuant to the 3018 order and then the  
8 reduction at \$50 million based upon the settlement announced.  
9 And like the prior liquidation analysis, the current analysis  
10 demonstrates that creditors will fare substantially better  
11 under in Chapter -- under the plan than in Chapter 7. In  
12 fact, the projected recovery under the plan is 85 percent for  
13 Class 7 creditors and 71.32 percent for Class 8 creditors, as  
14 compared to 54.96 percent for all unsecured creditors in a  
15 Chapter 7.

16 Mr. Seery also testified that expenses are expected to be  
17 more under Chapter 11 than under Chapter 7, but he also  
18 testified that the tens of millions of dollars in greater  
19 revenue and asset recoveries under the plan will more than  
20 offset the additional expenses.

21 As a result, the Court has more than sufficient  
22 evidentiary basis to conclude that the Debtor has carried its  
23 burden to prove that it meets the best interest of creditors  
24 best.

25 But Mr. Dondero's counsel spent a lot of time crossing --

1 cross-examining Mr. Seery, in a vain attempt to demonstrate to  
2 the Court that a Chapter 7 actually would be much better for  
3 creditors. And this argument has also been made by Dugaboy  
4 and the Advisors and the Funds.

5 Before I address these arguments on its merits, Your  
6 Honor, I just wanted to remind the Court of the Objectors --  
7 these Objectors' interest in this case. Mr. Dondero owns no  
8 equity in the Debtor. He owns a general partner. Strand, in  
9 turn, owns a quarter-percent -- a quarter of one percent of  
10 the total equity in the Debtor. And Mr. Dondero's claim, it's  
11 only a claim for indemnification. Dugaboy asserts two claims:  
12 a frivolous administrative claim relating to the postpetition  
13 management of a Multi-Strat, which, as an administrative  
14 claim, if it's valid, would not even be affected by the best  
15 interest of creditors test, because it would have to be paid  
16 in full. And he also asserts a claim that the Debtor's  
17 subsidiary -- against the Debtor's subsidiary for which it  
18 tries to pierce the corporate veil.

19 Just think about it. Dugaboy, Mr. Dondero's entity, is  
20 arguing that he should be able to pierce the corporate veil to  
21 get at the entity that was his before the bankruptcy.

22 Dugaboy's only other interest in this case relates to a --  
23 a one -- point eighteen and several-hundredths percent of the  
24 equity interest of the Debtor, and that is out of the money.

25 And as I mentioned previously, Your Honor, Mr. Rukavina's

1 clients either didn't file any general unsecured claims or  
2 filed them and withdrew them. Their only claim is a disputed  
3 administrative claim against the Debtor that was filed a week  
4 ago and which, at the appropriate time, the Debtor will  
5 demonstrate is without merit.

6 And I understand that, just today, NexPoint Advisors also  
7 filed administrative claim.

8 So I'm not going to argue to Your Honor that these parties  
9 do not have standing, although their standing is tenuous, at  
10 best, to assert this argument. The Court should keep their  
11 relative interests in mind when evaluating the merits and the  
12 good faith of this objection.

13 The principal objection, as I said, is that creditors will  
14 do better in a Chapter 7. Essentially, they argue that a  
15 Chapter 7 trustee can liquidate the assets just as well as Mr.  
16 Seery can and not require the cost structure that is included  
17 in the Debtor's plan projections. Yes, they argue that a  
18 Chapter 7 will be more efficient.

19 Mr. Seery's testimony, the only testimony on the topic,  
20 however, establishes that this preposterous proposition has no  
21 basis in reality. Mr. Seery testified that a Chapter 7  
22 trustee's mandate would be to reduce Debtor's assets as fast  
23 as possible, while he will monetize assets as and when  
24 appropriate to maximize the value.

25 But even if you can assume that the Chapter 7 trustee

1 could get court authority in a Chapter 7 to operate, there are  
2 several reasons Mr. Seery testified why a liquidation by a  
3 Chapter 7 trustee would be far worse than the plan.

4 First, Your Honor, no matter how competent the Chapter 7  
5 trustee is -- and Mr. Seery did not say he is more competent  
6 than anyone else out there -- the lack of a learning curve  
7 that Mr. Seery established through the 13 months in this case  
8 puts Mr. Seery at such a major advantage compared to a Chapter  
9 7 trustee.

10 Second, Mr. Seery questioned whether the Chapter 7 trustee  
11 would be able to retain the Debtor's existing professionals,  
12 even assuming they were willing to be retained. I'm not sure  
13 what's the Court's practice or the practice in the Northern  
14 District, but in many districts around the country debtor's  
15 counsel and professionals cannot be retained by Chapter 7  
16 trustee, as general counsel, at least.

17 And I could just imagine, Your Honor, Mr. Dondero's  
18 position if the Chapter 7 trustee actually sought to hire  
19 Pachulski Stang and DSI.

20 Third, Your Honor, regardless of whether the Chapter 7  
21 trustee obtained some operating authority, the market  
22 perception will be that a Chapter 7 trustee will sell assets  
23 for less value than would Mr. Seery as claimant Trustee. Mr.  
24 Seery testified to that.

25 The argument that the Objectors make that a Chapter 7

1 process, whereby the trustee would seek court approval of  
2 assets, is better for value than a process overseen by the  
3 Claimant Trust Board lacks any evidentiary basis and also is  
4 contradicted by Mr. Seery's testimony.

5 In fact, Mr. Seery testified that the Chapter 7 process,  
6 the public process of it, would very likely result in less  
7 recovery than a sale conducted in the Claimant Trust.

8 And lastly, Mr. Seery testified that it's unlikely that  
9 the ten or so valuable employees who Mr. Seery is planning to  
10 heavily rely on to assist him with post-confirmation would  
11 agree to a work for Chapter 7 trustee. Your Honor is all too  
12 familiar with the fights in the *Acis* case and Chapter 7  
13 trustee, and it's just hard to believe that any of the  
14 Highland employees would go work for the Chapter 7 trustee.

15 So why is Mr. Dugaboy -- why is Dugaboy and Mr. Dondero  
16 actually making this objection and advocating for a Chapter 7?  
17 It's because they would expect to buy the Debtor's assets on  
18 the cheap from a Chapter 7 trustee, exactly what they've been  
19 trying to do in this case.

20 Your Honor, moving right now to Section 1129(a)(11), that  
21 requires the debtor to demonstrate that the plan is feasible.  
22 In other words, it's not likely to be followed by a further  
23 liquidation or restructuring. Under the Fifth Circuit law,  
24 the debtor need only demonstrate that the plan will have a  
25 reasonable probability of success to satisfy the feasibility

1 requirement, and the Debtor has easily met this standard.

2 As Mr. Seery testified, the Debtor's plan contemplates  
3 continued operations through which time the assets will be  
4 monetized for the benefit of creditors. The plan contemplates  
5 that Class 7 creditors will be paid off shortly after the  
6 effective date. Class 8 creditors are not guaranteed any  
7 recovery but will receive pro rata distributions over a period  
8 of time. Class 2, Frontier secured claim, will be paid off  
9 over time, and the projections demonstrate that it will -- the  
10 Debtor will have money to do so.

11 Mr. Seery testified at length regarding the assumptions  
12 that went into the preparation of the projections most  
13 recently filed on February 1, and based on that testimony, the  
14 Debtor has clearly demonstrated that the plan is feasible.

15 Your Honor, I think that brings us to Section 1129(b). Of  
16 course, again, Your Honor, if Your Honor has any other  
17 questions with the sections I'm skipping over. I believe  
18 we've adequately covered them in the briefs and I don't think  
19 there's any objection.

20 But as I mentioned before, we have three classes that have  
21 voted to reject the plan. Class 8 is the general unsecured  
22 claims. They voted to reject the plan. Yes. Even though,  
23 based upon the ballot summary, 99 percent of the amount of  
24 claims in that class voted to accept the plan, approximately  
25 24 employees voted to reject the plan. And accordingly, the

1 Debtor cannot satisfy the numerosity requirement of Section  
2 1126(c).

3 I do want to briefly recount for Your Honor Mr. Seery's  
4 testimony regarding the nature of the claims of the 24  
5 employees who voted to reject the plan. And I'm not doing  
6 this to argue that the votes from these contingent creditors  
7 are not valid or that the Debtor doesn't need to satisfy the  
8 cram-down requirements. The Debtor understands it needs to  
9 demonstrate to the Court that Section 1129(b) is satisfied for  
10 the Court to confirm the plan.

11 Rather, why I do this, Your Honor, is to provide the Court  
12 with context about the nature and extent of the creditors in  
13 this class as the Court determines whether the plan is, in  
14 fact, fair and equitable and can be crammed down to a  
15 dissenting vote.

16 Mr. Seery testified that these employees originally had  
17 claims under the annual bonus plan and the deferred  
18 compensation plan. And as he testified, in order for claims  
19 under each of those plans to vest -- I think he referred to  
20 them as be-in-the-seat plans -- the employee was required to  
21 remain employed as of that date.

22 Mr. Seery testified that the Debtor terminated the annual  
23 bonus plan in the middle of January and replaced it with the  
24 key employee retention plan that the Court previously  
25 approved.

1           Accordingly, Mr. Seery testified that no employee who  
2 voted to reject the plan anymore has a claim on the annual  
3 bonus plan. He also testified that, with respect to the  
4 deferred compensation plan, people have contingent claims  
5 under that plan and that no payments are due until May 20 --  
6 2021.

7           As Mr. Seery testified, if the employees who would be  
8 entitled to receive payments under the deferred compensation  
9 plan do not agree to enter into a separation agreement that  
10 was approved by the Court, they will be terminated before May  
11 and there will no -- not longer be any deferred compensation  
12 due.

13           Accordingly, while the 24 employees who voted to reject  
14 the plan do technically have claims at this time they have  
15 voted, Mr. Seery testified the claims will go away soon.

16           I do want to point out something that's obviously  
17 painfully obvious at this point, that while Class 8 voted to  
18 reject the plan, the Committee, the statutory fiduciary for  
19 all unsecured creditors, supports the plan enthusiastically  
20 and I believe it does so unanimously.

21           The other classes to reject the plan, Your Honor, are  
22 Class 11, the A limited partnerships, and none of the holders  
23 in Class B and C limited partnerships voted on the plan, so  
24 cram-down is required over those classes as well. So Your  
25 Honor is able to confirm the plan pursuant to the cram-down

1 procedures under 1129(b) if the Court determines that the plan  
2 is fair and equitable and does not discriminate unfairly  
3 against the rejecting classes.

4 Let's first turn to the fair and equitable requirement. A  
5 plan is fair and equitable if it follows the absolute priority  
6 rule, meaning that if a class does not receive payment in  
7 full, no junior class will receive anything under the plan.  
8 With respect to Class 8, no junior class -- junior class to  
9 Class 8 will receive payment, and here is the key point,  
10 unless Class 8 is paid in full, with appropriate interest.  
11 NPA and Dugaboy -- Dugaboy in a brief filed on Monday -- argue  
12 that the plan does not satisfy the absolute priority rule  
13 because Class 10 and Class Equity Interests have a contingent  
14 right to receive property under the plan.

15 Your Honor, this argument misunderstands the absolute  
16 priority rule. Class 10 and Class Creditors will only receive  
17 payment after distribution to 8 and 9, the unsecured claims  
18 and the subordinated claims, are all paid in full, plus  
19 interest.

20 And, in fact, Dugaboy, in its brief, to its credit, admits  
21 that the argument is contrary to the Bankruptcy Court's  
22 decision of Judge Gargotta in the Western District case of *In*  
23 *re Introgen Therapeutics*. There, the Court was faced with a  
24 similar argument by a group of unsecured creditors who argued  
25 that the debtor's plan violated the absolute priority rule

1 because equity was retaining a contingent interest that would  
2 only be payable if general unsecured claims were paid in full.

3 In rejecting the argument, the Court reasoned, and I  
4 quote, "The only way Class 4 will receive anything is if Class  
5 3, in fact, gets paid in full, in satisfaction of  
6 1129(b)(2)(B)(i)," meaning that the absolute priority rule  
7 would not be an issue. If Class 3 is not paid in full, Class  
8 4's property interest is not -- is just -- is not just  
9 valueless, it just doesn't exist.

10 Your Honor, this is precisely the situation in this case.  
11 Equity interests will only receive a recovery if Class 8 and 9  
12 are paid in full.

13 But Dugaboy attempts to escape the logical reading of the  
14 absolute priority rule by claiming that *Introgen* was wrongly  
15 decided and goes against the Supreme Court's decision in  
16 *Ellers* (phonetic). Dugaboy argues that because the Supreme  
17 Court decided that property given to a junior class without  
18 paying a senior class in full is property, even if it's  
19 worthless.

20 But Dugaboy misses the point. Like the debtor in the  
21 *Introgen*, the Debtor here is not arguing that the property --  
22 the absolute priority rule is not violated because the  
23 contingent trust is worthless. Rather, the argument is that  
24 the absolute priority rule is not violated; it's, in order to  
25 receive anything on account of the junior -- of the equity,

1 the senior creditors have to be paid a hundred percent plus  
2 interest.

3 In fact, Your Honor, if the plan just didn't give any  
4 recovery to the equity Class 10 and 11, I bet you Dugaboy and  
5 Mr. Dondero would be arguing that it violated the absolute  
6 priority rule because senior classes, unsecured creditors,  
7 could potentially receive more than a hundred percent of their  
8 interest. And there's a case in the Southern District of  
9 Texas, *In re MCorp*, where the Bankruptcy Court said that for a  
10 plan to be confirmed, its stockholders eliminated, creditors  
11 must not receive more than payment in full.

12 Excess proceeds, Your Honor, if any, have to go somewhere.  
13 They can't go to creditors, so they have to go to equity. And  
14 the absolute priority rule is not violated.

15 And how is Dugaboy harmed? They say they may want to buy  
16 the contingent interests, and the lack of a marketing effort  
17 violates the *LaSalle* opinion as well. And who holds the Class  
18 B and Class C partnership interests that come before Dugaboy  
19 that Dugaboy is concerned may have this opportunity rather  
20 than them? Yes, it's Hunter Mountain, Your Honor, an entity,  
21 like Dugaboy, that's owned and controlled by Mr. Dondero.

22 Accordingly, the argument that the plan violates the  
23 absolute priority rule is actually a frivolous argument.

24 Turning now to unfair discrimination, Your Honor, Dugaboy  
25 argued in its brief Monday that because the projected

1 distribution to unsecured creditors has gone down in the  
2 recent plan projections, the discrepancy between Class 7 and  
3 Class 8 is so large that that amounts to unfair  
4 discrimination.

5       Again, the Court should first ask why is Dugaboy even the  
6 right party to be making the objection. Its claim against the  
7 Debtor to pierce the corporate veil, as I mentioned, is  
8 frivolous. It's subject to objection. It didn't even bother  
9 to have the claim temporarily allowed for voting purposes, as  
10 did other creditors who thought they had a valid claim. Yet  
11 this is another example of Mr. Dondero, through Dugaboy,  
12 trying to throw as many roadblocks in front of confirmation as  
13 he can.

14       But this argument, like the other ones, fails as well.  
15 Class 8 contains the general unsecured creditor claims,  
16 predominately litigation claims that have been pending against  
17 the Debtor for years. The Debtor was justified in treating  
18 the other unsecured creditors differently.

19       Class 6 consists of the PTO claims in excess of the cap,  
20 which are of different quality and nature than the other  
21 claims.

22       Class 7 consists of the convenience class. And it's  
23 appropriate to bribe convenience class creditors with a  
24 discount option for smaller claims to be cashed out for  
25 administrative convenience.

1 Mr. Seery testified that when the plan was formulated, the  
2 concept was to separately classify liquidated claims in small  
3 amounts in Class 7 and unliquidated claims in Class 8. Mr.  
4 Seery also testified that there's a valid business  
5 justification to treat the -- hold business 7 -- Class 7  
6 claims differently. These creditors had a reasonable  
7 expectation of getting paid promptly, as compared to  
8 litigation creditors, who would expect to be paid over time.

9 As the Court is aware, the litigation claims in Class 8  
10 involve litigation that has been pending for several years in  
11 the case of Acis, Daugherty, Redeemer, and more than a decade  
12 in UBS.

13 And most importantly, as Mr. Seery testified, the  
14 Committee and the Debtor had significant negotiation regarding  
15 the classification and treatment provisions of the plan for  
16 Class 7.

17 The Committee does have one constituent who is a Class 7  
18 creditor. However, the other three creditors are all in Class  
19 8 and hold claims in excess of \$200 million and supported the  
20 separate classification and the different treatment.

21 So, Your Honor, discrimination, different treatment among  
22 Class 7 and 8 is appropriate, and the different treatment is  
23 not unfair. In the February 1 projections, the Class 8  
24 creditors are estimated to receive 71.32 percent of their  
25 claims, but that's just an estimate. As Mr. Seery testified,

1 the number can go up based upon the value he can generate from  
2 the assets and, importantly, from litigation claims. Class 8  
3 creditors could up end up receiving a hundred percent on  
4 account of their claims. Class 7 creditors are fixed at 85  
5 percent.

6 Giving Class 8 creditors the opportunity to roll the dice  
7 and potentially get more or less than the 85 percent offered  
8 to Class 7 is not at all unfair.

9 For these reasons, Your Honor, the Court has the ability  
10 and should confirm the plan pursuant to the cram-down  
11 provisions of 1129(b).

12 Your Honor, I'm now going to switch from the statutory  
13 requirements to all the issues raised by the release,  
14 injunction, and exculpation provisions.

15 I'd just like to take a brief sip of water.

16 Dugaboy -- I will first deal with the Debtor release  
17 provided in Article 9(f) of the plan, which we claim is  
18 appropriate. Dugaboy and the U.S. Trustee have objected to  
19 the release contained in Article 9(f). Dugaboy objects  
20 because it believes that the Debtor release releases claims  
21 that the Claimant Trust or Litigation Trust have that have not  
22 yet arisen, and the U.S. Trustee objects because it believes  
23 that the release is a third-party release.

24 These objections have no merit, and they should be  
25 overruled.

1 I would like to ask Ms. Canty to put up a demonstrative  
2 which contains the provision Article 9(f) of the plan.

3 Your Honor, as set forth in this Article 9(f), only the  
4 Debtor is granting any release. While that --

5 THE COURT: And for the record, it's 9(d)? 9(d),  
6 right?

7 MR. POMERANTZ: 9(d)? 9(d), correct, Your Honor.

8 THE COURT: Yes. Okay.

9 MR. POMERANTZ: Sorry about that.

10 THE COURT: Uh-huh.

11 MR. POMERANTZ: While the release is broad, it does  
12 not purport to release the claims of any third party. The  
13 Claimant Trust and the Litigation Trust are only included in  
14 the release as successors of the Debtor. The release is  
15 specifically only for claims that the Debtor or the estate  
16 would have been legally entitled to assert in their own right.

17 Section 1123(b)(3)(A) of the Bankruptcy Code provides that  
18 a plan may provide for the settlement or adjustment of any  
19 claims or interests belonging to the debtor or the estate, and  
20 that's exactly what the Debtor release provides.

21 Accordingly, Dugaboy is wrong that the release effects a  
22 release of claims that the Claimant Trust or the Litigation  
23 Sub-Trust have that won't arise until after the effective  
24 date. And the U.S. Trustee is simply wrong; there's no third-  
25 party release aspect under the release.

1           The last point I will address on the release, Your Honor,  
2           is who is being released and why and what does the evidence  
3           show. The Debtor release extends to release parties which  
4           include the independent directors, Strand, for actions after  
5           January 9th, Jim Seery as the CEO and CRO, the Committee,  
6           members of the Committee, professionals, and employees.

7           You have heard Mr. Seery's testimony that the Debtor does  
8           not believe that any claims against the parties that are  
9           proposed to be released actually exist. You have heard Mr.  
10          Seery's testimony that he worked closely with the employees  
11          and believes that not only have they all been instrumental in  
12          getting the Debtor to the -- be on the cusp of plan  
13          confirmation, but that also Mr. Seery is not aware of any  
14          claims against them.

15          Moreover, as Mr. Seery testified, the release for the  
16          employees is only conditional. He testified that the  
17          employees are required to assist in the monetization of assets  
18          and the resolution of claims, and if they do not like -- if  
19          they do not lose their release, then any Debtor claims are  
20          tolled, such that could be pursued by the Litigation Trustee  
21          at a future time.

22          Lastly, I'm sure that the Dondero entities will argue that  
23          someone needs to investigate claims against Mr. Seery for  
24          mismanagement or for, God forbid, having failed to file the  
25          2015.3 statements. Such claims are part of the continuing

1 harassment of Mr. Seery that the Dondero entities have  
2 embarked on after it was apparent that nobody would support  
3 their plan.

4       There is no evidence of any claims that exist, Your Honor.  
5 In fact, the Committee and its professionals have watched the  
6 Debtor through this case like a hawk. They have not been  
7 afraid to challenge the Debtor's actions in general and Mr.  
8 Seery's in particular. FTI has worked on a daily basis with  
9 DSI and the company, had access to information. When COVID  
10 was happening, they were looking at trades going on on a daily  
11 basis.

12       So if the Committee, whose members hold approximately \$200  
13 million of claims against the estate, are okay with the  
14 release against the independent directors and Mr. Seery, that  
15 should provide the Court with comfort to approve the releases  
16 as part of the plan.

17       In summary, Your Honor, the Debtor release is entirely  
18 appropriate and does not affect the release of third-party  
19 claims that have not yet arisen.

20       Next, Your Honor, I want to go to the discharge. There's  
21 been objections to the discharge. Dugaboy and NexPoint have  
22 objected that the Debtor receiving a discharge under the plan  
23 -- argue a debtor is liquidating. The objection is not well  
24 taken based upon Mr. Seery's testimony regarding what it is  
25 the Claimant Trust and the Reorganized Debtor plan to do after

1 the effective date, as compared to what the limitations of a  
2 discharge are under 1141(d) (3).

3 Your Honor, Article 9 of the -- 9(b) of the plan provides  
4 that as -- except as otherwise expressly provided in the plan  
5 or the confirmation order, upon the effective date, the Debtor  
6 and its estate will be discharged or released under and to the  
7 fullest extent provided under 1141(d) (A) [sic] and other  
8 applicable provisions of the Bankruptcy Court. Bankruptcy  
9 Code.

10 Section 1141(d) (3) provides an exception to the discharge,  
11 and I'd like to have that section put up for Your Honor at  
12 this point. Ms. Canty?

13 As this -- as the section reflects, and as the Fifth  
14 Circuit has ruled in the *TH-New Orleans Limited Partnership*  
15 case cited in our materials, in order to deny the debtor a  
16 discharge under 1141(d) (3), three things must be true: (1)  
17 the plan provides for the liquidation of all or substantially  
18 all of the property in the estate; (2) the debtor does not  
19 engage in business after consummation of the plan; and (3) the  
20 debtor would be denied a discharge under 727(a) of this title  
21 if the case was converted to Chapter 7. Here, only C applies.

22 With respect to A, Your Honor, while the plan does project  
23 that it will take approximately two years to monetize the  
24 Debtor's assets for fair value, the Debtor is just not  
25 liquidating within the meaning of Section A.

1 As Mr. Seery testified, during the post-confirmation  
2 period, post-effective date period, the Debtor will continue  
3 to manage its funds and conduct the same type of business it  
4 conducted prior to the effective date. It'll manage the CLOs.  
5 It'll manage Multi-Strat. It'll manage Restoration Capital.  
6 It'll manage the Select Fund, and it'll manage the Korea Fund.

7 The Bankruptcy Court for the Southern District of New  
8 York's 2000 opinion in *Enron*, cited in our materials, is on  
9 point. There, the Court found that a debtor liquidating its  
10 assets over an indefinite period of time that is likely to  
11 take years is not liquidating within the meaning of Section  
12 1141(b)(3)(A), justifying a denial of discharge.

13 But even if we failed A, based upon Mr. Seery's testimony,  
14 we would not fail B. The Debtor will be continuing to do what  
15 it has done during the case, as it did before, as I said,  
16 managing its business. B says the debtor does not engage in  
17 the business after management. So while Mr. Seery testified  
18 that it would take approximately two years, it could take  
19 more, it could take less, and there is no requirement to  
20 liquidate assets over a period of time.

21 Accordingly, Your Honor, the Debtor is conducting the type  
22 of business contemplated by Section B so as not to just deny a  
23 discharge.

24 As the Fifth Circuit said in the *TH-New Orleans* case, the  
25 court granted a discharge there because it was likely that the

1 debtor would be liquidating its assets and conducting business  
2 (indecipherable) years following a confirmation date. And  
3 this result makes sense, Your Honor, because the Debtor will  
4 need the discharge and the tenant injunctions, which I'll get  
5 to in a moment, in order to prevent interference with the  
6 Debtor's ability to implement the terms of the plan and make  
7 distributions to creditors.

8 I would now like, Your Honor, to turn to the exculpation  
9 provisions, which there's been -- there's been a lot of  
10 briefing on it, and I know Your Honor is very aware of the  
11 exculpation provisions and the *Pacific Lumber* case. And  
12 several parties have objected to the exculpation contained in  
13 the plan, based primarily on the Fifth Circuit ruling in  
14 *Pacific Lumber*.

15 The exculpation provision, which is not dissimilar to what  
16 is found in many plans around the country, including in plans  
17 confirmed in bankruptcy courts in the Fifth Circuit, acts to  
18 exculpate the exculpated parties for negligent-only acts as it  
19 contains the standard carve-outs for gross negligence,  
20 intentional conduct, and willful misconduct.

21 I do want to bring to the Court's attention a deletion we  
22 made to the parties protected by the exculpation in the plan  
23 and now -- were filed on February 1st. The definition of  
24 exculpated parties included, before February 1, not only the  
25 Debtor but its direct and indirect majority-owned subsidiaries

1 and the managed funds. In the plan amendment, we have deleted  
2 the Debtor's direct and indirect majority-owned subsidiaries  
3 and managed funds from the definition and are not seeking  
4 exculpation for those entities.

5 But before, Your Honor, I address *Pacific Lumber* and why  
6 the Debtor believes it does not preclude the Court from  
7 approving the exculpation in this case, I do want to focus on  
8 something that the Objectors conveniently ignore from their  
9 argument.

10 As I mentioned in my opening argument, Your Honor, the  
11 independent directors were appointed pursuant to the Court's  
12 order on January 9, 2020. They have resolved many issues  
13 between the Debtor and the Committee, and avoided the  
14 appointment of a Chapter 11 trustee.

15 The January 9th order was specifically approved by Mr.  
16 Dondero, who was in control of the Debtor at the time, and I  
17 believe the transcripts that are admitted into evidence will  
18 demonstrate that he was fully behind the approval of the  
19 January 9th order.

20 In addition to appointing the independent directors into  
21 what was sure to be a contentiously litigious case, the  
22 January 9th order set the standard of care for the independent  
23 directors, and specifically exculpated them from negligence.

24 You have heard Mr. Seery and Mr. Dubel testify that they  
25 had input into what the order said and would have not agreed

1 to be appointed as independent directors if it did not include  
2 Paragraph 10, as well as the provisions regarding  
3 indemnification and D&O insurance.

4 I would like to put a demonstrative on the screen, which  
5 is actually Paragraph 10 of that order. Your Honor, Paragraph  
6 10, there's two concepts embedded here. First, it requires  
7 any parties wishing to sue the independent directors or their  
8 agents to first seek such approval from the Bankruptcy Court.  
9 Secondly, and importantly for purposes of the independent  
10 directors and their agents, who would include the employees,  
11 it set the standard of care for them during the Chapter 11 and  
12 entitled them to exculpation for negligence. Paragraph 10  
13 says the Court will only permit a suit to go forward if such  
14 claim represents a colorable claim for willful misconduct or  
15 gross negligence.

16 And Your Honor, Paragraph 10 does not expire by its terms.

17 By not including negligence in the definition of what a  
18 colorable claim might be, the Court has already exculpated the  
19 independent directors and their agents, which include the  
20 employees acting at their direction.

21 And because the independent directors and their agents are  
22 exculpated under Paragraph 10, Strand needs to be exculpated  
23 as well for actions occurring after January 9th. This is  
24 because a suit against Strand for conduct after the  
25 independent board was appointed is effectively a suit against

1 the independent directors, who were the only people in control  
2 of Strand at that time.

3 After the effective date, Mr. Dondero will regain control  
4 of Strand, as the independent directors will be discharged.  
5 And for parties able to sue Strand essentially for negligence  
6 for conduct conducted by the independent directors after  
7 January 9th, Strand will then be able to seek indemnification  
8 from the Debtor under the Debtor's partnership agreement  
9 because the partnership agreement does provide the general  
10 partner is entitled to indemnification.

11 Accordingly, an exculpation for Strand is really the  
12 functional equivalent of an exculpation for the independent  
13 directors and the Debtor.

14 The January 9th order was not appealed, and an objection  
15 to exculpation at this point as it relates to the independent  
16 directors, their agents, and Strand is a collateral attack on  
17 this order. So, Your Honor, Your Honor does not even need to  
18 get to the thorny issues addressed by *Pacific Lumber*.

19 However, even in the absence of the January 9th order,  
20 exculpation of the independent directors and their employees,  
21 as well as the other exculpated parties, is not prohibited by  
22 *Pacific Lumber*. In *Pacific Lumber*, the Fifth Circuit reversed  
23 a bankruptcy court order confirming a plan because the  
24 exculpation provision was too broad and included parties that  
25 the Fifth Circuit thought could not be exculpated under

1 Section 524(e) of the Code.

2 A close look at the issue before the Court, Your Honor,  
3 the reasoning for the Court's ruling and why certain parties  
4 like Committee and its members were entitled to exculpation,  
5 reflects that this case does not prevent the Court from  
6 approving exculpation of this case.

7 A careful read of the underlying briefs and opinions in  
8 *Pacific Lumber* reveals that the concern that the Appellants  
9 had in that case was the application of exculpation to non-  
10 fiduciary sponsors. There were two competing plans in the  
11 case. The first was filed by the indenture trustee. The  
12 second was filed by the debtor's parent and lender, and was  
13 deemed -- called the Marathon Plan. The Court confirmed the  
14 Marathon Plan, and the indenture trustee appealed, and the  
15 indenture trustee argued that the plan sponsors could not be  
16 exculpated.

17 After determining that the appeal of the exculpation  
18 provisions were not equitably moot, the Fifth Circuit  
19 determined that exculpation was not authorized under 524(e) of  
20 the Code because that section provides a discharge of the  
21 debtor does not affect the liability of any other entity on  
22 such debt.

23 However, and here's the important part, Your Honor: The  
24 Fifth Circuit did not say that all exculpations are prohibited  
25 under the Code and authorized the exculpation of the Committee

1 and its members. And why did the Court do that? Because it  
2 looked at the Committee's qualified immunity under 1103 and  
3 also reasoned that Committee members are essentially  
4 disinterested volunteers that should be entitled to  
5 exculpation on negligence.

6 The Court also cited approvingly *Colliers* for the  
7 proposition that if Committee members were not exculpated for  
8 negligence and subject to suit by people who are unhappy with  
9 them, they just would not serve.

10 Accordingly, the Fifth Circuit based its willingness to  
11 exculpate Committee members on the strong public policy that  
12 supports exculpation for those parties under those  
13 circumstances. And against this backdrop, Your Honor, there  
14 are several reasons why the Court should authorize exculpation  
15 in this case, notwithstanding *Pacific Lumber*.

16 First, Your Honor, the independent directors in this case  
17 are analogous -- much more analogous to the Committee members  
18 that the Fifth Circuit ruled were entitled to than the  
19 incumbent officer and directors.

20 Your Honor has the following facts before the Court, based  
21 upon the testimony of Mr. Seery and Mr. Dubel and other  
22 evidence in the record. The independent board members were  
23 not part of the Highland enterprise before the Court appointed  
24 them on January 9th. The Court appointed the independent  
25 directors in lieu of a Chapter 11 trustee to address what the

1 Court perceived as the serious conflicts of interest and  
2 fiduciary duty concerns with current management, as identified  
3 by the Committee.

4 The independent directors would not have agreed to accept  
5 their role without indemnification, insurance, exculpation,  
6 and the gatekeeper function provided by the January 9th order.

7 And Mr. Dubel testified regarding the significant  
8 experience he has as an independent director during his 30-  
9 plus years in the restructuring community, including several  
10 engagements as an independent director in Chapter 11 cases.

11 And he testified that independent directors have become  
12 commonplace in complex restructurings over the last several  
13 years and have been appointed in many cases, including high-  
14 profile cases. We've cited to just a few of those cases in  
15 our brief, but we could go on and on.

16 Mr. Dubel testified that the independent directors are a  
17 critical tool in proper corporate governance and restoring  
18 creditor confidence in management in modern-day  
19 restructurings, and he testified that, based upon his  
20 experience, independent directors expect to be indemnified by  
21 the company, expect to obtain directors and officers  
22 insurance, and expect to be exculpated from claims of  
23 negligence when they agree to be appointed.

24 He further testified that if independent directors cannot  
25 be assured that they will be exculpated for simple negligence,

1 he believes they will be unwilling to serve in contentious  
2 cases like the one we have here, which will have a material  
3 adverse effect on the Chapter 11 restructuring process as we  
4 know it.

5 Based upon the foregoing testimony, Your Honor, which is  
6 uncontroverted, the Court should have no problem finding that  
7 the independent directors are much more analogous to the  
8 Committee members in *Pacific Lumber* who the Fifth Circuit said  
9 could be exculpated.

10 The facts, these facts also distinguish this case from the  
11 *Dropbox v. Thru* case which Your Honor decided and which was  
12 reversed on this issue by the District Court. In neither  
13 *Pacific Lumber* or *Thru* was there an argument that the policy  
14 reasons that supported exculpation of Committee members also  
15 supported the exculpation of the parties sought to be  
16 exculpated.

17 Moreover, Your Honor, the independent directors in this  
18 case were pointed as essentially as substitute for a Chapter  
19 11 trustee. There was a Chapter 11 trustee motion filed a few  
20 days before, I believe, and the Court, in approving this, said  
21 that you -- better than a Chapter 11 trustee. And Chapter 11  
22 Trustees are entitled to qualified immunity. So, while, yes,  
23 the independent directors aren't truly Chapter 11 trustees,  
24 they are analogous.

25 Second, Your Honor, while there is language in *Pacific*

1 *Lumber* that says that the directors and officers of the debtor  
2 are not entitled to exculpation, the issue before the Court  
3 really on appeal was the plan sponsors and whether they were.  
4 So I would argue that any discussion of the exculpation not  
5 being available for directors and officers in the Fifth  
6 Circuit opinion in *Palco* is actually dicta.

7 Third, Your Honor, as I discussed before, the *Pacific*  
8 *Lumber* decision was based solely on 524(e) of the Bankruptcy  
9 Code, which only says that the discharge of a claim against  
10 the debtor does not affect the discharge of a third party.  
11 However, the Debtor is not relying on 524(e) as the basis of  
12 their exculpation. As we outline in our brief, Your Honor, we  
13 believe that the exculpation is appropriate under Section 105  
14 and 1123(b) (6) as a means -- part of an implementation of the  
15 plan.

16 Importantly, Your Honor, as other courts hostile to third-  
17 party releases have determined, exculpation only sets a  
18 standard of care for parties and is not an effort to relieve  
19 fiduciaries of liability.

20 Other courts that have aligned with the Fifth Circuit and  
21 rejected third-party releases, like the Ninth Circuit, have  
22 recently determined exculpation has nothing to do with 524(e).  
23 In *In re Blixseth*, a Ninth Circuit case decided at the end of  
24 2020 cited in our materials, they examined several of their  
25 circuit cases that had strongly prohibited non-consensual

1 third-party releases under 524(e). But again, the Court  
2 concluded that 524(e) only prohibits third parties from being  
3 released from liability of a prepetition claim for which the  
4 debtor receives a discharge. The Court reasoned that the  
5 exculpation clause, however, protects parties from negligence  
6 claims relating to matters that occurred during the Chapter 11  
7 case and has nothing to do with 524(e).

8 The Ninth Circuit, which along with the Fifth Circuit has  
9 been notorious for prohibiting third-party releases, issued  
10 its ruling against this backdrop and said that exculpations  
11 are appropriate.

12 Your Honor, the Objectors made a point yesterday of  
13 pointing out that Strand, as the Debtor's general partner, is  
14 liable for the debts under applicable law. To the extent they  
15 intend to argue that the exculpation is seeking to discharge  
16 any such prepetition liability, they would be wrong. The  
17 exculpation only applies to postpetition matters. And to the  
18 extent they argue that the exculpation seeks to discharge  
19 Strand's potential postpetition liability, for the reasons I  
20 discussed, a claim against Strand will essentially be a claim  
21 against the Debtor because the Debtor will be obligated to  
22 indemnify them.

23 Accordingly, Your Honor, we submit that if this matter  
24 goes up to appeal to the Fifth Circuit, which it may very well  
25 do, that the Fifth Circuit may very well come out the same way

1 as the Ninth Circuit and start relaxing the standard or  
2 otherwise provide that the independent directors are much more  
3 like Committee members.

4       Lastly, Your Honor, if the Court does confirm the plan,  
5 which we certainly hope it will do, it will have made a  
6 finding that the plan has been proposed in good faith, and in  
7 doing so, the Court essentially finds that the independent  
8 directors and their agents have acted appropriately and  
9 consistent with their fiduciary duties, and it makes --  
10 exculpation for negligence naturally flows from that finding.

11       Your Honor, I would now like to go to the injunction  
12 provisions, and my argument is that the injunction provisions  
13 as amended are appropriate.

14               THE COURT: Can I stop you?

15               MR. POMERANTZ: We received several of -- yes.

16               THE COURT: I want to just recap a couple of things I  
17 think I heard you say. You're not asking this Court, you say,  
18 to go contrary to *Pacific Lumber* per se. You have thrown out  
19 there the possibility that *Pacific Lumber* mistakenly relied on  
20 524(e) in rejecting exculpations of plan sponsors. You're  
21 saying, eh, as a technical matter, I think they were wrong in  
22 focusing on that statute because that statute seems to deal  
23 with prepetition liability. Okay? Its actual wording, 524(e)  
24 states, discharge of a debt of a debtor does not affect the  
25 liability of any other entity on such debts.

1           And reading between the lines, I think you're saying --  
2 well, maybe this isn't what you're saying, but here's what I  
3 inferred -- "debt" is defined in 101(12) to mean liability on  
4 a claim, and then "claim" is defined in 101(5) of the  
5 Bankruptcy Code as meaning right to payment. It doesn't say  
6 as of the petition date, but I think if you look at, then,  
7 Section 502 of the Bankruptcy Code that addresses claims and  
8 interests, clearly, it seems to be referring to the  
9 prepetition time period, you know, claims and interest as of  
10 the petition date. And then -- that's 502. And then 503  
11 speaks of, for the most part, postpetition administrative  
12 expenses.

13           So that was my rambling way of saying I'm understanding  
14 you to say, eh, as a technical matter, we think the Fifth  
15 Circuit was wrong to focus on 524(e) because when you're  
16 talking about exculpation you're talking about postpetition  
17 liability, not prepetition liability. And 524(e) is talking  
18 more about prepetition liability.

19           But I think what I also hear you saying is, at bottom,  
20 *Pacific Lumber* was sort of a policy-driven holding where, you  
21 know, we're worried about no one would ever sign up for being  
22 on an unsecured creditors' committee if they could be exposed  
23 to lawsuits. They're fiduciaries, we think, for policy  
24 reasons. Exculpation is appropriate for this one group. And  
25 you're saying, well, they didn't have an independent board

1 that they were considering. They were just considering non-  
2 fiduciary plan sponsors. And so the rationale presented by  
3 *Pacific Lumber* applies equally here, and just they didn't make  
4 a holding in this factual context.

5 Have I recapped what you're saying?

6 MR. POMERANTZ: Your Honor, that's generally --  
7 generally correct, with a couple of nuances. So, yes, first,  
8 I think, on a policy basis, Your Honor -- again, putting aside  
9 the January 9th order, because we don't see --

10 THE COURT: Right. Right.

11 MR. POMERANTZ: -- Your Honor even needs to get to  
12 this issue.

13 THE COURT: I understand.

14 MR. POMERANTZ: But if Your Honor does get to this  
15 issue, we think, as a first point, Your Honor could be totally  
16 consistent with *Pacific Lumber* because there's policy reasons  
17 and there was not a categorical rejection of exculpation.  
18 Okay. So if there was a categorical rejection, then it  
19 wouldn't have been okay for committee members. Okay.

20 Second argument, yes, we don't think -- we think it's part  
21 of dicta. It's not part of the holding. We understand that  
22 other courts may have not agreed, maybe your *Thru* case, which  
23 Your Honor was appealed on.

24 But the third issue, our argument is all they looked at  
25 was 524(e). They said 523 -- 4(e) does not authorize it.

1 They did not say 524(e) prohibits it.

2 We think there's other provisions in the Code. And then  
3 when you basically add in the analysis that Your Honor  
4 provided, which we agree with, and what 524 was -- to do,  
5 524(e) just says that discharge doesn't affect. It doesn't  
6 say that under another provision of the Code or for another  
7 reason you are authorized to give an exculpation. I think  
8 it's a nuance and it's a difference there.

9 And my point of bringing up the *Blixseth* case -- which, of  
10 course, is Ninth Circuit and it's not binding on Your Honor,  
11 it's not binding on the Fifth Circuit -- is to say, when that  
12 was presented to them, they saw the distinction that 524(e)  
13 has nothing to do with an exculpation. And while, yes, the  
14 Fifth Circuit hasn't ruled on that, and if the Fifth -- if  
15 that argument is made to the Fifth Circuit, we don't know how  
16 they would rule, I think that, based upon their analysis --  
17 which, again, Your Honor, is no more than a page and a half of  
18 their opinion, right, of a long, lengthy opinion on the  
19 confirmation issues. So I think, Your Honor, with the Fifth  
20 Circuit, there is a good chance that based upon the developing  
21 case law of exculpation, based upon the sister circuit in  
22 *Blixseth* making that distinction, that there is a very good  
23 chance that the Fifth Circuit would change.

24 But look, I recognize that argument requires Your Honor to  
25 say, okay, this is outside and -- and what *Pacific Lumber* did

1 or didn't do. But I think, Your Honor, there's several  
2 potential reasons, there's several potential arguments that  
3 you can get to the same place.

4 THE COURT: Okay. Thank you.

5 MR. POMERANTZ: Okay. If I may just get another  
6 glass of -- sip of water before my time starts?

7 THE COURT: Okay.

8 MR. POMERANTZ: Okay, Your Honor. We're now turning  
9 to the injunction provision. The Debtor received several  
10 objections to the injunction provisions in -- I think I have  
11 it right now -- Article 9(f) to the plan. And we've modified  
12 Article 9(f) to address certain of those concerns, and we  
13 believe that, as modified, that the injunction provision  
14 implements and enforces the plan's discharge, release, and  
15 exculpation provisions to prevent parties from pursuing claims  
16 in interest that are addressed by the plan and otherwise  
17 interfering with consummation and implementation of the plan.

18 I'd like to put up the first paragraph of the injunction  
19 on the screen now.

20 Okay, Your Honor. The first paragraph, all it does is  
21 prohibits the enjoined parties from taking action to interfere  
22 with consummation or implementation of the plan. I suspect a  
23 sentence like that is probably in hundreds of plans in the  
24 Fifth Circuit and elsewhere.

25 Initially, to address a concern that it applied to too

1 many parties, the Debtor added a definition in the revised  
2 plan that defines "enjoined parties," which I'd like to now  
3 put that definition up on the screen.

4 The changes -- it's a little hard to read there, but you  
5 have it in the -- oh, there you go. The changes made clear  
6 that only parties who have a relationship to this case, either  
7 holding a claim or interest, having appeared in the case, be a  
8 -- or be a party in interest, Jim Dondero, or related entity,  
9 or related person of the foregoing are covered. The claim  
10 objectors argue that the word "implementation and  
11 consummation" is vague, or vague and unclear. Your Honor,  
12 these terms are both defined in the Bankruptcy Code and under  
13 the case law, and they're, as I said, common features of many  
14 plans.

15 Section 1123(a)(5) of the Code provides that a plan shall  
16 provide for its implementation, and identifies a list of items  
17 that the plan can include. Article 4 of our plan is defined  
18 as "Means of Implementation of This Plan," and describes the  
19 various corporate steps required to implement the provisions  
20 of the plan, including canceling equity interests, creation of  
21 new general partners and a limited part of the Reorganized  
22 Debtor, the restatement of the limited partnership agreement,  
23 and the establishment of the various trusts.

24 Paragraph 1 rightly and appropriately enjoins efforts to  
25 interfere with these steps.

1 Nor is the term "consummation of the plan" vague.  
2 "Consummation" also is a commonly-used term and has been  
3 defined by the Fifth Circuit and the Code. 1102 -- 1101(2)  
4 defines "Substantial Consummation" to be the transfer of  
5 assets to be transferred under the plan, the assumption by the  
6 debtor of the management of all the property dealt with by the  
7 plan, and the commencement of distributions under the plan.

8 Section 1142 gives the Court authority to direct a party  
9 to perform any act necessary for consummation of a plan. And  
10 as the Fifth Circuit, in *United States Brass Corp.*, which is  
11 said in our material, states, said the Bankruptcy Court had  
12 post-confirmation jurisdiction to enforce the unperformed  
13 terms of a plan with respect to a matter that could affect the  
14 parties' post-confirmation rights because the plan had not  
15 been fully consummated.

16 And Your Honor just wrote on this issue last year in the  
17 *Senior* -- the *Texas* -- the *TXMS Real Estate v. Senior Care*  
18 case, and you cited to *U.S. Brass* to find that, in that case,  
19 post-confirmation jurisdiction existed to resolve a dispute  
20 relating to an assumed contract because the matter related to  
21 interpretation, implementation, and execution of the plan.

22 Accordingly, Your Honor, neither implementation or  
23 consummation are vague, and the first paragraph of the  
24 injunction is necessary and appropriate to enforce the  
25 Debtor's discharge.

1           As I said before, I will leave it to Mr. Kharasch to  
2 address specifically the concerns that the Advisor and the  
3 Funds have with the injunction.

4           The second and third paragraphs of the injunction, Your  
5 Honor, certain parties have objected to them on the ground  
6 that they constitute an improper release of the independent  
7 directors as well as the release of claims against the  
8 Reorganized Debtor, the Claimant Trust, and the Litigation  
9 Sub-Trust, entities that will not have come into existence  
10 until after the effective date.

11           We believe we have addressed these concerns by  
12 modifications to the second and third paragraphs of the  
13 injunction, which I would now like to put the second and third  
14 paragraphs on the screen.

15           (Pause.)

16           MR. POMERANTZ: As that is happening, Your Honor, I  
17 will -- there we go.

18           We believe that the changes that were made to these  
19 paragraphs should address the Objectors' concerns.

20           First, as with the first paragraph, we have created a  
21 defined term of "Enjoined Parties" who are subject to the  
22 injunction which is narrower than all persons, I believe, or  
23 all entities that was included in the prior plan. So we've  
24 narrowed that.

25           "Enjoined Parties" are generally defined, as I mentioned

1 before, as entities involved in this case or related to Jim  
2 Dondero, or have appeared in this case.

3 Second, we have removed independent directors from these  
4 paragraphs to address the concern that the injunction was a  
5 disguised third-party release.

6 Third, we have removed the Reorganized Debtor and the  
7 Claimant Trust from the second paragraph and moved them to the  
8 third paragraph. We did this to make clear that the  
9 Reorganized Debtor and Claimant Trust were only getting the  
10 benefit of the injunction as the successors to the Debtor. As  
11 the Reorganized Debtor and the Claimant Trust receives the  
12 property from the Debtor free and clear of all claims and  
13 interests and equity holders under 1141(c), they are entitled  
14 to the benefit of the injunction.

15 Fourth, we have addressed the concern that the injunction  
16 improperly affected set-off rights. We added language to make  
17 clear that the injunction would only affect the parties' set-  
18 off of an obligation owed to the Debtor to the extent that  
19 that was permissible under 553 and 1141 of the Bankruptcy  
20 Code.

21 In other words, we are punting the issue for another day,  
22 and there's nothing in the plan that gives the Debtor any more  
23 set-off rights than it otherwise has under the Bankruptcy  
24 Code.

25 Lastly, Your Honor, certain Objectors have argued that the

1 injunction somehow prevents them from enforcing the rights  
2 they have under the plan or the confirmation order. We don't  
3 really understand this concern, as the language leading into  
4 the second paragraph of the injunction says, except as  
5 expressly provided in the plan, the confirmation order, or a  
6 separate order of the Bankruptcy Court.

7 With these modifications, Your Honor, the provisions do  
8 nothing more than implement 1123(b)(6) and 1141 by preventing  
9 parties from taking actions to interfere with the Debtor's  
10 plan.

11 The Court has also heard testimony from Mr. Seery  
12 regarding the importance of the injunction to implementation  
13 of the plan. He testified that he intends to monetize assets  
14 in a way that will maximize value. And to effectively do  
15 that, he has testified that the Claimant Trust needs to be  
16 able to pursue its objectives without interference and  
17 continued harassment from Mr. Dondero and his related  
18 entities.

19 In fact, Mr. Seery testified that if the Claimant Trust  
20 were subject to interference by Mr. Dondero, it would take him  
21 more time to monetize assets, they would be monetized for less  
22 money, and creditors would be harmed.

23 If Your Honor doesn't have any questions for me on the  
24 injunction provisions, I'd like to turn to the last part of  
25 the injunction, which is really the gatekeeper provision.

1 THE COURT: All right. You may.

2 MR. POMERANTZ: Your Honor, the last paragraph in  
3 Article 9(f) is really not an injunction but is rather a  
4 gatekeeper provision. And as originally drafted, it'd do two  
5 things: first, it'd require that before any entity, which is  
6 defined very broadly, could file an action against a protected  
7 party relating to certain specified matters, the entity would  
8 have to seek a determination from this Court that the claim  
9 represented are colorable claim of bad faith, criminal  
10 conduct, willful misconduct, fraud, or gross negligence. The  
11 specified matters to which the gatekeeper provision would  
12 apply included the Chapter 11 case, negotiations regarding the  
13 plan, the administration of the plan, the property to be  
14 distributed under the plan, the wind-down of the Debtor's  
15 business, the administration of the Claimant Trust, or  
16 transactions related to the foregoing.

17 Subject to certain exceptions for Dondero-related parties,  
18 protected parties were defined to include the Debtor, its  
19 successors and assigns, indirect and direct, majority-owned  
20 subsidiaries and managed funds, employees, Strand, Reorganized  
21 Debtor, the independent directors, the Committee and its  
22 members, the Claimant Trust, the Claimant Trustee, the  
23 Litigation Trust, the Litigation Sub-Trustee, the members of  
24 the Oversight Committee, retained professionals, the CEO and  
25 CRO, and persons related to the foregoing. Essentially,

1 parties related to the pre-effective-date administration of  
2 the estate or the post-confirmation implementation of the  
3 plan.

4       Second, the gatekeeper provision as originally presented  
5 gave the Bankruptcy Court exclusive jurisdiction to adjudicate  
6 any cause of action that it determined would pass through the  
7 gate. The gatekeeper provision, Your Honor, is not a release  
8 in any way. Rather, it permits enjoined parties who believe  
9 they have a claim against the protected parties to pursue such  
10 a claim, provided they first make a showing that the claim is  
11 colorable to the Bankruptcy Court.

12       Several parties, Your Honor, objected to the Bankruptcy  
13 Court having exclusive jurisdiction to adjudicate the claims  
14 that pass through the gate. The Debtor believes that the  
15 Bankruptcy Court would ultimately have jurisdiction of any of  
16 those claims that pass through the gate. However, the Debtor  
17 did, upon reflection, appreciate the concern that if the Court  
18 agreed to that now, it would essentially be determining its  
19 jurisdiction before a claim was filed.

20       Accordingly, in the January 22nd plan, Your Honor, we  
21 amended the provision to provide that the Bankruptcy Court  
22 will only have jurisdiction over such claims to the extent it  
23 was legally permissible to do so, essentially deferring the  
24 issue to a later time.

25       And as Your Honor, I believe, in one of cases called the

1 *Icing on the Cake*, the retention and jurisdiction provisions  
2 in the plan only are to the extent under applicable law and  
3 are quite broad and include the things that we would have the  
4 Court -- have jurisdiction for the Court, otherwise  
5 determined.

6 The Court made some other changes to the gatekeeper  
7 provision, and I would like to place the amended gatekeeper  
8 provision on the screen right now. In addition to the change  
9 I mentioned, the Debtor made the following changes: the  
10 provision is limited now to apply only to enjoined parties,  
11 rather than any entity. Than any entity. Much narrower. The  
12 provision added the administration of the Litigation Sub-Trust  
13 to the matters to which the provision would apply. The  
14 provision makes clear now that any claim, including  
15 negligence, is a claim that could be sought and pursued  
16 through the gatekeeper function. And the provision made some  
17 other syntax changes.

18 We believe, Your Honor, with these changes, we believe  
19 that the gatekeeper provision is within the Court's  
20 jurisdiction and it's appropriate to include under the plan.

21 But certain parties have argued that the Court does not  
22 have the authority, the jurisdictional authority to perform  
23 the gatekeeper function, separate and apart from whether it  
24 has jurisdiction to adjudicate the claims that pass through  
25 the gate.

1           Your Honor, we submit that these arguments represent a  
2 fundamental misunderstanding of Bankruptcy Court jurisdiction  
3 and the Court's authority to make sure the Debtor is free of  
4 interference in carrying out the plan which I'll get to in a  
5 couple moments.

6           As a preliminary matter, Your Honor, it is important for  
7 the Court to remember that Paragraph 10 of the January 9 order  
8 already contains a gatekeeper provision as it relates to the  
9 independent directors and their agents. And as I mentioned on  
10 a couple of occasions, that order is not going away, it  
11 doesn't expire by its terms, and it cannot be collaterally  
12 attacked in this forum.

13           The Debtor does acknowledge, though, that the gatekeeper  
14 provision in the plan is broader in terms of the people it  
15 protects and it applies to post-confirmation matters.

16           Before I address the Court's authority to approve the  
17 gatekeeper provision, I want to summarize the evidence that it  
18 has heard from Mr. Seery and Mr. Tauber regarding why the  
19 gatekeeper is so important a provision to the success of the  
20 plan.

21           Although the Court is all too familiar with the history of  
22 litigation initiated by and filed against Mr. Dondero and his  
23 related affiliates, Mr. Seery spent some time on the stand  
24 testifying about the litigation so the Court would have a  
25 complete record for this hearing. He testified that prior to

1 the petition date, the Debtor faced years of litigation from  
2 Mr. Terry and Acis that led to the Acis bankruptcy case, which  
3 Your Honor has said many times it's still in your mind. Years  
4 of litigation with the Redeemer Committee which precipitated  
5 the filing of a bankruptcy case and resulted in an award very  
6 critical of the Debtor's conduct. Years of litigation with  
7 UBS. Years of litigation with Patrick Daugherty. And we  
8 placed all the dockets for all these matters before the Court.

9 Also, during the bankruptcy and after the Committee  
10 essentially rejected the Debtor's pot plan proposal and  
11 indicated -- and the Debtor indicated it would be terminating  
12 the shared service agreements with Mr. Dondero and his related  
13 entities, the Debtor was the subject of harassment from Mr.  
14 Dondero and related entities which resulted in the temporary  
15 restraining order against him, a preliminary injunction  
16 against him, a contempt motion, which Your Honor is scheduled  
17 to hear Friday, a motion by the Debtor's controlled -- by the  
18 Dondero-controlled investors and funds in CLO managed --  
19 managed by the Debtor, which the Court referred to that motion  
20 as being frivolous and a waste of the Court's time. Multiple  
21 plan objections, most of which are focused on allowing the  
22 Debtors to continue their litigation crusade against the  
23 Debtor and its successors post-confirmation. An objection to  
24 the Debtor approval of the Acis order and a subsequent appeal.  
25 An objection to the HarbourVest settlement and subsequent

1 appeal. A complaint and injunction against the Advisors and  
2 the Funds to prevent them from violating Paragraph 9 of the  
3 January 9th order. And a temporary restraining order against  
4 those parties, which was by consent.

5 Mr. Dondero's counsel tends to argue that he is the victim  
6 here and that the litigation is being commenced against him  
7 and -- instead of by him. That response does not even deserve  
8 a response, Your Honor. It is disingenuous.

9 Mr. Tauber testified that he was part of the team at Aon  
10 that sourced coverage for the independent directors after  
11 their appointment in January 2020 and that he has over 20  
12 years of underwriting experience. He testified that at Aon he  
13 builds bespoke insurance programs which are not cookie-cutter  
14 programs for his clients, with an emphasis on D&O and E&O.  
15 And he was asked by the independent board to obtain D&O and  
16 E&O insurance after the board's appointment on January 9th.

17 Based upon the process Aon conducted in reaching out to  
18 insurance carriers, Mr. Tauber testified that Aon was only  
19 able to obtain D&O insurance based upon the inclusion of  
20 Paragraph 10 of the January 9 order, the gatekeeper provision.  
21 I know Mr. Taylor said that that was spoon-fed to the  
22 insurers, but Mr. Tauber's testimony is they knew about Mr.  
23 Dondero and they knew about his litigation tactics, so it is  
24 not a good inference to be made from the testimony that they  
25 would not have required something. They probably would have

1 just said no.

2 Aon has now been -- Mr. Tauber testified that Aon has now  
3 been asked to obtain D&O coverage for the Claimant Trustee,  
4 the Litigation Trustee, the Oversight Committee, the members,  
5 the Claimant Trust, and the Litigation Sub-Trust. He  
6 testified that he and Aon have approached the insurance  
7 carriers that they believe might be interested in underwriting  
8 coverage.

9 And no, he hasn't approached every D&O and E&O carrier out  
10 there, and there may be, just like an investment banker  
11 doesn't have to approach everyone. They are experts in the  
12 field, and he testified they approached the people they  
13 thought would likely be willing or interested and potentially  
14 be willing to extend coverage. And as a result of Aon's  
15 efforts, Mr. Tauber has determined that there's a continued  
16 resistance to provide any coverage that does not contain an  
17 exclusion for actions relating to Mr. Dondero or his related  
18 entities. And he further believes that all carriers that will  
19 -- that have discussed a willingness to provide coverage will  
20 only do so if there is a gatekeeper provision, and only one  
21 carrier will agree to provide coverage without a Dondero  
22 exclusion.

23 Mr. Tauber testified that he believes that any ultimate  
24 policy will provide that if at any time the gatekeeper  
25 provision is not in place, either the carrier will not cover

1 any actions related to Mr. Dondero or his affiliates or that  
2 the coverage will be vacated or voided.

3 Based upon the foregoing record, Your Honor, which is  
4 uncontroverted, there's ample justification on a factual basis  
5 for approval of the gatekeeper provision.

6 I will now turn to the Court's authority to approve the  
7 gatekeeper provision.

8 There are three alternative bases upon which the Court can  
9 approve the gatekeeper provision. First, several provisions  
10 of the Bankruptcy Code give broad authority to approve a  
11 provision like the gatekeeper provision.

12 Second, the Court can analogize to the Barton Doctrine the  
13 facts and circumstances in this case and authorize the Court  
14 to act as a gatekeeper to prevent frivolous litigation from  
15 being filed against court-appointed officers and directors and  
16 those that will lead the post-confirmation monetization of the  
17 estate's assets.

18 And third, Your Honor, the Court can find that Mr. Dondero  
19 and his entities are vexatious litigants, and use the  
20 gatekeeper provision as a sanction to prevent the filing of  
21 baseless litigation designed merely to harass those in charge  
22 of the estate post-confirmation.

23 So, Bankruptcy Court authority. Your Honor, there are  
24 several provisions in the Bankruptcy Code which we rely on to  
25 support the Court's authority. First, Section 1123(a)(5)

1 permits the plan to approve adequate means of implementation,  
2 and contains a long, non-exclusive list. Mr. Seery's  
3 testimony is uncontroverted that a gatekeeper provision is  
4 necessary for the adequate implementation of the plan.

5 Second, Your Honor, 1123(b) (6) authorizes a plan to  
6 include any appropriate provision in a plan not inconsistent  
7 with any other provision in this Code. There are not any  
8 provisions and none have been cited by the Objectors that  
9 would prohibit a gatekeeper provision. Section 1141  
10 effectively holds that the terms of a plan bind the debtor and  
11 its creditors and vest property in a reorganized debtor, free  
12 and clear of the interests of third parties.

13 If nothing else, Your Honor, the spirit of 1141 allows the  
14 Court to prevent, in appropriate cases, vexatious litigation  
15 by unhappy creditors and parties in interest from torpedoing  
16 the plan.

17 1142(b), Your Honor, provides that the confirmation --  
18 that, after confirmation, the Court may direct any parties to  
19 perform any act necessary for the consummation of the plan,  
20 and requiring the party to seek court-approval before filing  
21 an action is certainly an act.

22 And lastly, Your Honor, Section 105 allows the Court to  
23 enter orders necessary to order other things, enforce orders  
24 of the Court like the confirmation order, and prevent an abuse  
25 of process which would certainly occur if baseless litigation

1 were filed against the parties in charge of the Reorganized  
2 Debtor and the trust vehicles entrusted with carrying out the  
3 plan.

4 Your Honor, gatekeepers are not a novel concept and have  
5 been approved by courts in appropriate circumstances. In the  
6 *Madoff* cases, the Court has been the gatekeeper post-  
7 confirmation to determine whether investor claims are  
8 derivative or direct claims.

9 In *General Motors*, the Court has been the gatekeeper post-  
10 confirmation to determine whether product liability claims are  
11 proper claims against the reorganized debtor.

12 Closer to home, Judge Lynn, Mr. Dondero's counsel,  
13 approved a gatekeeper provision, arguably even more far-  
14 reaching than the provision here, in the *Pilgrim's Pride* case.  
15 In that case, Judge Lynn held that *Pacific Lumber* prevented  
16 him -- prevented the Court from approving the exculpation  
17 provision in the plan. However, he did hold that it was  
18 appropriate for the Court to ensure that debtor  
19 representatives are not improperly pursued for their good-  
20 faith actions by requiring that any actions against the debtor  
21 or its representatives, and further, on the performance of  
22 their obligations as debtor-in-possession, be heard  
23 exclusively before the Bankruptcy Court.

24 And *Pilgrim's Pride* is not the only case in this district  
25 to include a gatekeeper provision, as Judge Houser approved

1 one in the *CHC Group* in 2016, which is cited in our materials.

2 The theme in all these cases, Your Honor, is that there  
3 are circumstances where it is necessary and appropriate for  
4 the Bankruptcy Court to act as a gatekeeper as a means of  
5 reducing litigation that could interfere with a confirmed plan  
6 and that a Court has the authority to approve such provisions.

7 The Objectors argue that the Bankruptcy Court does not  
8 have jurisdiction to approve that provision. The Debtor  
9 understands the argument as it related to the prior provision,  
10 which gave the Court exclusive jurisdiction over any claim it  
11 found colorable, and we've amended the plan to address that  
12 issue. The jurisdiction to deal with those claims could be  
13 left to a later day.

14 But to the extent the Objectors still pursue the  
15 jurisdiction argument in light of the current provision,  
16 they're really conflating two very different things: the  
17 ability to determine whether a claim is colorable and the  
18 ability to adjudicate that claim if the Court determines it's  
19 colorable.

20 None of the authorities cited by the Objectors hold that  
21 the Court is without jurisdiction to approve a gatekeeper  
22 provision like the one here. So, rather, what they do is they  
23 try to -- they argue, based upon the *Craig's Stores* case,  
24 which is narrower than other circuits of post-confirmation  
25 jurisdiction in the Bankruptcy Court, and argue that the

1 gatekeeper provision doesn't fall within that. But that --  
2 such reliance is misplaced, Your Honor.

3 *Craig* held that the Bankruptcy Court did not have  
4 jurisdiction to adjudicate a post-confirmation dispute over a  
5 private-label credit card agreement between the debtor and the  
6 bank. In declining to find jurisdiction, the Fifth Circuit  
7 remarked that there was no antagonism or claim pending between  
8 the parties as of the reorganization and no facts or law  
9 deriving from the reorganization or the plan was necessary to  
10 the claim asserted by the debtor.

11 However, in so ruling, Your Honor, the Fifth Circuit did  
12 reason that post-confirmation jurisdiction in the Bankruptcy  
13 Court continues to exist for matters pertaining to  
14 implementation and execution of the plan. Requiring parties  
15 to seek Bankruptcy Court determination the claim is colorable  
16 before embarking on litigation that will impact  
17 indemnification rights and affect distributions to creditors  
18 is not an expansion of jurisdiction and fits well within the  
19 *Craig* reasoning.

20 Unlike the credit card agreement dispute in *Craig*, Mr.  
21 Dondero and his entities have demonstrated tremendous  
22 antagonism towards the Debtor. And while the Debtor's plan  
23 may be confirmed, further litigation has been threatened by  
24 Mr. Dondero. It's in the pleadings. That's one of the  
25 reasons Mr. Dondero says his plan is better. It'll avoid

1 tremendous amount of litigation.

2 After *Craig*, the Fifth Circuit again examined the  
3 bankruptcy court's post-confirmation jurisdiction in the  
4 *Stoneridge* case in 2005. In that case, the Fifth Circuit  
5 ruled that a bankruptcy court has post-confirmation  
6 jurisdiction to resolve a dispute between two nondebtors that  
7 could trigger indemnification claims against a liquidating  
8 trust formed as a result of a confirmed plan.

9 And lastly, as I mentioned Your Honor's decision before,  
10 the *TXMS Real Estate* case, I think just a couple of months  
11 ago, it stands for the proposition that post-confirmation  
12 jurisdiction exists for matters bearing on the implementation,  
13 interpretation, and execution of a plan. In that case, Your  
14 Honor ruled that Your Honor had jurisdiction to resolve a  
15 post-confirmation dispute between a liquidating trust formed  
16 under a plan and a landlord, the result of which could  
17 significantly and adversely affect the value of the  
18 liquidating trust and monies available for unsecured  
19 creditors.

20 And you have heard Mr. Seery testify that litigation will  
21 have an adverse effect on the ability to make distributions to  
22 creditors.

23 So, Your Honor, under these authorities, the Court  
24 undoubtedly would have jurisdiction to act as the gatekeeper  
25 for the litigation.

1           There's also an independent basis for the gatekeeper  
2 provision, Your Honor, the Barton Doctrine, which the Court is  
3 very familiar from your opinion in the *In re Ondova* case in  
4 2017 and which provides that before a suit may be brought  
5 against a trustee, leave of Court is required. In *Ondova*, the  
6 Court reviewed the history of the doctrine in connection with  
7 litigation brought by a highly-litigious debtor against a  
8 trustee and his professionals. This Court noted that there  
9 are several important policies followed by the doctrine,  
10 including a concern for the overall integrity of the  
11 bankruptcy process and the threat of trustees being distracted  
12 from or intimidated from doing their jobs. And Your Honor's  
13 language still: For example, losers in the bankruptcy process  
14 might turn to other courts to try to become winners there by  
15 alleging the trustee did a negligent job.

16           Your Honor, this is precisely what the Debtor is trying to  
17 prevent here, Mr. Dondero and his entities from putting the  
18 bad experience before Your Honor in this case behind it and  
19 going to try to find better luck in a more hospitable court.

20           Your Honor, the Barton Doctrine originally only applied to  
21 receivers, and over the course of time has been extended to  
22 apply to various court-appointed fiduciaries, as we have cited  
23 in our materials: trustees, debtors-in-possession, officers  
24 and directors, employees, and attorneys representing the  
25 debtor.

1           And I expect the Objectors to argue that there is a  
2 statutory exception to the Barton Doctrine under 28 U.S.C. 959  
3 and it does not apply to acts or transactions in carrying out  
4 business conducted with a property. The exception, Your  
5 Honor, is very narrow and was meant to apply for things like  
6 slip-and-fall cases. In fact, the Eleventh Circuit in the  
7 *Carter v. Rodgers* case, 220 F.3d 1249 in 2000, held that  
8 Section 11 -- 28 U.S.C. 959(a) does not apply to suits against  
9 trustees for administering or liquidating the bankruptcy  
10 estate.

11           The Objectors also argue that the gatekeeper provision  
12 violates *Stern v. Marshal*. However, as the Court acknowledged  
13 in *Ondova*, the Fifth Circuit in *Villegas v. Schmidt* has  
14 recognized that the Barton Doctrine remains viable post-*Stern*  
15 *v. Marshal*. The Fifth Circuit reasoned that while Barton  
16 Doctrine is jurisdictional in that a court does not have  
17 jurisdiction of an action if preapproval has not been  
18 obtained, it does not implicate the extent of a bankruptcy  
19 court's jurisdiction to adjudicate the underlying claim,  
20 precisely the distinction we're making here. The bankruptcy  
21 court would be the gatekeeper for deciding whether the claim  
22 passes through the gate, and then after will decide if it has  
23 jurisdiction to rule on the underlying claim.

24           And this is important especially in a case like this, Your  
25 Honor, where Your Honor has had extensive experience with the

1 parties and is in the best position to determine whether the  
2 claims are valid or attempted to be used as harassment.

3 The Objectors will complain about the open-ended nature of  
4 the gatekeeper provision, whether it will or won't apply after  
5 the case is closed or a final decree is issued, and the unfair  
6 burden of their rights.

7 Your Honor has a previous reported opinion where basically  
8 jurisdiction does extend after a case is closed or a final  
9 decree is entered, so that issue is a red herring.

10 As Your Honor is well aware, it's a decade-long -- a  
11 decade of litigation against the Dondero-controlled entities  
12 that caused the Highland bankruptcy. And the Court is very  
13 well aware of the litigation that occurred in *Acis*, very well  
14 aware of the litigation that's occurred here that I mentioned  
15 a few minutes ago. Your Honor, it is not over, you'll be  
16 presiding over the contempt hearing.

17 And if the Court needs yet another ground to approve the  
18 gatekeeper provision, the Debtor submits that the procedure is  
19 an appropriate sanction for Dondero's vexatious litigation  
20 activities. We cited the *In re Carroll* case in the Fifth  
21 Circuit of 2017 that held that a bankruptcy court has the  
22 authority to enjoin a litigant from filing any pleading in any  
23 action without the prior authority from the bankruptcy court.

24 And in affirming the decision of the bankruptcy court, the  
25 Fifth Circuit commented on the reasons the bankruptcy court

1 gave for its ruling. After recounting the bad faith of  
2 appellants, the bankruptcy court determined that the Carrolls'  
3 true motives were to harass the trustee and thereby delay the  
4 proper administration of the estate, in the hope that they  
5 would be able to retain their assets or make pursuit of the  
6 assets so unappealing that the trustee would be compelled to  
7 settle on terms favorable to appellants.

8 Sounds familiar, Your Honor. The same can certainly be  
9 said about what Mr. Dondero is doing in this case.

10 And to make a showing that a party is vexatious litigant,  
11 the Court must find that the party has a history of vexatious  
12 and harassing litigation, whether the party has a good faith  
13 -- the litigation or has filed it as a means to harass, the  
14 burden to the Court and other parties, and the adequacy of  
15 alternative sanctions.

16 And as Your Honor is well aware from all the litigation,  
17 Your Honor is well, well able to make the finding required for  
18 the vexatious litigation finding.

19 But here, we don't ask for the drastic sanction of  
20 enjoining from any further filings. Rather, we just ask for a  
21 less-severe sanction, requiring Mr. Dondero and his entities  
22 to first make a showing that he has a colorable claim.

23 The Fifth Circuit in *Baum v. Blue Moon*, 2007, did exactly  
24 that. In *Baum*, the district court barred a vexatious litigant  
25 from initiating litigation without first obtaining the

1 approval of the district court. Ultimately, the matter  
2 reached the Fifth Circuit after the district court had  
3 modified the pre-filing injunction to limit it to a certain  
4 case, and then broadened it again based upon continued bad  
5 faith conduct.

6 On appeal, the Fifth Circuit, citing several prior cases,  
7 noted that a district court has the authority to impose a pre-  
8 filing injunction to defer vexatious, abusive, and harassing  
9 litigation.

10 And for those reasons, Your Honor, the Debtor asks the  
11 Court to overrule any objections to the gatekeeper provision.

12 Your Honor, I was just going to then go to the plan  
13 modification provisions, but I wanted to stop and see if you  
14 had any questions at this point.

15 THE COURT: I do not. Let's give him a time  
16 estimate, Nate. About how --

17 THE CLERK: Twenty.

18 MR. POMERANTZ: I have another five or six minutes, I  
19 think, based upon --

20 THE COURT: Okay.

21 MR. POMERANTZ: And then I'll be ready to turn it  
22 over to --

23 THE COURT: Okay.

24 MR. POMERANTZ: -- to Mr. Kharasch.

25 THE COURT: All right. Yes. You've got -- you've

1 done an hour and 33 minutes. So you have about, I guess, 37  
2 minutes left. Okay. Go ahead.

3 MR. POMERANTZ: Thank you, Your Honor.

4 I would like to address the modifications of the plan that  
5 were contained in our January 22nd plan and the additional  
6 changes filed on February 1, several of which I have referred.

7 As a preliminary matter, Your Honor, under 1127(b), the  
8 Debtor can modify a plan at any time prior to confirmation if  
9 -- and not require resolicitation if there's no adverse change  
10 in the treatment of claim or interest of any equity holder.

11 With that background, I won't go through the changes we  
12 made that I've already discussed, but I will point out a  
13 couple, Your Honor, that I would like to point out now. We  
14 have modified the plan with respect to conditions of the  
15 effective date in Article 8. First, a condition to the  
16 effective date will now be entry of a final order confirming a  
17 plan, as opposed just to entry of order. And final order is  
18 defined as the exhaustion of all appeals.

19 In addition, the ability to obtain directors and officers  
20 insurance coverage on terms acceptable to the Debtor, the  
21 Committee, the Claimant Trustee, the Claimant Trustee  
22 Oversight Board, and the Litigation Trustee is now a condition  
23 to the effective date.

24 The Court heard testimony today and has experienced  
25 firsthand the litigiousness of Mr. Dondero and his related

1 entities. And the Court heard testimony from Mr. Tauber and  
2 Aon that the D&O insurance will not be available post-  
3 effective date without assurances that the gatekeeper  
4 provision will be in effect for the duration of the policy and  
5 any run-off period.

6 Mr. Tauber further testified that he expected the final  
7 terms from the insurance carrier to provide that if the  
8 confirmation order was reversed on appeal and the gatekeeper  
9 was removed, it would void -- it would either void the  
10 directors and officers coverage or it'd result in a Dondero  
11 exclusion.

12 Mr. Dondero and his entities are no strangers to the  
13 appellate process, as Your Honor knows. They appealed several  
14 of your orders, and continue the tack in this case, having  
15 appealed the Acis and the HarbourVest orders and the  
16 preliminary injunction. It would not surprise the Debtor if  
17 Mr. Dondero and his entities appealed your confirmation order,  
18 if Your Honor decides to confirm the plan.

19 The Debtor is confident that it will prevail on any appeal  
20 in the confirmation order, as we believe the Debtor has made a  
21 compelling case for confirmation.

22 The Debtor also believes a compelling case exists that if  
23 the plan went effective without a stay pending appeal, that  
24 the appeal would be equitably moot, but we understand we are  
25 facing headwinds from the courts, bankruptcy court have

1 addressed that issue before.

2       However, given the effect a reversal would have on the  
3 availability of insurance coverage, the Claimant Trustee, the  
4 Claimant Oversight Committee, and the Litigation Trustee are  
5 just not willing to take that risk.

6       We are hopeful that Mr. Dondero and his entities will  
7 recognize that any appeal is futile and step aside and let the  
8 plan proceed and become effective.

9       If Mr. Dondero and his related entities do appeal the  
10 confirmation order, preventing it from becoming final and  
11 preventing the effective date from the occurring, the Debtor  
12 intends to work closely with the Committee to ratchet down  
13 costs substantially and proceed to operate and monetize assets  
14 as appropriate until an order becomes final.

15       None of these modifications adversely affect the treatment  
16 of claims or interests under the plan, Your Honor, and for  
17 those reasons, Your Honor, we request that the Court approve  
18 those modifications.

19       And with that, I would like to turn the podium over to Mr.  
20 Kharasch to briefly address the remaining CLO objections.

21               THE COURT: All right. Mr. Kharasch?

22               CLOSING ARGUMENT ON BEHALF OF THE DEBTOR

23               MR. KHARASCH: Good afternoon, Your Honor. I'll be  
24 as brief as possible. I know we're under a deadline.

25               As you've heard yesterday, you've heard before in other

1 proceedings, Your Honor, the CLO Objecting Parties, the so-  
2 called investors, do have rights under the CLO management  
3 agreements and indentures, including contractual rights to  
4 terminate the management agreements under certain  
5 circumstances.

6 What they complain about today, Your Honor, is that the  
7 injunction language in the plan, including the language  
8 preventing actions to interfere with the implementation and  
9 consummation of the plan, is so broad and ambiguous that their  
10 rights are or may be improperly impacted, especially any  
11 rights to remove the manager for acts of malfeasance.

12 But the Debtor is primarily relying, Your Honor, not so  
13 much on the plan injunctions but on the clear provisions of  
14 the January 9 order, to which Mr. Dondero consented and which  
15 provides that Mr. Dondero shall not cause any of his related  
16 entities to terminate any agreements with the Debtor.

17 Yes, that is a broad provision, but it is very clear, and  
18 it does not even allow the CLO Objecting Parties to come to  
19 court under a gatekeeper-type provision. But that is what Mr.  
20 Dondero consented to on behalf of himself and his related  
21 entities.

22 Important to note, Your Honor, we are not here today to  
23 litigate who is and who is not a related entity. That will be  
24 left for another day. However, Your Honor, we have considered  
25 these issues, including last night and this morning, and we

1 are going to propose -- well, we will modify our plan through  
2 a provision in the confirmation order to provide the  
3 following: Notwithstanding anything in the plan or the  
4 January 9 order, the CLO Objecting Parties will not be  
5 precluded from exercising their contractual or statutory  
6 rights in the CLOs based on negligence, malfeasance, or any  
7 wrongdoing, but before exercising such rights shall come to  
8 this Court to determine whether those rights are colorable and  
9 to also determine whether they are a related entity. If the  
10 Court has jurisdiction, the Court can determine the underlying  
11 colorable rights or claims.

12 This does not impact the separate settlement we have with  
13 CLO Holdco, Your Honor.

14 We think that such modification addresses some of the  
15 concerns raised yesterday by the objecting parties by  
16 providing more clarity as to what the plan is doing and not  
17 doing with respect to the plan and the January 9 order, and we  
18 think it is also a fair resolution of some legitimate  
19 concerns.

20 So, with that, Your Honor, we think that, with that  
21 clarification that we did not have to make but are willing to  
22 make, that this should fully satisfy the CLO Objecting Parties  
23 with regard to their objections to the injunction and the  
24 gatekeeper.

25 Thank you, Your Honor.

1 THE COURT: All right. Mr. Clemente?

2 CLOSING ARGUMENT ON BEHALF OF THE CREDITORS' COMMITTEE

3 MR. CLEMENTE: Yes, Your Honor. And I actually am  
4 going to be brief. Mr. Pomerantz's discussion, obviously, was  
5 very, very thorough, so I'm able to cut out a lot of stuff.

6 Thank you, Your Honor. Matt Clemente, Sidley Austin, on  
7 behalf of the Committee.

8 The plan, Your Honor, meets the confirmation standards and  
9 should be confirmed. Mr. Pomerantz covered a lot of ground,  
10 and I will endeavor not to repeat that, but there are a few  
11 points that I think the Committee wishes to emphasize.

