

EXHIBIT A

for
Docket 3533 Reference Page 7 Footnote 6



193405422092200000000001

1 IN THE UNITED STATES BANKRUPTCY COURT
2 FOR THE NORTHERN DISTRICT OF TEXAS
3 DALLAS DIVISION.

4 -----)
5 In Re: Chapter 11
6 HIGHLAND CAPITAL Case No.
7 MANAGEMENT, LP, 19-34054-SGJ 11

8
9 Debtor

10 -----

11

12

13 REMOTE DEPOSITION OF JAMES P. SEERY, JR.

14 January 29, 2021

15 10:11 a.m. EST

16

17

18

19

20

21

22

23

24 Reported by:
Debra Stevens, RPR-CRR
JOB NO. 189212

25

1 J. SEERY

2 Q. Excuse me?

3 A. I believe it does.

4 Q. Is there a subsidiary ledger
5 that would tell me what is the note
6 component versus what is the hard asset
7 component?

8 A. Yes.

9 Q. Who has that?

10 A. I do.

11 MR. DRAPER: Mr. Morris, can I
12 get that document?

13 MR. MORRIS: I will take it
14 under advisement.

15 Q. There is also a Dugaboy note in
16 your notes that is to be sold. Is that
17 Dugaboy note in the \$40 million, or is it
18 in the hard asset monetization?

19 A. I believe it is in the -- it is
20 to be sold, so it is not collected in
21 full. If they default, then we would
22 accelerate that and collect that in full
23 as well.

24 Q. That doesn't answer my question
25 unfortunately. What I am asking you, is

1 J. SEERY

2 it in the \$40 million calculation, or in
3 the \$200 million number?

4 A. It doesn't answer your question
5 because you didn't listen to my prior
6 answer. I said that the 40 million
7 calculation was for stuff that had been
8 demanded. I think you represent -- do you
9 represent Dugaboy? I don't think we
10 demanded --

11 Q. I do. Excuse me?

12 A. So if it wasn't demanded, it is
13 not in the hard asset calculation; it's in
14 the discounted amount.

15 Q. Let me try to understand your
16 answer. What you are telling me, just so
17 we are both clear, is that that Dugaboy
18 note is not in the \$40 million; it is in
19 the balance of the 257? That is a yes or
20 no answer.

21 A. I didn't take it as a question.
22 It sounded like a statement. I agree with
23 your statement.

24 Q. Thank you. So the answer is
25 yes?

1 J. SEERY

2 A. It wasn't a question. I agree
3 with your statement; yes.

4 Q. Thank you.

5 Now, let's go to the
6 November 2020 schedule that we had. If
7 you see in the line "Estimated proceeds
8 from monetization of assets," you had
9 \$190 million under the plan analysis?

10 A. Yes.

11 Q. What percentage of that are
12 notes versus hard assets?

13 A. The demand notes only were
14 included in the proceeds in terms of
15 recovery in full. I don't quite
16 understand your distinction between hard
17 assets. There is a lot of intangibles as
18 well as tangibles in the total.

19 But if we are distinguishing
20 between notes and other assets, the demand
21 notes are included in the 190. The longer
22 dated notes are assumed to be sold. So,
23 they are included but they are included at
24 a much lower amount.

25 Q. Okay. Now how much of the

1 J. SEERY

2 demand notes in the 190, Mr. Seery?

3 A. Off the top of my head I don't
4 recall. It is the Dondero demand notes as
5 well as the HCFMA demand notes, so it
6 should be about 15 to \$20 million.
7 Somewhere in that realm. The same as the
8 other demand notes.

9 Q. Were the other notes, the
10 \$40 million of notes that you referenced
11 in the January document, were they carried
12 at face or at discounted amount in the
13 190?

14 A. In the 190, the ones that were
15 demand were carried at face. The ones
16 that were long dated, which really at that
17 point I believe -- the only difference is
18 the \$24-and-change-million NexPoint
19 Advisors note was at a discounted amount.
20 The others were at face.

21 Q. What was the discount that was
22 applied to that note?

23 A. I don't recall off the top of my
24 head. It is pretty significant because of
25 the long dated nature of the notes. They

1 J. SEERY

2 were amended without consideration a few
3 years ago. So, for our purposes we didn't
4 make the assumption, which I am sure will
5 happen, a fraudulent conveyance claim on
6 those notes, that a fraudulent conveyance
7 action would be brought. We just assumed
8 that we'd have to discount the notes
9 heavily to sell them because nobody would
10 respect the ability of the counterparties
11 to fairly pay.

12 Q. And the same discount was
13 applied in the liquidation analysis to
14 those notes?

15 A. Yes.

16 Q. Now --

17 A. The difference -- there would be
18 a difference, though, because they would
19 pay for a while because they wouldn't want
20 to accelerate them. So there would be
21 some collections on the notes for P and I.

22 Q. But in fact as of January you
23 have accelerated those notes?

24 A. Just one of them, I believe.

25 Q. Which note was that?

1 J. SEERY

2 A. NexPoint, I said. They
3 defaulted on the note and we accelerated
4 it.

5 Q. So there is no need to file a
6 fraudulent conveyance suit with respect to
7 that note. Correct, Mr. Seery?

8 MR. MORRIS: Objection to the
9 form of the question.

10 A. Disagree. Since it was likely
11 intentional fraud, there may be other
12 recoveries on it. But to collect on the
13 note, no.

14 Q. My question was with respect to
15 that note. Since you have accelerated it,
16 you don't need to deal with the issue of
17 when it's due?

18 MR. MORRIS: Objection to the
19 form of the question.

20 A. That wasn't your question. But
21 to that question, yes, I don't need to
22 deal with when it's due.

23 Q. Let me go over certain assets.
24 I am not going to ask you for the
25 valuation of them but I am going to ask

1 J. SEERY

2 you whether they are included in the asset
3 portion of your \$257 million number, all
4 right? Mr. Morris didn't want me to go
5 into specific asset value, and I don't
6 intend to do that.

7 The first question I have for
8 you is, the equity in Trustway Highland
9 Holdings, is that included in the
10 \$257 million number?

11 A. There is no such entity.

12 Q. Then I will do it in a different
13 way. In connection with the sale of the
14 hard assets, what assets are included in
15 there specifically?

16 A. Off the top of my head -- it is
17 all of the assets, but it includes
18 Trustway Holdings and all the value that
19 flows up from Trustway Holdings. It
20 includes Targa and all the value that
21 flows up from Targa. It includes CCS
22 Medical and all the value that would flow
23 to the Debtor from CCS Medical. It
24 includes Cornerstone and all the value
25 that would flow from Cornerstone. It

1

J. SEERY

2

includes any other securities and all the

3

value that would flow from Cornerstone.

4

It includes HCLOF and all the value that

5

would flow up from HCLOF. It includes

6

Korea and all the value that would flow up

7

from Korea.

8

There may be others off the top

9

of my head. I don't recall them. I don't

10

have a list in front of me.

11

Q. Now, with respect to those

12

assets, have you started the sale process

13

of those assets?

14

A. No. Well, each asset is

15

different. So, the answer is, with

16

respect to any securities, we do seek to

17

sell those regularly and we do seek to

18

monetize those assets where we can

19

depending on whether there is a

20

restriction or not and whether there is

21

liquidity in the market.

22

With respect to the PE assets or

23

the companies I described -- Targa, CCS,

24

Cornerstone, JHT -- we have not --

25

Trustway. We have not sought to sell