

**IN THE GRAND COURT OF THE CAYMAN ISLANDS**

**CAUSE NO. 438 OF 2007**

In the matter of **SECTION 96 OF THE COMPANIES LAW (2007 REVISION)**

And in the matter of **HIGHLAND SPECIAL OPPORTUNITY FUND LTD**

**PETITION**

**To: The Grand Court of the Cayman Islands**

The humble Petition of ABLE MULTI-FUND LTD of Windward 1, 2<sup>nd</sup> Floor Regatta Office Park, West Bay Road, P.O. Box 31106, Grand Cayman KY-1205, Cayman Islands shows that:

1. HIGHLAND SPECIAL OPPORTUNITY FUND LTD (hereinafter referred to as "the Company") was incorporated as an exempt company registration no. 138139 on 21<sup>st</sup> July 2004 under the Companies Law (2007 Revision).
2. The registered office of the Company is at Admiral Administration PO Box 32021 SM, Anchorage Centre, 2<sup>nd</sup> Floor Grand Cayman, Cayman Islands, B.W.I.
3. The share capital of the Company is US\$50,000 divided into 5,000,000 shares of a nominal value of US\$0.01 each. The objects for which the Company is established are unrestricted. However, the Company's Amended and Restated Information Memorandum dated 1<sup>st</sup> July 2005 states on page (vi) that the Company was to invest substantially all of its assets, (being the capital raised by the issue and sale of shares) through a "master/feeder" structure in Highland Special Opportunity Master Fund Ltd (the "Master Fund") which has been organized as an exempted company under the laws of the Cayman Islands.

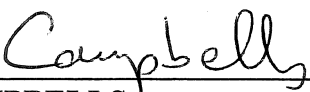
4. Through its custodian, Royal Bank of Canada ("Custodian") the Petitioner subscribed for shares in the Company. 9.1663 Class A, Series 1204 shares of the Company (the "Shares") were registered in the name of the Petitioner's custodian, in the name of "NYROY – Account #1513".
5. On 3<sup>rd</sup> May 2007 the Petitioner, through its Custodian issued a redemption request in respect of the Shares in accordance with Article 51 of the Company's Articles of Association (the "Redemption Request") for a redemption date of 30<sup>th</sup> June 2007 (the "Redemption Date").
6. It was accepted by the Company that the Redemption Request would be effective as at the Redemption Date.
7. The Company advised the Petitioner that the Net Asset Value of the Shares as at the Redemption Date was US\$669,261 (the "Redemption Proceeds").
8. Pursuant to Article 53 of the Company's Articles of Association the redemption of Shares shall be deemed to be effected at the close of business on the Redemption Date at which time the Shares shall be cancelled forthwith. Accordingly the Petitioner and/or its Custodian ceased to be a shareholder on 30<sup>th</sup> June 2007 and became a creditor of the Company for the sum of US\$669,261.
9. On July 10<sup>th</sup>, 2007 the Company paid to the [Custodian approximately 20% of the Redemption Proceeds being the sum of \$132,772.
10. Subsequent to 29<sup>th</sup> June 2007 the Company through its investment manager Highland Financial Holdings Group, LLC (the "Investment Manager") has made a number of promises to make further payments of all or part of the Redemption Proceeds. However as at the date of this Petition it has failed to do so.

11. Further, it appears from correspondence and communications between the Petitioner and the Investment Manager that the Master Fund has suffered a significant loss of value and loss of liquidity. On 8<sup>th</sup> August 2007 the Company purported to suspend the payment of any unpaid proceeds or redemptions including the Redemption Proceeds, until September 25, 2007. As a result of the loss in value of the assets of the Master Fund and therefore the corresponding loss in value in the assets of the Company and the lack of liquidity, the Company is unable to pay its debts as they fall due and is insolvent.
12. The Petitioner therefore believes that the Company is insolvent and unable to pay its debts as they fall due.

**THE PETITIONER THEREFORE PRAYS THAT:**

- (1) The Company be wound up by the Court under the provisions of the Companies Law (2007 Revision).
- (2) That G. James Cleaver and Richard Edgar Lewis Fogerty of Kroll (Cayman) Limited, of 4<sup>th</sup> Floor Bermuda House, British American Centre, Dr. Roy's Drive, George Town, Grand Cayman be appointed as Joint Liquidators of the Company
- (3) The reasonable costs of and incidental to this Petition be paid forthwith from the assets of the Company.

DATED this 26<sup>th</sup> day of September, 2007.

  
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CAMPBELLS

Note: It is intended to serve this Petition on the Company at its registered office.

**INDORSEMENT**

This Petition having been presented to the Court on 23<sup>rd</sup> November will be heard at the Law Courts, George Town, Grand Cayman on at 10 a.m./p.m. or as soon thereafter as the Petition can be heard.

**This Petition** is filed by Campbells, Attorneys-at-Law for the Petitioners, whose address for service is that of its Attorneys-at-Law, Fourth Floor, Scotiabank Building, P.O. Box 884, George Town, Grand Cayman, Cayman Islands B.W.I. (Ref: AJW/MPC/14767)

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**LISTING FORM**

<b>Title of Proceeding:</b> <i>In the matter of SECTION 96 OF THE COMPANIES LAW (2007 REVISION)</i> <i>And in the matter of HIGHLAND SPECIAL OPPORTUNITY FUND LTD</i>	<b>Cause No:</b> <i>To be supplied</i>
<b>Applicant(s) and Attorney(s):</b> <i>ABLE MULTI-FUND LTD</i>  <i>CAMPBELLS</i> <i>FOURTH FLOOR</i> <i>SCOTIABANK BUILDING</i> <i>GEORGE TOWN</i>	<b>Respondent(s) and Attorney(s)</b>  <i>HIGHLAND SPECIAL OPPORTUNITY FUND LTD</i>  <i>Unknown</i>
<b>Is a particular Judge seized of the matter:</b>	<b>Type of application and Rule of Law pursuant to which it is brought:</b>
<i>NO</i>	<i>Winding Up Petition pursuant to section 96 of the Companies Law (2007 Revision)</i>
<b>Brief description of the substance of the application:</b>	<b>Legal issues to be argued:</b>
<i>Petition to wind up Highland Special Opportunity Fund Ltd</i>	<i>N/A</i>
<b>Material filed to date:</b>	<b>Full description of the nature and extent of affidavit and other material (including authorities) that will be delivered to the Judge in advance of the hearing:</b>
<i>Petition</i>	<i>First Affidavit of Theodore Goneos</i>
<b>Has an order for cross-examination on affidavits made been/is an application for leave to cross-examine to be made?</b>	<b>Joint opinion of all participating attorneys as to reasonable length of the hearing:</b>
<i>NO</i>	<i>one hour</i>

<b>Prospects of settlement before hearing:</b>	<b>Dates to avoid:-</b>
<i>NOT KNOWN</i>	<i>All dates prior to 30<sup>TH</sup> OCTOBER, 2007</i>

**DATED:** 26<sup>th</sup> September 2007

*Campbells*

**CAMPBELLS**  
**Attorneys-at-Law for the Petitioner**