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

In re:

HIGHLAND CAPITAL MANAGEMENT, L.P.,

Reorganized Debtor.

Chapter 11

Case No. 19-34054-sgj11

**MOTION FOR ORDER FIXING
ALLOWED AMOUNT OF CLASS 11 INTERESTS¹**

The Highland Claimant Trust (“**Claimant Trust**”) files this Motion (the “**Motion**”) for entry of an order pursuant to 11 U.S.C. § 502(b), substantially in the form attached as **Exhibit A**, fixing the allowed amount of the unvested Class 11 Contingent Claimant Trust Interests of: (a) The Dugaboy Investment Trust (“**Dugaboy**”) in the amount of \$740,081.61; (b) Strand Advisors, Inc.

¹ Capitalized terms used but not defined herein have the meanings given to them in the Claimant Trust Agreement or the Plan, as applicable.



(“**Strand**”), in the amount of \$994,707.76; (c) Mark K. Okada (“**Okada Individual**”) in the amount of \$192,754.38; (d) The Mark and Pamela Okada Family Trust – Exempt Trust #1 (“**Okada Trust #1**”) in the amount of \$38,868.17; and (d) The Mark and Pamela Okada Family Trust – Exempt Trust #2 (“**Okada Trust #2**”) in the amount of \$16,657.79 (Dugaboy, Strand, Okada Individual, Okada Trust #1 and Okada Trust #2 are collectively referred to as the “**Class 11 Holders**”), in each case, on account of their respective pre-petition Class A Limited Partnership Interests in Highland Capital Management, L.P. (“**Highland**”)

PRELIMINARY STATEMENT

1. Before the Claimant Trust can complete the dissolution and wind-up process, it must, among other things, fully resolve all Disputed Claims and Equity Interests.² With this Court’s recent Order³ approving the settlement with HMIT and allowing its Class 10 interest in the Claimant Trust on account of its pre-petition equity interest in Highland in the amount of \$336,940,230.58, the only unresolved Claims and Equity Interests are (a) the alleged Class 8 Claim held by Patrick Daugherty (which is fully reserved-for), and (b) the unvested Class 11 Contingent Claimant Trust Interests to be issued to the Class 11 Holders.⁴ This Motion addresses the Class 11 interests.

2. Specifically, the Claimant Trust asks the Court to fix the allowed amount of each unvested Class 11 Contingent Claimant Trust Interest to be issued to each Class 11 Holder as required by the Plan and the Claimant Trust Agreement and pursuant to Section 502 of the Bankruptcy Code. The Court should determine the amount of each Class 11 Contingent Claimant

² Claimant Trust Agreement § 9.1(d).

³ *Order Pursuant to Bankruptcy Rule 9019 and 11 U.S.C. § 363 Approving Settlement Between the Highland Entities and the HMIT Entities and Authorizing Actions Consistent Therewith* [Docket No. 4297] (the “**HMIT Order**”).

⁴ Earlier this year, Highland commenced an adversary proceeding (Adv. Pro. No. 25-03055-sgj) to resolve Mr. Daugherty’s remaining claim, leaving the Class 11 Interests as the only Disputed Claim or Equity Interest.

Trust Interest consistent with HMIT's Class 10 Contingent Claimant Trust Interest—that is, the allowed amount of each unvested Class 11 Contingent Claimant Trust Interest should be fixed in the amount of each Class 11 Holder's Petition Date capital account balance.⁵

3. Accordingly, the Claimant Trust respectfully requests that the Court enter an order in the form annexed as **Exhibit A** granting the Motion and fixing the amount of each unvested Class 11 Contingent Claimant Trust Interest as set forth in Exhibit A.