12 Your Honor, since I first appeared in front of you, I have  
13 maintained consistently that no plan can or should be  
14 confirmed without the consent of the Committee. Your Honor,  
15 in her wisdom, understood this immediately, as it was obvious  
16 -- it was the obvious conclusion, given the makeup of the  
17 creditor body, the asset pool, and the impetus for the filing  
18 of the case.

19 Unfortunately, not everyone came to this conclusion so  
20 easily, and it took much hard-fought negotiations as well as a  
21 defeated disclosure statement, among other things, and  
22 tireless dedication and commitment by each individual  
23 Committee member to drive for a value-maximizing plan that is  
24 in the best interests of its constituencies and for us to get  
25 to where we are today.

1 And where we are today, Your Honor, is at confirmation for  
2 a plan that the Committee unanimously supports, which was the  
3 inevitable outcome for this case from the very beginning.

4 I've also said, Your Honor, that context is critical in  
5 this case. It has been from the beginning, and it remains so  
6 now. Mr. Draper, interestingly, began his comments yesterday  
7 by saying that even a serial killer is entitled to *Miranda*  
8 rights. While I will admit that at times the rhetoric in this  
9 case has been heated, I have never certainly likened Mr.  
10 Dondero to a serial killer. But the record shows, and Mr.  
11 Dondero's own words and actions show, that he is, in fact, a  
12 serial litigator who has no hesitation at all to take any  
13 position in an attempt to leverage an outcome that suits his  
14 self-interest. And he has no hesitation at all to use his  
15 many tentacles in a similar fashion.

16 That is a very important context in which the Court should  
17 view the remaining objections of the Dondero tentacles and  
18 weigh confirmation of the Debtor's plan.

19 Against this context of a serial litigator, Your Honor, we  
20 have a plan supported by each member of the Official Committee  
21 of Unsecured Creditors, accepted by two classes of claims,  
22 Class 2 and Class 7, and holders of almost one hundred percent  
23 in amount of non-insider claims in Class 8.

24 The parties that have voted against the plan are either  
25 employees who are not receiving distributions under the plan

1 or are insiders or parties related to Mr. Dondero.

2 The overwhelming number and amount of creditors who are  
3 receiving distributions under this plan, therefore, have  
4 accepted the plan. The true creditors and economic parties in  
5 interest have spoken, they have spoken loudly, and they have  
6 spoken in favor of confirming the plan.

7 Your Honor, I'm not going to address the technical  
8 requirements, as Mr. Pomerantz did that. So I'm going to skip  
9 over my remarks in that regard, except I do want to emphasize  
10 the remarks regarding the gatekeeper, exculpation, and  
11 injunction provisions as they're of critical importance to the  
12 plan.

13 The testimony has shown and the proceedings of this case  
14 has shown, again, Mr. Dondero is a serial litigator with a  
15 stated goal of causing destruction and delay through  
16 litigation.

17 The testimony has further shown that none of the  
18 independent board members would have signed onto the role  
19 without the gatekeeper and injunction provisions and the  
20 indemnity from the Debtor.

21 Therefore, it follows that such provisions are necessary  
22 to entice parties to serve in the Claimant Trustee and other  
23 roles under the plan, which, as I remarked in my opening  
24 comments, are integral to providing the structure that the  
25 creditors believe is necessary to unlocking the value and

1 unlocking themselves from the Dondero web.

2       Regarding the exculpation and injunction provisions  
3 specifically, Your Honor, the Court will recall that the  
4 Committee raised objections to them in connection with the  
5 first disclosure statement hearing. In response, the Debtor  
6 narrowed the provisions, and the Committee believes they  
7 comply with the Fifth Circuit precedent, as Mr. Pomerantz ably  
8 walked Your Honor through.

9       And to be clear, Your Honor, not only does the Committee  
10 believe the exculpation and injunction provisions comply with  
11 Fifth Circuit law, the Committee does not believe the estate  
12 is harmed by such provisions, as the Committee does not  
13 believe there are any cognizable claims that could or should  
14 be raised that would otherwise be affected by the exculpation  
15 or injunction, and, frankly, with respect to the release that  
16 Mr. Pomerantz walked Your Honor through with respect to the  
17 directors and the officers.

18       Regarding the gatekeeper, Your Honor, Your Honor  
19 presciently approved it in her January 9th order, and the  
20 developments since then only serve as further justification  
21 for including it in the plan and confirmation order. Mr.  
22 Dondero is a serial and vexatious litigator, and the  
23 instruments put in place under the plan to maximize value for  
24 the creditors and to oversee that value-maximizing process  
25 must be protected, and the gatekeeper function serves that

1 protection while also, importantly, as Mr. Pomerantz pointed  
2 out, providing Mr. Dondero with a forum to advance any  
3 legitimate claims he and his tentacles may have.

4 In short, Your Honor, the gatekeeper provision is  
5 necessary to the implementation to the plan, is fair under the  
6 circumstances of the case, and is therefore within this  
7 Court's authority, and it is appropriate to approve.

8 Your Honor, in sum, it has been a long road to get here  
9 today, but we are finally here. And we are here, Your Honor,  
10 I believe in large part as a result of the tireless efforts of  
11 the individual members of my Committee, and for that I thank  
12 them.

13 The Committee fully supports and unanimously supports  
14 confirmation of the plan. As demonstrated by the evidence,  
15 the plan meets all the requirements of the Bankruptcy Code.  
16 The Committee believes the plan is in the best interests of  
17 its constituencies. And therefore the Committee, along with  
18 two classes of creditors and the overwhelming amount of  
19 creditors in terms of dollars, urge you to confirm the plan.

20 That's all I have, Your Honor, but I'm happy to answer any  
21 questions you may have for me.

22 THE COURT: Okay. Not at this time.

23 Nate, how much time --

24 (Clerk advises.)

25 THE COURT: Twenty-five minutes remaining? All

1 right. Just so you know, you've got a collective Debtor's  
2 counsel/Committee's counsel 25 minutes remaining for any  
3 rebuttal, if you choose to make it.

4 Let's take a five-minute break, and then we'll hear the  
5 Objectors' closing arguments. Okay.

6 THE CLERK: All rise.

7 (A recess ensued from 2:00 p.m. until 2:06 p.m.)

8 THE COURT: All right. Please be seated. We're  
9 going back on the record in Highland. We're ready to hear the  
10 Objectors' closing arguments. Who wants to go first?

11 MR. DRAPER: Your Honor, this -- this is Douglas  
12 Draper. I get the joy of going first.

13 THE COURT: Okay.

14 CLOSING ARGUMENT ON BEHALF OF THE GET GOOD AND DUGABOY TRUSTS

15 MR. DRAPER: We've heard a great deal of testimony  
16 about the Debtor's belief that the circumstances in this case  
17 warrant an exception to existing Fifth Circuit case law, the  
18 Bankruptcy Code, and Court's post-confirmation jurisdiction.

19 I would not be standing here today objecting to the plan  
20 if the Debtor didn't attempt to extend, move past and beyond  
21 the Barton Doctrine, move beyond 1141, move beyond *Pacific*  
22 *Lumber*. In fact, I think I heard an argument that *Pacific*  
23 *Lumber* is not applicable and this Court should disregard Fifth  
24 Circuit case law.

25 Let's start with the exculpation provision. And the focus

1 of this case has been, and what we've heard over the last few  
2 days, is about the independent directors. I understand there  
3 was an order entered earlier, the order stands, and the order  
4 is applicable in this case. It cuts off, however, when we  
5 have a Reorganized Debtor, because these independent directors  
6 are no longer independent directors. It cuts off when we have  
7 a new general partner.

8 And so the protections that were afforded by that order do  
9 not need to be afforded to the new officers and new directors  
10 of the new general partner. And in fact, the protections that  
11 they're entitled to are completely different than the  
12 protections that were entitled -- that are covered by the  
13 order that the Court has looked at.

14 Let's first focus on, however, the exculpation provision.  
15 And I wanted to ask the Court to look at the exculpated  
16 parties. Have to be very careful and very interest -- and  
17 focus solely on the independent directors. But if you look at  
18 the parties covered by exculpation provision, it includes the  
19 professionals retained by the Debtor. My reading of *Pacific*  
20 *Lumber* is that neither the Creditors' Committee counsel nor  
21 the Debtor can be covered by an exculpation provision. This  
22 in and of itself makes the plan non-confirmable. This  
23 exculpation provision is unwarranted and unnecessary.

24 Two, --

25 THE COURT: Well, let's drill down on that.

1 MR. DRAPER: -- we have --

2 THE COURT: Let's drill down on that. Mr. Pomerantz  
3 says that this wasn't what they considered one way or another  
4 by *Pacific Lumber*. Debtor, debtor professionals. Okay? Do  
5 you disagree with that?

6 MR. DRAPER: I disagree with that. *Pacific Lumber*  
7 said you could only have releases and exculpations for the  
8 Creditors' Committee members. And the rationale behind that  
9 was that those people volunteered to be part and parcel of the  
10 bankruptcy process, that those parties did not get paid.  
11 Here, we have two professionals who both volunteered and are  
12 being paid, and are not entitled to an exculpation under  
13 *Pacific Lumber*. They're not entitled to a --

14 THE COURT: Okay. So you say *Pacific* --

15 MR. DRAPER: -- release. Now, ultimately, they --

16 THE COURT: -- *Pacific Lumber* categorically rejected  
17 all exculpations except to Creditors' Committee and its  
18 members. That's your --

19 MR. DRAPER: I agree. That's --

20 THE COURT: -- interpretation of *Pacific Lumber*?

21 MR. DRAPER: Yes.

22 THE COURT: Okay. All right. So you just absolutely  
23 disagree, one by one, with every one of the arguments, that it  
24 was really -- the only thing before the Fifth Circuit was plan  
25 sponsors, okay? A plan proponent that I think was like a

1 competitor previously of the debtor, and I think a large  
2 creditor or secured creditor. I think those were the two plan  
3 proponents.

4 So you disagree -- I'm going to, obviously, go back and  
5 line-by-line pour through *Pacific Lumber*, but you disagree  
6 with Mr. Pomerantz's notion that, look, it was really a page  
7 and a half or two of a multipage opinion where the Fifth  
8 Circuit said, no, I don't think 524(e) is authority to give  
9 exculpation from postpetition liability for negligence as to  
10 these two plan sponsors. And I guess it was also -- I don't  
11 know. They say, Pachulski's briefing says it was really only  
12 looking at these two plan sponsors and the Committee and its  
13 members on appeal, you know, going through the briefing, and  
14 in such, you can see that these were all that was presented  
15 and addressed by the Fifth Circuit. You disagree with that?

16 MR. DRAPER: Look, I know the facts of *Pacific Lumber*  
17 and they -- I know what the posture of the case was. However,  
18 the literal language by the opinion in it, it transcends just  
19 a dispute in the case. And I think the U.S. Trustee's  
20 position that this exculpation provision is correct as a  
21 matter of law support -- is further evidence of the fact that  
22 the U.S. Trustee, as watchdog of this process, and *Pacific*  
23 *Lumber* say this cannot be done, period, end of story.

24 THE COURT: Okay. So you, at bottom, just totally  
25 disagree with Mr. Pomerantz? You say *Pacific Lumber* is

1 actually a very broad holding, and I guess, if such, there's a  
2 conflict among the Circuits, right?

3 MR. DRAPER: Well, that's okay.

4 THE COURT: So, --

5 MR. DRAPER: I mean, quite frankly, *Pacific Lumber* is  
6 binding on you.

7 THE COURT: Understood.

8 MR. DRAPER: There may be a conflict in the Circuits,  
9 and ultimately the Supreme Court may make a decision and  
10 decide who's right and who's wrong.

11 But for purposes of today and for purposes of this  
12 exculpation provision and for purposes of this confirmation,  
13 *Pacific Lumber* is the applicable law.

14 THE COURT: Okay. Well, again, this is a hugely  
15 important issue, although in many ways I don't understand why  
16 it is, because we're just talking about postpetition acts and  
17 negligence, okay? You know, many might say it's much ado  
18 about nothing, but it's front and center of your objection.  
19 So I guess I'm just thinking through, if the Fifth Circuit was  
20 presented these exact facts and was presented with the  
21 argument, you know, the *Blixseth* case says 524(e) has nothing  
22 to do with exculpation because exculpation is a postpetition  
23 concept, and it's just talking about standard liability --  
24 these people aren't going to be liable for negligence; they  
25 can be liable for anything and everything else -- if presented

1 with that *Blixseth* case, you know, there are several arguments  
2 that Mr. Pomerantz has made why, if you accept that 524(e)  
3 might not apply here, let's look at the reasoning, the little  
4 bit of reasoning we had of *Pacific Lumber*, that it was really  
5 a policy rationale, right? These independent fiduciaries,  
6 strangers to the company and case, they'd never want to do  
7 this if they knew they were vulnerable for getting sued for  
8 negligence. Mr. Pomerantz's argument is that these  
9 independent board members are exactly analogous to a  
10 Committee, more than prepetition officers and directors. What  
11 do you have to say about that policy argument?

12 MR. DRAPER: Well, I think there's a huge distinction  
13 between the members of a Creditors' Committee who are  
14 volunteers and are not paid versus a paid independent  
15 director. And more importantly, I think there's a huge  
16 difference between a member of a Creditors' Committee who's  
17 not paid and counsel for a Debtor and counsel for a Creditors'  
18 Committee.

19 THE COURT: Okay.

20 MR. DRAPER: Look, you have -- you've --

21 THE COURT: So, at bottom, it was all about  
22 compensation to the Fifth Circuit?

23 MR. DRAPER: Well, no. The Fifth Circuit policy  
24 decision was we want to protect a party who wants to serve and  
25 do their civic duty to serve on a Creditors' Committee for no

1 compensation. I agree with that. I think it's a laudable  
2 policy decision. I think it makes sense.

3 However, the Fifth Circuit in its language basically said,  
4 nobody else gets it. It didn't say, look, you know, if there  
5 are circumstances that are different, we may look at it  
6 differently. The language is absolute in the opinion. And  
7 that's what I think is binding and I think that's what the  
8 case stands for.

9 And look, just so the Court is very clear, when Pachulski  
10 files its fee application and the Court grants the fee  
11 application, any claim against them is res judicata. So, in  
12 fact, they do have -- they do have protection. They do have  
13 the ability to get out from under. The Court -- they're just  
14 not -- they just can't get out from under through an  
15 exculpation provision. And the same goes for Mr. Clemente and  
16 his firm.

17 THE COURT: Which, --

18 MR. DRAPER: And the same goes for DSI.

19 THE COURT: Which, by the way, that's one reason I  
20 think sometimes this is much ado about nothing. It goes both  
21 ways. The Debtor professionals, the Committee professionals,  
22 estate professionals, they're going to get cleared on the day  
23 any fee app is approved, right? I mean, there's Fifth Circuit  
24 law that says --

25 MR. DRAPER: I -- I --

1 THE COURT: -- says that's res judicata as to any  
2 future claims.

3 But I guess I'm really trying to understand, you know, at  
4 bottom, I feel like the Fifth Circuit was making a holding  
5 based on policy more than any directly applicable Code  
6 provision.

7 I mean, it's been said, for example, that Committee  
8 members, they're entitled to exculpation because of, what,  
9 1103, some people argue, 1103, which subsection, (c)? That's  
10 been quoted as giving, quote, qualified immunity to  
11 Committees. But it doesn't really say that, right? It's just  
12 something you infer.

13 MR. DRAPER: No. Look, what I think, if you really  
14 want to put the two concepts together, I think what the Fifth  
15 Circuit, when they told lawyers and professionals that you  
16 can't get an exculpation, was very mindful of the fact that  
17 you can get released once your fee app is approved. So, as a  
18 policy, they didn't need to do it in a exculpation provision.  
19 There was another methodology in which it could be done.

20 THE COURT: Uh-huh.

21 MR. DRAPER: And so that's -- you have to look at it  
22 as holistic and not just focus on the exculpation provision.  
23 Because, in fact, they recognize and they -- I'm sure they  
24 knew their existing case law on res judicata, and that's why  
25 they read it out.

1           So, honestly, there's no reason for Pachulski to be in  
2 here. There's no reason for Mr. Clemente to be in here.  
3 There's no reason for the professionals employed by the Debtor  
4 to be in here. They have an exit not by virtue of the plan.

5           THE COURT: But so then it boils down to the  
6 independent directors and Strand post January 9th?

7           MR. DRAPER: It boils down somewhat to them, but  
8 quite frankly, there are two parts to this. One is you have  
9 an order that's in place. I am not asking the Court to  
10 overturn the order. And quite frankly, this provision could  
11 have been written to the effect that the order that was in  
12 place on -- that's been presented to the Court is applicable  
13 and applied.

14           However, let's parse that down. Let's look at Mr. Seery.  
15 The order that's in place solely protects the independent  
16 directors acting in their capacities as independent directors.  
17 If somebody's acting as -- and if you want to liken it to a  
18 trustee, their protection is afforded by the Barton Doctrine,  
19 and that's how the protection arises.

20           What's going on here is they're extending the provisions,  
21 first of all, of the Court's order, and number two, of the  
22 Barton Doctrine, which are -- which cannot be -- which should  
23 not be extended. The law limits what protections you have and  
24 what protections you don't have. And we, as lawyers -- look,  
25 I'll give you the best example. Think of all the times you

1 had somebody write in the concept of superpriority in a cash  
2 collateral order. And how many times have you had a lawyer  
3 rewrite the concept of the issue as to diminution in value?  
4 The Code says diminution in value, and quite frankly, a cash  
5 collateral order should just say if, to the extent there's  
6 diminution in value, just apply the Code section. It's  
7 written there. Smart people put it in, and Congress approved  
8 it. And once you start getting beyond that, those things  
9 should be limited.

10 And what we have are lawyers trying to extend out by  
11 definitions things that the Code limits by its reach. That  
12 goes for post-confirmation jurisdiction. That goes for the  
13 injunction. That goes for the so-called gatekeeper provision.

14 And so, again, I would not be here if, in fact, they had  
15 said, we have an injunction to the full extent allowed by the  
16 Bankruptcy Code and *Pacific Lumber*. We have an exculpation  
17 provision that's allowed by virtue of the Court's order. We  
18 have the full extent and full reach of the Barton Doctrine.  
19 Those are legitimate. Once you start expanding upon that,  
20 you're reaching into matters that are not authorized and not  
21 allowed.

22 And then you get into 105 territory, which is always very  
23 dangerous. And that's really what's going on here. And  
24 that's the tenor of my argument and what I'm trying to say.  
25 The Code gives protections. It is not for us to extend the

1 protections. It's not for us to enlarge them, even under a,  
2 gee, the other party's litigious.

3 And so that's -- let's take *Craig's Store*. Attempted to  
4 limit its reach. *Craig's Store* says once you have a confirmed  
5 plan, any dispute between the parties, for -- let's take an  
6 executory contract. If there's a breach of the executory  
7 contract, that's a matter to be handled aft... by another  
8 court. It's not a matter to be handled by this Court. This  
9 Court lets the parties out.

10 And in this case, it's even worse, because you basically  
11 have a new general partner coming in, you have an assumption  
12 of various executory contracts, and you have a -- Strand is no  
13 longer present.

14 If you adopted Mr. Seery's argument, anybody who appeals a  
15 decision, questions what he does or how he does it, is a  
16 vexatious litigator. That's not the case. And the fact that  
17 we are appealing a decision is a right that we have. It  
18 shouldn't be limited, and it shouldn't be held against us.  
19 Courts can rule against us. That's fine.

20 And so that's really what the focus is here and that's why  
21 I gave the opening that I had. We are willing to be bound by  
22 applicable law. And quite frankly, the concept that the  
23 exigencies of a case allow a court to change what applicable  
24 law is is problematic. I gave the criminal example as a  
25 reason. And the reason was that, in certain instances, the

1 application of law may allow a criminal to go free. It's a  
2 problem with our system and how we work, but that's what the  
3 law does, and it is absolute in its application.

4 Let me address the so-called gatekeeper provision. The  
5 gatekeeper provision, in a certain sense, is recognized in the  
6 Barton Doctrine. It's jurisdictional, and it says, to the  
7 extent you're going to litigate with somebody who served  
8 during the bankruptcy, who was a trustee, then you have to  
9 come to the bankruptcy court and pass through a gate. It  
10 doesn't say you have to pass through a gate for a reorganized  
11 debtor who does something after a plan is confirmed and going  
12 forward. And so that's -- there's a distinction.

13 And if you look at Judge Summerhays' decision, which I  
14 will be happy to send to the Court, in *WRT* involving -- it's  
15 kind of (indecipherable) and Mr. Pauker, where, in that case,  
16 the trustee, the litigation trustee, spent more litigating  
17 than it had in recoveries, and Baker Hughes filed suit. Judge  
18 Summerhays said, look, the Barton Doctrine only applies to a  
19 certain extent. It is limited once you get into post-  
20 confirmation matters and related-to jurisdiction.

21 And so, again, the Barton Doctrine is what it stands for.  
22 We agree with it, we recognize it, and it should be applied.  
23 The Barton Doctrine, however, should not be extended, should  
24 not go past its reach, and should not go past the grant of  
25 jurisdiction for this Court.

1           And so you have in here, though they have -- they have  
2           tried to hide it in a limited fashion, this gatekeeper  
3           provision. The gatekeeper provision, as currently written,  
4           covers post-confirmation claims that somebody has to come  
5           before this Court to the extent there's a breach of a  
6           contract. That's not proper, and it's not covered by your  
7           post-confirmation jurisdiction. To the extent there's an  
8           interpretation of an existing contract and an interpretation  
9           of the order, you do have authority, and I don't question  
10          that.

11                   THE COURT: But address Mr. Pomerantz's statement  
12           that there's a difference between saying you have to go to the  
13           bankruptcy court and make an argument, we have a colorable  
14           claim that we would like to pursue, and having that  
15           jurisdictional step required. There's a difference between  
16           that and the bankruptcy court adjudicating the claim.

17                   MR. DRAPER: Well, there are two parts to that.  
18           Number one is there's an injunction in place from an action  
19           taken post-confirmation against property of the estate. We  
20           all agree at that, correct? And we believe that the  
21           injunction applies to post-confirmation action against  
22           property of the pre-confirmation estate. We all agree to  
23           that.

24                   However, if in fact there's a breach of a contract  
25           postpetition that the parties have a dispute about, that

1 contract is now no longer under your purview once the contract  
2 has been assumed. And so they shouldn't have to make a  
3 colorable claim to you that a breach of the contract has  
4 occurred. That should be the determining factor for another  
5 court.

6 That's, in essence, what *Craig's Store* says. Your  
7 jurisdiction and the jurisdiction of a bankruptcy court is  
8 limited. It's limited by *Stern vs. Marshall*. It's limited by  
9 your ability to render findings of fact and conclusions of law  
10 versus render a final decision. That decision has been made  
11 not by us, it's been made by Congress and it's been made by  
12 the United States Constitution.

13 THE COURT: All right. And I think we all agree with  
14 you regarding the holding of *Craig's Stores* and some of the  
15 other post-confirmation bankruptcy subject matter jurisdiction  
16 holdings. But Mr. Pomerantz is arguing that this gatekeeping  
17 function is warranted by, among other things, you know, there  
18 was a district court holding, *Baum v. Blue Moon*, or a Fifth  
19 Circuit case, that upheld a district court having the ability  
20 to impose pre-filing injunctions in the context of a vexatious  
21 litigator. So, you know, that's a strong analogy he makes to  
22 what's sought here. What is your response to that?

23 MR. DRAPER: My response to that is a district court  
24 can do that. A district court has jurisdiction to make that  
25 decision. And quite frankly, a district court can sanction a

1 vexatious litigator under Rule 11.

2 So, in fact -- again, you have to bifurcate your power  
3 versus the power that a district court has. And that  
4 gatekeeper provision is allowed by a district court because  
5 they had authority over the case. You may not have authority  
6 over being the gatekeeper for a post-confirmation matter that  
7 you had no jurisdiction over to start with.

8 THE COURT: Okay.

9 MR. DRAPER: That, that's the distinction between  
10 here. That's -- what's going on here is they are -- they are  
11 mashing together a whole load of concepts under the vexatious  
12 litigator and the anti-Dondero function that fundamentally  
13 abrogate the distinction between what your jurisdiction is  
14 pre-confirmation versus your jurisdiction post-confirmation.  
15 And that --

16 THE COURT: Do you think --

17 MR. DRAPER: -- is sacrosanct.

18 THE COURT: Do you think Judge Lynn got it wrong in  
19 *Pilgrim's Pride*? Do you think Judge Houser got it wrong in  
20 *CHC*? Or do you think this situation is different?

21 MR. DRAPER: There are two parts to that. I have  
22 told Judge Lynn, since I have been working with him, that I  
23 think *Pilgrim's Pride* is wrongfully decided. However, having  
24 said that, *Pilgrim's Pride* and those cases dealt with claims  
25 against the -- the channeling injunction affected actions

1 during the bankruptcy. It did not serve as a post-  
2 jurisdictional grant of jurisdiction to the bankruptcy court.  
3 It did not pose as an ability -- as a limitation on a post-  
4 confirmation litigator or a post-effective date litigator to  
5 address a wrong done to them by an independent director of a  
6 general partner.

7 In a sense, Judge Lynn's determination, and Judge Houser,  
8 is consistent somewhat with the Barton Doctrine. Now, do I  
9 agree that they're right? No. But I understand the decision  
10 and I understand the context in which it was rendered and I  
11 don't have a huge problem with it.

12 So, again, let's parse what we're trying to do here.  
13 Number one, we are -- we have to bifurcate post-confirmation  
14 jurisdiction or post-effective date jurisdiction and what you  
15 can do as a post-effective date arbiter versus what you could  
16 do pre-effective date and pre-effective date claims. And  
17 again, that's the problem with what's written here. It is  
18 designed one hundred percent to expand your post-effective  
19 date jurisdiction through both the gatekeeper provision and  
20 the jurisdictional grant that's here from your pre-effective  
21 date capability, your pre-effective date jurisdiction, and  
22 your pre-effective date ability to either curb a claim or not  
23 to curb a claim. And that, that's the issue.

24 And again, let's start talking about the independent  
25 directors. I recognize, again, that there's an order there.

1 But if Mr. Seery -- let's take Mr. Seery -- is acting as a  
2 director of Strand but is also an accountant for the Debtor  
3 and makes a mistake, he would be sued in his capacity as the  
4 accountant for the Debtor, not as an independent director of  
5 Strand. That distinction needs to be made.

6 What we are doing here under this plan, and what's been  
7 argued by Mr. Pomerantz, is too broad a brush. It needs to be  
8 cut back. The Court needs to take a very hard look at what's  
9 being presented here.

10 And again, the Court's order is very clear. And this is  
11 binding. I recognize that. But the protection they got was  
12 serving as an independent director. The protection they  
13 didn't get was -- let's take Mr. Seery, if Mr. Seery was  
14 serving as an accountant and blew a tax return. Those are  
15 distinctions that warrant analysis and warrant looking at  
16 here. And again, it is too broad a brush that's touted here,  
17 and that is why this plan on its face is not confirmable with  
18 respect to both the post-confirmation jurisdiction, the  
19 gatekeeper provision, the exculpation provisions.

20 And so let me address a few other things, just to address  
21 them. Number one, the argument has been made with respect to  
22 the creditors and the resolicitation issue and that creditors  
23 could have come in looking, seen, followed the case, and  
24 basically calculated and made the same calculation that the  
25 Debtor made when they filed this and put forth the new plan

1 analysis versus liquidation analysis. And then they've also  
2 made the argument, well, nobody came and complained. Well,  
3 two parts to that.

4 Number one, as you know, a disclosure statement needs to  
5 be on its face and should not require a creditor to go back in  
6 and monitor the record -- and quite frankly, in this record,  
7 there are thousands of pages -- and do the calculation  
8 himself. This was incumbent upon the Debtor to possibly  
9 resolicit when these material changes took place.

10 Number two, the recalculation has not been subject to the  
11 entire creditor body seeing it. And anybody who wanted to  
12 call them would have had to have seen the document they filed  
13 on February 1st and made a telephone call basically  
14 contemporaneous with seeing it.

15 Those are two things. The argument that they didn't call  
16 me is just nonsensical. There's nobody -- you, you are  
17 sitting here -- and I've had a number of battles over the  
18 years with Judge (indecipherable), who was -- who -- and her  
19 view was, I'm here to protect the little guy who's not --  
20 didn't hire counsel, who's not represented by Mr. Clemente and  
21 his huge clients who have voted in favor of the plan. It's  
22 the little person, *i.e.*, the employees who would vote against  
23 a plan that they so -- so desperately tried to get out from  
24 under.

25 THE COURT: Well, --

1 MR. DRAPER: It's really a function --

2 THE COURT: -- Mr. Pomerantz argues it's not as  
3 though there was a materially adverse change in treatment; it  
4 was the disbursement estimate. And doesn't every Chapter 11  
5 plan -- most Chapter 11 plans, not every -- they make an  
6 estimate. I mean, and it's, frankly, it's very often a big  
7 range of recovery, right, a big range of recovery, because we  
8 don't know what the allowed claims are going to compute to at  
9 the end of the day. There's obviously liquidation of assets.  
10 We don't know. Isn't this sort of like every -- not, again,  
11 not every other plan, but most other plans -- where there's a  
12 big range of possible estimated distributions? I mean, this  
13 wasn't a change in treatment, right?

14 MR. DRAPER: Well, let me address that. There are  
15 two parts to that. Most plans I see that contain some sort of  
16 analysis have a range. This one doesn't have a range. What  
17 they've done is they've buried in a footnote or assumption  
18 that these numbers may change. So had they said, look, your  
19 recovery can go from 60 cents to 85 cents, God bless, they  
20 probably would have been right.

21 Number two, which is more problematic to me, to be honest  
22 with you, is the fact that, number one, the operating expenses  
23 have increased over a hundred percent. And number two, the  
24 Debtor has made a determination post-disclosure statement and  
25 pre-hearing that they're going to change their model of

1 business.

2 The original disclosure statement said we're not going to  
3 get into the managing CLO part of the business and we're going  
4 to let these contracts go. However, at some point along the  
5 way, they made a change. I don't know to this day, because I  
6 was never furnished the backup to the expense side. I  
7 understand what they said why they didn't give me the asset  
8 side, but the expense side, they should have given me, and I  
9 did ask for.

10 But, you know, what we have now is a more fundamental  
11 problem with the execution of the plan and the expectation  
12 that creditors -- what they're going to get, because, in fact,  
13 the expense items have doubled.

14 I think creditors were entitled to know that, rather than  
15 it having been sprung upon everybody, when I got it the day  
16 before a deposition. And so those are things that I think  
17 warranted a change in solicitation. Now, the result may have  
18 been the same. I don't know. More people may have voted  
19 against the plan. More people may have opted in from Class 8  
20 to Class 7, I mean, based upon that information. That  
21 information was not provided to them.

22 And so I look at two -- three things. One is a range  
23 could have been given, and they probably would have been a  
24 whole lot better off. Two, you have a material change in  
25 expenses. And three, you have a material change in business

1 model. Three things that occurred between November and this  
2 confirmation hearing. Three things that were not known by the  
3 creditor body and not told to them.

4 THE COURT: Mr. Draper, I --

5 MR. DRAPER: Now, it may have been told --

6 THE COURT: I don't want to belabor this any more  
7 than I think we need to, but I've got a Creditors' Committee  
8 with very sophisticated professionals, very sophisticated  
9 members. They're fiduciaries to this constituency. You know,  
10 you mentioned the little guy. I'm not quite sure who is the  
11 little guy in this case. I think it's a case of all big guys.  
12 But, I mean, they're fine with what's happened here.  
13 Meanwhile, you -- I mean, clarify your standing here for  
14 Dugaboy and Get Good. I mean, --

15 MR. DRAPER: I have --

16 THE COURT: -- I know you have standing. Mr.  
17 Pomerantz did not say you don't have standing. But in  
18 pointing out the economic interests here, I think he said your  
19 clients only have asserted a postpetition administrative  
20 expense. Is that correct?

21 MR. DRAPER: No. I have a post -- I have an -- I  
22 have a claim that's been objected to. I don't think my  
23 economic --

24 THE COURT: A claim of what amount?

25 MR. DRAPER: I think it's \$10 million. But Mr.

1 Pomerantz is right, it requires a looking through the --  
2 through the entity that I had a loan relationship with.

3 I recognize all of those things. I don't think that's  
4 relevant to whether my argument is correct or incorrect. I  
5 have standing to do it. I don't think whether my claim is 50  
6 cents or \$50 million should change the Court's view of whether  
7 the claim is good or bad.

8 THE COURT: Well, I do want to understand, though.  
9 Okay. So you have not asserted an administrative expense,  
10 correct?

11 MR. DRAPER: No. There's been an administrative  
12 expense that's been asserted, --

13 THE COURT: For what?

14 MR. DRAPER: -- but that --

15 THE COURT: For what?

16 MR. DRAPER: I don't have the number in front of me,  
17 Your Honor. I don't -- I don't have those numbers --

18 THE COURT: Okay. Well, then, --

19 MR. DRAPER: -- in front of me. I have asserted --

20 THE COURT: -- what is the concept? What is the  
21 basis for it?

22 MR. DRAPER: It deals with -- Mr. Pomerantz is  
23 absolutely right as to how he's articulated it.

24 THE COURT: I can't remember what he said.

25 MR. DRAPER: It deals with -- it deals with a

1 transaction that's unrelated to the Debtor that deals with  
2 Multi-Strat. I agree with that.

3 THE COURT: Okay. So I remember him saying piercing  
4 the corporate veil. Your trusts -- both of them, one of them,  
5 I don't know -- engaged in a transaction with Multi-Strat that  
6 you say --

7 MR. DRAPER: No, that --

8 THE COURT: -- gave -- okay. Well, you say Multi-  
9 Strat is liable and the Debtor is also liable?

10 MR. DRAPER: No. Let me make two things. The  
11 administrative claim deals with a Multi-Strat transaction that  
12 took place during the bankruptcy. My unsecured claim deals  
13 with a transaction that took place prior to the bankruptcy,  
14 where we lent money to another entity that then funneled money  
15 out into the Debtor. We're -- our contention is that the  
16 Debtor is liable for that loan.

17 THE COURT: All right. So both the administrative  
18 expense as well as the prepetition claim require veil-piercing  
19 to establish liability of the Debtor?

20 MR. DRAPER: Or single business enterprise. I don't  
21 necessarily have to veil-pierce.

22 THE COURT: Okay. I'm not even sure that single  
23 business enterprise is completely available anymore in Texas,  
24 by the Texas legislature doing different things, assuming  
25 Texas law applies. I don't know, maybe Delaware does. But I

1 -- sorry. Just let me let that sink in a little bit. You're  
2 -- okay. Okay. Let me let it --

3 MR. DRAPER: Your Honor, I --

4 THE COURT: -- sink in a little bit.

5 MR. DRAPER: Okay.

6 THE COURT: These trusts -- of which Mr. Dondero is  
7 the beneficiary ultimately, right?

8 MR. DRAPER: Yes. Well, and to --

9 THE COURT: So, your --

10 MR. DRAPER: Again, I have not gone up --

11 THE COURT: The beneficiary of your client --

12 MR. DRAPER: Mr. Dondero is --

13 THE COURT: The beneficiary of your client is  
14 ultimately hoping to succeed on the administrative expense and  
15 the claim on the basis that you should disregard the  
16 separateness of Highland and these other entities?

17 MR. DRAPER: Well, let's take the --

18 THE COURT: When he's resisted that --

19 MR. DRAPER: -- unsecured claim. The --

20 THE COURT: -- in multiple pieces of litigation?

21 Right? I'm sorry. I'm just trying to let this sink in.

22 Okay. If you could elaborate. I'm sorry. I'm talking too  
23 much. You answer me.

24 MR. DRAPER: Okay. What we are saying is that, in  
25 essence, the party we lent the money to was a conduit for the

1 Debtor.

2 THE COURT: Okay. And who was that entity that  
3 either --

4 MR. DRAPER: Highland Select.

5 THE COURT: -- Dugaboy or Get Good lent money to?

6 MR. DRAPER: The Get Good claim is completely  
7 different. The Get Good claim is written as a tax claim.  
8 Honestly, I haven't taken a hard look at it. I will, once we  
9 get through this, and it may be withdrawn. The Dugaboy claim  
10 is a claim that arises through a conduit loan.

11 THE COURT: Okay. But to which entity?

12 MR. DRAPER: Highland Select.

13 THE COURT: Okay. All right. Well, continue with  
14 your argument. I'll get my flow chart out and --

15 MR. DRAPER: Well, let me -- again, I think I've made  
16 the points that I needed to make. I think I've done it in a  
17 sense that you -- what I think the Court needs to do is take a  
18 very hard look at the jurisdictional extension that's being  
19 granted here. I think the exculpation provision, in and of  
20 itself, just by the mere inclusion of Pachulski and the  
21 Debtor's professionals and the Committee professionals, is  
22 just unconfirmable. It has to be stricken.

23 And I think the injunction and the juris... the gatekeeper  
24 provision are not allowed by applicable law. If this plan  
25 merely said, we will enforce the Barton Doctrine, we will

1 abide -- and this order the Court has entered stands, the  
2 injunction that's provided and the rights that we have under  
3 1141 stand, nobody would be objecting. That's why the U.S.  
4 Trustee has objected, because of the expansive nature of what  
5 the -- what's been done in this plan.

6 And with that, I'll turn it over to Mr. Taylor or Davor.

7 THE COURT: All right. Who's next?

8 MR. RUKAVINA: Your Honor, Davor Rukavina. Can you  
9 hear me?

10 THE COURT: I can.

11 CLOSING ARGUMENT ON BEHALF OF CERTAIN FUNDS AND ADVISORS

12 MR. RUKAVINA: Your Honor, thank you. I'll try not  
13 to repeat the arguments from Mr. Draper, but I do want to  
14 point out a couple bigger-picture issues, I think.

15 One, the issue today is not Mr. Dondero, what he has been  
16 alleged to have done, what he is alleged to do in the future.  
17 The Debtor has gone out of its way to create the impression  
18 that we're all tentacles, we're vexatious litigants, we're  
19 frivolous litigants. The issue today is whether this plan is  
20 confirmable under 1129(a) and 1129(b). And I think that that  
21 has to be the focus.

22 Nor is the issue, I think, today any motivation behind my  
23 objection or Mr. Draper's or anything else.

24 And I do take issue that my motivation or my client's  
25 motivation has some ulterior motive for a competing plan or

1 burning down the house or anything like that. It's very, very  
2 simple. My clients do not want \$140 million of their money  
3 and their investors' money, to whom they owe fiduciary duties,  
4 to be managed by a liquidating debtor under new management  
5 without proper staffing and with an obvious conflict of  
6 interest in the form of Mr. Seery wearing two hats.

7 I respect very much that Mr. Seery wants to monetize  
8 estate assets for the benefit of the estate creditors. That's  
9 his job. That's incompatible with his job under the Advisers  
10 Act and, as he said, to maximize value to my clients and over  
11 a billion dollars of investments in these CLOs.

12 That should not be, Your Honor, a controversial  
13 proposition. I should not be described as a tentacle or  
14 vexatious because my clients don't want their money managed by  
15 someone that they, in effect, did not contract with. I may be  
16 -- I may lose that argument. The CLOs have obviously  
17 consented to the assumption. But my argument should not be  
18 controversial. It should not be painted with a broad brush of  
19 somehow being done in bad faith by Mr. Dondero.

20 And in fact, Mr. Seery has admitted that the Debtor and he  
21 are fiduciaries to us. The fact that today they call us  
22 things like tentacles and serial litigants and vexatious  
23 litigants -- we all know what a vexatious litigant is. We've  
24 all dealt with those. The fact that our fiduciary would call  
25 us that just reconfirms that it should have no business

1 managing our or other people's money.

2 And then for what? Mr. Seery has basically said that the  
3 Debtor will make some \$8.5 million in revenue from these  
4 contracts, net out \$4 million of expenses. That's net profit  
5 of \$4.5 million. But then they have to pay \$3.5 million for  
6 D&O insurance and \$525,000 in cure claims. But it's the  
7 Debtor's business decision, not ours.

8 Your Honor, the second issue is the cram-down of Class 8.  
9 There are two problems here: the disparate treatment between  
10 Class 7 and Class 8, which also raises classification, and  
11 then the absolute priority rule. Class 7 is a convenience  
12 class claim -- is a convenience claim, Your Honor, with a \$1  
13 million threshold. Objectively, that is not for  
14 administrative convenience, as the Code allows. And the only  
15 evidence as to how that million dollars was arrived at was,  
16 oh, it was a negotiation of the Committee.

17 There is no evidence justifying administrative  
18 convenience. Therefore, there is no evidence justifying  
19 separate classification. And on cram-down, the treatment has  
20 to be fair and equitable, which *per se* it is not if there is  
21 unfair discrimination. And there is unfair discrimination,  
22 because Class 8 will be paid less.

23 On the absolute priority rule, Your Honor, I think that  
24 it's very simple. I think that the Code is very clear that  
25 equity cannot retain anything -- I'm sorry, equity cannot

1 retain any property or be given any property. Property is the  
2 key word in 1129(b), not value. It doesn't matter that this  
3 property may not have any value, although Mr. Seery said that  
4 it might. What matters is whether these unvested contingent  
5 interests in the trust are property. And Your Honor, they are  
6 property. They have to be property. They are trust  
7 interests.

8 So the absolute priority rule is violated on its face.  
9 There is no evidence that unsecured creditors in Class 8 will  
10 receive hundred-cent dollars. The only evidence is that  
11 they'll receive 71 cents. Mr. Seery said there's a potential  
12 upside from litigation. He never quantified that upside. And  
13 there is zero evidence that Class 8 creditors are likely to be  
14 paid hundred-cent dollars. So, again, you have the absolute  
15 priority rule issue.

16 And this construct where, okay, well, equity won't be in  
17 the money unless everyone higher above is paid in full, that  
18 is just a way to try to get around the dictate of the absolute  
19 priority rule. If that logic flies, then the next time I have  
20 a hotel client or a Chapter 11 debtor-in-possession client  
21 where my equity wants to retain ownership, I'll just create  
22 something like, well, here's a trust, creditors own the trust,  
23 I won't distribute any money to equity, and equity can just  
24 stay in control.

25 The point again is that this is property and it's being

1 received on account of prepetition equity.

2 And there's also the control issue. The absolute priority  
3 rule, the Supreme Court is clear that control of the post-  
4 confirmation equity is also subject to the absolute priority  
5 rule. Here you have the same prepetition management  
6 postpetition controlling the Debtor and the assets.

7 Your Honor, the Rule 2015.3 issue, someone's going to say  
8 that it's trivial. Someone's going to accuse me of pulling  
9 out nothing to make something. Your Honor, it's not trivial.  
10 That's part of the problem in this case, that this Debtor owns  
11 other entities that own assets, and there's been precious  
12 little window given into that during the case, during this  
13 confirmation hearing, and in the disclosure statement.

14 Rule 2015.3 is mandatory. It's a shall. I respect very  
15 much Mr. Seery's explanation that there was a lot going on  
16 with the COVID and with everything and that it just fell  
17 through the cracks. That's an honest explanation. But the  
18 Rule has not been complied with. And 1107(a) requires that  
19 the debtor-in-possession comply with a trustee's duties under  
20 704(a)(8). Those duties include filing reports required by  
21 the Rules.

22 So we have an 1129(a)(3) problem, Your Honor, because this  
23 plan proponent has not complied with Chapter 11 and Title 11.  
24 I'll leave it at that, because I suspect, again, someone will  
25 accuse me of being trivial on that. It is not trivial. It is

1 a very important rule.

2 On the releases and exculpations, Your Honor, I'm not  
3 going to try -- I'm not going to hopefully repeat Mr. Draper.  
4 But there's a couple of huge things here with this exculpation  
5 that takes it outside of any possible universe of *Pacific*  
6 *Lumber*.

7 First, you have a nondebtor entity that is being  
8 exculpated. I understand the proposition that, during a  
9 bankruptcy case, the professionals of a bankruptcy case might  
10 be afforded some protection. I understand that proposition.  
11 But here you have Strand and its board that's a nondebtor.

12 The other thing you have that takes this outside of any  
13 plausible case law is that the Debtor is exculpated from  
14 business decisions, including post-confirmation. I understand  
15 that professionals in a case make decisions, and  
16 professionals, at the end of the case, especially if the Court  
17 is making findings about a plan's good faith, that  
18 professionals making decisions on how to administer an estate  
19 ought to have some protection.

20 That does not hold true for whether a debtor and its  
21 professionals should have protection for how they manage their  
22 business. GM cannot be exculpated for having manufactured a  
23 defective product and sold it during its bankruptcy case.

24 Here, I asked Mr. Seery whether this language in these  
25 provisions, talking about whether the administration of the

1 estate and the implementation of the plan includes the  
2 Debtor's management of those contracts and funds. He said  
3 yes. He said yes. So if you look at the exculpation  
4 provision, it is not limited in time. It affects, Your Honor,  
5 I'm quoting, it affects the implementation of the plan.  
6 That's going forward.

7 So you are exculpating the Debtor and its professionals  
8 from business decisions, including post-confirmation, from  
9 negligence. Well, isn't negligence the number one protection  
10 that people that have invested a billion dollars with the  
11 Debtor have? It's cold comfort to hear, well, you can come  
12 after us for gross negligence or theft. I get that. What  
13 about negligence? Isn't that what professionals do? Isn't  
14 that why professionals have insurance, liability insurance?  
15 It's called professional negligence for malpractice.

16 So this exculpation, let there be no mistake -- I heard  
17 Your Honor's view and discussion -- this is a different  
18 universe, both in space and in time.

19 And we don't have to worry about *Pacific Lumber* too much  
20 because we have the *Dropbox* opinion in *Thru, Inc.* We have  
21 that opinion. Whether it's sound law or not, I don't wear the  
22 robe. But the exculpation provision in that case was  
23 virtually identical. And Your Honor, that's a 2018 U.S. Dist.  
24 LEXIS 179769. In that opinion, Judge Fish -- I don't think  
25 anyone could say that Judge Fish was not a very experienced

1 district court judge -- Judge Fish found that the exculpation  
2 violated Fifth Circuit precedent. That exculpation covered  
3 the debtor's attorneys, the debtor, the very people that Mr.  
4 Pomerantz is now saying, well, maybe the Fifth Circuit would  
5 allow an exculpation for.

6 THE COURT: Well, I think he is relying heavily on  
7 the analogy of independent directors to Creditors' Committee  
8 members, saying that's a different animal, if you will, than  
9 prepetition officers and directors. And he thinks, given the  
10 little bit of policy analysis put out there by the Fifth  
11 Circuit, they might agree that that's analogous and worthy of  
12 an exculpation.

13 MR. RUKAVINA: And they might. And they might. And  
14 again, I usually do debtor cases. You know that. I'd love to  
15 be exculpated.

16 THE COURT: But --

17 MR. RUKAVINA: And I think, again, I do -- I do --

18 THE COURT: -- I really want people to give me their  
19 best argument of why, you know, that's just flat wrong. And  
20 Mr. Draper just said it's, you know, there's a categorical --

21 MR. RUKAVINA: Yeah.

22 THE COURT: -- rejection of exculpations except for  
23 Committee members and Committee in *Pacific Lumber*. And I'm  
24 scratching my head on that one. And partly the reason I am,  
25 while 524(e) was thrown out there, the fact is there's nothing

1 explicitly in the Bankruptcy Code, right, that explicitly  
2 permits exculpation to a Committee or Committee members.  
3 There's just sort of this notion, you know, allegedly embodied  
4 in 1103(c), or maybe there are cases you want to cite to me,  
5 that they're fiduciaries, they're voluntary fiduciaries, they  
6 ought to have qualified immunity.

7 And again, I see it as more of a policy rationale the  
8 Fifth Circuit gave than pointing to a certain statute. So if  
9 it's really a policy rationale, then I think the analogy given  
10 here to a newly-appointed independent board is pretty darn  
11 good.

12 So tell me why I'm all wrong, why Mr. Pomerantz is all  
13 wrong.

14 MR. RUKAVINA: I am not going to tell you that you're  
15 all wrong. I'm not going to tell Mr. Pomerantz that he's all  
16 wrong. Although I am, I guess, a Dondero tentacle, I am not a  
17 Mr. Draper tentacle, and I happen to disagree with him.  
18 That's my right. I respect the man very much. I thought he  
19 did a very honorable and ethical job explaining his position  
20 to Your Honor. I believe that the Fifth Circuit would approve  
21 exculpations for postpetition pre-confirmation matters taken  
22 by estate fiduciaries. I do believe that they would. And I  
23 do believe that that should be the case.

24 But again, I'm telling you that this one is different.  
25 It's -- Mr. Pomerantz is misdirecting you. The estate

1 professionals manage the estate. The Debtor manages its  
2 business. It goes out into the world and it manages business.  
3 And as Your Honor knows, under that 1969 Supreme Court case,  
4 of course I blanked, and under 28 U.S. 959, a debtor must  
5 comply, when it's out there, with all applicable law.

6 So if the Debtor -- and I'm making this up, okay? I am  
7 making this up. I'm not alleging anything. But if the  
8 Debtor, through actionable neglect, lost \$500 million of its  
9 clients' or its investor clients' money, I'm telling you that  
10 under no theory can that be exculpated, and I'm telling you  
11 that that's what this provision does.

12 The estate and the Debtor can release their claims. It  
13 happens all the time. Whatever -- whatever claims the estate  
14 may have against professionals, those can be released. It's a  
15 9019. I'm not complaining about that. Although I do think  
16 that it's premature in this case, because we don't know  
17 whether there's any liability for the \$100 million that Mr.  
18 Seery told you Mr. Dondero lost. But in no event can business  
19 -- business --

20 THE COURT: I don't understand what you just said.

21 MR. RUKAVINA: Your Honor, I --

22 THE COURT: Mr. Dondero is not released --

23 MR. RUKAVINA: -- went through Mr. Seery's --

24 THE COURT: -- by the estate.

25 MR. RUKAVINA: I understand. I understand. But we

1 all have to also understand that a board of directors and  
2 officers can be liable, breaches of fiduciary duty by not  
3 properly managing an employee. So I'm not suggesting -- I  
4 mean, I know that there's been an examiner motion filed. I'm  
5 not suggesting that we have a mini-trial. I'm not suggesting  
6 there's actionable conduct. What I'm telling you is that the  
7 evidence shows that there's a large postpetition loss. And  
8 it's premature to prevent third parties that might have claims  
9 from bringing those.

10 And then I think -- I'm not sure that Your Honor  
11 understood my point. Let me try to make it again. This  
12 exculpation is not limited in time. This exculpation is  
13 expressly not limited in time and applies to the  
14 administration of the plan post-confirmation. I don't think  
15 under any theory would the Fifth Circuit or any court at the  
16 appellate level allow an exculpation for purely post-  
17 reorganization post-bankruptcy matters. I have nothing more  
18 to tell Your Honor on exculpation.

19 THE COURT: Well, again, I -- perhaps I go down some  
20 roads I really don't need to go down here, but I'm not sure I  
21 read it the way you did. I thought we were just talking about  
22 pre -- postpetition, pre-confirmation. Or pre-effective date.

23 MR. RUKAVINA: Your Honor, Page --

24 THE COURT: The --

25 MR. RUKAVINA: Page 48 of the plan, Section C,

1 Exculpation. Romanette (iv). The implementation of the plan.  
2 And I -- and that's -- that's part of why I asked Mr. Seery  
3 that yesterday. Does the implementation of the plan, in his  
4 understanding, include the Reorganized Debtor's management and  
5 wind-down of the Funds, and he said yes.

6 THE COURT: Okay.

7 MR. RUKAVINA: So that's right there in black and  
8 white.

9 It also includes the administration of the Chapter 11  
10 case. If that is defined broadly, as Mr. Seery wants it to  
11 be, to define business decisions, then that also exceeds any  
12 permissible exculpation.

13 So, again, I'm telling Your Honor, with due respect to you  
14 and to Mr. Pomerantz, that the focus of Your Honor's  
15 questioning is wrong. The focus of Your Honor's questioning  
16 should be on exculpation from what? From business -- *i.e.*, GM  
17 manufacturing and selling the car -- or from management of the  
18 bankruptcy case? Management of the bankruptcy case? Okay.  
19 Postpetition pre-confirmation managing business, never okay.

20 Your Honor, on the channeling -- and let me add, I think  
21 it's very clear, there is no Barton Doctrine here. This is  
22 not a Chapter 11 trustee. The Barton Doctrine does not  
23 extend to debtors-in-possession. And I can cite you to a  
24 recent case, *In re Zaman*, 2020 Bankr. LEXIS 2361, that  
25 confirms that the Barton Doctrine does not apply to a debtor-

1 in-possession.

2 I want to --

3 THE COURT: Remind me of that --

4 MR. RUKAVINA: -- discuss, Your Honor, the --

5 THE COURT: Remind me of the facts of that case. I  
6 feel like I read it, but -- or saw it in the advance sheets,  
7 maybe.

8 MR. RUKAVINA: I honestly do not recall. I read it a  
9 few days ago, and since then, I hope Your Honor can  
10 appreciate, I've been up very late trying to negotiate  
11 something good in this case.

12 THE COURT: I'd like to know --

13 MR. RUKAVINA: So, I mean, I have the case in front  
14 of me.

15 THE COURT: I'd like to know about a holding that  
16 says Barton Doctrine can't be applied in a Chapter 11 post-  
17 confirmation context, if that's --

18 MR. RUKAVINA: Well, I have it --

19 THE COURT: -- indeed the holding.

20 MR. RUKAVINA: I have it right in front of me here,  
21 Your Honor, and I can certainly -- all I know is that this  
22 case held that -- it rejected the notion that the Barton  
23 Doctrine applies to a debtor-in-possession.

24 THE COURT: Okay.

25 MR. RUKAVINA: And maybe --

1 THE COURT: That --

2 MR. RUKAVINA: There it is, right there.

3 THE COURT: What judge?

4 MR. RUKAVINA: Your Honor, it is the Southern  
5 District of Florida, and it is the Honorable -- Your Honor, it  
6 is the Honorable Mindy Mora.

7 THE COURT: Okay.

8 MR. RUKAVINA: M-O-R-A.

9 THE COURT: Okay.

10 MR. RUKAVINA: I have not had the pleasure of being  
11 in front of that judge.

12 Your Honor, let me discuss the channeling injunction.  
13 This is the big one for me. This is the big one. And I think  
14 we have to begin -- and it's the big one, as I'll get to,  
15 because Your Honor knows that the CLO management agreements  
16 give my clients certain rights, and this injunction would  
17 prevent those rights from being exercised post-confirmation.  
18 It's not dissimilar from the PI hearing that we're in the  
19 middle of in an adversary.

20 But I begin my analysis, again, with 28 U.S.C. 959. Your  
21 Honor, that -- the first sentence of that statute makes it  
22 very clear that when it comes to carrying on a business, a  
23 debtor-in-possession may be sued without leave of the court  
24 appointing them.

25 So the first thing that this channel -- gatekeeper,

1 channeling, I don't mean to miscall it -- the first thing that  
2 this gatekeeping injunction does is it stands directly  
3 opposite to 28 U.S.C. 959.

4 28 U.S.C. 959 also says that jury rights must be  
5 preserved. As I'll argue in a moment, this injunction also  
6 affects those rights.

7 In addition to 959, we have the fundamental issue of post-  
8 confirmation jurisdiction. As Mr. Draper said, here, this  
9 channeling injunction applies to post-confirmation matters.  
10 Similar to my answer to you on exculpation, I can see there  
11 being a place for a channeling injunction during the pendency  
12 of a case or for claims that might have arisen during the  
13 pendency of a case. I cannot see that, and I don't know of  
14 any court that, at least at a circuit level, that would agree  
15 that this can apply post-confirmation.

16 It is, again, the equivalent of GM manufacturing a car  
17 post-confirmation and having to go to bankruptcy court because  
18 someone's wanting to sue it for product negligence or  
19 liability. It's unthinkable. The reason why a debtor exits  
20 bankruptcy is to go back out into the community. It's no  
21 longer under the protection of the bankruptcy court. That's  
22 what the media calls Chapter 11, it calls it the protection of  
23 the court. There's no such protection post-reorganization.  
24 So, --

25 THE COURT: Is that really analogous, Mr. Rukavina?

1 Let's get real. Is this really analogous --

2 MR. RUKAVINA: It is.

3 THE COURT: -- to GM --

4 MR. RUKAVINA: It is.

5 THE COURT: -- manufacturing thousands of cars?

6 MR. RUKAVINA: It absolutely is analogous. Because  
7 this Debtor is going to assume these contracts and it is going  
8 to go out there and it is going to make daily decisions  
9 affecting a billion dollars of other people's money. Each of  
10 those decisions hopefully will be done correctly and make  
11 everyone a lot of money, but each of those decisions is the  
12 potential for claims and causes of action.

13 So it is analogous, Your Honor. They want my clients and  
14 others to come to you for purely post-confirmation matters.  
15 The Court will not have that jurisdiction. There will be no  
16 bankruptcy estate, nor can the Court's limited jurisdiction to  
17 ensure the implementation of the plan go to and affect a post-  
18 confirmation business decision.

19 That's the distinction. The Debtor's post-confirmation  
20 business is not the implementation of a plan. As Mr. Draper  
21 said, there's a new entity. There's a new general partner.  
22 There's a new structure. Go out there and do business,  
23 Debtor. That's what they're telling you. They're telling you  
24 this is not a liquidation because they're going to be in  
25 business. Okay. Well, the consequence of that is that

1 there's no post-confirmation jurisdiction.

2 Now, Mr. Pomerantz says, and I think you asked Mr. Draper,  
3 well, the jurisdiction to adjudicate whether something is  
4 colorable is different from the jurisdiction to adjudicate the  
5 underlying matter. Your Honor, I don't understand that  
6 argument, and I don't see a distinction. If the Court has no  
7 jurisdiction to decide the underlying matter, then how can the  
8 Court have any jurisdiction to pass on any aspect of that  
9 underlying matter?

10 And whether something is colorable is a fundamental issue  
11 in every matter. That's the thing that courts look at in a  
12 12(b)(6), in a Rule 11 issue, in a 1927 issue. So they're  
13 going to come -- or someone is going to have to come to Your  
14 Honor and present evidence and law that something is  
15 colorable. Let's say that we've said there's a breach of  
16 contract. Aren't we going to have to show you, here's the  
17 contract, here's the language, here's the facts giving rise to  
18 the breach, here's the elements? And Your Honor is going to  
19 have to pass on that. And if Your Honor decides that  
20 something is not colorable, then there ain't no step two.

21 And if Your Honor decides that something is colorable,  
22 then isn't that going to be binding on the future proceeding?  
23 And if it's going to be binding on the future proceeding, then  
24 of course you're exercising jurisdiction to adjudicate an  
25 aspect of that lawsuit.

1 I don't think that that -- I don't know I can be clearer  
2 than that, Your Honor, unless the Debtor has some other  
3 understanding of what a colorable claim or cause of action is  
4 that I'm misunderstanding.

5 And Your Honor, I would ask, when Your Honor is in  
6 chambers, to look at one of these CLO management agreements.  
7 I'm sure Your Honor has already. I just pulled one out of the  
8 Debtor's exhibits, Exhibit J as in Jason. And Section 14, 14  
9 talks about termination for cause. Most of these contracts  
10 are for cause. So, Your Honor, cause includes willfully  
11 breaching the agreement or violating the law, cause includes  
12 fraud, cause includes a criminal matter, such as indictment.

13 So let's imagine, Your Honor, that I come to you a year  
14 from now and I say, I would like to terminate this agreement  
15 because I don't want the Debtor managing my \$140 million  
16 because of one of these causes. What am I going to argue to  
17 Your Honor? I'm going to argue to Your Honor that those  
18 causes exist. And Your Honor is going to have to pass on  
19 that.

20 And if Your Honor says they don't exist, again, I'm done.  
21 I just got an effective final ruling from a federal judge that  
22 my claim is without merit. I'm done. Your Honor has decided  
23 the matter effectively, legally, and finally.

24 That's why, when Mr. Pomerantz says that the jurisdiction  
25 to adjudicate the colorableness of a claim is different from

1 adjudicating that claim, it's not correct. They're part of  
2 the same thing, Your Honor.

3 We strenuously object to that injunction, we think it's  
4 unprecedented, and we strenuously object to that injunction  
5 because we are not Mr. Dondero.

6 I understand the January 9th order. I'll let Mr.  
7 Dondero's counsel talk about why that was never intended to be  
8 a perpetual order. I'll let Mr. Dondero's counsel argue as to  
9 why the extension of that order *ad infinitum* in the plan is  
10 illegal.

11 But even if Mr. Dondero is enjoined in perpetuity from  
12 causing the related parties to terminate these agreements,  
13 Your Honor, the related parties themselves are not subject to  
14 that injunction. That's why you have the preliminary  
15 injunction proceeding impending in front of you on ridiculous  
16 allegations of tortious interference.

17 So whether the Court enjoins Mr. Dondero or not in  
18 perpetuity is a separate matter. The question is, as you've  
19 heard, at least my retail clients, they have boards. Those  
20 boards are the final decision-makers. Mr. Dondero is not on  
21 those boards.

22 In other words, it is wrong to conclude *a priori* that  
23 anything that my clients do has to be at the direction of Mr.  
24 Dondero. There is no evidence of that. The evidence is to  
25 the contrary.

1 Yes, a couple of my clients, the Advisors are controlled  
2 by Mr. Dondero. Mr. Norris testified to that. You'll not  
3 find Mr. Norris anywhere testifying in that transcript that  
4 Your Honor allowed into evidence that the funds, my retail  
5 fund clients are controlled by Mr. Dondero. You won't find  
6 that evidence. There was no evidence yesterday or today that  
7 Mr. Dondero controls those retail funds. The only evidence is  
8 that they have independent boards.

9 So I ask the Court to see that it's a little bit of a  
10 sleight of hand by the Debtor. If I am to be enjoined or if I  
11 am to have to come to Your Honor in the future as a vexatious  
12 litigant or a tentacle or a frivolous litigant, whatever else  
13 I've been called today, then let it be because of something  
14 that I've done or failed to do, something that my client has  
15 done to warrant such a serious remedy, not something that Mr.  
16 Dondero is alleged to have done.

17 And what have my clients done, Your Honor? What have we  
18 done to be called vexatious litigants and serial litigants?  
19 We've done nothing in this case, pretty much, until December  
20 16th, when we filed a motion that was a poor motion,  
21 unfortunately, the Court found it to be frivolous, and the  
22 Court read us the riot act.

23 We refused, on December 22nd, we, my clients' employees,  
24 to execute two trades that Mr. Dondero wanted us to execute.  
25 We had no obligation to execute them. We knew nothing about

1 them. And Mr. Seery -- I'm sorry. Not Mr. Dondero, that Mr.  
2 Seery wanted to execute. And Mr. Seery closed those  
3 transactions that same day. And then a professional lawyer at  
4 K&L Gates, a seasoned bankruptcy lawyer, sent three letters to  
5 a seasoned professional lawyer at Pachulski, and the letters  
6 were basically ignored.

7 Okay. Those are the things that we've done. Other than  
8 that, we've defended ourselves against a TRO, we've defended  
9 ourselves against a preliminary injunction, we will continue  
10 to defend ourselves against a preliminary injunction, and we  
11 defend ourselves against this plan because it takes away our  
12 rights. Is that vexatious litigation? Is that, other than  
13 the frivolous motion, is that frivolous litigation?

14 And we heard you loud and clear when you read us the riot  
15 act on December 16th. And I will challenge any of these  
16 colleagues here today to point me to something that we have  
17 filed since then that is in any way, shape, or form arguably  
18 meritless.

19 So where is the evidence that my retail funds are  
20 tentacles or vexatious litigants or anything else? There is  
21 no evidence, Your Honor, and the Debtor is doing its best to  
22 give you smoke and mirrors to just make that mental jump from  
23 Mr. Dondero to my clients, effectively an alter ego, without a  
24 trial on alter ego.

25 Once these contracts are assumed, the Debtor must live

1 with their consequences. It's as simple as that. Your Honor  
2 has so held. Your Honor has so held forcefully in the *Texas*  
3 *Ballpark* case. And the Court, I submit respectfully, cannot  
4 excise by an injunction a provision of a contract.

5 Also, this injunction will -- is a permanent injunction.  
6 We know from *Zale* and other cases the Fifth Circuit does  
7 permit certain limited plan injunctions that are temporary in  
8 hundred-cent plans. This is a permanent one. It doesn't even  
9 pretend to be a temporary one.

10 It's also a permanent one because the Debtor knows and I  
11 think the Debtor is banking on me being unable to get relief  
12 in the Fifth Circuit before Mr. Seery is finished liquidating  
13 these CLOs.

14 So what we are talking about today is effectively excising  
15 valuable and important negotiated provisions of these  
16 contracts, provisions that, although my clients are not  
17 counterparties to these contracts, you've heard from at least  
18 three of them we do control the requisite vote, the voting  
19 percentages, to cause a termination, to remove the Debtor, or  
20 to seek to enforce the Debtor's obligations under those  
21 contracts.

22 And again, Your Honor, it's very simple. Where those  
23 contracts require cause, there either is cause or is not  
24 cause. If there is not cause, the Debtor has its remedies.  
25 If there is cause, I'll have my remedies. But it's not for

1 this Court post-confirmation to be making that determination.  
2 That's not my decision. That's Congress's decision.

3 So, Your Honor, for those reasons, we object, and we  
4 continue to object, and we'd ask that the Court not confirm  
5 this plan because it is patently unconfirmable. Or if the  
6 Court does confirm the plan, that it excise those provisions  
7 of the releases, exculpations, and injunction that I just  
8 mentioned as being not in line with the Fifth Circuit or  
9 Supreme Court precedent.

10 Thank you.

11 THE COURT: All right. Can I -- I meant to ask Mr.  
12 Draper this. Can we all agree that we do not have third-party  
13 releases *per se* in this plan? Can we all agree on that?

14 MR. DRAPER: I don't know. I have to look at that.  
15 I think what you have are exculpations and channeling  
16 injunctions for third parties who have not paid for those  
17 channeling injunctions or those exculpations.

18 THE COURT: All right.

19 MR. RUKAVINA: Your Honor, was that question -- was  
20 that question solely to Mr. Draper?

21 THE COURT: Well, no, it was to all of you. I  
22 thought we could all agree that we don't have third party  
23 releases *per se*. Okay. There was --

24 MR. RUKAVINA: Your Honor, we --

25 THE COURT: -- a little bit of glossing over that in

1 some of the briefing, I can't remember whose. But we have  
2 Debtor releases, we have --

3 MR. RUKAVINA: Yes.

4 THE COURT: -- exculpations that deal with  
5 postpetition negligence only, we have injunctions, which I  
6 guess the Debtor would say merely serve to implement the plan  
7 provisions and are commonplace, but Mr. Draper would say maybe  
8 are tantamount to third-party releases. Is that --

9 MR. RUKAVINA: Your Honor, I don't think --

10 THE COURT: -- where we are?

11 MR. RUKAVINA: -- there's any question -- I don't  
12 think there's any question that the exculpation is a third-  
13 party release, and that that's also what Judge Fish held in  
14 the *Dropbox* case. It says that none of the exculpated parties  
15 shall have any liability on any claim. So, --

16 THE COURT: All right.

17 MR. RUKAVINA: -- that necessarily --

18 THE COURT: I get what you're saying, but I just  
19 think, in common bankruptcy lingo, most people regard a third-  
20 party release as when third parties are releasing -- third  
21 parties meaning, for example, creditors, interest holders --  
22 are releasing officers and directors and other third parties  
23 for anything and everything.

24 Exculpation, I get it, it's worded in a passive voice, but  
25 it is third parties releasing third parties, but for a narrow

1 thing, postpetition conduct that is negligent. Okay. So I  
2 think -- while there's technically something like a third-  
3 party release there, it's not in bankruptcy lingo what we call  
4 a third-party release. It's an exculpation means no liability  
5 of the exculpated parties for postpetition conduct that's  
6 negligent. So I -- anyway, I think we all agree that, I mean,  
7 can we all agree there aren't any *per se* third-party releases  
8 as that term is typically used in bankruptcy parlance?

9 MR. RUKAVINA: I apologize, Your Honor, and I'm not  
10 trying to try your patience, but I cannot agree to that.  
11 Whatever claims my client, a nondebtor, has against Strand, a  
12 nondebtor, are gone. Whether it's a release or exculpations,  
13 they're gone. So I apologize, I cannot agree to that, Your  
14 Honor.

15 MR. DRAPER: Your Honor, this is Douglas Draper. I  
16 can't agree, either. I think it's definitional. And quite  
17 frankly, I think I'm looking at the functional effect of  
18 what's here, and they appear to be third-party releases.

19 THE COURT: Okay. All right. Who is making the  
20 argument for Mr. Dondero?

21 MR. TAYLOR: Your Honor, Clay Taylor appearing on  
22 behalf of Mr. Dondero.

23 THE COURT: Okay.

24 CLOSING ARGUMENT ON BEHALF OF JAMES D. DONDERO

25 MR. TAYLOR: Your Honor, first of all, as this Court

1 is well aware, this Court sits, as a bankruptcy court, as a  
2 court of equity. It has many different tools available to it.  
3 One of those, of course, is denying confirmation of this plan  
4 because of the laws that we have discussed today and that we  
5 believe the evidence has shown, and I won't go into those. Of  
6 course, of course, Your Honor could confirm that plan. Yet  
7 another tool available to this Court is it can take it under  
8 advisement.

9 To the extent that this Court decides to confirm this plan  
10 and decides to confirm it today, it certainly takes a lot of  
11 options off the table for all parties. There are ongoing  
12 discussions, I'm not going to go into any of the particulars  
13 of those discussions, but a ruling on confirmation today would  
14 effectively end that, because, absent, then, an order vacating  
15 confirmation, there's a lot of eggs that can't become  
16 unscrambled after a confirmation order is entered.

17 So we would respectively ask that, to the extent that the  
18 Court is even considering confirmation, we don't believe it to  
19 be appropriate, but at least take it under advisement for 30  
20 days, or at least, in the very alternative, that it announce  
21 some date which it is going to give a ruling, so that we kind  
22 of know when that is going to come down, to see if any  
23 positive ongoing discussions can result in more of a global  
24 resolution that all parties can agree upon.

25 Addressing more the merits of the case, Your Honor, Mr.

1 Dondero does indeed object to the nondebtor releases, the  
2 exculpations, the injunction. I believe those have been  
3 covered rather extensively in the prior argument, so I wasn't  
4 going to go into those here because they've been addressed.  
5 Of course, I will endeavor to answer any questions that Your  
6 Honor may have on those.

7 I will say I think Your Honor asked for everybody's best  
8 shot as to why this is different for a Committee member versus  
9 the independent trustees here. I will say my best shot is,  
10 first of all, *Pacific Lumber* says what it says. I believe Mr.  
11 Pomerantz has indicated their position that that language is  
12 dicta and therefore not binding upon this Court. I  
13 respectfully disagree with that. But to the extent, more  
14 directly answering Your Honor's question, to me, the  
15 difference is clear. Chapter 7 trustees are a creature of  
16 statute. So are Chapter 11 trustees. And -- as are members  
17 of a Committee that are seated pursuant to the Bankruptcy  
18 Code. Those are all creatures of statute. And the  
19 independent board of trustees, while there are certainly --  
20 there are some analogies that can be made, undoubtedly, but  
21 they are not a creature of statute. There is no provision for  
22 them under the Bankruptcy Code. And therefore I don't believe  
23 that they should and can receive the same protections under  
24 *Pacific Lumber*.

25 And so hopefully that -- that is my best shot at

1 answering, directly answering the question that Your Honor  
2 posed.

3 THE COURT: Okay.

4 MR. DRAPER: Mr. Dondero also has issue with the  
5 overbroad continuing jurisdiction of this Court. I believe  
6 Mr. Rukavina has stated that rather succinctly, too. Merely  
7 ruling upon whatever claim is colorable or not certainly has  
8 definite impacts. If this Court has jurisdiction to do that  
9 when it otherwise wouldn't have jurisdiction, it enacts an  
10 expansion, a potentially impermissible expansion of this  
11 Court's jurisdiction. And for that reason, the plan should --  
12 confirmation should be denied.

13 Getting into the particulars of 1129, Your Honor, there is  
14 problems under 1129(a)(2). Those are the solicitation  
15 problems. Let's just kind of look at what the evidence  
16 showed. On November 28th, there was a disclosure statement,  
17 it was published to all creditors, and it said, under this  
18 plan, you're going to get 87 cents. It wasn't a range. Now,  
19 there was some assumptions that went in there, but they said,  
20 under a liquidation of all these assets, you're going to get  
21 62 cents.

22 The Debtors came back approximately two months later, on  
23 January 28th, and said, oh, wait, we missed the boat here, and  
24 actually, under the plan, you're going to get 61 cents. And  
25 under a liquidation, though, you'd only get 48.

1 Well, the problem is, already, two months later, they've  
2 already told you they missed the boat on what the liquidation  
3 analysis was just two months ago. And two months ago, they  
4 told you under a liquidation you'd get 62 cents, and now we're  
5 telling you you're going to get less. That's at least some  
6 very good evidence that the best interests of the creditors  
7 isn't being met, and potentially a liquidation is much better.

8 They then came back, potentially maybe realizing that  
9 problem, also because some new information came in with the  
10 employees, and also with UBS, which adjusted the overall  
11 general unsecured claims pool, and said, well, under the plan  
12 you're going to get 71 cents, and under a liquidation you're  
13 going to get 55 cents.

14 In between those iterations from November to February,  
15 they found \$67 million more in assets. So Mr. Seery testified  
16 he believed some of that's as to market increases in values,  
17 and some (garbling) investment, market -- securities. And  
18 some were just in these private equity investments.

19 There are indeed some rollups behind all of these numbers.  
20 I do understand why they wouldn't want to make some of these  
21 numbers public, because they might not be able to get --  
22 create the upside for any particular asset class that they're  
23 seeking to monetize.

24 However, we and others, including Mr. Draper, asked for  
25 those rollups to be provided, and we certainly could have

1 taken those under seal or a confidentiality agreement, could  
2 have also put those before this Court under seal and the  
3 Debtor could have put those rollups before this Court under  
4 seal. It elected not to do so.

5 So, rather, what you have is the naked assumptions of this  
6 is what we think we can monetize the assets, or we're not  
7 going to tell you what it is, but trust me, Creditors, and  
8 cool, we found \$67 million worth of value in the past two  
9 months, so therefore we're going to beat the liquidation  
10 analysis that we previously told you just two months ago.

11 They also acknowledge that, in those two months, that  
12 there was going to be about \$26 million in increased costs  
13 from their November analysis to their February analysis. And  
14 they included that in their projections.

15 Finally, they acknowledged, in those two months, that we  
16 had previously estimated -- and they even have it in their  
17 assumptions in November liquidation and plan analysis -- that  
18 UBS, HarbourVest, and I believe it was Acis, were all going to  
19 be valued at zero dollars, and that's what the claims were  
20 going to be. Well, they kind of missed the boat on those, and  
21 they missed it by a lot. They -- it increased all the claims  
22 in the pool from \$195 million to \$273 million, or sorry, I  
23 don't -- look at that again, but it was an increase of \$95  
24 million. I'm sorry, 190 -- the claims pool increased from  
25 \$194 million to -- I'm sorry, Your Honor, I have too many

1 papers in front of me -- on November, the claims pool was 176  
2 and it increased by February 1st to 273. Therefore,  
3 approximately \$95, almost \$100 million worth of claims that  
4 they weren't anticipating that actually came in.

5 That tells you about the quality of the assumptions that  
6 went into the analysis to begin with. They missed it by 50  
7 percent on what the overall claims pool was going to be.  
8 That's significant. It's material.

9 There is a lot of other assumptions that could go into  
10 this document, and one of those assumptions are how much are  
11 we going to be able to monetize these assets for? One other  
12 assumption is, well, how much is it going to cost during the  
13 two-year life of this wind-down? Another assumption is going  
14 to be, are we actually going to be able to wind down in two  
15 years? Because if we're not, well, guess what, all those  
16 costs are going to go up. Another assumption is, well, how  
17 much are those fee claims going to be over the two-year  
18 period? Again, if it goes over two years, they're going to be  
19 significantly higher. Moreover, you might have just missed  
20 what the burn rate is.

21 So I think it's rather telling that the assumptions made  
22 of -- all the way back of over two -- of only two months ago  
23 were off by \$100 million, and therefore it skewed all of the  
24 plan-versus-liquidation analysis all over the board.

25 That's the only evidence that the Debtor has put forth as

1 to why it's in the best interest of the creditors. And quite  
2 frankly, we don't believe they have met their burden. And it  
3 is their burden to prove to Your Honor that the plan is better  
4 than what a Chapter 7 trustee will -- can do.

5 What the evidence does show, as far as what the plan would  
6 do as compared to a hypothetical Chapter 7 trustee, is that we  
7 know for sure that the Claimant Trust base fee, just over the  
8 two years, is going to be \$3.6 million.

9 (Interruption.)

10 MR. TAYLOR: I'm sorry.

11 THE COURT: Someone needs to put their device on  
12 mute. I don't know who that was.

13 MR. TAYLOR: Oh, I'm sorry. I thought you said  
14 something, Your Honor.

15 THE COURT: No.

16 MR. TAYLOR: So what we do know is the Claimant  
17 Trustee base fee is going to be \$3.6 million. What we don't  
18 know and what was not put into evidence because they are still  
19 negotiating it is there's going to be a bonus fee on top of  
20 that that's going to be paid to Mr. Seery. Is that \$2  
21 million? Is that \$4 million? Is that \$10 million? Well, we  
22 don't know. We can't perform that analysis as compared to  
23 what a hypothetical Chapter 7 trustee could be. Nor can Your  
24 Honor, based upon the evidence presented.

25 And quite frankly, I don't see how one could ever conclude

1 -- and there are some other unknowns that we're about to go  
2 over, including the Litigation Trust base fee and there are  
3 collection fees, contingency fees. Those are also to be  
4 negotiated. To be negotiated and unknown. You can't perform  
5 the analysis. The Debtor couldn't perform the analysis  
6 because those are to be negotiated, so you can't tell whether  
7 a Chapter -- hypothetical Chapter 7 trustee might come out  
8 better because he's not going to incur all these costs. We  
9 know that they're going to incur D&O costs.

10 THE COURT: Let me interject right now.

11 MR. TAYLOR: Sure.

12 THE COURT: Again, I'm going to go back to  
13 understanding who your client is arguing for. Okay? Again,  
14 as we've said before, Mr. Pomerantz did not technically say no  
15 standing, but he thought it was important to point out the  
16 economic interests that our Objectors either have or don't  
17 have. Okay?

18 So I'm looking through my notes to see exactly what the  
19 Dondero economic interest is. I have something written in my  
20 notes, but I'm going to let you tell me. Tell me what his  
21 economic interests are with regard to this Debtor, this  
22 reorganization.

23 MR. TAYLOR: Your Honor, I believe he has been placed  
24 into Class 9, Subordinated Claims. So to the extent that  
25 there is recovery available to Class 9, he can recover on

1 those claims.

