Docket #0762 Date Filed: 7/29/2013

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re	:	Chapter 11
	:	
Penson Worldwide, Inc.,	:	Case No. 13 – 10061 (PJW)
et al.,	:	Jointly Administered
	:	
Debtors.[1]	:	**Re: Docket No. 592**

DECLARATION OF BRYCE B. ENGEL PURSUANT TO 28 U.S.C. § 1746 IN SUPPORT OF CONFIRMATION OF FOURTH AMENDED JOINT LIQUIDATION PLAN OF PENSON WORLDWIDE, INC., AND ITS AFFILIATED DEBTORS

Bryce B. Engel, pursuant to 28 U.S.C. § 1746, declares as follows:

1. I am the President and Chief Operating Officer of Penson Worldwide, Inc., a Delaware corporation and one of the above captioned debtors and debtors-in-possession in these chapter 11 cases (each a "Debtor"). I have served in this capacity since August of 2011, and I am familiar with the day-to-day operations, financial conditions, business affairs and books and records of the Debtors.

2. I submit this declaration (the "Declaration") in support of confirmation of the *Fourth Amended Joint Liquidation Plan of Penson Worldwide, Inc., and its Affiliated Debtors* (as may be amended, supplemented or otherwise modified from time to time, the "Plan").[2] I have reviewed and am familiar with the terms and provisions of the Plan. Except as otherwise indicated, all facts set forth in this Declaration are based upon information and belief and (i) my personal knowledge, (ii) my professional experience, (iii) information concerning the

[1] The Debtors in these Chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Penson Worldwide, Inc. (6356); SAI Holdings, Inc. (3657); Penson Financial Services, Inc. (3990); Penson Financial Futures, Inc. (6207); Penson Holdings, Inc. (4821); Penson Execution Services, Inc. (9338); Nexa Technologies, Inc. (7424); GHP1, Inc. (1377); GHP2, LLC (1374), Penson Futures (6207).

[2] Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Plan.

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operations and finances of the Debtors, (iv) my review of relevant business records of the Debtors and relevant documents including the Plan, the Disclosure Statement, and the documents contained in the Plan Supplement, (vi) other information, including, but not limited to, information provided to me by the employees working under my supervision, or (vi) for matters involving the requirements for confirmation of the Plan under the Bankruptcy Code, my reliance on the advice of the Debtors' bankruptcy counsel. If I were called upon to testify, I could and would, based on the foregoing, testify competently to the facts set forth herein.

I. THE PLAN AND DISCLOSURE STATEMENT

3. On June 6, 2013, the Debtors filed the Plan and related *Third Amended Disclosure Statement with Respect to the Join Liquidation Plan of Penson Worldwide, Inc., and its Affiliated Debtors* [Docket No. 593] (as maybe amended and/or modified, the "Disclosure Statement").

4. On June 7, 2013, the Bankruptcy Court entered an *Order: (A) Approving Disclosure Statement; (B) Fixing Voting Record Date; (C) Approving Solicitation Materials and Procedures for Distribution Thereof; (D) Approving Forms of Ballots and Establishing Procedures for Voting on Plan; (E) Scheduling Hearing and Establishing Notice and Objection Procedures in Respect of Confirmation of Plan; and (F) Granting Related Relief* [Docket No. 599] (the "Disclosure Statement Order"). Shortly thereafter, and prior to the deadline provided in the Disclosure Statement Order, the Debtors commenced solicitation of the Plan.

5. I have been advised and believe that the Debtors' solicitation of the Plan was consistent and compliant with the rules and regulations governing the adequacy of disclosure regarding such solicitation, as well as the Disclosure Statement Order, and that such

procedures satisfy sections 1125 and 1126 of the Bankruptcy Code and Bankruptcy Rules 3017 and 3018.

6. The Plan is the result of extensive, arm's length negotiations among the Debtors and their key creditor constituencies, including the Second Lien Noteholders Committee, the Convertible Noteholders Committee and the Committee. As a result of these negotiations, I understand that all of the Debtors' key constituencies support the Plan.

7. Contemporaneously herewith, the Debtors are filing the *Certification of Michael J. Hill with respect to the Tabulation of Votes on the Fourth Amended Joint Liquidation Plan of Penson Worldwide, Inc., and its Affiliated Debtors* (the "Voting Declaration"). The Voting Declaration provides that the Debtors received unanimous acceptance of the Plan by the Voting Deadline.

II. SATISFACTION OF PLAN CONFIRMATION REQUIRMENTS

8. I have been advised by the Debtors' legal advisors and believe, based on my review of the Plan and related materials and my discussions with those advisors, that the Plan satisfies all applicable provisions of the Bankruptcy Code and should be confirmed.

A. The Plan Complies with Applicable Provisions of the Bankruptcy Code: Section 1129(a)(1)

9. I have been advised and believe that the Plan complies with all of the requirements of section 1129(a)(1) of the Bankruptcy Code, including, without limitation, sections 1122 and 1123 of the Bankruptcy Code, and is, therefore, confirmable.

(i) The Plan's Classification of Claims and Equity Interests is Appropriate (Section 1122)

10. I have been advised that section 1122 of the Bankruptcy Code permits a plan to classify various claims and equity interests into different classes, so long as all the claims and interests in a particular class are substantially similar. It is my understanding that valid

business, factual, and legal reasons exist for classifying the Claims and Equity Interests into separate Classes under the Plan and that the Claims or Equity Interests in each particular Class are substantially similar.