RELEVANT BACKGROUND

I. Highland's Partnership Structure

4. Highland was a limited partnership organized under the laws of the State of Delaware. In December 2015, Highland, through a series of transactions, restructured its limited partnership interests into three classes: Class A Limited Partnership Interests, Class B Limited Partnership Interests, and Class C Limited Partnership Interests. The Hunter Mountain Investment Trust ("HMIT") acquired 100% of Highland's Class B/C Limited Partnership Interests by contributing funds into Highland as well as by purchasing interests from James Dondero, Mark Okada, and certain entities affiliated with them.⁶ The HMIT Class B/C Limited Partnership Interests accounted for 99.5% of the pre-petition partnership interests in Highland and entitled the holders thereof to priority distributions. Mr. Dondero (through Dugaboy and Strand) and Mr. Okada (through Okada Individual, Okada Trust #1, and Okada Trust #2) retained Highland's Class A Limited Partnership Interests, which accounted for 0.5% of Highland's pre-petition partnership interests.

⁵ HMIT's Class 10 Contingent Claimant Trust Interest was fixed based on the amount of its limited partner capital account as of the Petition Date, offset by the HMIT Note Balance (as defined below).

⁶ Concurrent with its acquisition of the Class B/C Limited Partnership Interests, HMIT executed the *Secured Promissory Note*, dated December 21, 2015, in the original face amount of \$63,000,000 in favor of Highland (the "**HMIT Note**"), which, as of the Petition Date, had an outstanding principal and interest balance of \$57,690,640.95 (the "**HMIT Note Balance**").

5. On December 24, 2015, Highland and its limited partners entered into the Limited Partnership Agreement, which governed the rights and obligations of the Class A and Class B/C limited partners and remained in effect until the Effective Date. Consistent with the requirements of the Internal Revenue Code and IRS regulations promulgated thereunder,⁷ the Limited Partnership Agreement required the establishment and maintenance of a capital account at Highland reflecting each partner's economic interest in the partnership and the amounts the partners would receive – after payment of senior obligations – in a liquidation or buyout. The capital accounts for each partner were consistently adjusted based on partnership economic activity and were maintained in accordance with IRS regulations and the Limited Partnership Agreement, and Schedule K-1s were distributed to the partners annually.⁸

6. Between year-end 2018 (as reflected in the 2018 Tax Return and accompanying K-1s) and the Petition Date, the capital accounts of the Highland partners fluctuated in accordance with the requirements of the Limited Partnership Agreement based on Highland's 2019 year-to-date economic performance. As of the Petition Date: (a) HMIT's capital account balance on account of its Class B/C Limited Partnership Interests was \$394,630,871.53; (b) Dugaboy's capital account on account of its Class A Limited Partnership Interest was \$740,081.61; (c) Strand's capital account on account of its Class A Interest was \$994,707.76; (d) Okada Individual's capital account on account of its Class A Limited Partnership Interest was \$192,754.38; (e) Okada #1's capital account on account of its Class A Limited Partnership Interest was \$38,868.17; and (f)

⁷ IRC § 704 *et seq.*; IRS Reg. 1.704-1(b)(2)(iv); LPA § 3.7.

⁸ Each of the Class 11 Holders received a Highland Schedule K-1 each year (including 2018 and 2019) reflecting, among other things, their respective share of Highland's calendar year income and losses as well as each partner's beginning and year-end capital accounts. The K-1s were derived from Highland's IRS Form 1065 U.S. Return of Partnership Income for each year (a "**Tax Return**") and were to be used by each Class 11 Holder in preparation of their own respective tax returns. Under penalty of perjury, the 2018 Tax Return was executed by Mr. Dondero (9/15/19), and the 2019 Tax Return was executed by Frank Waterhouse (9/10/20). *See* Claimant Trust's Exhibits 115 and 116, admitted into evidence during the June 25, 2025, hearing resulting in the HMIT Order [Doc. 4293].

Okada #2's capital account on account of its Class A Limited Partnership Interest was \$16,657.79. The total of these six capital accounts was \$396,613,941.24.⁹

II. The Bankruptcy Case

7. Highland commenced the Bankruptcy Case in the District of Delaware on October 16, 2019, by filing its voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Bankruptcy Case was subsequently transferred to this Court.