2 THE COURT: But what proof of claim --

3 MR. TAYLOR: We also have --

4 THE COURT: What proof of claim does he have pending  
5 at this juncture?

6 MR. TAYLOR: Your Honor, I would have to go back and  
7 look. I don't have the proofs of claim register in front of  
8 me. And I'm sorry, if I tried to speculate, I would be doing  
9 a disservice to my client and this Court by trying to  
10 speculate. I did not prepare those proofs of claim. People  
11 in my firm did. But I would be merely speculating if I tried  
12 to give you an answer off the spot. And I apologize. I'm  
13 happy to submit a post-confirmation hearing letter --

14 THE COURT: No, no, no.

15 MR. TAYLOR: -- as to that.

16 THE COURT: I'm not going to allow one more piece of  
17 paper in connection with confirmation. I thought you would be  
18 able to answer that.

19 MR. TAYLOR: I'm sorry. I just don't want to lie to  
20 Your Honor.

21 THE COURT: What about his -- what would be an  
22 indirect equity interest?

23 MR. TAYLOR: Well, again, there are a lot of people  
24 that know this org chart a lot better than me. This is me  
25 going on hearsay myself. But I understand he also owns a lot

1 of indirect interests in subsidiaries, some of which are  
2 majority, some of which are minority, and some of which he  
3 owns maybe directly, some of which through other entities. So  
4 the way in which these assets could be monetized at the sub-  
5 debtor level could certainly impact his economic rights and  
6 could impact him greatly. For instance, if the --

7 THE COURT: I really wanted an exact answer.

8 MR. TAYLOR: Mr. Seery --

9 THE COURT: I really wanted an exact answer, not just  
10 he has an indirect interest in, you know, some of the 2,000 --  
11 I'm not going to say tentacles, but --

12 I'm going to interrupt briefly, because I really want to  
13 nail down the answer as best I can. Mr. Pomerantz, can you  
14 just remind me of what your answer was or statement was  
15 regarding Mr. Dondero, individually, his economic stake in all  
16 this?

17 MR. POMERANTZ: He has an indemnification claim  
18 that's been objected to, --

19 THE COURT: That's the one and only --

20 MR. POMERANTZ: -- although it's not before --

21 THE COURT: That's the one and only pending proof of  
22 claim, right?

23 MR. POMERANTZ: That's my understanding. And while  
24 it's not before the Court, we could all imagine whether Mr.  
25 Dondero's going to be entitled to indemnification.

1 He has an interest in Strand, which is the general  
2 partner.

3 THE COURT: Right.

4 MR. POMERANTZ: And Strand owns a quarter-percent --  
5 a quarter of one percent of the equity. I believe that is all  
6 of Mr. Dondero's economic interest in the Debtor.

7 THE COURT: Okay. So, again, I'm just trying to, you  
8 know, understand who he's looking out for, for lack of a  
9 better way of saying it, Mr. Taylor, in making these  
10 arguments.

11 MR. TAYLOR: So, there is also, and this is -- I'm  
12 not involved in what are these going to be filed collection  
13 suits, or some of which have been filed, some of which have  
14 not been filed, none of which I believe the answer date has  
15 been -- has passed or come to be yet.

16 But he is also a defendant in collection suits on these  
17 notes, as you are undoubtedly aware.

18 THE COURT: Okay. He's a defendant in adversary  
19 proceedings. Okay? That makes him a party in interest to --  
20 well, I keep -- that makes him have standing to make an  
21 1129(a)(7) argument? That's why I'm going down this trail.  
22 Because you've spent the last five minutes talking about, you  
23 know, creditors could do better in a Chapter 7 liquidation.  
24 I'm not sure he has standing to make that argument, so I'm  
25 wanting you to address that squarely.

1 MR. TAYLOR: Your Honor, I believe he has economic  
2 interests up and down the capital structure. And I cannot  
3 describe to you, without wildly speculating and potentially  
4 lying to this Court, which I'm not going to do, without some  
5 time to have looked at that, because I was -- I was not  
6 involved in the proofs of claim and I am not his accountant.  
7 So I could not do that without wildly speculating, so I just  
8 -- I would like to more directly answer your question, Your  
9 Honor. I am not trying to avoid the question. But I can't  
10 honestly answer your question with true facts as we sit here  
11 right now.

12 THE COURT: All right. But do you agree or disagree  
13 with me that only parties -- the only parties that really can  
14 make an 1129(a)(7) argument are holders of claims or interests  
15 in impaired classes?

16 MR. TAYLOR: Your Honor, I believe that Mr. Dondero  
17 has standing to do so by virtue of claims for indemnification  
18 --

19 THE COURT: Okay.

20 MR. TAYLOR: -- if these -- if these -- if this  
21 Debtor (indecipherable) able to meet its obligations to  
22 indemnify him. And some of those are significant claims that  
23 are being brought against him that could total millions, if  
24 not tens of millions of dollars, just in defense costs alone,  
25 that I do believe give some standing.

1 THE COURT: Okay. So, assuming you're right, you  
2 think the evidence does not show this is better than a Chapter  
3 7 liquidation where we would have a stranger trustee come in  
4 and just, yeah, I guess, cold-turkey liquidate it all.

5 MR. TAYLOR: Your Honor, I do believe that the  
6 evidence shows that the Debtor hasn't met its burden as to  
7 this. A Chapter 7 trustee doesn't necessarily have to  
8 liquidate immediately. It can run these -- these assets. I  
9 mean, Mr. Seery is going to do it with ten people. At one  
10 time, just two months ago, he said he was going to do it with  
11 three people. A Chapter 7 trustee could certainly have a  
12 limited runway, or even an extended runway, if it so asked for  
13 it, to liquate these Debtors.

14 Moreover, there would be at least the requirements that  
15 the Chapter 7 trustee would request the sale, tell creditors  
16 about it. And, as many courts have said, the competitive  
17 bidding process is the best way to make sure that you ensure  
18 the highest and best offer that you can get.

19 Mr. Seery has not committed to providing notice of sales  
20 to creditors and other parties in interest, potentially  
21 bringing them in as bidders. They -- he could name a stalking  
22 horse, but he has not indicated any desire to do so. A  
23 Chapter 7 trustee would endeavor to do so.

24 So I do believe that there are some advantages. And  
25 you've heard no testimony that they've performed any analysis

1 or conducted any interviews with any Chapter 7 trustees as to  
2 whether or not this was possible or not. They just made the  
3 naked assumption that they would do work based upon what they  
4 said was their experience. And Mr. Seery's deposition, when  
5 it was taken and noticed as a 30(b)(6) deposition, and I  
6 believe it has been entered into evidence here, he said the  
7 last time he dealt with a Chapter 7 trustee was 11 or 13 years  
8 ago, and it was the *Lehman* case, and that was the -- a SIPC  
9 trustee. So --

10 THE COURT: Well, --

11 MR. TAYLOR: -- that's the last time he had any  
12 experience with it.

13 THE COURT: -- again, I don't mean to belabor this  
14 point, just like I didn't mean to belabor a few others. But,  
15 you know, there is a mechanism, yes, in Chapter 7, Section  
16 704, for a trustee to seek court authority to operate a  
17 business. But it's not a statute that contemplates long-term  
18 operation. Okay? It's just, oh, we've got a little bit of --  
19 you know, we have some assets here that really require a  
20 short-term operation here.

21 If it's long-term, then you convert to Chapter 11. Okay?  
22 It's just a temporary tool, Section 704. Right? Would you  
23 agree with me?

24 MR. TAYLOR: That's typically how it has been used.

25 THE COURT: Okay.

1 MR. TAYLOR: But that's not to say that it's limited  
2 in time by the statute itself. It doesn't say that it can't  
3 go for one year or two years. That can be a short wind-down  
4 period.

5 THE COURT: But hasn't your client's argument been  
6 this past several weeks that Mr. Seery is moving too fast,  
7 he's wanting to sell things and he needs to hold them longer?  
8 I mean, these two argument seem inconsistent to me.

9 MR. TAYLOR: So, just because a Chapter 7 trustee has  
10 been appointed doesn't mean that he has to sell them any  
11 faster than Mr. Seery.

12 I think what the -- the problem with the process that has  
13 been going on with Mr. Seery, my client's problem with it, is  
14 not necessarily the timing but the process that Mr. Seery is  
15 going through with these sales. Provide notice, allow more  
16 bidders to come in, make sure that he's getting the highest  
17 and best price. And if that happens to be Mr. Dondero who  
18 offers the highest and best price, great. And if Mr. Dondero  
19 gets outbid by somebody, well, that's all the more better for  
20 the estate.

21 THE COURT: Okay. Continue your argument.

22 MR. TAYLOR: I believe we covered a lot of it, Your  
23 Honor, and the plan analysis is all based upon their  
24 assumptions that there's \$257 million worth of value. Again,  
25 there's no rollup provided as to how that asset allocation is

1 broken out, but they consist of a couple of items.

2 First, there's the notes; and second, there's the assets.  
3 The notes are either long-term or demand notes. Those long-  
4 term notes, Mr. Seery will tell you some have been validly  
5 accelerated and therefore are now due and payable. I think  
6 there's arguments to the contrary. But those long-term notes  
7 probably have some both time value of money and collection  
8 costs. And then, of course, you have to discount them by  
9 collectability issues, too.

10 I don't believe any analysis went into it, or at least the  
11 Court was not provided any data or analysis as to what  
12 discounts were applied to those notes. And, therefore, I  
13 don't think that this Court can make any determination that  
14 the best interests of the creditors have been met.

15 As far as the assets that are to be monetized, again,  
16 there's two sub-buckets of those assets. There's securities  
17 that are to be sold. Some of those are semi-public securities  
18 that have markets. Those are somewhat more readily  
19 ascertained. The others are holdings in private equity  
20 companies, and sometimes holdings in companies that own other  
21 companies.

22 There's no evidence of the value -- empirical evidence of  
23 the value of those companies, nor of the assumptions that went  
24 into as to when they should be sold, how much they'd be sold  
25 for.

1           Again, I do realize the sensitive nature of such  
2 information, but that could have been placed under seal. And  
3 without that information, I don't believe that the Court can  
4 conduct the due diligence it's necessary to say the best  
5 interest of the creditors have been met.

6           To sum up, Your Honor -- oh, I'm sorry. One other point  
7 that I did want to talk about before I summed up is, you know,  
8 Mr. Pomerantz and I were listening to a different record or I  
9 was totally confused as to the testimony that was put forth  
10 regarding the directors and officers. I believe the testimony  
11 in the record is extremely clear that the Debtor made no  
12 effort to go out and find out if it could obtain directors and  
13 officers insurance without a gatekeeping injunction or a  
14 channeling injunction, whatever you want to call it. I  
15 believe that his testimony was extremely clear. He didn't  
16 shop it. He doesn't know. And that's what the record is  
17 before this Court.

18           To the extent that the Debtor wants to rely upon we can't  
19 get Debtor -- or, directors and officers insurance because  
20 without this gatekeeping function we just can't get it, I  
21 believe the record just wholly does not support that. The  
22 testimony was at least extremely clear, as how I heard it.  
23 Your Honor will have to review the record herself, but I don't  
24 believe that there was much argument about it.

25           I'm sure -- as I stated in the beginning, Your Honor, this

1 is a court of equity. It could deny confirmation, as I  
2 believe Your Honor should, based upon the flaws in the plan.

3 If Your Honor finds that the plan as written is  
4 impermissible because of any of the exculpation or the  
5 gatekeeping functions that they're asking, the testimony is  
6 equally clear that the independent directors would not serve  
7 in -- as officers of the Reorganized Debtor. Any plan that is  
8 put forth by the Debtor has to tell the people who are going  
9 to be officers going forward. And with that naked testimony  
10 before the Court, that it's simply not feasible, and I don't  
11 think it is one of the possible -- where the Court can come  
12 back and say, well, I can't confirm this plan as written, but  
13 if you change it and rewrite it to get rid of the certain  
14 offensive parts of the exculpation or the gatekeeping  
15 functions, then we can confirm this plan. And I think the  
16 evidence before this Court is it's not feasible because none  
17 of the directors will serve in that capacity, and therefore  
18 this plan should be dead on arrival if Your Honor agrees the  
19 proposed provisions do not meet *Pacific Lumber*.

20 We would ask the Court to deny confirmation, but in the  
21 alternative, to at least take this under advisement. Give us  
22 a time frame -- we'd ask for 30 days -- but give us a time  
23 frame of when the Court is going to rule, to allow the  
24 positive conversations to move forward.

25 To that end, Your Honor, there is, indeed, a hearing on

1 the extension of a temporary injunction and contempt that is  
2 scheduled for Friday. I understand that the parties, at least  
3 the joint parties, will not -- will agree to, I'm sorry, will  
4 agree to the extension of the temporary injunction until such  
5 time as the Court can rule on confirmation. I do see that  
6 there could be a lot of harm done at the Friday hearing. We  
7 would ask that the Court additionally continue that hearing on  
8 that motion and on the injunction, and contempt, until such  
9 time as confirmation has been ruled upon. It will be both  
10 efficient and allow discussions to continue regarding  
11 potential global resolution.

12 And so that is the end of my argument, Your Honor.

13 THE COURT: All right. Thank you. All right. Mr.  
14 Pomerantz, do you have any rebuttal?

15 REBUTTAL CLOSING ARGUMENT ON BEHALF OF THE DEBTOR

16 MR. POMERANTZ: Yes, I do, Your Honor. I want to  
17 address a couple of comments that Mr. Taylor made towards the  
18 end. First of all -- and, actually, the beginning.

19 We think Your Honor should rule on confirmation. Ruling  
20 on confirmation and having an entered confirmation order are  
21 two separate things. We understand that a new offer was made.  
22 Whether that's acceptable to the Committee -- I actually think  
23 it will enhance the ability of the parties to see if they  
24 could reach a deal if there's (audio gap) that Your Honor is  
25 going to confirm the plan.

1           Again, doesn't mean a confirmation order has to be  
2 entered, but I think, based upon my personal experience in  
3 negotiating with Mr. Dondero, that your clear communication to  
4 the parties that, unless something happens, you will enter a  
5 confirmation order, I think will change things. Okay?  
6 Without getting into settlement discussions, things have  
7 changed over the last several days, and we wish you would have  
8 -- wish things would have happened sooner. But we totally  
9 disagree that Your Honor should hold your ruling for 30 days  
10 or any other period of time.

11           Part of the reason I think they are making that argument  
12 is because they have an examiner motion and they recognize  
13 that, upon confirmation, the examiner motion is moot. So I  
14 think there's strategic reasons as well.

15           We don't think there should be a continuance of the TRO  
16 hearing and of the contempt hearing. As Your Honor recalls,  
17 the contempt motion was specifically set for this time to give  
18 Mr. Dondero enough time to prepare. Your Honor was sensitive  
19 to his due process concerns. We set the TRO, the preliminary  
20 injunction hearing against the Advisors and the Funds, we set  
21 that, again, knowing that it would be after confirmation.

22           So we do not agree that either should be continued.  
23 Again, we think the more direct, unequivocal answers Your  
24 Honor can give to the parties, the better off we'll be.

25           I guess -- Mr. Taylor and I do agree that the record was

1 clear. I guess we just disagree on the clarity of it. I  
2 heard Mr. Tauber testify that when he went out to people, to  
3 insurance carriers, after he and Aon were engaged, they all  
4 talked about a Dondero exclusion. Okay? They weren't  
5 convinced into a gatekeeper provision because it was provided  
6 as part of the normal materials you would provide in a  
7 bankruptcy court and trying to get D&O liability in the  
8 context of a bankruptcy case. Mr. Tauber's testimony was  
9 pretty clear, that carriers wanted to have a Dondero  
10 exclusion. And, in fact, the only reason we were able to get  
11 any coverage was because of the gatekeeper.

12 So, yes, the record was clear. We just disagree.

13 I'd like to go back to Mr. Draper's comments going -- and  
14 a couple of things, obviously, overlap. I guess one of the  
15 things here, it's great that everyone is coming in here as  
16 different interests and different parties or whatnot. But as  
17 I mentioned, Your Honor, at the outset, and I've repeated a  
18 few times, these are all -- the only people we have not been  
19 able to resolve issues with are the Dondero parties and the  
20 related parties. And I recall the tentacles. Mr. Davor  
21 questioned that. Mr. Clemente, his comments. But the fact of  
22 the matter is, Your Honor, Your Honor has heard testimony.  
23 Your Honor has had hearings. Mr. Rukavina represents the  
24 Advisors and the Funds. Your Honor has never seen the  
25 independent board member testify in this case to demonstrate

1 how these entities are really different. So while Mr.  
2 Rukavina does -- you know, tries his best, and I think he has  
3 limited stuff to work with, but I give him credit for doing  
4 the best he can, these are all Dondero-related entities and  
5 Your Honor has seen that.

6 So, Your Honor, going to the resolicitation argument, it  
7 actually has taken up a lot more time than the argument is  
8 worth, for one very simple reason. As I said in my argument,  
9 and as Mr. Taylor and Mr. Draper totally ignored, there were  
10 17 creditors who voted yes, 17 creditors who were apparently  
11 misled, that Mr. Draper is looking out for the little guy and  
12 Mr. Taylor is fumbling over his reason for why that's  
13 important to Dondero. And of those 17 creditors that voted  
14 yes, Your Honor, they were either the employees related to  
15 HarbourVest, UBS, Redeemer, or Acis, except for two. And you  
16 know the other two? One was Contrarian, a claim buyer, who,  
17 yeah, elected to be in Class 7, and the other was an employee  
18 with a dollar claim.

19 So the whole argument that there should be a  
20 resolicitation is preposterous, Your Honor. But to go to some  
21 of the specifics in what they argued, we didn't require  
22 creditors to monitor recovery. The footnote -- as I  
23 indicated, the UBS 3018 was in the disclosure statement that  
24 went out. It didn't make it to the projections. It was  
25 clearly -- and they characterize it, I think Mr. Draper

1 characterized it as buried in the document. There is a  
2 section that every disclosure statement is required to have  
3 called Risk Factors. This disclosure statement had that. And  
4 in the disclosure statement, it talked about the amount of  
5 claims being a risk factor.

6 Mr. Draper also said that the Debtor totally changed its  
7 business model from the first to the second analysis. That is  
8 incorrect. The Debtor was always going to manage funds. Yes,  
9 did they add the CLOs? But before, they were going to manage  
10 Multi-Strat, they were going to manage Restoration Capital,  
11 they were going to oversee Korea, they were going to be doing  
12 the management of the funds. So there wasn't a big change in  
13 the business model, Your Honor.

14 Mr. Taylor, on the solicitation issue, says we found \$67  
15 million in assets. You know, that's a disingenuous statement.  
16 I think over \$20 million was found because his client and  
17 related entities didn't make a payment on notes and they got  
18 accelerated. So while before we would have had to wait over  
19 time if they were paid, it's not surprising that Mr. Dondero  
20 and his related entities just failed to basically pay the  
21 notes.

22 So that was, I think, over \$20 million. And then there  
23 was the HCLOF asset. That was acquired in the HarbourVest  
24 settlement. And then there was basically an increase in some  
25 value to some assets.

1           So there wasn't anything mysterious here. There wasn't  
2 anything that the Debtor was trying to hide. There weren't  
3 any found assets. It was based upon different circumstances.

4           Mr. Taylor complains about the lack of rollup of assets,  
5 the lack of evidence on the best interests of creditors test.  
6 Your Honor, you've had extensive testimony from Mr. Seery  
7 about what would happen in a Chapter 7 and what would happen  
8 in a Chapter 11. And you know why we didn't provide the  
9 information to Mr. Taylor and his client on what the rollup of  
10 the assets would be, and do you know why he wants them? He  
11 wants to know what the assets are so he can try to bid.

12           And there also was the allegation that the failure to  
13 allow them to bid means we're going to get less in a Chapter  
14 11 than a 7. Two comments to that, Your Honor. Number one,  
15 if that was the case, a debtor would never be able to satisfy  
16 the best interests of creditors test. If the existence of a  
17 public process *de facto* meant you would get more value than  
18 outside, you would never be able to satisfy that. And, quite  
19 honestly, that's just not the law, Your Honor.

20           You have an Oversight Committee with over \$200 million of  
21 creditors who are going to watch Mr. Seery like a hawk, like  
22 they have watched him during the case. And the concern that  
23 somehow, because these assets are not put into full view to  
24 sell, that they will get less value, it's just not -- it's not  
25 supported by the evidence at all, Your Honor. And Mr. Seery

1 will make the determination. If it makes sense to notice up  
2 and provide Mr. Dondero with notice, he will. If he doesn't,  
3 he won't.

4 Your Honor, going -- oh, and then the last comment on the  
5 -- that I'll make on the resolicitation and the liquidation  
6 analysis is Mr. Taylor chides us and we've been criticized for  
7 not disclosing more about the HarbourVest and the UBS  
8 settlements and that we were off substantially. Your Honor,  
9 you've heard testimony that we were in pending litigation with  
10 HarbourVest and UBS at the time. What kind of litigant would  
11 we be if we came in and said, you know, Your Honor, you know,  
12 Creditors, we think the UBS claim is going to be allowed at  
13 \$60 million and we think the HarbourVest claim is going to be  
14 allowed at \$30 million? Would that really have benefited  
15 creditors and this estate, to basically, after we took the  
16 position, hard negotiations and hard pleadings that we  
17 prepared, and in some cases filed, that we didn't have any  
18 liability? It would have made no sense, and it would have  
19 been a dereliction of our duty to actually come out and say  
20 what the claims -- the claims were, or what we thought they  
21 could be settled for.

22 Your Honor, going back to Mr. Draper's comments. He  
23 started with the exculpation. First he made a comment that I  
24 don't think he intended what he said, but he said that the  
25 exculpation order, the January 9th order, cuts off when the

1 independent directors go away. I think what he meant to say  
2 is that since the three people are not going to be independent  
3 directors anymore, that basically any actions going forward by  
4 any of those three are not covered. But let's be clear. The  
5 January 9th order is in effect, and if at some point in the  
6 future somebody has a claim against those three gentleman, or  
7 their agents, for what they did as independent directors or  
8 their agents, that order will apply.

9 Your Honor, we next had a discussion, or Mr. Draper and  
10 you had a discussion on professionals. I'm aware of the Fifth  
11 Circuit law that says *res judicata*, fee applications. I think  
12 that only applies to claims that the Debtor and estate would  
13 have. It doesn't really apply to an exculpation. But there's  
14 Texas state law that I identified in our brief and we cited to  
15 that limits third parties' ability to go after professionals.

16 But the bottom line is the Fifth Circuit, in *Pacific*  
17 *Lumber*, didn't deal with professionals. Your Honor was  
18 correct in pushing both Mr. Taylor and Mr. Rukavina. What  
19 really that was was a policy case. And professionals have  
20 nothing to do with 524(e). So the *Palco* and the *Pacific*  
21 *Lumber* reference and explanation of 524(e) doesn't have  
22 anything to do with professionals. And we would submit, Your  
23 Honor, that an exculpation, especially in a case like this, is  
24 important for professionals.

25 I understand Your Honor's comments that maybe it's much

1 ado about nothing, but I'm not really sure it's much ado about  
2 nothing when we have Mr. Dondero and his affiliates who,  
3 notwithstanding their efforts to just claim that all they are  
4 doing is trying to get a fair shake, Your Honor knows better.  
5 Your Honor knows better from the years you've been litigating  
6 with them, and we know better and the Debtor knows better from  
7 what the independent directors have been dealing with.

8 THE COURT: Let me ask you this, though. I came into  
9 the hearing with the impression we were just talking about  
10 postpetition pre-confirmation, or pre-effective date maybe I  
11 should say, was the expanse of time covered by exculpation.  
12 And Mr. Rukavina said no, no, no, go back, look at, I don't  
13 know, Subsection 4 of something. It is a post-confirmation  
14 concept. What is your response to that?

15 MR. POMERANTZ: I believe it's implementation. And,  
16 again, --

17 THE COURT: Implementation? Yes.

18 MR. POMERANTZ: -- I think Mr. Rukavina -- right. I  
19 think Mr. Rukavina and Mr. Taylor and Mr. Draper have done a  
20 great job trying to muddy the issues. They talk about our  
21 sleight of hand and how we're trying to do things that are way  
22 beyond the bankruptcy court's jurisdiction. We are not. I  
23 think they are trying -- what they have done throughout the  
24 case is throw up enough mud. And here's, here's the answer to  
25 that question, Your Honor. Implementation. Okay? We know

1 what implementation means. The plan says implementation is  
2 cancelation of the equity interests, creation of new general  
3 partners, restatement of the limited partners, establishment  
4 of the Claimant Trust and Litigation Sub-Trust. That's the  
5 implementation.

6 We are not trying to get exculpation for post-confirmation  
7 activity. Actually, my partner, Mr. Kharasch, in specifically  
8 addressing Mr. Rukavina's concern, said, look, if you have a  
9 problem with cause, if you have a problem, want to exercise  
10 your rights, we're only asking you to come back to the Court.  
11 We are not stopping you.

12 So the whole argument that the exculpation is really broad  
13 and is not really -- does not really cover just the plan, the  
14 approved plan, I think is a red herring. Implementation is  
15 implementation in the context of the plan.

16 And also Mr. Rukavina tries to argue that, well, it's  
17 administration, it's not really you acting any operation of  
18 business. I just don't think there's any support in the case  
19 law. Your Honor has overseen this case, overseen this  
20 Debtor's activities, overseen the independent directors'  
21 activities, overseen Strand's activities, overseen the  
22 employees' activities. And those activities have been  
23 (indecipherable) administration of the case. And his attempt  
24 to create a different category for, well, it's not  
25 administration, it's operation and so it doesn't apply, I just

1 think is wrong.

2 Your Honor made a couple of comments about what was  
3 *Pacific Lumber* doing. It was a policy decision. If there was  
4 a bright-line rule, then nobody would be entitled to  
5 exculpation. The very fact that the Fifth Circuit said that  
6 Committee members are different made -- makes it clear it was  
7 -- it was policy.

8 And Mr. Taylor's comments that, well, their creation of  
9 statute, Chapter 11 trustees and Committee members, that's not  
10 what basically the case said. If you look at the citation to  
11 touters in the case, it was we want people to volunteer and  
12 who are needed for the process. Committee members are needed  
13 for the process. We don't want to discourage them from coming  
14 in. And the only testimony you have on the independent  
15 directors is from Mr. Dubel, and he testified the importance  
16 of independent directors to modern-day Chapter 11 practice,  
17 the importance of exculpation, indemnification, and D&O  
18 insurance. And his testimony: uncontroverted. The Objectors  
19 could have brought in someone to say something different, but  
20 the only testimony before Your Honor is, if Your Honor does  
21 not approve exculpations in cases like this, you will not get  
22 independent directors and it will have an adverse effect on  
23 the Chapter 11 process.

24 So, while I appreciate all the Objectors trying to say  
25 bright line, trying to say *Pacific Lumber*, that is the gut

1 reaction, right? That's -- it's easy to say. But Your Honor  
2 will know better, from reading the cases, that's not what  
3 *Pacific Lumber* says. And for the several reasons I gave, it's  
4 the reason why *Pacific Lumber* does not govern the decision in  
5 this case.

6 Your Honor, Mr. Draper then started to talk about *Craig*.  
7 And everyone cites *Craig* as this, you know, limiting  
8 jurisdiction. Now, we acknowledge that *Craig* and the Fifth  
9 Circuit has a more limited post-confirmation jurisdiction  
10 approach than the other Circuits, but it's not nonexistent.  
11 And just because the Debtor is going out post-confirmation and  
12 acting does not mean that the conduct that they are engaging  
13 in is not -- and disputes that arise, doesn't come within the  
14 Court's jurisdiction. If that was the case, and I think Your  
15 Honor recognized this, in your case it was the *TXMS* case,  
16 while it's limited, more limited after confirmation, and I  
17 think you even, in the case -- or, in one case of yours, said  
18 that even after the case is closed there could be  
19 jurisdiction. So their just trying to argue *Craig* is just --  
20 is just too much.

21 Going out of the gatekeeper, Mr. Draper tried to say we  
22 are *Barton*, and that's it, and *Barton* has its limitations, et  
23 cetera. First of all, with respect to *Barton*, it is not  
24 limited and doesn't include debtors-in-possession. We have  
25 cited cases in our materials where it has been applied to

1 debtors-in-possession.

2       So, you know, look, maybe this is a provision -- this is a  
3 proposition like many in bankruptcy, you could find a  
4 bankruptcy court to agree with a proposition, but there's  
5 cases all over the place on that. There's cases applying to  
6 post-confirmation. The trend has been to expand *Barton*. But  
7 the beauty of it is, Your Honor, you don't have to rely on  
8 *Barton*. *Barton* was one of our arguments. We gave *Barton* as,  
9 you know, somewhat of an analogy but somehow applying because  
10 in the -- because the independent directors were like the  
11 trustees.

12       But we recognize it may be going farther than *Barton* has  
13 previously gone. But the case law is clear, it is being  
14 extended. But we -- I gave you several provisions of the  
15 Bankruptcy Code that authorized you to enter a gatekeeper  
16 order. None of the Objectors objected on any of those  
17 grounds. They didn't say the statutes that I cited. And it  
18 wasn't only 105, I know bankruptcy practitioners love to cite  
19 105, but there were three or four others that I mentioned, and  
20 they're in our brief. There's no case that they cited that  
21 said that there is no authority on the gatekeeper.

22       But what was the argument that was raised? And I think  
23 Mr. Rukavina raised it, saying, you know, look, I don't  
24 understand the argument of no jurisdiction, of jurisdiction  
25 for a gatekeeper but no jurisdiction for underlying cause of

1 action. Well, Mr. Rukavina should read and Your Honor should  
2 read, when you're considering the plan, the case, the *Villegas*  
3 case in the Fifth Circuit as it dealt with *Stern*. That was  
4 particularly a case. Does *Barton* -- is *Barton* impacted from  
5 *Stern*? By *Stern*? And *Stern*, we know, limits the bankruptcy  
6 court's jurisdiction. But, no, the Fifth Circuit said, in  
7 that case, no. Even though the bankruptcy court's  
8 jurisdiction is limited to hear the claim, there is nothing  
9 inconsistent with that and allowing the bankruptcy court to  
10 act as a gatekeeper.

11 So Mr. Rukavina's argument that, well, he'll present to  
12 you that there's cause and you'll find there's no cause and  
13 then he will be without a remedy by someone that had  
14 jurisdiction, that really sounds good but it just doesn't  
15 withstand analytic scrutiny. There is a distinction. They  
16 are glossing over the distinction. They don't like the  
17 distinction.

18 And why is that distinction -- and why is it important in  
19 this case? Again, we're not talking about garden-variety  
20 people who are just involved with a debtor and will get caught  
21 up in a bankruptcy. We narrowly tailored the gatekeeper to  
22 enjoined parties. Enjoined parties are the people before Your  
23 Honor, some of the people that have made the Debtor's life  
24 miserable over the last few months.

25 We have every interest and desire, as does the Committee,

1 to go out post-confirmation and monetize these assets. But we  
2 see the clouds on the horizon. We see all the pleadings that  
3 have been filed by the Objectors saying how, if there's no  
4 deal, there will be an unending amount of costs and appeals.  
5 It's, you know, the point, not too subtle. It wasn't lost on  
6 us.

7 Your Honor, going to Mr. Rukavina's arguments on Class 8  
8 cram down, again, it's really a hard argument to understand,  
9 but first I want to make a point. He sort of mentioned -- and  
10 I'm not sure if he intends to preserve this on appeal, but it  
11 was not objected to and I'll ask for a ruling on it, Your  
12 Honor -- he said that there was inappropriate separate  
13 classification. That was not raised in any of the objections.  
14 We don't think it was properly before the Court. We  
15 understand there's a component of that in unfair  
16 discrimination in connection with a cram down, but there is no  
17 objection, there was no filed objection, to the separate  
18 classification of the deficiency claims and the Class 8  
19 unsecured claims.

20 And if you look at the voting, you realize it wasn't done  
21 for gerrymandering, because if you put both claims together,  
22 both classes together, you would have had one class that voted  
23 yes.

24 So I don't believe the separate classification under the  
25 1129 standards is appropriate for Your Honor to consider,

1 other than in connection with the cram down.

2 Now, Mr. Rukavina complains that the only way the  
3 convenience class was decided was by way of negotiation. Your  
4 Honor, how else do provisions like that get decided? And who  
5 was the negotiation between? It was between the Committee.  
6 And one of the benefits of a Committee process, and I  
7 represent a lot of Committees, you put people in a Committee  
8 that have diverse interests and they can come up with an  
9 appropriate result. And here you have that. You had one  
10 creditor who was a convenience creditor. You have three other  
11 creditors who would lose liquidity if convenience payments are  
12 made.

13 Do you think that UBS, Acis and Redeemer, do you think  
14 they had a desire just to pay people off? No. It was part of  
15 a collaborative process. So to say that there was no basis  
16 and no testimony on the appropriateness to have -- and how the  
17 convenience class was put together just would be wrong.

18 And with respect to the absolute priority rule, Your  
19 Honor, again, there's a missing link here, okay? These are  
20 contingent interests. They are property. No doubt they are  
21 property. But if I did not allow those creditors or those  
22 equity to have a contingent interest, the argument would have  
23 been made that the plan violates the absolute priority rule.  
24 And I said that in my argument. And why would it have  
25 violated the absolute priority rule? Because there's a

1 potential that creditors could get over a hundred cents on the  
2 dollar, plus interest. So it's a game of gotcha, right?

3 And why do they really care? Mr. Dugaboy said in his --  
4 Mr. Draper said in his brief that Dugaboy cares because they  
5 may have wanted to buy the interest. Well, I'm sure they can  
6 go to Hunter Mountain, you know, Mr. Dondero's left hand can  
7 go to his right hand, and I'm sure he'd be happy to sell the  
8 contingent interests.

9 And with respect to the argument that Mr. Rukavina made  
10 about control, equity be in control, yeah, control is a right.  
11 No doubt. You've got -- if you're giving control to the post-  
12 confirmation Debtor, that could be a right and implicate the  
13 absolute priority rule. But what is the control here? Equity  
14 is not given any rights. Your Honor heard how the post-  
15 confirmation entity is structured. It's going to be Mr.  
16 Seery, overseen by an Oversight Board. So I really don't  
17 understand the concept of control. There just is no violation  
18 of the absolute priority rule.

19 Your Honor, Mr. Rukavina then took us to task for 2000 --  
20 or, for not filing the 2015.3 statement. And if you take his  
21 argument to the logical conclusion -- well, we didn't file it,  
22 we didn't comply with that Rule, so we're not in compliance  
23 with the Bankruptcy Code, so we can never basically get our  
24 plan confirmed, right, because it's a violation and we didn't  
25 file and seek an extension.

1           That's just a preposterous argument, Your Honor. Mr.  
2 Seery poignantly told the Court, in the rush of things that  
3 were going on, it wasn't filed. Did Mr. Rukavina, before  
4 yesterday, having Mr. Dubel on the stand, did he ever ask  
5 where is our 2015.3 report? He probably didn't ask it because  
6 the answer -- when I told him the reason why it wasn't filed  
7 before January 9 was because I don't think Mr. Dondero wanted  
8 it filed, and I think that's why, as Mr. Seery testified, we  
9 were having a challenging time getting that information from  
10 the in-house -- in-house.

11           But, yes, should it have been filed? Yes. But if that is  
12 all they could point to through the course of the case that  
13 Mr. Seery or Mr. -- or the rest of the board did wrong, you  
14 know, I think that just demonstrates they did a fine job.

15           THE COURT: All right.

16           MR. POMERANTZ: Your Honor?

17           THE COURT: You've got four minutes left.

18           MR. POMERANTZ: Oh. Okay. Your Honor, going to Mr.  
19 Rukavina and the Strand argument that it's a nondebtor entity,  
20 as I explained in my argument, the Strand -- Strand needs to  
21 get exculpation or else that's a backdoor way to the Debtor.  
22 Forget about the independent directors, it's a backdoor way to  
23 the Debtor. Because Mr. Dondero will be in control. If  
24 Strand is sued for post-January 9th activities, he will assert  
25 an administrative claim. And one thing from *Pacific Lumber* is

1 clear, the Debtor is entitled to an exculpation as part of the  
2 injunction and the -- and the discharge.

3 Your Honor, Mr. Kharasch adequately addressed Mr.  
4 Rukavina's comments with the gatekeeper and the gatekeeper  
5 problem. We are not seeking to stop his clients, however  
6 related they may be, from exercising their rights. We are  
7 seeking a process that will not embroil the Debtor in  
8 litigation going forward. There is no problem with Your Honor  
9 acting as the gatekeeper to do so. And to the extent that  
10 they are bound by the January 9th order is not really an issue  
11 for today. That'll be an issue at the temporary -- the  
12 temporary -- at the preliminary injunction hearing.

13 I -- just one minute, Your Honor.

14 (Pause.)

15 MR. POMERANTZ: Your Honor, I think I covered a lot.  
16 If there's anything that any of the Objectors have mentioned  
17 that I failed to respond to, I'd be happy to answer questions  
18 Your Honor has.

19 THE COURT: All right. I guess there's, what, about  
20 two minutes left, if Mr. Clemente had anything.

21 Mr. Clemente, have you drifted off? I doubt it. But  
22 anything else from you, Mr. Clemente?

23 MR. TAYLOR: Your Honor, I show him talking -- this  
24 is Clay Taylor -- but no one's hearing him.

25 THE COURT: Okay. Mr. Clemente, we are not hearing

1 you, or I'm not seeing you. Make sure you're not on mute.

2 THE CLERK: He's not on mute, Judge.

3 THE COURT: He's not on mute? So we must have a  
4 bandwidth issue or something else.

5 All right. Mr. Clemente, still not hearing or seeing you.  
6 We'll give him another 30 seconds.

7 THE CLERK: He's coming up.

8 THE COURT: He's coming up? Ah, I see his name now.

9 MR. CLEMENTE: Your Honor, can you hear me?

10 THE COURT: I can hear you now.

11 MR. CLEMENTE: Okay, Your Honor. I don't know what  
12 happened. I just switched another camera, so you may not be  
13 able to see me, but can you hear me? I'll be very quick.

14 THE COURT: Okay. I can hear you.

15 MR. CLEMENTE: Can you hear me?

16 THE COURT: Yes.

17 MR. CLEMENTE: Okay. Thank you, Your Honor.

18 CLOSING ARGUMENT ON BEHALF OF THE UNSECURED CREDITORS' COMMITTEE

19 MR. CLEMENTE: Two things I want to say. First, just  
20 on Class 8, I think what's important, as my comments  
21 emphasized earlier, the structure of Class 8. We must  
22 remember what it is. It's really designed so that Class 8  
23 holders receive their pro rata share of what's left after  
24 prior claims are paid. That's really what Class 8 creditors  
25 voted on. That's what the disclosure provided. They did not

1 vote on receiving a specific dollar or a specific recovery  
2 percentage.

3 And regarding the projections and estimates, Your Honor,  
4 we're talking about large litigation claims that were asserted  
5 and then settled. And given the nature of these assets, the  
6 values fluctuate. It's perfectly expected, Your Honor, and  
7 indeed disclosed, that there could be wide swings in the  
8 amount of claims. That does not lead to the conclusion that  
9 the plan needs to be resolicited.

10 And then, finally, Your Honor, again, Mr. Pomerantz  
11 adequately addressed all the points, as he did with his  
12 earlier presentation, so I'm not going to touch on them, but I  
13 did want to respond to one thing that Mr. Taylor said. And I,  
14 of course, agree with Mr. Pomerantz. The Committee believes  
15 there's no reason for you to delay a ruling and would in fact  
16 urge you to rule as soon as Your Honor is ready to rule.  
17 Confirmation of the plan, to the extent that there are  
18 conversations occurring, is not going to prevent those  
19 conversations from taking place, and they can continue after  
20 the plan is confirmed. There's simply nothing inherent in  
21 Your Honor confirming the plan that would prevent those  
22 conversations from occurring or would ultimately prevent  
23 parties from pivoting to a deal on the off-chance that one  
24 should be reached.

25 So I just wanted to emphasize, Your Honor, again, Your

1 Honor is going to rule when Your Honor rules, but the  
2 Committee would urge you to rule, and certainly the idea that  
3 there may or may not be discussions with Mr. Dondero should  
4 not at all in any way lead you to the conclusion that you  
5 shouldn't rule or that those conversations cannot continue  
6 after plan confirmation.

7 Thank you, Your Honor. Unless you have questions for me.  
8 And my apologies with the technology.

9 THE COURT: No problem. All right. Here's what I'm  
10 going to do. We can see you now, Mr. Clemente.

11 MR. CLEMENTE: Oh. I'm sorry, Your Honor. I  
12 switched to another camera again because it wasn't working.  
13 So, I apologize.

14 THE COURT: All right. I am going to call you back  
15 Monday. What day of the week will that be? Is that -- I  
16 mean, Monday, what date, I should say. That'll be the 8th,  
17 right? I am going to call you back Monday, this coming  
18 Monday, February 8th, at 9:30 Central time, and I am going to  
19 give you my ruling. It will be a detailed oral bench ruling.  
20 And I'm not going to leave you hanging on the edge of your  
21 seat over the next few days. I will tell you I'm inclined to  
22 confirm this plan. I think it meets all of the requirements  
23 of 1129 and 1123 and 1122.

24 The thing that I am going to spend some time thinking  
25 about between now and Monday morning is, no surprise, the

1 propriety of the exculpations, the propriety of the plan  
2 injunctions, the propriety of the gatekeeper provisions. I  
3 certainly am duty-bound to go back and reread *Pacific Lumber*,  
4 to go back and read *Thru, Inc.*, and to really think hard about  
5 what is happening here.

6 So, I'm pretty much down, I think, to just those three  
7 issues here. I'll talk to my law clerk. He may remind me of  
8 something else that I'm not articulating right now. But I  
9 think I'm just down to those issues. Okay? So it's not going  
10 to be a mystery very long. We will come back Monday, 9:30.  
11 My courtroom deputy will post on the docket the WebEx  
12 connection instructions as usual, and we'll go from there.

13 Now, --

14 MR. POMERANTZ: Your Honor? Your Honor, this is Jeff  
15 Pomerantz. I have a question, and it's going to sound odd  
16 coming from someone on the West Coast, but I was wondering if  
17 you could do it earlier. And the only reason I say that is,  
18 the night before, I have to call in to see if I'm on jury duty  
19 on Monday, and it would be helpful to me -- I assume your  
20 reading the ruling would be within a half hour, 45 minutes.  
21 That if you started at 9:00, if that was possible, I could  
22 then get in a car, and if I'm actually called to jury duty, I  
23 can get there. Of course, I don't know if I will be called,  
24 but I'd hate to miss it.

25 THE COURT: Okay. Well, I don't want to make you

1 miss jury duty. Okay. We will do 9:00 o'clock.

2 MR. POMERANTZ: Thank you, Your Honor.

3 THE COURT: Hopefully no one will be, you know, hung  
4 over from watching the Super Bowl. Personally, I don't like  
5 Tom Brady, so I may be boycotting the Super Bowl. But maybe  
6 I'll watch it. Maybe I'll -- I'll watch it. So we'll do it  
7 9:00 o'clock. So 9:00 o'clock next Monday.

8 Now, let's talk about next the currently-set hearing this  
9 Friday, February 5th, on the injunction and contempt of court  
10 motion as to Mr. Dondero and the other entities. I want to  
11 continue that, and here is what I am struggling with. The  
12 only day I have next week is Friday, the 12th, and I would  
13 rather not use that date because I'm pretty jam-packed Monday  
14 through Thursday, unless stuff has been settled that I haven't  
15 become aware of. So let me ask two things. First, when is  
16 the examiner motion set? I'm just wondering if there's a  
17 block of time we have coming up that --

18 MR. POMERANTZ: I believe that's March 2nd, Your  
19 Honor, so that's not for another month.

20 THE COURT: Oh, that's not for another month? All  
21 right.

22 Traci, are you on the line? I want to ask you --

23 THE CLERK: Yes, I am.

24 THE COURT: What about the following week? I know  
25 Monday, the 15th, is a federal holiday, but do we have

1 availability for -- I fear a full day is going to be needed  
2 for continuing this Friday setting.

3 THE CLERK: Wednesday, February 17th, is available.

4 THE COURT: We've got all day on Wednesday, February  
5 17th?

6 THE CLERK: Yes.

7 THE COURT: All right. What about that? I think I  
8 heard Mr. Rukavina, I think he's the one who threw it out  
9 there -- or maybe it was Mr. Taylor; I'm getting mixed up --  
10 the possibility that they would agree to a continuation of the  
11 preliminary injunction through -- well, I think you said  
12 through confirmation. Until the Court enters a confirmation  
13 order. And if I were to rule and approve confirmation Monday,  
14 then we're talking about an order that might be entered sooner  
15 than the 17th. So, do you all have any --

16 MR. RUKAVINA: Your Honor?

17 THE COURT: -- mutually-agreeable suggestions? If  
18 not, I'm just going to set it the 12th and I'll, you know, I'm  
19 killing myself, but I'll --

20 MR. TAYLOR: Your Honor?

21 MR. RUKAVINA: No, Your Honor. I think Your Honor is  
22 wise to do what's she's proposing. The agreed TRO against my  
23 clients expires on the 15th of February.

24 THE COURT: Uh-huh.

25 MR. RUKAVINA: We can easily move that back a week or

1 a sufficient amount of time so that there's no prejudice by  
2 going on the 17th, if that would be acceptable to the Debtor,  
3 and then we can just pick a date that's sufficiently after the  
4 PI hearing so that there's protection for everyone.

5 THE COURT: All right. Mr. Taylor, do you agree?

6 MR. TAYLOR: Yes, Your Honor. That is acceptable to  
7 Mr. Dondero.

8 THE COURT: Okay.

9 MR. TAYLOR: We can also push it back. Can you hear  
10 me?

11 THE COURT: Yes, I can. Uh-huh.

12 MR. TAYLOR: Okay.

13 THE COURT: All right.

14 MR. POMERANTZ: I just want to make -- I just want to  
15 make sure Mr. Morris, John Morris, is on, since he's taking  
16 the lead in those matters. I don't see his picture.

17 MR. MORRIS: I am, Jeff, and I appreciate that. I'm  
18 available, Your Honor. We were supposed to take the  
19 depositions of Mr. Leventon and Mr. Ellington tomorrow. I  
20 don't know if their counsel is on the phone. But given Your  
21 Honor's decision to adjourn the hearing from Friday, I would  
22 respectfully request at this time that counsel for those two  
23 individuals work with me to find a date next week in order to  
24 take those depositions.

25 THE COURT: All right. That's --

1 MS. DANDENEAU: Debra Dandeneau from --

2 THE COURT: Go ahead.

3 MS. DANDENEAU: This is Debra Dandeneau from Baker  
4 McKenzie. We agree, and we're happy to work with you on a  
5 rescheduled time.

6 MR. MORRIS: Thank you very much.

7 THE COURT: All right. All right. So, someone had  
8 filed a motion to continue Friday's hearing. I think it was  
9 your firm, Mr. Taylor. I already had a motion pending for a  
10 few days now. So I'm going to direct you to upload an order,  
11 Mr. Taylor, or someone at your firm, continuing the hearing to  
12 the 17th at 9:30, with language in there that your -- the  
13 injunction is continuing at least through that date. And,  
14 again, it's a continuance of the motion for contempt as well  
15 as the setting on the preliminary injunction. And, of course,  
16 run that by Mr. Morris and Mr. Rukavina.

17 MR. TAYLOR: Sure. Your Honor, this is -- I'm not  
18 handling the injunction hearing, or at least I don't think I  
19 am. But just so that I'm clear, should maybe the injunction  
20 continue through the next day or something, so depending on  
21 how Your Honor rules, there's not a rush to try and get an  
22 order to you?

23 MR. RUKAVINA: Your Honor, I think that Mr. Morris  
24 and I can work this out. Mr. Taylor is not involved in that  
25 adversary, that's true, but Mr. Morris and I will be able to

1 very quickly enter a proposed agreed order that extends that  
2 TRO for some period of time.

3 THE COURT: Okay.

4 MR. RUKAVINA: I'm not going to be difficult.

5 THE COURT: Okay. So we'll shift to you and Mr.  
6 Morris to be the scriveners. I just -- I suggested that  
7 because I thought there was a motion to link the order to that  
8 had been filed by Bonds Ellis. I may be --

9 MR. MORRIS: There was, Your Honor. There was an  
10 emergency motion to continue. We filed an opposition, and  
11 Your Honor has not yet ruled on that motion. You're exactly  
12 right.

13 THE COURT: Okay. All right.

14 MR. TAYLOR: Your Honor, this is Clay Taylor. I will  
15 make sure the right people confer with Davor and John, and  
16 we'll get -- we'll link it to that motion, because that makes  
17 sense, to have something to link it to.

18 THE COURT: Okay. Yes. And it can be a two-  
19 paragraph order, I would think.

20 All right. And then so I'm going to see you Monday at  
21 9:00 o'clock Central time with the ruling.

22 Please, don't anyone file anymore paper. I threw that out  
23 earlier today. I've got all the paper I need. And I will see  
24 you Monday at 9:00 o'clock. Okay? We're adjourned.

25 MR. POMERANTZ: Thank you, Your Honor.

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THE CLERK: All rise.

MR. MORRIS: Thank you, Your Honor.

(Proceedings concluded at 4:34 p.m.)

--oOo--

CERTIFICATE

I certify that the foregoing is a correct transcript from the electronic sound recording of the proceedings in the above-entitled matter.

**/s/ Kathy Rehling**

**02/05/2021**

\_\_\_\_\_  
Kathy Rehling, CETD-444  
Certified Electronic Court Transcriber

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Date

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FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

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In Re: ) **Case No. 19-34054-sgj-11**  
) Chapter 11  
)  
HIGHLAND CAPITAL ) Dallas, Texas  
MANAGEMENT, L.P., ) Monday, February 8, 2021  
) 9:00 a.m. Docket  
Debtor. )  
) BENCH RULING ON CONFIRMATION  
) HEARING [1808] AND AGREED  
) MOTION TO ASSUME [1624]  
)

TRANSCRIPT OF PROCEEDINGS  
BEFORE THE HONORABLE STACEY G.C. JERNIGAN,  
UNITED STATES BANKRUPTCY JUDGE.

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Proceedings recorded by electronic sound recording;  
transcript produced by transcription service.

1 DALLAS, TEXAS - FEBRUARY 8, 2021 - 9:08 A.M.

2 THE COURT: Please be seated.

3 (Beeping.)

4 THE COURT: Someone needs to turn off their whatever.

5 All right. Good morning. This is Judge Jernigan, and we

6 have scheduled today a bench ruling regarding the Debtor's

7 plan that we had a confirmation trial on last week. This is

8 Highland Capital Management, LP, Case No. 19-34054.

9 Let me first make sure we've got Debtor's counsel on the  
10 line. Do we have --

11 MR. POMERANTZ: Yes.

12 THE COURT: -- Mr. Pomerantz?

13 MR. POMERANTZ: Yes, Your Honor. Good morning, Your  
14 Honor. Jeff Pomerantz; Pachulski Stang Ziehl & Jones; on  
15 behalf of the Debtor.

16 THE COURT: Okay. Good morning. Do we have the  
17 Creditors' Committee on the phone?

18 MR. CLEMENTE: Good morning, Your Honor. Matthew  
19 Clemente of Sidley Austin on behalf of the Creditors'  
20 Committee.

21 THE COURT: Good morning. All right. We had various  
22 Objectors. Do we have Mr. Dondero's counsel on the phone?

23 MR. LYNN: Yes, Your Honor. Michael Lynn, together  
24 with John Bonds and Bryan Assink, for Jim Dondero.

25 THE COURT: Good morning. For the Trusts, the

1 Dugaboy and Get Good Trusts, do we have Mr. Draper?

2 MR. DRAPER: Yes. Douglas Draper is on the line,  
3 Your Honor.

4 THE COURT: Good morning. Now, for what I'll call  
5 the Funds and Advisor Objectors, do we have Mr. Rukavina and  
6 your crew on the line?

7 MR. RUKAVINA: Davor Rukavina. And Lee Hogewood is  
8 also on the line.

9 THE COURT: All right. Good morning to you. All  
10 right. And we had objections pending from the U.S. Trustee as  
11 well. Do we have the U.S. Trustee on the line?

12 (No response.)

13 THE COURT: All right. If you're appearing, you're  
14 on mute. We're not hearing you.

15 All right. Well, we have lots of other folks. I don't  
16 mean to be neglectful of them, but we're going to get on with  
17 the ruling this morning. This is going to take a while. This  
18 is a complex matter, so it should take a while.

19 All right. Before the Court, of course, for consideration  
20 is the Debtor's Fifth Amended Plan, first filed on November  
21 24, 2020, as later modified on or around January 22, 2021,  
22 with more amendments filed on or around February 1, 2021. The  
23 Court will hereinafter refer to this as the "Plan."

24 The parties refer to the Plan as a monetization plan  
25 because it involves the gradual wind-down of the Debtor's

1 assets and certain of its funds over time, with the  
2 Reorganized Debtor continuing to manage certain other funds  
3 for a while, under strict governance and monitoring, and a  
4 Claimants Trust will receive the proceeds of that process,  
5 with the creditors receiving an interest in that trust. There  
6 is also anticipated to be Litigation Sub-Trust established for  
7 the purpose of pursuing certain avoidance or other causes of  
8 action for the benefit of creditors.

9 The recovery for general unsecured creditors is estimated  
10 now at 71 percent.

11 The Plan was accepted by 99.8 percent of the dollar amount  
12 of voting creditors in Class 8, the general unsecured class,  
13 but as to numerosity, a majority of the class of general  
14 unsecured creditors did not vote in favor of the plan.  
15 Specifically, 27 claimants voted no and 17 claimants voted  
16 yes. All but one of the rejecting ballots were cast by  
17 employees who, according to the Debtor, are unlikely to have  
18 allowed claims because they are asserted for bonuses or other  
19 compensation that will not become due.

20 Meanwhile, in a convenience class, Class 7, of general  
21 unsecured claims under one million dollars, one hundred  
22 percent of the 16 claimants who chose to vote in that class  
23 chose to accept the Plan.

24 Because of the rejecting votes in Class 8, and because of  
25 certain objections to the Plan, the Court heard two full days

1 of evidence, considering testimony from five witnesses and  
2 thousands of pages of documentary evidence, in considering  
3 whether to confirm the Plan pursuant to Sections 1129(a) and  
4 (b) of the Bankruptcy Code.

5 The Court finds and concludes that the Plan meets all of  
6 the relevant requirements of Sections 1123, 1124, and 1129 of  
7 the Code, and other applicable provisions of the Bankruptcy  
8 Code, but is issuing this detailed ruling to address certain  
9 pending objections to the Plan, including but not limited to  
10 objections regarding certain Exculpations, Releases, Plan  
11 Injunctions, and Gatekeeping Provisions of the Plan.

12 The Court reserves the right to amend or supplement this  
13 oral ruling in more detailed findings of fact, conclusions of  
14 law, and an Order.

15 First, by way of introduction, this case is not your  
16 garden-variety Chapter 11 case. Highland Capital Management,  
17 LP is a multibillion dollar global investment advisor,  
18 registered with the SEC pursuant to the Investment Advisers  
19 Act of 1940. It was founded in 1993 by James Dondero and Mark  
20 Okada. Mr. Okada resigned from his role with Highland prior  
21 to the bankruptcy case being filed. Mr. Dondero was in  
22 control of the Debtor as of the day it filed bankruptcy, but  
23 agreed to relinquish control of it on or about January 9,  
24 2020, pursuant to an agreement reached with the Official  
25 Unsecured Creditors' Committee, which will be described later.

1           Although Mr. Dondero remained on as an unpaid employee and  
2 portfolio manager with the Debtor after January 9, 2020, his  
3 employment with the Debtor terminated on October 9, 2020. Mr.  
4 Dondero continues to work for and essentially control numerous  
5 nondebtor companies in the Highland complex of companies.

6           The Debtor is headquartered in Dallas, Texas. As of the  
7 October 2019 petition date, the Debtor employed approximately  
8 76 employees.

9           Pursuant to various contractual arrangements, the Debtor  
10 provides money management and advisory services for billions  
11 of dollars of assets, including CLOs and other investments.  
12 Some of these assets are managed pursuant to shared services  
13 agreements with a variety of affiliated entities, including  
14 other affiliated registered investment advisors. In fact,  
15 there are approximately 2,000 entities in the Byzantine  
16 complex of companies under the Highland umbrella.

17           None of these affiliates of Highland filed for Chapter 11  
18 protection. Most, but not all, of these entities are not  
19 subsidiaries, direct or indirect, of Highland. And certain  
20 parties in the case preferred not to use the term "affiliates"  
21 when referring to them. Thus, the Court will frequently refer  
22 loosely to the so-called, in air quotes, "Highland complex of  
23 companies" when referring to the Highland enterprise. That's  
24 a term many of the lawyers in the case use.

25           Many of the companies are offshore entities, organized in

1 such faraway jurisdictions as the Cayman Islands and Guernsey.

2 The Debtor is privately owned 99.5 percent by an entity  
3 called Hunter Mountain Investment Trust; 0.1866 percent by the  
4 Dugaboy Investment Trust, a trust created to manage the assets  
5 of Mr. Dondero and his family; 0.0627 percent by Mark Okada,  
6 personally and through family trusts; and 0.25 percent by  
7 Strand Advisors, Inc., the general partner.

8 The Debtor's primary means of generating revenue has  
9 historically been from fees collected for the management and  
10 advisory services provided to funds that it manages, plus fees  
11 generated for services provided to its affiliates.

12 For additional liquidity, the Debtor, prior to the  
13 petition date, would sell liquid securities in the ordinary  
14 course, primarily through a brokerage account at Jefferies,  
15 LLC. The Debtor would also, from time to time, sell assets at  
16 nondebtor subsidiaries and distribute those proceeds to the  
17 Debtor in the ordinary course of business.

18 The Debtor's current CEO, James Seery, credibly testified  
19 that the Debtor was "run at a deficient for a long time and  
20 then would sell assets or defer employee compensation to cover  
21 its deficits." This Court cannot help but wonder if that was  
22 necessitated because of enormous litigation fees and expenses  
23 that Highland was constantly incurring due to its culture of  
24 litigation, as further addressed hereafter.

25 Highland and this case are not garden-variety for so many

1 reasons. One is the creditor constituency. Highland did not  
2 file bankruptcy because of some of the typical reasons a large  
3 company files Chapter 11. For example, it did not have a  
4 large asset-based secured lender with whom it was in default.  
5 It only had relatively insignificant secured indebtedness  
6 owing to Jefferies, with whom it had a brokerage account, and  
7 one other entity called Frontier State Bank.

8 Highland did not have problems with trade vendors or  
9 landlords. It did not suffer any type of catastrophic  
10 business calamity. In fact, it filed Chapter 11 six months  
11 before the COVID-19 pandemic was declared. The Debtor filed  
12 Chapter 11 due to a myriad of massive unrelated business  
13 litigation claims that it was facing, many of which had  
14 finally become liquidated or were about to become liquidated  
15 after a decade or more of contentious litigation in multiple  
16 fora all over the world.

17 The Unsecured Creditors' Committee in this case has  
18 referred to the Debtor under its former chief executive, Mr.  
19 Dondero, as a serial litigator. This Court agrees with that  
20 description. By way of example, the members of the Creditors'  
21 Committee and their history of litigation with the Debtor and  
22 others in the Highland complex are as follows:

23 First, the Redeemer Committee of the Highland Crusader  
24 Fund, which I'll call the Redeemer Committee. This Creditors'  
25 Committee member obtained an arbitration award against the

1 Debtor of more than \$190 million, inclusive of interest,  
2 approximately five months before the petition date from a  
3 panel of the American Arbitration Association. It was on the  
4 verge of having that award confirmed by the Delaware Chancery  
5 Court immediately prior to the petition date, after years of  
6 disputes that started in late 2008 and included legal  
7 proceedings in Bermuda. This creditor's claim was settled  
8 during the bankruptcy case in the amount of approximately  
9 \$137.7 million. The Court is omitting various details and  
10 aspects of that settlement.

11 The second Creditors' Committee member, Acis Capital  
12 Management, LP, which was formerly in the Highland complex of  
13 companies but was not affiliated with Highland as of the  
14 petition date. This UCC member and its now-owner, Josh Terry,  
15 were involved in litigation with Highland dating back to 2016.  
16 Acis was forced into an involuntary bankruptcy in the  
17 Bankruptcy Court for the Northern District of Texas, Dallas  
18 Division, by Josh Terry, who was a former Highland portfolio  
19 manager, in 2018 after Josh Terry obtained an approximately \$8  
20 million arbitration award and judgment against Acis that was  
21 issued by a state court in Dallas County, Texas. Josh Terry  
22 was ultimately awarded the equity ownership of Acis by the  
23 Dallas Bankruptcy Court in the Acis bankruptcy case.

24 Acis subsequently asserted a multimillion dollar claim  
25 against Highland in the Dallas Bankruptcy Court for Highland's

1 alleged denuding of Acis in fraud of its creditors, primarily  
2 Josh Terry.

3 The litigation involving Acis and Mr. Terry dates back to  
4 mid-2016, and has continued on, with numerous appeals of  
5 bankruptcy court orders, including one appeal still pending at  
6 the United States Court of Appeals for the Fifth Circuit.

7 There was also litigation involving Josh Terry and Acis in  
8 the Royal Court of the Island of Guernsey and in a court in  
9 New York.

10 The Acis claim was settled during this bankruptcy case in  
11 court-ordered mediation for approximately \$23 million. Other  
12 aspects and details of this settlement are being omitted.

13 Now, the third Creditors' Committee member, UBS  
14 Securities. It's a creditor who filed a proof of claim in the  
15 amount of \$1,039,000,000 in the Highland case. Yes, over one  
16 billion dollars. The UBS claim was based on the amount of a  
17 judgment that UBS received from a New York state court in 2020  
18 after a multi-week bench trial which had occurred many months  
19 earlier on a breach of contract claim against other entities  
20 in the Highland complex. UBS alleged that the Debtor should  
21 be liable for the judgment. The UBS litigation related to  
22 activities that occurred in 2008. The litigation involving  
23 UBS and Highland and its affiliates was pending for more than  
24 a decade, there having been numerous interlocutory appeals  
25 during its history.

1           The Debtor and UBS recently announced a settlement of the  
2 UBS claim, which came a few months after court-ordered  
3 mediation. The settlement is in the amount of \$50 million as  
4 a general unsecured claim, \$25 million as a subordinated  
5 claim, and \$18 million of cash coming from a nondebtor entity  
6 in the Highland complex known as Multistrat. Other aspects of  
7 this settlement are being omitted.

8           The fourth and last Creditors' Committee member is Meta-e  
9 Discovery. It is a vendor who happened to supply litigation  
10 and discovery-related services to the Debtor over the years.  
11 It had unpaid invoices on the petition date of more than  
12 \$779,000.

13           It is fair to say that the members of the Creditors'  
14 Committee in this case all have wills of steel. They fought  
15 hard before and during the bankruptcy case. The members of  
16 the Creditors' Committee are highly sophisticated and have had  
17 highly sophisticated professionals representing them. They  
18 have represented their constituency in this case as  
19 fiduciaries extremely well.

20           In addition to these Creditors Committee members, who were  
21 all embroiled in years of litigation with Highland and its  
22 affiliates in various ways, the Debtor has been in litigation  
23 with Patrick Daugherty, a former limited partner and employee  
24 of Highland, for many years in both Delaware and Texas state  
25 courts. Patrick Daugherty filed a proof of claim for "at

1 least \$37.4 million" relating to alleged breached employment-  
2 related agreements and for the tort of defamation arising from  
3 a 2017 press release posted by the Debtor.

4 The Debtor and Patrick Daugherty recently announced a  
5 settlement of the Patrick Daugherty claim in the amount of  
6 \$750,000 cash on the effective date, an \$8.25 million general  
7 unsecured claim, and a \$2.75 million subordinated claim.  
8 Other aspects and details of this settlement are being  
9 omitted.

10 Additionally, an entity known as HarbourVest, who invested  
11 more than \$70 million with an entity in the Highland complex,  
12 asserted a \$300 million proof of claim against Highland,  
13 alleging, among other things, fraud and RICO violations. The  
14 HarbourVest claim was settled during the bankruptcy case for a  
15 \$45 million general unsecured claim and a \$35 million junior  
16 claim.

17 Other than these claims just described, most of the other  
18 claims in this case are claims asserted against the Debtor by  
19 other entities in the Highland complex, most of which entities  
20 the Court finds to be controlled by Mr. Dondero; claims of  
21 employees who believe that they are entitled to large bonuses  
22 or other types of deferred compensation; and claims of  
23 numerous law firms that did work for Highland and were unpaid  
24 for amounts due to them on the petition date.

25 Yet another reason this is not your garden-variety Chapter

1 11 case is its postpetition corporate governance structure.  
2 Highland filed bankruptcy October 16, 2019. Contentiousness  
3 with the Creditors' Committee began immediately, with first  
4 the Committee's request for a change of venue from Delaware to  
5 Dallas, and then a desire by the Committee and the U.S.  
6 Trustee for a Chapter 11 or 7 trustee to be appointed due to  
7 concerns over and distrust of Mr. Dondero and his numerous  
8 conflicts of interest and alleged mismanagement or worse.

9 After many weeks of the threat of a trustee lingering, the  
10 Debtor and the Creditors' Committee negotiated and the Court  
11 approved a corporate governance settlement on January 9, 2020  
12 that resulted in Mr. Dondero no longer being an officer or  
13 director of the Debtor or of its general partner, Strand.

14 As part of the court-approved settlement, three eminently-  
15 qualified Independent Directors were chosen by the Creditors'  
16 Committee and engaged to lead Highland through its Chapter 11  
17 case. They were James Seery, John Dubel, and Retired  
18 Bankruptcy Judge Russell Nelms. They were technically the  
19 Independent Directors of Strand, the general partner of the  
20 Debtor. Mr. Dondero had previously been the sole director of  
21 Strand, and thus the sole person in ultimate control of the  
22 Debtor.

23 The three independent board members' resumes are in  
24 evidence. James Seery eventually was named CEO of the Debtor.  
25 Suffice it to say that this changed the entire trajectory of

1 the case. This saved the Debtor from a trustee. The Court  
2 trusted the new directors. The Creditors' Committee trusted  
3 them. They were the right solution at the right time.

4 Because of the unique character of the Debtor's business,  
5 the Court believed this solution was far better than a  
6 conventional Chapter 7 or 11 trustee. Mr. Seery, in  
7 particular, knew and had vast experience at prominent firms  
8 with high-yield and distressed investing similar to the  
9 Debtor's business. Mr. Dubel had 40 years of experience  
10 restructuring large, complex businesses and serving on their  
11 boards of directors in this context. And Retired Judge Nelms  
12 had not only vast bankruptcy experience but seemed  
13 particularly well-suited to help the Debtor maneuver through  
14 conflicts and ethical quandaries.

15 By way of comparison, in the Chapter 11 case of Acis, the  
16 former affiliate of Highland that this Court presided over two  
17 or three years ago, which company was much smaller in size and  
18 scope than Highland, managing only five or six CLOs, a Chapter  
19 11 trustee was elected by the creditors that was not on the  
20 normal rotation panel for trustees in this district, but  
21 rather was a nationally-known bankruptcy attorney with more  
22 than 45 years of large Chapter 11 case experience. This  
23 Chapter 11 trustee performed valiantly, but was sued by  
24 entities in the Highland complex shortly after he was  
25 appointed, which this Court had to address. The Acis trustee

1 could not get Highland and its affiliates to agree to any  
2 actions taken in the case, and he finally obtained  
3 confirmation of a plan over Highland and its affiliates'  
4 objections in his fourth attempted plan, which confirmation  
5 then was promptly appealed by Highland and its affiliates.

6 Suffice it to say it was not easy to get such highly-  
7 qualified persons to serve as independent board members and  
8 CEO of this Debtor. They were stepping into a morass of  
9 problems. Naturally, they were worried about getting sued, no  
10 matter how defensible their efforts might be, given the  
11 litigation culture that enveloped Highland historically. It  
12 seemed as though everything always ended in litigation at  
13 Highland.

14 The Court heard credible testimony that none of them would  
15 have taken on the role of Independent Director without a good  
16 D&O insurance policy protecting them, without indemnification  
17 from Strand, guaranteed by the Debtor; without exculpation for  
18 mere negligence claims; and without a gatekeeper provision,  
19 such that the Independent Directors could not be sued without  
20 the bankruptcy court, as a gatekeeper, giving a potential  
21 plaintiff permission to sue.

22 With regard to the gatekeeper provision, this was  
23 precisely analogous to what bankruptcy trustees have pursuant  
24 to the so-called "Barton Doctrine," which was first  
25 articulated in an old U.S. Supreme Court case.

1 The Bankruptcy Court approved all of these protections in  
2 a January 9, 2020 order. No one appealed that order. And Mr.  
3 Dondero signed the settlement agreement that was approved by  
4 that order.

5 An interesting fact about the D&O policy came out in  
6 credible testimony at the confirmation hearing. Mr. Dubel and  
7 an insurance broker from Aon, named Marc Tauber, both credibly  
8 testified that the gatekeeper provision was needed because of  
9 the so-called, and I quote, "Dondero Exclusion" in the  
10 insurance marketplace.

11 Specifically, the D&O insurers in the marketplace did not  
12 want to cover litigation claims that might be brought against  
13 the Independent Directors by Mr. Dondero because the  
14 marketplace of D&O insurers are aware of Mr. Dondero's  
15 litigiousness. The insurers would not have issued a D&O  
16 policy to the Independent Directors without either the  
17 gatekeeping provision or a "Dondero Exclusion" being in the  
18 policy.

19 Thus, the gatekeeper provision was part of the January 9,  
20 2020 settlement. There was a sound business justification for  
21 it. It was reasonable and necessary. It was consistent with  
22 the Barton Doctrine in an extremely analogous situation --  
23 *i.e.*, the independent board members were analogous to a three-  
24 headed trustee in this case, if you will. Mr. Dondero signed  
25 off on it. And, again, no one ever appealed the order

1 approving it.

2 The Court finds that, like the Creditors' Committee, the  
3 independent board members here have been resilient and  
4 unwavering in their efforts to get the enormous problems in  
5 this case solved. They seem to have at all times negotiated  
6 hard and with good faith. As noted previously, they changed  
7 the entire trajectory of this case.

8 Still another reason why this was not your garden-variety  
9 case was the mediation effort. In summer of 2020, roughly  
10 nine months into the Chapter 11 case, this Court ordered  
11 mediation among the Debtor, Acis, UBS, the Redeemer Committee,  
12 and Mr. Dondero. The Court selected co-mediators, since this  
13 seemed like such a Herculean task, especially during COVID-19,  
14 where people could not all be in the same room. Those co-  
15 mediators were Retired Bankruptcy Judge Allan Gropper from the  
16 Southern District of New York, who had a distinguished career  
17 presiding over complex Chapter 11 cases, and Ms. Sylvia Mayer,  
18 who likewise has had a distinguished career, first as a  
19 partner in a preeminent law firm working on complex Chapter 11  
20 cases, and subsequently as a mediator and arbitrator in  
21 Houston, Texas.

22 As noted earlier, the Acis claim was settled during the  
23 mediation, which seemed nothing short of a miracle to this  
24 Court, and the UBS claim was settled many months later, and  
25 this Court believes the groundwork for that ultimate

1 settlement was laid, or at least helped, through the  
2 mediation. And as earlier noted, other enormous claims have  
3 been settled during this case, including that of the Redeemer  
4 Committee, who, again, had asserted approximately or close to  
5 a \$200 million claim; HarbourVest, who asserted a \$300 million  
6 claim; and Patrick Daugherty, who asserted close to a \$40  
7 million claim.

8 This Court cannot stress strongly enough that the  
9 resolution of these enormous claims and the acceptance of all  
10 of these creditors of the Plan that is now before the Court  
11 seems nothing short of a miracle. It was more than a year in  
12 the making.

13 Finally, a word about the current remaining Objectors to  
14 the Plan before the Court. Once again, the Court will use the  
15 phrase "not garden-variety." Originally, there were over one  
16 dozen objections filed to this Plan. The Debtor has made  
17 various amendments or modifications to the Plan to address  
18 some of these objections. The Court finds that none of these  
19 modifications require further solicitation, pursuant to  
20 Sections 1125, 1126, 1127 of the Code, or Bankruptcy Rule  
21 3019, because, among other things, they do not materially  
22 adversely change the treatment of the claims of any creditor  
23 or interest holder who has not accepted in writing the  
24 modifications.

25 Among other things, there were changes to the projections

1 that the Debtor filed shortly before the confirmation hearing  
2 that, among other things, show the estimated distribution to  
3 creditors and compare plan treatment to a likely disbursement  
4 in a Chapter 7.

5 These do not constitute a materially adverse change to the  
6 treatment of any creditors or interest holders. They merely  
7 update likely distributions based on claims that have now been  
8 settled, and they've otherwise incorporated more recent  
9 financial data. This happens often before confirmation  
10 hearings. The Court finds that it did not mislead or  
11 prejudice any creditors or interest holders, and certainly  
12 there was no need to resolicit the Plan.

13 The only Objectors to the Plan left at this time were Mr.  
14 Dondero and entities that the Court finds are controlled by  
15 him. The standing of these entities to object to the Plan  
16 exists, but the remoteness of their economic interest is  
17 noteworthy, and the Court questions the good faith of the  
18 Objectors. In fact, the Court has good reason to believe that  
19 these parties are not objecting to protect economic interests  
20 they have in the Debtor, but to be disruptors.

21 Mr. Dondero wants his company back. This is  
22 understandable. But it's not a good faith basis to lob  
23 objections to the Plan. The Court has slowed down  
24 confirmation multiple times on the current Plan and urged the  
25 parties to talk to Mr. Dondero. The parties represent that

1 they have, and the Court believes that they have.

2 Now, to be specific about the remoteness of the objectors'  
3 interests, the Court will address them each separately.

4 First, Mr. Dondero has a pending objection. Mr. Dondero's  
5 only economic interest with regard to the Debtor at this point  
6 is an unliquidated indemnification claim. And based on  
7 everything this Court has heard, his indemnification claim  
8 will be highly questionable at this juncture.

9 Second, a joint objection has been filed by the Dugaboy  
10 Trust and the Get Good Trust. As for the Dugaboy Trust, it  
11 was created to manage the assets of Mr. Dondero and his  
12 family, and it owns a 0.1866 percent limited partnership  
13 interest in the Debtor. The Court is not clear what economic  
14 interest the Get Good Trust has, but it likewise seems to be  
15 related to Mr. Dondero, and it has been represented to the  
16 Court numerous times that the trustee is Mr. Dondero's college  
17 roommate.

18 Another group of Objectors that has joined together in one  
19 objection is what the Court will refer to as the Highland and  
20 NexPoint Advisors and Funds. The Court understands they  
21 assert disputed administrative expense claims against the  
22 estate. While the evidence presented was that they have  
23 independent board members that run these companies, the Court  
24 was not convinced of their independence from Mr. Dondero.  
25 None of the so-called independent board members of these

1 entities have ever testified before the Court. Moreover, they  
2 have all been engaged with the Highland complex for many  
3 years.

4 The witness who testified on these Objectors' behalves at  
5 confirmation, Mr. Jason Post, their chief compliance officer,  
6 resigned from Highland after more than twelve years in October  
7 2020, at the same time that Mr. Dondero resigned or was  
8 terminated by Highland. And a prior witness recently for  
9 these entities whose testimony was made part of the record at  
10 the confirmation hearing essentially testified that Mr.  
11 Dondero controlled these entities.

12 Finally, various NexBank entities objected to the Plan.  
13 The Court does not believe they have liquidated claims. Mr.  
14 Dondero appears to be in control of these entities as well.

15 To be clear, the Court has allowed all of these objectors  
16 to fully present arguments and evidence in opposition to  
17 confirmation, even though their economic interests in the  
18 Debtor appear to be extremely remote and the Court questions  
19 their good faith. Specifically on that latter point, the  
20 Court considers them all to be marching pursuant to the orders  
21 of Mr. Dondero.

22 In the recent past, Mr. Dondero has been subject to a TRO  
23 and preliminary injunction by the Bankruptcy Court for  
24 interfering with the current CEO's management of the Debtor in  
25 specific ways that were supported by evidence. Around the

1 time that this all came to light and the Court began setting  
2 hearings on the alleged interference, Mr. Dondero's company  
3 phone supplied to him by Highland, which he had been asked to  
4 turn in, mysteriously went missing. The Court merely mentions  
5 this in this context as one of many reasons that the Court has  
6 to question the good faith of Mr. Dondero and his affiliated  
7 objectors.

8 The only other pending objection besides these objections  
9 of the Dondero and Dondero-controlled entities is an objection  
10 of the United States Trustee pertaining to the release,  
11 exculpation, and injunction provisions in the Plan.

12 In juxtaposition to these pending objections, the Court  
13 notes that the Debtor has resolved earlier-filed objections to  
14 the Plan filed by the IRS, Patrick Daugherty, CLO Holdco,  
15 Ltd., numerous local taxing authorities, and certain current  
16 and former senior-level employees of the Debtor.

17 With that rather detailed factual background addressed,  
18 because certainly context matters here, the Court now  
19 addresses what it considers the only serious objections raised  
20 in connection with confirmation. Specifically, the Plan  
21 contain certain releases, exculpation, plan injunctions, and a  
22 gatekeeper provision which are obviously not fully consensual,  
23 since there are objections. Certainly, these provisions are  
24 mostly consensual when you consider that parties with hundreds  
25 of millions of dollars' worth of legitimate claims have not

1 objected to them.

2 First, a word about plan releases generally, since the  
3 Objectors at times seem to gloss over, in this Court's view,  
4 relevant distinctions, and seem to refer to the plan releases  
5 in this Plan and the exculpations and the plan injunctions all  
6 as impermissible third-party releases, when, in fact, they are  
7 not, *per se*.

8 It has, without a doubt, become quite commonplace in  
9 complex Chapter 11 bankruptcy cases to have three categories  
10 of releases in plans. These three types are as follows.

11 First, Debtor Releases. A debtor release involves a  
12 release by the debtor and its bankruptcy estate of claims  
13 against nondebtor third-parties. For example, a release may  
14 be granted in favor of creditors, directors, officers,  
15 employees, professionals who participated in the bankruptcy  
16 process. This is the least-controversial type of release  
17 because the debtor is extinguishing its own claims, which are  
18 property of the estate, that a debtor has authority to utilize  
19 or not, pursuant to Sections 541 and 363 of the Bankruptcy  
20 Code.

21 Authority for a debtor release pursuant to a plan arises  
22 out of Section 1123(b)(3)(A), which indicates that a plan may  
23 provide for "the settlement or adjustment of any claim or  
24 interest belonging to the debtor or to the estate."

25 In this context, it would appear that the only analysis

1 required is to determine whether the release or settlement of  
2 the claim is an exercise of reasonable business judgment on  
3 that part of the debtor, is it fair and equitable, is it in  
4 the best interest of the estate, given all the relevant facts  
5 and circumstances? Also relevant is whether there's  
6 consideration given of some sort by the releasees.

7 Now, the second type of very commonplace Chapter 11 plan  
8 release is an exculpation. Chapter 11 plans also very often  
9 have these exculpation provisions, and they're something much  
10 narrower in scope and time than a full-fledged release. An  
11 exculpation provision is more like a shield for a certain  
12 subset of key actors in the case for their acts during and in  
13 connection with the case, which acts may have been merely  
14 negligent.

