

PACHULSKI STANG ZIEHL & JONES LLP
Jeffrey N. Pomerantz (CA Bar No.143717) (*pro hac vice*)
Ira D. Kharasch (CA Bar No. 109084) (*pro hac vice*)
Gregory V. Demo (NY Bar No. 5371992) (*pro hac vice*)
10100 Santa Monica Blvd., 13th Floor
Los Angeles, CA 90067
Telephone: (310) 277-6910
Facsimile: (310) 201-0760

HAYWARD & ASSOCIATES PLLC
Melissa S. Hayward
Texas Bar No. 24044908
MHayward@HaywardFirm.com
Zachery Z. Annable
Texas Bar No. 24053075
ZAnnable@HaywardFirm.com
10501 N. Central Expy, Ste. 106
Dallas, Texas 75231
Tel: (972) 755-7100
Fax: (972) 755-7110

Counsel for the Debtor and Debtor-in-Possession

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

In re: §
§ Chapter 11
HIGHLAND CAPITAL MANAGEMENT, L.P.,¹ §
§ Case No. 19-34054-sgj11
§
Debtor. § **Ref. Docket No. 1289**

NOTICE OF SUPPLEMENTAL DISCLOSURES

On October 25, 2020, the above-captioned debtor and debtor-in-possession (the “Debtor”) filed the *Disclosure Statement for the Second Amended Plan of Reorganization of Highland Capital Management, L.P.* [Docket No. 1289] (the “Disclosure Statement”).² The

¹ 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.

² All capitalized terms used but not defined herein have the meanings given to them in the Disclosure Statement.



Debtor believes the Disclosure Statement contains adequate information and otherwise satisfies the requirements of 11 U.S.C. § 1125. However, the Debtor intends to amend the Disclosure Statement prior to solicitation to include, among other things, the following supplemental disclosures:

- **New Frontier Note:** The Disclosure Statement disclosed that the Holder of the Class 2 – Frontier Secured Claim would receive (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 New Frontier Note will be filed with the Plan Supplement.

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; and (iv) mandatory prepayments from the proceeds of the sale of any collateral securing the New Frontier Note.

- **Projected Recoveries:** Page 10 of the Disclosure Statement included a chart showing projected recoveries on Claims and Equity Interests. Although the Debtor believes the disclosures in that chart were accurate, the Debtor believes that additional disclosures should be included and intends to replace the chart with that attached hereto as Exhibit A.
- **Disclosure on Asset Decline:** Additional disclosures were requested as to the reason why the Debtor's assets declined in value from approximately \$566.5 million as of the Petition Date to approximately \$351.7 million as of June 30, 2020. As set forth in the Disclosure Statement a substantial portion of this decline was the result of losses caused by COVID-19 and the margin calls made on the Prime Accounts.

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, the professional and other costs associated with the Chapter 11 Case, and the reserve of approximately \$57 million against a loan receivable listed as an asset as follows:

<u>Asset</u>	<u>10/16/2019</u>	<u>6/30/2020</u>
Investments (FV)[1]	\$232,620,000	\$119,991,000
Investments (Equity)	\$161,819,000	\$102,914,000
Loan Receivables	\$151,901,000	\$92,800,000[2]

[1] Includes decrease in value of assets, costs of Chapter 11 Cases, and assets sold to satisfy liabilities.

[2] Net of reserve of \$57 million.

- **Litigation Sub-Trust.** Notwithstanding anything to the contrary in the Disclosure Statement, on or prior to the Effective Date, the Debtor intends to execute the

Litigation Sub-Trust Agreement, take all steps necessary to establish the Litigation Sub-Trust, and to appoint the Litigation Trustee. The agreement creating the Litigation Sub-Trust will be filed with the Plan Supplement.

[Remainder of Page Intentionally Blank]

Dated: October 26, 2020.

PACHULSKI STANG ZIEHL & JONES LLP

Jeffrey N. Pomerantz (CA Bar No.143717) (*pro hac vice*)
Ira D. Kharasch (CA Bar No. 109084) (*pro hac vice*)
Gregory V. Demo (NY Bar No. 5371992) (*pro hac vice*)
10100 Santa Monica Blvd., 13th Floor
Los Angeles, CA 90067
Telephone: (310) 277-6910
Facsimile: (310) 201-0760
E-mail: jpomerantz@pszjlaw.com
ikharasch@pszjlaw.com
gdemo@pszjlaw.com

-and-

HAYWARD & ASSOCIATES PLLC

/s/ Zachery Z. Annable

Melissa S. Hayward
Texas Bar No. 24044908
MHayward@HaywardFirm.com
Zachery Z. Annable
Texas Bar No. 24053075
ZAnnable@HaywardFirm.com
10501 N. Central Expy, Ste. 106
Dallas, Texas 75231
Tel: (972) 755-7100
Fax: (972) 755-7110

Counsel for the Debtor and Debtor-in-Possession

Exhibit A**(Projected Recoveries)**

Class	Type of Claim or Interest	Estimated Prepetition Claim Amount	Impaired	Entitled to Vote	Estimated Recovery
1	Jefferies Secured Claim	\$0.00	No	No	100%
2	Frontier Secured Claim[1]	\$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	\$760,000[2]	No	No	100%
7	Convenience Claims[3]	\$7,607,915	Yes	Yes	85.00%
8	General Unsecured Claims[4]	\$186,489,987	Yes	Yes	91.87%
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 interest accrued postpetition. The Liquidation Analysis/Financial Projections provide for the payment of postpetition interest.

[2] PTO Claims are subject to adjustment depending on the amount of actual prepetition PTO Claims outstanding as of the Effective Date.

[3] Excludes potential Rejection Claims, and assumes no General Unsecured Claims opt into the Convenience Class. The Liquidation Analysis/Financial Projections assume that all General Unsecured Claims less than or equal to \$2.5 million will elect the treatment provided to the Convenience Claims and that the Convenience Claims will include \$2 million in Rejection Claims.

[4] Assumes no recovery for UBS, the HarbourVest Entities, IFA, Hunter Mountain, and an Allowed Claim of \$3,722,019 for Mr. Daugherty (each as discussed further below).