8. On February 22, 2021, the Bankruptcy Court entered the *Order (I) Confirming the Fifth Amended Plan of Reorganization of Highland Capital Management, L.P. (as Modified) and (II) Granting Related Relief* [Doc. 1943], which confirmed the *Fifth Amended Plan of Reorganization of Highland Capital Management, L.P. (as Modified)* [Doc. 1943-1] (the “**Plan**”). The Plan went effective on August 11, 2021 [Doc. 2700] (the “**Effective Date**”).

9. On the Effective Date and in accordance with the Plan, the Claimant Trust was created pursuant to the terms of the Claimant Trust Agreement (the “**CTA**”). Pursuant to Section 5.1(c) of the CTA and in accordance with the Plan (Art. III.H.10 and 11): (a) the pre-petition Class B/C Limited Partnership Interests and the Class A Limited Partnership Interests in Highland were extinguished; (b) the Holders of allowed Class B/C Limited Partnership Interests would receive unvested Class 10 Contingent Claimant Trust Interests if and when their Equity Interests were allowed in amounts as determined under the Plan; and (c) Holders of allowed Class A Limited Partnership Interests would receive unvested Class 11 Contingent Claimant Trust Interests if and when their Equity Interests were allowed in amounts as determined under the Plan.

10. The Plan requires that Holders of Class 10 and Class 11 whose interests are allowed receive a Pro Rata share of the Contingent Claimant Trust Interest. Pro Rata means the allowed

⁹ See, e.g., Debtor's Monthly Op. Rpt. Nov. 2019 at 2. Partners' Capital 10/15/2019 \$396,614,000, Docket No. 289. Each subsequent monthly operating report also contained the identical Petition Date balance.

amount a holder's interest bears to the total allowed amount in the class.¹⁰ To determine the amount of the Contingent Claimant Trust Interests to be issued to each Holder of allowed Class A Limited Partnership Interests and Class B/C Limited Partnership Interests, as applicable, the Plan and the CTA requires the calculation of a ratio equal to the amount of each Holder's allowed Class 10 or Class 11 Interest divided by the total amount of all allowed Class 10 and Class 11 Interests, as applicable.¹¹ Contingent Claimant Trust Interests distributed to the Holders of allowed Class A Limited Partnership Interests (*i.e.*, Class 11 Holders) are subordinated to the Contingent Claimant Trust Interests issued to the Holders of allowed Class B/C Limited Partnership Interests and receive nothing unless and until allowed Class 10 Interests are paid in full.¹²

11. On June 30, 2025, this Court entered the HMIT Order allowing HMIT's Class 10 Contingent Claimant Trust Interest in the fixed amount of \$336,940,230.58, based on HMIT's capital account balance in respect of its Class B/C Limited Partnership Interests as of the Petition Date (\$394,630,871.53) minus the HMIT Note Balance (\$57,690,640.95).

12. Prior to the HMIT Order, on December 27, 2024, this Court approved and entered the stipulated and agreed order (the "**HCLOM Order**") relating to the claims of Highland CLO Management, Ltd. ("**HCLOM**") pursuant to which HCLOM's claim against Highland was subordinated and then allowed as a Class 10 Contingent Claimant Trust Interest in the fixed amount of \$10,140,633.26, subject to the terms of that order.¹³ HMIT and HCLOM are the only Holders of Class 10 Interests, subject to the terms of their respective allowance orders.

¹⁰ Plan Art. I.B.97.

¹¹ See Plan Art. III.H.10 and 11; CTA § 5.1(c).

¹² See Plan Art. I.B.44 and CTA § 5.1(c).