15 Specifically, a plan may absolve certain actors -- usually  
16 estate fiduciaries -- such as an Official Unsecured Creditors'  
17 Committee and its members, Committee professionals, sometimes  
18 Debtor professionals, senior management, officers and  
19 directors of the Debtor, from any liability for postpetition  
20 negligent conduct -- *i.e.*, conduct which occurred during the  
21 administration of the Chapter 11 case and in the negotiation,  
22 drafting, and implementation of a plan. An exculpation  
23 provision typically excludes gross negligence and willful  
24 misconduct. It is usually worded in a passive voice, so it  
25 may seem a little unclear as to whether it is actually a

1 release and by whom.

2 In any event, the rationale is that parties who actively  
3 participate in a court-approved process -- often, court-  
4 approved transactions by court order -- should receive  
5 protection for their work. Otherwise, who would want to work  
6 in such a messy, contentious situation, only to be sued for  
7 alleged negligence for less-than-perfect end results?

8 Chapter 11 end results are not always pretty. One could  
9 argue that these exculpation provisions, though, are much ado  
10 about nothing. Why? For one thing, again, the shield is only  
11 as to negligent conduct. There is no shield for other  
12 problematic conduct, such as gross negligence or willful  
13 misconduct.

14 Second, in many situations, any claims or causes of action  
15 that might arise will belong to the Debtor or its estate.  
16 Thus, they would already be released pursuant to a debtor  
17 release.

18 Additionally, there is case law stating that, where a  
19 claim is brought against an estate professional whose fees  
20 have already been approved in a final fee application, any  
21 claims are barred by *res judicata*. Thus, exculpated  
22 professionals would only have potential exposure for a very  
23 short window of time, until final fee applications.

24 Additionally, certain case law in Texas makes clear that  
25 an attorney generally does not owe any duties to persons other

1 than his own client.

2 All of this suggests that the shield of a typical  
3 exculpation provision may rarely become useful or needed.

4 Moving now to the third type of release, a true third-  
5 party release, Chapter 11 plans also sometimes contain third-  
6 party releases. A true third-party release involves the  
7 release of claims held by nondebtor third parties against  
8 other nondebtor third parties, and there is often no  
9 limitation on the scope and time of the claims released.

10 This is the most heavily scrutinized of the three types of  
11 plan releases. Much of the case authority focuses on whether  
12 a third-party release is consensual or not in analyzing their  
13 propriety and/or enforceability.

14 In Highland, there are no third-party releases. Rather,  
15 there are debtor releases and exculpations. There also happen  
16 to be plan injunctions and gatekeeper provisions that have  
17 been challenged. The Objectors argue that these provisions  
18 violate the Fifth Circuit's opinion in *Pacific Lumber* or are  
19 otherwise beyond the jurisdiction or authority of the  
20 bankruptcy court. These arguments are now addressed.

21 First, the debtor release is found at Article IX.D of the  
22 Plan. The language, in pertinent part, reads as follows. "On  
23 and after the effective date, each Released Party is deemed to  
24 be hereby conclusively, absolutely, unconditionally,  
25 irrevocably, and forever released and discharged by the Debtor

1 and the Estate, in each case on behalf of themselves and their  
2 respective successors, assigns, and representatives, including  
3 but not limited to the Claimant Trust and the Litigation Sub-  
4 Trust, from any and all causes of action, including any  
5 derivative claims, asserted on behalf of the Debtor, whether  
6 known or unknown, foreseen or unforeseen, matured or  
7 unmatured, existing or hereafter arising, in law, equity,  
8 contract, tort, or otherwise, that the Debtor or the Estate  
9 would have been legally entitled to assert in their own right,  
10 whether individually or collectively, or on behalf of the  
11 holder of any claim against, or interest in, a debtor or other  
12 person."

13       There are certain exceptions discussed, and then Released  
14 Parties are defined at Definition 113 of the Plan collectively  
15 as: the Independent Directors; Strand, solely from the date  
16 of the appointment of the Independent Directors through the  
17 effective date; the CEO/CRO; the Committee, the members of the  
18 Committee, in their official capacities; the professionals  
19 retained by the Debtor and the Committee in the Chapter 11  
20 case; and the employees. This is a defined term in the Plan  
21 Supplement and does not include certain employees.

22       To be clear, these are not third-party releases such as  
23 addressed in the *Pacific Lumber* case. These are the Debtor's  
24 and/or the bankruptcy estate's causes of action that are  
25 proposed to be released. Releases by a debtor are

1 discretionary and can be provided by a debtor to persons who  
2 have provided consideration to the debtor and the estate.  
3 Section 1123(b)(3)(A) of the Bankruptcy Code permits this.

4 The evidence here supported the notion that these releases  
5 are a *quid pro quo* for the Released Parties' significant  
6 contributions to a highly complex and contentious  
7 restructuring. The Debtor is releasing its own claims. Some  
8 of the Released Parties would have indemnification rights  
9 against the Debtor. And the Debtor's CEO, James Seery,  
10 credibly testified that he does not believe any claims exist  
11 as to the Released Parties. The Court approves the Debtor  
12 releases and overrules the objections to them.

13 Next, the exculpations appear at Article IX.C of the Plan  
14 and provide as follows: Subject in all respects to Article  
15 XII.D of the Plan, to the maximum extent permitted by  
16 applicable law, no Exculpated Party will have or incur, and  
17 each Exculpated Party is hereby exculpated from, any claim,  
18 obligation, suit, judgment, damage, demand, debt, right, cause  
19 of action, remedy, loss, and liability for conduct occurring  
20 on or after the petition date in connection with or arising  
21 out of the filing and administration of the Chapter 11 case,  
22 the negotiation and pursuit of a disclosure statement, the  
23 Plan, or the solicitation of votes for or confirmation of the  
24 Plan, the funding or consummation of the Plan, or any related  
25 agreements, instruments, et cetera, et cetera, whether or not

1 such Plan distributions occur following the effective date,  
2 the implementation of the Plan, and any negotiation,  
3 transactions, and documentation in connection with the  
4 foregoing clauses, provided, however, the foregoing will not  
5 apply to any acts or omissions of any Exculpated Party arising  
6 out of or related to acts or omissions that constitute bad  
7 faith, fraud, gross negligence, criminal misconduct, or  
8 willful misconduct; or Strand or any employee other than with  
9 respect to actions taken by such entities from the date of  
10 appointment of the Independent Directors through the effective  
11 date.

12 Exculpated Parties are later defined at Section -- or,  
13 earlier defined at Section 62 of the Plan, Definition No. 62  
14 of the Plan, as later limited by the Debtor, as announced in  
15 the confirmation hearing. And so these are the Exculpated  
16 Parties: the Debtor and its successors and assigns; the  
17 employees, certain employees, as defined; Strand; the  
18 Independent Directors; the Committee, the members of the  
19 Committee, in their official capacities; the professionals  
20 retained by the Debtor and the Committee in the Chapter 11  
21 case; the CEO and CRO; and the related persons as to each of  
22 these parties listed in Part (iv) through (viii) above;  
23 provided, for the avoidance of doubt, and it goes on to say  
24 Dondero, Mark Okada, and various others aren't Exculpated  
25 Parties.

1           Now, as earlier mentioned, the Objectors argue that  
2           *Pacific Lumber*, 584 F.3d 229, a Fifth Circuit case from 2009,  
3           categorically rejects the permissibility of nonconsensual  
4           exculpations as well as third-party releases in a Chapter 11  
5           plan. So the Court is going to take a deep dive into that  
6           assertion.

7           In *Pacific Lumber*, the Fifth Circuit reviewed on appeal  
8           numerous challenges to a confirmed plan of affiliated debtors  
9           known as Palco and Scopac and four subsidiaries. The debtor  
10          Palco owned and operated the sawmill, a power plant, and even  
11          a town called Scotia, California. The debtor Scopac owned  
12          timberlands. A creditor, a secured creditor called Marathon  
13          had a claim against Palco's assets. Marathon estimated  
14          Palco's assets were worth \$110 million. Its claim was \$160  
15          million. Meanwhile, other parties had large secured claims  
16          against the other debtor, Scopac.

17          The plan that the bankruptcy court confirmed, which was on  
18          appeal to the Fifth Circuit, was filed by both the secured  
19          creditor Marathon and a joint plan proponent called MRC. MRC  
20          was a competitor of the debtor Palco. The Marathon/MRC plan  
21          proposed to dissolve all the debtors, cancel intercompany  
22          debts, and create two new entities, Townco and Newco. Almost  
23          all of the debtor Palco's assets, including the town of  
24          Scotia, California, would be transferred to Townco. The  
25          timberlands and other assets, including the sawmill, would be

1 placed in Newco.

2 Marathon and MRC proposed to contribute \$580 million to  
3 Newco to pay claims against Scopac. And Marathon would  
4 convert its secured claim against Palco's assets into equity,  
5 giving it full ownership of Townco, a 15 percent stake in  
6 Newco, and a new note for the sawmill's working capital. MRC  
7 would own the other 80 percent of Newco and would manage and  
8 run the company.

9 An indenture trustee for the secured indebtedness against  
10 Scopac -- which, by the way, had also been a plan proponent of  
11 a competing plan -- appealed the confirmation order, raising  
12 eight distinct issues on appeal. One of the eight issues  
13 pertained to what the Fifth Circuit referred to as a  
14 "nondebtor exculpation and release clause." This issue is  
15 discussed on the last two pages of a very lengthy opinion.

16 While the complained-of provision is not quoted verbatim  
17 in the *Pacific Lumber* opinion, it appears to have been a  
18 typical exculpation clause. Not a third-party release; a  
19 typical exculpation clause. The Fifth Circuit stated, "The  
20 plan releases MRC, Marathon, Newco, Townco, and the Unsecured  
21 Creditors' Committee, and their personnel, from liability,  
22 other than for willful and gross negligence related to  
23 proposing, implementing, and administering the plan" at Page  
24 251.

25 The Fifth Circuit held that "the nondebtor releases must

1 be struck except with respect to the Creditors' Committee and  
2 its members."

3 Footnote 26 of the opinion also states that the appellants  
4 had "not briefed why Newco and Townco or their officers and  
5 directors should not be released," and so "we do not analyze  
6 their position." Rather, the Fifth Circuit merely analyzed  
7 why the exculpation provision was not permissible as to the  
8 two plan proponents, MRC and Marathon.

9 Thus, the Court views *Pacific Lumber* as being a holding  
10 that squarely addressed the propriety of two plan proponents,  
11 a secured lender and a third-party competitor purchaser of the  
12 Debtors, obtaining nonconsensual exculpation in the plan.  
13 However, its reasoning certainly cannot be ignored, strongly  
14 suggesting it would not be inclined to approve an exculpation  
15 for any party other than a Creditors' Committee or its  
16 members.

17 As far as the Fifth Circuit's reasoning, it relied on  
18 Bankruptcy Code Section 524(e) for striking down the  
19 exculpations, stating, "The law states, however, that  
20 discharge of a debt of the debtor does not affect the  
21 liability of any other entity on such debt." Page 251. The  
22 opinion suggests that MRC and Marathon may have tried to argue  
23 that 524(e) did not apply to their exculpations because MRC  
24 and Marathon were not liable as co-obligors in any way on any  
25 of the debtor's debt.

1           The Fifth Circuit seemed dismissive of this argument,  
2           stating as follows, "MRC/Marathon insist the release clause is  
3           part of their bargain because, without the clause, neither  
4           company would have been willing to provide the plan's  
5           financing. Nothing in the records suggests that MRC/Marathon,  
6           the Committee, or the Debtor's officers and directors were co-  
7           liable for the Debtor's prepetition debts. Instead, the  
8           bargain the proponents claim to have purchased is exculpation  
9           from any negligence that occurred during the course of the  
10          case. Any costs the released parties might incur defending  
11          against suits alleging such negligence are unlikely to swamp  
12          either of these parties or the consummated reorganization. We  
13          see little equitable about protecting the released nondebtors  
14          from negligence suits arising out of the reorganization."

15          The Court goes on to note that, in a variety of cases,  
16          that releases have been approved, but these cases "seem  
17          broadly to foreclose nonconsensual nondebtor releases and  
18          permanent injunctions."

19          The Court then adds at Footnote 27 that the Fifth Circuit  
20          in the past did not set aside challenged plan releases that  
21          were in final nonappealable orders and were the subject of  
22          collateral attack much later, citing its famous *Republic*  
23          *Supply v. Shoaf* case, where the Fifth Circuit ruled that *res*  
24          *judicata* barred a debtor from bringing a claim that was  
25          specifically and expressly released by a confirmed

1 reorganization plan because the debtor -- the objector failed  
2 to object to the release at confirmation.

3       The Fifth Circuit in *Pacific Lumber* also noted that the  
4 Bankruptcy Code permits bankruptcy courts to enjoin third-  
5 party asbestos claims under certain circumstances, 524(g),  
6 which the Court said suggests nondebtor releases are most  
7 appropriate as a method to channel mass tort claims towards a  
8 specific pool of assets, citing numerous cases, including  
9 *Johns-Manville*.

10       In reach its holding, the Fifth Circuit saw no reason to  
11 uphold exculpation to the plan proponents MRC and Marathon,  
12 seeming to find it inconsistent with 524(e) under the facts at  
13 bar, but the Court did uphold exculpation for the Creditors'  
14 Committee and its members, stating, "We agree, however, with  
15 courts that have held that 1103(c) under the Code, which lists  
16 the Creditors' Committee's powers, implies Committee members  
17 have qualified immunity for actions within the scope of their  
18 duties." Numerous cites. "The Creditors' Committee and its  
19 members are the only disinterested volunteers among the  
20 parties sought to be released here. The scope of protection,  
21 which does not insulate them from willful and gross  
22 negligence, is adequate."

23       Thus, the Court held that the exculpation provisions in  
24 *Pacific Lumber* must be struck except with regard to the  
25 Creditors' Committee and its members.

1 Now, after all of that, this Court believes the following  
2 can be gleaned from *Pacific Lumber*. First, the Fifth Circuit  
3 hinted that consensual exculpations and/or consensual  
4 nondebtor third-party releases are permissible. The Court  
5 was, of course, dealing with nonconsensual exculpations in  
6 *Pacific Lumber*. In this regard, I note Page 252, where the  
7 Court cited various prior Fifth Circuit authority and then  
8 stated, "These cases seem broadly to foreclose nonconsensual  
9 nondebtor releases and permanent injunctions."

10 The second thing that can be gleaned from *Pacific Lumber*:  
11 The Fifth Circuit hinted that nondebtor releases may be  
12 permissible in cases involving global settlements of mass  
13 claims against the debtors and co-liable parties. The Court,  
14 of course, referred to 524(g), but various other cases which  
15 approved nondebtor releases where mass claims were channeled  
16 to a specific pool of assets.

17 Third, the Fifth Circuit outright held that exculpations  
18 from negligence for a Creditors' Committee and its members are  
19 permissible because the concept is both consistent with  
20 1103(c), "which implies Committee members have qualified  
21 immunity for actions within the scope of their duties," and a  
22 good policy result, since "if members of the Committee can be  
23 sued by persons unhappy with the outcome of the case, it will  
24 be extremely difficult to find members to serve on an official  
25 committee."

1 Fourth, the Fifth Circuit recognized in *Pacific Lumber*  
2 that *res judicata* may bar complaints regarding an  
3 impermissible plan release, citing to its earlier *Republic*  
4 *Supply v. Shoaf* opinion.

5 Now, being ever-mindful of the Fifth Circuit's words in  
6 *Pacific Lumber*, this Court cannot help but wonder about at  
7 least three things.

8 First, did the Fifth Circuit leave open the door that  
9 facts/equities might sometimes justify approval of an  
10 exculpation for a person other than a Creditors' Committee and  
11 its members? For example, the Fifth Circuit stated, in  
12 referring to the plan proponents Marathon and MRC, that "Any  
13 costs the released parties might incur defending against suits  
14 alleging such negligence are unlikely to swamp either of these  
15 parties or the consummated reorganization." Here, this Court  
16 can easily expect the proposed exculpated parties to incur  
17 costs that could swamp them and the reorganization based on  
18 the past litigious conduct of Mr. Dondero and his controlled  
19 entities. Do these words of the Fifth Circuit hint that  
20 equities/economics might sometimes justify an exculpation?

21 Second, did the Fifth Circuit's rationale for permitted  
22 exculpations to Creditors' Committee and their members, which  
23 was clearly policy-based, based on their implied qualified  
24 immunity flowing from their duties in Section 1103 and their  
25 disinterestedness, and the importance of their role in a

1 Chapter 11 case, did this rationale leave open the door to  
2 sometimes permitting exculpations to other parties in a  
3 particular Chapter 11 case besides Creditors' Committees and  
4 their members? For example, in a situation such as the  
5 Highland case, in which Independent Directors, brought in to  
6 avoid a trustee, are more like a Creditors' Committee than an  
7 incumbent board of directors.

8 Third, the Fifth Circuit's sole statutory basis was  
9 Section 524(e). This Court would humbly submit that this is a  
10 statute dealing with prepetition liability in which some  
11 nondebtor is liable with the Debtor. Exculpation is a concept  
12 dealing with postpetition liability.

13 The Ninth Circuit recently, in a case called *Blixseth v.*  
14 *Credit Suisse*, 961 F.3d 1074 (9th Cir. 2020), approved the  
15 validity of an exculpation clause incorporated into a  
16 confirmed Chapter 11 plan that purported to absolve certain  
17 nondebtor parties that were "closely involved" in drafting the  
18 plan. They were the largest secured creditor, a purchaser,  
19 and an individual who was an indirect owner of certain of the  
20 debtor companies. The exculpation was from any negligence,  
21 liability, for "any act or omission in connection with,  
22 related to, or arising out of the Chapter 11 cases."

23 By the time the appeal was before the Ninth Circuit, the  
24 only issue was the propriety of the exculpation clause as to  
25 the large secured creditor, which was also a plan proponent,

1 since all the other exculpated parties had settled with the  
2 appellant.

3 The Court, in determining that the exculpation clause was  
4 permissible as to the secured lender, concluded that Section  
5 524(e) "does not bar a narrow exculpation clause of the kind  
6 here at issue -- that is, one focused on actions of various  
7 participants in the plan approval process and relating only to  
8 that process," Page 1082. Why? Because "Section 524(e)  
9 establishes that discharge of a debt of the debtor does not  
10 affect the liability of any other entity on such debt." In  
11 other words, the discharge in no way affects the liability of  
12 any other entity for the discharged debt. By its terms,  
13 524(e) prevents a bankruptcy court from extinguishing claims  
14 of creditors against nondebtors over the very discharged debt  
15 through the bankruptcy proceedings.

16 The Court went on to explicitly disagree with *Pacific*  
17 *Lumber* in its analysis of 524(e), reiterating that an  
18 exculpation clause covers only liabilities arising from the  
19 bankruptcy proceedings and not of any of the debtor's  
20 discharged debt. Footnote 7, Page 1085.

21 Ultimately, the Court held that under Section 105(a),  
22 which empowers a bankruptcy court to issue any order, process,  
23 or judgment that is necessary or appropriate to carry out the  
24 provisions of Chapter 11 and Section 1123, which establishes  
25 the appropriate content of the bankruptcy plan, under these

1 sections, the bankruptcy court had authority to approve an  
2 exculpation clause intended to trim subsequent litigation over  
3 acts taken during the bankruptcy proceedings and so render the  
4 plan viable.

5 This Court concludes that, just as the Fifth Circuit left  
6 open the door for consensual exculpations and releases in  
7 *Pacific Lumber*, just as it left open the door for consensual  
8 exculpations and releases in *Pacific Lumber*, its dicta  
9 suggests that an exculpation might be permissible if there is  
10 a showing that "costs that the released parties might incur  
11 defending against suits alleging such negligence are likely to  
12 swamp either the Exculpated Parties or the reorganization."  
13 Again, that was a quote from the Fifth Circuit.

14 If ever there were a risk of that happening in a Chapter  
15 11 reorganization, it is this one. The Debtor's current CEO  
16 credibly testified that Mr. Dondero has said outside the  
17 courtroom that if Mr. Dondero's own pot plan does not get  
18 approved, that he will "burn the place down." Here, this  
19 Court can easily expect the proposed exculpated parties might  
20 expect to incur costs that could swamp them and the  
21 reorganization process based on the past litigious conduct of  
22 Mr. Dondero and his controlled entities.

23 Additionally, this Court concludes that the Fifth  
24 Circuit's rationale in *Pacific Lumber* for permitted  
25 exculpations to Creditors' Committees and their members, which

1 was clearly policy-based based on their implied qualified  
2 immunity flowing from Section 1103 and their importance in a  
3 Chapter 11 case, leaves the door open to sometimes permitting  
4 exculpations to other parties in a particular Chapter 11 case  
5 besides a UCC and its members.

6 Again, if there was ever such a case, the Court believes  
7 it is this one, in which Independent Directors were brought in  
8 to avoid a trustee and are much more like a Creditors'  
9 Committee than an incumbent board of directors. While,  
10 admittedly, there are a few exculpated parties here proposed  
11 beyond the independent board, such as certain employees, it  
12 would appear that no one is invulnerable to a lawsuit here if  
13 past is prologue in this Highland saga.

14 The Creditors' Committee was initially not keen on  
15 exculpations for certain employees. However, Mr. Seery  
16 credibly testified that there was a contentious arm's-length  
17 negotiation over this and that he needs these employees to  
18 preserve value implementing the Plan. Mr. Dondero has shown  
19 no hesitancy to litigate with former employees in the past, to  
20 the *nth* degree, and there is every reason to believe he would  
21 again in the future, if able.

22 Finally, in this situation, in the case at bar, we would  
23 appear to have a *Shoaf* reason to approve the exculpations.  
24 The January 9, 2020 order of this Court, Docket Entry 339,  
25 which approved the independent board and an ongoing corporate

1 governance structure for this case, and which is incorporated  
2 into the Plan at Article IX.H, provided as follows: "No  
3 entity may commence or pursue a claim or cause of action of  
4 any kind against any Independent Director, any Independent  
5 Director's agents, or any Independent Director's advisors  
6 relating in any way to the Independent Director's role as an  
7 Independent Director of Strand without the Court (1) first  
8 determining, after notice, that such claim or cause of action  
9 represents a colorable claim of willful misconduct or gross  
10 negligence against Independent Director, any Independent  
11 Director's agents, or any Independent Director's advisors; and  
12 (2) specifically authorizing such entity to bring such a  
13 claim. The Court will have sole jurisdiction to adjudicate  
14 any claim for which approval of the Court to commence or  
15 pursue has been granted."

16 This was both an exculpation from negligence as to the  
17 Independent Directors and their agents and advisors, as well  
18 as a gatekeeping provision. This Court believes that this  
19 provision basically approved an exculpation for the  
20 Independent Directors way back on January 9, 2020 for their  
21 postpetition conduct that might be negligent. And this is the  
22 law of the case and has *res judicata* preclusive effect now.

23 Thus, as to the three Independent Directors, as well as  
24 the other named parties in the January 9, 2020 order, their  
25 agents, their advisors, we have a situation that fits within

1 *Republic Supply v. Shoaf*, and we fit within the exception  
2 articulated in *Pacific Lumber*.

3 The Court reserves the right to supplement these findings  
4 and conclusions as to the exculpations, but based on the  
5 foregoing, they are approved and the objections are overruled.

6 Now, turning to the Plan objection, it appears at Article  
7 IX.F of the Plan and provides, in pertinent part, as follows:  
8 Upon entry of the confirmation order, all enjoined parties are  
9 and shall be permanently enjoined on and after the effective  
10 date from taking any action to interfere with the  
11 implementation or consummation of the Plan. Except as  
12 expressly provided in the Plan, the confirmation order, or a  
13 separate order of the Bankruptcy Court, all Enjoined Parties  
14 are and shall be permanently enjoined on and after the  
15 effective date, with respect to any claims and interests, from  
16 directly or indirectly -- and then commencing, conducting,  
17 continuing any suit, action, proceeding of any kind, and  
18 numerous other acts of that vein.

19 The injunction set forth herein shall extend to and apply  
20 to any act of the type set forth in any of the causes above  
21 against any successors to the Debtor, including but not  
22 limited to the Reorganized Debtor, the Litigation Sub-Trust,  
23 and the Claimant Trust, and their respective property and  
24 interests in property.

25 Plan injunctions like this are commonplace and

1 appropriate. They are entirely consistent with and  
2 permissible under Bankruptcy Code Sections 1123(a)(5),  
3 1123(a)(6), 1141(a) and (c), and 1142, as well as Bankruptcy  
4 Rule 3016(c), which articulates the form that a plan  
5 injunction must be set forth in a plan.

6 The Court finds the objections to the Plan Injunctions to  
7 be unfounded, and they are thus overruled without much  
8 discussion here.

9 Now, lastly, the Gatekeeper Provision. It appears at  
10 Paragraph 4 of Article IX.F of the Plan and provides, in  
11 pertinent part, "Subject in all respects to Article XII.D, no  
12 Enjoined Party may commence or pursue a claim or cause of  
13 action of any kind against any Protected Party that arose or  
14 arises from or is related to the Chapter 11 case, the  
15 negotiation of the Plan, the administration of the Plan, or  
16 property to be distributed under the Plan, the wind-down of  
17 the business of the Debtor or Reorganized Debtor, the  
18 administration of the Claimant Trust or the Litigation Sub-  
19 Trust, or the transactions in furtherance of the foregoing,  
20 without the Bankruptcy Court (1) first determining, after  
21 notice and a hearing, that such claim or cause of action  
22 represents a colorable claim of any kind, including but not  
23 limited to negligence, bad faith, criminal misconduct and  
24 willful misconduct, fraud, or gross negligence against a  
25 Protected Party; and (2) specifically authorizing such

1 Enjoined Party to bring such claim or cause of action against  
2 such Protected Party, provided, however, that the foregoing  
3 will not apply to a claim or cause of action against Strand or  
4 against any employee other than with respect to actions taken,  
5 respectively, by Strand or any such employee from the date of  
6 appointment of the Independent Directors through the effective  
7 date. The Bankruptcy Court will have sole and exclusive  
8 jurisdiction to determine whether a claim or cause of action  
9 is colorable and, only to the extent legally permissible and  
10 as provided for in Article XI, shall have jurisdiction to  
11 adjudicate the underlying colorable claim or cause of action."

12 This gatekeeper provision appears necessary and reasonable  
13 in light of the litigiousness of Mr. Dondero and his  
14 controlled entities that has been described at length herein.  
15 Provisions similar to this have been approved in this district  
16 in the *Pilgrim's Pride* case and the *CHC Helicopter* case. The  
17 provision is within the spirit of the Supreme Court's Barton  
18 Doctrine. And it appears consistent with the notion of a pre-  
19 filing injunction to deter vexatious litigants that has been  
20 approved by the Fifth Circuit in such cases as *Baum v. Blue*  
21 *Moon Ventures*, 513 F.3d 181, and in the *In re Carroll* case,  
22 850 F.3d 811, which arose out of a bankruptcy pre-filing  
23 injunction.

24 The Fifth Circuit, in fact, noted in the *Carroll* case that  
25 federal courts have authority to enjoin vexatious litigants

1 under the All Writs Act, 28 U.S.C. § 1651. And additionally,  
2 under the Bankruptcy Code, a bankruptcy court can issue any  
3 order, including a civil contempt order, necessary or  
4 appropriate to carry out the provisions of the Code, citing,  
5 of course, 105 of the Bankruptcy Code.

6 The Fifth Circuit stated that, when considering whether to  
7 enjoin future filings against a vexatious litigant, a  
8 bankruptcy court must consider the circumstances of the case,  
9 including four factors: (1) the party's history of  
10 litigation; in particular, whether he has filed vexatious,  
11 harassing, or duplicative lawsuits; (2) whether the party had  
12 a good faith basis for pursuing the litigation, or perhaps  
13 intended to harass; (3) the extent of the burden on the courts  
14 and other parties resulting from the party's filings; and (4)  
15 the adequacy of alternatives.

16 In the *Baum* case, the Fifth Circuit stated that the  
17 traditional standards for injunctive relief -- *i.e.*,  
18 irreparable harm and inadequate remedy at law -- do not apply  
19 to the issuance of an injunction against a vexatious litigant.

20 Here, although I have not been asked to declare Mr.  
21 Dondero and his affiliated entities as vexatious litigants *per*  
22 *se*, it is certainly not beyond the pale to find that his long  
23 history with regard to the major creditors in this case has  
24 strayed into that possible realm, and thus this Court is  
25 justified in approving this provision.

1           One of the Objectors' lawyers stated very eloquently in  
2 closing argument, in opposing the plan injunction and  
3 gatekeeping provisions, that "Even a serial killer has  
4 constitutional rights," suggesting that these provisions would  
5 deprive Mr. Dondero and his controlled entities of fundamental  
6 rights or due process somehow. But to paraphrase the district  
7 court in the *Carroll* case, no one, rich or poor, is entitled  
8 to abuse the judicial process. There exists no constitutional  
9 right of access to the courts to prosecute actions that are  
10 frivolous or malicious. The Plan injunction and gatekeeper  
11 provisions in Highland's plan simply set forth a way for this  
12 Court to use its tools, its inherent powers, to avoid abuse of  
13 the court system, protect the implementation of the Plan, and  
14 preempt the use of judicial time that properly could be used  
15 to consider the meritorious claims of other litigants.

16           Accordingly, the Objectors' objections to this provision  
17 are overruled.

18           As earlier stated, this Court reserves the right to alter  
19 or supplement this ruling in a written order. In this regard,  
20 the Court directs Debtor's counsel -- I hope you are still  
21 awake; it's been a long time -- the Court directs Debtor's  
22 counsel to submit a form of order. And specifically, I assume  
23 that you've already prepared or have been in the process of  
24 preparing a set of findings of fact, conclusions of law, and  
25 confirmation order that tracks the confirmation evidence and

1 recites conclusions of law that the Plan complies with all the  
2 various provisions of Section 1123, 1129, and other applicable  
3 Code provisions.

4 What I want you to do is take this bench ruling and add it  
5 to what you've prepared. And what I mean is, as you can tell,  
6 I've been reading: I will have my courtroom deputy email to  
7 you all a copy of what I just read. I'll have her obviously  
8 copy the Debtor's counsel, Creditors' Committee, Dondero and  
9 the other Objectors, copy them on this written document she's  
10 going to send out. And, again, I want you to kind of meld it  
11 into what you've already been preparing.

12 Obviously, I did not address in this oral ruling every  
13 provision of 1129(a) and (b). I did not address every 1123  
14 objection. I did not even address every single objection of  
15 the Objectors. But, again, any objection I've not  
16 specifically addressed today is overruled.

17 The briefing, I should say, that the Debtor submitted,  
18 there was a Memorandum of Law in Support of Confirmation filed  
19 on January 22nd. There was also a reply brief, a hundred  
20 pages or so, separately filed, replying to all the objections.  
21 I don't disagree with anything that was in that. So, again,  
22 to the extent you want to send me conclusions of law that are  
23 along the lines of that briefing, I would consider that.

24 And so what I thought is you'll send me the melded  
25 document and I will edit it if I see fit. I recognize this

1 may take a few days, so I don't give you a strict timetable,  
2 just hopefully it won't take too many days.

3 All right. Is there anyone out there -- Mr. Pomerantz,  
4 you had to go to jury duty, except I can't believe --

5 MR. POMERANTZ: No, I --

6 THE COURT: I can't believe you were called, but are  
7 you there?

8 MR. POMERANTZ: Your Honor, I am here. I was luckily  
9 excused, because I probably wouldn't have made it.

10 Your Honor, one just comment I'd make. You referred to  
11 the January 9th order. You didn't refer to the CEO order,  
12 which is your order July 16th, which had the same gatekeeper  
13 provision. I assume that was the same analysis?

14 THE COURT: That was an oversight. Same analysis.  
15 And that's exactly why I said I reserve the right to  
16 supplement or amend, because I know there had to be places  
17 like that where I omitted to mention something important.

18 MR. POMERANTZ: But thank you, Your Honor, for your  
19 thoughtful ruling, and we will certainly incorporate your  
20 materials into the order that we're working on and get it to  
21 you when we can. But we appreciate it on behalf of the  
22 Debtor. We know this took a lot of time and a lot of effort.  
23 Hopefully, you got a chance to still watch the Super Bowl  
24 yesterday.

25 THE COURT: Well, when I saw that Tom Brady was going

1 to win, I turned it off.

2 I'm sorry. That's terrible. You know, my law clerk, my  
3 law clerk that you can't see, Nate, he is from Ann Arbor,  
4 Michigan, University of Michigan, and he almost cried when I  
5 said I didn't like Tom Brady the other day. So, I apologize.

6 MR. POMERANTZ: Your Honor, one other comment. We  
7 had our motion to assume our nonresidential real property  
8 lease that was also on. It got missed in all the fanfare, but  
9 it was -- it has been unopposed and essentially done pursuant  
10 to stipulation. So we'd like to submit an order on that as  
11 well.

12 THE COURT: Okay. I have seen that, and I approve it  
13 under 365. You may submit the order. Okay. Thank you.

14 MR. POMERANTZ: Thank you, Your Honor.

15 THE CLERK: All rise.

16 (Proceedings concluded at 10:35 a.m.)

17 --oOo--

18

19

20 CERTIFICATE

21 I certify that the foregoing is a correct transcript from  
22 the electronic sound recording of the proceedings in the  
above-entitled matter.

23 **/s/ Kathy Rehling**

**02/09/2021**

24

\_\_\_\_\_  
Kathy Rehling, CETD-444  
Certified Electronic Court Transcriber

\_\_\_\_\_  
Date

25

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IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

In re:	)	)	Chapter 11
HIGHLAND CAPITAL MANAGEMENT, L.P., <sup>1</sup>	)	)	Case No. 19-34054 (SGJ)
Debtor.	)	)	

**SUPPLEMENTAL CERTIFICATION OF PATRICK M. LEATHEM WITH RESPECT TO THE TABULATION OF VOTES ON THE FIFTH AMENDED PLAN OF REORGANIZATION OF HIGHLAND CAPITAL MANAGEMENT, L.P.**

I, Patrick M. Leathem, depose and say under the penalty of perjury:

1. I am a Senior Consultant in Corporate Restructuring Services, employed by Kurtzman Carson Consultants LLC (“KCC”), located at 222 N. Pacific Coast Highway, 3rd Floor, El Segundo, California 90245. I am over the age of 18 and not a party to this action.

2. On October 18, 2019, the United States Bankruptcy Court for the District of Delaware Court entered the *Order Appointing Kurtzman Carson Consultants as Claims and Noticing Agent for the Debtor Pursuant to 28 U.S.C. § 156(c), 11 U.S.C. § 105(a) and Local Rule 2002-1(f)* (Docket No. 43), prior to a venue transfer to this District.

3. On January 19, 2021, the Debtor filed the *Certification of Patrick M. Leathem with Respect to the Tabulation of Votes on the Fifth Amended Plan of Reorganization of Highland Capital Management, L.P.* (Docket No. 1772) (the “**Original Voting Certification**”). This certification supplements the Original Voting Certification to reflect the updated tabulation of votes for Class 7 and Class 8.

**Exhibit F**

<sup>1</sup> The Debtor’s last four digits of its taxpayer identification number are (6725). The headquarters and service address for the above-captioned Debtor is 300 Crescent Court, Suite 700, Dallas, TX 75201.



4. KCC has considerable experience in soliciting and tabulating votes to accept or reject proposed chapter 11 plans. Except as otherwise stated, I could and would testify to the following based upon my personal knowledge. I am authorized to submit this Certification on behalf of KCC.

5. Pursuant to the terms of the settlement between the Debtor and the Senior Employees and the Debtor's settlement with Patrick Daugherty, the updated tabulation of votes reflecting the settlements is attached hereto as **Exhibit A**. The detailed ballot reports for the affected classes (Voting Classes 7 and 8) are attached to this Certification as **Exhibits A-2** and **A-3**, along with a summary<sup>2</sup> provided to KCC by the Debtor with respect to the Debtor's position with respect to the tabulation and classification of votes in the Voting Classes pursuant to the Settlement, Disclosure Statement Order, Plan and applicable law.

### **Conclusion**

To the best of my knowledge, information and belief, the foregoing information concerning the distribution, submission and tabulation of Ballots in connection with the Plan is true. The Ballots received by KCC are stored at KCC's office and are available for inspection by or submission to this Court.

Dated: February 3, 2021

/s/ Patrick M. Leathem  
Patrick M. Leathem

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<sup>2</sup> Please see footnotes on the detailed ballot reports with respect to tabulation of certain ballots in Class 7 and Class 8. The changes reflecting the voting tabulation with respect to the Debtor's settlement with the Senior Employees and with Mr. Daugherty are highlighted in the Exhibits to this Supplemental Certification. The voting summaries and tabulations remain as set forth in the Original Voting Certification, except to the extent modified by this Supplemental Certification.

# EXHIBIT A

**Exhibit A**  
**Revised Ballot Tabulation Summary**

<b>Class</b>	<b>Ballots Not Tabulated<sup>1</sup></b>	<b>Number Accepting</b>	<b>Number Rejecting</b>	<b>Amount Accepting</b>	<b>Amount Rejecting</b>	<b>Voting Result</b>
Class 2 - Frontier Secured Claim	0	1 100.00%	0 0.00%	\$5,209,963.62 100.00%	\$0.00 0.00%	Accepted in Number Accepted in Dollar
Class 7 - Convenience Claims	0	<u>16</u> 100.00%	0 0.00%	<u>\$4,155,683.51</u> 100.00%	\$0.00 0.00%	Accepted in Number Accepted in Dollar
Class 8 - General Unsecured Claims	<u>1</u>	<u>17</u> <u>38.64%</u>	<u>27</u> <u>61.36%</u>	<u>\$324,578,303.49</u> <u>99.80%</u>	<u>\$650,025.00</u> <u>0.20%</u>	Rejected in Number Accepted in Dollar
Class 9 - Subordinated Claims	0	5 100.00%	0 0.00%	\$35,000,000.00 100.00%	\$0.00 0.00%	Accepted in Number Accepted in Dollar
<b>Class</b>	<b>Ballots Not Tabulated</b>	<b>Number Accepting</b>	<b>Number Rejecting</b>	<b>Amount of Interests Accepting</b>	<b>Amount of Interests Rejecting</b>	<b>Voting Result</b>
Class 10 - Class B/C Limited Partnership Interests	0	0 0.00%	0 0.00%	0.00 0.00%	0.00 0.00%	No Votes No Votes
Class 11 - Class A Limited Partnership Interests	0	0 0.00%	1 100.00%	0.00 0.00%	37.37% Interests 100.00%	Rejected in Number Rejected in Amount

<sup>1</sup> The only vote not tabulated was Class 8 Ballot No. 15 of HarbourVest Partners L.P. on behalf of funds and accounts under management, that cast a vote under Bankruptcy Rule 3018 which was not allocated a voting amount under the HarbourVest settlement.

**Exhibit A-2**  
**Revised Class 7 Ballot Detail**  
**Convenience Claims**

<b>Creditor Name<sup>1</sup></b>	<b>Ballot No.</b>	<b>Voting Amount</b>	<b>Date Filed</b>	<b>Vote</b>
Argo Partners	3	\$10,000.00	12/08/2020	Accept
CBIZ Valuation Group, LLC	48	\$8,269.26	01/05/2021	Accept
Contrarian Funds, LLC	1	\$268,095.08	12/04/2020	Accept
Crescent TC Investors, L.P.	41	\$27,480.67	01/04/2021	Accept
Daniel Sheehan & Associates, PLLC	6	\$32,433.75	12/21/2020	Accept
Department of the Treasury - Internal Revenue Service	39	\$85,281.32	01/04/2021	Accept
Katten Muchin Rosenman LLP	4	\$16,695.00	12/10/2020	Accept
MCS Capital LLC c/o STC, Inc.	8	\$507,430.34	12/21/2020	Accept
Meta-e Discovery, LLC	9	\$779,969.84	12/22/2020	Accept
Parmentier, Andrew	51	\$136,350.00	01/05/2021	Accept
Pivotal Research Group LLC	11	\$2,500.00	12/29/2020	Accept
Ryan P. Newell (Connolly Gallagher LLP)	12	\$166,062.22	12/31/2020	Accept
Siepe Services, LLC	64	\$80,183.88	01/05/2021	Accept
Stinson Leonard Street LLP	65	\$645,155.15	01/14/2021	Accept
<a href="#">Isaac Leventon</a>	<a href="#">61</a>	<a href="#">\$598,198.00</a>	<a href="#">01/05/2021</a>	<a href="#">Accept</a>
<a href="#">Frank Waterhouse</a>	<a href="#">59</a>	<a href="#">\$791,579.00</a>	<a href="#">01/05/2021</a>	<a href="#">Accept</a>
<b>Total Class Members</b>	16	\$4,155,683.51		
<b>Accepting</b>	16	\$4,155,683.51		100%
<b>Rejecting</b>	0	\$0.00		0%

<sup>1</sup> The Debtor has advised that pursuant to the terms of the Settlement between the Debtor and the Senior Employees, Waterhouse shall have a Class 7 Claim in the amount of \$791,579.00 and vote to accept the Plan, with such claim to be treated pursuant to the terms of the Settlement; and (ii) Leventon will have a Class 7 Claim in the amount of \$598,198.00 and vote to accept the Plan, with such claim to be treated in accordance with the terms of the Settlement.

**Exhibit A-3**  
**Revised Class 8 Ballot Detail**  
**General Unsecured Claims**

<b>Creditor Name<sup>1</sup></b>	<b>Ballot No.</b>	<b>Voting Amount</b>	<b>Date Filed</b>	<b>Vote</b>
Acis Capital Management L.P. and Acis Capital Management GP, LLC	45	\$23,000,000.00	01/05/2021	Accept
Charlotte Investor IV, L.P.	19	\$1.00	12/31/2020	Accept
Contrarian Funds, LLC <sup>3</sup>	20	\$1,318,730.36	01/04/2021	Accept
<a href="#">Ellington, Scott</a>	<a href="#">56</a>	<a href="#">\$7,604,375.00</a>	<a href="#">01/05/2021</a>	<a href="#">Accept</a>
Employee 01	50	\$1.00	01/05/2021	Reject
Employee 02	52	\$1.00	01/05/2021	Reject
Employee 03	2	\$1.00	12/07/2020	Accept
Employee 04	26	\$1.00	01/04/2021	Reject
Employee 06	32	\$1.00	01/04/2021	Reject
Employee 08	28	\$1.00	01/04/2021	Reject
Employee 09	40	\$1.00	01/04/2021	Reject
Employee 11	24	\$1.00	01/04/2021	Reject
Employee 12	29	\$1.00	1/4/2021	Reject
Employee 13	25	\$1.00	01/04/2021	Reject
Employee 14	27	\$1.00	01/04/2021	Reject
Employee 15	30	\$1.00	01/04/2021	Reject
Employee 16	43	\$1.00	01/04/2021	Reject
Employee 17	47	\$1.00	01/05/2021	Reject
Employee 18	34	\$1.00	01/04/2021	Reject
Employee 19	38	\$1.00	01/04/2021	Reject
Employee 20	49	\$1.00	01/05/2021	Reject
Employee 22	44	\$1.00	01/05/2021	Reject
Employee 23	23	\$1.00	01/04/2021	Reject
Employee 25	33	\$1.00	01/04/2021	Reject
Employee 26	31	\$1.00	01/04/2021	Reject
Employee 27	36	\$1.00	01/04/2021	Reject
Employee 28	46	\$1.00	01/05/2021	Reject
Employee 29	21	\$1.00	01/04/2021	Reject
Employee 30	37	\$1.00	01/04/2021	Reject
HarbourVest 2017 Global AIF L.P.	18	\$4,366,125.00	12/31/2020	Accept
HarbourVest 2017 Global Fund L.P.	17	\$2,183,085.00	12/31/2020	Accept
HarbourVest Dover Street IX Investment L.P.	16	\$31,954,320.00	12/31/2020	Accept
HarbourVest Skew Base AIF L.P.	13	\$648,990.00	12/31/2020	Accept
Highland Crusader Offshore Partners, L.P., et al.	10	\$50,000.00	12/28/2020	Accept
Hunter Covitz	35	\$250,000.00	01/04/2021	Reject

**Exhibit A-3**  
**Revised Class 8 Ballot Detail**  
**General Unsecured Claims**

<b>Creditor Name<sup>1</sup></b>	<b>Ballot No.</b>	<b>Voting Amount</b>	<b>Date Filed</b>	<b>Vote</b>
HV International VIII Secondary L.P.	14	\$5,847,480.00	12/31/2020	Accept
Jean Paul Sevilla	63	\$400,000.00	01/05/2021	Reject
<a href="#">Leventon, Isaac</a>	<a href="#">58</a>	<a href="#">\$744,181.00</a>	<a href="#">01/05/2021</a>	<a href="#">Accept</a>
Patrick Hagaman Daugherty	42	\$9,134,019.00	01/04/2021	<a href="#">Accept</a>
Raymond Joseph Dougherty	62	\$1.00	01/05/2021	Reject
Redeemer Commtee Highland Crusader Fund	5	\$137,696,610.00	12/16/2020	Accept
<a href="#">Surgent, Thomas</a>	<a href="#">57</a>	<a href="#">\$3,958,628.14</a>	<a href="#">01/05/2021</a>	<a href="#">Accept</a>
UBS Securities LLC	22	\$94,761,076.00	01/04/2021	Accept
<a href="#">Waterhouse, Frank</a>	<a href="#">59</a>	<a href="#">\$1,310,681.99</a>	<a href="#">01/05/2021</a>	<a href="#">Accept</a>
	<b>Number</b>	<b>Amount</b>		
<b>Total Class Members</b>	<b>44</b>	<b>\$325,228,328.49</b>		
<b>Accepting</b>	<b>17</b> <b>(38.64%)</b>	<b>\$324,578,303.49</b> <b>(99.80%)</b>		
<b>Rejecting</b>	<b>27</b> <b>(61.36%)</b>	<b>\$650,025.00</b> <b>(0.20%)</b>		

<sup>1</sup> The Debtor has advised that pursuant to the Settlement agreed to by and between the Debtor, on the one hand, and Ellington, Waterhouse, Surgent and Leventon (the "Settlement"), the parties agreed that: (i) Ellington shall vote his entire Class 8 Claim in the amount of \$7,604,375.00 to accept the Plan, of which amount \$1,367,197.00 will receive the treatment provided for Class 7 Convenience Claims in accordance with the terms of the Settlement; (ii) Surgent shall vote his entire Class 8 Claim in the amount of \$3,958,628.14 to accept the Plan, of which \$1,191,748.00 will receive the treatment provided for Class 7 Convenience Claims in accordance with the terms of the Settlement; (iii) Leventon will reduce his Class 8 Claim by \$598,198 from \$1,342,379 to \$744,181 and vote to accept the Plan. Leventon will have a Class 7 Claim in the amount of \$598,198.00 and receive the treatment provided to Class 7 Convenience Claims in accordance with the terms of the Settlement; and (iv) Waterhouse will reduce his Class 8 Claim by \$791,579.00 from \$2,102,260.99 to \$1,310,681.99. Waterhouse will have a a Class 7 Claim in the voting amount of \$791,579.00 and receive the treatment provided to Class 7 Convenience Claims in accordance with the terms of the Settlement. In addition, Daugherty has agreed to change his vote to accept the Plan.

***Highland Capital Management, L.P.***  
***Disclaimer For Financial Projections***

This document includes financial projections for July 2020 through December 2022 (the “Projections”) for Highland Capital Management, L.P. (“Company”). These Projections have been prepared by DSI with input from management at the Company. The historical information utilized in these Projections has not been audited or reviewed for accuracy by DSI.

This document includes certain statements, estimates and forecasts provided by the Company with respect to the Company’s anticipated future performance. These estimates and forecasts contain significant elements of subjective judgment and analysis that may or may not prove to be accurate or correct. There can be no assurance that these statements, estimates and forecasts will be attained and actual outcomes and results may differ materially from what is estimated or forecast herein.

These Projections should not be regarded as a representation of DSI that the projected results will be achieved.

Management may update or supplement these Projections in the future, however, DSI expressly disclaims any obligation to update its report.

These Projections were not prepared with a view toward compliance with published guidelines of the Securities and Exchange Commission or the American Institute of Certified Public Accountants regarding historical financial statements, projections or forecasts.

**Highland Capital Management, L.P.**  
**Statement of Assumptions**

- A. Plan effective date is March 1, 2021
- B. All investment assets are sold by December 31, 2022.
- C. All demand notes are collected in the year 2021; 3 term notes defaulted and have been demanded based on default provisions; payment estimated in 2021
- D. Dugaboy term note with maturity date beyond 12/31/2022 are sold in Q1 2022; in the interim interest income and principal payments are not collected due to prepayment on note
- E. Fixed assets currently used in daily operations are sold in June 2021 for \$0
- F. Highland bonus plan has been terminated in accordance with its terms. Accrual for employee bonuses as of January 2021 are reversed and not paid.
- G. All Management advisory or shared service contracts are terminated on their terms by the effective date or shortly thereafter
- H. Post-effective date, the reorganized Debtor would retain up to ten HCMLP employees (or hire similar employees) to help monetize the remaining assets.
- I. Litigation Trustee budget is \$6,500,000.
- J. Unrealized gains or losses are not recorded on a monthly basis; all gains or losses are recorded as realized gains or losses upon sale of asset.
- K. Plan does not provide for payment of interest to Class 8 holders of general unsecured claims, as set forth in the Plan. If holders of general unsecured claims receive 100% of their allowed claims, they would then be entitled to receive interest at the federal judgement rate, prior to any funds being available for claims or interest of junior priority.
- L. Plan assumes zero allowed claims for IFA and Hunter Mountain Investment Trust ("HM"); UBS claim based on voting amount of \$94.8 million, but Debtor and UBS have agreed in principal regarding UBS's allowed claim
- M. Claim amounts listed in Plan vs. Liquidation schedule are subject to change; claim amounts in Class 8 assume \$0 for IFA and HM, \$94.8 million for UBS and \$45 million HV. Assumes RCP claims will offset against HCMLP's interest in fund and will not be paid from Debtor assets
- N. With the exception of Class 2 - Frontier, Classes 1-7 will be paid in full within 30 days of effective date.
- O. Class 7 payout limited to 85% of each individual creditor claim or in the aggregate \$13.15 million. Plan currently projects Class 7 payout of \$10.3 million.
- P. See below for Class 8 estimated payout schedule; payout is subject to certain assets being monetized by payout date (no Plan requirement to do so):
  - o By September 30, 2021 - \$50,000,000
  - o By March 31, 2022 – additional \$50,000,000
  - o By June 30, 2022 – additional \$25,000,000
  - o All remaining proceeds are assumed to be paid out on or soon after all remaining assets are monetized.
- Q. Assumptions subject to revision based on business decision and performance of the business

**Highland Capital Management, L.P.**  
**Plan Analysis Vs. Liquidation Analysis**  
**(US \$000's)**

	<b>Plan Analysis</b>	<b>Liquidation Analysis</b>
Estimated cash on hand at 1/31/2020	\$ 24,290	\$ 24,290
Estimated proceeds from monetization of assets [1][2]	257,941	191,946
Estimated expenses through final distribution[1][3]	(59,573)	(41,488)
Total estimated \$ available for distribution	<u>222,658</u>	<u>174,748</u>
Less: Claims paid in full		
Unclassified [4]	(1,080)	(1,080)
Administrative claims [5]	(10,574)	(10,574)
Class 1 - Jefferies Secured Claim	-	-
Class 2 - Frontier Secured Claim [6]	(5,781)	(5,781)
Class 3 - Other Secured Claims	(62)	(62)
Class 4 – Priority Non-Tax Claims	(16)	(16)
Class 5 - Retained Employee Claims	-	-
Class 6 - PTO Claims [5]	-	-
Class 7 – Convenience Claims [7][8]	(10,280)	-
Subtotal	<u>(27,793)</u>	<u>(17,514)</u>
Estimated amount remaining for distribution to general unsecured claims	<u>194,865</u>	<u>157,235</u>
% Distribution to Class 7 (Class 7 claims included in Class 8 in Liquidation scenario)	85.00%	0.00%
Class 8 – General Unsecured Claims [8][10]	313,588	326,468
Subtotal	<u>313,588</u>	<u>326,468</u>
% Distribution to general unsecured claims	62.14%	48.16%
Estimated amount remaining for distribution	-	-
Class 9 – Subordinated Claims	<i>no distribution</i>	<i>no distribution</i>
Class 10 – Class B/C Limited Partnership Interests	<i>no distribution</i>	<i>no distribution</i>
Class 11 – Class A Limited Partnership Interest	<i>no distribution</i>	<i>no distribution</i>

**Footnotes:**

[1] Assumes chapter 7 Trustee will not be able to achieve same sales proceeds as Claimant Trustee

Assumes Chapter 7 Trustee engages new professionals to help liquidate assets and terminates any management agreements with funds or CLOS

[2] Sale of investment assets, sale of fixed assets, collection of accounts receivable and interest receivable; Plan includes revenue from managing CLOs

[3] Estimated expenses through final distribution exclude non-cash expenses:

Depreciation of \$462 thousand in 2021; Bad debt of \$124K in 2021

[4] Unclassified claims include payments for priority tax claims and settlements with previously approved by the Bankruptcy Court

[5] Represents \$4.7 million in unpaid professional fees, \$4.5 million in timing of payments to vendors and \$1.2 million to pay PTO

[6] Debtor will pay all unpaid interest estimated at \$253 thousand of Frontier on effective date and continue to pay interest quarterly at 5.25% until Frontier's collateral is sold

[7] Claims payout limited to 85% of each individual creditor claim or limited to a total class payout of \$13.15 million

[8] Plan: Class 7 includes \$1.2 million estimate for aggregate contract rejections damage; Liquidation Class 8 includes \$2.0 million for estimated rejection damages

[10] Class estimates \$0 allowed claim for the following creditors: IFA and HM; assumes RCP claims offset against HCMLP interest in RCP fund

UBS claim included at voting amount of \$94.8 million. Debtor and UBS have agreed in principal regarding UBS's allowed claim

**Notes:**

All claim amounts are estimated as of January 26, 2020 and subject to change

**Highland Capital Management, L.P.**  
**Balance Sheet**  
**(US \$000's)**

	Actual Jun-20	Actual Sep-20	Forecast ---> Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
<b>Assets</b>											
Cash and Cash Equivalents	\$ 14,994	\$ 5,888	\$ 31,047	\$ 10,328	\$ 40,063	\$ 42,833	\$ 135,137	\$ 80,733	\$ 72,238	\$ 69,368	\$ -
Other Current Assets	13,182	13,651	13,784	15,172	14,671	14,220	9,943	8,268	8,417	8,567	-
Investment Assets	320,912	305,961	283,812	280,946	233,234	171,174	47,503	47,503	25,888	25,888	-
Net Fixed Assets	3,055	2,823	2,592	1,348	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 352,142</b>	<b>\$ 328,323</b>	<b>\$ 331,235</b>	<b>\$ 307,793</b>	<b>\$ 287,968</b>	<b>\$ 228,227</b>	<b>\$ 192,583</b>	<b>\$ 136,504</b>	<b>\$ 106,542</b>	<b>\$ 103,823</b>	<b>\$ -</b>
<b>Liabilities</b>											
Post-petition Liabilities	\$ 142,730	\$ 135,597	\$ 131,230	\$ 12,891	\$ 10,249	\$ 10,503	\$ -	\$ -	\$ -	\$ -	\$ -
Pre-petition Liabilities	9,861	9,884	10,000	-	-	-	-	-	-	-	-
<b>Claims</b>											
Unclassified	-	-	-	-	-	-	-	-	-	-	-
Class 1 – Jefferies Secured Claim	-	-	-	-	-	-	-	-	-	-	-
Class 2 - Frontier Secured Claim	-	-	-	5,528	-	-	-	-	-	-	-
Class 3 - Other Secured Claims	-	-	-	-	-	-	-	-	-	-	-
Class 4 – Priority Non-Tax Claims	-	-	-	-	-	-	-	-	-	-	-
Class 5 – Retained Employee Claims	-	-	-	-	-	-	-	-	-	-	-
Class 6 - PTO Claims	-	-	-	-	-	-	-	-	-	-	-
Class 7 – Convenience Claims	-	-	-	-	-	-	-	-	-	-	-
Class 8 – General Unsecured Claims	-	-	-	313,588	313,588	263,588	263,588	213,588	188,588	188,588	118,723
Class 9 – Subordinated Claims	-	-	-	-	-	-	-	-	-	-	-
Class 10 – Class B/C Limited Partnership Interests	-	-	-	-	-	-	-	-	-	-	-
Class 11 – Class A Limited Partnership Interests	-	-	-	-	-	-	-	-	-	-	-
Claim Payable	9,861	9,884	10,000	319,115	313,588	263,588	263,588	213,588	188,588	188,588	118,723
<b>TOTAL LIABILITIES</b>	<b>\$ 152,591</b>	<b>\$ 145,481</b>	<b>\$ 141,230</b>	<b>\$ 332,007</b>	<b>\$ 323,836</b>	<b>\$ 274,091</b>	<b>\$ 263,588</b>	<b>\$ 213,588</b>	<b>\$ 188,588</b>	<b>\$ 188,588</b>	<b>\$ 118,723</b>
Partners' Capital	199,551	182,842	190,005	(24,214)	(35,868)	(45,863)	(71,004)	(77,083)	(82,045)	(84,764)	(118,722)
<b>TOTAL LIABILITIES AND PARTNERS' CAPITAL</b>	<b>\$ 352,142</b>	<b>\$ 328,323</b>	<b>\$ 331,235</b>	<b>\$ 307,793</b>	<b>\$ 287,968</b>	<b>\$ 228,227</b>	<b>\$ 192,583</b>	<b>\$ 136,504</b>	<b>\$ 106,543</b>	<b>\$ 103,823</b>	<b>\$ -</b>

**Highland Capital Management, L.P.**  
**Profit/Loss**  
**(US \$000's)**

	Actual Jan 2020 to June 2020 Total	Actual 3 month ended Sept 2020	Forecast ---> 3 month ended Dec 2020	Total 2020	3 month ended Mar 2021	3 month ended Jun 2021	3 month ended Sept 2021	3 month ended Dec 2021	Total 2021
Revenue									
Management Fees	\$ 6,572	\$ 1,949	\$ 2,804	\$ 11,325	\$ 1,329	\$ 856	\$ 856	\$ 856	\$ 3,897
Shared Service Fees	7,672	3,765	3,788	15,225	1,373	45	45	-	1,463
Other Income	3,126	538	340	4,004	316	274	-	-	591
Total revenue	\$ 17,370	\$ 6,252	\$ 6,931	\$ 30,554	\$ 3,018	\$ 1,176	\$ 901	\$ 856	\$ 5,951
Operating Expenses [1]	13,328	9,171	9,399	31,899	12,168	4,897	3,973	3,333	24,371
Income/(loss) From Operations	\$ 4,042	\$ (2,918)	\$ (2,468)	\$ (1,345)	\$ (9,149)	\$ (3,722)	\$ (3,072)	\$ (2,477)	\$ (18,420)
Professional Fees	17,522	7,707	8,351	33,581	7,478	6,583	2,268	1,810	18,138
Other Income/(Expenses) [2]	2,302	1,518	1,059	4,879	(196,410)	326	(93)	29	(196,149)
Operating Gain/(Loss)	\$ (11,178)	\$ (9,107)	\$ (9,761)	\$ (30,046)	\$ (213,037)	\$ (9,978)	\$ (5,433)	\$ (4,259)	\$ (232,707)
Realized and Unrealized Gain/(Loss)									
Other Realized Gains/(Loss)	-	-	-	-	(1,013)	522	-	-	(491)
Net Realized Gain/(Loss) on Sale of Investment	(28,418)	1,549	(8,850)	(35,719)	(168)	(2,198)	(4,563)	(7,581)	(14,510)
Net Change in Unrealized Gain/(Loss) of Investments	(29,929)	(7,450)	4,523	(32,857)	-	-	-	-	-
Net Realized Gain/(Loss) from Equity Method Investees	-	-	(364)	(364)	-	-	-	(13,301)	(13,301)
Net Change in Unrealized Gain/(Loss) from Equity Method Investees	(80,782)	(1,700)	-	(82,482)	-	-	-	-	-
Total Realized and Unrealized Gain/(Loss)	\$ (139,129)	\$ (7,601)	\$ (4,692)	\$ (151,422)	\$ (1,182)	\$ (1,675)	\$ (4,563)	\$ (20,882)	\$ (28,302)
Net Income	\$ (150,307)	\$ (16,708)	\$ (14,453)	\$ (181,468)	\$ (214,219)	\$ (11,654)	\$ (9,996)	\$ (25,141)	\$ (261,009)

**Footnotes:**

[1] Operating expenses include an adjustment in January 2021 to account for expenses that have not been accrued or paid prior to effective date.

[2] Other income and expenses of \$197.3 million in Q1 2021 includes:

[a] \$209.7 million was expensed to record for the increase of allowed claims.

[b] Income of \$11.7 million for the accrued, but unpaid payroll liability related to the Debtor's deferred bonus programs amount written-off.

**Highland Capital Management, L.P.**  
**Profit/Loss**  
**(US \$000's)**

	Forecast --->					
	3 month ended Mar 2022	3 month ended Jun 2022	3 month ended Sept 2022	3 month ended Dec 2022	Total 2022	Plan
Revenue						
Management Fees	\$ 580	\$ 580	\$ 580	\$ 580	\$ 2,318	\$ 6,215
Shared Service Fees	-	-	-	-	-	1,463
Other Income	-	-	-	-	-	591
Total revenue	\$ 580	\$ 580	\$ 580	\$ 580	\$ 2,318	\$ 8,269
Operating Expenses	3,635	2,679	1,739	6,425	14,478	38,849
Income/(loss) From Operations	\$ (3,056)	\$ (2,099)	\$ (1,159)	\$ (5,846)	\$ (12,160)	\$ (30,580)
Professional Fees	2,921	2,761	1,461	2,176	9,318	27,455
Other Income/(Expenses)	(103)	(101)	(100)	(350)	(654)	(196,803)
Operating Gain/(Loss)	\$ (6,079)	\$ (4,961)	\$ (2,719)	\$ (8,371)	\$ (22,131)	\$ (254,838)
Realized and Unrealized Gain/(Loss)						
Other Realized Gains/(Loss)	-	-	-	(25,587)	(25,587)	(26,078)
Net Realized Gain/(Loss) on Sale of Investment	-	-	-	-	-	(14,510)
Net Change in Unrealized Gain/(Loss) of Investments	-	-	-	-	-	-
Net Realized Gain/(Loss) from Equity Method Investees	-	-	-	-	-	(13,301)
Net Change in Unrealized Gain/(Loss) from Equity Method Investees	-	-	-	-	-	-
Total Realized and Unrealized Gain/(Loss)	\$ -	\$ -	\$ -	\$ (25,587)	\$ (25,587)	\$ (53,889)
Net Income	\$ (6,079)	\$ (4,961)	\$ (2,719)	\$ (33,958)	\$ (47,718)	\$ (308,727)

**Highland Capital Management, L.P.****Cash Flow Indirect****(US \$000's)**

	Forecast ---->									
	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Net (Loss) Income	\$ (16,708)	\$ (14,453)	\$ (214,219)	\$ (11,654)	\$ (9,996)	\$ (25,141)	\$ (6,079)	\$ (4,961)	\$ (2,719)	\$ (33,958)
Cash Flow from Operating Activity										
(Increase) / Decrease in Cash										
Depreciation and amortization	231	231	231	231	-	-	-	-	-	-
Other realized (gain)/ loss	-	-	1,013	(522)	-	-	-	-	-	25,587
Investment realized (gain)/ loss	(1,549)	9,214	168	2,198	4,563	20,882	-	-	-	-
Unrealized (gain) / loss	(9,150)	4,523	-	-	-	-	-	-	-	-
(Increase) Decrease in Current Assets	(470)	(133)	(1,388)	501	450	4,277	1,675	(149)	(150)	908
Increase (Decrease) in Current Liabilities	(7,110)	(4,251)	(44,172)	(2,643)	255	(10,503)	-	-	-	-
Net Cash Increase / (Decrease) - Operating Activities	(34,757)	(4,868)	(258,366)	(11,889)	(4,727)	(10,485)	(4,404)	(5,110)	(2,870)	(7,463)
Cash Flow From Investing Activities										
Proceeds from Sale of Fixed Assets	-	-	-	-	-	-	-	-	-	-
Proceeds from Investment Assets	25,650	30,027	2,698	47,152	57,498	102,788	-	21,616	-	7,960
Net Cash Increase / (Decrease) - Investing Activities	25,650	30,027	2,698	47,152	57,498	102,788	-	21,616	-	7,960
Cash Flow from Financing Activities										
Claims payable	-	-	(73,997)	-	-	-	-	-	-	-
Claim reclasses/(paid)	-	-	319,115	(5,528)	(50,000)	-	(50,000)	(25,000)	-	(69,865)
Maple Avenue Holdings	-	-	(4,975)	-	-	-	-	-	-	-
Frontier Note	-	-	(5,195)	-	-	-	-	-	-	-
Net Cash Increase / (Decrease) - Financing Activities	-	-	234,948	(5,528)	(50,000)	-	(50,000)	(25,000)	-	(69,865)
Net Change in Cash	\$ (9,107)	\$ 25,159	\$ (20,719)	\$ 29,735	\$ 2,770	\$ 92,303	\$ (54,404)	\$ (8,495)	\$ (2,870)	\$ (69,368)
Beginning Cash	14,994	5,888	31,047	10,328	40,063	42,833	135,137	80,733	72,238	69,368
Ending Cash	\$ 5,888	\$ 31,047	\$ 10,328	\$ 40,063	\$ 42,833	\$ 135,137	\$ 80,733	\$ 72,238	\$ 69,368	\$ -

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ATTORNEYS FOR HIGHLAND CAPITAL  
MANAGEMENT FUND ADVISORS, L.P. AND  
NEXPOINT ADVISORS, L.P.

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

	)		
In re:	)		Chapter 11
	)		
HIGHLAND CAPITAL MANAGEMENT, L.P.	)		Case No. 19-34054 (SGJ11)
	)		
Debtor.	)		
	)		
	)		

**NOTICE OF APPEAL**

COME NOW Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P. (the “Appellants”), creditors and parties-in-interest in the above styled and numbered bankruptcy case (the “Bankruptcy Case”) of Highland Capital Management, L.P. (the “Debtor”), and, pursuant to 28 U.S.C. § 158(a), hereby appeal to the United States District Court for the Northern District of Texas that certain *Order (i) Confirming the Fifth Amended Plan of Reorganization of Highland Capital Management, L.P. (as Modified) and (ii) Granting Related Relief* (the “Confirmation Order”) entered by the Bankruptcy Court on February 22, 2021 at docket no. 1943 in the Bankruptcy Case.

A copy of the Confirmation is attached hereto as Exhibit “A.”

Exhibit H



The names of the parties to the Confirmation Order, and the contact information for their attorneys, is as follows:

1. Appellants:

Highland Capital Management Fund Advisors, L.P.  
NexPoint Advisors, L.P.

Attorneys:

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2. Appellee:

Highland Capital Management, L.P.

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RESPECTFULLY SUBMITTED this 1<sup>st</sup> day of March, 2021.

**MUNSCH HARDT KOPF & HARR, P.C.**

By: /s/ Davor Rukavina  
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**ATTORNEYS FOR HIGHLAND CAPITAL  
MANAGEMENT FUND ADVISORS, L.P. AND  
NEXPOINT ADVISORS, L.P.**

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that, on this the 1st day of March, 2021, true and correct copies of this document were electronically served by the Court's ECF system on parties entitled to notice thereof, including on counsel for the Appellee.

By: /s/ Davor Rukavina  
Davor Rukavina, Esq.



CLERK, U.S. BANKRUPTCY COURT  
NORTHERN DISTRICT OF TEXAS

**ENTERED**

THE DATE OF ENTRY IS ON  
THE COURT'S DOCKET

The following constitutes the ruling of the court and has the force and effect therein described.

Signed February 22, 2021

United States Bankruptcy Judge

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

In re:	)	)	Chapter 11
HIGHLAND CAPITAL MANAGEMENT, L.P., <sup>1</sup>	)	)	Case No. 19-34054-sgj11
Debtor.	)	)	

**ORDER (I) CONFIRMING THE FIFTH AMENDED  
PLAN OF REORGANIZATION OF HIGHLAND CAPITAL  
MANAGEMENT, L.P. (AS MODIFIED) AND (II) GRANTING RELATED RELIEF**

The Bankruptcy Court<sup>2</sup> having:

- a. entered, on November 24, 2020, the *Order (A) Approving the Adequacy of the Disclosure Statement, (B) Scheduling A Hearing to Confirm the Fifth Amended Plan of Reorganization (C) Establishing Deadline for Filing Objections to Confirmation of Plan, (D) Approving Form of Ballots, Voting Deadline and Solicitation Procedures, and (E) Approving Form and Manner of Notice* [Docket No. 1476] (the “Disclosure Statement Order”), pursuant to which the Bankruptcy Court approved the adequacy of the *Disclosure Statement Relating to the Fifth*

<sup>1</sup> The Debtor’s last four digits of its taxpayer identification number are (6725). The headquarters and service address for the above-captioned Debtor is 300 Crescent Court, Suite 700, Dallas, TX 75201.

<sup>2</sup> Capitalized terms used but not otherwise defined herein have the meanings given to them in the Plan (as defined below). The rules of interpretation set forth in Article I of the Plan apply to this Confirmation Order.

**EXHIBIT "A"**

*Amended Plan of Reorganization of Highland Capital Management, L.P.* [Docket No. 1473] (the “Disclosure Statement”) under section 1125 of the Bankruptcy Code and authorized solicitation of the Disclosure Statement;

- b. set January 5, 2021, at 5:00 p.m. prevailing Central Time (the “Objection Deadline”), as the deadline for filing objections to confirmation of the *Fifth Amended Plan of Reorganization of Highland Capital Management, L.P. (As Modified)* [Docket No. 1808] (as amended, supplemented or modified, the “Plan”);
- c. set January 5, 2021, at 5:00 p.m. prevailing Central Time, as the deadline for voting on the Plan (the “Voting Deadline”) in accordance with the Disclosure Statement Order;
- d. initially set January 13, 2021, at 9:30 a.m. prevailing Central Time, as the date and time to commence the hearing to consider confirmation of the Plan pursuant to Bankruptcy Rules 3017 and 3018, sections 1126, 1128, and 1129 of the Bankruptcy Code, and the Disclosure Statement Order, which hearing was continued to January 26, 2021, at 9:30 a.m. prevailing Central Time and further continued to February 2, 2021;
- e. reviewed: (i) the Plan; (ii) the Disclosure Statement; and (iii) *Notice of (I) Entry of Order Approving Disclosure Statement; (II) Hearing to Confirm; and (III) Related Important Dates* (the “Confirmation Hearing Notice”), the form of which is attached as Exhibit 1-B to the Disclosure Statement Order;
- f. reviewed: (i) the *Debtor’s Notice of Filing of Plan Supplement for the Third Amended Plan of Reorganization of Highland Capital Management, L.P.* [Docket No. 1389] filed November 13, 2020; (ii) *Debtor’s Notice of Filing of Plan Supplement for the Fifth Amended Plan of Reorganization of Highland Capital Management, L.P.* [Docket No. 1606] filed on December 18, 2020; (iii) the *Debtor’s Notice of Filing of Plan Supplement for the Fifth Amended Plan of Reorganization of Highland Capital Management, L.P.* [Docket No. 1656] filed on January 4, 2021; (iv) *Notice of Filing Plan Supplement to the Fifth Amended Plan of Reorganization of Highland Capital Management, L.P. (with Technical Modifications)* dated January 22, 2021 [Docket No. 1811]; and (v) *Debtor’s Notice of Filing of Plan Supplement to the Fifth Amended Plan of Reorganization of Highland of Highland Capital Management, L.P. (As Modified)* on February 1, 2021 [Docket No. 1875]; (collectively, the documents listed in (i) through (v) of this paragraph, the “Plan Supplements”);
- g. reviewed: (i) the *Notice of (I) Executory Contracts and Unexpired Leases to be Assumed by the Debtor Pursuant to the Fifth Amended Plan, (II) Cure Amounts, if Any, and (III) Related Procedures in Connection Therewith* filed on December 30, 2020 [Docket No. 1648]; (ii) the *Second Notice of (I) Executory Contracts and*

*Unexpired Leases to be Assumed by the Debtor Pursuant to the Fifth Amended Plan, (II) Cure Amounts, if Any, and (III) Related Procedures in Connection Therewith* filed on January 11, 2021 [Docket No.1719]; (iii) the *Third Notice of (I) Executory Contracts and Unexpired Leases to be Assumed by the Debtor Pursuant to the Fifth Amended Plan, (II) Cure Amounts, if Any, and (III) Related Procedures in Connection Therewith* filed on January 15, 2021 [Docket No. 1749]; (iv) the *Notice of Withdrawal of Certain Executory Contracts and Unexpired Leases from List of Executory Contracts and Unexpired Leases to be Assumed by the Debtor Pursuant to the Fifth Amended Plan* [Docket No. 1791]; (v) the *Fourth Notice of (I) Executory Contracts and Unexpired Leases to be Assumed by the Debtor Pursuant to the Fifth Amended Plan (II) Cure Amounts, if Any, and (III) Released Procedures in Connection Therewith* filed on January 27, 2021 [Docket No. 1847]; (vi) the *Notice of Hearing on Agreed Motion to (I) Assume Nonresidential Real Property Lease with Crescent TC Investors, L.P. Upon Confirmation of Plan and (II) Extend Assumption Deadline* filed on January 28, 2021 [Docket No. 1857]; and (vii) the *Fifth Notice of (I) Executory Contracts and Unexpired Leases to be Assumed by the Debtor Pursuant to the Fifth Amended Plan (II) Cure Amounts, if Any, and (III) Released Procedures in Connection Therewith* filed on February 1, 2021 [Docket No. 1873] (collectively, the documents referred to in (i) to (vii) are referred to as “List of Assumed Contracts”);

- h. reviewed: (i) the *Debtor’s Memorandum of Law in Support of Confirmation of the Fifth Amended Plan of Reorganization of Highland Capital Management, L.P.* [Docket No. 1814] (the “Confirmation Brief”); (ii) the *Debtor’s Omnibus Reply to Objections to Confirmation of the Fifth Amended Chapter 11 Plan of Reorganization of Highland Capital Management*; [Docket No. 1807]; and (iii) the *Certification of Patrick M. Leathem With Respect to the Tabulation of Votes on the Fifth Amended Plan of Reorganization of Highland Capital Management, L.P.* [Docket No. 1772] and *Supplemental Certification of Patrick M. Leathem With Respect to the Tabulation of Votes on the Fifth Amended Plan of Reorganization of Highland Capital Management, L.P.* [Docket No. 1887] filed on February 3, 2021 (together, the “Voting Certifications”).
- i. reviewed: (i) the *Notice of Affidavit of Publication* dated December 3, 2020 [Docket No. 1505]; (ii) the *Certificate of Service* dated December 23, 2020 [Docket No. 1630]; (iii) the *Supplemental Certificate of Service* dated December 24, 2020 [Docket No. 1637]; (iv) the *Second Supplemental Certificate of Service* dated December 31, 2020 [Docket No. 1653]; (v) the *Certificate of Service* dated December 23, 2020 [Docket No. 1627]; (vi) the *Certificate of Service* dated January 6, 2021 [Docket No. 1696]; (vii) the *Certificate of Service* dated January 7, 2021 [Docket No. 1699]; (viii) the *Certificate of Service* dated January 7, 2021 [Docket No 1700]; (ix) the *Certificate of Service* dated January 15, 2021 [Docket No. 1761]; (x) the *Certificate of Service* dated January 19, 2021 [Docket No. 1775]; (xi) the

*Certificate of Service* dated January 20, 2021 [Docket No. 1787]; (xii) the *Certificate of Service* dated January 26, 2021 [Docket No. 1844]; (xiii) the *Certificate of Service* dated January 27, 2021 [Docket No. 1854]; (xiv) the *Certificate of Service* dated February 1, 2021 [Docket No. 1879]; (xv) the *Certificates of Service* dated February 3, 2021 [Docket No. 1891 and 1893]; and (xvi) the *Certificates of Service* dated February 5, 2021 [Docket Nos. 1906, 1907, 1908 and 1909] (collectively, the “Affidavits of Service and Publication”);

- j. reviewed all filed<sup>3</sup> pleadings, exhibits, statements, and comments regarding approval of the Disclosure Statement and confirmation of the Plan, including all objections, statements, and reservations of rights;
- k. conducted a hearing to consider confirmation of the Plan, which commenced on February 2, 2021, at 9:30 a.m. prevailing Central Time and concluded on February 3, 2021, and issued its oral ruling on February 8, 2021 (collectively, the “Confirmation Hearing”);
- l. heard the statements and arguments made by counsel in respect of confirmation of the Plan and having considered the record of this Chapter 11 Case and taken judicial notice of all papers and pleadings filed in this Chapter 11 Case; and
- m. considered all oral representations, testimony, documents, filings, and other evidence regarding confirmation of the Plan, including (a) all of the exhibits admitted into evidence;<sup>4</sup> (b) the sworn testimony of (i) James P. Seery, Jr., the Debtor’s Chief Executive Officer and Chief Restructuring Officer and a member of the Board of Directors of Strand Advisors, Inc. (“Strand”), the Debtor’s general partner; (ii) John S. Dubel, a member of the Board of Strand; (iii) Marc Tauber, a Vice President at Aon Financial Services; and (iv) Robert Jason Post, the Chief Compliance Officer of NexPoint Advisors, LP (collectively, the “Witnesses”); (c) the credibility of the Witnesses; and (d) the Voting Certifications.

NOW, THEREFORE, after due deliberation thereon and good cause appearing therefor, the Bankruptcy Court hereby makes and issues the following findings of fact and conclusions of law:

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<sup>3</sup> Unless otherwise indicated, use of the term “filed” herein refers also to the service of the applicable document filed on the docket in this Chapter 11 Case, as applicable.

<sup>4</sup> The Court admitted the following exhibits into evidence: (a) all of the Debtor’s exhibits lodged at Docket No. 1822 (except TTTTT, which was withdrawn by the Debtor); (b) all of the Debtor’s exhibits lodged at Docket No. 1866; (c) all of the Debtor’s exhibits lodged at Docket No. 1877; (d) all of the Debtor’s exhibits lodged at Docket No. 1895; and (e) Exhibits 6-12 and 15-17 offered by Mr. James Dondero and lodged at Docket No. 1874.

## FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. **Findings of Fact and Conclusions of Law.** The findings and conclusions set forth herein, together with the findings of fact and conclusions of law set forth in the record during the Confirmation Hearing, constitute the Bankruptcy Court’s findings of fact and conclusions of law pursuant to Federal Rule of Civil Procedure 52, made applicable to this proceeding pursuant to Bankruptcy Rules 7052 and 9014. To the extent any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent that any of the following conclusions of law constitute findings of fact, they are adopted as such.

2. **Introduction and Summary of the Plan.** Prior to addressing the specific requirements under the Bankruptcy Code and Bankruptcy Rules with respect to the confirmation of the Plan, the Bankruptcy Court believes it would be useful to first provide the following background of the Debtor’s Chapter 11 Case, the parties involved therewith, and some of the major events that have transpired culminating in the filing and solicitation of the Plan of this very unusual case. Before the Bankruptcy Court is the *Debtor’s Fifth Amended Plan of Reorganization of Highland Capital Management, L.P.*, filed on November 24, 2020, as modified on January 22, 2021 and again on February 1, 2021. The parties have repeatedly referred to the Plan as an “asset monetization plan” because it involves the orderly wind-down of the Debtor’s estate, including the sale of assets and certain of its funds over time, with the Reorganized Debtor continuing to manage certain other funds, subject to the oversight of the Claimant Trust Oversight Board. The Plan provides for a Claimant Trust to, among other things, manage and monetize the Claimant Trust Assets for the benefit of the Debtor’s economic stakeholders. The Claimant Trustee is responsible

for this process, among other duties specified in the Plan's Claimant Trust Agreement. There is also anticipated to be a Litigation Sub-trust established for the purpose of pursuing certain avoidance or other causes of action for the benefit of the Debtor's economic constituents.

