

Highland Credit Strategies Fund

Form 4

July 22, 2008

FORM 4**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Check this box
if no longer
subject to
Section 16.
Form 4 or
Form 5
obligations
may continue.
See Instruction
1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF
SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,
Section 17(a) of the Public Utility Holding Company Act of 1935 or Section
30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB
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(Print or Type Responses)

1. Name and Address of Reporting Person *
DONDERO JAMES D

2. Issuer Name **and** Ticker or Trading
Symbol
**Highland Credit Strategies Fund
[HCF]**

5. Relationship of Reporting Person(s) to
Issuer

(Check all applicable)

(Last) (First) (Middle)
13455 NOEL ROAD,

(Street)

3. Date of Earliest Transaction
(Month/Day/Year)
07/18/2008

____ Director ____ 10% Owner
☒ Officer (give title below) ____ Other (specify below)
President

DALLAS, TX 75240

4. If Amendment, Date Original
Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check
Applicable Line)
____ Form filed by One Reporting Person
☒ Form filed by More than One Reporting
Person

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
Common Stock	07/18/2008		A ⁽¹⁾	799,493 A	\$ 1,136,859 ⁽²⁾ 13.93 ⁽³⁾	I ⁽²⁾ ⁽³⁾	see footnotes (2)(3)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

**Persons who respond to the collection of
information contained in this form are not
required to respond unless the form
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SEC 1474
(9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)**

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Own Follo Repor Trans (Instr
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares

Reporting Owners

Reporting Owner Name / Address	Relationships
	Director 10% Owner Officer Other
DONDERO JAMES D 13455 NOEL ROAD DALLAS, TX 75240	President
HIGHLAND CAPITAL MANAGEMENT LP 13455 NOEL ROAD SUITE 800 DALLAS, TX 75240	Investment Adviser

Signatures

/s/James D.
Dondero 07/22/2008

**Signature of
Reporting Person Date

James D.
Dondero 07/22/2008

**Signature of
Reporting Person Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Received in exchange for 2,279,636 shares of Prospect Street High Income Portfolio Inc. ("PHY") common stock and 1,006,209 shares of Prospect Street Income Shares Inc. ("CNN") common stock in connection with the reorganizations of PHY and CNN into the issuer. On the effective date of the reorganizations, the net asset value of PHY's common stock was \$2.62, the net asset value of CNN's common stock was \$5.13 and the net asset value of HCF's common stock was \$13.93.

(2) The amount shown includes shares held by the Highland CDO Opportunity Fund, Ltd. ("CDO"), (ii) The Canis Major Trust ("Canis Major"), (iii) The Get Good Non-Exempt Trust No. 2("Get Good Non-Exempt"), (iv) Highland Capital Management, L.P. ("HCMLP"), (v) PCMG Trading Partners XXIII, LP ("PCMG"), (vi) Highland Equity Focus Fund, L.P. ("HEFF"), (vii) the Option Plan, (viii) the HCMLP 401(k) Plan and (ix) Highland Capital Management L.P. Retirement Plan and Trust (the "Retirement Plan and Trust").

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- HCMLP was the investment adviser for PHY and CNN, and is the investment adviser for the issuer. HCMLP maintains the 401(k) Plan, the Option Plan and the Retirement Plan and Trust for the benefit of its employees. Mr. Dondero is the President of HCMLP and the trustee of Canis Major, Get Good Non-Exempt, the 401(k) Plan and the Retirement Plan and Trust, as well as a participant in the 401(k) Plan and Retirement Plan and Trust. Each of CDO, HEFF and PCMG are controlled by HCMLP. Each of the Option Plan, the 401(k) Plan and Retirement Plan and Trust expressly disclaims beneficial ownership of the securities reported herein. Each of CDO, HEFF, PCMG, Canis Major, Get Good Non-Exempt, HCMLP and Mr. Dondero expressly disclaims beneficial ownership of the securities reported herein, except to the extent of their pecuniary interests therein.
- (3)

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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