¹³ *Stipulated and Agreed Order Resolving (A) HCLOM Ltd.'s Scheduled Claims 3.65 and 3.66 and (B) Highland Capital Management, L.P.'s (1) Objection and (2) Motion for Bad Faith Finding and Award of Attorneys' Fees Against HCLOM Ltd. and James Dondero in Connection Therewith* [Doc. 4199]. HCLOM and its control person, Mr. Dondero, expressly agreed to all terms of the HCLOM Order, and Dugaboy and HMIT approved the HCLOM Order "as to form and substance." *Id.*

13. With Class 10 Interest amounts fixed, the Plan and the CTA require the fixing of the allowed amounts of the Holders of Class 11 Interests. Unless such amounts are fixed, it is impossible to calculate the Holders' Pro Rata share of the Contingent Claimant Trust Interests as required by the Plan and the CTA.

BASIS FOR RELIEF REQUESTED

14. Under 11 U.S.C. § 502(b), this Court, "after notice and hearing, shall determine the amount of [a] claim ... as of the date of the filing of the petition, and shall allow such claim in such amount" "In determining the amount of a claim, the court is guided by otherwise applicable state or federal law, whether the claim is liquidated or contingent or if any other issues exist which bear upon the amount of the claim. ... If the claim is liquidated and properly existing under state law, the task of the court in determining the amount may be relatively straightforward." 4 COLLIER ON BANKRUPTCY ¶ 502.03.

15. To enable the Claimant Trust to complete the issuance of unvested Class 11 Contingent Claimant Trust Interests to the Holders of pre-petition Class A Limited Partnership Interests, the Court should allow the Class 11 Holders' Contingent Claimant Trust Interest in the amount of their respective Highland Class A Limited Partnership Interest capital account balances as of the Petition Date, in a manner consistent with the HMIT Order.

NO PRIOR REQUEST

16. No previous request for the relief sought herein has been made to any court.

PRAYER

17. WHEREFORE, the Claimant Trust respectfully requests entry of an order, substantially in the form attached hereto as **Exhibit A**, granting the Motion and the relief requested herein as well as any further relief the Court deems just and proper.

Dated: August 8, 2025.

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EXHIBIT A

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

In re: HIGHLAND CAPITAL MANAGEMENT, L.P., ¹ Reorganized Debtor.	§ § § § § §	Chapter 11 Case No. 19-34054-sgj11
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ORDER FIXING ALLOWED AMOUNT OF CLASS 11 INTERESTS

This matter having come before the Court on the *Motion for Entry of Order Fixing Allowed Amount of Class 11 Interests* [Docket No.] (the “Motion”)² filed by the Highland Claimant Trust (the “Claimant Trust”); and the Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 as well as the retention of jurisdiction provisions of the Plan; and the Court having found that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and venue in this District being proper pursuant to 28 U.S.C. §§ 1408 and 1409; and

¹ The last four digits of the Reorganized Debtor’s taxpayer identification number are 8357. The headquarters and service address for the Highland is 100 Crescent Court, Suite 1850, Dallas, TX 75201.

² Capitalized terms not otherwise defined herein have the meanings ascribed to such terms in the Motion.

the Court having considered the Motion; and the Court having found that the legal and factual bases set forth in the Motion establish sufficient cause for the relief granted herein; and adequate notice of the Motion having been given; and after due deliberation and good cause appearing therefor,

NOW, THEREFORE, IT IS ORDERED, ADJUDGED, AND DECREED THAT:

1. The Motion is **GRANTED**.
2. The Dugaboy Investment Trust's Class 11 Interest is allowed in the amount of \$740,081.61.
3. Strand Advisors, Inc.'s Class 11 Interest is allowed in the amount of \$994,707.76.
4. Mark K. Okada's Class 11 Interest is allowed in the amount of \$192,754.38.
5. The Mark and Pamela Okada Family Trust – Exempt Trust #1's Class 11 Interest is allowed in the amount of \$38,868.17.
6. The Mark and Pamela Okada Family Trust – Exempt Trust #2's Class 11 Interest is allowed in the amount of \$16,657.79.
7. Nothing herein shall be deemed to vest the Class 11 Interests, and the Class 11 Interests will vest, if at all, pursuant to the terms of the Claimant Trust Agreement and the Plan.
8. The Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation, or enforcement of this Order.

END OF ORDER