3. **Confirmation Requirements Satisfied.** The Plan is supported by the Committee and all claimants with Convenience Claims (*i.e.*, general unsecured claims under \$1 million) who voted in Class 7. Claimants with Class 8 General Unsecured Claims, however, voted to reject the Plan because, although the Plan was accepted by 99.8% of the amount of Claims in that class, only 17 claimants voted to accept the Plan while 27 claimants voted to reject the Plan. As a result of such votes, and because Mr. Dondero and the Dondero Related Entities (as defined below) objected to the Plan on a variety of grounds primarily relating to the Plan's release, exculpation and injunction provisions, the Bankruptcy Court heard two full days of evidence on February 2 and 3, 2021, and considered testimony from five witnesses and thousands of pages of documentary evidence in determining whether the Plan satisfies the confirmation standards required under the Bankruptcy Code. The Bankruptcy Court finds and concludes that the Plan meets all of the relevant requirements of sections 1123, 1124, and 1129, and other applicable provisions of the Bankruptcy Code, as more fully set forth below with respect to each of the applicable confirmation requirements.

4. **Not Your Garden Variety Debtor.** The Debtor's case is not a garden variety chapter 11 case. The Debtor is a multibillion-dollar global investment adviser registered with the SEC, pursuant to the Investment Advisers Act of 1940. It was founded in 1993 by James Dondero and Mark Okada. Mark Okada resigned from his role with Highland prior to the

bankruptcy case being filed on October 16, 2019 (the “Petition Date”). Mr. Dondero controlled the Debtor as of the Petition Date but agreed to relinquish control of it on or about January 9, 2020, pursuant to an agreement reached with the Committee, as described below. Although Mr. Dondero remained with the Debtor as an unpaid employee/portfolio manager after January 9, 2020, his employment with the Debtor terminated on October 9, 2020. Mr. Dondero continues to work for and/or control numerous non-debtor entities in the complex Highland enterprise.

5. **The Debtor.** The Debtor is headquartered in Dallas, Texas. As of the Petition Date, the Debtor employed approximately 76 employees. The Debtor is privately-owned: (a) 99.5% by the Hunter Mountain Investment Trust; (b) 0.1866% by The Dugaboy Investment Trust, a trust created to manage the assets of Mr. Dondero and his family; (c) 0.0627% by Mark Okada, personally and through family trusts; and (d) 0.25% by Strand, the Debtor’s general partner.

6. **The Highland Enterprise.** Pursuant to various contractual arrangements, the Debtor provides money management and advisory services for billions of dollars of assets, including collateralized loan obligation vehicles (“CLOs”), and other investments. Some of these assets are managed by the Debtor pursuant to shared services agreements with certain affiliated entities, including other affiliated registered investment advisors. In fact, there are approximately 2,000 entities in the byzantine complex of entities under the Highland umbrella. None of these affiliated entities filed for chapter 11 protection. Most, but not all, of these entities are not subsidiaries (direct or indirect) of the Debtor. Many of the Debtor’s affiliated companies are

offshore entities, organized in jurisdictions such as the Cayman Islands and Guernsey. *See* Disclosure Statement, at 17-18.

7. **Debtor’s Operational History.** The Debtor’s primary means of generating revenue has historically been from fees collected for the management and advisory services provided to funds that it manages, plus fees generated for services provided to its affiliates. For additional liquidity, the Debtor, prior to the Petition Date, would sell liquid securities in the ordinary course, primarily through a brokerage account at Jefferies, LLC. The Debtor would also, from time to time, sell assets at non-Debtor subsidiaries and cause those proceeds to be distributed to the Debtor in the ordinary course of business. The Debtor’s current Chief Executive Officer, James P. Seery, Jr., credibly testified at the Confirmation Hearing that the Debtor was “run at a deficit for a long time and then would sell assets or defer employee compensation to cover its deficits.” The Bankruptcy Court cannot help but wonder if that was necessitated because of enormous litigation fees and expenses incurred by the Debtor due to its culture of litigation—as further addressed below.

8. **Not Your Garden Variety Creditor’s Committee.** The Debtor and this chapter 11 case are not garden variety for so many reasons. One of the most obvious standouts in this case is the creditor constituency. The Debtor did not file for bankruptcy because of any of the typical reasons that large companies file chapter 11. For example, the Debtor did not have a large, asset-based secured lender with whom it was in default; it only had relatively insignificant secured indebtedness owing to Jeffries, with whom it had a brokerage account, and one other entity, Frontier State Bank. The Debtor also did not have problems with its trade vendors or landlords.

The Debtor also did not suffer any type of catastrophic business calamity. In fact, the Debtor filed for Chapter 11 protection six months before the onset of the COVID-19 pandemic. Rather, the Debtor filed for Chapter 11 protection due to a myriad of massive, unrelated, business litigation claims that it faced—many of which had finally become liquidated (or were about to become liquidated) after a decade or more of contentious litigation in multiple forums all over the world. The Committee in this case has referred to the Debtor—under its former chief executive, Mr. Dondero—as a “serial litigator.” The Bankruptcy Court agrees with that description. By way of example, the members of the Committee (and their history of litigation with the Debtor and others in the Highland complex) are as follows:

- a. **The Redeemer Committee of the Highland Crusader Fund (the “Redeemer Committee”).** This Committee member obtained an arbitration award against the Debtor in the amount of \$190,824,557, inclusive of interest, approximately five months before the Petition Date, from a panel of the American Arbitration Association. It was on the verge of having that award confirmed by the Delaware Chancery Court immediately prior to the Petition Date, after years of disputes that started in late 2008 (and included legal proceedings in Bermuda). This creditor’s claim was settled during this Chapter 11 Case in the amount of approximately \$137,696,610 (subject to other adjustments and details not relevant for this purpose).
- b. **Acis Capital Management, L.P., and Acis Capital Management GP, LLC (“Acis”).** Acis was formerly in the Highland complex of companies, but was not affiliated with Highland as of the Petition Date. This Committee member and its now-owner, Joshua Terry, were involved in litigation with the Debtor dating back to 2016. Acis was forced by Mr. Terry (who was a former Highland portfolio manager) into an involuntary chapter 11 bankruptcy in the Bankruptcy Court for the Northern District of Texas, Dallas Division before the Bankruptcy Court in 2018, after Mr. Terry obtained an approximately \$8 million arbitration award and judgment against Acis. Mr. Terry ultimately was awarded the equity ownership of Acis by the Bankruptcy Court in the Acis bankruptcy case. Acis subsequently asserted a multi-million dollar claim against Highland in the Bankruptcy Court for Highland’s alleged denuding of Acis to defraud its creditors—primarily Mr. Terry. The litigation involving Acis and Mr. Terry dates back to mid-2016 and has

continued on with numerous appeals of Bankruptcy Court orders, including one appeal still pending at the Fifth Circuit Court of Appeals. There was also litigation involving Mr. Terry and Acis in the Royal Court of the Island of Guernsey and in a state court in New York. The Acis claim was settled during this Chapter 11 Case, in Bankruptcy Court-ordered mediation, for approximately \$23 million (subject to other details not relevant for this purpose), and is the subject of an appeal being pursued by Mr. Dondero.

- c. **UBS Securities LLC and UBS AG London Branch (“UBS”).** UBS is a Committee member that filed a proof of claim in the amount of \$1,039,957,799.40 in this Chapter 11 Case. The UBS Claim was based on a judgment that UBS received from a New York state court in 2020. The underlying decision was issued in November 2019, after a multi-week bench trial (which had occurred many months earlier) on a breach of contract claim against non-Debtor entities in the Highland complex. The UBS litigation related to activities that occurred in 2008 and 2009. The litigation involving UBS and Highland and affiliates was pending for more than a decade (there having been numerous interlocutory appeals during its history). The Debtor and UBS recently announced an agreement in principle for a settlement of the UBS claim (which came a few months after Bankruptcy Court-ordered mediation) which will be subject to a 9019 motion to be filed with the Bankruptcy Court on a future date.
- d. **Meta-E Discovery (“Meta-E”).** Meta-E is a Committee member that is a vendor who happened to supply litigation and discovery-related services to the Debtor over the years. It had unpaid invoices on the Petition Date of more than \$779,000.

It is fair to say that the members of the Committee in this case all have wills of steel. They fought hard before and during this Chapter 11 Case. The members of the Committee, all of whom have volunteered to serve on the Claimant Trust Oversight Board post-confirmation, are highly sophisticated and have had highly sophisticated professionals representing them. They have represented their constituency in this case as fiduciaries extremely well.

9. **Other Key Creditor Constituents.** In addition to the Committee members who were all embroiled in years of litigation with Debtor and its affiliates in various ways, the Debtor has been in litigation with Patrick Daugherty, a former limited partner and employee of the Debtor, for many years in both Delaware and Texas state courts. Mr. Daugherty filed an amended

proof of claim in this Chapter 11 Case for \$40,710,819.42 relating to alleged breaches of employment-related agreements and for defamation arising from a 2017 press release posted by the Debtor. The Debtor and Mr. Daugherty recently announced a settlement of Mr. Daugherty’s claim pursuant to which he will receive \$750,000 in cash on the Effective Date of the Plan, an \$8.25 million general unsecured claim, and a \$2.75 million subordinated claim (subject to other details not relevant for this purpose). Additionally, entities collectively known as “HarbourVest” invested more than \$70 million with an entity in the Highland complex and asserted a \$300 million proof of claim against the Debtor in this case, alleging, among other things, fraud and RICO violations. HarbourVest’s claim was settled during the bankruptcy case for a \$45 million general unsecured claim and a \$35 million subordinated claim, and that settlement is also being appealed by a Dondero Entity.

10. **Other Claims Asserted.** Other than the Claims just described, most of the other Claims in this Chapter 11 Case are Claims asserted against the Debtor by: (a) entities in the Highland complex—most of which entities the Bankruptcy Court finds to be controlled by Mr. Dondero; (b) employees who contend that are entitled to large bonuses or other types of deferred compensation; and (c) numerous law firms that worked for the Debtor prior to the Petition Date and had outstanding amounts due for their prepetition services.

11. **Not Your Garden Variety Post-Petition Corporate Governance Structure.** Yet another reason this is not your garden variety chapter 11 case is its post-petition corporate governance structure. Immediately from its appointment, the Committee’s relationship with the Debtor was contentious at best. First, the Committee moved for a change of venue from

Delaware to Dallas. Second, the Committee (and later, the United States Trustee) expressed its then-desire for the appointment of a chapter 11 trustee due to its concerns over and distrust of Mr. Dondero, his numerous conflicts of interest, and his history of alleged mismanagement (and perhaps worse).

12. **Post-Petition Corporate Governance Settlement with Committee.** After spending many weeks under the threat of the potential appointment of a trustee, the Debtor and Committee engaged in substantial and lengthy negotiations resulting in a corporate governance settlement approved by the Bankruptcy Court on January 9, 2020.<sup>5</sup> As a result of this settlement, among other things, Mr. Dondero relinquished control of the Debtor and resigned his positions as an officer or director of the Debtor and its general partner, Strand. As noted above, Mr. Dondero agreed to this settlement pursuant a stipulation he executed,<sup>6</sup> and he also agreed not to cause any Related Entity (as defined in the Settlement Motion) to terminate any agreements with the Debtor. The January 9 Order also (a) required that the Bankruptcy Court serve as “gatekeeper” prior to the commencement of any litigation against the three independent board members appointed to oversee and lead the Debtor’s restructuring in lieu of Mr. Dondero and (b) provided for the exculpation of those board members by limiting claims subject to the “gatekeeper” provision to those alleging willful misconduct and gross negligence.

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<sup>5</sup> This order is hereinafter referred to as the “January 9 Order” and was entered by the Court on January 9, 2020 [Docket No. 339] pursuant to the *Motion of the Debtor to Approve Settlement with Official Committee of Unsecured Creditors Regarding the Governance of the Debtor and Procedures for Operation in the Ordinary Course* [Docket No. 281] (the “Settlement Motion”).

<sup>6</sup> See *Stipulation in Support of Motion of the Debtor for Approval of Settlement With the Official Committee of Unsecured Creditors Regarding Governance of the Debtor and Procedures for Operations in Ordinary Course* [Docket No. 338] (the “Stipulation”).

13. **Appointment of Independent Directors.** As part of the Bankruptcy Court-approved settlement, three eminently qualified independent directors were chosen to lead Highland through its Chapter 11 Case. They are: James P. Seery, Jr., John S. Dubel (each chosen by the Committee), and Retired Bankruptcy Judge Russell Nelms. These three individuals are each technically independent directors of Strand (Mr. Dondero had previously been the sole director of Strand and, thus, the sole person in ultimate control of the Debtor). The three independent board members' resumes are in evidence. The Bankruptcy Court later approved Mr. Seery's appointment as the Debtor's Chief Executive Officer, Chief Restructuring Officer, and Foreign Representative. Suffice it to say that this settlement and the appointment of the independent directors changed the entire trajectory of the case and saved the Debtor from the appointment of a trustee. The Bankruptcy Court and the Committee each trusted the independent directors. They were the right solution at the right time. Because of the unique character of the Debtor's business, the Bankruptcy Court believed the appointment of three qualified independent directors was a far better outcome for creditors than the appointment of a conventional chapter 11 trustee. Each of the independent directors brought unique qualities to the table. Mr. Seery, in particular, knew and had vast experience at prominent firms with high-yield and distressed investing similar to the Debtor's business. Mr. Dubel had 40 years of experience restructuring large complex businesses and serving on boards in this context. And Retired Judge Nelms had not only vast bankruptcy experience but seemed particularly well-suited to help the Debtor maneuver through conflicts and ethical quandaries. By way of comparison, in the chapter 11 case of Acis, the former affiliate of Highland that the Bankruptcy Court presided over and which company was

much smaller in size and scope than Highland (managing only 5-6 CLOs), the creditors elected a chapter 11 trustee who was not on the normal trustee rotation panel in this district but, rather, was a nationally known bankruptcy attorney with more than 45 years of large chapter 11 experience. While the Acis chapter 11 trustee performed valiantly, he was sued by entities in the Highland complex shortly after he was appointed (which the Bankruptcy Court had to address). The Acis trustee was also unable to persuade the Debtor and its affiliates to agree to any actions taken in the case, and he finally obtained confirmation of Acis' chapter 11 plan over the objections of the Debtor and its affiliates on his fourth attempt (which confirmation was promptly appealed).

14. **Conditions Required by Independent Directors.** Given the experiences in Acis and the Debtor's culture of constant litigation, it was not as easy to get such highly qualified persons to serve as independent board members and, later, as the Debtor's Chief Executive Officer, as it would be in an ordinary chapter 11 case. The independent board members were stepping into a morass of problems. Naturally, they were worried about getting sued no matter how defensible their efforts—given the litigation culture that enveloped Highland historically. Based on the record of this Case and the proceedings in the Acis chapter 11 case, it seemed as though everything always ended in litigation at Highland. The Bankruptcy Court heard credible testimony that none of the independent directors would have taken on the role of independent director without (1) an adequate directors and officers' ("D&O") insurance policy protecting them; (2) indemnification from Strand that would be guaranteed by the Debtor; (3) exculpation for mere negligence claims; and (4) a gatekeeper provision prohibiting the commencement of litigation against the independent directors without the Bankruptcy Court's prior authority. This gatekeeper provision was also

included in the Bankruptcy Court’s order authorizing the appointment of Mr. Seery as the Debtor’s Chief Executive Officer, Chief Restructuring Officer, and Foreign Representative entered on July 16, 2020.<sup>7</sup> The gatekeeper provisions in both the January 9 Order and July 16 Order are precisely analogous to what bankruptcy trustees have pursuant to the so-called “Barton Doctrine” (first articulated in an old Supreme Court case captioned *Barton v. Barbour*, 104 U.S. 126 (1881)). The Bankruptcy Court approved all of these protections in the January 9 Order and the July 16 Order, and no one appealed either of those orders. As noted above, Mr. Dondero signed the Stipulation that led to the settlement that was approved by the January 9 Order. The Bankruptcy Court finds that, like the Committee, the independent board members have been resilient and unwavering in their efforts to get the enormous problems in this case solved. They seem to have at all times negotiated hard and in good faith, which culminated in the proposal of the Plan currently before the Bankruptcy Court. As noted previously, they completely changed the trajectory of this case.

15. **Not Your Garden Variety Mediators.** And still another reason why this was not your garden variety case was the mediation effort. In the summer of 2020, roughly nine months into the chapter 11 case, the Bankruptcy Court ordered mediation among the Debtor, Acis, UBS, the Redeemer Committee, and Mr. Dondero. The Bankruptcy Court selected co-mediators because mediation among these parties seemed like such a Herculean task—especially during COVID-19 where people could not all be in the same room. Those co-mediators were: Retired

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<sup>7</sup> See *Order Approving the Debtor’s Motion Under Bankruptcy Code Sections 105(a) and 363(b) Authorizing Retention of James P. Seery, Jr., as Chief Executive Officer, Chief Restructuring Officer, and Foreign Representative Nunc Pro Tunc to March 15, 2020* [Docket No. 854] entered on July 16, 2020 (the “July 16 Order”)

Bankruptcy Judge Alan Gropper from the Southern District of New York, who had a distinguished career presiding over complex chapter 11 cases, and Ms. Sylvia Mayer, who likewise has had a distinguished career, first as a partner at a preeminent law firm working on complex chapter 11 cases, and subsequently as a mediator and arbitrator in Houston, Texas. As noted earlier, the Redeemer Committee and Acis claims were settled during the mediation—which seemed nothing short of a miracle to the Bankruptcy Court—and the UBS claim was settled several months later and the Bankruptcy Court believes the ground work for that ultimate settlement was laid, or at least helped, through the mediation. And, as earlier noted, other significant claims have been settled during this case, including those of HarbourVest (who asserted a \$300 million claim) and Patrick Daugherty (who asserted a \$40 million claim). The Bankruptcy Court cannot stress strongly enough that the resolution of these enormous claims—and the acceptance by all of these creditors of the Plan that is now before the Bankruptcy Court—seems nothing short of a miracle. It was more than a year in the making.

16. **Not Your Garden Variety Plan Objectors (That Is, Those That Remain).** Finally, a word about the current, remaining objectors to the Plan before the Bankruptcy Court. Once again, the Bankruptcy Court will use the phrase “not your garden variety”, which phrase applies to this case for many reasons. Originally, there were over a dozen objections filed to the Plan. The Debtor then made certain amendments or modifications to the Plan to address some of these objections, none of which require further solicitation of the Plan for reasons set forth in more detail below. The only objectors to the Plan left at the time of the Confirmation Hearing

were Mr. Dondero [Docket No. 1661] and entities that the Bankruptcy Court finds are owned and/or controlled by him and that filed the following objections:

- a. *Objection to Confirmation of the Debtor's Fifth Amended Plan of Reorganization* (filed by Get Good Trust and The Dugaboy Investment Trust) [Docket No. 1667];
- b. *Objection to Confirmation of Fifth Amended Plan of Reorganization of Highland Capital Management, L.P.* (filed by Highland Capital Management Fund Advisors, L.P., Highland Fixed Income Fund, Highland Funds I and its series, Highland Funds II and its series, Highland Global Allocation Fund, Highland Healthcare Opportunities Fund, Highland Income Fund, Highland Merger Arbitrate Fund, Highland Opportunistic Credit Fund, Highland Small-Cap Equity Fund, Highland Socially Responsible Equity Fund, Highland Total Return Fund, Highland/iBoxx Senior Loan ETF, NexPoint Advisors, L.P., NexPoint Capital, Inc., NexPoint Real Estate Strategies Fund, NexPoint Strategic Opportunities Fund) [Docket No. 1670];
- c. *A Joinder to the Objection filed at 1670 by: NexPoint Real Estate Finance Inc., NexPoint Real Estate Capital, LLC, NexPoint Residential Trust, Inc., NexPoint Hospitality Trust, NexPoint Real Estate Partners, LLC, NexPoint Multifamily Capital Trust, Inc., VineBrook Homes Trust, Inc., NexPoint Real Estate Advisors, L.P., NexPoint Real Estate Advisors II, L.P., NexPoint Real Estate Advisors III, L.P., NexPoint Real Estate Advisors IV, L.P., NexPoint Real Estate Advisors V, L.P., NexPoint Real Estate Advisors VI, L.P., NexPoint Real Estate Advisors VII, L.P., NexPoint Real Estate Advisors VIII, L.P., and any funds advised by the foregoing* [Docket No. 1677];
- d. *NexPoint Real Estate Partners LLC's Objection to Debtor's Fifth Amended Plan of Reorganization* (filed by NexPoint Real Estate Partners LLC f/k/a HCRE Partners LLC) [Docket No. 1673]; and
- e. *NexBank's Objection to Debtor's Fifth Amended Plan of Reorganization* (filed by NexBank Title, Inc., NexBank Securities, Inc., NexBank Capital, Inc., and NexBank) [Docket No. 1676]. The entities referred to in (i) through (v) of this paragraph are hereinafter referred to as the "Dondero Related Entities").

**17. Questionability of Good Faith as to Outstanding Confirmation**

**Objections.** Mr. Dondero and the Dondero Related Entities technically have standing to object to the Plan, but the remoteness of their economic interests is noteworthy, and the Bankruptcy Court

questions the good faith of Mr. Dondero's and the Dondero Related Entities' objections. In fact, the Bankruptcy Court has good reason to believe that these parties are not objecting to protect economic interests they have in the Debtor but to be disruptors. Mr. Dondero wants his company back. This is understandable, but it is not a good faith basis to lob objections to the Plan. As detailed below, the Bankruptcy Court has slowed down plan confirmation multiple times and urged the parties to talk to Mr. Dondero in an attempt to arrive at what the parties have repeatedly referred to as a "grand bargain," the ultimate goal to resolve the Debtor's restructuring. The Debtor and the Committee represent that they have communicated with Mr. Dondero regarding a grand bargain settlement, and the Bankruptcy Court believes that they have.

18. **Remote Interest of Outstanding Confirmation Objectors.** To be specific about the remoteness of Mr. Dondero's and the Dondero Related Entities' interests, the Bankruptcy Court will address them each separately. First, Mr. Dondero has a pending objection to the Plan. Mr. Dondero's only economic interest with regard to the Debtor is an unliquidated indemnification claim (and, based on everything the Bankruptcy Court has heard, his indemnification claims would be highly questionable at this juncture). Mr. Dondero owns no equity in the Debtor directly. Mr. Dondero owns the Debtor's general partner, Strand, which in turn owns a quarter percent of the total equity in the Debtor. Second, a joint objection has been filed by The Dugaboy Trust ("Dugaboy") and the Get Good Trust ("Get Good"). The Dugaboy Trust was created to manage the assets of Mr. Dondero and his family and owns a 0.1866% limited partnership interest in the Debtor. *See* Disclosure Statement at 7, n.3. The Bankruptcy Court is not clear what economic interest the Get Good Trust has, but it likewise seems to be related to Mr. Dondero. Get Good

filed three proofs of claim relating to a pending federal tax audit of the Debtor’s 2008 return, which the Debtor believes arise from Get Good’s equity security interests and are subject to subordination as set forth in its Confirmation Brief. Dugaboy filed three claims against the Debtor: (a) an administrative claim relating to the Debtor’s alleged postpetition management of Multi-Strat Credit Fund, L.P., (b) a prepetition claim against a subsidiary of the Debtor for which it seeks to pierce the corporate veil, each of which the Debtor maintains are frivolous in the Confirmation Brief, and (c) a claim arising from its equity security interest in the Debtor, which the Debtor asserts should be subordinated. Another group of objectors that has joined together in one objection is what the Bankruptcy Court will refer to as the “Highland Advisors and Funds.” *See* Docket No. 1863. The Bankruptcy Court understands they assert disputed administrative expense claims against the estate that were filed shortly before the Confirmation Hearing on January 23, 2021 [Docket No. 1826], and during the Confirmation Hearing on February 3, 2021 [Docket No. 1888]. At the Confirmation Hearing, Mr. Post testified on behalf of the Highland Advisors and Funds that the Funds have independent board members that run the Funds, but the Bankruptcy Court was not convinced of their independence from Mr. Dondero because none of the so-called independent board members have ever testified before the Bankruptcy Court and all have been engaged with the Highland complex for many years. Notably, the Court questions Mr. Post’s credibility because, after more than 12 years of service, he abruptly resigned from the Debtor in October 2020 at the exact same time that Mr. Dondero resigned at the Board of Directors’ request, and he is currently employed by Mr. Dondero. Moreover, Dustin Norris, a witness in a prior proceeding (whose testimony was made part of the record at the Confirmation Hearing), recently

testified on behalf of the Highland Advisors and Funds in another proceeding that Mr. Dondero owned and/or controlled these entities. Finally, various NexBank entities objected to the Plan. The Bankruptcy Court does not believe they have liquidated claims against the Debtor. Mr. Dondero appears to be in control of these entities as well.

19. **Background Regarding Dondero Objecting Parties.** To be clear, the Bankruptcy Court has allowed all these objectors to fully present arguments and evidence in opposition to confirmation, even though their economic interests in the Debtor appear to be extremely remote and the Bankruptcy Court questions their good faith. Specifically, the Bankruptcy Court considers them all to be marching pursuant to the orders of Mr. Dondero. In the recent past, Mr. Dondero has been subject to a temporary restraining order and preliminary injunction by the Bankruptcy Court for interfering with Mr. Seery's management of the Debtor in specific ways that were supported by evidence. Around the time that this all came to light and the Bankruptcy Court began setting hearings on the alleged interference, Mr. Dondero's company phone, which he had been asked to turn in to Highland, mysteriously went missing. The Bankruptcy Court merely mentions this in this context as one of many reasons that the Bankruptcy Court has to question the good faith of Mr. Dondero and his affiliates in raising objections to confirmation of the Plan.

20. **Other Confirmation Objections.** Other than the objections filed by Mr. Dondero and the Dondero Related Entities, the only other pending objection to the Plan is the *United States Trustee's Limited Objection to Confirmation of Debtor's Fifth Amended Plan of Reorganization* [Docket No. 1671], which objected to the Plan's exculpation, injunction, and

Debtor release provisions. In juxtaposition, to these pending objections, the Bankruptcy Court notes that the Debtor resolved the following objections to the Plan:

- a. *CLO Holdco, Ltd.’s Joinder to Objection to Confirmation of Fifth Amended Plan of Reorganization of Highland Capital Management, L.P. and Supplemental Objections to Plan Confirmation* [Docket No. 1675]. This Objection has been resolved pursuant to mutually agreed language by the parties set forth in paragraph VV of the Confirmation Order;
- b. *Objection of Dallas County, City of Allen, Allen ISD, City of Richardson, and Kaufman County to Confirmation of the Fifth Amended Plan of Reorganization of Highland Capital Management, L.P.* [Docket No. 1662]. This Objection has been resolved pursuant to mutually agreed language by the parties set forth in paragraph QQ of the Confirmation Order;
- c. *Senior Employees’ Limited Objection to Debtor’s Fifth Amended Plan of Reorganization (filed by Scott Ellington, Thomas Surgent, Frank Waterhouse, Isaac Leventon)* [Docket No. 1669]. This Objection has been resolved pursuant to mutually agreed language by the parties set forth in paragraph 82 and paragraphs RR and SS of the Confirmation Order;
- d. *Limited Objection of Jack Yang and Brad Borud to Fifth Amended Plan of Reorganization of Highland Capital Management, L.P.* [Docket No. 1666] and the amended joinder filed by Davis Deadman, Paul Kauffman and Todd Travers [Docket No. 1679]. This Objection and the amended joinder were resolved by agreement of the parties pursuant to modifications to the Plan filed by the Debtor;
- e. *United States’ (IRS) Limited Objection to Debtor’s Fifth Amended Plan of Reorganization* [Docket No. 1668]. This Objection has been resolved pursuant to mutually agreed language by the parties set forth in paragraphs TT and UU of the Confirmation Order; and
- f. *Patrick Hagaman Daugherty’s Objection to Confirmation of Fifth Amended Plan of Reorganization* [Docket No. 1678]. This objection was resolved by the parties pursuant to the settlement of Mr. Daugherty’s claim announced on the record of the Confirmation Hearing.

21. **Capitalized Terms.** Capitalized terms used herein, but not defined herein, shall have the respective meanings attributed to such terms in the Plan and the Disclosure Statement, as applicable.

22. **Jurisdiction and Venue.** The Bankruptcy Court has jurisdiction over the Debtor’s Chapter 11 Case pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue of this proceeding and this Chapter 11 Case is proper in this district and in the Bankruptcy Court pursuant to 28 U.S.C. §§ 1408 and 1409.

23. **Chapter 11 Petition.** On the Petition Date, the Debtor commenced a voluntary case under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware, which case was transferred to the Bankruptcy Court on December 19, 2019. The Debtor continues to operate its business and manage its property as debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in this Chapter 11 Case. The Office of the United States Trustee appointed the Committee on October 29, 2019.

24. **Judicial Notice.** The Bankruptcy Court takes judicial notice of the docket in this Chapter 11 Case maintained by the clerk of the Bankruptcy Court and the court-appointed claims agent, Kurtzman Carson Consultants LLC (“KCC”), including, without limitation, all pleadings, notices, and other documents filed, all orders entered, and all evidence and arguments made, proffered or adduced at the hearings held before the Bankruptcy Court during this Chapter 11 Case, including, without limitation, the hearing to consider the adequacy of the Disclosure Statement and the Confirmation Hearing, as well as all pleadings, notices, and other documents filed, all orders entered, and all evidence and arguments made, proffered, or adduced at hearings held before the Bankruptcy Court or the District Court for the Northern District of Texas in

connection with an adversary proceeding or appellate proceeding, respectively, related to this Chapter 11 Case.

25. **Plan Supplement Documents.** Prior to the Confirmation Hearing, the Debtor filed each of the Plan Supplements. The Plan Supplements contain, among other documents, the Retained Causes of Action, the Claimant Trust Agreement, the Litigation Sub-Trust Agreement, the Senior Employee Stipulation, the Related Entity List, the Schedule of Employees, the Reorganized Limited Partnership Agreement, supplements to the Liquidation Analysis/Financial Projections, the Schedule of Contracts and Leases to be Assumed, and the other Plan Documents set forth therein (collectively, the “Plan Supplement Documents”).

26. **Retained Causes of Action Adequately Preserved.** The Bankruptcy Court finds that the list of Retained Causes of Action included in the Plan Supplements sufficiently describes all potential Retained Causes of Action, provides all persons with adequate notice of any Causes of Action regardless of whether any specific claim to be brought in the future is listed therein or whether any specific potential defendant or other party is listed therein, and satisfies applicable law in all respects to preserve all of the Retained Causes of Action. The definition of the Causes of Action and Schedule of Retained Causes of Action, and their inclusion in the Plan, specifically and unequivocally preserve the Causes of Action for the benefit of the Reorganized Debtor, the Claimant Trust, or the Litigation Sub-Trust, as applicable.

27. **Plan Modifications Are Non-Material.** In addition to the Plan Supplements, the Debtor made certain non-material modifications to the Plan, which are reflected in (i) the *Redline of Fifth Amended Plan of Reorganization of Highland Capital Management, L.P.*

(as Modified) filed on January 22, 2021 [Docket No. 1809], and (ii) Exhibit B to the *Debtor's Notice of Filing of Plan Supplement to Fifth Amended Plan of Reorganization of Highland Capital Management, L.P. (as Modified)* filed on February 1, 2021 [Docket No. 1875] (collectively, the "Plan Modifications"). Section 1127(a) of the Bankruptcy Code provides that a plan proponent may modify its plan at any time before confirmation so long as such modified plan meets the requirements of sections 1122 and 1123 of the Bankruptcy Code. None of the modifications set forth in the Plan Supplements or the Plan Modifications require any further solicitation pursuant to sections 1125, 1126, or 1127 of the Bankruptcy Code and Bankruptcy Rule 3019, because, among other things, they do not materially adversely change the treatment of the claims of any creditors or interest holders who have not accepted, in writing, such supplements and modifications. Among other things, there were changes to the projections that the Debtor filed shortly before the Confirmation Hearing (which included projected distributions to creditors and a comparison of projected distributions under the Plan to potential distributions under a hypothetical chapter 7 liquidation). The Plan Supplements and Plan Modifications did not mislead or prejudice any creditors or interest holders nor do they require that Holders of Claims or Equity Interests be afforded an opportunity to change previously cast votes to accept or reject the Plan. Specifically, the Amended Liquidation Analysis/Financial Projections filed on February 1, 2021 [Docket No. 1875] do not constitute any material adverse change to the treatment of any creditors or interest holders but, rather, simply update the estimated distributions based on Claims that were settled in the interim and provide updated financial data. The filing and notice of the Plan Supplements and Plan Modifications were appropriate and complied with the requirements of

section 1127(a) of the Bankruptcy Code and the Bankruptcy Rules, and no other solicitation or disclosure or further notice is or shall be required. The Plan Supplements and Plan Modifications each became part of the Plan pursuant section 1127(a) of the Bankruptcy Code. The Debtor or Reorganized Debtor, as applicable, is authorized to modify the Plan or Plan Supplement Documents following entry of this Confirmation Order in a manner consistent with section 1127(b) of the Bankruptcy Code, the Plan, and, if applicable, the terms of the applicable Plan Supplement Document.

28. **Notice of Transmittal, Mailing and Publication of Materials.** As is evidenced by the Voting Certifications and the Affidavits of Service and Publication, the transmittal and service of the Plan, the Disclosure Statement, Ballots, and Confirmation Hearing Notice were adequate and sufficient under the circumstances, and all parties required to be given notice of the Confirmation Hearing (including the deadline for filing and serving objections to the confirmation of the Plan) have been given due, proper, timely, and adequate notice in accordance with the Disclosure Statement Order and in compliance with the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and applicable non-bankruptcy law, and such parties have had an opportunity to appear and be heard with respect thereto. No other or further notice is required. The publication of the Confirmation Hearing Notice, as set forth in the *Notice of Affidavit of Publication* dated December 3, 2020 [Docket No. 1505], complied with the Disclosure Statement Order.

29. **Voting.** The Bankruptcy Court has reviewed and considered the Voting Certifications. The procedures by which the Ballots for acceptance or rejection of the Plan were

distributed and tabulated, including the tabulation as subsequently amended to reflect the settlement of certain Claims to be Allowed in Class 7, were fairly and properly conducted and complied with the Disclosure Statement Order, the Bankruptcy Code, the Bankruptcy Rules, and the Local Rules.

30. **Bankruptcy Rule 3016(a).** In accordance with Bankruptcy Rule 3016(a), the Plan is dated and identifies the Debtor as the proponent of the Plan.

31. **Plan Compliance with Bankruptcy Code (11 U.S.C. § 1129(a)(1)).** As set forth below, the Plan complies with all of the applicable provisions of the Bankruptcy Code, thereby satisfying section 1129(a)(1) of the Bankruptcy Code.

32. **Proper Classification (11 U.S.C. §§ 1122, 1123(a)(1)).** Section 1122 of the Bankruptcy Code provides that a plan may place a claim or interest in a particular class only if such claim or interest is substantially similar to the other claims or interest of such class. The Claims and Equity Interests placed in each Class are substantially similar to other Claims and Equity Interests, as the case may be, in each such Class. Valid business, factual, and legal reasons exist for separately classifying the various Classes of Claims and Equity Interests created under the Plan, and such Classes do not unfairly discriminate between Holders of Claims and Equity Interests.

33. **Classification of Secured Claims.** Class 1 (Jefferies Secured Claim) and Class 2 (Frontier Secured Claim) each constitute separate secured claims held by Jefferies LLC and Frontier State Bank, respectively, and it is proper and consistent with section 1122 of the Bankruptcy Code to separately classify the claims of these secured creditors. Class 3 (Other

Secured Claims) consists of other secured claims (to the extent any exist) against the Debtor, are not substantially similar to the Secured Claims in Class 1 or Class 2, and are also properly separately classified.

34. **Classification of Priority Claims.** Class 4 (Priority Non-Tax Claims) consists of Claims entitled to priority under section 507(a), other than Priority Tax Claims, and are properly separately classified from non-priority unsecured claims. Class 5 (Retained Employee Claims) consists of the potential claims of employees who may be retained by the Debtor on the Effective Date, which claims will be Reinstated under the Plan, are not substantially similar to other Claims against the Debtor, and are properly classified.

35. **Classification of Unsecured Claims.** Class 6 (PTO Claims) consists solely of the claims of the Debtor's employees for unpaid paid time off in excess of the \$13,650 statutory cap amount under sections 507(a)(4) and (a)(5) of the Bankruptcy Code and are dissimilar from other unsecured claims in Class 7 and Class 8. Class 7 (Convenience Claims) allows holders of eligible and liquidated Claims (below a certain threshold dollar amount) to receive a cash payout of the lesser of 85% of the Allowed amount of the creditor's Claim or such holder's *pro rata* share of the Convenience Claims Cash Pool. Class 7 (Convenience Claims) are provided for administrative convenience purposes in order to allow creditors, most of whom are either trade creditors or holders of professional claims, to receive treatment provided under Class 7 in lieu of the treatment of Class 8 (General Unsecured Claims). The Plan also provides for reciprocal "opt out" mechanisms to allow holders of Class 7 Claims to elect to receive the treatment for Class 8 Claims. Class 8 creditors primarily constitute the litigation claims of the Debtor. Class 8 Creditors

will receive Claimant Trust Interests which will be satisfied pursuant to the terms of the Plan. Class 8 also contains an “opt out” mechanism to allow holders of liquidated Class 8 Claims at or below a \$1 million threshold to elect to receive the treatment of Class 7 Convenience Claims. The Claims in Class 7 (primarily trade and professional Claims against the Debtor) are not substantially similar to the Claims in Class 8 (primarily the litigation Claims against the Debtor), and are appropriately separately classified. Valid business reasons also exist to classify creditors in Class 7 separately from creditors in Class 8. Class 7 creditors largely consist of liquidated trade or service providers to the Debtor. In addition, the Claims of Class 7 creditors are small relative to the large litigation claims in Class 8. Furthermore, the Class 8 Claims were overwhelmingly unliquidated when the Plan was filed. The nature of the Class 7 Claims as being largely liquidated created an expectation of expedited payment relative to the largely unliquidated Claims in Class 8, which consists in large part of parties who have been engaged in years, and in some cases over a decade of litigation with the Debtor. Separate classification of Class 7 and Class 8 creditors was the subject of substantial arm’s-length negotiations between the Debtor and the Committee to appropriately reflect these relative differences.

36. **Classification of Equity Interests.** The Plan properly separately classifies the Equity Interests in Class 10 (Class B/C Limited Partnership Interests) from the Equity Interests in Class 11 (Class A Limited Partnership Interests) because they represent different types of equity security interests in the Debtor and different payment priorities.

37. **Elimination of Vacant Classes.** Section III.C of the Plan provides for the elimination of Classes that do not have at least one holder of a Claim or Equity Interest that is

Allowed in an amount greater than zero for purposes of voting to accept or reject the Plan, and are disregarded for purposes of determining whether the Plan satisfies section 1129(a)(8) of the Bankruptcy Code with respect to such Class. The purpose of this provision is to provide that a Class that does not have voting members shall not be included in the tabulation of whether that Class has accepted or rejected the Plan. Pursuant to the Voting Certifications, the only voting Class of Claims or Equity Interests that did not have any members is Class 5 (Retained Employees). As noted above, Class 5 does not have any voting members because any potential Claims in Class 5 would not arise, except on account of any current employees of the Debtor who may be employed as of the Effective Date, which is currently unknown. Thus, the elimination of vacant Classes provided in Article III.C of the Plan does not violate section 1122 of the Bankruptcy Code. Class 5 is properly disregarded for purposes of determining whether or not the Plan has been accepted under Bankruptcy Code section 1129(a)(8) because there are no members in that Class. However, the Plan properly provides for the treatment of any Claims that may potentially become members of Class 5 as of the Effective Date in accordance with the terms of the Plan. The Plan therefore satisfies section 1122 of the Bankruptcy Code.

38. **Classification of Claims and Designation of Non-Classified Claims (11 U.S.C. §§ 1122, 1123(a)(1)).** Section 1123(a)(1) of the Bankruptcy Code requires that the Plan specify the classification of claims and equity security interests pursuant to section 1122 of the Bankruptcy Code, other than claims specified in sections 507(a)(2), 507(a)(3), or 507(a)(8) of the Bankruptcy Code. In addition to Administrative Claims, Professional Fee Claims, and Priority Tax Claims, each of which need not be classified pursuant to section 1123(a)(1) of the Bankruptcy

Code, the Plan designates eleven (11) Classes of Claims and Equity Interests. The Plan satisfies sections 1122 and 1123(a)(1) of the Bankruptcy Code.

39. **Specification of Unimpaired Classes (11 U.S.C. § 1123(a)(2)).** Article III of the Plan specifies that each of Class 1 (Jefferies Secured Claim), Class 3 (Other Secured Claims), Class 4 (Priority Non-Tax Claims), Class 5 (Retained Employee Claims), and Class 6 (PTO Claims) are Unimpaired under the Plan. Thus, the requirement of section 1123(a)(2) of the Bankruptcy Code is satisfied.

40. **Specification of Treatment of Impaired Classes (11 U.S.C. § 1123(a)(3)).** Article III of the Plan designates each of Class 2 (Frontier Secured Claim), Class 7 (Convenience Claims), Class 8 (General Unsecured Claims), Class 9 (Subordinated Claims), Class 10 (Class B/C Limited Partnership Interests), and Class 11 (Class A Limited Partnership Interests) as Impaired and specifies the treatment of Claims and Equity Interests in such Classes. Thus, the requirement of section 1123(a)(3) of the Bankruptcy Code is satisfied.

41. **No Discrimination (11 U.S.C. § 1123(a)(4)).** The Plan provides for the same treatment by the Plan proponent for each Claim or Equity Interest in each respective Class unless the Holder of a particular Claim or Equity Interest has agreed to a less favorable treatment of such Claim or Equity Interest. The Plan satisfies this requirement because Holders of Allowed Claims or Equity Interests in each Class will receive the same rights and treatment as other Holders of Allowed Claims or Equity Interests within such holder's respective class, subject only to the voluntary "opt out" options afforded to members of Class 7 and Class 8 in accordance with the terms of the Plan. Thus, the requirement of section 1123(a)(4) of the Bankruptcy Code is satisfied.

42. **Implementation of the Plan (11 U.S.C. § 1123(a)(5)).** Article IV of the Plan sets forth the means for implementation of the Plan which includes, but is not limited to, the establishment of: (i) the Claimant Trust; (ii) the Litigation Sub-Trust; (iii) the Reorganized Debtor; and (iv) New GP LLC, in the manner set forth in the Plan Documents, the forms of which are included in the Plan Supplements.

- a. **The Claimant Trust.** The Claimant Trust Agreement provides for the management of the Claimant Trust, as well as the Reorganized Debtor with the Claimant Trust serving as the managing member of New GP LLC (a wholly-owned subsidiary of the Claimant Trust that will manage the Reorganized Debtor as its general partner). The Claimant Trust, the Claimant Trustee, the management and monetization of the Claimant Trust Assets, and the management of the Reorganized Debtor (through the Claimant Trust's role as managing member of New GP LLC) and the Litigation Sub-Trust will all be managed and overseen by the Claimant Trust Oversight Committee. Additionally, the Plan provides for the transfer to the Claimant Trust of all of the Debtor's rights, title, and interest in and to all of the Claimant Trust Assets in accordance with section 1141 of the Bankruptcy Code and for the Claimant Trust Assets to automatically vest in the Claimant Trust free and clear of all Claims, Liens, encumbrances, or interests subject only to the Claimant Trust Interests and the Claimant Trust Expenses, as provided for in the Claimant Trust Agreement. The Claimant Trust will administer the Claimant Trust Assets as provided under the Plan and the Claimant Trust Agreement contained in the Plan Supplements.
- b. **The Litigation Sub-Trust.** The Plan and the Litigation Sub-Trust Agreement provide for the transfer to the Litigation Sub-Trust all of the Claimant Trust's rights, title, and interest in and to all of the Estate Claims (as transferred to the Claimant Trust by the Debtor) in accordance with section 1141 of the Bankruptcy Code and for the Estate Claims to automatically vest in the Litigation Sub-Trust free and clear of all Claims, Liens, encumbrances, or interests subject only to the Litigation Sub-Trust Interests and the Litigation Sub-Trust Expenses, as provided for in the Litigation Sub-Trust Agreement. The Litigation Trustee is charged with investigating, pursuing, and otherwise resolving any Estate Claims (including those with respect to which the Committee has standing to pursue prior to the Effective Date pursuant to the January 9 Order) pursuant to the terms of the Litigation Sub-Trust Agreement and the Plan, regardless of whether any litigation with respect to any Estate Claim was commenced by the Debtor or the Committee prior to the Effective Date.

- c. **The Reorganized Debtor.** The Reorganized Debtor will administer the Reorganized Debtor Assets, which includes managing the wind down of the Managed Funds.

The precise terms governing the execution of these restructuring transactions are set forth in greater detail in the applicable definitive documents included in the Plan Supplements, including the Claimant Trust Agreement, the Litigation Sub-Trust Agreement, and the Schedule of Retained Causes of Action. The Plan, together with the documents and forms of agreement included in the Plan Supplements, provides a detailed blueprint for the transactions contemplated by the Plan. The Plan's various mechanisms provide for the Debtor's continued management of its business as it seeks to liquidate the Debtor's assets, wind down its affairs, and pay the Claims of the Debtor's creditors. Upon full payment of Allowed Claims, plus interest as provided in the Plan, any residual value would then flow to the holders of Class 10 (Class B/C Limited Partnership Interests), and Class 11 (Class A Limited Partnership Interests). Finally, Mr. Seery testified that the Debtor engaged in substantial and arm's length negotiations with the Committee regarding the Debtor's post-Effective Date corporate governance, as reflected in the Plan. Mr. Seery testified that he believes the selection of the Claimant Trustee, Litigation Trustee, and members of the Claimant Trust Oversight Board are in the best interests of the Debtor's economic constituents. Thus, the requirements of section 1123(a)(5) of the Bankruptcy Code are satisfied.

43. **Non-Voting Equity Securities (11 U.S.C. § 1123(a)(6)).** The Debtor is not a corporation and the charter documents filed in the Plan Supplements otherwise comply with section 1123(a)(6) of the Bankruptcy Code. Therefore, the requirement of section 1123(a)(6) of the Bankruptcy Code is satisfied.

44. **Selection of Officers and Directors (11 U.S.C. § 1123(a)(7)).** Article IV of the Plan provides for the Claimant Trust to be governed and administered by the Claimant Trustee. The Claimant Trust, the management of the Reorganized Debtor, and the management and monetization of the Claimant Trust Assets and the Litigation Sub-Trust will be managed by the Claimant Trust Oversight Board. The Claimant Trust Oversight Board will consist of: (1) Eric Felton, as representative of the Redeemer Committee; (2) Joshua Terry, as representative of Acis; (3) Elizabeth Kozlowski, as representative of UBS; (4) Paul McVoy, as representative of Meta-E Discovery; and (5) David Pauker. Four of the members of the Claimant Trust Oversight Committee are the holders of several of the largest Claims against the Debtor and/or are current members of the Committee. Each of these creditors has actively participated in the Debtor's case, both through their fiduciary roles as Committee members and in their individual capacities as creditors. They are therefore intimately familiar with the Debtor, its business, and assets. The fifth member of the Claimant Trust Oversight Board, David Pauker, is a disinterested restructuring advisor and turnaround manager with more than 25 years of experience advising public and private companies and their investors, and he has substantial experience overseeing, advising or investigating troubled companies in the financial services industry and has advised or managed such companies on behalf of boards or directors, court-appointed trustees, examiners and special masters, government agencies, and private investor parties. The members of the Claimant Trust Oversight Board will serve without compensation, except for Mr. Pauker, who will receive payment of \$250,000 for his first year of service, and \$150,000 for subsequent years.

45. **Selection of Trustees.** The Plan Supplements disclose that Mr. Seery will serve as the Claimant Trustee and Marc Kirschner will serve as the Litigation Trustee. As noted above, Mr. Seery has served as an Independent Board member since January 2020, and as the Chief Executive Officer and Chief Restructuring Officer since July 2020, and he has extensive management and restructuring experience, as evidenced from his curriculum vitae which is part of the record. The evidence shows that Mr. Seery is intimately familiar with the Debtor's organizational structure, business, and assets, as well as how Claims will be treated under the Plan. Accordingly, it is reasonable and in the Estate's best interests to continue Mr. Seery's employment post-emergence as the Claimant Trustee. Mr. Seery, upon consultation with the Committee, testified that he intends to employ approximately 10 of the Debtor's employees to enable him to manage the Debtor's business until the Claimant Trust effectively monetizes its remaining assets, instead of hiring a sub-servicer to accomplish those tasks. Mr. Seery testified that he believes that the Debtor's post-confirmation business can most efficiently and cost-effectively be supported by a sub-set of the Debtor's current employees, who will be managed internally. Mr. Seery shall initially be paid \$150,000 per month for services rendered after the Effective Date as Claimant Trustee; however, Mr. Seery's long-term salary as Claimant Trustee and the terms of any bonuses and severance are subject to further negotiation by Mr. Seery and the Claimant Trust Oversight Board within forty-five (45) days after the Effective Date. The Bankruptcy Court has also reviewed Mr. Kirschner's curriculum vitae. Mr. Kirschner has been practicing law since 1967 and has substantial experience in bankruptcy litigation matters, particularly with respect to his prior experience as a litigation trustee for several litigation trusts, as set forth on the record of the

Confirmation Hearing and in the Confirmation Brief. Mr. Kirschner shall be paid \$40,000 per month for the first three months and \$20,000 per month thereafter, plus a success fee related to litigation recoveries. The Committee and the Debtor had arm's lengths negotiations regarding the post-Effective Date corporate governance structure of the Reorganized Debtor and believe that the selection of the Claimant Trustee, the Litigation Trustee, and the Claimant Trust Oversight Committee are in the best interests of the Debtor's economic stakeholders. Section 1123(a)(7) of the Bankruptcy Code is satisfied.

**46. Debtor's Compliance with Bankruptcy Code (11 U.S.C. § 1129(a)(2)).**

Pursuant to section 1129(a)(2) of the Bankruptcy Code, the Debtor has complied with the applicable provisions of the Bankruptcy Code, including sections 1122, 1123, 1124, 1125, and 1126 of the Bankruptcy Code, the Bankruptcy Rules, and the Disclosure Statement Order governing notice, disclosure, and solicitation in connection with the Plan, the Disclosure Statement, the Plan Supplements, and all other matters considered by the Bankruptcy Court in connection with this Chapter 11 Case.

**47. Debtor's Solicitation Complied with Bankruptcy Code and Disclosure**

**Statement Order.** Before the Debtor solicited votes on the Plan, the Bankruptcy Court entered the Disclosure Statement Order. In accordance with the Disclosure Statement Order and evidenced by the Affidavits of Service and Publication, the Debtor appropriately served (i) the Solicitation Packages (as defined in the Disclosure Statement Order) on the Holders of Claims in Classes 2, 7, 8 and 9 and Holders of Equity Interests in Classes 10 and 11 who were entitled to vote on the Plan; and (ii) the Notice of Nonvoting Status (as defined in the Disclosure Statement Order) and the

Confirmation Hearing Notice to the Holders of Claims in Classes 1, 3, 4, 5 and 6, who were not entitled to vote on the Plan pursuant to the Disclosure Statement Order. The Disclosure Statement Order approved the contents of the Solicitation Packages provided to Holders of Claims and Equity Interests entitled to vote on the Plan, the notices provided to parties not entitled to vote on the Plan, and the deadlines for voting on and objecting to the Plan. The Debtor and KCC each complied with the content and delivery requirements of the Disclosure Statement Order, thereby satisfying sections 1125(a) and (b) of the Bankruptcy Code, as evidenced by the Affidavits of Service and Publication. The Debtor also satisfied section 1125(c) of the Bankruptcy Code, which provides that the same disclosure statement must be transmitted to each holder of a claim or interest in a particular class. The Debtor caused the same Disclosure Statement to be transmitted to all holders of Claims and Equity Interests entitled to vote on the Plan. The Debtor has complied in all respects with the solicitation requirements of section 1125 of the Bankruptcy Code and the Disclosure Statement Order. The Bankruptcy Court rejects the arguments of the Mr. Dondero and certain Dondero Related Entities that the changes made to certain assumptions and projections from the Liquidation Analysis annexed as Exhibit C to the Disclosure Statement (the "Liquidation Analysis") to the Amended Liquidation Analysis/Financial Projections require resolicitation of the Plan. The Bankruptcy Court heard credible testimony from Mr. Seery regarding the changes to the Liquidation Analysis as reflected in the Amended Liquidation Analysis/Financial Projections. Based on the record, including the testimony of Mr. Seery, the Bankruptcy Court finds that the changes between the Liquidation Analysis and the Amended Liquidation Analysis/Financial Projections do not constitute materially adverse change to the treatment of Claims or Equity

Interests. Instead, the changes served to update the projected distributions based on Claims that were settled after the approval of the Disclosure Statement and to otherwise incorporate more recent financial data. Such changes were entirely foreseeable given the large amount of unliquidated Claims at the time the Disclosure Statement was approved and the nature of the Debtor's assets. The Bankruptcy Court therefore finds that holders of Claims and Equity Interests were not misled or prejudiced by the Amended Liquidation Analysis/Financial Projections and the Plan does not need to be resolicited.

48. **Plan Proposed in Good Faith and Not by Means Forbidden by Law (11 U.S.C. § 1129(a)(3)).** The Debtor has proposed the Plan in good faith and not by any means forbidden by law, thereby satisfying section 1129(a)(3) of the Bankruptcy Code. In determining that the Plan has been proposed in good faith, the Bankruptcy Court has examined the totality of the circumstances surrounding the filing of this Chapter 11 Case, the Plan itself, and the extensive, unrebutted testimony of Mr. Seery in which he described the process leading to Plan's formulation. Based on the totality of the circumstances and Mr. Seery's testimony, the Bankruptcy Court finds that the Plan is the result of extensive arm's-length negotiations among the Debtor, the Committee, and key stakeholders, and promotes the objectives and purposes of the Bankruptcy Code. Specifically, the Debtor's good faith in proposing the Plan is supported by the following facts adduced by Mr. Seery:

- a. The Independent Board determined that it should consider all potential restructuring alternatives, including pursuit of a traditional restructuring and the continuation of the Debtor's business, a potential sale of the Debtor's assets in one or more transactions, an asset monetization plan similar to that described in the Plan, and a so-called "grand bargain" plan that would involve Mr. Dondero's sponsorship of a plan with a substantial equity infusion.

- b. The Debtor subsequently engaged in arm's-length, good faith negotiations with the Committee over an asset monetization Plan commencing in June 2020, which negotiations occurred over the next several months.
- c. Negotiations between the Debtor and the Committee were often contentious over disputes, including, but not limited to, the post-confirmation corporate governance structure and the scope of releases contemplated by the Plan.
- d. While negotiations with the Committee progressed, the Independent Board engaged in discussions with Mr. Dondero regarding a potential "grand bargain" plan which contemplated a significant equity infusion by Mr. Dondero, and which Mr. Seery personally spent hundreds of hours pursuing over many months.
- e. On August 3, 2020, the Bankruptcy Court entered the *Order Directing Mediation* [Docket No. 912] pursuant to which the Bankruptcy Court ordered the Debtor, the Committee, UBS, Acis, the Redeemer Committee, and Mr. Dondero into mediation. As a result of this mediation, the Debtor negotiated the settlement of the claims of Acis and Mr. Terry, which the Bankruptcy Court approved on October 28, 2020 [Docket No. 1302].
- f. On August 12, 2020, the Debtor filed its *Chapter 11 Plan of Reorganization of Highland Capital Management, L.P.* [Docket No. 944] (the "Initial Plan") and related disclosure statement (the "Initial Disclosure Statement") which were not supported by either the Committee or Mr. Dondero. The Independent Board filed the Initial Plan and Initial Disclosure Statement in order to act as a catalyst for continued discussions with the Committee while it simultaneously worked with Mr. Dondero on the "grand bargain" plan.
- g. The Bankruptcy Court conducted a contested hearing on the Initial Disclosure Statement on October 27, 2020. The Committee and other parties objected to approval of the Disclosure Statement at the Initial Disclosure Statement hearing, which was eventually continued to November 23, 2020.
- h. Following the Initial Disclosure Statement hearing, the Debtor continued to negotiate with the Committee and ultimately resolved the remaining material disputes and led to the Bankruptcy Court's approval of the Disclosure Statement on November 23, 2020.
- i. Even after obtaining the Bankruptcy Court's approval of the Disclosure Statement, the Debtor and the Committee continued to negotiate with Mr. Dondero and the Committee over a potential "pot plan" as an alternative to the Plan on file with the Bankruptcy Court, but such efforts were unsuccessful. This history conclusively demonstrates that the Plan is being proposed in good faith within the meaning of section 1129(a)(3).

49. **Payments for Services or Costs and Expenses (11 U.S.C. § 1129(a)(4)).**

Article II.B of the Plan provides that Professionals will file all final requests for payment of Professional Fee Claims no later than 60 days after the Effective Date, thereby providing an adequate period of time for interested parties to review such claims. The procedures set forth in the Plan for the Bankruptcy Court's approval of the fees, costs, and expenses to be paid in connection with this chapter 11 Case, or in connection with the Plan and incident to this Chapter 11 Case, satisfy the objectives of and are in compliance with section 1129(a)(4) of the Bankruptcy Code.

50. **Directors, Officers, and Insiders (11 U.S.C. § 1129(a)(5)).**

Article IV.B of the Plan provides for the appointment of the Claimant Trustee, Litigation Trustee, and the Claimant Trust Oversight Committee and the members thereto. For the reasons more fully explained in paragraphs 44-45 of this Confirmation Order with respect to the requirement of section 1123(a)(7) of the Bankruptcy Code, the Debtor has disclosed the nature of compensation of any insider to be employed or retained by the Reorganized Debtor, if applicable, and compensation for any such insider. The appointment of such individuals is consistent with the interests of Claims and Equity Interests and with public policy. Thus, the Plan satisfies section 1129(a)(5) of the Bankruptcy Code.

51. **No Rate Changes (11 U.S.C. § 1129(a)(6)).**

The Plan does not provide for any rate change that requires regulatory approval. Section 1129(a)(6) of the Bankruptcy Code is thus not applicable.

52. **Best Interests of Creditors (11 U.S.C. § 1129(a)(7)).** The “best interests” test is satisfied as to all Impaired Classes under the Plan, as each Holder of a Claim or Equity Interest in such Impaired Classes will receive or retain property of a value, as of the Effective Date of the Plan, that is not less than the amount that such Holder would so receive or retain if the Debtor were liquidated under chapter 7 of the Bankruptcy Code. On October 15, 2020, the Debtor filed the Liquidation Analysis [Docket 1173], as prepared by the Debtor with the assistance of its advisors and which was attached as Exhibit C to the Disclosure Statement. On January 29, 2021, in advance of Mr. Seery’s deposition in connection with confirmation of the Plan, the Debtor provided an updated version of the Liquidation Analysis to the then-objectors of the Plan, including Mr. Dondero and the Dondero Related Entities. On February 1, 2021, the Debtor filed the Amended Liquidation Analysis/Financial Projections. The Amended Liquidation Analysis/Financial Projections included updates to the Debtor’s projected asset values, revenues, and expenses to reflect: (1) the acquisition of an interest in an entity known as “HCLOF” that the Debtor will acquire as part of its court-approved settlement with HarbourVest and that was valued at \$22.5 million; (2) an increase in the value of certain of the Debtor’s assets due to changes in market conditions and other factors; (3) expected revenues and expenses arising in connection with the Debtor’s continued management of the CLOs pursuant to management agreements that the Debtor decided to retain; (4) increases in projected expenses for headcount (in addition to adding two or three employees to assist in the management of the CLOs, the Debtor also increased modestly the projected headcount as a result of its decision not to engage a Sub-Servicer) and professional fees; and (5) an increase in projected recoveries on notes resulting from the

acceleration of term notes owed to the Debtor by the following Dondero Related Entities: NexPoint Advisors, L.P.; Highland Capital Management Services, Inc.; and HCRE Partners, LLC (n/k/a NexPoint Real Estate Partners, LLC). Under the Plan, as of the Confirmation Date, (a) Class 7 General Unsecured Creditors are projected to receive 85% on account of their claims; and (b) Class 8 General Unsecured Creditors are projected to receive at least approximately 71% on account of their Claims. Under a hypothetical chapter 7 liquidation, all general unsecured creditors are projected to receive approximately 55% on account of their Claims. The Bankruptcy Court finds that the distributions that Class 7 and 8 General Unsecured Creditors are projected to receive under the Plan substantially exceeds that which they would receive under a chapter 7 liquidation based on Mr. Seery's testimony, including the following credible reasons he posited, among others:

- a. The nature of the Debtor's assets is complex. Certain assets relate to complicated real estate structures and private equity investments in operating businesses. Mr. Seery's extensive experience with the Debtor during the thirteen months since his appointment as an Independent Director and later Chief Executive Officer and Chief Restructuring Officer, provides him with a substantial learning curve in connection with the disposition of the Debtor's assets and are reasonably expected to result in him being able to realize tens of millions of dollars more value than would a chapter 7 trustee.
- b. Assuming that a hypothetical chapter 7 trustee could even operate the Debtor's business under chapter 7 of the Bankruptcy Code and hire the necessary personnel with the relevant knowledge and experience to assist him or her in selling the Debtor's assets, a chapter 7 trustee would likely seek to dispose of the Debtor's assets in a forced sale liquidation which would generate substantially less value for the Debtor's creditors than the asset monetization plan contemplated by the Plan.
- c. A chapter 7 trustee would be unlikely to retain the Debtor's existing professionals to assist in its efforts to monetize assets, resulting in delays, increased expenses, and reduced asset yields for the chapter 7 estate.

- d. The chapter 7 estate would be unlikely to maximize value as compared to the asset monetization process contemplated by the Plan because potential buyers are likely to perceive a chapter 7 trustee as engaging in a quick, forced “fire sale” of assets; and
- e. The Debtor’s employees, who are vital to its efforts to maximum value and recoveries for stakeholders, may be unwilling to provide services to a chapter 7 trustee.

Finally, there is no evidence to support the objectors’ argument that the Claimant Trust Agreement’s disclaimed liability for ordinary negligence by the Claimant Trustee compared to a chapter 7 trustee’s liability has any relevance to creditor recoveries in a hypothetical chapter 7 liquidation. Thus, section 1129(a)(7) of the Bankruptcy Code is satisfied.

53. **Acceptance by Certain Classes (11 U.S.C. § 1129(a)(8)).** Classes 1, 3, 4, 5 and 6 are Unimpaired under the Plan. Class 2 (Frontier Secured Claim), Class 7 (Convenience Claims), and Class 9 (Subordinated Claims) have each voted to accept the Plan in accordance with the Bankruptcy Code, thereby satisfying section 1129(a)(8) as to those Classes. However, Class 8 (General Unsecured Claims), Class 10 (Class B/C Limited Partnership Interests), and Class 11 (Class A Limited Partnership Interests) have not accepted the Plan. Accordingly, section 1129(a)(8) of the Bankruptcy Code has not been satisfied. The Plan, however, is still confirmable because it satisfies the nonconsensual confirmation provisions of section 1129(b), as set forth below.

54. **Treatment of Administrative, Priority, Priority Tax Claims, and Professional Fee Claims (11 U.S.C. § 1129(a)(9)).** The treatment of Administrative Claims, Priority Claims, and Professional Fee Claims pursuant to Article III of the Plan, and as set forth below with respect to the resolution of the objections filed by the Internal Revenue Service and

certain Texas taxing authorities satisfies the requirements of sections 1129(a)(9) of the Bankruptcy Code.

55. **Acceptance by Impaired Class (11 U.S.C. § 1129(a)(10)).** Class 2 (Frontier Secured Claims) and Class 7 (Convenience Claims) are each Impaired Classes of Claims that voted to accept the Plan, determined without including any acceptance of the Plan by any insider. Therefore, the requirement of section 1129(a)(10) of the Bankruptcy Code is satisfied.

56. **Feasibility (11 U.S.C. § 1129(a)(11)).** Article IV of the Plan provides for the implementation of the Plan through the Claimant Trust, the Litigation Sub-Trust, and the Reorganized Debtor. The Plan provides that the Claimant Trust, among other things, will monetize and distribute the Debtor's remaining assets. The Disclosure Statement, the Amended Liquidation Analysis/Financial Projections, and the other evidence presented at the Confirmation Hearing provide a reasonable probability of success that the Debtor will be able to effectuate the provisions of the Plan. The Plan contemplates the establishment of the Claimant Trust upon the Effective Date, which will monetize the Estate's assets for the benefit of creditors. Mr. Seery testified that the Class 2 Frontier Secured Claim will be paid over time pursuant to the terms of the New Frontier Note and the Reorganized Debtor will have sufficient assets to satisfy its obligations under this note. The Claims of the Holders of Class 7 Claims (as well as those Class 8 creditors who validly opted to receive the treatment of Class 7 Claims) are expected to be satisfied shortly after the Effective Date. Holders of Class 8 Claims (including any holders of Class 7 Claims who opted to receive the treatment provided to Class 8 Claims) are not guaranteed any recovery and will

periodically receive pro rata distributions as assets are monetized pursuant to the Plan and the Claimant Trust Agreement. Thus, section 1129(a)(11) of the Bankruptcy Code is satisfied.

57. **Payment of Fees (11 U.S.C. § 1129(a)(12)).** All fees payable under 28 U.S.C. § 1930 have been paid or will be paid on or before the Effective Date pursuant to Article XII.A of the Plan, thus satisfying the requirement of section 1129(a)(12) of the Bankruptcy Code. The Debtor has agreed that the Reorganized Debtor, the Claimant Trust, and the Litigation Sub-Trust shall be jointly and severally liable for payment of quarterly fees to the Office of the United States Trustee pursuant to 28 U.S.C. § 1930 through the entry of the Final Decree for the Debtor or the dismissal or conversion of the Chapter 11 Case.

58. **Retiree Benefits.** The Plan provides for the assumption of the Pension Plan (to the extent such Pension Plan provides “retiree benefits” and is governed by section 1114 of the Bankruptcy Code). Thus, the Plan complies with section 1129(a)(13) of the Bankruptcy Code, to the extent applicable.

59. **Miscellaneous Provisions (11 U.S.C. §§ 1129(a)(14)-(16)).** Sections 1129(a)(14)-(16) of the Bankruptcy Code are inapplicable as the Debtor (i) has no domestic support obligations (section 1129(a)(14)), (ii) is not an individual (section 1129(a)(15)), and (iii) is not a nonprofit corporation (section 1129(a)(16)).

60. **No Unfair Discrimination; Fair and Equitable Treatment (11 U.S.C. § 1129(b)).** The classification and treatment of Claims and Equity Interests in Classes 8, 10 and 11, which have not accepted the Plan, is proper pursuant to section 1122 of the Bankruptcy Code, does

not discriminate unfairly, and is fair and equitable pursuant to section 1129(b)(1) of the Bankruptcy Code.

- a. Class 8. The Plan is fair and equitable with respect to Class 8 General Unsecured Claims. While Equity Interests in Class 10 and Class 11 will receive a contingent interest in the Claimant Trust under the Plan (the “Contingent Interests”), the Contingent Interests will not vest unless and until holders of Class 8 General Unsecured Claims and Class 9 Subordinated Claims receive distributions equal to 100% of the amount of their Allowed Claims plus interest as provided under the Plan and Claimant Trust Agreement. Accordingly, as the holders of Equity Interests that are junior to the Claims in Class 8 and Class 9 will not receive or retain under the Plan on account of such junior claim interest any property unless and until the Claims in Class 8 and Class 9 are paid in full plus applicable interest, the Plan is fair and equitable with respect to holders of Class 8 General Unsecured Claims pursuant to section 1129(b)(2)(B) of the Bankruptcy Code and the reasoning of *In re Introgen Therapeutics* 429 B.R 570 (Bankr. W.D. Tex. 2010).
- b. Class 10 and Class 11. There are no Claims or Equity Interests junior to the Equity Interests in Class 10 and Class 11. Equity Interests in Class 10 and 11 will neither receive nor retain any property under the Plan unless Allowed Claims in Class 8 and Class 9 are paid in full plus applicable interest pursuant to the terms of the Plan and Claimant Trust Agreement. Thus, the Plan does not violate the absolute priority rule with respect to Classes 10 and 11 pursuant to Bankruptcy Code section 1129(b)(2)(C). The Plan does not discriminate unfairly as to Equity Interests. As noted above, separate classification of the Class B/C Partnership Interests from the Class A Partnerships Interests is appropriate because they constitute different classes of equity security interests in the Debtor, and each are appropriately separately classified and treated.

Accordingly, the Plan does not violate the absolute priority rule, does not discriminate unfairly, and is fair and equitable with respect to each Class that has rejected the Plan. Thus, the Plan satisfies the requirements of section 1129(b) of the Bankruptcy Code with respect to Classes 8, 10, and 11.

61. **Only One Plan (11 U.S.C. § 1129(c)).** The Plan is the only chapter 11 plan confirmed in this Chapter 11 Case, and the requirements of section 1129(c) of the Bankruptcy Code are therefore satisfied.

62. **Principal Purpose (11 U.S.C. § 1129(d)).** Mr. Seery testified that the principal purpose of the Plan is neither the avoidance of taxes nor the avoidance of the application of section 5 of the Securities Act of 1933, and no governmental unit has objected to the confirmation of the Plan on any such grounds. Accordingly, section 1129(d) of the Bankruptcy Code is inapplicable.

63. **Satisfaction of Confirmation Requirements.** Based upon the foregoing, the Plan satisfies the requirements for confirmation set forth in section 1129 of the Bankruptcy Code and should be confirmed.

64. **Good Faith Solicitation (11 U.S.C. § 1125(e)).** The Debtor, the Independent Directors, and the Debtor's employees, advisors, Professionals, and agents have acted in good faith within the meaning of section 1125(e) of the Bankruptcy Code and in compliance with the applicable provisions of the Bankruptcy Code and Bankruptcy Rules in connection with all of their respective activities relating to the solicitation of acceptances of the Plan and their participation in the activities described in section 1125 of the Bankruptcy Code, and they are entitled to the protections afforded by section 1125(e) of the Bankruptcy Code.

65. **Discharge (11 U.S.C. § 1141(d)(3)).** The Debtor is entitled to a discharge of debts pursuant to section 1141(d)(3)(B) of the Bankruptcy Code. Under the Plan, the Claimant Trust or Reorganized Debtor, as applicable, will continue to manage funds and conduct business

in the same manner as the Debtor did prior to Plan confirmation, which includes the management of the CLOs, Multi-Strat, Restoration Capital, the Select Fund and the Korea Fund. Although the Plan projects that it will take approximately two years to monetize the Debtor's assets for fair value, Mr. Seery testified that while the Reorganized Debtor and Claimant Trust will be monetizing their assets, there is no specified time frame by which this process must conclude. Mr. Seery's credible testimony demonstrates that the Debtor will continue to engage in business after consummation of the Plan, within the meaning of Section 1141(d)(3)(b) and that the Debtor is entitled to a discharge pursuant to section 1141(d)(1) of the Bankruptcy Code.

66. **Retention of Jurisdiction.** The Bankruptcy Court may properly retain jurisdiction over the matters set forth in Article XI of the Plan and/or section 1142 of the Bankruptcy Code to the maximum extent under applicable law.

67. **Additional Plan Provisions (11 U.S.C. § 1123(b)).** The Plan's provisions are appropriate, in the best interests of the Debtor and its Estate, and consistent with the applicable provisions of the Bankruptcy Code, Bankruptcy Rules, and Local Rules.

68. **Executory Contracts and Unexpired Leases (11 U.S.C. § 1123(b)(2)).** The Debtor has exercised reasonable business judgment with respect to the rejection of the Executory Contracts and Unexpired Leases pursuant the terms of the Plan and this Confirmation Order, and such rejections are justified and appropriate in this Chapter 11 Case. The Debtor also filed the List of Assumed Contracts, which contain notices to the applicable counterparties to the contracts set forth on Exhibit "FF" to Plan Supplement filed on February 1, 2021 [Docket No. 1875] and which exhibit sets forth the list of executory contracts and unexpired leases to be

assumed by the Debtor pursuant to the Plan (collectively, the “Assumed Contracts”). With respect to the Assumed Contracts, only one party objected to the assumption of any of the Assumed Contracts, but that objection was withdrawn.<sup>8</sup> Any modifications, amendments, supplements, and restatements to the Assumed Contracts that may have been executed by the Debtor during the Chapter 11 Case shall not be deemed to alter the prepetition nature of the Assumed Contracts or the validity, priority, or amount of any Claims that may arise in connection therewith. Assumption of any Assumed Contract pursuant to the Plan and full payment of any applicable Cure pursuant to the Plan shall result in the full release and satisfaction of any Cures, Claims, or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed Executory Contract or Unexpired Lease at any time prior to the effective date of assumption.

**69. Compromises and Settlements Under and in Connection with the Plan (11 U.S.C. § 1123(b)(3)).** All of the settlements and compromises pursuant to and in connection with the Plan, comply with the requirements of section 1123(b)(3) of the Bankruptcy Code and Bankruptcy Rule 9019.

**70. Debtor Release, Exculpation and Injunctions (11 U.S.C. § 1123(b)).** The Debtor Release, Exculpation, and Injunction provisions provided in the Plan (i) are within the jurisdiction of the Bankruptcy Court under 28 U.S.C. § 1334; (ii) are integral elements of the transactions incorporated into the Plan, and inextricably bound with the other provisions of the Plan; (iii) confer material benefit on, and are in the best interests of, the Debtor, its Estate, and its

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<sup>8</sup> See *Notice of Withdrawal of James Dondero’s Objection Debtor’s Proposed Assumption of Contracts and Cure Amounts Proposed in Connection Therewith* [Docket No. 1876]

creditors; (iv) are fair, equitable, and reasonable; (v) are given and made after due notice and opportunity for hearing; (vi) satisfy the requirements of Bankruptcy Rule 9019; and (vii) are consistent with the Bankruptcy Code and other applicable law, and as set forth below.

71. **Debtor Release.** Section IX.D of the Plan provides for the Debtor’s release of the Debtor’s and Estate’s claims against the Released Parties. Releases by a debtor are discretionary and can be provided by a debtor to persons who have provided consideration to the Debtor and its estate pursuant to section 1123(b)(3)(A) of the Bankruptcy Code. Contrary to the objections raised by Mr. Dondero and certain of the Dondero Related Entities, the Debtor Release is appropriately limited to release claims held by the Debtor and does not purport to release the claims held by the Claimant Trust, Litigation Sub-Trust, or other third parties. The Plan does not purport to release any claims held by third parties and the Bankruptcy Court finds that the Debtor Release is not a “disguised” release of any third party claims as asserted by certain objecting parties. The limited scope of the Debtor Release in the Plan was extensively negotiated with the Committee, particularly with the respect to the Debtor’s conditional release of claims against employees, as identified in the Plan, and the Plan’s conditions and terms of such releases. The Plan does not release (i) any obligations of any party under the Plan or any document, instrument, or agreement executed to implement the Plan, (ii) the rights or obligations of any current employee of the Debtor under any employment agreement or plan, (iii) the rights of the Debtor with respect to any confidentiality provisions or covenants restricting competition in favor of the Debtor under any employment agreement with a current or former employee of the Debtor, (iv) any Avoidance Actions, or (v) any Causes of Action arising from willful misconduct, criminal misconduct, actual

fraud, or gross negligence of such applicable Released Party as determined by Final Order of the Bankruptcy Court or any other court of competent jurisdiction. The Debtor Release also contains conditions to such releases as set forth in Article X.D of the Plan with respect to employees (the “Release Conditions”). Until the an employee satisfies the Release Conditions or the Release Conditions otherwise terminate, any claims against such employee will be tolled so that if the Release Conditions are not met the Litigation Trustee may pursue claims against an employee at a later date. The evidence before the Bankruptcy Court, including, but not limited to Mr. Seery’s testimony, demonstrates that the Debtor is not aware of any claims against any of the Released Parties, that the Released Parties have been instrumental in assisting the Debtor’s efforts toward confirmation of the Plan and that, therefore, the releases are a *quid pro quo* for the Released Parties’ significant contributions to a highly complex and contentious restructuring. The Committee, whose members hold approximately \$200 million in claims against the Estate, is highly sophisticated and is represented by highly sophisticated professionals, and has actively and vigorously negotiated the terms of the Debtor Release, which was the subject of significant controversy at the Initial Disclosure Statement hearing held by the Bankruptcy Court on October 27, 2020.

72. **Exculpation.** Section IX.C of the Plan provides for the exculpation of certain Exculpated Parties to the extent provided therein (the “Exculpation Provision”). As explained below, the Exculpation Provision is appropriate under the unique circumstances of this litigious Chapter 11 Case and consistent with applicable Fifth Circuit precedent. First, with respect to the Independent Directors, their agents, and their advisors, including any employees acting at

their direction, the Bankruptcy Court finds and concludes that it has already exculpated these parties for acts other than willful misconduct and gross negligence pursuant to the January 9 Order. The January 9 Order was specifically agreed to by Mr. Dondero, who was in control of the Debtor up until entry of the January 9 Order. The January 9 Order was not appealed. In addition to the appointment of the Independent Directors in an already contentious and litigious case, the January 9 Order set the standard of care for the Independent Directors and specifically exculpated them for negligence. Mr. Seery and Mr. Dubel each testified that they had input into the contents of the January 9 Order and would not have agreed to their appointment as Independent Directors if the January 9 Order did not include the protections set forth in paragraph 10 of the January 9 Order. Paragraph 10 of the January 9 Order (1) requires that parties wishing to sue the Independent Directors or their agents and advisors must first seek approval from the Bankruptcy Court before doing so; (2) sets the standard of care for the Independent Directors during the Chapter 11 Case and exculpated the Independent Directors for acts other than willful misconduct or gross negligence; (3) only permits suits against the Independent Directors to proceed for colorable claims of willful misconduct and gross negligence upon order of the Bankruptcy Court; and (4) does not expire by its terms.

73. **Existing Exculpation of Independent Directors.** The Bankruptcy Court also finds and concludes that it has already exculpated Mr. Seery acting in the capacity as Chief Executive Officer and Chief Restructuring Officer pursuant to the July 16 Order. The Bankruptcy Court concludes its previous approval of the exculpation of the Independent Directors, their agents, advisors and employees working at their direction pursuant to the January 9 Order, and the Chief

Executive Officer and Chief Restructuring Officer pursuant to the July 16 Order constitutes the law of this case and are *res judicata* pursuant to *In re Republic Supply Co. v. Shoaf*, 815 F.2d 1046 (5th Cir.1987). The January 9 Order and July 16 Order cannot be collaterally attacked based on the objectors' objection to the exculpation of the Independent Directors, their agents, and advisors, including any employees acting at their direction, as well as the Chief Executive Officer and Chief Restructuring Officer, that the Bankruptcy Court already approved pursuant to the January 9 Order and the July 16 Order.

74. **The Exculpation Provision Complies with Applicable Law.** Separate and apart from the *res judicata* effect of the January 9 Order and the July 16 Order, the Bankruptcy Court also finds and concludes that the Exculpation Provision is consistent with applicable law, including *In re Pacific Lumber Co.*, 584 F.3d 229 (5th Cir. 2009), for several reasons:

- a. First, the statutory basis for *Pacific Lumber's* denial of exculpation for certain parties other than a creditors' committee and its members is that section 524(e) of the Bankruptcy Code "only releases the debtor, not co-liable third parties." *Pacific Lumber*, 253 F.3d. at 253. However, *Pacific Lumber* does not prohibit all exculpations under the Bankruptcy Code and the court in such case specifically approved the exculpations of a creditors' committee and its members on the grounds that "11 U.S.C. § 1103(c), which lists the creditors' committee's powers, implies committee members have qualified immunity for actions within the scope of their duties.... [I]f members of the committee can be sued by persons unhappy with the committee's performance during the case or unhappy with the outcome of the case, it will be extremely difficult to find members to serve on an official committee." *Pacific Lumber*, 253 F.3d at 253 (quoting Lawrence P. King, et al, *Collier on Bankruptcy*, ¶ 1103.05[4][b] (15<sup>th</sup> Ed. 2008)). *Pacific Lumber's* rationale for permitted exculpation of creditors' committees and their members (which was clearly policy-based and based on a creditors' committee qualified immunity flowing from their duties under section 1103(c) of the Bankruptcy Code and their disinterestedness and importance in chapter 11 cases) does not preclude exculpation to other parties in a particular chapter 11 case that perform similar roles to a creditors' committee and its members. The Independent Directors, and by extension the Chief Executive Officer and Chief Restructuring Officer, were not

part of the Debtor’s enterprise prior to their appointment by the Bankruptcy Court under the January 9 Order. The Bankruptcy Court appointed the Independent Directors in lieu of a chapter 11 trustee to address what the Bankruptcy Court perceived as serious conflicts of interest and fiduciary duty concerns with the then-existing management prior to January 9, 2020, as identified by the Committee. In addition, the Bankruptcy Court finds that the Independent Directors expected to be exculpated from claims of negligence, and would likely have been unwilling to serve in contentious cases absent exculpation. The uncontroverted testimony of Mr. Seery and Mr. Dubel demonstrates that the Independent Directors would not have agreed to accept their roles without the exculpation and gatekeeper provision in the January 9 Order. Mr. Dubel also testified as to the increasing important role that independent directors are playing in complex chapter 11 restructurings and that unless independent directors could be assured of exculpation for simple negligence in contentious bankruptcy cases they would be reluctant to accept appointment in chapter 11 cases which would adversely affect the chapter 11 restructuring process. The Bankruptcy Court concludes that the Independent Directors were appointed under the January 9 Order in order to avoid the appointment of a chapter 11 trustee and are analogous to a creditors’ committee rather than an incumbent board of directors. The Bankruptcy Court also concludes that if independent directors cannot be assured of exculpation for simple negligence in contentious bankruptcy cases, they may not be willing to serve in that capacity. Based upon the foregoing, the Bankruptcy Court concludes that *Pacific Lumber’s* policy of exculpating creditors’ committees and their members from “being sued by persons unhappy with the committee’s performance during the case or unhappy with the outcome of the case” is applicable to the Independent Directors in this Chapter 11 Case.<sup>9</sup>

- b. Second, the Bankruptcy Court also concludes that *Pacific Lumber* does not preclude the exculpation of parties if there is a showing that “costs [that] the released parties might incur defending against such suits alleging such negligence are likely to swamp either the Exculpated Parties or the reorganization.” *Pacific Lumber*, 584 F.3d at 252. If ever there was a risk of that happening in a chapter 11 reorganization, it is this one. Mr. Seery credibly testified that Mr. Dondero stated outside the courtroom that if Mr. Dondero’s pot plan does not get approved, that Mr. Dondero will “burn the place down.” The Bankruptcy Court can easily expect that the proposed Exculpated Parties might expect to incur costs that could swamp them and the reorganization based on the prior litigious conduct of Mr. Dondero and his controlled entities that justify their inclusion in the Exculpation Provision.

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<sup>9</sup> The same reasoning applies to the inclusion of Strand in the Exculpation Provision because Strand is the general partner of the Debtor through which each of the Independent Board members act.

75. **Injunction.** Section IX.D of the Plan provides for a Plan injunction to implement and enforce the Plan’s release, discharge and release provisions (the “Injunction Provision”). The Injunction Provision is necessary to implement the provisions in the Plan. Mr. Seery testified that the Claimant Trustee will monetize the Debtor’s assets in order to maximize their value. In order to accomplish this goal, the Claimant Trustee needs to be able to pursue this objective without the interference and harassment of Mr. Dondero and his related entities, including the Dondero Related Entities. Mr. Seery also testified that if the Claimant Trust was subject to interference by Mr. Dondero, it would take additional time to monetize the Debtor’s assets and those assets could be monetized for less money to the detriment of the Debtor’s creditors. The Bankruptcy Court finds and concludes that the Injunction Provision is consistent with and permissible under Bankruptcy Code sections 1123(a), 1123(a)(6), 1141(a) and (c), and 1142. The Bankruptcy Court rejects assertions by certain objecting parties that the Injunction Provision constitutes a “third-party release.” The Injunction Provision is appropriate under the circumstances of this Chapter 11 Case and complies with applicable bankruptcy law. The Bankruptcy Court also concludes that the terms “implementation” and “consummation” are neither vague nor ambiguous

76. **Gatekeeper Provision.** Section IX.F of the Plan contains a provision contained in paragraph AA of this Confirmation Order and which the Debtor has referred to as a gatekeeper provision (the “Gatekeeper Provision”). The Gatekeeper Provision requires that Enjoined Parties first seek approval of the Bankruptcy Court before they may commence an action against Protected Parties. Thereafter, if the Bankruptcy Court determines that the action is

colorable, the Bankruptcy Court may, if it has jurisdiction, adjudicate the action. The Bankruptcy Court finds that the inclusion of the Gatekeeper Provision is critical to the effective and efficient administration, implementation, and consummation of the Plan. The Bankruptcy Court also concludes that the Bankruptcy Court has the statutory authority as set forth below to approve the Gatekeeper Provision.

77. **Factual Support for Gatekeeper Provision.** The facts supporting the need for the Gatekeeper Provision are as follows. As discussed earlier in this Confirmation Order, prior to the commencement of the Debtor's bankruptcy case, and while under the direction of Mr. Dondero, the Debtor had been involved in a myriad of litigation, some of which had gone on for years and, in some cases, over a decade. Substantially all of the creditors in this case are either parties who were engaged in litigation with the Debtor, parties who represented the Debtor in connection with such litigation and had not been paid, or trade creditors who provided litigation-related services to the Debtor. During the last several months, Mr. Dondero and the Dondero Related Entities have harassed the Debtor, which has resulted in further substantial, costly, and time-consuming litigation for the Debtor. Such litigation includes: (i) entry of a temporary restraining order and preliminary injunction against Mr. Dondero [Adv. Proc. No. 20-03190 Docket No. 10 and 59] because of, among other things, his harassment of Mr. Seery and employees and interference with the Debtor's business operations; (ii) a contempt motion against Mr. Dondero for violation of the temporary restraining order, which motion is still pending before the Bankruptcy Court [Adv. Proc. No. 20-03190 Docket No. 48]; (iii) a motion by Mr. Dondero's controlled investors in certain CLOs managed by the Debtor that the Bankruptcy Court referred to

as frivolous and a waste of the Bankruptcy Court’s time [Docket No. 1528] which was denied by the Court [Docket No. 1605]; (iv) multiple plan confirmation objections focused on ensuring the Dondero Related Entities be able to continue their litigation against the Debtor and its successors post-confirmation [Docket Nos. 1661, 1667, 1670, 1673, 1676, 1677 and 1868]; (v) objections to the approval of the Debtor’s settlements with Acis and HarbourVest and subsequent appeals of the Bankruptcy Court’s order approving each of those settlements [Docket Nos. 1347 and 1870]; and (vi) a complaint and injunction sought against Mr. Dondero’s affiliated entities to prevent them from violating the January 9 Order and entry of a restraining order against those entities [Adv Proc. No. 21-03000 Docket No 1] (collectively, the “Dondero Post-Petition Litigation”).

78. **Findings Regarding Dondero Post-Petition Litigation.** The Bankruptcy Court finds that the Dondero Post-Petition Litigation was a result of Mr. Dondero failing to obtain creditor support for his plan proposal and consistent with his comments, as set forth in Mr. Seery’s credible testimony, that if Mr. Dondero’s plan proposal was not accepted, he would “burn down the place.” The Bankruptcy Court concludes that without appropriate protections in place, in the form of the Gatekeeper Provision, Mr. Dondero and his related entities will likely commence litigation against the Protected Parties after the Effective Date and do so in jurisdictions other than the Bankruptcy Court in an effort to obtain a forum which Mr. Dondero perceives will be more hospitable to his claims. The Bankruptcy Court also finds, based upon Mr. Seery’s testimony, that the threat of continued litigation by Mr. Dondero and his related entities after the Effective Date will impede efforts by the Claimant Trust to monetize assets for the benefit of creditors and result

in lower distributions to creditors because of costs and distraction such litigation or the threats of such litigation would cause.

79. **Necessity of Gatekeeper Provision.** The Bankruptcy Court further finds that unless the Bankruptcy Court approves the Gatekeeper Provision, the Claimant Trustee and the Claimant Trust Oversight Board will not be able to obtain D&O insurance, the absence of which will present unacceptable risks to parties currently willing to serve in such roles. The Bankruptcy Court heard testimony from Mark Tauber, a Vice President with AON Financial Services, the Debtor's insurance broker ("AON"), regarding his efforts to obtain D&O insurance. Mr. Tauber credibly testified that of all the insurance carriers that AON approached to provide D&O insurance coverage after the Effective Date, the only one willing to do so without an exclusion for claims asserted by Mr. Dondero and his affiliates otherwise requires that this Order approve the Gatekeeper Provision. Based on the foregoing, the Bankruptcy Court finds that the Gatekeeper Provision is necessary and appropriate in light of the history of the continued litigiousness of Mr. Dondero and his related entities in this Chapter 11 Case and necessary to the effective and efficient administration, implementation and consummation of the Plan and is appropriate pursuant to *Carroll v. Abide (In re Carroll)* 850 F.3d 811 (5th Cir. 2017). Approval of the Gatekeeper Provision will prevent baseless litigation designed merely to harass the post-confirmation entities charged with monetizing the Debtor's assets for the benefit of its economic constituents, will avoid abuse of the court system and preempt the use of judicial time that properly could be used to consider the meritorious claims of other litigants. Any suit against a Protected Party would effectively be a suit against the Debtor, and the Debtor may be required to indemnify the Protected

Parties under the Limited Partnership Agreement, which will remain in effect through the Effective Date, or those certain *Indemnification and Guaranty Agreements*, dated January 9, 2020, between Strand, the Debtor, and each Independent Director, following the Confirmation Date as each such agreement will be assumed pursuant to 11 U.S.C. § 365 pursuant to the Plan.

80. **Statutory Authority to Approve Gatekeeper Provision.** The Bankruptcy Court finds it has the statutory authority to approve the Gatekeeper Provision under sections 1123(a)(5), 1123(b)(6), 1141, 1142(b), and 105(a). The Gatekeeper Provision is also within the spirit of the Supreme Court’s “Barton Doctrine.” *Barton v. Barbour*, 104 U.S. 126 (1881). The Gatekeeper Provision is also consistent with the notion of a prefiling injunction to deter vexatious litigants, that has been approved by the Fifth Circuit in such cases as *Baum v. Blue Moon Ventures, LLC*, 513 F.3d 181, 189 (5th Cir. 2008), and *In re Carroll*, 850 F.3d 811 (5<sup>th</sup> Cir. 2017).

81. **Jurisdiction to Implement Gatekeeper Provision.** The Bankruptcy Court finds that it will have jurisdiction after the Effective Date to implement the Gatekeeper Provision as post-confirmation bankruptcy court jurisdiction has been interpreted by the Fifth Circuit under *United States Brass Corp. v. Travelers Ins. Group, Inc. (In re United States Brass Corp.)*, 301 F.3d 296 (5<sup>th</sup> Cir. 2002) and *EOP-Colonnade of Dallas Ltd. P’Ship v. Faulkner (In re Stonebridge Techs., Inc.)*, 430 F.3d 260 (5<sup>th</sup> Cir. 2005). Based upon the rationale of the Fifth Circuit in *Villegas v. Schmidt*, 788 F.3d 156, 158-59 (5th Cir. 2015), the Bankruptcy Court’s jurisdiction to act as a gatekeeper does not violate *Stern v. Marshall*. The Bankruptcy Court’s determination of whether

a claim is colorable, which the Bankruptcy Court has jurisdiction to determine, is distinct from whether the Bankruptcy Court would have jurisdiction to adjudicate any claim it finds colorable.

82. **Resolution of Objections of Scott Ellington and Isaac Leventon.** Each of Scott Ellington (“Mr. Ellington”) and Isaac Leventon (“Mr. Leventon”) (each, a “Senior Employee Claimant”) has asserted certain claims for liquidated but unpaid bonus amounts for the following periods: 2016, 2017, and 2018, as set forth in Exhibit A to that certain *Senior Employees’ Limited Objection to Debtor’s Fifth Amended Plan of Reorganization* [Docket No. 1669] (the “Senior Employees’ Objection”) (for each of Mr. Ellington and Mr. Leventon, the “Liquidated Bonus Claims”).

- a. Mr. Ellington has asserted Liquidated Bonus Claims in the aggregate amount of \$1,367,197.00, and Mr. Leventon has asserted Liquidated Bonus Claims in the aggregate amount of \$598,198.00. Mr. Ellington received two Ballots<sup>10</sup> – a Ballot for Class 7 of the Plan and a Ballot for Class 8 of the Plan. Mr. Ellington completed and timely returned both of such Ballots, voted to reject the Plan, and elected to have his Class 8 Liquidated Bonus Claims treated under Class 7 of the Plan, subject to the objections and reservations of rights set forth in the Senior Employees’ Objection. If Mr. Ellington is permitted to elect Class 7 treatment for his Liquidated Bonus Claims, then the maximum amount of his Liquidated Bonus Claims will be \$1,000,000.
- b. Mr. Leventon received two Ballots—a Ballot for Class 7 of the Plan and a Ballot for Class 8 of the Plan. Mr. Leventon completed and timely returned both of such Ballots and voted each such Ballots to rejected the Plan.
- c. The Senior Employees’ Objection, among other things, objects to the Plan on the grounds that the Debtor improperly disputes the right of Mr. Ellington to elect Class 7 treatment for his Liquidated Bonus Claims and Mr. Leventon’s entitlement to receive Class 7 Convenience Class treatment for his Liquidated Bonus Claims. The Debtor contended that neither Mr. Ellington or Mr. Leventon were entitled to elect to receive Class 7 Convenience Class treatment on account of their Liquidated

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<sup>10</sup> As defined in the Plan, “Ballot” means the forms(s) distributed to holders of Impaired Claims or Equity Interests entitled to vote on the Plan on which to indicate their acceptance or rejection of the Plan.

Bonus Claims under the terms of the Plan, the Disclosure Statement Order or applicable law.

- d. The Debtor and Mr. Ellington and Mr. Leventon negotiated at arms' length in an effort to resolve all issues raised in the Senior Employee's Objection, including whether or not Mr. Ellington and Mr. Leventon were entitled to Class 7 Convenience Class treatment of their Liquidated Bonus Claims. As a result of such negotiation, the Debtor, Mr. Ellington, and Mr. Leventon have agreed to the settlement described in paragraphs 82(e) through 82(k) below and approved and effectuated pursuant to decretal paragraphs RR through SS (the "Senior Employees' Settlement").
- e. Under the terms of the Senior Employees' Settlement, the Debtor has the right to elect one of two treatments of the Liquidated Bonus Claims for a Senior Employee Claimant. Under the first treatment option ("Option A"), the Liquidated Bonus Claims will be entitled to be treated in Class 7 of the Plan, and the Liquidated Bonus Claims will be entitled to receive payment in an amount equal to 70.125% of the Class 7 amount of the Liquidated Bonus Claims, subject to the Liquidated Bonus Claims becoming Allowed Claims under the terms of the Plan. Under this calculation, Mr. Ellington would be entitled to receive \$701,250.00 on account of his Class 7 Convenience Class Claim when and as Allowed under the Plan, and Mr. Leventon would be entitled to receive \$413,175.10 on account of his Class 7 Convenience Class Claim when and as Allowed under the Plan. If, however, any party in interest objects to the allowance of the Senior Employee Claimant's Liquidated Bonus Claims and does not prevail in such objection, then such Senior Employee Claimant will be entitled to a payment in an amount equal to 85% of his Allowed Liquidated Bonus Claims (subject, in the case of Mr. Ellington, to the cap imposed on Class 7 Claims). In addition, under Option A, each of Mr. Ellington and Mr. Leventon would retain their respective rights to assert that the Liquidated Bonus Claims are entitled to be treated as Administrative Expense Claims, as defined in Article I.B.2. of the Plan, in which case the holder of such Liquidated Bonus Claims would be entitled to payment in full of the Allowed Liquidated Bonus Claims. Under Option A, parties in interest would retain the right to object to any motion seeking payment of the Liquidated Bonus Amounts as Administrative Expenses.
- f. Under the second treatment option ("Option B"), the Debtor would agree that the Senior Employee Claimant has Allowed Liquidated Bonus Claims, no longer subject to objection by any party in interest, in the amounts of the Liquidated Bonus Claims (subject, in the case of Mr. Ellington, to the cap imposed by Class 7). If the Debtor elects Option B as to a Senior Employee Claimant, then such Senior Employee Claimant would be entitled to a payment on account of his Allowed Liquidated Bonus Claims in an amount equal to 60% of the amount of the

Liquidated Bonus Claims (which, in Mr. Ellington's case, would be \$600,000 and in Mr. Leventon's case, would be \$358,918.80), and such payment would be the sole recovery on account of such Allowed Liquidated Bonus Claims.

- g. The Debtor may, with the consent of the Committee, elect Option B with respect to a Senior Employee Claimant at any time prior to the occurrence of the Effective Date. If the Debtor does not make an election, then Option A will apply.
- h. Under either Option A or Option B, Mr. Ellington and Mr. Leventon will retain all their rights with respect to all Claims other than the Liquidated Bonus Amounts, including, but not limited to, their Class 6 PTO Claims, other claims asserted as Class 8 General Unsecured Claims, the Senior Employees' claims for indemnification against the Debtor, and any other claims that they may assert constitute Administrative Expense Claims, and any other such Claims are subject to the rights of any party in interest to object to such Claims, and the Debtor reserves any all of its rights and defenses in connection therewith.
- i. Subject to entry of this Confirmation Order and as set forth and announced on the record at the hearing on confirmation of the Plan and no party objecting thereto, Mr. Ellington and Mr. Leventon agreed to change the votes in their respective Ballots from rejection to acceptance of the Plan and to withdraw the Senior Employees' Objection.
- j. The Senior Employees' Settlement represents a valid exercise of the Debtor's business judgment and satisfies the requirements for a compromise under Bankruptcy Rule 9019(a).
- k. For the avoidance of doubt, neither Mr. Leventon nor Mr. Ellington shall be a Released Party under the Plan regardless of how the Senior Employee Claimants' Claims are to be treated hereunder.

Based upon the foregoing findings, and upon the record made before the Bankruptcy Court at the Confirmation Hearing, and good and sufficient cause appearing therefor, it is hereby

**ORDERED, ADJUDGED AND DECREED THAT:**

**A. Confirmation of the Plan.** The Plan is approved in its entirety and **CONFIRMED** under section 1129 of the Bankruptcy Code. The terms of the Plan, including the

Plan Supplements and Plan Modifications, are incorporated by reference into and are an integral part of this Confirmation Order.<sup>11</sup>

**B. Findings of Fact and Conclusions of Law.** The findings of fact and the conclusions of law set forth in this Confirmation Order and on the record of the Confirmation Hearing constitute findings of fact and conclusions of law in accordance with Bankruptcy Rule 7052, made applicable to this proceeding by Bankruptcy Rule 9014. All findings of fact and conclusion of law announced by the Bankruptcy Court at the Confirmation Hearing in relation to confirmation of the Plan are hereby incorporated into this Confirmation Order. To the extent that any of the following constitutes findings of fact or conclusions of law, they are adopted as such. To the extent any findings of fact or conclusions of law set forth in this Confirmation Order (including any findings of fact or conclusions of law announced by the Bankruptcy Court at the Confirmation Hearing and incorporated herein) constitutes an order of the Bankruptcy Court, and is adopted as such.

**C. Objections.** Any resolution or disposition of objections to confirmation of the Plan or otherwise ruled upon by the Bankruptcy Court on the record of the Confirmation Hearing is hereby incorporated by reference. All objections and all reservations of rights pertaining to confirmation of the Plan that have not been withdrawn, waived or settled are overruled on the merits, except as otherwise specifically provided in this Confirmation Order.

**D. Plan Supplements and Plan Modifications.** The filing with the Bankruptcy Court of the Plan Supplements and the Plan Modifications constitutes due and

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<sup>11</sup> The Plan is attached hereto as Exhibit A.

sufficient notice thereof. Accordingly, pursuant to section 1127(a) of the Bankruptcy Code and Bankruptcy Rule 3019, the Plan Modifications and the Plan Supplements do not require additional disclosure under section 1125 of the Bankruptcy Code or resolicitation of votes under section 1126 of the Bankruptcy Code, nor do they require that Holders of Claims or Equity Interests be afforded an opportunity to change previously cast acceptances or rejections of the Plan. The Plan Modifications and the Plan Supplements constitute the Plan pursuant to section 1127(a) of the Bankruptcy Code. Accordingly, the Plan, as modified, is properly before the Bankruptcy Court and all votes cast with respect to the Plan prior to such modification shall be binding and shall apply with respect to the Plan.

**E. Deemed Acceptance of Plan.** In accordance with section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019, all Holders of Claims and Equity Interests who voted to accept the Plan (or whom are conclusively presumed to accept the Plan) are deemed to have accepted the Plan as modified by the Plan Modifications. No holder of a Claim shall be permitted to change its vote as a consequence of the Plan Modifications.

**F. Vesting of Assets in the Reorganized Debtor.** Except as otherwise provided in the Plan or this Confirmation Order, on or after the Effective Date, all Reorganized Debtor Assets will vest in the Reorganized Debtor, free and clear of all Liens, Claims, charges or other encumbrances pursuant to section 1141(c) of the Bankruptcy Code, except with respect to such Liens, Claims, charges, and other encumbrances that are specifically preserved under the Plan upon the Effective Date. The Reorganized Debtor shall be the exclusive trustee of the Reorganized Debtor Assets for purposes of 31 U.S.C. § 3713(b) and 26 U.S.C. § 6012(b)(3), as well as the

representative of the Estate appointed pursuant to section 1123(b)(3)(B) of the Bankruptcy Code with respect to the Reorganized Debtor Assets.

**G. Effectiveness of All Actions.** All actions contemplated by the Plan, including all actions in connection with the Claimant Trust Agreement, the Senior Employee Stipulation, the New GP LLC Documents, the New Frontier Note, the Reorganized Limited Partnership Agreement, the Litigation Sub-Trust Agreement, and the other Plan Documents, are authorized to be taken on, prior to, or after the Effective Date, as applicable, under this Confirmation Order, without further application to or order of the Bankruptcy Court, or further action by the directors, managers, officers or partners of the Debtor or the Reorganized Debtor and with the effect that such actions had been taken by unanimous action of such parties.

**H. Restructuring Transactions.** The Debtor or Reorganized Debtor, as applicable, are authorized to enter into and effectuate the Restructuring provided under the Plan, including, without limitation, the entry into and consummation of the transactions contemplated by the Claimant Trust Agreement, the Senior Employee Stipulation, the New GP LLC Documents, the New Frontier Note, the Reorganized Limited Partnership Agreement, the Litigation Sub-Trust Agreement, and the other Plan Documents, and may take any actions as may be necessary or appropriate to effect a corporate restructuring of its business or a corporate restructuring of the overall corporate structure of the Reorganized Debtor, as and to the extent provided in the Plan. Any transfers of assets or equity interests effected or any obligations incurred through the Restructuring pursuant to the Plan are hereby approved and shall not constitute fraudulent conveyances or fraudulent transfers or otherwise be subject to avoidance.

**I. Preservation of Causes of Action.** Unless a Cause of Action against a Holder of a Claim or an Equity Interest or other Entity is expressly waived, relinquished, released, compromised or settled in the Plan or any Final Order (including, without limitation, this Confirmation Order), such Cause of Action is expressly reserved for later adjudication by the Reorganized Debtor, the Litigation Sub-Trust, or the Claimant Trust, as applicable (including, without limitation, Causes of Action not specifically identified or of which the Debtor may presently be unaware or that may arise or exist by reason of additional facts or circumstances unknown to the Debtor at this time or facts or circumstances that may change or be different from those the Debtor now believes to exist) and, therefore, no preclusion doctrine, including, without limitation, the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable or otherwise) or laches will apply to such Causes of Action as a consequence of the confirmation, effectiveness, or consummation of the Plan based on the Disclosure Statement, the Plan, or this Confirmation Order, except where such Causes of Action have been expressly released in the Plan or any other Final Order (including, without limitation, this Confirmation Order). In addition, the right of the Reorganized Debtor, the Claimant Trust, or the Litigation Sub-Trust to pursue or adopt any claims alleged in any lawsuit in which the Debtor is a plaintiff, defendant or an interested party, against any Entity, including, without limitation, the plaintiffs or co-defendants in such lawsuits, is expressly reserved.

**J. Independent Board of Directors of Strand.** The terms of the current Independent Directors shall expire on the Effective Date without the need for any further or other action by any of the Independent Directors. For avoidance of doubt, the Assumed Contracts

include the *Indemnification and Guaranty Agreement between Highland Capital Management, Strand Advisors, Inc. and James Seery*; the *Indemnification and Guaranty Agreement between Highland Capital Management, Strand Advisors, Inc. and John Dubel* and *Indemnification and Guaranty Agreement between Highland Capital Management, Strand Advisors, Inc. and Russell Nelms* and shall each remain in full force and effect notwithstanding the expiration of the terms of any Independent Directors.

**K. Cancellation of Equity Interests and Issuance of New Partnership**

**Interests.** On the Effective Date, all Class A Limited Partnership Interests, including the Class A Limited Partnership Interests held by Strand, as general partner, and Class B/C Limited Partnerships in the Debtor will be deemed cancelled, and all obligations or debts owed by, or Claims against, the Debtor on account of, or based upon, such Class A Limited Partnership Interests and Class B/C Limited Partnership Interests shall be deemed as cancelled, released, and discharged, including all obligations or duties by the Debtor relating to the Equity Interests in any of the Debtor's formation documents, including the Limited Partnership Agreement. As of the Effective Date and pursuant to the Plan, new Class A Limited Partnership Interests in the Reorganized Debtor will be issued to the Claimant Trust and New GP LLC. The Claimant Trust, as limited partner, will ratify New GP LLC's appointment as general partner of the Reorganized Debtor, and on and following the Effective Date, the Claimant Trust will be the Reorganized Debtor's limited partner and New GP LLC will be its general partner. The Claimant Trust, as limited partner, and New GP LLC, as general partner, will execute the Reorganized Limited Partnership Agreement, which will amend and restate, in all respects, the Debtor's current Limited

Partnership Agreement. Following the Effective Date, the Reorganized Debtor will be managed consistent with the terms of the Reorganized Limited Partnership Agreement by New GP LLC. The sole managing member of New GP LLC will be the Claimant Trust, and the Claimant Trustee will be the sole officer of New GP LLC on the Effective Date.

**L. Transfer of Assets to Claimant Trust.** On or prior to the Effective Date, the Debtor shall irrevocably transfer and shall be deemed to have irrevocably transferred to the Claimant Trust all of its rights, title, and interest in and to all of the Claimant Trust Assets, and in accordance with section 1141 of the Bankruptcy Code, the Claimant Trust Assets shall automatically vest in the Claimant Trust free and clear of all Claims, Liens, encumbrances, or interests subject only to the Claimant Trust Interests and the Claimant Trust Expenses, as provided for in the Claimant Trust Agreement, and such transfer shall be exempt from any stamp, real estate transfer, mortgage from any stamp, transfer, reporting, sales, use, or other similar tax. Following the Effective Date, the Claimant Trust will administer the Claimant Trust Assets pursuant to the Plan and the Claimant Trust Agreement.

**M. Transfer of Estate Claims to Litigation Sub-Trust.** On or prior to the Effective Date, the Claimant Trust shall irrevocably transfer and shall be deemed to have irrevocably transferred to the Litigation Sub-Trust all of the Claimant Trust's rights, title, and interest in and to all of the Estate Claims as successor in interest to the Debtor, and in accordance with section 1141 of the Bankruptcy Code, the Estate Claims shall automatically vest in the Litigation Sub-Trust free and clear of all Claims, Liens, encumbrances, or interests subject only to the Litigation Sub-Trust Interests and Litigation Sub-Trust Expenses. The Litigation Trustee will

be authorized to investigate, pursue, and otherwise resolve the Estate Claims pursuant to the terms of the Litigation Sub-Trust Agreement and the Plan, including as successor in interest to the Debtor or Committee, as applicable, in any litigation commenced prior to the Effective Date in which Estate Claims are asserted.

**N. Compromise of Controversies.** In consideration for the distributions and other benefits, including releases, provided under the Plan, the provisions of the Plan constitute a good faith compromise and settlement of all Claims, Equity Interests, and controversies resolved under the Plan and the entry of this Confirmation Order constitutes approval of such compromise and settlement under Bankruptcy Rule 9019.

**O. Objections to Claims.** The Claims Objection Deadline shall be the date that is 180 days after the Effective Date, *provided, however*, that the Claims Objection Deadline may be extended by the Bankruptcy Court upon a motion by the Claimant Trustee and as otherwise provided under the Plan.

**P. Assumption of Contracts and Leases.** Effective as of the date of this Confirmation Order, each of the Assumed Contacts shall be assumed by the Debtor without the need for any further notice to or action, order, or approval of the Bankruptcy Court, under section 365 of the Bankruptcy Code and the payment of Cures, if any, shall be paid in accordance with the Plan. Each Assumed Contract shall include all modifications, amendments, supplements, restatements, or other agreements related thereto, and all rights related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests. Modifications, amendments, supplements, and restatements to any of the

Assumed Contracts that have been executed by the Debtor during the Chapter 11 Case shall not be deemed to alter the prepetition nature of such Assumed Contracts or the validity, priority, or amount of any Claims that may arise in connection therewith. Assumption of the Assumed Contracts pursuant to Article V.A of the Plan and full payment of any applicable Cure pursuant to the Plan shall result in the full release and satisfaction of any Cures, Claims, or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition, or other bankruptcy-related defaults, arising under any Assumed Contracts.

**Q. Rejection of Contracts and Leases.** Unless previously assumed during the pendency of the Chapter 11 Case or pursuant to the Plan, all other Executory Contracts and Unexpired Leases are rejected as of the date of the entry of this Confirmation Order and pursuant to the terms of the Plan. To the extent that any party asserts any damages resulting from the rejection of any Executory Contract or Unexpired Lease, such claim must be filed within **thirty (30) days** following entry of this Confirmation Order, or such claim will be forever barred and disallowed against the Reorganized Debtor.

**R. Assumption of Issuer Executory Contracts.** On the Confirmation Date, the Debtor will assume the agreements set forth on **Exhibit B** hereto (collectively, the “Issuer Executory Contracts”) pursuant to section 365 of the Bankruptcy Code and Article V of the Plan. In full and complete satisfaction of its obligation to cure outstanding defaults under section 365(b)(1) of the Bankruptcy Code, the Debtor or, as applicable, any successor manager under the

Issuer Executory Contracts (collectively, the “Portfolio Manager”) will pay to the Issuers<sup>12</sup> a cumulative amount of \$525,000 (the “Cure Amount”) as follows:

- a. \$200,000 in cash on the date that is five business days from the Effective Date, with such payment paid directly to Schulte Roth & Zabel LLP (“SRZ”) in the amount of \$85,714.29, Jones Walker LLP (“JW”) in the amount of \$72,380.95, and Maples Group (“Maples” and collectively with SRZ and JW, the “Issuers’ Counsel”) in the amount of \$41,904.76 as reimbursement for the attorney’s fees and other legal expenses incurred by the Issuers in connection with the Debtor’s bankruptcy case; and
- b. \$325,000 in four equal quarterly payments of \$81,250.00 (each, a “Payment”), which amounts shall be paid to SRZ in the amount of \$34,821.43, JW in the amount of \$29,404.76, and Maples in the amount of \$17,023.81 as additional reimbursement for the attorney’s fees and other legal expenses incurred by the Issuers in connection with the Debtor’s bankruptcy case (i) from any management fees actually paid to the Portfolio Manager under the Issuer Executory Contracts (the “Management Fees”), and (ii) on the date(s) Management Fees are required to be paid under the Issuer Executory Contracts (the “Payment Dates”), and such obligation shall be considered an irrevocable direction from the Debtor and the Bankruptcy Court to the relevant CLO Trustee to pay, on each Payment Date, the Payment to Issuers’ Counsel, allocated in the proportion set forth in such agreement; *provided, however*, that (x) if the Management Fees are insufficient to make any Payment in full on a Payment Date, such shortfall, in addition to any other amounts due hereunder, shall be paid out of the Management Fees owed on the following Payment Date, and (y) nothing herein shall limit either Debtor’s liability to pay the amounts set forth herein, nor the recourse of the Issuers or Issuers’ Counsel to the Debtor, in the event of any failure to make any Payment.

**S. Release of Issuer Claims.** Effective as of the Confirmation Date, and to the maximum extent permitted by law, each Issuer on behalf of itself and each of its current and former advisors, trustees, directors, officers, managers, members, partners, employees, beneficiaries, shareholders, agents, participants, subsidiaries, parents, successors, designees, and

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<sup>12</sup> The “Issuers” are: Brentwood CLO, Ltd., Gleneagles CLO, Ltd., Greenbriar CLO, Ltd., Highland CLO 2018-1, Ltd., Highland Legacy Limited, Highland Loan Funding V Ltd., Highland Park CDO I, Ltd., Pam Capital Funding LP, Rockwall CDO II Ltd., Rockwall CDO Ltd., Southfork CLO Ltd., Stratford CLO Ltd., Westchester CLO, Ltd., Aberdeen Loan Funding, Ltd., Eastland CLO, Ltd., Grayson CLO, Ltd., Highland Credit Opportunities CDO Ltd., Jasper CLO, Ltd., Liberty Cayman Holdings, Ltd., Liberty CLO, Ltd., Red River CLO, Ltd., Valhalla CLO, Ltd.

assigns hereby forever, finally, fully, unconditionally, and completely releases, relieves, acquits, remises, and exonerates, and covenants never to sue, (i) the Debtor and (ii) the Professionals retained by the Debtor and the Committee in the Chapter 11 Case, the Independent Directors, the CEO/CRO, and with respect to the Persons listed in this subsection (ii), such Person's Related Persons (collectively, the "Debtor Released Parties"), for and from any and all claims, debts, liabilities, demands, obligations, promises, acts, agreements, liens, losses, costs and expenses (including, without limitation, attorney's fees and related costs), damages, injuries, suits, actions, and causes of action of whatever kind or nature, whether known or unknown, suspected or unsuspected, matured or unmatured, liquidated or unliquidated, contingent or fixed, at law or in equity, statutory or otherwise, including, without limitation, any claims, defenses, and affirmative defenses, whether known or unknown, including, without limitation, those which were or could have been asserted in, in connection with, or with respect to the Bankruptcy Case (collectively, the "Issuer Released Claims").

**T. Release of Debtor Claims against Issuer Released Parties.** Upon entry of this Order, and to the maximum extent permitted by law, the Debtor hereby forever, finally, fully, unconditionally, and completely releases, relieves, acquits, remises, and exonerates, and covenants never to sue [(i) each Issuer and (ii) Wendy Ebanks, (iii) Yun Zheng, (iv) Laura Chisholm, (v) Mora Goddard, (vi) Stacy Bodden, (vii) Suzan Merren (viii) Scott Dakers, (ix) Samit Ghosh, (x) Inderjit Singh, (xi) Ellen Christian, (xii) Andrew Dean, (xiii) Betsy Mortel, (xiv) David Hogan, (xv) Cleveland Stewart, (xvi) Rachael Rankin, (xvii) Otelia Scott, (xviii) Martin Couch, (xx) Feronia Bartley-Davis, (xxi) Charlotte Cloete, (xxii) Christina McLean, (xxiii) Karen Ellerbe,

(xxiv) Gennie Kay Bigord, (xxv) Evert Brunekreef, (xxvii) Evan Charles Burtton (collectively, the “Issuer Released Parties”),] for and from any and all claims, debts, liabilities, demands, obligations, promises, acts, agreements, liens, losses, costs and expenses (including, without limitation, attorney’s fees and related costs), damages, injuries, suits, actions, and causes of action of whatever kind or nature, whether known or unknown, suspected or unsuspected, matured or unmatured, liquidated or unliquidated, contingent or fixed, at law or in equity, statutory or otherwise, including, without limitation, any claims, defenses, and affirmative defenses, whether known or unknown, which were or could have been asserted in, in connection with, or with respect to the Bankruptcy Case (collectively, the “Debtor Released Claims”); *provided, however*, that notwithstanding anything herein to the contrary, the release contained herein will apply to the Issuer Released Parties set forth in subsection (ii) above only with respect to Debtor Released Claims arising from or relating to the Issuer Executory Contracts. Notwithstanding anything in this Order to the contrary, the releases set forth in paragraphs S and T hereof will not apply with respect to the duties, rights, or obligations of the Debtor or any Issuer hereunder.

**U. Authorization to Consummate.** The Debtor is authorized to consummate the Plan after the entry of this Confirmation Order subject to satisfaction or waiver of the conditions precedent to the Effective Date of the Plan set forth in Article VIII.A of the Plan. The Plan shall not become effective unless and until the conditions set forth in Article VIII.A of the Plan have been satisfied, or otherwise waived pursuant to Article VIII.B of the Plan.

**V. Professional Compensation.** All requests for payment of Professional Fee Claims for services rendered and reimbursement of expenses incurred prior to the Effective Date

must be filed no **later than sixty (60) days after the Effective Date**. The Bankruptcy Court shall determine the Allowed amounts of such Professional Fee Claims after notice and an opportunity for hearing in accordance with the procedures established by the Bankruptcy Code and the Bankruptcy Court. The Debtor shall fund the Professional Fee Reserve as provided under the Plan. The Reorganized Debtor shall pay Professional Fee Claims in Cash in the amounts the Bankruptcy Court allows. The Debtor is authorized to pay the pre-Effective Date fees and expenses of all ordinary course professionals in the ordinary course of business without the need for further Bankruptcy Court order or approval. From and after the Effective Date, any requirement that Professionals comply with sections 327 through 331 and 1103 (if applicable) of the Bankruptcy Code in seeking retention or compensation for services rendered after such date shall terminate, and the Reorganized Debtor or Claimant Trustee, as applicable, may employ and pay any Professional or Entity employed in the ordinary course of the Debtor's business without any further notice to or action, order, or approval of the Bankruptcy Court.

**W. Release, Exculpation, Discharge, and Injunction Provisions.** The following release, exculpation, discharge, and injunction provisions set forth in the Plan are approved and authorized in their entirety, and such provisions are effective and binding on all parties and Entities to the extent provided therein.

**X. Discharge of Claims and Termination of Interests.** To the fullest extent provided under section 1141(d)(1)(A) and other applicable provisions of the Bankruptcy Code, except as otherwise expressly provided by the Plan or this Confirmation Order, all consideration distributed under the Plan will be in exchange for, and in complete satisfaction, settlement,

discharge, and release of, all Claims and Equity Interests of any kind or nature whatsoever against the Debtor or any of its Assets or properties, and regardless of whether any property will have been distributed or retained pursuant to the Plan on account of such Claims or Equity Interests. Except as otherwise expressly provided by the Plan or this Confirmation Order, upon the Effective Date, the Debtor and its Estate will be deemed discharged and released under and to the fullest extent provided under section 1141(d)(1)(A) and other applicable provisions of the Bankruptcy Code from any and all Claims and Equity Interests of any kind or nature whatsoever, including, but not limited to, demands and liabilities that arose before the Confirmation Date, and all debts of the kind specified in section 502(g), 502(h), or 502(i) of the Bankruptcy Code.

**Y. Exculpation.** Subject in all respects to Article XII.D of the Plan, to the maximum extent permitted by applicable law, no Exculpated Party will have or incur, and each Exculpated Party is hereby exculpated from, any claim, obligation, suit, judgment, damage, demand, debt, right, Cause of Action, remedy, loss, and liability for conduct occurring on or after the Petition Date in connection with or arising out of (i) the filing and administration of the Chapter 11 Case; (ii) the negotiation and pursuit of the Disclosure Statement, the Plan, or the solicitation of votes for, or confirmation of, the Plan; (iii) the funding or consummation of the Plan (including the Plan Supplement) or any related agreements, instruments, or other documents, the solicitation of votes on the Plan, the offer, issuance, and Plan Distribution of any securities issued or to be issued pursuant to the Plan, including the Claimant Trust Interests, whether or not such Plan Distributions occur following the Effective Date; (iv) the implementation of the Plan; and (v) any negotiations, transactions, and documentation in connection with the foregoing clauses (i)-(v);

*provided, however,* the foregoing will not apply to (a) any acts or omissions of an Exculpated Party arising out of or related to acts or omissions that constitute bad faith, fraud, gross negligence, criminal misconduct, or willful misconduct or (b) Strand or any Employee other than with respect to actions taken by such Entities from the date of appointment of the Independent Directors through the Effective Date. The Plan's exculpation shall be in addition to, and not in limitation of, all other releases, indemnities, exculpations, any other applicable law or rules, or any other provisions of the Plan, including Article IV.C.2 of the Plan, protecting such Exculpated Parties from liability.

**Z. Releases by the Debtor.** On and after the Effective Date, each Released Party is deemed to be, hereby conclusively, absolutely, unconditionally, irrevocably, and forever released and discharged by the Debtor and the Estate, in each case on behalf of themselves and their respective successors, assigns, and representatives, including, but not limited to, the Claimant Trust and the Litigation Sub-Trust from any and all Causes of Action, including any derivative claims, asserted on behalf of the Debtor, whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereafter arising, in law, equity, contract, tort or otherwise, that the Debtor or the Estate would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the holder of any Claim against, or Interest in, a Debtor or other Person. Notwithstanding anything contained herein to the contrary, the foregoing release does not release: (i) any obligations of any party under the Plan or any document, instrument, or agreement executed to implement the Plan, (ii) the rights or obligations of any current employee of the Debtor under any employment agreement or plan, (iii) the rights of the Debtor with respect to any confidentiality provisions or covenants restricting competition in favor of the Debtor under

any employment agreement with a current or former employee of the Debtor, (iv) any Avoidance Actions, or (v) any Causes of Action arising from willful misconduct, criminal misconduct, actual fraud, or gross negligence of such applicable Released Party as determined by Final Order of the Bankruptcy Court or any other court of competent jurisdiction.

**AA. Injunction.** Upon entry of this Confirmation Order, all Enjoined Parties are and shall be permanently enjoined, on and after the Effective Date, from taking any actions to interfere with the implementation or consummation of the Plan. Except as expressly provided in the Plan, this Confirmation Order, or a separate order of the Bankruptcy Court, all Enjoined Parties are and shall be permanently enjoined, on and after the Effective Date, with respect to any Claims and Equity Interests, from directly or indirectly (i) commencing, conducting, or continuing in any manner, any suit, action, or other proceeding of any kind (including any proceeding in a judicial, arbitral, administrative or other forum) against or affecting the Debtor or the property of the Debtor, (ii) enforcing, levying, attaching (including any prejudgment attachment), collecting, or otherwise recovering, enforcing, or attempting to recover or enforce, by any manner or means, any judgment, award, decree, or order against the Debtor or the property of the Debtor, (iii) creating, perfecting, or otherwise enforcing in any manner, any security interest, lien or encumbrance of any kind against the Debtor or the property of the Debtor, (iv) asserting any right of setoff, directly or indirectly, against any obligation due to the Debtor or against property or interests in property of the Debtor, except to the limited extent permitted under Sections 553 and 1141 of the Bankruptcy Code, and (v) acting or proceeding in any manner,

in any place whatsoever, that does not conform to or comply with the provisions of the Plan. The injunctions set forth in the Plan and this Confirmation Order shall extend to, and apply to any act of the type set forth in any of clauses (i)-(v) of the immediately preceding paragraph against any successors of the Debtor, including, but not limited to, the Reorganized Debtor, the Litigation Sub-Trust, and the Claimant Trust and their respective property and interests in property. Subject in all respects to Article XII.D of the Plan, no Enjoined Party may commence or pursue a claim or cause of action of any kind against any Protected Party that arose or arises from or is related to the Chapter 11 Case, the negotiation of the Plan, the administration of the Plan or property to be distributed under the Plan, the wind down of the business of the Debtor or Reorganized Debtor, the administration of the Claimant Trust or the Litigation Sub-Trust, or the transactions in furtherance of the foregoing without the Bankruptcy Court (i) first determining, after notice and a hearing, that such claim or cause of action represents a colorable claim of any kind, including, but not limited to, negligence, bad faith, criminal misconduct, willful misconduct, fraud, or gross negligence against a Protected Party and (ii) specifically authorizing such Enjoined Party to bring such claim or cause of action against any such Protected Party; *provided, however*, the foregoing will not apply to a claim or cause of action against Strand or against any Employee other than with respect to actions taken, respectively, by Strand or by such Employee from the date of appointment of the Independent Directors through the Effective Date. The Bankruptcy Court will have sole and exclusive jurisdiction to determine whether a claim or cause of action is colorable and, only to the extent legally permissible and as provided for in

Article XI of the Plan, shall have jurisdiction to adjudicate the underlying colorable claim or cause of action.

**BB. Duration of Injunction and Stays.** Unless otherwise provided in the Plan, in this Confirmation Order, or in a Final Order of the Bankruptcy Court, (i) all injunctions and stays entered during the Chapter 11 Case and in existence on the Confirmation Date, shall remain in full force and effect in accordance with their terms; and (ii) the automatic stay arising under section 362 of the Bankruptcy Code shall remain in full force and effect subject to Section 362(c) of the Bankruptcy Code, and to the extent necessary if the Debtor does not receive a discharge, the Bankruptcy Court will enter an equivalent order under Section 105.

**CC. Continuance of January 9 Order and July 16 Order.** Unless otherwise provided in the Plan, in this Confirmation Order, or in a Final Order of the Bankruptcy Court, each of the *Order Approving Settlement with Official Committee of Unsecured Creditors Regarding Governance of the Debtor and Procedures for Operations in the Ordinary Course*, entered by the Bankruptcy Court on January 9, 2020 [Docket No. 339] and *Order Approving the Debtor's Motion Under Bankruptcy Code Sections 105(a) and 363(b) Authorizing Retention of James P. Seery, Jr., as Chief Executive Officer, Chief Restructuring Officer, and Foreign Representative Nunc Pro Tunc to March 15, 2020* [Docket No. 854] entered on July 16, 2020 shall remain in full force and effect from the Confirmation Date and following the Effective Date.

**DD. No Governmental Releases.** Nothing in this Confirmation Order or the Plan shall effect a release of any claim by the United States Government or any of its agencies or

any state and local authority whatsoever, including without limitation any claim arising under the Internal Revenue Code, the environmental laws or any criminal laws of the United States or any state and local authority against any party or person, nor shall anything in this Confirmation Order or the Plan enjoin the United States or any state or local authority from bringing any claim, suit, action, or other proceedings against any party or person for any liability of such persons whatever, including without limitation any claim, suit, or action arising under the Internal Revenue Code, the environmental laws or any criminal laws of the United States or any state and local authority against such persons, nor shall anything in this Confirmation Order or the Plan exculpate any party or person from any liability to the United States Government or any of its agencies or any state and local authority whatsoever, including any liabilities arising under the Internal Revenue Code, the environmental laws, or any criminal laws of the United States or any state and local authority against any party or person.

**EE. Exemption from Transfer Taxes.** Pursuant to section 1146(a) of the Bankruptcy Code, any transfers (whether from the Debtor to the Reorganized Debtor or to any other Person) of property under the Plan or pursuant to: (a) the issuance, distribution, transfer, or exchange of any debt, equity security, or other interest in the Debtor or the Reorganized Debtor; (b) the Restructuring transactions pursuant to the Plan; (c) the creation, modification, consolidation, termination, refinancing, and/or recording of any mortgage, deed of trust, or other security interest, or the securing of additional indebtedness by such or other means; (d) the making, assignment, or recording of any lease or sublease; or (e) the making, delivery, or recording of any deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan,

including any deeds, bills of sale, assignments, or other instrument of transfer executed in connection with any transaction arising out of, contemplated by, or in any way related to the Plan, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee, regulatory filing or recording fee, or other similar tax or governmental assessment to the fullest extent contemplated by section 1146(a) of the Bankruptcy Code, and upon entry of this Confirmation Order, the appropriate state or local governmental officials or agents shall forego the collection of any such tax or governmental assessment and accept for filing and recordation of any of the foregoing instruments or other documents without the payment of any such tax, recordation fee, or governmental assessment.

**FF. Cancellation of Notes, Certificates and Instruments.** Except for the purpose of evidencing a right to a distribution under the Plan and except as otherwise set forth in the Plan or as otherwise provided in this Confirmation Order, on the Effective Date, all agreements, instruments, Securities and other documents evidencing any prepetition Claim or Equity Interest and any rights of any Holder in respect thereof shall be deemed cancelled, discharged, and of no force or effect. The holders of or parties to such cancelled instruments, Securities, and other documentation will have no rights arising from or related to such instruments, Securities, or other documentation or the cancellation thereof, except the rights provided for pursuant to the Plan, and the obligations of the Debtor thereunder or in any way related thereto will be fully released, terminated, extinguished and discharged, in each case without further notice to or order of the

Bankruptcy Court, act or action under applicable law, regulation, order, or rule or any requirement of further action, vote or other approval or authorization by any Person.

**GG. Documents, Mortgages, and Instruments.** Each federal, state, commonwealth, local, foreign, or other governmental agency is authorized to accept any and all documents, mortgages, and instruments necessary or appropriate to effectuate, implement, or consummate the Plan, including the Restructuring transactions contemplated under the Plan, and this Confirmation Order.

**HH. Post-Confirmation Modifications.** Subject section 1127(b) of the Bankruptcy Code and the Plan, the Debtor and the Reorganized Debtor expressly reserve their rights to revoke or withdraw, or to alter, amend, or modify materially the Plan, one or more times after Confirmation and, to the extent necessary, may initiate proceedings in the Bankruptcy Court to so alter, amend, or modify the Plan, or remedy any defect or omission, or reconcile any inconsistencies in the Plan or this Confirmation Order, in such manner as may be necessary to carry out the purposes and intent of the Plan. Any such modification or supplement shall be considered a modification of the Plan and shall be made in accordance with Article XII.B of the Plan.

**II. Applicable Nonbankruptcy Law.** The provisions of this Confirmation Order, the Plan and related documents, or any amendments or modifications thereto, shall apply and be enforceable notwithstanding any otherwise applicable nonbankruptcy law.

**JJ. Governmental Approvals Not Required.** This Confirmation Order shall constitute all approvals and consents required, if any, by the laws, rules, or regulations of any state,

federal, or other governmental authority with respect to the dissemination, implementation, or consummation of the Plan and the Disclosure Statement, any certifications, documents, instruments or agreements, and any amendments or modifications thereto, and any other acts referred to in, or contemplated by, the Plan and the Disclosure Statement.

**KK. Notice of Effective Date.** As soon as reasonably practicable after the Effective Date, the Reorganized Debtor shall file notice of the Effective Date and shall serve a copy of the same on all Holders of Claims and Equity Interests, and all parties who have filed with the Bankruptcy Court requests to receive notices in accordance with Bankruptcy Rules 2002 and 3020(c). Notwithstanding the above, no notice of Confirmation or Consummation or service of any kind shall be required to be mailed or made upon any Entity to whom the Debtor mailed notice of the Confirmation Hearing, but received such notice returned marked “undeliverable as addressed,” “moved, left no forwarding address” or “forwarding order expired,” or similar reason, unless the Debtor has been informed in writing by such Entity, or is otherwise aware, of that Entity’s new address. The above-referenced notices are adequate under the particular circumstances of this Chapter 11 Case and no other or further notice is necessary.

**LL. Substantial Consummation.** On the Effective Date, the Plan shall be deemed to be substantially consummated under sections 1101 and 1127 of the Bankruptcy Code.

**MM. Waiver of Stay.** For good cause shown, the stay of this Confirmation Order provided by any Bankruptcy Rule is waived, and this Confirmation Order shall be effective and enforceable immediately upon its entry by the Bankruptcy Court.

**NN. References to and Omissions of Plan Provisions.** References to articles, sections, and provisions of the Plan are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan. The failure to specifically include or to refer to any particular article, section, or provision of the Plan in this Confirmation Order shall not diminish or impair the effectiveness of such article, section, or provision, it being the intent of the Bankruptcy Court that the Plan be confirmed in its entirety, except as expressly modified herein, and incorporated herein by this reference.

**OO. Headings.** Headings utilized herein are for convenience and reference only, and do not constitute a part of the Plan or this Confirmation Order for any other purpose.

**PP. Effect of Conflict.** This Confirmation Order supersedes any Bankruptcy Court order issued prior to the Confirmation Date that may be inconsistent with this Confirmation Order. If there is any inconsistency between the terms of the Plan and the terms of this Confirmation Order, the terms of this Confirmation Order govern and control. If there is any inconsistency between the terms of this Confirmation Order and the terms of a final, executed Plan Supplement Document, the terms of the final, executed Plan Supplement Document will govern and control.

**QQ. Resolution of Objection of Texas Taxing Authorities.** Dallas County, Kaufman County, City of Allen, Allen ISD and City of Richardson (collectively, the “Tax Authorities”) assert that they are the holders of prepetition and administrative expense claims for 2019, 2020 and 2021 ad valorem real and business personal property taxes. The ad valorem property taxes for tax year 2020 shall be paid in accordance with and to the extent required under

applicable nonbankruptcy law. In the event the 2020 taxes are paid after February 1, 2021, the Tax Authorities may assert any rights and amounts they claim are owed with respect to penalties and interest that have accrued through the date of payment and the Debtor and Reorganized Debtor reserve any all rights and defenses in connection therewith.

- a. The Debtor/Reorganized Debtor shall pay all amounts owed to the Tax Authorities for tax year 2021 in accordance with and to the extent required under applicable nonbankruptcy law. The Tax Authorities shall not be required to file and serve an administrative expense claim and request for payment as a condition of allowance of their administrative expense claims pursuant to 11 U.S.C. Section 503(b)(1)(D). With regard to year 2019 ad valorem property taxes, the Tax Authorities will receive payment of their prepetition claims within 30 days of the Effective Date of the Plan. The payment will include interest from the Petition Date through the Effective Date and from the Effective Date through payment in full at the state statutory rate pursuant to 11 U.S.C. Sections 506(b), 511, and 1129, if applicable, subject to all of the Debtor's and Reorganized Debtor's rights and defenses in connection therewith. Notwithstanding any other provision in the Plan, the Tax Authorities shall (i) retain the liens that secure all prepetition and postpetition amounts ultimately owed to them, if any, as well as (ii) the state law priority of those liens until the claims are paid in full.
- b. The Tax Authorities' prepetition claims and their administrative expense claims shall not be discharged until such time as the amounts owed are paid in full. In the event of a default asserted by the Taxing Authorities, the Tax Authorities shall provide notice Debtor or Reorganized Debtor, as applicable, and may demand cure of any such asserted default. Subject to all of its rights and defenses, the Debtor or Reorganized Debtor shall have fifteen (15) days from the date of the notice to cure the default. If the alleged default is not cured, the Tax Authorities may exercise any of their respective rights under applicable law and pursue collection of all amounts owed pursuant to state law outside of the Bankruptcy Court, subject in all respects to the Debtor's and Reorganized Debtor's applicable rights and defenses. The Debtor/Reorganized Debtor shall be entitled to any notices of default required under applicable nonbankruptcy law and each of the Taxing Authorities, the Debtor and the Reorganized Debtor reserve any and all of their respective rights and defenses in connection therewith. The Debtor's and Reorganized Debtor's rights and defenses under Texas Law and the Bankruptcy Code with respect to this provision of the Confirmation Order, including their right to dispute or object to the Tax Authorities' Claims and liens, are fully preserved.

**RR. Resolution of Objections of Scott Ellington and Isaac Leventon.**

Pursuant to Bankruptcy Rule 9019(a), the Senior Employees' Settlement is approved in all respects. The Debtor may, only with the consent of the Committee, elect Option B for a Senior Employee Claimant by written notice to such Senior Employee Claimant on or before the occurrence of the Effective Date. If the Debtor does not elect Option B, then Option A will govern the treatment of the Liquidated Bonus Claims.

- a. Notwithstanding any language in the Plan, the Disclosure Statement, or this Confirmation Order to the contrary, if Option A applies to the Liquidated Bonus Claims of a Senior Employee Claimant, then the Liquidated Bonus Claims of such Senior Employee Claimant will receive the treatment described in paragraph 82(e) hereof, and if the Debtor timely elects Option B with respect to the Liquidated Bonus Claims of a Senior Employee Claimant, then the Liquidated Bonus Claims of such Senior Employee will receive the treatment described in paragraph 82(f) hereof.
- b. The Senior Employees' Settlement is hereby approved, without prejudice to the respective rights of Mr. Ellington and Mr. Leventon to assert all their remaining Claims against the Debtor's estate, including, but not limited to, their Class 6 PTO Claims, their remaining Class 8 General Unsecured Claims, any indemnification claims, and any Administrative Expense Claims that they may assert and is without prejudice to the rights of any party in interest to object to any such Claims.
- c. Pursuant to Bankruptcy Rule 3018(a), Mr. Ellington and Mr. Leventon were permitted to change their votes on the Plan. Accordingly, Mr. Ellington's votes on his Ballots in Class 7 and Class 8 of the Plan were changed from a rejection of the Plan to acceptance of the Plan, and Mr. Leventon's votes on his Ballots in Class 7 and Class 8 of the Plan were, changed from rejections of the Plan to acceptances of the Plan.
- d. The Senior Employees' Objection is deemed withdrawn.

**SS. No Release of Claims Against Senior Employee Claimants.** For the

avoidance of doubt, the Senior Employees' Settlement, as approved herein, shall not, and shall not be deemed to, release any Claims or Causes of Action held by the Debtor against either Senior

Employee Claimant nor shall either Senior Employee Claimant be, or be deemed to be, a “Released Party” under the Plan.

**TT. Resolution of Objection of Internal Revenue Service.** Notwithstanding any other provision or term of the Plan or Confirmation Order, the following Default Provision shall control as to the United States of America, Internal Revenue Service (“IRS”) and all of its claims, including any administrative claim (the “IRS Claim”):

(a) Notwithstanding any other provision in the Plan, if the Debtor, the Reorganized Debtor, or any successor in interest fails to pay when due any payment required to be made on federal taxes, the IRS Claim, or other payment required to be made to the IRS under the terms and provisions of this Plan, the Confirmation Order, or the Internal Revenue Code (26 U.S.C.), or fails to timely file any required federal tax return, or if any other event of default as set forth in the Plan occurs, the IRS shall be entitled to give the Debtor, the Reorganized Debtor and/or any successor in interest and their counsel of record, by United States Certified Mail, written notice of the failure and/or default with demand that it be cured, and if the failure and/or default is not cured within 14 days of the date of said notice and demand, then the following shall apply to the IRS:

(1) The administrative collection powers and the rights of the IRS shall be reinstated as they existed prior to the filing of the bankruptcy petition, including, but not limited to, the assessment of taxes, the filing of a notice of Federal tax lien and the powers of levy, seizure, and collection as provided under the Internal Revenue Code;

(2) The automatic stay of 11 U.S.C. § 362 and any injunction of the Plan or in the Confirmation Order shall, with regard to the IRS only, lift or terminate without further notice or hearing by the Bankruptcy Court, and the entire prepetition liability owed to the IRS, together with any unpaid postpetition tax liabilities, may become due and payable immediately; and

(3) The IRS shall have the right to proceed to collect from the Debtor, the Reorganized Debtor or any successor in interest any of the prepetition tax liabilities and related penalties and interest through administrative or judicial collection procedures available under the United States Code as if no bankruptcy petition had been filed and as if no plan had been confirmed.

(b) If the IRS declares the Debtor, the Reorganized Debtor, or any successor-in-interest to be in default of the Debtor’s, the Reorganized Debtor’s and/ or any successor- in-interest’s obligations under the Plan, then entire prepetition liability of an IRS’ Allowed Claim, together with any unpaid postpetition tax liabilities shall become due and payable

immediately upon written demand to the Debtor, Reorganized Debtor and/or any successor-in-interest. Failure of the IRS to declare a failure and/or default does not constitute a waiver by the United States or its agency the IRS of the right to declare that the Debtor, Reorganized Debtor, and/or any successor in interest is in default.

(c) The IRS shall only be required to send two notices of failure and/or default, and upon the third event of a failure and/or default, the IRS shall be entitled to proceed as set out in paragraphs (1), (2), and/or (3) herein above without further notice to the Debtor, the Reorganized Debtor, or any successor in interest, or its counsel. The collection statute expiration date for all unpaid federal tax liabilities shall be extended pursuant to non-bankruptcy law.

(d) The Internal Revenue Service shall not be bound by any release provisions in the Plan that would release any liability of the responsible persons of the Debtor, the Reorganized Debtor, and/or any successor in interest to the IRS. The Internal Revenue Service may take such actions as it deems necessary to assess any liability that may be due and owing by the responsible persons of the Debtor, the Reorganized Debtor and/or any successor in interest to the Internal Revenue Service.

(e) Nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver or relinquishment of any rights, claims, causes of action, rights of setoff or recoupment, rights to appeal tax assessments, or other legal or equitable defenses that the Debtor or Reorganized Debtor have under non-bankruptcy law in connection with any claim, liability or cause of action of the United States and its agency the Internal Revenue Service.

(f) The term “any payment required to be made on federal taxes,” as used herein above, is defined as: any payment or deposit required by the Internal Revenue Code to be made by the Debtor from and after the Confirmation Date, or the Reorganized Debtor and/or any successor in interest from and after the Effective Date, to the date the IRS Claim is together with interest paid in full. The term “any required tax return,” as used herein above, is defined as: any tax return or report required by the Internal Revenue Code to be made by the Debtor from and after the Confirmation Date, or the Reorganized Debtor and/or any successor in interest from and after the Effective Date, to the date the IRS Claim is together with interest paid in full.

**UU. IRS Proof of Claim.** Notwithstanding anything in the Plan or in this Confirmation Order, until all required tax returns are filed with and processed by the IRS, the IRS’s proof of claim will not be deemed fixed for purposes of Section 502 of the Bankruptcy Code and may be amended in order to reflect the IRS’ assessment of the Debtor’s unpaid priority and general unsecured taxes, penalties and interest.

**VV. CLO Holdco, Ltd. Settlement** Notwithstanding anything contained herein to the contrary, nothing in this Order is or is intended to supersede the rights and obligations of either the Debtor or CLO Holdco contained in that certain *Settlement Agreement between CLO Holdco, Ltd., and Highland Capital Management, L.P., dated January 25, 2021* [Docket No. 1838-1] (the “CLOH Settlement Agreement”). In the event of any conflict between the terms of this Order and the terms of the CLOH Settlement Agreement, the terms of the CLOH Settlement Agreement will govern.

**WW. Retention of Jurisdiction.** The Bankruptcy Court may properly, and upon the Effective Date shall, to the maximum extent permitted under applicable law, retain jurisdiction over all matters arising out of, and related to, this Chapter 11 Case, including the matters set forth in Article XI of the Plan and section 1142 of the Bankruptcy Code.

**XX. Payment of Statutory Fees; Filing of Quarterly Reports.** All fees payable pursuant to 28 U.S.C. § 1930 shall be paid on or before the Effective Date. The Reorganized Debtor, the Claimant Trust, and the Litigation Sub-Trust shall be jointly and severally liable for payment of quarterly fees to the Office of the United States Trustee pursuant to 28 U.S.C. § 1930 through the entry of the Final Decree for the Debtor or the dismissal or conversion of the Chapter 11 Case. Notwithstanding anything to the contrary in the Plan, the U.S. Trustee shall not be required to file any proofs of claim with respect to quarterly fees payable pursuant to 28 U.S.C. § 1930.

**YY. Dissolution of the Committee.** On the Effective Date, the Committee will dissolve, and the members of the Committee and the Committee’s Professionals will cease to have

any role arising from or relating to the Chapter 11 Case, except in connection with final fee applications of Professionals for services rendered prior to the Effective Date (including the right to object thereto). Notwithstanding the foregoing, any Committee member or Professional may serve following the Effective Date with respect to the Claimant Trust Oversight Board or Litigation Sub-Trust. The Professionals retained by the Committee and the members thereof will not be entitled to assert any fee claims for any services rendered to the Committee or expenses incurred in the service of the Committee after the Effective Date, except for reasonable fees for services rendered, and actual and necessary costs incurred, in connection with any applications for allowance of Professional Fees pending on the Effective Date or filed and served after the Effective Date pursuant to the Plan. Nothing in the Plan shall prohibit or limit the ability of the Debtor's or Committee's Professionals to represent either of the Trustees or to be compensated or reimbursed per the Plan, the Claimant Trust Agreement, and/or Litigation Sub-Trust in connection with such representation.

**ZZ. Miscellaneous.** After the Effective Date, the Debtor or Reorganized Debtor, as applicable, shall have no obligation to file with the Bankruptcy Court or serve on any parties reports that the Debtor or Reorganized Debtor, as applicable, were obligated to file under the Bankruptcy Code or a court order, including monthly operating reports (even for those periods for which a monthly operating report was not filed before the Effective Date), ordinary course professional reports, reports to any parties otherwise required under the "first" and "second" day orders entered in this Chapter 11 Case (including any cash collateral financing orders entered in this Chapter 11 Case) and monthly or quarterly reports for Professionals; *provided, however*, that

the Debtor or Reorganized Debtor, as applicable, will comply with the U.S. Trustee's post confirmation reporting requirements.

**###END OF ORDER###**

Exhibit A

**Fifth Amended Plan (as Modified)**

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

In re:	)	)	Chapter 11
HIGHLAND CAPITAL MANAGEMENT, L.P., <sup>1</sup>	)	)	Case No. 19-34054-sgj11
Debtor.	)	)	

**FIFTH AMENDED PLAN OF REORGANIZATION OF HIGHLAND  
CAPITAL MANAGEMENT, L.P. (AS MODIFIED)**

**PACHULSKI STANG ZIEHL & JONES LLP**

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Counsel for the Debtor and Debtor-in-Possession

<sup>1</sup> The Debtor's last four digits of its taxpayer identification number are (6725). The headquarters and service address for the above-captioned Debtor is 300 Crescent Court, Suite 700, Dallas, TX 75201.

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## DEBTOR'S CHAPTER 11 PLAN OF REORGANIZATION

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HIGHLAND CAPITAL MANAGEMENT, L.P., as debtor and debtor-in-possession in the above-captioned case (the “Debtor”), proposes the following chapter 11 plan of reorganization (the “Plan”) for, among other things, the resolution of the outstanding Claims against, and Equity Interests in, the Debtor. Unless otherwise noted, capitalized terms used in this Plan have the meanings set forth in Article I of this Plan. The Debtor is the proponent of this Plan within the meaning of section 1129 of the Bankruptcy Code.

Reference is made to the Disclosure Statement (as such term is defined herein and distributed contemporaneously herewith) for a discussion of the Debtor’s history, business, results of operations, historical financial information, projections and assets, and for a summary and analysis of this Plan and the treatment provided for herein. There also are other agreements and documents that may be Filed with the Bankruptcy Court that are referenced in this Plan or the Disclosure Statement as Exhibits and Plan Documents. All such Exhibits and Plan Documents are incorporated into and are a part of this Plan as if set forth in full herein. Subject to the other provisions of this Plan, and in accordance with the requirements set forth in section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019, the Debtor reserves the right to alter, amend, modify, revoke, or withdraw this Plan prior to the Effective Date.

If this Plan cannot be confirmed, for any reason, then subject to the terms set forth herein, this Plan may be revoked.

### **ARTICLE I.** **RULES OF INTERPRETATION, COMPUTATION OF TIME,** **GOVERNING LAW AND DEFINED TERMS**

#### **A. Rules of Interpretation, Computation of Time and Governing Law**

For purposes hereof: (a) in the appropriate context, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and the neuter gender; (b) any reference herein to a contract, lease, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that the referenced document, as previously amended, modified or supplemented, if applicable, shall be substantially in that form or substantially on those terms and conditions; (c) any reference herein to an existing document or exhibit having been Filed or to be Filed shall mean that document or exhibit, as it may thereafter be amended, modified or supplemented in accordance with its terms; (d) unless otherwise specified, all references herein to “Articles,” “Sections,” “Exhibits” and “Plan Documents” are references to Articles, Sections, Exhibits and Plan Documents hereof or hereto; (e) unless otherwise stated, the words “herein,” “hereof,” “hereunder” and “hereto” refer to this Plan in its entirety rather than to a particular portion of this Plan; (f) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation hereof; (g) any reference to an Entity as a Holder of a Claim or Equity Interest includes such Entity’s successors and assigns; (h) the rules of construction set

forth in section 102 of the Bankruptcy Code shall apply; (i) any term used in capitalized form herein that is not otherwise defined but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to that term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be; and (j) “\$” or “dollars” means Dollars in lawful currency of the United States of America. The provisions of Bankruptcy Rule 9006(a) shall apply in computing any period of time prescribed or allowed herein.

**B. Defined Terms**

Unless the context otherwise requires, the following terms shall have the following meanings when used in capitalized form herein:

1. “*Acis*” means collectively Acis Capital Management, L.P. and Acis Capital Management GP, LLP.

2. “*Administrative Expense Claim*” means any Claim for costs and expenses of administration of the Chapter 11 Case that is Allowed pursuant to sections 503(b), 507(a)(2), 507(b) or 1114(2) of the Bankruptcy Code, including, without limitation, (a) the actual and necessary costs and expenses incurred after the Petition Date and through the Effective Date of preserving the Estate and operating the business of the Debtor; and (b) all fees and charges assessed against the Estate pursuant to sections 1911 through 1930 of chapter 123 of title 28 of the United States Code, and that have not already been paid by the Debtor during the Chapter 11 Case and a Professional Fee Claim.

3. “*Administrative Expense Claims Bar Date*” means, with respect to any Administrative Expense Claim (other than a Professional Fee Claim) becoming due on or prior to the Effective Date, 5:00 p.m. (prevailing Central Time) on such date that is forty-five days after the Effective Date.

4. “*Administrative Expense Claims Objection Deadline*” means, with respect to any Administrative Expense Claim, the later of (a) ninety (90) days after the Effective Date and (b) sixty (60) days after the timely Filing of the applicable request for payment of such Administrative Expense Claim; *provided, however*, that the Administrative Expense Claims Objection Deadline may be extended by the Bankruptcy Court upon a motion by the Claimant Trustee.

5. “*Affiliate*” of any Person means any Entity that, with respect to such Person, either (i) is an “affiliate” as defined in section 101(2) of the Bankruptcy Code, or (ii) is an “affiliate” as defined in Rule 405 of the Securities Act of 1933, or (iii) directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. For the purposes of this definition, the term “control” (including, without limitation, the terms “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction in any respect of the management or policies of a Person, whether through the ownership of voting securities, by contract, or otherwise.

6. “*Allowed*” means, with respect to any Claim, except as otherwise provided in the Plan: (a) any Claim that is evidenced by a Proof of Claim that has been timely Filed by the Bar Date, or that is not required to be evidenced by a Filed Proof of Claim under the Bankruptcy

Code or a Final Order; (b) a Claim that is listed in the Schedules as not contingent, not unliquidated, and not disputed and for which no Proof of Claim has been timely filed; (c) a Claim Allowed pursuant to the Plan or an order of the Bankruptcy Court that is not stayed pending appeal; or (d) a Claim that is not Disputed (including for which a Proof of Claim has been timely filed in a liquidated and noncontingent amount that has not been objected to by the Claims Objection Deadline or as to which any such objection has been overruled by Final Order); *provided, however*, that with respect to a Claim described in clauses (a) and (b) above, such Claim shall be considered Allowed only if and to the extent that, with respect to such Claim, no objection to the allowance thereof has been interposed within the applicable period of time fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules, or the Bankruptcy Court, or such an objection is so interposed and the Claim shall have been Allowed as set forth above.

7. “*Allowed Claim or Equity Interest*” means a Claim or an Equity Interest of the type that has been Allowed.

8. “*Assets*” means all of the rights, titles, and interest of the Debtor, Reorganized Debtor, or Claimant Trust, in and to property of whatever type or nature, including, without limitation, real, personal, mixed, intellectual, tangible, and intangible property, the Debtor’s books and records, and the Causes of Action.

9. “*Available Cash*” means any Cash in excess of the amount needed for the Claimant Trust and Reorganized Debtor to maintain business operations as determined in the sole discretion of the Claimant Trustee.

10. “*Avoidance Actions*” means any and all avoidance, recovery, subordination or other actions or remedies that may be brought by and on behalf of the Debtor or its Estate under the Bankruptcy Code or applicable nonbankruptcy law, including, without limitation, actions or remedies arising under sections 502, 510, 544, 545, and 547-553 of the Bankruptcy Code or under similar state or federal statutes and common law, including fraudulent transfer laws

11. “*Ballot*” means the form(s) distributed to holders of Impaired Claims or Equity Interests entitled to vote on the Plan on which to indicate their acceptance or rejection of the Plan.

12. “*Bankruptcy Code*” means title 11 of the United States Code, 11 U.S.C. §§ 101-1532, as amended from time to time and as applicable to the Chapter 11 Case.

13. “*Bankruptcy Court*” means the United States Bankruptcy Court for the Northern District of Texas, Dallas Division, or any other court having jurisdiction over the Chapter 11 Case.

14. “*Bankruptcy Rules*” means the Federal Rules of Bankruptcy Procedure and the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the Northern District of Texas, Dallas Division, in each case as amended from time to time and as applicable to the Chapter 11 Case.

15. “*Bar Date*” means the applicable deadlines set by the Bankruptcy Court for the filing of Proofs of Claim against the Debtor as set forth in the Bar Date Order, which deadlines may be or have been extended for certain Claimants by order of the Bankruptcy Court.

16. “*Bar Date Order*” means the *Order (I) Establishing Bar Dates for Filing Proofs of Claim and (II) Approving the Form and Manner of Notice Thereof* [D.I. 488].

17. “*Business Day*” means any day, other than a Saturday, Sunday or “legal holiday” (as defined in Bankruptcy Rule 9006(a)).

18. “*Cash*” means the legal tender of the United States of America or the equivalent thereof.

19. “*Causes of Action*” means any action, claim, cross-claim, third-party claim, cause of action, controversy, demand, right, Lien, indemnity, contribution, guaranty, suit, obligation, liability, debt, damage, judgment, account, defense, remedy, offset, power, privilege, license and franchise of any kind or character whatsoever, in each case whether known, unknown, contingent or non-contingent, matured or unmatured, suspected or unsuspected, liquidated or unliquidated, disputed or undisputed, foreseen or unforeseen, direct or indirect, choate or inchoate, secured or unsecured, assertable directly or derivatively (including, without limitation, under alter ego theories), whether arising before, on, or after the Petition Date, in contract or in tort, in law or in equity or pursuant to any other theory of law. For the avoidance of doubt, Cause of Action includes, without limitation,: (a) any right of setoff, counterclaim or recoupment and any claim for breach of contract or for breach of duties imposed by law or in equity; (b) the right to object to Claims or Equity Interests; (c) any claim pursuant to section 362 or chapter 5 of the Bankruptcy Code; (d) any claim or defense including fraud, mistake, duress and usury, and any other defenses set forth in section 558 of the Bankruptcy Code; (e) any claims under any state or foreign law, including, without limitation, any fraudulent transfer or similar claims; (f) the Avoidance Actions, and (g) the Estate Claims. The Causes of Action include, without limitation, the Causes of Action belonging to the Debtor’s Estate listed on the schedule of Causes of Action to be filed with the Plan Supplement.

20. “*CEO/CRO*” means James P. Seery, Jr., the Debtor’s chief executive officer and chief restructuring officer.

21. “*Chapter 11 Case*” means the Debtor’s case under chapter 11 of the Bankruptcy Code commenced on the Petition Date in the Delaware Bankruptcy Court and transferred to the Bankruptcy Court on December 4, 2019, and styled *In re Highland Capital Management, L.P.*, Case No. 19-34054-sgj-11.

22. “*Claim*” means any “claim” against the Debtor as defined in section 101(5) of the Bankruptcy Code.

23. “*Claims Objection Deadline*” means the date that is 180 days after the Confirmation Date; *provided, however*, the Claims Objection Deadline may be extended by the Bankruptcy Court upon a motion by the Claimant Trustee.

24. “*Claimant Trust*” means the trust established for the benefit of the Claimant Trust Beneficiaries on the Effective Date in accordance with the terms of this Plan and the Claimant Trust Agreement.

25. “*Claimant Trust Agreement*” means the agreement Filed in the Plan Supplement establishing and delineating the terms and conditions of the Claimant Trust.

26. “*Claimant Trust Assets*” means (i) other than the Reorganized Debtor Assets (which are expressly excluded from this definition), all other Assets of the Estate, including, but not limited to, all Causes of Action, Available Cash, any proceeds realized or received from such Assets, all rights of setoff, recoupment, and other defenses with respect, relating to, or arising from such Assets, (ii) any Assets transferred by the Reorganized Debtor to the Claimant Trust on or after the Effective Date, (iii) the limited partnership interests in the Reorganized Debtor, and (iv) the ownership interests in New GP LLC. For the avoidance of doubt, any Causes of Action that, for any reason, are not capable of being transferred to the Claimant Trust shall constitute Reorganized Debtor Assets.

27. “*Claimant Trust Beneficiaries*” means the Holders of Allowed General Unsecured Claims, Holders of Allowed Subordinated Claims, including, upon Allowance, Disputed General Unsecured Claims and Disputed Subordinated Claims that become Allowed following the Effective Date, and, only upon certification by the Claimant Trustee that the Holders of such Claims have been paid indefeasibly in full plus, to the extent all Allowed unsecured Claims, excluding Subordinated Claims, have been paid in full, post-petition interest from the Petition Date at the Federal Judgment Rate in accordance with the terms and conditions set forth in the Claimant Trust Agreement and all Disputed Claims in Class 8 and Class 9 have been resolved, Holders of Allowed Class B/C Limited Partnership Interests, and Holders of Allowed Class A Limited Partnership Interests.

28. “*Claimant Trustee*” means James P. Seery, Jr., the Debtor’s chief executive officer and chief restructuring officer, or such other Person identified in the Plan Supplement who will act as the trustee of the Claimant Trust in accordance with the Plan, the Confirmation Order, and Claimant Trust Agreement or any replacement trustee pursuant to (and in accordance with) the Claimant Trust Agreement. The Claimant Trustee shall be responsible for, among other things, monetizing the Estate’s investment assets, resolving Claims (other than those Claims assigned to the Litigation Sub-Trust for resolution), and, as the sole officer of New GP LLC, winding down the Reorganized Debtor’s business operations.

29. “*Claimant Trust Expenses*” means all reasonable legal and other reasonable professional fees, costs, and expenses incurred by the Trustees on account of administration of the Claimant Trust, including any reasonable administrative fees and expenses, reasonable attorneys’ fees and expenses, reasonable insurance costs, taxes, reasonable escrow expenses, and other expenses.

30. “*Claimant Trust Interests*” means the non-transferable interests in the Claimant Trust that are issued to the Claimant Trust Beneficiaries pursuant to this Plan; *provided, however,* Holders of Class A Limited Partnership Interests, Class B Limited Partnership Interests, and Class C Limited Partnership Interests will not be deemed to hold Claimant Trust Interests

unless and until the Contingent Claimant Trust Interests distributed to such Holders vest in accordance with the terms of this Plan and the Claimant Trust Agreement.

31. “*Claimant Trust Oversight Committee*” means the committee of five Persons established pursuant to ARTICLE IV of this Plan to oversee the Claimant Trustee’s performance of its duties and otherwise serve the functions described in this Plan and the Claimant Trust Agreement.

32. “*Class*” means a category of Holders of Claims or Equity Interests as set forth in ARTICLE III hereof pursuant to section 1122(a) of the Bankruptcy Code.

33. “*Class A Limited Partnership Interest*” means the Class A Limited Partnership Interests as defined in the Limited Partnership Agreement held by The Dugaboy Investment Trust, Mark and Pamela Okada Family Trust – Exempt Trust 2, Mark and Pamela Okada – Exempt Descendants’ Trust, and Mark Kiyoshi Okada, and the General Partner Interest.

34. “*Class B Limited Partnership Interest*” means the Class B Limited Partnership Interests as defined in the Limited Partnership Agreement held by Hunter Mountain Investment Trust.

35. “*Class B/C Limited Partnership Interests*” means, collectively, the Class B Limited Partnership and Class C Limited Partnership Interests.

36. “*Class C Limited Partnership Interest*” means the Class C Limited Partnership Interests as defined in the Limited Partnership Agreement held by Hunter Mountain Investment Trust.

37. “*Committee*” means the Official Committee of Unsecured Creditors appointed by the U.S. Trustee pursuant to 11 U.S.C. § 1102(a)(1) on October 29, 2019 [D.I. 65], consisting of (i) the Redeemer Committee of Highland Crusader Fund, (ii) Meta-e Discovery, (iii) UBS, and (iv) Acis.

38. “*Confirmation Date*” means the date on which the clerk of the Bankruptcy Court enters the Confirmation Order on the docket of the Bankruptcy Court.

39. “*Confirmation Hearing*” means the hearing held by the Bankruptcy Court pursuant to section 1128 of the Bankruptcy Code to consider confirmation of this Plan, as such hearing may be adjourned or continued from time to time.

40. “*Confirmation Order*” means the order of the Bankruptcy Court confirming this Plan pursuant to section 1129 of the Bankruptcy Code.

41. “*Convenience Claim*” means any prepetition, liquidated, and unsecured Claim against the Debtor that as of the Confirmation Date is less than or equal to \$1,000,000 or any General Unsecured Claim that makes the Convenience Class Election. For the avoidance of doubt, the Reduced Employee Claims will be Convenience Claims.

42. “*Convenience Claim Pool*” means the \$13,150,000 in Cash that shall be available upon the Effective Date for distribution to Holders of Convenience Claims under the Plan as set forth herein. Any Cash remaining in the Convenience Claim Pool after all distributions on account of Convenience Claims have been made will be transferred to the Claimant Trust and administered as a Claimant Trust Asset.

43. “*Convenience Class Election*” means the option provided to each Holder of a General Unsecured Claim that is a liquidated Claim as of the Confirmation Date on their Ballot to elect to reduce their claim to \$1,000,000 and receive the treatment provided to Convenience Claims.

44. “*Contingent Claimant Trust Interests*” means the contingent Claimant Trust Interests to be distributed to Holders of Class A Limited Partnership Interests, Holders of Class B Limited Partnership Interests, and Holders of Class C Limited Partnership Interests in accordance with this Plan, the rights of which shall not vest, and consequently convert to Claimant Trust Interests, unless and until the Claimant Trustee Files a certification that all holders of Allowed General Unsecured Claims have been paid indefeasibly in full, plus, to the extent all Allowed unsecured Claims, excluding Subordinated Claims, have been paid in full, all accrued and unpaid post-petition interest from the Petition Date at the Federal Judgment Rate and all Disputed Claims in Class 8 and Class 9 have been resolved. As set forth in the Claimant Trust Agreement, the Contingent Claimant Trust Interests distributed to the Holders of Class A Limited Partnership Interests will be subordinated to the Contingent Claimant Trust Interests distributed to the Holders of Class B/C Limited Partnership Interests.

45. “*Debtor*” means Highland Capital Management, L.P. in its capacity as debtor and debtor in possession in the Chapter 11 Case.

46. “*Delaware Bankruptcy Court*” means the United States Bankruptcy Court for the District of Delaware.

47. “*Disclosure Statement*” means that certain *Disclosure Statement for Debtor’s Fifth Amended Chapter 11 Plan of Reorganization*, as amended, supplemented, or modified from time to time, which describes this Plan, including all exhibits and schedules thereto and references therein that relate to this Plan.

48. “*Disputed*” means with respect to any Claim or Equity Interest, any Claim or Equity Interest that is not yet Allowed.

49. “*Disputed Claims Reserve*” means the appropriate reserve(s) or account(s) to be established on the Initial Distribution Date and maintained by the Claimant Trustee for distributions on account of Disputed Claims that may subsequently become an Allowed Claim.

50. “*Disputed Claims Reserve Amount*” means, for purposes of determining the Disputed Claims Reserve, the Cash that would have otherwise been distributed to a Holder of a Disputed Claim at the time any distributions of Cash are made to the Holders of Allowed Claims. The amount of the Disputed Claim upon which the Disputed Claims Reserve is calculated shall be: (a) the amount set forth on either the Schedules or the filed Proof of Claim, as applicable; (b) the amount agreed to by the Holder of the Disputed Claim and the Claimant Trustee or Reorganized

Debtor, as applicable; (c) the amount ordered by the Bankruptcy Court if it enters an order disallowing, in whole or in part, a Disputed Claim; or (d) as otherwise ordered by the Bankruptcy Court, including an order estimating the Disputed Claim.

51. “*Distribution Agent*” means the Claimant Trustee, or any party designated by the Claimant Trustee to serve as distribution agent under this Plan.

52. “*Distribution Date*” means the date or dates determined by the Reorganized Debtor or the Claimant Trustee, as applicable, on or after the Initial Distribution Date upon which the Distribution Agent shall make distributions to holders of Allowed Claims and Interests entitled to receive distributions under the Plan.

53. “*Distribution Record Date*” means the date for determining which Holders of Claims and Equity Interests are eligible to receive distributions hereunder, which date shall be the Effective Date or such later date determined by the Bankruptcy Court.

54. “*Effective Date*” means the Business Day that this Plan becomes effective as provided in ARTICLE VIII hereof.

55. “*Employees*” means the employees of the Debtor set forth in the Plan Supplement.

56. “*Enjoined Parties*” means (i) all Entities who have held, hold, or may hold Claims against or Equity Interests in the Debtor (whether or not proof of such Claims or Equity Interests has been filed and whether or not such Entities vote in favor of, against or abstain from voting on the Plan or are presumed to have accepted or deemed to have rejected the Plan), (ii) James Dondero (“Dondero”), (iii) any Entity that has appeared and/or filed any motion, objection, or other pleading in this Chapter 11 Case regardless of the capacity in which such Entity appeared and any other party in interest, (iv) any Related Entity, and (v) the Related Persons of each of the foregoing.

57. “*Entity*” means any “entity” as defined in section 101(15) of the Bankruptcy Code and also includes any Person or any other entity.

58. “*Equity Interest*” means any Equity Security in the Debtor, including, without limitation, all issued, unissued, authorized or outstanding partnership interests, shares, of stock or limited company interests, the Class A Limited Partnership Interests, the Class B Limited Partnership Interests, and the Class C Limited Partnership Interests.

59. “*Equity Security*” means an “equity security” as defined in section 101(16) of the Bankruptcy Code.

60. “*Estate*” means the bankruptcy estate of the Debtor created by virtue of section 541 of the Bankruptcy Code upon the commencement of the Chapter 11 Case.

61. “*Estate Claims*” has the meaning given to it in Exhibit A to the *Notice of Final Term Sheet* [D.I. 354].

62. “*Exculpated Parties*” means, collectively, (i) the Debtor and its successors and assigns, (ii) the Employees, (iii) Strand, (iv) the Independent Directors, (v) the Committee, (vi) the members of the Committee (in their official capacities), (vii) the Professionals retained by the Debtor and the Committee in the Chapter 11 Case, (viii) the CEO/CRO; and (ix) the Related Persons of each of the parties listed in (iv) through (viii); *provided, however*, that, for the avoidance of doubt, none of James Dondero, Mark Okada, NexPoint Advisors, L.P. (and any of its subsidiaries and managed entities), the Charitable Donor Advised Fund, L.P. (and any of its subsidiaries, including CLO Holdco, Ltd., and managed entities), Highland CLO Funding, Ltd. (and any of its subsidiaries, members, and managed entities), Highland Capital Management Fund Advisors, L.P. (and any of its subsidiaries and managed entities), NexBank, SSB (and any of its subsidiaries), the Hunter Mountain Investment Trust (or any trustee acting for the trust), the Dugaboy Investment Trust (or any trustee acting for the trust), or Grant Scott is included in the term “Exculpated Party.”

63. “*Executory Contract*” means a contract to which the Debtor is a party that is subject to assumption or rejection under sections 365 or 1123 of the Bankruptcy Code.

64. “*Exhibit*” means an exhibit annexed hereto or to the Disclosure Statement (as such exhibits are amended, modified or otherwise supplemented from time to time), which are incorporated by reference herein.

65. “*Federal Judgment Rate*” means the post-judgment interest rate set forth in 28 U.S.C. § 1961 as of the Effective Date.

66. “*File*” or “*Filed*” or “*Filing*” means file, filed or filing with the Bankruptcy Court or its authorized designee in the Chapter 11 Case.

67. “*Final Order*” means an order or judgment of the Bankruptcy Court, which is in full force and effect, and as to which the time to appeal, petition for *certiorari*, or move for a new trial, reargument or rehearing has expired and as to which no appeal, petition for *certiorari*, or other proceedings for a new trial, reargument or rehearing shall then be pending or as to which any right to appeal, petition for *certiorari*, new trial, reargument, or rehearing shall have been waived in writing in form and substance satisfactory to the Debtor, the Reorganized Debtor, or the Claimant Trustee, as applicable, or, in the event that an appeal, writ of *certiorari*, new trial, reargument, or rehearing thereof has been sought, such order of the Bankruptcy Court shall have been determined by the highest court to which such order was appealed, or *certiorari*, new trial, reargument or rehearing shall have been denied and the time to take any further appeal, petition for *certiorari*, or move for a new trial, reargument or rehearing shall have expired; *provided, however*, that the possibility that a motion under Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be Filed with respect to such order shall not preclude such order from being a Final Order.

68. “*Frontier Secured Claim*” means the loan from Frontier State Bank to the Debtor in the principal amount of \$7,879,688.00 made pursuant to that certain First Amended and Restated Loan Agreement, dated March 29, 2018.

69. “*General Partner Interest*” means the Class A Limited Partnership Interest held by Strand, as the Debtor’s general partner.

70. “*General Unsecured Claim*” means any prepetition Claim against the Debtor that is not Secured and is not a/an: (a) Administrative Expense Claim; (b) Professional Fee Claim; (c) Priority Tax Claim; (d) Priority Non-Tax Claim; or (e) Convenience Claim.

71. “*Governmental Unit*” means a “governmental unit” as defined in section 101(27) of the Bankruptcy Code.

72. “*GUC Election*” means the option provided to each Holder of a Convenience Claim on their Ballot to elect to receive the treatment provided to General Unsecured Claims.

73. “*Holder*” means an Entity holding a Claim against, or Equity Interest in, the Debtor.

74. “*Impaired*” means, when used in reference to a Claim or Equity Interest, a Claim or Equity Interest that is impaired within the meaning of section 1124 of the Bankruptcy Code.

75. “*Independent Directors*” means John S. Dubel, James P. Seery, Jr., and Russell Nelms, the independent directors of Strand appointed on January 9, 2020, and any additional or replacement directors of Strand appointed after January 9, 2020, but prior to the Effective Date.

76. “*Initial Distribution Date*” means, subject to the “Treatment” sections in ARTICLE III hereof, the date that is on or as soon as reasonably practicable after the Effective Date, when distributions under this Plan shall commence to Holders of Allowed Claims and Equity Interests.

77. “*Insurance Policies*” means all insurance policies maintained by the Debtor as of the Petition Date.

78. “*Jefferies Secured Claim*” means any Claim in favor of Jefferies, LLC, arising under that certain Prime Brokerage Customer Agreement, dated May 24, 2013, between the Debtor and Jefferies, LLC, that is secured by the assets, if any, maintained in the prime brokerage account created by such Prime Brokerage Customer Agreement.

79. “*Lien*” means a “lien” as defined in section 101(37) of the Bankruptcy Code and, with respect to any asset, includes, without limitation, any mortgage, lien, pledge, charge, security interest or other encumbrance of any kind, or any other type of preferential arrangement that has the practical effect of creating a security interest, in respect of such asset.

80. “*Limited Partnership Agreement*” means that certain Fourth Amended and Restated Agreement of Limited Partnership of Highland Capital Management, L.P., dated December 24, 2015, as amended.

81. “*Litigation Sub-Trust*” means the sub-trust established within the Claimant Trust or as a wholly –owned subsidiary of the Claimant Trust on the Effective Date in each case in accordance with the terms and conditions set forth in the Litigation Sub-Trust Agreement and Claimant Trust Agreement. As set forth in the Litigation Sub-Trust Agreement, the Litigation Sub-Trust shall hold the Claimant Trust Assets that are Estate Claims.

82. “*Litigation Sub-Trust Agreement*” means the agreement filed in the Plan Supplement establishing and delineating the terms and conditions of the Litigation Sub-Trust.

83. “*Litigation Trustee*” means the trustee appointed by the Committee and reasonably acceptable to the Debtor who shall be responsible for investigating, litigating, and settling the Estate Claims for the benefit of the Claimant Trust in accordance with the terms and conditions set forth in the Litigation Sub-Trust Agreement.

84. “*Managed Funds*” means Highland Multi-Strategy Credit Fund, L.P., Highland Restoration Capital Partners, L.P., and any other investment vehicle managed by the Debtor pursuant to an Executory Contract assumed pursuant to this Plan.

85. “*New Frontier Note*” means that promissory note to be provided to the Allowed Holders of Class 2 Claims under this Plan and any other documents or security agreements securing the obligations thereunder.

86. “*New GP LLC*” means a limited liability company incorporated in the State of Delaware pursuant to the New GP LLC Documents to serve as the general partner of the Reorganized Debtor on the Effective Date.

87. “*New GP LLC Documents*” means the charter, operating agreement, and other formational documents of New GP LLC.

88. “*Ordinary Course Professionals Order*” means that certain *Order Pursuant to Sections 105(a), 327, 328, and 330 of the Bankruptcy Code Authorizing the Debtor to Retain, Employ, and Compensate Certain Professionals Utilized by the Debtor in the Ordinary Course* [D.I. 176].

89. “*Other Unsecured Claim*” means any Secured Claim other than the Jefferies Secured Claim and the Frontier Secured Claim.

90. “*Person*” means a “person” as defined in section 101(41) of the Bankruptcy Code and also includes any natural person, individual, corporation, company, general or limited partnership, limited liability company, unincorporated organization firm, trust, estate, business trust, association, joint stock company, joint venture, government, governmental agency, Governmental Unit or any subdivision thereof, the United States Trustee, or any other entity, whether acting in an individual, fiduciary or other capacity.

91. “*Petition Date*” means October 16, 2019.

92. “*Plan*” means this *Debtor’s Fifth Amended Chapter 11 Plan of Reorganization*, including the Exhibits and the Plan Documents and all supplements, appendices,

and schedules thereto, either in its present form or as the same may be altered, amended, modified or otherwise supplemented from time to time.

93. “*Plan Distribution*” means the payment or distribution of consideration to Holders of Allowed Claims and Allowed Equity Interests under this Plan.

94. “*Plan Documents*” means any of the documents, other than this Plan, but including, without limitation, the documents to be filed with the Plan Supplement, to be executed, delivered, assumed, or performed in connection with the occurrence of the Effective Date, and as may be modified consistent with the terms hereof with the consent of the Committee.

95. “*Plan Supplement*” means the ancillary documents necessary for the implementation and effectuation of the Plan, including, without limitation, (i) the form of Claimant Trust Agreement, (ii) the forms of New GP LLC Documents, (iii) the form of Reorganized Limited Partnership Agreement, (iv) the Sub-Servicer Agreement (if applicable), (v) the identity of the initial members of the Claimant Trust Oversight Committee, (vi) the form of Litigation Sub-Trust Agreement; (vii) the schedule of retained Causes of Action; (viii) the New Frontier Note, (ix) the schedule of Employees; (x) the form of Senior Employee Stipulation,; and (xi) the schedule of Executory Contracts and Unexpired Leases to be assumed pursuant to this Plan, which, in each case, will be in form and substance reasonably acceptable to the Debtor and the Committee.

96. “*Priority Non-Tax Claim*” means a Claim entitled to priority pursuant to section 507(a) of the Bankruptcy Code, including any Claims for paid time-off entitled to priority under section 507(a)(4) of the Bankruptcy Code, other than a Priority Tax Claim or an Administrative Claim.

97. “*Pro Rata*” means the proportion that (a) the Allowed amount of a Claim or Equity Interest in a particular Class bears to (b) the aggregate Allowed amount of all Claims or Equity Interests in such Class.

98. “*Professional*” means (a) any Entity employed in the Chapter 11 Case pursuant to section 327, 328 363 or 1103 of the Bankruptcy Code or otherwise and (b) any Entity seeking compensation or reimbursement of expenses in connection with the Chapter 11 Case pursuant to sections 327, 328, 330, 331, 363, 503(b), 503(b)(4) and 1103 of the Bankruptcy Code.

99. “*Professional Fee Claim*” means a Claim under sections 328, 330(a), 331, 363, 503 or 1103 of the Bankruptcy Code, with respect to a particular Professional, for compensation for services rendered or reimbursement of costs, expenses or other charges incurred after the Petition Date and prior to and including the Effective Date.

100. “*Professional Fee Claims Bar Date*” means with respect to Professional Fee Claims, the Business Day which is sixty (60) days after the Effective Date or such other date as approved by order of the Bankruptcy Court.

101. “*Professional Fee Claims Objection Deadline*” means, with respect to any Professional Fee Claim, thirty (30) days after the timely Filing of the applicable request for payment of such Professional Fee Claim.

102. “*Professional Fee Reserve*” means the reserve established and funded by the Claimant Trustee pursuant this Plan to provide sufficient funds to satisfy in full unpaid Allowed Professional Fee Claims.

103. “*Proof of Claim*” means a written proof of Claim or Equity Interest Filed against the Debtor in the Chapter 11 Case.

104. “*Priority Tax Claim*” means any Claim of a Governmental Unit of the kind specified in section 507(a)(8) of the Bankruptcy Code.

105. “*Protected Parties*” means, collectively, (i) the Debtor and its successors and assigns, direct and indirect majority-owned subsidiaries, and the Managed Funds, (ii) the Employees, (iii) Strand, (iv) the Reorganized Debtor, (v) the Independent Directors, (vi) the Committee, (vii) the members of the Committee (in their official capacities), (viii) the Claimant Trust, (ix) the Claimant Trustee, (x) the Litigation Sub-Trust, (xi) the Litigation Trustee, (xii) the members of the Claimant Trust Oversight Committee (in their official capacities), (xiii) New GP LLC, (xiv) the Professionals retained by the Debtor and the Committee in the Chapter 11 Case, (xv) the CEO/CRO; and (xvi) the Related Persons of each of the parties listed in (iv) through (xv); *provided, however*, that, for the avoidance of doubt, none of James Dondero, Mark Okada, NexPoint Advisors, L.P. (and any of its subsidiaries and managed entities), the Charitable Donor Advised Fund, L.P. (and any of its subsidiaries, including CLO Holdco, Ltd., and managed entities), Highland CLO Funding, Ltd. (and any of its subsidiaries, members, and managed entities), NexBank, SSB (and any of its subsidiaries), Highland Capital Management Fund Advisors, L.P. (and any of its subsidiaries and managed entities), the Hunter Mountain Investment Trust (or any trustee acting for the trust), the Dugaboy Investment Trust (or any trustee acting for the trust), or Grant Scott is included in the term “Protected Party.”

106. “*PTO Claims*” means any Claim for paid time off in favor of any Debtor employee in excess of the amount that would qualify as a Priority Non-Tax Claim under section 507(a)(4) of the Bankruptcy Code.

107. “*Reduced Employee Claims*” has the meaning set forth in ARTICLE IX.D.

108. “*Reinstated*” means, with respect to any Claim or Equity Interest, (a) leaving unaltered the legal, equitable, and contractual rights to which a Claim entitles the Holder of such Claim or Equity Interest in accordance with section 1124 of the Bankruptcy Code or (b) notwithstanding any contractual provision or applicable law that entitles the Holder of such Claim or Equity Interest to demand or receive accelerated payment of such Claim or Equity Interest after the occurrence of a default: (i) curing any such default that occurred before or after the Petition Date, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code or of a kind that section 365(b)(2) of the Bankruptcy Code expressly does not require to be cured; (ii) reinstating the maturity of such Claim or Equity Interest as such maturity existed before such default; (iii) compensating the Holder of such Claim or Equity Interest for any damages incurred as a result of any reasonable reliance by such Holder on such contractual provision or such applicable law; (iv) if such Claim or Equity Interest arises from any failure to perform a nonmonetary obligation, other than a default arising from failure to operate a non-residential real property lease subject to section 365(b)(1)(A) of the Bankruptcy Code, compensating the Holder

of such Claim or Equity Interest (other than any Debtor or an insider of any Debtor) for any actual pecuniary loss incurred by such Holder as a result of such failure; and (v) not otherwise altering the legal, equitable, or contractual rights to which such Claim entitles the Holder of such Claim.

109. “*Rejection Claim*” means any Claim for monetary damages as a result of the rejection of an executory contract or unexpired lease pursuant to the Confirmation Order.

110. “*Related Entity*” means, without duplication, (a) Dondero, (b) Mark Okada (“*Okada*”), (c) Grant Scott (“*Scott*”), (d) Hunter Covitz (“*Covitz*”), (e) any entity or person that was an insider of the Debtor on or before the Petition Date under Section 101(31) of the Bankruptcy Code, including, without limitation, any entity or person that was a non-statutory insider, (f) any entity that, after the Effective Date, is an insider or Affiliate of one or more of Dondero, Okada, Scott, Covitz, or any of their respective insiders or Affiliates, including, without limitation, The Dugaboy Investment Trust, (g) the Hunter Mountain Investment Trust and any of its direct or indirect parents, (h) the Charitable Donor Advised Fund, L.P., and any of its direct or indirect subsidiaries, and (i) Affiliates of the Debtor and any other Entities listed on the Related Entity List.

111. “*Related Entity List*” means that list of Entities filed with the Plan Supplement.

112. “*Related Persons*” means, with respect to any Person, such Person’s predecessors, successors, assigns (whether by operation of law or otherwise), and each of their respective present, future, or former officers, directors, employees, managers, managing members, members, financial advisors, attorneys, accountants, investment bankers, consultants, professionals, advisors, shareholders, principals, partners, subsidiaries, divisions, management companies, heirs, agents, and other representatives, in each case solely in their capacity as such.

113. “*Released Parties*” means, collectively, (i) the Independent Directors; (ii) Strand (solely from the date of the appointment of the Independent Directors through the Effective Date); (iii) the CEO/CRO; (iv) the Committee; (v) the members of the Committee (in their official capacities), (vi) the Professionals retained by the Debtor and the Committee in the Chapter 11 Case; and (vii) the Employees.

114. “*Reorganized Debtor*” means the Debtor, as reorganized pursuant to this Plan on and after the Effective Date.

115. “*Reorganized Debtor Assets*” means any limited and general partnership interests held by the Debtor, the management of the Managed Funds and those Causes of Action (including, without limitation, claims for breach of fiduciary duty), that, for any reason, are not capable of being transferred to the Claimant Trust. For the avoidance of doubt, “*Reorganized Debtor Assets*” includes any partnership interests or shares of Managed Funds held by the Debtor but does not include the underlying portfolio assets held by the Managed Funds.

116. “*Reorganized Limited Partnership Agreement*” means that certain Fifth Amended and Restated Agreement of Limited Partnership of Highland Capital Management, L.P., by and among the Claimant Trust, as limited partner, and New GP LLC, as general partner, Filed with the Plan Supplement.

117. “*Restructuring*” means the restructuring of the Debtor, the principal terms of which are set forth in this Plan and the Disclosure Statement.

118. “*Retained Employee Claim*” means any Claim filed by a current employee of the Debtor who will be employed by the Reorganized Debtor upon the Effective Date.

119. “*Schedules*” means the schedules of Assets and liabilities, statements of financial affairs, lists of Holders of Claims and Equity Interests and all amendments or supplements thereto Filed by the Debtor with the Bankruptcy Court [D.I. 247].

120. “*Secured*” means, when referring to a Claim: (a) secured by a Lien on property in which the Debtor’s Estate has an interest, which Lien is valid, perfected, and enforceable pursuant to applicable law or by reason of a Bankruptcy Court order, or that is subject to setoff pursuant to section 553 of the Bankruptcy Code, to the extent of the value of the creditor’s interest in the interest of the Debtor’s Estate in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code or (b) Allowed pursuant to the Plan as a Secured Claim.

121. “*Security*” or “*security*” means any security as such term is defined in section 101(49) of the Bankruptcy Code.

122. “*Senior Employees*” means the senior employees of the Debtor Filed in the Plan Supplement.

123. “*Senior Employee Stipulation*” means the agreements filed in the Plan Supplement between each Senior Employee and the Debtor.

124. “*Stamp or Similar Tax*” means any stamp tax, recording tax, personal property tax, conveyance fee, intangibles or similar tax, real estate transfer tax, sales tax, use tax, transaction privilege tax (including, without limitation, such taxes on prime contracting and owner-builder sales), privilege taxes (including, without limitation, privilege taxes on construction contracting with regard to speculative builders and owner builders), and other similar taxes imposed or assessed by any Governmental Unit.

125. “*Statutory Fees*” means fees payable pursuant to 28 U.S.C. § 1930.

126. “*Strand*” means Strand Advisors, Inc., the Debtor’s general partner.

127. “*Sub-Servicer*” means a third-party selected by the Claimant Trustee to service or sub-service the Reorganized Debtor Assets.

128. “*Sub-Servicer Agreement*” means the agreement that may be entered into providing for the servicing of the Reorganized Debtor Assets by the Sub-Servicer.

129. “*Subordinated Claim*” means any Claim that is subordinated to the Convenience Claims and General Unsecured Claims pursuant to an order entered by the Bankruptcy Court (including any other court having jurisdiction over the Chapter 11 Case) after notice and a hearing.

130. “*Subordinated Claimant Trust Interests*” means the Claimant Trust Interests to be distributed to Holders of Allowed Subordinated Claims under the Plan, which such interests shall be subordinated in right and priority to the Claimant Trust Interests distributed to Holders of Allowed General Unsecured Claims as provided in the Claimant Trust Agreement.

131. “*Trust Distribution*” means the transfer of Cash or other property by the Claimant Trustee to the Claimant Trust Beneficiaries.

132. “*Trustees*” means, collectively, the Claimant Trustee and Litigation Trustee.

133. “*UBS*” means, collectively, UBS Securities LLC and UBS AG London Branch.

134. “*Unexpired Lease*” means a lease to which the Debtor is a party that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

135. “*Unimpaired*” means, with respect to a Class of Claims or Equity Interests that is not impaired within the meaning of section 1124 of the Bankruptcy Code.

136. “*Voting Deadline*” means the date and time by which all Ballots to accept or reject the Plan must be received in order to be counted under the under the Order of the Bankruptcy Court approving the Disclosure Statement as containing adequate information pursuant to section 1125(a) of the Bankruptcy Code and authorizing the Debtor to solicit acceptances of the Plan.

137. “*Voting Record Date*” means November 23, 2020.

## **ARTICLE II.**

### **ADMINISTRATIVE EXPENSES AND PRIORITY TAX CLAIMS**

#### **A. Administrative Expense Claims**

On the later of the Effective Date or the date on which an Administrative Expense Claim becomes an Allowed Administrative Expense Claim, or, in each such case, as soon as practicable thereafter, each Holder of an Allowed Administrative Expense Claim (other than Professional Fee Claims) will receive, in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Administrative Expense Claim either (i) payment in full in Available Cash for the unpaid portion of such Allowed Administrative Expense Claim; or (ii) such other less favorable treatment as agreed to in writing by the Debtor or the Reorganized Debtor, as applicable, and such Holder; *provided, however*, that Administrative Expense Claims incurred by the Debtor in the ordinary course of business may be paid in the ordinary course of business in the discretion of the Debtor in accordance with such applicable terms and conditions relating thereto without further notice to or order of the Bankruptcy Court. All statutory fees payable under 28 U.S.C. § 1930(a) shall be paid as such fees become due.

If an Administrative Expense Claim (other than a Professional Fee Claim) is not paid by the Debtor in the ordinary course, the Holder of such Administrative Expense Claim must File, on

or before the applicable Administrative Expense Claims Bar Date, and serve on the Debtor or Reorganized Debtor, as applicable, and such other Entities who are designated by the Bankruptcy Rules, the Confirmation Order or other order of the Bankruptcy Court, an application for allowance and payment of such Administrative Expense Claim.

Objections to any Administrative Expense Claim (other than a Professional Fee Claim) must be Filed and served on the Debtor or the Reorganized Debtor, as applicable, and the party asserting such Administrative Expense Claim by the Administrative Expense Claims Objection Deadline.

## **B. Professional Fee Claims**

Professionals or other Entities asserting a Professional Fee Claim for services rendered through the Effective Date must submit fee applications under sections 327, 328, 329, 330, 331, 503(b) or 1103 of the Bankruptcy Code and, upon entry of an order of the Bankruptcy Court granting such fee applications, such Professional Fee Claim shall promptly be paid in Cash in full to the extent provided in such order.

Professionals or other Entities asserting a Professional Fee Claim for services rendered on or prior to the Effective Date must File, on or before the Professional Fee Claims Bar Date, and serve on the Debtor or Reorganized Debtor, as applicable, and such other Entities who are designated as requiring such notice by the Bankruptcy Rules, the Confirmation Order or other order of the Bankruptcy Court, an application for final allowance of such Professional Fee Claim.

Objections to any Professional Fee Claim must be Filed and served on the Debtor or Reorganized Debtor, as applicable, and the party asserting the Professional Fee Claim by the Professional Fee Claim Objection Deadline. Each Holder of an Allowed Professional Fee Claim will be paid by the Debtor or the Claimant Trust, as applicable, in Cash within ten (10) Business Days of entry of the order approving such Allowed Professional Fee Claim.

On the Effective Date, the Claimant Trustee shall establish the Professional Fee Reserve. The Professional Fee Reserve shall vest in the Claimant Trust and shall be maintained by the Claimant Trustee in accordance with the Plan and Claimant Trust Agreement. The Claimant Trust shall fund the Professional Fee Reserve on the Effective Date in an estimated amount determined by the Debtor in good faith prior to the Confirmation Date and that approximates the total projected amount of unpaid Professional Fee Claims on the Effective Date. Following the payment of all Allowed Professional Fee Claims, any excess funds in the Professional Fee Reserve shall be released to the Claimant Trust to be used for other purposes consistent with the Plan and the Claimant Trust Agreement.

## **C. Priority Tax Claims**

On or as soon as reasonably practicable after the later of (i) the Initial Distribution Date if such Priority Tax Claim is an Allowed Priority Tax Claim as of the Effective Date or (ii) the date on which such Priority Tax Claim becomes an Allowed Priority Tax Claim, each Holder of an Allowed Priority Tax Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Priority Tax Claim, at the election of the Debtor: (a) Cash in an amount of a total value as of the Effective Date of the Plan equal to the amount of such Allowed

Priority Tax Claim in accordance with section 1129(a)(9)(C) of the Bankruptcy Code, or (b) if paid over time, payment of such Allowed Priority Tax Claim in accordance with section 1129(a)(9)(C) of the Bankruptcy Code; or (c) such other less favorable treatment as agreed to in writing by the Debtor and such Holder. Payment of statutory fees due pursuant to 28 U.S.C. § 1930(a)(6) will be made at all appropriate times until the entry of a final decree; *provided, however*, that the Debtor may prepay any or all such Claims at any time, without premium or penalty.

**ARTICLE III.**  
**CLASSIFICATION AND TREATMENT OF**  
**CLASSIFIED CLAIMS AND EQUITY INTERESTS**

**A. Summary**

All Claims and Equity Interests, except Administrative Expense Claims and Priority Tax Claims, are classified in the Classes set forth below. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims, and Priority Tax Claims have not been classified.

The categories of Claims and Equity Interests listed below classify Claims and Equity Interests for all purposes including, without limitation, confirmation and distribution pursuant to the Plan and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. The Plan deems a Claim or Equity Interest to be classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class and will be deemed classified in a different Class to the extent that any remainder of such Claim or Equity Interest qualifies within the description of such different Class. A Claim or Equity Interest is in a particular Class only to the extent that any such Claim or Equity Interest is Allowed in that Class and has not been paid, released or otherwise settled (in each case, by the Debtor or any other Entity) prior to the Effective Date.

**B. Summary of Classification and Treatment of Classified Claims and Equity Interests**

<b>Class</b>	<b>Claim</b>	<b>Status</b>	<b>Voting Rights</b>
1	Jefferies Secured Claim	Unimpaired	Deemed to Accept
2	Frontier Secured Claim	Impaired	Entitled to Vote
3	Other Secured Claims	Unimpaired	Deemed to Accept
4	Priority Non-Tax Claim	Unimpaired	Deemed to Accept
5	Retained Employee Claim	Unimpaired	Deemed to Accept
6	PTO Claims	Unimpaired	Deemed to Accept
7	Convenience Claims	Impaired	Entitled to Vote
8	General Unsecured Claims	Impaired	Entitled to Vote
9	Subordinated Claims	Impaired	Entitled to Vote
10	Class B/C Limited Partnership Interests	Impaired	Entitled to Vote
11	Class A Limited Partnership Interests	Impaired	Entitled to Vote

**C. Elimination of Vacant Classes**

Any Class that, as of the commencement of the Confirmation Hearing, does not have at least one Holder of a Claim or Equity Interest that is Allowed in an amount greater than zero for voting purposes shall be considered vacant, deemed eliminated from the Plan for purposes of voting to accept or reject the Plan, and disregarded for purposes of determining whether the Plan satisfies section 1129(a)(8) of the Bankruptcy Code with respect to such Class.

**D. Impaired/Voting Classes**

Claims and Equity Interests in Class 2 and Class 7 through Class 11 are Impaired by the Plan, and only the Holders of Claims or Equity Interests in those Classes are entitled to vote to accept or reject the Plan.

**E. Unimpaired/Non-Voting Classes**

Claims in Class 1 and Class 3 through Class 6 are Unimpaired by the Plan, and such Holders are deemed to have accepted the Plan and are therefore not entitled to vote on the Plan.

**F. Impaired/Non-Voting Classes**

There are no Classes under the Plan that will not receive or retain any property and no Classes are deemed to reject the Plan.

**G. Cramdown**

If any Class of Claims or Equity Interests is deemed to reject this Plan or does not vote to accept this Plan, the Debtor may (i) seek confirmation of this Plan under section 1129(b) of the Bankruptcy Code or (ii) amend or modify this Plan in accordance with the terms hereof and the Bankruptcy Code. If a controversy arises as to whether any Claims or Equity Interests, or any class of Claims or Equity Interests, are Impaired, the Bankruptcy Court shall, after notice and a hearing, determine such controversy on or before the Confirmation Date.

**H. Classification and Treatment of Claims and Equity Interests**

1. Class 1 – Jefferies Secured Claim

- *Classification:* Class 1 consists of the Jefferies Secured Claim.
- *Treatment:* On or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Class 1 Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Class 1 Claim, at the election of the Debtor: (A) Cash equal to the amount of such Allowed Class 1 Claim; (B) such other less favorable treatment as to which the Debtor and the Holder of such Allowed Class 1 Claim will have agreed upon in writing; or (C) such other treatment rendering such Claim Unimpaired. Each Holder of an Allowed Class 1 Claim will retain the Liens securing its Allowed Class 1 Claim as of the Effective Date until

full and final payment of such Allowed Class 1 Claim is made as provided herein.

- *Impairment and Voting:* Class 1 is Unimpaired, and the Holders of Class 1 Claims are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 1 Claims are not entitled to vote to accept or reject this Plan and will not be solicited.

2. Class 2 – Frontier Secured Claim

- *Classification:* Class 2 consists of the Frontier Secured Claim.
- *Treatment:* On or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Class 2 Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Class 2 Claim: (A) Cash in an amount equal to all accrued but unpaid interest on the Frontier Claim through and including the Effective Date and (B) the New Frontier Note. The Holder of an Allowed Class 2 Claim will retain the Liens securing its Allowed Class 2 Claim as of the Effective Date until full and final payment of such Allowed Class 2 Claim is made as provided herein.
- *Impairment and Voting:* Class 2 is Impaired, and the Holders of Class 2 Claims are entitled to vote to accept or reject this Plan.

3. Class 3 – Other Secured Claims

- *Classification:* Class 3 consists of the Other Secured Claims.
- *Allowance and Treatment:* On or as soon as reasonably practicable after the later of (i) the Initial Distribution Date if such Class 3 Claim is Allowed on the Effective Date or (ii) the date on which such Class 3 Claim becomes an Allowed Class 3 Claim, each Holder of an Allowed Class 3 Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, its Allowed Claim 3 Claim, at the option of the Debtor, or following the Effective Date, the Reorganized Debtor or Claimant Trustee, as applicable, (i) Cash equal to such Allowed Other Secured Claim, (ii) the collateral securing its Allowed Other Secured Claim, plus postpetition interest to the extent required under Bankruptcy Code Section 506(b), or (iii) such other treatment rendering such Claim Unimpaired.
- *Impairment and Voting:* Class 3 is Unimpaired, and the Holders of Class 3 Claims are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 3 Claims are not entitled to vote to accept or reject this Plan and will not be solicited.

4. Class 4 – Priority Non-Tax Claims

- *Classification:* Class 4 consists of the Priority Non-Tax Claims.
- *Allowance and Treatment:* On or as soon as reasonably practicable after the later of (i) the Initial Distribution Date if such Class 4 Claim is Allowed on the Effective Date or (ii) the date on which such Class 4 Claim becomes an Allowed Class 4 Claim, each Holder of an Allowed Class 4 Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, its Allowed Claim 4 Claim Cash equal to the amount of such Allowed Class 4 Claim.
- *Impairment and Voting:* Class 4 is Unimpaired, and the Holders of Class 4 Claims are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 4 Claims are not entitled to vote to accept or reject this Plan and will not be solicited.

5. Class 5 – Retained Employee Claims

- *Classification:* Class 5 consists of the Retained Employee Claims.
- *Allowance and Treatment:* On or as soon as reasonably practicable after the Effective Date, each Allowed Class 5 Claim will be Reinstated.
- *Impairment and Voting:* Class 5 is Unimpaired, and the Holders of Class 5 Claims are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 5 Claims are not entitled to vote to accept or reject this Plan and will not be solicited.

6. Class 6 – PTO Claims

- *Classification:* Class 6 consists of the PTO Claims.
- *Allowance and Treatment:* On or as soon as reasonably practicable after the later of (i) the Initial Distribution Date if such Class 6 Claim is Allowed on the Effective Date or (ii) the date on which such Class 6 Claim becomes an Allowed Class 6 Claim, each Holder of an Allowed Class 6 Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, its Allowed Claim 6 Claim Cash equal to the amount of such Allowed Class 6 Claim.
- *Impairment and Voting:* Class 6 is Unimpaired, and the Holders of Class 6 Claims are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 6

Claims are not entitled to vote to accept or reject this Plan and will not be solicited.

7. Class 7 – Convenience Claims

- *Classification:* Class 7 consists of the Convenience Claims.
- *Allowance and Treatment:* On or as soon as reasonably practicable after the later of (i) the Initial Distribution Date if such Class 7 Claim is Allowed on the Effective Date or (ii) the date on which such Class 7 Claim becomes an Allowed Class 7 Claim, each Holder of an Allowed Class 7 Claim will receive in full satisfaction, settlement, discharge and release of, and in exchange for, its Allowed Class 7 Claim (1) the treatment provided to Allowed Holders of Class 8 General Unsecured Claims if the Holder of such Class 7 Claim makes the GUC Election or (2) an amount in Cash equal to the lesser of (a) 85% of the Allowed amount of such Holder's Class 7 Claim or (b) such Holder's Pro Rata share of the Convenience Claims Cash Pool.
- *Impairment and Voting:* Class 7 is Impaired, and the Holders of Class 7 Claims are entitled to vote to accept or reject this Plan.

8. Class 8 – General Unsecured Claims

- *Classification:* Class 8 consists of the General Unsecured Claims.
- *Treatment:* On or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Class 8 Claim, in full satisfaction, settlement, discharge and release of, and in exchange for, such Claim shall receive (i) its Pro Rata share of the Claimant Trust Interests, (ii) such other less favorable treatment as to which such Holder and the Claimant Trustee shall have agreed upon in writing, or (iii) the treatment provided to Allowed Holders of Class 7 Convenience Claims if the Holder of such Class 8 General Unsecured Claim is eligible and makes a valid Convenience Class Election.

Notwithstanding anything to the contrary herein, after the Effective Date and subject to the other provisions of this Plan, the Debtor, the Reorganized Debtor, and the Claimant Trust, as applicable, will have and will retain any and all rights and defenses under bankruptcy or nonbankruptcy law that the Debtor had with respect to any General Unsecured Claim, except with respect to any General Unsecured Claim Allowed by Final Order of the Bankruptcy Court.

- *Impairment and Voting:* Class 8 is Impaired, and the Holders of Class 8 Claims are entitled to vote to accept or reject this Plan.

9. Class 9 – Subordinated Claims

- *Classification:* Class 9 consists of the Subordinated Claims.

*Treatment:* On the Effective Date, Holders of Subordinated Claims shall receive either (i) their Pro Rata share of the Subordinated Claimant Trust Interests or, (ii) such other less favorable treatment as to which such Holder and the Claimant Trustee may agree upon in writing.

Notwithstanding anything to the contrary herein, after the Effective Date and subject to the other provisions of this Plan, the Debtor, the Reorganized Debtor, and the Claimant Trust, as applicable, will have and will retain any and all rights and defenses under bankruptcy or nonbankruptcy law that the Debtor had with respect to any Subordinated Claim, except with respect to any Subordinated Claim Allowed by Final Order of the Bankruptcy Court.

- *Impairment and Voting:* Class 9 is Impaired, and the Holders of Class 9 Claims are entitled to vote to accept or reject this Plan.

10. Class 10 – Class B/C Limited Partnership Interests

- *Classification:* Class 10 consists of the Class B/C Limited Partnership Interests.

- *Treatment:* On or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Class 10 Claim, in full satisfaction, settlement, discharge and release of, and in exchange for, such Claim shall receive (i) its Pro Rata share of the Contingent Claimant Trust Interests or (ii) such other less favorable treatment as to which such Holder and the Claimant Trustee shall have agreed upon in writing.

Notwithstanding anything to the contrary herein, after the Effective Date and subject to the other provisions of this Plan, the Debtor, the Reorganized Debtor, and the Claimant Trust, as applicable, will have and will retain any and all rights and defenses under bankruptcy or nonbankruptcy law that the Debtor had with respect to any Class B/C Limited Partnership Interest Claim, except with respect to any Class B/C Limited Partnership Interest Claim Allowed by Final Order of the Bankruptcy Court.

- *Impairment and Voting:* Class 10 is Impaired, and the Holders of Class 10 Claims are entitled to vote to accept or reject this Plan.

11. Class 11 – Class A Limited Partnership Interests

- *Classification:* Class 11 consists of the Class A Limited Partnership Interests.

- *Treatment:* On or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Class 11 Claim, in full satisfaction, settlement, discharge and release of, and in exchange for, such Claim shall receive (i) its Pro Rata share of the Contingent Claimant Trust Interests or (ii) such other less favorable treatment as to which such Holder and the Claimant Trustee shall have agreed upon in writing.

Notwithstanding anything to the contrary herein, after the Effective Date and subject to the other provisions of this Plan, the Debtor, the Reorganized Debtor, and the Claimant Trust, as applicable, will have and will retain any and all rights and defenses under bankruptcy or nonbankruptcy law that the Debtor had with respect to any Class A Limited Partnership Interest, except with respect to any Class A Limited Partnership Interest Allowed by Final Order of the Bankruptcy Court.

- *Impairment and Voting:* Class 11 is Impaired, and the Holders of Class 11 Claims are entitled to vote to accept or reject this Plan.

#### **I. Special Provision Governing Unimpaired Claims**

Except as otherwise provided in the Plan, nothing under the Plan will affect the Debtor's rights in respect of any Unimpaired Claims, including, without limitation, all rights in respect of legal and equitable defenses to or setoffs or recoupments against any such Unimpaired Claims.

#### **J. Subordinated Claims**

The allowance, classification, and treatment of all Claims under the Plan shall take into account and conform to the contractual, legal, and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code, or otherwise. Upon written notice and hearing, the Debtor the Reorganized Debtor, and the Claimant Trustee reserve the right to seek entry of an order by the Bankruptcy Court to re-classify or to subordinate any Claim in accordance with any contractual, legal, or equitable subordination relating thereto, and the treatment afforded any Claim under the Plan that becomes a subordinated Claim at any time shall be modified to reflect such subordination.

### **ARTICLE IV.** **MEANS FOR IMPLEMENTATION OF THIS PLAN**

#### **A. Summary**

As discussed in the Disclosure Statement, the Plan will be implemented through (i) the Claimant Trust, (ii) the Litigation Sub-Trust, and (iii) the Reorganized Debtor.

On the Effective Date, all Class A Limited Partnership Interests, including the Class A Limited Partnership Interests held by Strand, as general partner, and Class B/C Limited Partnerships in the Debtor will be cancelled, and new Class A Limited Partnership Interests in the Reorganized Debtor will be issued to the Claimant Trust and New GP LLC – a newly-chartered limited liability company wholly-owned by the Claimant Trust. The Claimant Trust, as limited

partner, will ratify New GP LLC's appointment as general partner of the Reorganized Debtor, and on and following the Effective Date, the Claimant Trust will be the Reorganized Debtor's limited partner and New GP LLC will be its general partner. The Claimant Trust, as limited partner, and New GP LLC, as general partner, will execute the Reorganized Limited Partnership Agreement, which will amend and restate, in all respects, the Debtor's current Limited Partnership Agreement. Following the Effective Date, the Reorganized Debtor will be managed consistent with the terms of the Reorganized Limited Partnership Agreement by New GP LLC. The sole managing member of New GP LLC will be the Claimant Trust, and the Claimant Trustee will be the sole officer of New GP LLC on the Effective Date.

Following the Effective Date, the Claimant Trust will administer the Claimant Trust Assets pursuant to this Plan and the Claimant Trust Agreement, and the Litigation Trustee will pursue, if applicable, the Estate Claims pursuant to the terms of the Litigation Sub-Trust Agreement and the Plan. The Reorganized Debtor will administer the Reorganized Debtor Assets and, if needed, with the utilization of a Sub-Servicer, which administration will include, among other things, managing the wind down of the Managed Funds.

Although the Reorganized Debtor will manage the wind down of the Managed Funds, it is currently anticipated that neither the Reorganized Debtor nor the Claimant Trust will assume or assume and assign the contracts between the Debtor and certain Related Entities pursuant to which the Debtor provides shared services and sub-advisory services to those Related Entities. The Debtor believes that the continued provision of the services under such contracts will not be cost effective.

The Reorganized Debtor will distribute all proceeds from the wind down to the Claimant Trust, as its limited partner, and New GP LLC, as its general partner, in each case in accordance with the Reorganized Limited Partnership Agreement. Such proceeds, along with the proceeds of the Claimant Trust Assets, will ultimately be distributed to the Claimant Trust Beneficiaries as set forth in this Plan and the Claimant Trust Agreement.

**B. The Claimant Trust<sup>2</sup>**

1. Creation and Governance of the Claimant Trust and Litigation Sub-Trust.

On or prior to the Effective Date, the Debtor and the Claimant Trustee shall execute the Claimant Trust Agreement and shall take all steps necessary to establish the Claimant Trust and the Litigation Sub-Trust in accordance with the Plan in each case for the benefit of the Claimant Trust Beneficiaries. Additionally, on or prior to the Effective Date, the Debtor shall irrevocably transfer and shall be deemed to have irrevocably transferred to the Claimant Trust all of its rights, title, and interest in and to all of the Claimant Trust Assets, and in accordance with section 1141 of the Bankruptcy Code, the Claimant Trust Assets shall automatically vest in the Claimant Trust free and clear of all Claims, Liens, encumbrances, or interests subject only to the Claimant Trust Interests and the Claimant Trust Expenses, as provided for in the Claimant Trust Agreement, and

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<sup>2</sup> In the event of a conflict between the terms of this summary and the terms of the Claimant Trust Agreement and the Litigation Sub-Trust Agreement, the terms of the Claimant Trust Agreement or the Litigation Sub-Trust Agreement, as applicable, shall control.

such transfer shall be exempt from any stamp, real estate transfer, mortgage from any stamp, transfer, reporting, sales, use, or other similar tax.

The Claimant Trustee shall be the exclusive trustee of the Claimant Trust Assets, excluding the Estate Claims and the Litigation Trustee shall be the exclusive trustee with respect to the Estate Claims in each case for purposes of 31 U.S.C. § 3713(b) and 26 U.S.C. § 6012(b)(3), as well as the representative of the Estate appointed pursuant to section 1123(b)(3)(B) of the Bankruptcy Code with respect to the Claimant Trust Assets. The Claimant Trustee shall also be responsible for resolving all Claims and Equity Interests in Class 8 through Class 11, under the supervision of the Claimant Trust Oversight Committee.

On the Effective Date, the Claimant Trustee and Litigation Trustee shall execute the Litigation Sub-Trust Agreement and shall take all steps necessary to establish the Litigation Sub-Trust. Upon the creation of the Litigation Sub-Trust, the Claimant Trust shall irrevocably transfer and assign to the Litigation Sub-Trust the Estate Claims. The Claimant Trust shall be governed by the Claimant Trust Agreement and administered by the Claimant Trustee. The powers, rights, and responsibilities of the Claimant Trustee shall be specified in the Claimant Trust Agreement and shall include the authority and responsibility to, among other things, take the actions set forth in this ARTICLE IV, subject to any required reporting to the Claimant Trust Oversight Committee as may be set forth in the Claimant Trust Agreement. The Claimant Trust shall hold and distribute the Claimant Trust Assets (including the proceeds from the Estate Claims, if any) in accordance with the provisions of the Plan and the Claimant Trust Agreement; *provided* that the Claimant Trust Oversight Committee may direct the Claimant Trust to reserve Cash from distributions as necessary to fund the Claimant Trust and Litigation Sub-Trust. Other rights and duties of the Claimant Trustee and the Claimant Trust Beneficiaries shall be as set forth in the Claimant Trust Agreement. After the Effective Date, neither the Debtor nor the Reorganized Debtor shall have any interest in the Claimant Trust Assets.

The Litigation Sub-Trust shall be governed by the Litigation Sub-Trust Agreement and administered by the Litigation Trustee. The powers, rights, and responsibilities of the Litigation Trustee shall be specified in the Litigation Sub-Trust Agreement and shall include the authority and responsibility to, among other things, take the actions set forth in this ARTICLE IV, subject to any required reporting as may be set forth in the Litigation Sub-Trust Agreement. The Litigation Sub-Trust shall investigate, prosecute, settle, or otherwise resolve the Estate Claims in accordance with the provisions of the Plan and the Litigation Sub-Trust Agreement and shall distribute the proceeds therefrom to the Claimant Trust for distribution. Other rights and duties of the Litigation Trustee shall be as set forth in the Litigation Sub-Trust Agreement.

## 2. Claimant Trust Oversight Committee

The Claimant Trust, the Claimant Trustee, the management and monetization of the Claimant Trust Assets, and the management of the Reorganized Debtor (through the Claimant Trust's role as managing member of New GP LLC) and the Litigation Sub-Trust will be overseen by the Claimant Trust Oversight Committee, subject to the terms of the Claimant Trust Agreement and the Litigation Sub-Trust Agreement, as applicable.

The Claimant Trust Oversight Committee will initially consist of five members. Four of the five members will be representatives of the members of the Committee: (i) the Redeemer Committee of Highland Crusader Fund, (ii) UBS, (iii) Acis, and (iv) Meta-e Discovery. The fifth member will be an independent, natural Person chosen by the Committee and reasonably acceptable to the Debtor. The members of the Claimant Trust Oversight Committee may be replaced as set forth in the Claimant Trust Agreement. The identity of the members of the Claimant Trust Oversight Committee will be disclosed in the Plan Supplement.

As set forth in the Claimant Trust Agreement, in no event will any member of the Claimant Trust Oversight Committee with a Claim against the Estate be entitled to vote, opine, or otherwise be involved in any matters related to such member's Claim.

The independent member(s) of the Claimant Trust Oversight Committee may be entitled to compensation for their services as set forth in the Claimant Trust Agreement. Any member of the Claimant Trust Oversight Committee may be removed, and successor chosen, in the manner set forth in the Claimant Trust Agreement.

3. Purpose of the Claimant Trust.

The Claimant Trust shall be established for the purpose of (i) managing and monetizing the Claimant Trust Assets, subject to the terms of the Claimant Trust Agreement and the oversight of the Claimant Trust Oversight Committee, (ii) serving as the limited partner of, and holding the limited partnership interests in, the Reorganized Debtor, (iii) serving as the sole member and manager of New GP LLC, the Reorganized Debtor's general partner, (iv) in its capacity as the sole member and manager of New GP LLC, overseeing the management and monetization of the Reorganized Debtor Assets pursuant to the terms of the Reorganized Limited Partnership Agreement; and (v) administering the Disputed Claims Reserve and serving as Distribution Agent with respect to Disputed Claims in Class 7 or Class 8.

In its management of the Claimant Trust Assets, the Claimant Trust will also reconcile and object to the General Unsecured Claims, Subordinated Claims, Class B/C Limited Partnership Interests, and Class A Limited Partnership Interests, as provided for in this Plan and the Claimant Trust Agreement, and make Trust Distributions to the Claimant Trust Beneficiaries in accordance with Treasury Regulation section 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business.

The purpose of the Reorganized Debtor is discussed at greater length in ARTICLE IV.C.

4. Purpose of the Litigation Sub-Trust.

The Litigation Sub-Trust shall be established for the purpose of investigating, prosecuting, settling, or otherwise resolving the Estate Claims. Any proceeds therefrom shall be distributed by the Litigation Sub-Trust to the Claimant Trust for distribution to the Claimant Trust Beneficiaries pursuant to the terms of the Claimant Trust Agreement.

5. Claimant Trust Agreement and Litigation Sub-Trust Agreement.

The Claimant Trust Agreement generally will provide for, among other things:

- (i) the payment of the Claimant Trust Expenses;
- (ii) the payment of other reasonable expenses of the Claimant Trust;
- (iii) the retention of employees, counsel, accountants, financial advisors, or other professionals and the payment of their reasonable compensation;
- (iv) the investment of Cash by the Claimant Trustee within certain limitations, including those specified in the Plan;
- (v) the orderly monetization of the Claimant Trust Assets;
- (vi) litigation of any Causes of Action, which may include the prosecution, settlement, abandonment, or dismissal of any such Causes of Action, subject to reporting and oversight by the Claimant Trust Oversight Committee;
- (vii) the resolution of Claims and Equity Interests in Class 8 through Class 11, subject to reporting and oversight by the Claimant Trust Oversight Committee;
- (viii) the administration of the Disputed Claims Reserve and distributions to be made therefrom; and
- (ix) the management of the Reorganized Debtor, including the utilization of a Sub-Servicer, with the Claimant Trust serving as the managing member of New GP LLC.

Except as otherwise ordered by the Bankruptcy Court, the Claimant Trust Expenses shall be paid from the Claimant Trust Assets in accordance with the Plan and Claimant Trust Agreement. The Claimant Trustee may establish a reserve for the payment of Claimant Trust Expense (including, without limitation, any reserve for potential indemnification claims as authorized and provided under the Claimant Trust Agreement), and shall periodically replenish such reserve, as necessary.

In furtherance of, and consistent with the purpose of, the Claimant Trust and the Plan, the Trustees, for the benefit of the Claimant Trust, shall, subject to reporting and oversight by the Claimant Trust Oversight Committee as set forth in the Claimant Trust Agreement: (i) hold the Claimant Trust Assets for the benefit of the Claimant Trust Beneficiaries, (ii) make Distributions to the Claimant Trust Beneficiaries as provided herein and in the Claimant Trust Agreement, and (iii) have the sole power and authority to prosecute and resolve any Causes of Action and objections to Claims and Equity Interests (other than those assigned to the Litigation Sub-Trust), without approval of the Bankruptcy Court. Except as otherwise provided in the Claimant Trust Agreement, the Claimant Trustee shall be responsible for all decisions and duties with respect to the Claimant Trust and the Claimant Trust Assets; *provided, however*, that the prosecution and resolution of any Estate Claims included in the Claimant Trust Assets shall be the responsibility of the Litigation Trustee. The Litigation Sub-Trust Agreement generally will provide for, among other things:

- (i) the payment of other reasonable expenses of the Litigation Sub-Trust;

(ii) the retention of employees, counsel, accountants, financial advisors, or other professionals and the payment of their reasonable compensation; and

(iii) the investigation and prosecution of Estate Claims, which may include the prosecution, settlement, abandonment, or dismissal of any such Estate Claims, subject to reporting and oversight as set forth in the Litigation Sub-Trust Agreement.

The Trustees, on behalf of the Claimant Trust and Litigation Sub-Trust, as applicable, may each employ, without further order of the Bankruptcy Court, employees and other professionals (including those previously retained by the Debtor and the Committee) to assist in carrying out the Trustees' duties hereunder and may compensate and reimburse the reasonable expenses of these professionals without further Order of the Bankruptcy Court from the Claimant Trust Assets in accordance with the Plan and the Claimant Trust Agreement.

The Claimant Trust Agreement and Litigation Sub-Trust Agreement may include reasonable and customary provisions that allow for indemnification by the Claimant Trust in favor of the Claimant Trustee, Litigation Trustee, and the Claimant Trust Oversight Committee. Any such indemnification shall be the sole responsibility of the Claimant Trust and payable solely from the Claimant Trust Assets.

6. Compensation and Duties of Trustees.

The salient terms of each Trustee's employment, including such Trustee's duties and compensation shall be set forth in the Claimant Trust Agreement and the Litigation Sub-Trust Agreement, as appropriate. The Trustees shall each be entitled to reasonable compensation in an amount consistent with that of similar functionaries in similar types of bankruptcy cases.

7. Cooperation of Debtor and Reorganized Debtor.

To effectively investigate, prosecute, compromise and/or settle the Claims and/or Causes of Action that constitute Claimant Trust Assets (including Estate Claims), the Claimant Trustee, Litigation Trustee, and each of their professionals may require reasonable access to the Debtor's and Reorganized Debtor's documents, information, and work product relating to the Claimant Trust Assets. Accordingly, the Debtor and the Reorganized Debtor, as applicable, shall reasonably cooperate with the Claimant Trustee and Litigation Trustee, as applicable, in their prosecution of Causes of Action and in providing the Claimant Trustee and Litigation Trustee with copies of documents and information in the Debtor's possession, custody, or control on the Effective Date that either Trustee indicates relates to the Estate Claims or other Causes of Action.

The Debtor and Reorganized Debtor shall preserve all records, documents or work product (including all electronic records, documents, or work product) related to the Claims and Causes of Action, including Estate Claims, until the earlier of (a) the dissolution of the Reorganized Debtor or (b) termination of the Claimant Trust and Litigation Sub-Trust.

8. United States Federal Income Tax Treatment of the Claimant Trust.

Unless the IRS requires otherwise, for all United States federal income tax purposes, the parties shall treat the transfer of the Claimant Trust Assets to the Claimant Trust as: (a) a transfer

of the Claimant Trust Assets (other than the amounts set aside in the Disputed Claims Reserve, if the Claimant Trustee makes the election described in Section 7 below) directly to the applicable Claimant Trust Beneficiaries followed by (b) the transfer by the such Claimant Trust Beneficiaries to the Claimant Trust of such Claimant Trust Assets in exchange for the Claimant Trust Interests. Accordingly, the applicable Claimant Trust Beneficiaries shall be treated for United States federal income tax purposes as the grantors and owners of their respective share of the Claimant Trust Assets. The foregoing treatment shall also apply, to the extent permitted by applicable law, for state and local income tax purposes.

9. Tax Reporting.

(a) The Claimant Trustee shall file tax returns for the Claimant Trust treating the Claimant Trust as a grantor trust pursuant to Treasury Regulation section 1.671-4(a). The Claimant Trustee may file an election pursuant to Treasury Regulation 1.468B-9(c) to treat the Disputed Claims Reserve as a disputed ownership fund, in which case the Claimant Trustee will file federal income tax returns and pay taxes for the Disputed Claims Reserve as a separate taxable entity.

(b) The Claimant Trustee shall be responsible for payment, out of the Claimant Trust Assets, of any taxes imposed on the Claimant Trust or its assets.

(c) The Claimant Trustee shall determine the fair market value of the Claimant Trust Assets as of the Effective Date and notify the applicable Claimant Trust Beneficiaries of such valuation, and such valuation shall be used consistently for all federal income tax purposes.

(d) The Claimant Trustee shall distribute such tax information to the applicable Claimant Trust Beneficiaries as the Claimant Trustee determines is required by applicable law.

10. Claimant Trust Assets.

The Claimant Trustee shall have the exclusive right, on behalf of the Claimant Trust, to institute, file, prosecute, enforce, abandon, settle, compromise, release, or withdraw any and all Causes of Action included in the Claimant Trust Assets (except for the Estate Claims) without any further order of the Bankruptcy Court, and the Claimant Trustee shall have the exclusive right, on behalf of the Claimant Trust, to sell, liquidate, or otherwise monetize all Claimant Trust Assets, except as otherwise provided in this Plan or in the Claimant Trust Agreement, without any further order of the Bankruptcy Court. Notwithstanding anything herein to the contrary, the Litigation Trustee shall have the exclusive right to institute, file, prosecute, enforce, abandon, settle, compromise, release, or withdraw any and all Estate Claims included in the Claimant Trust Assets without any further order of the Bankruptcy Court.

From and after the Effective Date, the Trustees, in accordance with section 1123(b)(3) and (4) of the Bankruptcy Code, and on behalf of the Claimant Trust, shall each serve as a representative of the Estate with respect to any and all Claimant Trust Assets, including the Causes of Action and Estate Claims, as appropriate, and shall retain and possess the right to (a) commence, pursue, settle, compromise, or abandon, as appropriate, any and all Causes of Action in any court or other tribunal and (b) sell, liquidate, or otherwise monetize all Claimant Trust Assets.

11. Claimant Trust Expenses.

From and after the Effective Date, the Claimant Trust shall, in the ordinary course of business and without the necessity of any approval by the Bankruptcy Court, pay the reasonable professional fees and expenses incurred by the Claimant Trust, the Litigation Sub-Trust, and any professionals retained by such parties and entities from the Claimant Trust Assets, except as otherwise provided in the Claimant Trust Agreement.

12. Trust Distributions to Claimant Trust Beneficiaries.

The Claimant Trustee, in its discretion, may make Trust Distributions to the Claimant Trust Beneficiaries at any time and/or use the Claimant Trust Assets or proceeds thereof, *provided* that such Trust Distributions or use is otherwise permitted under the terms of the Plan, the Claimant Trust Agreement, and applicable law.

13. Cash Investments.

With the consent of the Claimant Trust Oversight Committee, the Claimant Trustee may invest Cash (including any earnings thereon or proceeds therefrom) in a manner consistent with the terms of the Claimant Trust Agreement; *provided, however*, that such investments are investments permitted to be made by a “liquidating trust” within the meaning of Treasury Regulation section 301.7701-4(d), as reflected therein, or under applicable IRS guidelines, rulings or other controlling authorities.

14. Dissolution of the Claimant Trust and Litigation Sub-Trust.

The Trustees and the Claimant Trust and Litigation Sub-Trust shall be discharged or dissolved, as the case may be, at such time as: (a) the Litigation Trustee determines that the pursuit of Estate Claims is not likely to yield sufficient additional proceeds to justify further pursuit of such Estate Claims, (b) the Claimant Trustee determines that the pursuit of Causes of Action (other than Estate Claims) is not likely to yield sufficient additional proceeds to justify further pursuit of such Causes of Action, (c) the Claimant Trustee determines that the pursuit of sales of other Claimant Trust Assets is not likely to yield sufficient additional proceeds to justify further pursuit of such sales of Claimant Trust Assets, (d) all objections to Disputed Claims and Equity Interests are fully resolved, (e) the Reorganized Debtor is dissolved, and (f) all Distributions required to be made by the Claimant Trustee to the Claimant Trust Beneficiaries under the Plan have been made, but in no event shall the Claimant Trust be dissolved later than three years from the Effective Date unless the Bankruptcy Court, upon motion made within the six-month period before such third anniversary (and, in the event of further extension, by order of the Bankruptcy Court, upon motion made at least six months before the end of the preceding extension), determines that a fixed period extension (not to exceed two years, together with any prior extensions, without a favorable letter ruling from the Internal Revenue Service or an opinion of counsel that any further extension would not adversely affect the status of the Claimant Trust as a liquidating trust for federal income tax purposes) is necessary to facilitate or complete the recovery on, and liquidation of, the Claimant Trust Assets; *provided, however*, that each extension must be approved, upon a finding that the extension is necessary to facilitate or complete the recovery on, and liquidation of the Claimant Trust Assets, by the Bankruptcy Court within 6 months of the beginning of the extended term and

no extension, together with any prior extensions, shall exceed three years without a favorable letter ruling from the Internal Revenue Service or an opinion of counsel that any further extension would not adversely affect the status of the Claimant Trust as a liquidating trust for federal income tax purposes.

Upon dissolution of the Claimant Trust, and pursuant to the Claimant Trust Agreement, any remaining Claimant Trust Assets that exceed the amounts required to be paid under the Plan will be transferred (in the sole discretion of the Claimant Trustee) in Cash or in-kind to the Holders of the Claimant Trust Interests as provided in the Claimant Trust Agreement.

### **C. The Reorganized Debtor**

#### **1. Corporate Existence**

The Debtor will continue to exist after the Effective Date, with all of the powers of partnerships pursuant to the law of the State of Delaware and as set forth in the Reorganized Limited Partnership Agreement.

#### **2. Cancellation of Equity Interests and Release**

On the Effective Date, (i) all prepetition Equity Interests, including the Class A Limited Partnership Interests and the Class B/C Limited Partnership Interests, in the Debtor shall be canceled, and (ii) all obligations or debts owed by, or Claims against, the Debtor on account of, or based upon, the Interests shall be deemed as cancelled, released, and discharged, including all obligations or duties by the Debtor relating to the Equity Interests in any of the Debtor's formation documents, including the Limited Partnership Agreement.

#### **3. Issuance of New Partnership Interests**

On the Effective Date, the Debtor or the Reorganized Debtor, as applicable, will issue new Class A Limited Partnership Interests to (i) the Claimant Trust, as limited partner, and (ii) New GP LLC, as general partner, and will admit (a) the Claimant Trust as the limited partner of the Reorganized Debtor, and (b) New GP LLC as the general partner of the Reorganized Debtor. The Claimant Trust, as limited partner, will ratify New GP LLC's appointment as general partner of the Reorganized Debtor. Also, on the Effective Date, the Claimant Trust, as limited partner, and New GP LLC, as general partner, will execute the Reorganized Limited Partnership Agreement and receive partnership interests in the Reorganized Debtor consistent with the terms of the Reorganized Limited Partnership Agreement.

The Reorganized Limited Partnership Agreement does not provide for, and specifically disclaims, the indemnification obligations under the Limited Partnership Agreement, including any such indemnification obligations that accrued or arose or could have been brought prior to the Effective Date. Any indemnification Claims under the Limited Partnership Agreement that accrued, arose, or could have been filed prior to the Effective Date will be resolved through the Claims resolution process provided that a Claim is properly filed in accordance with the Bankruptcy Code, the Plan, or the Bar Date Order. Each of the Debtor, the Reorganized Debtor, the Claimant Trust, and the Litigation Sub-Trust reserve all rights with respect to any such indemnification Claims.

4. Management of the Reorganized Debtor

Subject to and consistent with the terms of the Reorganized Limited Partnership Agreement, the Reorganized Debtor shall be managed by its general partner, New GP LLC. The initial officers and employees of the Reorganized Debtor shall be selected by the Claimant Trustee. The Reorganized Debtor may, in its discretion, also utilize a Sub-Servicer in addition to or in lieu of the retention of officers and employees.

As set forth in the Reorganized Limited Partnership Agreement, New GP LLC will receive a fee for managing the Reorganized Debtor. Although New GP LLC will be a limited liability company, it will elect to be treated as a C-Corporation for tax purposes. Therefore, New GP LLC (and any taxable income attributable to it) will be subject to corporate income taxation on a standalone basis, which may reduce the return to Claimants.

5. Vesting of Assets in the Reorganized Debtor

Except as otherwise provided in this Plan or the Confirmation Order, on or after the Effective Date, all Reorganized Debtor Assets will vest in the Reorganized Debtor, free and clear of all Liens, Claims, charges or other encumbrances pursuant to section 1141(c) of the Bankruptcy Code except with respect to such Liens, Claims, charges and other encumbrances that are specifically preserved under this Plan upon the Effective Date.

The Reorganized Debtor shall be the exclusive trustee of the Reorganized Debtor Assets for purposes of 31 U.S.C. § 3713(b) and 26 U.S.C. § 6012(b)(3), as well as the representative of the Estate appointed pursuant to section 1123(b)(3)(B) of the Bankruptcy Code with respect to the Reorganized Debtor Assets.

6. Purpose of the Reorganized Debtor

Except as may be otherwise provided in this Plan or the Confirmation Order, the Reorganized Debtor will continue to manage the Reorganized Debtor Assets (which shall include, for the avoidance of doubt, serving as the investment manager of the Managed Funds) and may use, acquire or dispose of the Reorganized Debtor Assets and compromise or settle any Claims with respect to the Reorganized Debtor Assets without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules. The Reorganized Debtor shall oversee the resolution of Claims in Class 1 through Class 7.

Without limiting the foregoing, the Reorganized Debtor will pay the charges that it incurs after the Effective Date for Professionals' fees, disbursements, expenses or related support services (including reasonable fees relating to the preparation of Professional fee applications) in the ordinary course of business and without application or notice to, or order of, the Bankruptcy Court.

7. Distribution of Proceeds from the Reorganized Debtor Assets; Transfer of Reorganized Debtor Assets

Any proceeds received by the Reorganized Debtor will be distributed to the Claimant Trust, as limited partner, and New GP LLC, as general partner, in the manner set forth in the Reorganized Limited Partnership Agreement. As set forth in the Reorganized Limited Partnership Agreement,

the Reorganized Debtor may, from time to time distribute Reorganized Debtor Assets to the Claimant Trust either in Cash or in-kind, including to institute the wind-down and dissolution of the Reorganized Debtor. Any assets distributed to the Claimant Trust will be (i) deemed transferred in all respects as forth in ARTICLE IV.B.1, (ii) deemed Claimant Trust Assets, and (iii) administered as Claimant Trust Assets.

**D. Company Action**

Each of the Debtor, the Reorganized Debtor, and the Trustees, as applicable, may take any and all actions to execute, deliver, File or record such contracts, instruments, releases and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and implement the provisions of this Plan, the Claimant Trust Agreement, the Reorganized Limited Partnership Agreement, or the New GP LLC Documents, as applicable, in the name of and on behalf of the Debtor, the Reorganized Debtor, or the Trustees, as applicable, and in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or any requirement of further action, vote or other approval or authorization by the security holders, officers, or directors of the Debtor or the Reorganized Debtor, as applicable, or by any other Person.

Prior to, on or after the Effective Date (as appropriate), all matters provided for pursuant to this Plan that would otherwise require approval of the stockholders, partners, directors, managers, or members of the Debtor, any Related Entity, or any Affiliate thereof (as of prior to the Effective Date) will be deemed to have been so approved and will be in effect prior to, on or after the Effective Date (as appropriate) pursuant to applicable law and without any requirement of further action by the stockholders, partners, directors, managers or members of such Persons, or the need for any approvals, authorizations, actions or consents of any Person.

All matters provided for in this Plan involving the legal or corporate structure of the Debtor, the Reorganized Debtor, or the Claimant Trust, as applicable, and any legal or corporate action required by the Debtor, the Reorganized Debtor, or the Claimant Trust, as applicable, in connection with this Plan, will be deemed to have occurred and will be in full force and effect in all respects, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or any requirement of further action, vote or other approval or authorization by the security holders, partners, directors, managers, or members of the Debtor, the Reorganized Debtor, or the Claimant Trust, as applicable, or by any other Person. On the Effective Date, the appropriate officers of the Debtor and the Reorganized Debtor, as applicable, as well as the Trustees, are authorized to issue, execute, deliver, and consummate the transactions contemplated by, the contracts, agreements, documents, guarantees, pledges, consents, securities, certificates, resolutions and instruments contemplated by or described in this Plan in the name of and on behalf of the Debtor and the Reorganized Debtor, as well as the Trustees, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or any requirement of further action, vote or other approval or authorization by any Person. The appropriate officer of the Debtor, the Reorganized Debtor, as well as the Trustees, will be authorized to certify or attest to any of the foregoing actions.

**E. Release of Liens, Claims and Equity Interests**

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, from and after the Effective Date and concurrently with the applicable distributions made pursuant to the Plan, all Liens, Claims, Equity Interests, mortgages, deeds of trust, or other security interests against the property of the Estate will be fully released, terminated, extinguished and discharged, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Entity. Any Entity holding such Liens or Equity Interests extinguished pursuant to the prior sentence will, pursuant to section 1142 of the Bankruptcy Code, promptly execute and deliver to the Debtor, the Reorganized Debtor, or the Claimant Trustee, as applicable, such instruments of termination, release, satisfaction and/or assignment (in recordable form) as may be reasonably requested by the Debtor, the Reorganized Debtor, or the Claimant Trustee, as applicable. For the avoidance of doubt, this section is in addition to, and shall not be read to limit in any respects, ARTICLE IV.C.2.

**F. Cancellation of Notes, Certificates and Instruments**

Except for the purpose of evidencing a right to a distribution under this Plan and except as otherwise set forth in this Plan, on the Effective Date, all agreements, instruments, Securities and other documents evidencing any prepetition Claim or Equity Interest and any rights of any Holder in respect thereof shall be deemed cancelled, discharged, and of no force or effect. The holders of or parties to such cancelled instruments, Securities, and other documentation will have no rights arising from or related to such instruments, Securities, or other documentation or the cancellation thereof, except the rights provided for pursuant to this Plan, and the obligations of the Debtor thereunder or in any way related thereto will be fully released, terminated, extinguished and discharged, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or any requirement of further action, vote or other approval or authorization by any Person. For the avoidance of doubt, this section is in addition to, and shall not be read to limit in any respects, ARTICLE IV.C.2.

**G. Cancellation of Existing Instruments Governing Security Interests**

Upon payment or other satisfaction of an Allowed Class 1 or Allowed Class 2 Claim, or promptly thereafter, the Holder of such Allowed Class 1 or Allowed Class 2 Claim shall deliver to the Debtor, the Reorganized Debtor, or the Claimant Trustee, as applicable, any collateral or other property of the Debtor held by such Holder, together with any termination statements, instruments of satisfaction, or releases of all security interests with respect to its Allowed Class 1 or Allowed Class 2 Claim that may be reasonably required to terminate any related financing statements, mortgages, mechanics' or other statutory Liens, or *lis pendens*, or similar interests or documents.

**H. Control Provisions**

To the extent that there is any inconsistency between this Plan as it relates to the Claimant Trust, the Claimant Trust Agreement, the Reorganized Debtor, or the Reorganized Limited Partnership Agreement, this Plan shall control.

**I. Treatment of Vacant Classes**

Any Claim or Equity Interest in a Class considered vacant under ARTICLE III.C of this Plan shall receive no Plan Distributions.

**J. Plan Documents**

The documents, if any, to be Filed as part of the Plan Documents, including any documents filed with the Plan Supplement, and any amendments, restatements, supplements, or other modifications to such documents, and any consents, waivers, or other deviations under or from any such documents, shall be incorporated herein by this reference (including to the applicable definitions in ARTICLE I hereof) and fully enforceable as if stated in full herein.

The Debtor and the Committee are currently working to finalize the forms of certain of the Plan Documents to be filed with the Plan Supplement. To the extent that the Debtor and the Committee cannot agree as to the form and content of such Plan Documents, they intend to submit the issue to non-binding mediation pursuant to the *Order Directing Mediation* entered on August 3, 2020 [D.I. 912].

**K. Highland Capital Management, L.P. Retirement Plan and Trust**

The Highland Capital Management, L.P. Retirement Plan And Trust (“Pension Plan”) is a single-employer defined benefit pension plan covered by Title IV of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). 29 U.S.C. §§ 1301-1461. The Debtor is the contributing sponsor and, as such, the PBGC asserts that the Debtor is liable along with any members of the contributing sponsor’s controlled-group within the meaning of 29 U.S.C. §§ 1301(a)(13), (14) with respect to the Pension Plan.

Upon the Effective Date, the Reorganized Debtor shall be deemed to have assumed the Pension Plan and shall comply with all applicable statutory provisions of ERISA and the Internal Revenue Code (the “IRC”), including, but not limited to, satisfying the minimum funding standards pursuant to 26 U.S.C. §§ 412, 430, and 29 U.S.C. §§ 1082, 1083; paying the PBGC premiums in accordance with 29 U.S.C. §§ 1306 and 1307; and administering the Pension Plan in accordance with its terms and the provisions of ERISA and the IRC. In the event that the Pension Plan terminates after the Plan of Reorganization Effective Date, the PBGC asserts that the Reorganized Debtor and each of its controlled group members will be responsible for the liabilities imposed by Title IV of ERISA.

Notwithstanding any provision of the Plan, the Confirmation Order, or the Bankruptcy Code (including section 1141 thereof) to the contrary, neither the Plan, the Confirmation Order, or the Bankruptcy Code shall be construed as discharging, releasing, exculpating or relieving the Debtor, the Reorganized Debtor, or any person or entity in any capacity, from any liability or responsibility, if any, with respect to the Pension Plan under any law, governmental policy, or regulatory provision. PBGC and the Pension Plan shall not be enjoined or precluded from enforcing such liability or responsibility against any person or entity as a result of any of the provisions of the Plan, the Confirmation Order, or the Bankruptcy Code. The Debtor reserves the right to contest any such liability or responsibility.

**ARTICLE V.**  
**TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

**A. Assumption, Assignment, or Rejection of Executory Contracts and Unexpired Leases**

Unless an Executory Contract or Unexpired Lease: (i) was previously assumed or rejected by the Debtor pursuant to this Plan on or prior to the Confirmation Date; (ii) previously expired or terminated pursuant to its own terms or by agreement of the parties thereto; (iii) is the subject of a motion to assume filed by the Debtor on or before the Confirmation Date; (iv) contains a change of control or similar provision that would be triggered by the Chapter 11 Case (unless such provision has been irrevocably waived); or (v) is specifically designated as a contract or lease to be assumed in the Plan or the Plan Supplement, on the Confirmation Date, each Executory Contract and Unexpired Lease shall be deemed rejected pursuant to section 365 of the Bankruptcy Code, without the need for any further notice to or action, order, or approval of the Bankruptcy Court, unless such Executory Contract or Unexpired Lease is listed in the Plan Supplement.

At any time on or prior to the Confirmation Date, the Debtor may (i) amend the Plan Supplement in order to add or remove a contract or lease from the list of contracts to be assumed or (ii) assign (subject to applicable law) any Executory Contract or Unexpired Lease, as determined by the Debtor in consultation with the Committee, or the Reorganized Debtor, as applicable.

The Confirmation Order will constitute an order of the Bankruptcy Court approving the above-described assumptions, rejections, and assumptions and assignments. Except as otherwise provided herein or agreed to by the Debtor and the applicable counterparty, each assumed Executory Contract or Unexpired Lease shall include all modifications, amendments, supplements, restatements, or other agreements related thereto, and all rights related thereto. Modifications, amendments, supplements, and restatements to prepetition Executory Contracts and Unexpired Leases that have been executed by the Debtor during the Chapter 11 Case shall not be deemed to alter the prepetition nature of the Executory Contract or Unexpired Lease or the validity, priority, or amount of any Claims that may arise in connection therewith. To the extent applicable, no change of control (or similar provision) will be deemed to occur under any such Executory Contract or Unexpired Lease.

If certain, but not all, of a contract counterparty's Executory Contracts and/or Unexpired Leases are rejected pursuant to the Plan, the Confirmation Order shall be a determination that such counterparty's Executory Contracts and/or Unexpired Leases that are being assumed pursuant to the Plan are severable agreements that are not integrated with those Executory Contracts and/or Unexpired Leases that are being rejected pursuant to the Plan. Parties seeking to contest this finding with respect to their Executory Contracts and/or Unexpired Leases must file a timely objection to the Plan on the grounds that their agreements are integrated and not severable, and any such dispute shall be resolved by the Bankruptcy Court at the Confirmation Hearing (to the extent not resolved by the parties prior to the Confirmation Hearing).

Notwithstanding anything herein to the contrary, the Debtor shall assume or reject that certain real property lease with Crescent TC Investors L.P. ("Landlord") for the Debtor's headquarters located at 200/300 Crescent Ct., Suite #700, Dallas, Texas 75201 (the "Lease") in accordance with the notice to Landlord, procedures and timing required by 11 U.S.C. §365(d)(4),

as modified by that certain *Agreed Order Granting Motion to Extend Time to Assume or Reject Unexpired Nonresidential Real Property Lease* [Docket No. 1122].

**B. Claims Based on Rejection of Executory Contracts or Unexpired Leases**

Any Executory Contract or Unexpired Lease not assumed or rejected on or before the Confirmation Date shall be deemed rejected, pursuant to the Confirmation Order. Any Person asserting a Rejection Claim shall File a proof of claim within thirty days of the Confirmation Date. Any Rejection Claims that are not timely Filed pursuant to this Plan shall be forever disallowed and barred. If one or more Rejection Claims are timely Filed, the Claimant Trustee may File an objection to any Rejection Claim.

Rejection Claims shall be classified as General Unsecured Claims and shall be treated in accordance with ARTICLE III of this Plan.

**C. Cure of Defaults for Assumed or Assigned Executory Contracts and Unexpired Leases**

Any monetary amounts by which any Executory Contract or Unexpired Lease to be assumed or assigned hereunder is in default shall be satisfied, under section 365(b)(1) of the Bankruptcy Code, by the Debtor upon assumption or assignment thereof, by payment of the default amount in Cash as and when due in the ordinary course or on such other terms as the parties to such Executory Contracts may otherwise agree. The Debtor may serve a notice on the Committee and parties to Executory Contracts or Unexpired Leases to be assumed or assigned reflecting the Debtor's or Reorganized Debtor's intention to assume or assign the Executory Contract or Unexpired Lease in connection with this Plan and setting forth the proposed cure amount (if any).

If a dispute regarding (1) the amount of any payments to cure a default, (2) the ability of the Debtor, the Reorganized Debtor, or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the Executory Contract or Unexpired Lease to be assumed or assigned or (3) any other matter pertaining to assumption or assignment, the cure payments required by section 365(b)(1) of the Bankruptcy Code will be made following the entry of a Final Order or orders resolving the dispute and approving the assumption or assignment.

Assumption or assignment of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise and full payment of any applicable cure amounts pursuant to this ARTICLE V.C shall result in the full release and satisfaction of any cure amounts, Claims, or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed or assigned Executory Contract or Unexpired Lease at any time prior to the effective date of assumption or assignment. Any and all Proofs of Claim based upon Executory Contracts or Unexpired Leases that have been assumed or assigned in the Chapter 11 Case, including pursuant to the Confirmation Order, and for which any cure amounts have been fully paid pursuant to this ARTICLE V.C, shall be deemed disallowed and expunged as of the Confirmation Date without the need for any objection thereto or any further notice to or action, order, or approval of the Bankruptcy Court.

**ARTICLE VI.**  
**PROVISIONS GOVERNING DISTRIBUTIONS**

**A. Dates of Distributions**

Except as otherwise provided in this Plan, on the Effective Date or as soon as reasonably practicable thereafter (or if a Claim is not an Allowed Claim or Equity Interest on the Effective Date, on the date that such Claim or Equity Interest becomes an Allowed Claim or Equity Interest, or as soon as reasonably practicable thereafter), each Holder of an Allowed Claim or Equity Interest against the Debtor shall receive the full amount of the distributions that this Plan provides for Allowed Claims or Allowed Equity Interests in the applicable Class and in the manner provided herein. If any payment or act under this Plan is required to be made or performed on a date that is not on a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date. If and to the extent there are Disputed Claims or Equity Interests, distributions on account of any such Disputed Claims or Equity Interests shall be made pursuant to the provisions provided in this Plan. Except as otherwise provided in this Plan, Holders of Claims and Equity Interests shall not be entitled to interest, dividends or accruals on the distributions provided for therein, regardless of whether distributions are delivered on or at any time after the Effective Date.

Upon the Effective Date, all Claims and Equity Interests against the Debtor shall be deemed fixed and adjusted pursuant to this Plan and none of the Debtor, the Reorganized Debtor, or the Claimant Trust will have liability on account of any Claims or Equity Interests except as set forth in this Plan and in the Confirmation Order. All payments and all distributions made by the Distribution Agent under this Plan shall be in full and final satisfaction, settlement and release of all Claims and Equity Interests against the Debtor and the Reorganized Debtor.

At the close of business on the Distribution Record Date, the transfer ledgers for the Claims against the Debtor and the Equity Interests in the Debtor shall be closed, and there shall be no further changes in the record holders of such Claims and Equity Interests. The Debtor, the Reorganized Debtor, the Trustees, and the Distribution Agent, and each of their respective agents, successors, and assigns shall have no obligation to recognize the transfer of any Claims against the Debtor or Equity Interests in the Debtor occurring after the Distribution Record Date and shall be entitled instead to recognize and deal for all purposes hereunder with only those record holders stated on the transfer ledgers as of the close of business on the Distribution Record Date irrespective of the number of distributions to be made under this Plan to such Persons or the date of such distributions.

**B. Distribution Agent**

Except as provided herein, all distributions under this Plan shall be made by the Claimant Trustee, as Distribution Agent, or by such other Entity designated by the Claimant Trustee, as a Distribution Agent on the Effective Date or thereafter. The Reorganized Debtor will be the Distribution Agent with respect to Claims in Class 1 through Class 7.

The Claimant Trustee, or such other Entity designated by the Claimant Trustee to be the Distribution Agent, shall not be required to give any bond or surety or other security for the performance of such Distribution Agent's duties unless otherwise ordered by the Bankruptcy Court.

The Distribution Agent shall be empowered to (a) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under this Plan; (b) make all distributions contemplated hereby; (c) employ professionals to represent it with respect to its responsibilities; and (d) exercise such other powers as may be vested in the Distribution Agent by order of the Bankruptcy Court, pursuant to this Plan, or as deemed by the Distribution Agent to be necessary and proper to implement the provisions hereof.

The Distribution Agent shall not have any obligation to make a particular distribution to a specific Holder of an Allowed Claim if such Holder is also the Holder of a Disputed Claim.

**C. Cash Distributions**

Distributions of Cash may be made by wire transfer from a domestic bank, except that Cash payments made to foreign creditors may be made in such funds and by such means as the Distribution Agent determines are necessary or customary in a particular foreign jurisdiction.

**D. Disputed Claims Reserve**

On or prior to the Initial Distribution Date, the Claimant Trustee shall establish, fund and maintain the Disputed Claims Reserve(s) in the appropriate Disputed Claims Reserve Amounts on account of any Disputed Claims.

**E. Distributions from the Disputed Claims Reserve**

The Disputed Claims Reserve shall at all times hold Cash in an amount no less than the Disputed Claims Reserve Amount. To the extent a Disputed Claim becomes an Allowed Claim pursuant to the terms of this Plan, within 30 days of the date on which such Disputed Claim becomes an Allowed Claim pursuant to the terms of this Plan, the Claimant Trustee shall distribute from the Disputed Claims Reserve to the Holder thereof any prior distributions, in Cash, that would have been made to such Allowed Claim if it had been Allowed as of the Effective Date. For the avoidance of doubt, each Holder of a Disputed Claim that subsequently becomes an Allowed Claim will also receive its Pro Rata share of the Claimant Trust Interests. If, upon the resolution of all Disputed Claims any Cash remains in the Disputed Claims Reserve, such Cash shall be transferred to the Claimant Trust and be deemed a Claimant Trust Asset.

**F. Rounding of Payments**

Whenever this Plan would otherwise call for, with respect to a particular Person, payment of a fraction of a dollar, the actual payment or distribution shall reflect a rounding of such fraction to the nearest whole dollar (up or down), with half dollars being rounded down. To the extent that Cash to be distributed under this Plan remains undistributed as a result of the aforementioned rounding, such Cash or stock shall be treated as "Unclaimed Property" under this Plan.

**G. De Minimis Distribution**

Except as to any Allowed Claim that is Unimpaired under this Plan, none of the Debtor, the Reorganized Debtor, or the Distribution Agent shall have any obligation to make any Plan Distributions with a value of less than \$100, unless a written request therefor is received by the Distribution Agent from the relevant recipient at the addresses set forth in ARTICLE VI.J hereof within 120 days after the later of the (i) Effective Date and (ii) the date such Claim becomes an Allowed Claim. *De minimis* distributions for which no such request is timely received shall revert to the Claimant Trust. Upon such reversion, the relevant Allowed Claim (and any Claim on account of missed distributions) shall be automatically deemed satisfied, discharged and forever barred, notwithstanding any federal or state escheat laws to the contrary.

**H. Distributions on Account of Allowed Claims**

Except as otherwise agreed by the Holder of a particular Claim or as provided in this Plan, all distributions shall be made pursuant to the terms of this Plan and the Confirmation Order. Except as otherwise provided in this Plan, distributions to any Holder of an Allowed Claim shall, to the extent applicable, be allocated first to the principal amount of any such Allowed Claim, as determined for U.S. federal income tax purposes and then, to the extent the consideration exceeds such amount, to the remainder of such Claim comprising accrued but unpaid interest, if any (but solely to the extent that interest is an allowable portion of such Allowed Claim).

**I. General Distribution Procedures**

The Distribution Agent shall make all distributions of Cash or other property required under this Plan, unless this Plan specifically provides otherwise. All Cash and other property held by the Debtor, the Reorganized Debtor, or the Claimant Trust, as applicable, for ultimate distribution under this Plan shall not be subject to any claim by any Person.

**J. Address for Delivery of Distributions**

Distributions to Holders of Allowed Claims, to the extent provided for under this Plan, shall be made (1) at the addresses set forth in any written notices of address change delivered to the Debtor and the Distribution Agent; (2) at the address set forth on any Proofs of Claim Filed by such Holders (to the extent such Proofs of Claim are Filed in the Chapter 11 Case), (2), or (3) at the addresses in the Debtor's books and records.

If there is any conflict or discrepancy between the addresses set forth in (1) through (3) in the foregoing sentence, then (i) the address in Section (2) shall control; (ii) if (2) does not apply, the address in (1) shall control, and (iii) if (1) does not apply, the address in (3) shall control.

**K. Undeliverable Distributions and Unclaimed Property**

If the distribution to the Holder of any Allowed Claim is returned to the Reorganized Debtor or the Claimant Trust as undeliverable, no further distribution shall be made to such Holder, and Distribution Agent shall not have any obligation to make any further distribution to the Holder, unless and until the Distribution Agent is notified in writing of such Holder's then current address.

Any Entity that fails to claim any Cash within six months from the date upon which a distribution is first made to such Entity shall forfeit all rights to any distribution under this Plan and such Cash shall thereafter be deemed an Claimant Trust Asset in all respects and for all purposes. Entities that fail to claim Cash shall forfeit their rights thereto and shall have no claim whatsoever against the Debtor's Estate, the Reorganized Debtor, the Claimant Trust, or against any Holder of an Allowed Claim to whom distributions are made by the Distribution Agent.

**L. Withholding Taxes**

In connection with this Plan, to the extent applicable, the Distribution Agent shall comply with all tax withholding and reporting requirements imposed on them by any Governmental Unit, and all distributions made pursuant to this Plan shall be subject to such withholding and reporting requirements. The Distribution Agent shall be entitled to deduct any U.S. federal, state or local withholding taxes from any Cash payments made with respect to Allowed Claims, as appropriate. As a condition to receiving any distribution under this Plan, the Distribution Agent may require that the Holder of an Allowed Claim entitled to receive a distribution pursuant to this Plan provide such Holder's taxpayer identification number and such other information and certification as may be deemed necessary for the Distribution Agent to comply with applicable tax reporting and withholding laws. If a Holder fails to comply with such a request within one year, such distribution shall be deemed an unclaimed distribution. Any amounts withheld pursuant hereto shall be deemed to have been distributed to and received by the applicable recipient for all purposes of this Plan.

**M. Setoffs**

The Distribution Agent may, to the extent permitted under applicable law, set off against any Allowed Claim and any distributions to be made pursuant to this Plan on account of such Allowed Claim, the claims, rights and causes of action of any nature that the Debtor, the Reorganized Debtor, or the Distribution Agent may hold against the Holder of such Allowed Claim that are not otherwise waived, released or compromised in accordance with this Plan; *provided, however*, that neither such a setoff nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtor, the Reorganized Debtor, or the Claimant Trustee of any such claims, rights and causes of action that the Debtor, the Reorganized Debtor, or Claimant Trustee possesses against such Holder. Any Holder of an Allowed Claim subject to such setoff reserves the right to challenge any such setoff in the Bankruptcy Court or any other court with jurisdiction with respect to such challenge.

**N. Surrender of Cancelled Instruments or Securities**

As a condition precedent to receiving any distribution pursuant to this Plan on account of an Allowed Claim evidenced by negotiable instruments, securities, or notes canceled pursuant to ARTICLE IV of this Plan, the Holder of such Claim will tender the applicable negotiable instruments, securities, or notes evidencing such Claim (or a sworn affidavit identifying the negotiable instruments, securities, or notes formerly held by such Holder and certifying that they have been lost), to the Distribution Agent unless waived in writing by the Distribution Agent.

**O. Lost, Stolen, Mutilated or Destroyed Securities**

In addition to any requirements under any applicable agreement and applicable law, any Holder of a Claim or Equity Interest evidenced by a security or note that has been lost, stolen, mutilated, or destroyed will, in lieu of surrendering such security or note to the extent required by this Plan, deliver to the Distribution Agent: (i) evidence reasonably satisfactory to the Distribution Agent of such loss, theft, mutilation, or destruction; and (ii) such security or indemnity as may be required by the Distribution Agent to hold such party harmless from any damages, liabilities, or costs incurred in treating such individual as a Holder of an Allowed Claim or Equity Interest. Upon compliance with ARTICLE VI.O of this Plan as determined by the Distribution Agent, by a Holder of a Claim evidenced by a security or note, such Holder will, for all purposes under this Plan, be deemed to have surrendered such security or note to the Distribution Agent.

**ARTICLE VII.  
PROCEDURES FOR RESOLVING CONTINGENT,  
UNLIQUIDATED AND DISPUTED CLAIMS**

**A. Filing of Proofs of Claim**

Unless such Claim appeared in the Schedules and is not listed as disputed, contingent, or unliquidated, or such Claim has otherwise been Allowed or paid, each Holder of a Claim was required to file a Proof of Claim on or prior to the Bar Date.

**B. Disputed Claims**

Following the Effective Date, each of the Reorganized Debtor or the Claimant Trustee, as applicable, may File with the Bankruptcy Court an objection to the allowance of any Disputed Claim or Disputed Equity Interest, request the Bankruptcy Court subordinate any Claims to Subordinated Claims, or any other appropriate motion or adversary proceeding with respect to the foregoing by the Claims Objection Deadline or, at the discretion of the Reorganized Debtor or Claimant Trustee, as applicable, compromised, settled, withdrew or resolved without further order of the Bankruptcy Court, and (ii) unless otherwise provided in the Confirmation Order, the Reorganized Debtor or the Claimant Trust, as applicable, are authorized to settle, or withdraw any objections to, any Disputed Claim or Disputed Equity Interests following the Effective Date without further notice to creditors (other than the Entity holding such Disputed Claim or Disputed Equity Interest) or authorization of the Bankruptcy Court, in which event such Claim or Equity Interest shall be deemed to be an Allowed Claim or Equity Interest in the amount compromised for purposes of this Plan.

**C. Procedures Regarding Disputed Claims or Disputed Equity Interests**

No payment or other distribution or treatment shall be made on account of a Disputed Claim or Disputed Equity Interest unless and until such Disputed Claim or Disputed Equity Interest becomes an Allowed Claim or Equity Interests and the amount of such Allowed Claim or Equity Interest, as applicable, is determined by order of the Bankruptcy Court or by stipulation between the Reorganized Debtor or Claimant Trust, as applicable, and the Holder of the Claim or Equity Interest.

**D. Allowance of Claims and Equity Interests**

Following the date on which a Disputed Claim or Disputed Equity Interest becomes an Allowed Claim or Equity Interest after the Distribution Date, the Distribution Agent shall make a distribution to the Holder of such Allowed Claim or Equity Interest in accordance with the Plan.

1. Allowance of Claims

After the Effective Date and subject to the other provisions of this Plan, the Reorganized Debtor or the Claimant Trust, as applicable, will have and will retain any and all rights and defenses under bankruptcy or nonbankruptcy law that the Debtor had with respect to any Claim. Except as expressly provided in this Plan or in any order entered in the Chapter 11 Case prior to the Effective Date (including, without limitation, the Confirmation Order), no Claim or Equity Interest will become an Allowed Claim or Equity Interest unless and until such Claim or Equity Interest is deemed Allowed under this Plan or the Bankruptcy Code or the Bankruptcy Court has entered an order, including, without limitation, the Confirmation Order, in the Chapter 11 Case allowing such Claim or Equity Interest.

2. Estimation

Subject to the other provisions of this Plan, the Debtor, prior to the Effective Date, and the Reorganized Debtor or the Claimant Trust, as applicable, after the Effective Date, may, at any time, request that the Bankruptcy Court estimate (a) any Disputed Claim or Disputed Equity Interest pursuant to applicable law and in accordance with this Plan and (b) any contingent or unliquidated Claim pursuant to applicable law, including, without limitation, section 502(c) of the Bankruptcy Code, and the Bankruptcy Court will retain jurisdiction under 28 U.S.C. §§ 157 and 1334 to estimate any Disputed Claim or Disputed Equity Interest, contingent Claim or unliquidated Claim, including during the litigation concerning any objection to any Claim or Equity Interest or during the pendency of any appeal relating to any such objection. All of the aforementioned objection, estimation and resolution procedures are cumulative and not exclusive of one another. Claims or Equity Interests may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court. The rights and objections of all parties are reserved in connection with any such estimation proceeding.

3. Disallowance of Claims

Any Claims or Equity Interests held by Entities from which property is recoverable under sections 542, 543, 550, or 553 of the Bankruptcy Code, or that are a transferee of a transfer avoidable under sections 522(f), 522(h), 544, 545, 547, 548, 549, or 724(a) of the Bankruptcy Code, shall be deemed disallowed pursuant to section 502(d) of the Bankruptcy Code, and holders of such Claims or Interests may not receive any distributions on account of such Claims or Interests until such time as such Causes of Action against that Entity have been settled or a Bankruptcy Court Order with respect thereto has been entered and all sums due, if any, to the Reorganized Debtor or the Claimant Trust, as applicable, by that Entity have been turned over or paid to the Reorganized Debtor or the Claimant Trust, as applicable.

**EXCEPT AS OTHERWISE PROVIDED HEREIN OR AS AGREED TO BY THE DEBTOR, REORGANIZED DEBTOR, OR CLAIMANT TRUSTEE, AS APPLICABLE,**

**ANY AND ALL PROOFS OF CLAIM FILED AFTER THE BAR DATE SHALL BE DEEMED DISALLOWED AND EXPUNGED AS OF THE EFFECTIVE DATE WITHOUT ANY FURTHER NOTICE TO OR ACTION, ORDER, OR APPROVAL OF THE BANKRUPTCY COURT, AND HOLDERS OF SUCH CLAIMS MAY NOT RECEIVE ANY DISTRIBUTIONS ON ACCOUNT OF SUCH CLAIMS, UNLESS SUCH LATE PROOF OF CLAIM HAS BEEN DEEMED TIMELY FILED BY A FINAL ORDER.**

**ARTICLE VIII.  
EFFECTIVENESS OF THIS PLAN**

**A. Conditions Precedent to the Effective Date**

The Effective Date of this Plan will be conditioned upon the satisfaction or waiver by the Debtor (and, to the extent such condition requires the consent of the Committee, the consent of the Committee with such consent not to be unreasonably withheld), pursuant to the provisions of ARTICLE VIII.B of this Plan of the following:

- This Plan and the Plan Documents, including the Claimant Trust Agreement and the Reorganized Limited Partnership Agreement, and all schedules, documents, supplements and exhibits to this Plan shall have been Filed in form and substance reasonably acceptable to the Debtor and the Committee.
- The Confirmation Order shall have become a Final Order and shall be in form and substance reasonably acceptable to the Debtor and the Committee. The Confirmation Order shall provide that, among other things, (i) the Debtor, the Reorganized Debtor, the Claimant Trustee, or the Litigation Trustee are authorized to take all actions necessary or appropriate to effectuate and consummate this Plan, including, without limitation, (a) entering into, implementing, effectuating, and consummating the contracts, instruments, releases, and other agreements or documents created in connection with or described in this Plan, (b) assuming the Executory Contracts and Unexpired Leases set forth in the Plan Supplement, (c) making all distributions and issuances as required under this Plan; and (d) entering into any transactions as set forth in the Plan Documents; (ii) the provisions of the Confirmation Order and this Plan are nonseverable and mutually dependent; (iii) the implementation of this Plan in accordance with its terms is authorized; (iv) pursuant to section 1146 of the Bankruptcy Code, the delivery of any deed or other instrument or transfer order, in furtherance of, or in connection with this Plan, including any deeds, bills of sale, or assignments executed in connection with any disposition or transfer of Assets contemplated under this Plan, shall not be subject to any Stamp or Similar Tax; and (v) the vesting of the Claimant Trust Assets in the Claimant Trust and the Reorganized Debtor Assets in the Reorganized Debtor, in each case as of the Effective Date free and clear of liens and claims to the fullest extent permissible under applicable law pursuant to section 1141(c) of the Bankruptcy Code except with respect to such Liens, Claims, charges and other encumbrances that are specifically preserved under this Plan upon the Effective Date.
- All documents and agreements necessary to implement this Plan, including without limitation, the Reorganized Limited Partnership Agreement, the Claimant Trust

Agreement, and the New GP LLC Documents, in each case in form and substance reasonably acceptable to the Debtor and the Committee, shall have (a) been tendered for delivery, and (b) been effected by, executed by, or otherwise deemed binding upon, all Entities party thereto and shall be in full force and effect. All conditions precedent to such documents and agreements shall have been satisfied or waived pursuant to the terms of such documents or agreements.

- All authorizations, consents, actions, documents, approvals (including any governmental approvals), certificates and agreements necessary to implement this Plan, including, without limitation, the Reorganized Limited Partnership Agreement, the Claimant Trust Agreement, and the New GP LLC Documents, shall have been obtained, effected or executed and delivered to the required parties and, to the extent required, filed with the applicable governmental units in accordance with applicable laws and any applicable waiting periods shall have expired without any action being taken or threatened by any competent authority that would restrain or prevent effectiveness or consummation of the Restructuring.
- The Debtor shall have obtained applicable directors' and officers' insurance coverage that is acceptable to each of the Debtor, the Committee, the Claimant Trust Oversight Committee, the Claimant Trustee and the Litigation Trustee.
- The Professional Fee Reserve shall be funded pursuant to this Plan in an amount determined by the Debtor in good faith.

#### **B. Waiver of Conditions**

The conditions to effectiveness of this Plan set forth in this ARTICLE VIII (other than that the Confirmation Order shall have been entered) may be waived in whole or in part by the Debtor (and, to the extent such condition requires the consent of the Committee, the consent of the Committee), without notice, leave or order of the Bankruptcy Court or any formal action other than proceeding to confirm or effectuate this Plan. The failure to satisfy or waive a condition to the Effective Date may be asserted by the Debtor regardless of the circumstances giving rise to the failure of such condition to be satisfied. The failure of the Debtor to exercise any of the foregoing rights will not be deemed a waiver of any other rights, and each right will be deemed an ongoing right that may be asserted at any time by the Debtor, the Reorganized Debtor, or the Claimant Trust, as applicable.

#### **C. Dissolution of the Committee**

On the Effective Date, the Committee will dissolve, and the members of the Committee and the Committee's Professionals will cease to have any role arising from or relating to the Chapter 11 Case, except in connection with final fee applications of Professionals for services rendered prior to the Effective Date (including the right to object thereto). The Professionals retained by the Committee and the members thereof will not be entitled to assert any fee claims for any services rendered to the Committee or expenses incurred in the service of the Committee after the Effective Date, except for reasonable fees for services rendered, and actual and necessary costs incurred, in connection with any applications for allowance of Professional Fees pending on

the Effective Date or filed and served after the Effective Date pursuant to the Plan. Nothing in the Plan shall prohibit or limit the ability of the Debtor's or Committee's Professionals to represent either of the Trustees or to be compensated or reimbursed per the Plan and the Claimant Trust Agreement in connection with such representation.

**ARTICLE IX.**  
**EXCULPATION, INJUNCTION AND RELATED PROVISIONS**

**A. General**

Notwithstanding anything contained in the Plan to the contrary, the allowance, classification and treatment of all Allowed Claims and Equity Interests and their respective distributions and treatments under the Plan shall take into account the relative priority and rights of the Claims and the Equity Interests in each Class in connection with any contractual, legal and equitable subordination rights relating thereto whether arising under general principles of equitable subordination, section 510 of the Bankruptcy Code, or otherwise.

**B. Discharge of Claims**

To the fullest extent provided under section 1141(d)(1)(A) and other applicable provisions of the Bankruptcy Code, except as otherwise expressly provided by this Plan or the Confirmation Order, all consideration distributed under this Plan will be in exchange for, and in complete satisfaction, settlement, discharge, and release of, all Claims and Equity Interests of any kind or nature whatsoever against the Debtor or any of its Assets or properties, and regardless of whether any property will have been distributed or retained pursuant to this Plan on account of such Claims or Equity Interests. Except as otherwise expressly provided by this Plan or the Confirmation Order, upon the Effective Date, the Debtor and its Estate will be deemed discharged and released under and to the fullest extent provided under section 1141(d)(1)(A) and other applicable provisions of the Bankruptcy Code from any and all Claims and Equity Interests of any kind or nature whatsoever, including, but not limited to, demands and liabilities that arose before the Confirmation Date, and all debts of the kind specified in section 502(g), 502(h), or 502(i) of the Bankruptcy Code.

**C. Exculpation**

Subject in all respects to ARTICLE XII.D of this Plan, to the maximum extent permitted by applicable law, no Exculpated Party will have or incur, and each Exculpated Party is hereby exculpated from, any claim, obligation, suit, judgment, damage, demand, debt, right, Cause of Action, remedy, loss, and liability for conduct occurring on or after the Petition Date in connection with or arising out of (i) the filing and administration of the Chapter 11 Case; (ii) the negotiation and pursuit of the Disclosure Statement, the Plan, or the solicitation of votes for, or confirmation of, the Plan; (iii) the funding or consummation of the Plan (including the Plan Supplement) or any related agreements, instruments, or other documents, the solicitation of votes on the Plan, the offer, issuance, and Plan Distribution of any securities issued or to be issued pursuant to the Plan, including the Claimant Trust Interests, whether or not such Plan Distributions occur following the Effective Date; (iv) the implementation of the Plan; and (v) any negotiations, transactions, and documentation in connection with the foregoing clauses (i)-(iv); *provided, however*, the foregoing

will not apply to (a) any acts or omissions of an Exculpated Party arising out of or related to acts or omissions that constitute bad faith, fraud, gross negligence, criminal misconduct, or willful misconduct or (b) Strand or any Employee other than with respect to actions taken by such Entities from the date of appointment of the Independent Directors through the Effective Date. This exculpation shall be in addition to, and not in limitation of, all other releases, indemnities, exculpations, any other applicable law or rules, or any other provisions of this Plan, including ARTICLE IV.C.2, protecting such Exculpated Parties from liability.

#### **D. Releases by the Debtor**

On and after the Effective Date, each Released Party is deemed to be, hereby conclusively, absolutely, unconditionally, irrevocably, and forever released and discharged by the Debtor and the Estate, in each case on behalf of themselves and their respective successors, assigns, and representatives, including, but not limited to, the Claimant Trust and the Litigation Sub-Trust from any and all Causes of Action, including any derivative claims, asserted on behalf of the Debtor, whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereafter arising, in law, equity, contract, tort or otherwise, that the Debtor or the Estate would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the holder of any Claim against, or Interest in, a Debtor or other Person.

Notwithstanding anything contained herein to the contrary, the foregoing release does not release: (i) any obligations of any party under the Plan or any document, instrument, or agreement executed to implement the Plan, (ii) the rights or obligations of any current employee of the Debtor under any employment agreement or plan, (iii) the rights of the Debtor with respect to any confidentiality provisions or covenants restricting competition in favor of the Debtor under any employment agreement with a current or former employee of the Debtor, (iv) any Avoidance Actions, or (v) any Causes of Action arising from willful misconduct, criminal misconduct, actual fraud, or gross negligence of such applicable Released Party as determined by Final Order of the Bankruptcy Court or any other court of competent jurisdiction.

Notwithstanding anything herein to the contrary, any release provided pursuant to this ARTICLE IX.D (i) with respect to a Senior Employee, is conditioned in all respects on (a) such Senior Employee executing a Senior Employee Stipulation on or prior to the Effective Date and (b) the reduction of such Senior Employee's Allowed Claim as set forth in the Senior Employee Stipulation (such amount, the "Reduced Employee Claim"), and (ii) with respect to any Employee, including a Senior Employee, shall be deemed null and void and of no force and effect (1) if there is more than one member of the Claimant Trust Oversight Committee who does not represent entities holding a Disputed or Allowed Claim (the "Independent Members"), the Claimant Trustee and the Independent Members by majority vote determine or (2) if there is only one Independent Member, the Independent Member after discussion with the Claimant Trustee, determines (in each case after discussing with the full Claimant Trust Oversight Committee) that such Employee (regardless of whether the Employee is then currently employed by the Debtor, the Reorganized Debtor, or the Claimant Trustee):

- sues, attempts to sue, or threatens or works with or assists any entity or person to sue, attempt to sue, or threaten the Reorganized Debtor, the Claimant Trust, the Litigation

Sub-Trust, or any of their respective employees or agents, or any Released Party on or in connection with any claim or cause of action arising prior to the Effective Date,

- has taken any action that, impairs or harms the value of the Claimant Trust Assets or the Reorganized Debtor Assets, or
- (x) upon the request of the Claimant Trustee, has failed to provide reasonable assistance in good faith to the Claimant Trustee or the Reorganized Debtor with respect to (1) the monetization of the Claimant Trust Assets or Reorganized Debtor Assets, as applicable, or (2) the resolution of Claims, or (y) has taken any action that impedes or frustrates the Claimant Trustee or the Reorganized Debtor with respect to any of the foregoing.

*Provided, however,* that the release provided pursuant to this ARTICLE IX.D will vest and the Employee will be indefeasibly released pursuant to this ARTICLE IX.D if such Employee's release has not been deemed null and void and of no force and effect on or prior to the date that is the date of dissolution of the Claimant Trust pursuant to the Claimant Trust Agreement.

By executing the Senior Employee Stipulation embodying this release, each Senior Employee acknowledges and agrees, without limitation, to the terms of this release and the tolling agreement contained in the Senior Employee Stipulation.

The provisions of this release and the execution of a Senior Employee Stipulation will not in any way prevent or limit any Employee from (i) prosecuting its Claims, if any, against the Debtor's Estate, (ii) defending him or herself against any claims or causes of action brought against the Employee by a third party, or (iii) assisting other persons in defending themselves from any Estate Claims brought by the Litigation Trustee (but only with respect to Estate Claims brought by the Litigation Trustee and not collection or other actions brought by the Claimant Trustee).

## **E. Preservation of Rights of Action**

### **1. Maintenance of Causes of Action**

Except as otherwise provided in this Plan, after the Effective Date, the Reorganized Debtor or the Claimant Trust will retain all rights to commence, pursue, litigate or settle, as appropriate, any and all Causes of Action included in the Reorganized Debtor Assets or Claimant Trust Assets, as applicable, whether existing as of the Petition Date or thereafter arising, in any court or other tribunal including, without limitation, in an adversary proceeding Filed in the Chapter 11 Case and, as the successors in interest to the Debtor and the Estate, may, and will have the exclusive right to, enforce, sue on, settle, compromise, transfer or assign (or decline to do any of the foregoing) any or all of the Causes of Action without notice to or approval from the Bankruptcy Court.

### **2. Preservation of All Causes of Action Not Expressly Settled or Released**

Unless a Cause of Action against a Holder of a Claim or an Equity Interest or other Entity is expressly waived, relinquished, released, compromised or settled in this Plan or any Final Order (including, without limitation, the Confirmation Order), such Cause of Action is expressly reserved for later adjudication by the Reorganized Debtor or Claimant Trust, as applicable (including,

without limitation, Causes of Action not specifically identified or of which the Debtor may presently be unaware or that may arise or exist by reason of additional facts or circumstances unknown to the Debtor at this time or facts or circumstances that may change or be different from those the Debtor now believes to exist) and, therefore, no preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable or otherwise) or laches will apply to such Causes of Action as a consequence of the confirmation, effectiveness, or consummation of this Plan based on the Disclosure Statement, this Plan or the Confirmation Order, except where such Causes of Action have been expressly released in this Plan or any other Final Order (including, without limitation, the Confirmation Order). In addition, the right of the Reorganized Debtor or the Claimant Trust to pursue or adopt any claims alleged in any lawsuit in which the Debtor is a plaintiff, defendant or an interested party, against any Entity, including, without limitation, the plaintiffs or co-defendants in such lawsuits, is expressly reserved.

#### **F. Injunction**

**Upon entry of the Confirmation Order, all Enjoined Parties are and shall be permanently enjoined, on and after the Effective Date, from taking any actions to interfere with the implementation or consummation of the Plan.**

**Except as expressly provided in the Plan, the Confirmation Order, or a separate order of the Bankruptcy Court, all Enjoined Parties are and shall be permanently enjoined, on and after the Effective Date, with respect to any Claims and Equity Interests, from directly or indirectly (i) commencing, conducting, or continuing in any manner any suit, action, or other proceeding of any kind (including any proceeding in a judicial, arbitral, administrative or other forum) against or affecting the Debtor or the property of the Debtor, (ii) enforcing, levying, attaching (including any prejudgment attachment), collecting, or otherwise recovering, enforcing, or attempting to recover or enforce, by any manner or means, any judgment, award, decree, or order against the Debtor or the property of the Debtor, (iii) creating, perfecting, or otherwise enforcing in any manner, any security interest, lien or encumbrance of any kind against the Debtor or the property of the Debtor, (iv) asserting any right of setoff, directly or indirectly, against any obligation due to the Debtor or against property or interests in property of the Debtor, except to the limited extent permitted under Sections 553 and 1141 of the Bankruptcy Code, and (v) acting or proceeding in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan.**

**The injunctions set forth herein shall extend to, and apply to any act of the type set forth in any of clauses (i)-(v) of the immediately preceding paragraph against any successors of the Debtor, including, but not limited to, the Reorganized Debtor, the Litigation Sub-Trust, and the Claimant Trust and their respective property and interests in property.**

**Subject in all respects to ARTICLE XII.D, no Enjoined Party may commence or pursue a claim or cause of action of any kind against any Protected Party that arose or arises from or is related to the Chapter 11 Case, the negotiation of the Plan, the administration of the Plan or property to be distributed under the Plan, the wind down of the business of the Debtor or Reorganized Debtor, the administration of the Claimant Trust or the Litigation Sub-Trust, or the transactions in furtherance of the foregoing without the Bankruptcy Court**

(i) first determining, after notice and a hearing, that such claim or cause of action represents a colorable claim of any kind, including, but not limited to, negligence, bad faith, criminal misconduct, willful misconduct, fraud, or gross negligence against a Protected Party and (ii) specifically authorizing such Enjoined Party to bring such claim or cause of action against any such Protected Party; *provided, however*, the foregoing will not apply to a claim or cause of action against Strand or against any Employee other than with respect to actions taken, respectively, by Strand or by such Employee from the date of appointment of the Independent Directors through the Effective Date. The Bankruptcy Court will have sole and exclusive jurisdiction to determine whether a claim or cause of action is colorable and, only to the extent legally permissible and as provided for in ARTICLE XI, shall have jurisdiction to adjudicate the underlying colorable claim or cause of action.

**G. Duration of Injunctions and Stays**

**ARTICLE II.** Unless otherwise provided in this Plan, in the Confirmation Order, or in a Final Order of the Bankruptcy Court, (i) all injunctions and stays entered during the Chapter 11 Case and in existence on the Confirmation Date shall remain in full force and effect in accordance with their terms; and (ii) the automatic stay arising under section 362 of the Bankruptcy Code shall remain in full force and effect subject to Section 362(c) of the Bankruptcy Code, and to the extent necessary if the Debtor does not receive a discharge, the Court will enter an equivalent order under Section 105.

**H. Continuance of January 9 Order**

Unless otherwise provided in this Plan, in the Confirmation Order, or in a Final Order of the Bankruptcy Court, the restrictions set forth in paragraphs 9 and 10 of the *Order Approving Settlement with Official Committee of Unsecured Creditors Regarding Governance of the Debtor and Procedures for Operations in the Ordinary Course*, entered by the Bankruptcy Court on January 9, 2020 [D.I. 339] shall remain in full force and effect following the Effective Date.

**ARTICLE X.  
BINDING NATURE OF PLAN**

On the Effective Date, and effective as of the Effective Date, the Plan, including, without limitation, the provisions in ARTICLE IX, will bind, and will be deemed binding upon, all Holders of Claims against and Equity Interests in the Debtor and such Holder’s respective successors and assigns, to the maximum extent permitted by applicable law, notwithstanding whether or not such Holder will receive or retain any property or interest in property under the Plan. All Claims and Debts shall be fixed and adjusted pursuant to this Plan. The Plan shall also bind any taxing authority, recorder of deeds, or similar official for any county, state, Governmental Unit or parish in which any instrument related to the Plan or related to any transaction contemplated thereby is to be recorded with respect to nay taxes of the kind specified in Bankruptcy Code section 1146(a).

**ARTICLE XI.**  
**RETENTION OF JURISDICTION**

Pursuant to sections 105 and 1142 of the Bankruptcy Code and notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall, after the Effective Date, retain such jurisdiction over the Chapter 11 Case and all Entities with respect to all matters related to the Chapter 11 Case, the Reorganized Debtor, the Claimant Trust, and this Plan to the maximum extent legally permissible, including, without limitation, jurisdiction to:

- allow, disallow, determine, liquidate, classify, estimate or establish the priority, secured, unsecured, or subordinated status of any Claim or Equity Interest, including, without limitation, the resolution of any request for payment of any Administrative Expense Claim and the resolution of any and all objections to the allowance or priority of any Claim or Equity Interest;
- grant or deny any applications for allowance of compensation or reimbursement of expenses authorized pursuant to the Bankruptcy Code or this Plan, for periods ending on or before the Effective Date; *provided, however*, that, from and after the Effective Date, the Reorganized Debtor shall pay Professionals in the ordinary course of business for any work performed after the Effective Date subject to the terms of this Plan and the Confirmation Order, and such payment shall not be subject to the approval of the Bankruptcy Court;
- resolve any matters related to the assumption, assignment or rejection of any Executory Contract or Unexpired Lease to which the Debtor is party or with respect to which the Debtor, Reorganized Debtor, or Claimant Trust may be liable and to adjudicate and, if necessary, liquidate, any Claims arising therefrom, including, without limitation, any dispute regarding whether a contract or lease is or was executory or expired;
- make any determination with respect to a claim or cause of action against a Protected Party as set forth in ARTICLE IX;
- resolve any claim or cause of action against an Exculpated Party or Protected Party arising from or related to the Chapter 11 Case, the negotiation of this Plan, the administration of the Plan or property to be distributed under the Plan, the wind down of the business of the Debtor or Reorganized Debtor, or the transactions in furtherance of the foregoing;
- if requested by the Reorganized Debtor or the Claimant Trustee, authorize, approve, and allow any sale, disposition, assignment or other transfer of the Reorganized Debtor Assets or Claimant Trust Assets, including any break-up compensation or expense reimbursement that may be requested by a purchaser thereof; *provided, however*, that neither the Reorganized Debtor nor the Claimant Trustee shall be required to seek such authority or approval from the Bankruptcy Court unless otherwise specifically required by this Plan or the Confirmation Order;

- if requested by the Reorganized Debtor or the Claimant Trustee, authorize, approve, and allow any borrowing or the incurrence of indebtedness, whether secured or unsecured by the Reorganized Debtor or Claimant Trust; *provided, however*, that neither the Reorganized Debtor nor the Claimant Trustee shall be required to seek such authority or approval from the Bankruptcy Court unless otherwise specifically required by this Plan or the Confirmation Order;
- resolve any issues related to any matters adjudicated in the Chapter 11 Case;
- ensure that distributions to Holders of Allowed Claims and Allowed Equity Interests are accomplished pursuant to the provisions of this Plan;
- decide or resolve any motions, adversary proceedings, contested or litigated matters and any other Causes of Action (including Estate Claims) that are pending as of the Effective Date or that may be commenced in the future, including approval of any settlements, compromises, or other resolutions as may be requested by the Debtor, the Reorganized Debtor, the Claimant Trustee, or the Litigation Trustee whether under Bankruptcy Rule 9019 or otherwise, and grant or deny any applications involving the Debtor that may be pending on the Effective Date or instituted by the Reorganized Debtor, the Claimant Trustee, or Litigation Trustee after the Effective Date, provided that the Reorganized Debtor, the Claimant Trustee, and the Litigation Trustee shall reserve the right to commence actions in all appropriate forums and jurisdictions;
- enter such orders as may be necessary or appropriate to implement, effectuate, or consummate the provisions of this Plan, the Plan Documents, and all other contracts, instruments, releases, and other agreements or documents adopted in connection with this Plan, the Plan Documents, or the Disclosure Statement;
- resolve any cases, controversies, suits or disputes that may arise in connection with the implementation, effectiveness, consummation, interpretation, or enforcement of this Plan or any Entity's obligations incurred in connection with this Plan;
- issue injunctions and enforce them, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with implementation, effectiveness, consummation, or enforcement of this Plan, except as otherwise provided in this Plan;
- enforce the terms and conditions of this Plan and the Confirmation Order;
- resolve any cases, controversies, suits or disputes with respect to the release, exculpation, indemnification, and other provisions contained herein and enter such orders or take such others actions as may be necessary or appropriate to implement or enforce all such releases, injunctions and other provisions;
- enter and implement such orders or take such others actions as may be necessary or appropriate if the Confirmation Order is modified, stayed, reversed, revoked or vacated;

- resolve any other matters that may arise in connection with or relate to this Plan, the Disclosure Statement, the Confirmation Order, the Plan Documents, or any contract, instrument, release, indenture or other agreement or document adopted in connection with this Plan or the Disclosure Statement; and
- enter an order concluding or closing the Chapter 11 Case after the Effective Date.

**ARTICLE XII.**  
**MISCELLANEOUS PROVISIONS**

**A. Payment of Statutory Fees and Filing of Reports**

All outstanding Statutory Fees shall be paid on the Effective Date. All such fees payable, and all such fees that become due and payable, after the Effective Date shall be paid by the Reorganized Debtor when due or as soon thereafter as practicable until the Chapter 11 Case is closed, converted, or dismissed. The Claimant Trustee shall File all quarterly reports due prior to the Effective Date when they become due, in a form reasonably acceptable to the U.S. Trustee. After the Effective Date, the Claimant Trustee shall File with the Bankruptcy Court quarterly reports when they become due, in a form reasonably acceptable to the U.S. Trustee. The Reorganized Debtor shall remain obligated to pay Statutory Fees to the Office of the U.S. Trustee until the earliest of the Debtor's case being closed, dismissed, or converted to a case under chapter 7 of the Bankruptcy Code.

**B. Modification of Plan**

Effective as of the date hereof and subject to the limitations and rights contained in this Plan: (a) the Debtor reserves the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify this Plan prior to the entry of the Confirmation Order with the consent of the Committee, such consent not to be unreasonably withheld; and (b) after the entry of the Confirmation Order, the Debtor may, after notice and hearing and entry of an order of the Bankruptcy Court, amend or modify this Plan, in accordance with section 1127(b) of the Bankruptcy Code or remedy any defect or omission or reconcile any inconsistency in this Plan in such manner as may be necessary to carry out the purpose and intent of this Plan.

**C. Revocation of Plan**

The Debtor reserves the right to revoke or withdraw this Plan prior to the Confirmation Date and to File a subsequent chapter 11 plan with the consent of the Committee. If the Debtor revokes or withdraws this Plan prior to the Confirmation Date, then: (i) this Plan shall be null and void in all respects; (ii) any settlement or compromise embodied in this Plan, assumption of Executory Contracts or Unexpired Leases effected by this Plan and any document or agreement executed pursuant hereto shall be deemed null and void except as may be set forth in a separate order entered by the Bankruptcy Court; and (iii) nothing contained in this Plan shall: (a) constitute a waiver or release of any Claims by or against, or any Equity Interests in, the Debtor or any other Entity; (b) prejudice in any manner the rights of the Debtor or any other Entity; or (c) constitute an admission, acknowledgement, offer or undertaking of any sort by the Debtor or any other Entity.

**D. Obligations Not Changed**

Notwithstanding anything in this Plan to the contrary, nothing herein will affect or otherwise limit or release any non-Debtor Entity's (including any Exculpated Party's) duties or obligations, including any contractual and indemnification obligations, to the Debtor, the Reorganized Debtor, or any other Entity whether arising under contract, statute, or otherwise.

**E. Entire Agreement**

Except as otherwise described herein, this Plan supersedes all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, and representations on such subjects, all of which have become merged and integrated into this Plan.

**F. Closing of Chapter 11 Case**

The Claimant Trustee shall, after the Effective Date and promptly after the full administration of the Chapter 11 Case, File with the Bankruptcy Court all documents required by Bankruptcy Rule 3022 and any applicable order of the Bankruptcy Court to close the Chapter 11 Case.

**G. Successors and Assigns**

This Plan shall be binding upon and inure to the benefit of the Debtor and its successors and assigns, including, without limitation, the Reorganized Debtor and the Claimant Trustee. The rights, benefits, and obligations of any Person or Entity named or referred to in this Plan shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor, or assign of such Person or Entity.

**H. Reservation of Rights**

Except as expressly set forth herein, this Plan shall have no force or effect unless and until the Bankruptcy Court enters the Confirmation Order and the Effective Date occurs. Neither the filing of this Plan, any statement or provision contained herein, nor the taking of any action by the Debtor, the Reorganized Debtor, the Claimant Trustee, or any other Entity with respect to this Plan shall be or shall be deemed to be an admission or waiver of any rights of: (1) the Debtor, the Reorganized Debtor, or the Claimant Trustee with respect to the Holders of Claims or Equity Interests or other Entity; or (2) any Holder of a Claim or an Equity Interest or other Entity prior to the Effective Date.

Neither the exclusion or inclusion by the Debtor of any contract or lease on any exhibit, schedule, or other annex to this Plan or in the Plan Documents, nor anything contained in this Plan, will constitute an admission by the Debtor that any such contract or lease is or is not an executory contract or lease or that the Debtor, the Reorganized Debtor, the Claimant Trustee, or their respective Affiliates has any liability thereunder.

Except as explicitly provided in this Plan, nothing herein shall waive, excuse, limit, diminish, or otherwise alter any of the defenses, claims, Causes of Action, or other rights of the

Debtor, the Reorganized Debtor, or the Claimant Trustee under any executory or non-executory contract.

Nothing in this Plan will increase, augment, or add to any of the duties, obligations, responsibilities, or liabilities of the Debtor, the Reorganized Debtor, or the Claimant Trustee, as applicable, under any executory or non-executory contract or lease.

If there is a dispute regarding whether a contract or lease is or was executory at the time of its assumption under this Plan, the Debtor, the Reorganized Debtor, or the Claimant Trustee, as applicable, shall have thirty (30) days following entry of a Final Order resolving such dispute to alter their treatment of such contract.

#### **I. Further Assurances**

The Debtor, the Reorganized Debtor, or the Claimant Trustee, as applicable, all Holders of Claims and Equity Interests receiving distributions hereunder, and all other Entities shall, from time to time, prepare, execute and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of this Plan or the Confirmation Order. On or before the Effective Date, the Debtor shall File with the Bankruptcy Court all agreements and other documents that may be necessary or appropriate to effectuate and further evidence the terms and conditions hereof.

#### **J. Severability**

If, prior to the Confirmation Date, any term or provision of this Plan is determined by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court will have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision will then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of this Plan will remain in full force and effect and will in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order will constitute a judicial determination and will provide that each term and provision of this Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

#### **K. Service of Documents**

All notices, requests, and demands to or upon the Debtor, the Reorganized Debtor, or the Claimant Trustee to be effective shall be in writing and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered addressed as follows:

##### **If to the Claimant Trust:**

Highland Claimant Trust  
c/o Highland Capital Management, L.P.  
300 Crescent Court, Suite 700

Dallas, Texas 75201  
Attention: James P. Seery, Jr.

**If to the Debtor:**

Highland Capital Management, L.P.  
300 Crescent Court, Suite 700  
Dallas, Texas 75201  
Attention: James P. Seery, Jr.

**with copies to:**

Pachulski Stang Ziehl & Jones LLP  
10100 Santa Monica Blvd., 13th Floor  
Los Angeles, CA 90067  
Telephone: (310) 277-6910  
Facsimile: (310) 201-0760  
Attn: Jeffrey N. Pomerantz, Esq.  
Ira D. Kharasch, Esq.  
Gregory V. Demo, Esq.

**If to the Reorganized Debtor:**

Highland Capital Management, L.P.  
300 Crescent Court, Suite 700  
Dallas, Texas 75201  
Attention: James P. Seery, Jr.

**with copies to:**

Pachulski Stang Ziehl & Jones LLP  
10100 Santa Monica Blvd., 13th Floor  
Los Angeles, CA 90067  
Attn: Jeffrey N. Pomerantz, Esq.  
Ira D. Kharasch, Esq.  
Gregory V. Demo, Esq.

**L. Exemption from Certain Transfer Taxes Pursuant to Section 1146(a) of the Bankruptcy Code**

To the extent permitted by applicable law, pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property pursuant hereto shall not be subject to any Stamp or Similar Tax or governmental assessment in the United States, and the Confirmation Order shall direct the appropriate federal, state or local governmental officials or agents or taxing authority to forego the collection of any such Stamp or Similar Tax or governmental assessment and to accept for filing and recordation instruments or other documents pursuant to such transfers of property without the payment of any such Stamp or Similar Tax or governmental assessment. Such exemption specifically applies, without limitation, to (i) all actions, agreements and documents necessary to

evidence and implement the provisions of and the distributions to be made under this Plan; (ii) the maintenance or creation of security or any Lien as contemplated by this Plan; and (iii) assignments, sales, or transfers executed in connection with any transaction occurring under this Plan.

**M. Governing Law**

Except to the extent that the Bankruptcy Code, the Bankruptcy Rules or other federal law is applicable, or to the extent that an exhibit or schedule to this Plan provides otherwise, the rights and obligations arising under this Plan shall be governed by, and construed and enforced in accordance with, the laws of Texas, without giving effect to the principles of conflicts of law of such jurisdiction; *provided, however*, that corporate governance matters relating to the Debtor, the Reorganized Debtor, New GP LLC, or the Claimant Trust, as applicable, shall be governed by the laws of the state of organization of the Debtor, the Reorganized Debtor, New GP LLC, or the Claimant Trustee, as applicable.

**N. Tax Reporting and Compliance**

The Debtor is hereby authorized to request an expedited determination under section 505(b) of the Bankruptcy Code of the tax liability of the Debtor is for all taxable periods ending after the Petition Date through, and including, the Effective Date.

**O. Exhibits and Schedules**

All exhibits and schedules to this Plan, if any, including the Exhibits and the Plan Documents, are incorporated and are a part of this Plan as if set forth in full herein.

**P. Controlling Document**

In the event of an inconsistency between this Plan and any other instrument or document created or executed pursuant to this Plan, or between this Plan and the Disclosure Statement, this Plan shall control. The provisions of this Plan, the Disclosure Statement, and any Plan Document, on the one hand, and of the Confirmation Order, on the other hand, shall be construed in a manner consistent with each other so as to effectuate the purposes of each; *provided, however*, that if there is determined to be any inconsistency between any provision of this Plan, the Disclosure Statement, and any Plan Document, on the one hand, and any provision of the Confirmation Order, on the other hand, that cannot be so reconciled, then, solely to the extent of such inconsistency, the provisions of the Confirmation Order shall govern, and any such provisions of the Confirmation Order shall be deemed a modification of this Plan, the Disclosure Statement, and the Plan Documents, as applicable.

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Dated: January 22, 2021

Respectfully submitted,

**HIGHLAND CAPITAL MANAGEMENT, L.P.**

By: 

James P. Seery, Jr.  
Chief Executive Officer and Chief Restructuring  
Officer

Prepared by:

**PACHULSKI STANG ZIEHL & JONES LLP**

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*Counsel for the Debtor and Debtor-in-Possession*

**Exhibit B**

**Schedule of CLO Management Agreements and Related Contracts to Be Assumed**

### **Schedule of CLO Management Agreements and Related Contracts to Be Assumed**

1. Servicing Agreement, dated December 20, 2007, by and among Greenbriar CLO, Ltd., and Highland Capital Management, L.P.
2. Investment Management Agreement, dated November 1, 2007, by and between Longhorn Credit Funding, LLC, and Highland Capital Management, L.P. (as amended)
3. Reference Portfolio Management Agreement, dated August 1, 2016, by and between Highland Capital Management, L.P., and Valhalla CLO, Ltd.
4. Collateral Servicing Agreement, dated December 20, 2006, by and among Highland Park CDO I, Ltd., and Highland Capital Management, L.P.
5. Portfolio Management Agreement, dated March 15, 2005, by and among Southfork CLO Ltd., and Highland Capital Management, L.P.
6. Amended and Restated Portfolio Management Agreement, dated November 30, 2005, by and among Jasper CLO Ltd., and Highland Capital Management, L.P.
7. Servicing Agreement, dated May 31, 2007, by and among Westchester CLO, Ltd., and Highland Capital Management, L.P.
8. Servicing Agreement, dated May 10, 2006, by and among Rockwall CDO Ltd. and Highland Capital Management, L.P. (as amended)
9. Portfolio Management Agreement, dated December 8, 2005, by and between Liberty CLO, Ltd., and Highland Capital Management, L.P.
10. Servicing Agreement, dated March 27, 2008, by and among Aberdeen Loan Funding, Ltd., and Highland Capital Management, L.P.
11. Servicing Agreement, dated May 9, 2007, by and among Rockwall CDO II Ltd. and Highland Capital Management, L.P.
12. Collateral Management Agreement, by and between, Highland Loan Funding V Ltd. and Highland Capital Management, L.P., dated August 1, 2001.
13. Collateral Management Agreement, dated August 18, 1999, by and between Highland Legacy Limited and Highland Capital Management, L.P.
14. Servicing Agreement, dated November 30, 2006, by and among Grayson CLO Ltd., and Highland Capital Management, L.P. (as amended)
15. Servicing Agreement, dated October 25, 2007, by and among Stratford CLO Ltd., and Highland Capital Management, L.P.
16. Servicing Agreement, dated August 3, 2006, by and among Red River CLO Ltd., and Highland Capital Management, L.P. (as amended)
17. Servicing Agreement, dated December 21, 2006, by and among Brentwood CLO, Ltd., and Highland Capital Management, L.P.
18. Servicing Agreement, dated March 13, 2007, by and among Eastland CLO Ltd., and Highland Capital Management, L.P.

19. Portfolio Management, Agreement, dated October 13, 2005, by and among Gleneagles CLO, Ltd., and Highland Capital Management, L.P.
20. Members' Agreement and Amendment, dated November 15, 2017, by and between Highland CLO Funding, Ltd. and Highland Capital Management, L.P.
21. Collateral Management Agreement, dated May 19, 1998, by and between Pam Capital Funding LP, Ranger Asset Mgt LP and Highland Capital Management, L.P.
22. Collateral Management Agreement, dated August 6, 1997, by and between Pamco Cayman Ltd., Ranger Asset Mgt LP and Highland Capital Management, L.P.
23. Amendment No. 1 to Servicing Agreement, October 2, 2007, between Highland Capital Management, L.P. and Red River CLO Ltd. et al
24. Interim Collateral Management Agreement, June 15, 2005, between Highland Capital Management, L.P. and Rockwall CDO Ltd
25. Amendment No. 1 to Servicing Agreement, October 2, 2007, between Highland Capital Management, L.P. and Rockwall CDO Ltd
26. Collateral Servicing Agreement dated December 20, 2006, between Highland Capital Management, L.P. and Highland Park CDO I, Ltd.; The Bank of New York Trust Company, National Association
27. Representations and Warranties Agreement, dated December 20, 2006, between Highland Capital Management, L.P. and Highland Park CDO I, Ltd.
28. Collateral Administration Agreement, dated March 27, 2008, between Highland Capital Management, L.P. and Aberdeen Loan Funding, Ltd.; State Street Bank and Trust Company
29. Collateral Administration Agreement, dated December 20, 2007, between Highland Capital Management, L.P. and Greenbriar CLO, Ltd.; State Street Bank and Trust Company
30. Collateral Acquisition Agreement, dated March 13, 2007, between Highland Capital Management, L.P. and Eastland CLO, Ltd
31. Collateral Administration Agreement, dated March 13, 2007, between Highland Capital Management, L.P. and Eastland CLO, Ltd. and Investors Bank and Trust Company
32. Collateral Administration Agreement, dated October 13, 2005, between Highland Capital Management, L.P. and Gleneagles CLO, Ltd.; JPMorgan Chase Bank, National Association
33. Collateral Acquisition Agreement, dated November 30, 2006, between Highland Capital Management, L.P. and Grayson CLO, Ltd.
34. Collateral Administration Agreement, dated November 30, 2006, between Highland Capital Management, L.P. and Grayson CLO, Ltd.; Investors Bank & Trust Company
35. Collateral Acquisition Agreement, dated August 3, 2006, between Highland Capital Management, L.P. and Red River CLO, Ltd.

36. Collateral Administration Agreement, dated August 3, 2006, between Highland Capital Management, L.P. and Red River CLO, Ltd.; U.S. Bank National Association
37. Master Warehousing and Participation Agreement, dated April 19, 2006, between Highland Capital Management, L.P. and Red River CLO Ltd.; Highland Special Opportunities Holding Company
38. Master Warehousing and Participation Agreement, dated February 2, 2006, between Highland Capital Management, L.P. and Red River CLO Ltd.; MMP-5 Funding, LLC; IXIS Financial Products Inc.
39. Master Warehousing and Participation Agreement (Amendment No. 2), dated May 5, 2006, between Highland Capital Management, L.P. and Red River CLO Ltd.; MMP-5 Funding, LLC; IXIS Financial Products Inc.
40. Master Warehousing and Participation Agreement (Amendment No. 1), dated April 12, 2006, between Highland Capital Management, L.P. and Red River CLO Ltd.; MMP-5 Funding, LLC; IXIS Financial Products Inc.
41. Master Warehousing and Participation Agreement (Amendment No. 3), dated June 22, 2006, between Highland Capital Management, L.P. and Red River CLO Ltd.; MMP-5 Funding, LLC; IXIS Financial Products Inc.
42. Master Warehousing and Participation Agreement (Amendment No. 4), dated July 17, 2006, between Highland Capital Management, L.P. and Red River CLO Ltd.; MMP-5 Funding, LLC; IXIS Financial Products Inc.
43. Collateral Administration Agreement, dated February 2, 2006, between Highland Capital Management, L.P. and Red River CLO Ltd.; U.S. Bank National Association; IXIS Financial Products Inc.
44. Collateral Administration Agreement, dated April 18, 2006, between Highland Capital Management, L.P. and Red River CLO Ltd.; Highland Special Opportunities Holding Company; U.S. Bank National Association
45. Master Participation Agreement, dated June 5, 2006, between Highland Capital Management, L.P. and Red River CLO Ltd.; Grand Central Asset Trust
46. A&R Asset Acquisition Agreement, dated July 18, 2001, between Highland Capital Management, L.P. and Salomon Smith Barney Inc.; Highland Loan Funding V Ltd.
47. A&R Master Participation Agreement, dated July 18, 2001, between Highland Capital Management, L.P. and Salomon Brothers Holding Company; Highland Loan Funding V Ltd.
48. Collateral Acquisition Agreement, dated June 29, 2005, between Highland Capital Management, L.P. and Jasper CLO Ltd.
49. Collateral Administration Agreement, dated June 29, 2005, between Highland Capital Management, L.P. and Jasper CLO Ltd.; JPMorgan Chase Bank, National Association
50. Master Warehousing and Participation Agreement, dated March 24, 2005, between Highland Capital Management, L.P. and Jasper CLO Ltd; MMP-5 Funding, LLC; and IXIS Financial Products Inc.

51. Master Warehousing and Participation Agreement (Amendment No. 1), dated May 16, 2005, between Highland Capital Management, L.P. and Jasper CLO Ltd; MMP-5 Funding, LLC; and IXIS Financial Products Inc.
52. Collateral Administration Agreement, dated December 8, 2005, between Highland Capital Management, L.P. and Liberty CLO Ltd.
53. Collateral Administration Agreement, dated May 10, 2006, between Highland Capital Management, L.P. and Rockwall CDO Ltd; JPMorgan Chase Bank, National Association
54. Collateral Administration Agreement, dated May 9, 2007, between Highland Capital Management, L.P. and Rockwall CDO II, Ltd.; Investors Bank & Trust Company
55. Collateral Administration Agreement, dated March 15, 2005, between Highland Capital Management, L.P. and Southfork CLO Ltd.; JPMorgan Chase Bank, National Association
56. Collateral Administration Agreement, dated October 25, 2007, between Highland Capital Management, L.P. and Stratford CLO Ltd.; State Street
57. Collateral Administration Agreement, dated August 18, 2004, between Highland Capital Management, L.P. and Valhalla CLO, Ltd.; JPMorgan Chase Bank
58. Collateral Acquisition Agreement, dated May 31, 2007, between Highland Capital Management, L.P. and Westchester CLO, Ltd.
59. Collateral Administration Agreement, dated May 31, 2007, between Highland Capital Management, L.P. and Westchester CLO, Ltd.; Investors Bank & Trust Company
60. Collateral Administration Agreement, dated December 21, 2006, between Highland Capital Management, L.P. and Brentwood CLO, Ltd.; Investors Bank & Trust Company



CLERK, U.S. BANKRUPTCY COURT  
NORTHERN DISTRICT OF TEXAS

**ENTERED**

THE DATE OF ENTRY IS ON  
THE COURT'S DOCKET

The following constitutes the ruling of the court and has the force and effect therein described.

Signed March 16, 2021

  
United States Bankruptcy Judge

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

In re:	)	Chapter 11
HIGHLAND CAPITAL MANAGEMENT, L.P.	)	Case No. 19-34054 (SGJ11)
Debtor.	)	

**ORDER CERTIFYING APPEALS OF THE CONFIRMATION ORDER  
FOR DIRECT APPEAL TO THE UNITED STATES COURT OF APPEALS  
FOR THE FIFTH CIRCUIT**

CAME ON FOR CONSIDERATION the *Joint Motion for Certification of Appeals of Confirmation Order for Direct Appeal to the Fifth Circuit* (the "Motion"), filed jointly by Highland Capital Management, L.P., Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P., Highland Global Allocation Fund, Highland Income Fund, NexPoint Capital, Inc., NexPoint Strategic Opportunities Fund, James Dondero, Get Good Trust, and The Dugaboy Investment Trust (collectively, the "Parties").

**Exhibit I**



By the Motion, the Parties jointly request a certification for a direct appeal to the Fifth Circuit of the following appeals (collectively, the “Appeals”) of the Court’s *Order (i) Confirming the Fifth Amended Plan of Reorganization of Highland Capital Management, L.P. (as Modified) and (ii) Granting Related Relief* [docket no. 1943] (the “Confirmation Order”):

- (i) the notice of appeal filed by Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P. on March 1, 2021 at docket no. 1957;
- (ii) the notice of appeal filed by Highland Global Allocation Fund, Highland Income Fund, NexPoint Capital, Inc., and NexPoint Strategic Opportunities Fund on March 3, 2021 at docket no. 1966;
- (iii) the notice of appeal filed by James Dondero on March 4, 2021 at docket no. 1970; and
- (iv) the notice of appeal filed by Get Good Trust and The Dugaboy Investment Trust on March 4, 2021 at docket no. 1972.

Having considered the Motion, concluding that the Court has core jurisdiction over the Motion, finding that no further notice or hearing on the Motion is required as all parties affected thereby are the Parties to the Motion, and, based on the Parties joint certification and request as provided for in 28 U.S.C. § 158(d)(2)(B), and based also on the Court’s agreement with the factual predicates underlying the Parties’ certification and request, it is hereby:

ORDERED that the Appeals of the Confirmation Order are certified for direct appeal to the Fifth Circuit because a direct appeal may materially advance the progress of the case or proceeding in which the appeal is taken, within the meaning and operation of 28 U.S.C. § 158(d)(2)(A)(iii).

**### END OF ORDER ###**

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Facsimile: (214) 978-4375

Counsel for NexPoint Advisors, L.P.

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

In re:	)	Chapter 11
HIGHLAND CAPITAL MANAGEMENT, L.P.	)	Case No. 19-34054 (SGJ11)
Debtor.	)	

**EVIDENCE OF PARTIAL TRANSFER OF CLAIM**

**TO: THE DEBTOR AND THE BANKRUPTCY COURT**

For value received, the adequacy and sufficiency of which are hereby acknowledged, **MICHAEL BEISPIEL** (“Assignor”) has unconditionally and irrevocably sold, transferred and assigned to **NEXPOINT ADVISORS, L.P.** (“Assignee”) all of its right, title, and interest, in and to any prepetition or postpetition claim, including under 11 U.S.C. §§ 101(5), 503(b), and 507(a), whether scheduled, not scheduled, or evidenced by a proof of claim, that the Assignor may have against Highland Capital Management, L.P. (the “Debtor”), in Bankruptcy Case No. 19-34054, and any and all proofs of claim filed by Assignor with the Bankruptcy Court in respect of the foregoing claim, and any and all claims scheduled by the Debtor; *provided, however*, that the foregoing does not include any such claim for unpaid hourly compensation, unpaid overtime compensation, or unpaid compensation related to personal time off, all of which are reserved to the Assignor.

Assignor hereby waives any objection to the transfer of the claim to Assignee on the books and records of the Debtor and the Bankruptcy Court, and hereby waives to the fullest extent permitted by law any notice or right to a hearing as may be imposed by Rule 3001 of the Federal Rules of Bankruptcy Procedure, the Bankruptcy Code, applicable local bankruptcy rules or applicable law. Assignor acknowledges and understands, and hereby stipulates, that an order of the Bankruptcy Court may be entered without further notice to Assignor transferring to Assignee

the foregoing claim and recognizing the Assignee as the sole owner and holder of the transferred claim. Assignor further directs the Debtor, the Bankruptcy Court and all other interested parties that all further notices relating to the claim, and all payments or distributions of money or property in respect of claim, shall be delivered or made to the Assignee.

IN WITNESS WHEREOF, this EVIDENCE OF TRANSFER OF CLAIM IS EXECUTED THIS 17th day of March, 2021.

ASSIGNOR:

  
\_\_\_\_\_  
**MICHAEL BEISPIEL**

ASSIGNEE:

  
\_\_\_\_\_  
**NEXPOINT ADVISORS, L.P.**  
By: \_\_\_\_\_  
Title: \_\_\_\_\_

MUNSCH HARDT KOPF & HARR, P.C.  
Davor Rukavina, Esq.  
Texas Bar No. 24030781  
Julian P. Vasek, Esq.  
Texas Bar No. 24070790  
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Telephone: (214) 855-7500  
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Counsel for NexPoint Advisors, L.P.

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

In re:	)	Chapter 11
HIGHLAND CAPITAL MANAGEMENT, L.P.	)	Case No. 19-34054 (SGJ11)
Debtor.	)	

**EVIDENCE OF PARTIAL TRANSFER OF CLAIM**

**TO: THE DEBTOR AND THE BANKRUPTCY COURT**

For value received, the adequacy and sufficiency of which are hereby acknowledged, **SANG KOOK (MICHAEL) JEONG** (“Assignor”) has unconditionally and irrevocably sold, transferred and assigned to **NEXPOINT ADVISORS, L.P.** (“Assignee”) all of its right, title, and interest, in and to any prepetition or postpetition claim, including under 11 U.S.C. §§ 101(5), 503(b), and 507(a), whether scheduled, not scheduled, or evidenced by a proof of claim, that the Assignor may have against Highland Capital Management, L.P. (the “Debtor”), in Bankruptcy Case No. 19-34054, and any and all proofs of claim filed by Assignor with the Bankruptcy Court in respect of the foregoing claim, and any and all claims scheduled by the Debtor; *provided, however,* that the foregoing does not include any such claim for unpaid hourly compensation, unpaid overtime compensation, or unpaid compensation related to personal time off, all of which are reserved to the Assignor.

Assignor hereby waives any objection to the transfer of the claim to Assignee on the books and records of the Debtor and the Bankruptcy Court, and hereby waives to the fullest extent permitted by law any notice or right to a hearing as may be imposed by Rule 3001 of the Federal Rules of Bankruptcy Procedure, the Bankruptcy Code, applicable local bankruptcy rules or applicable law. Assignor acknowledges and understands, and hereby stipulates, that an order of the Bankruptcy Court may be entered without further notice to Assignor transferring to Assignee

the foregoing claim and recognizing the Assignee as the sole owner and holder of the transferred claim. Assignor further directs the Debtor, the Bankruptcy Court and all other interested parties that all further notices relating to the claim, and all payments or distributions of money or property in respect of claim, shall be delivered or made to the Assignee.

IN WITNESS WHEREOF, this EVIDENCE OF TRANSFER OF CLAIM IS EXECUTED THIS 17th day of March, 2021.

ASSIGNOR:

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**SANG KOOK (MICHAEL) JEONG**

ASSIGNEE:



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**NEXPOINT ADVISORS, L.P.**

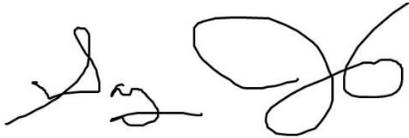
By: \_\_\_\_\_

Title: \_\_\_\_\_

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IN WITNESS WHEREOF, this EVIDENCE OF TRANSFER OF CLAIM IS EXECUTED THIS 17th day of March, 2021.

ASSIGNOR:



**SANG KOOK (MICHAEL) JEONG** \_\_\_\_\_

ASSIGNEE:

\_\_\_\_\_  
**NEXPOINT ADVISORS, L.P.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

MUNSCH HARDT KOPF & HARR, P.C.  
Davor Rukavina, Esq.  
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Julian P. Vasek, Esq.  
Texas Bar No. 24070790  
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Counsel for NexPoint Advisors, L.P.

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

In re:	)	Chapter 11
HIGHLAND CAPITAL MANAGEMENT, L.P.	)	Case No. 19-34054 (SGJ11)
Debtor.	)	

**EVIDENCE OF PARTIAL TRANSFER OF CLAIM**

**TO: THE DEBTOR AND THE BANKRUPTCY COURT**

For value received, the adequacy and sufficiency of which are hereby acknowledged, **PHOEBE STEWART** (“Assignor”) has unconditionally and irrevocably sold, transferred and assigned to **NEXPOINT ADVISORS, L.P.** (“Assignee”) all of its right, title, and interest, in and to any prepetition or postpetition claim, including under 11 U.S.C. §§ 101(5), 503(b), and 507(a), whether scheduled, not scheduled, or evidenced by a proof of claim, that the Assignor may have against Highland Capital Management, L.P. (the “Debtor”), in Bankruptcy Case No. 19-34054, and any and all proofs of claim filed by Assignor with the Bankruptcy Court in respect of the foregoing claim, and any and all claims scheduled by the Debtor; *provided, however*, that the foregoing does not include any such claim for unpaid hourly compensation, unpaid overtime compensation, or unpaid compensation related to personal time off, all of which are reserved to the Assignor.

Assignor hereby waives any objection to the transfer of the claim to Assignee on the books and records of the Debtor and the Bankruptcy Court, and hereby waives to the fullest extent permitted by law any notice or right to a hearing as may be imposed by Rule 3001 of the Federal Rules of Bankruptcy Procedure, the Bankruptcy Code, applicable local bankruptcy rules or applicable law. Assignor acknowledges and understands, and hereby stipulates, that an order of the Bankruptcy Court may be entered without further notice to Assignor transferring to Assignee

the foregoing claim and recognizing the Assignee as the sole owner and holder of the transferred claim. Assignor further directs the Debtor, the Bankruptcy Court and all other interested parties that all further notices relating to the claim, and all payments or distributions of money or property in respect of claim, shall be delivered or made to the Assignee.

IN WITNESS WHEREOF, this EVIDENCE OF TRANSFER OF CLAIM IS EXECUTED THIS 17th day of March, 2021.

ASSIGNOR:

---

**PHOEBE STEWART**

ASSIGNEE:



---

**NEXPOINT ADVISORS, L.P.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

the foregoing claim and recognizing the Assignee as the sole owner and holder of the transferred claim. Assignor further directs the Debtor, the Bankruptcy Court and all other interested parties that all further notices relating to the claim, and all payments or distributions of money or property in respect of claim, shall be delivered or made to the Assignee.

IN WITNESS WHEREOF, this EVIDENCE OF TRANSFER OF CLAIM IS EXECUTED THIS 17th day of March, 2021.

ASSIGNOR:

*Phoebe Stewart*

\_\_\_\_\_  
**PHOEBE STEWART**

ASSIGNEE:

\_\_\_\_\_  
**NEXPOINT ADVISORS, L.P.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

MUNSCH HARDT KOPF & HARR, P.C.  
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Counsel for NexPoint Advisors, L.P.

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

In re:	)	Chapter 11
	)	
HIGHLAND CAPITAL MANAGEMENT, L.P.	)	Case No. 19-34054 (SGJ11)
	)	
Debtor.	)	
	)	
	)	

**EVIDENCE OF PARTIAL TRANSFER OF CLAIM**

**TO: THE DEBTOR AND THE BANKRUPTCY COURT**

For value received, the adequacy and sufficiency of which are hereby acknowledged, **BHAWIKA JAIN** (“Assignor”) has unconditionally and irrevocably sold, transferred and assigned to **NEXPOINT ADVISORS, L.P.** (“Assignee”) all of its right, title, and interest, in and to any prepetition or postpetition claim, including under 11 U.S.C. §§ 101(5), 503(b), and 507(a), whether scheduled, not scheduled, or evidenced by a proof of claim, that the Assignor may have against Highland Capital Management, L.P. (the “Debtor”), in Bankruptcy Case No. 19-34054, and any and all proofs of claim filed by Assignor with the Bankruptcy Court in respect of the foregoing claim, and any and all claims scheduled by the Debtor; *provided, however*, that the foregoing does not include any such claim for unpaid hourly compensation, unpaid overtime compensation, or unpaid compensation related to personal time off, all of which are reserved to the Assignor.

Assignor hereby waives any objection to the transfer of the claim to Assignee on the books and records of the Debtor and the Bankruptcy Court, and hereby waives to the fullest extent permitted by law any notice or right to a hearing as may be imposed by Rule 3001 of the Federal Rules of Bankruptcy Procedure, the Bankruptcy Code, applicable local bankruptcy rules or applicable law. Assignor acknowledges and understands, and hereby stipulates, that an order of the Bankruptcy Court may be entered without further notice to Assignor transferring to Assignee

the foregoing claim and recognizing the Assignee as the sole owner and holder of the transferred claim. Assignor further directs the Debtor, the Bankruptcy Court and all other interested parties that all further notices relating to the claim, and all payments or distributions of money or property in respect of claim, shall be delivered or made to the Assignee.

IN WITNESS WHEREOF, this EVIDENCE OF TRANSFER OF CLAIM IS EXECUTED THIS 17th day of March, 2021.

ASSIGNOR:

*Bhawika Jain*  
\_\_\_\_\_  
**BHAWIKA JAIN**

ASSIGNEE:

\_\_\_\_\_  
**NEXPOINT ADVISORS, L.P.**  
By: \_\_\_\_\_  
Title: \_\_\_\_\_

the foregoing claim and recognizing the Assignee as the sole owner and holder of the transferred claim. Assignor further directs the Debtor, the Bankruptcy Court and all other interested parties that all further notices relating to the claim, and all payments or distributions of money or property in respect of claim, shall be delivered or made to the Assignee.

IN WITNESS WHEREOF, this EVIDENCE OF TRANSFER OF CLAIM IS EXECUTED THIS 17th day of March, 2021.

ASSIGNOR:

---

**BHAWIKA JAIN**

ASSIGNEE:



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**NEXPOINT ADVISORS, L.P.**

By: \_\_\_\_\_

Title: \_\_\_\_\_