11. As required by section 1122(a) of the Bankruptcy Code, each Class of Claims and Equity Interests under the Plan contains only Claims and Equity Interests that are substantially similar to the other Claims and Equity Interests within their Class. The Plan's classification scheme generally mirrors the Debtors' capital structure: secured debt is classified separately from unsecured debt and unsecured debt is classified separately from equity interests. Additionally, different types of secured debt and unsecured claims are separated into distinct Classes based on the type of claims and the recoveries that each type of claim will receive under the Plan. Because the Plan's classification scheme recognizes the differing legal and equitable rights of creditors versus interest holders, secured versus unsecured claims, and priority versus non-priority claims, I am advised and believe that the Plan satisfies section 1122 of the Bankruptcy Code.

(ii) The Plan Satisfies the Seven Mandatory Provisions of Section 1123

12. I understand that section 1123(a) of the Bankruptcy Code sets forth various requirements regarding the appropriate contents of a plan. Based on my discussions with the Debtors' legal advisors, I am informed that the Plan satisfies each of these requirements.

13. As required under section 1123(a)(1) of the Bankruptcy Code, the Plan designates Classes of Claims and Equity Interests, including Non-Tax Priority Claims, Other Secured Claims, General Unsecured Claims, Second Lien Note Claims, Second Lien Note Guarantee Claims, Convertible Note Claims, Subordinated Note Claims, Intercompany Claims, Securities Law Claims and Equity Interests. Pursuant to sections 1123(a)(2) and (3) of the Bankruptcy Code, Articles II-VIII of the Plan specify all Claims and Equity Interests that are not

impaired and specify the treatment of all Claims and Equity Interests that are impaired. Pursuant to section 1123(a)(4) of the Bankruptcy Code, the Plan also provides the same treatment for each Claim or Equity Interest within a particular Class, except to the extent a creditor has elected to receive other lesser treatment. I have been advised that such optional elections do not violate section 1123(a)(4) of the Bankruptcy Code as the elections are available to each holder within a particular Class as set forth in the Plan. Thus, based on my discussions with the Debtors' legal advisors, I am informed that the Plan satisfies each of the requirements of section 1123(a)(1)-(4).

14. The Plan provides adequate means for its implementation as required by section 1123(a)(5) of the Bankruptcy Code. Article IX of the Plan sets forth numerous provisions designated to facilitate implementation of the Plan. Specifically, the Plan provides for the formation of PTL and the creation of a Liquidation Trust on or before the Effective Date of the Plan, and the transfer of the PTL Assets by the Debtors to PTL on the Effective Date.

15. The Plan further provides for the appointment of the Board of Managers and the Chief Officer to manage the PTL. The initial Board of Managers will consist of one member appointed by the Committee, one member appointed by the Convertible Noteholders Committee, and two members appointed by the Second Lien Noteholders Committee. PTL will administer the PTL Assets and will have authority to, among other things, establish bank accounts, establish, fund and release reserves, object to and resolve Claims, and liquidate any non-Cash Property. The Plan also provides for the appointment of the Liquidation Trustee to administer the Liquidation Trust, which will be established for the primary purpose of monetizing and distributing the Liquidation Trust Assets to the Liquidation Trust Beneficiaries. The distribution provisions set forth in the Plan are also designed to facilitate the implementation of the Plan. I believe that the proposed implementation steps have been carefully developed and

designed to properly effect the Plan and that, as a result, the Plan provides more than adequate means for its implementation and the requirements of section 1123(a)(5) are satisfied.

16. The Debtors have complied with section 1123(a)(6) of the Bankruptcy Code. The Debtors have filed with the Bankruptcy Court a form of the PTL LLC Agreement as part of the Plan Supplement that includes, without limitation, a prohibition against the issuance of non-voting securities. Accordingly, I understand that the Plan complies with section 1123(a)(6) of the Bankruptcy Code insofar as it does not provide for, and the PTL LLC Agreement prohibits, the issuance of nonvoting securities.

17. The Debtors have complied with section 1123(a)(7) of the Bankruptcy Code. Pursuant to Articles IX and X of the Plan, effective as of the Effective Date, (i) PTL will be managed by the Chief Officer and the Board of Managers, and (ii) the members of the board of directors of each Debtor prior to the Effective Date shall have no continuing obligations to the Debtor(s) or PTL on or after the Effective Date.

18. The Chief Officer is to serve as a manager of PTL. The Debtors agree that the Chief Officer will also serve as the Liquidation Trustee in connection with administration of the Liquidation Trust. I believe that the manner of selection of the Chief Officer and the Liquidation Trustee by the Debtors, the Second Lien Noteholders Committee, the Convertible Noteholders Committee and the Committee was consistent with the interests of the holders of Claims and Equity Interests and with public policy. Accordingly, the Plan complies with section 1123(a)(7) of the Bankruptcy Code.

B. Notice and Solicitation Of the Plan: Section 1129(a)(2)

19. Based on my discussions with the Debtors' legal advisors, I believe that the Debtors have complied with the applicable provisions of the Bankruptcy Code as required by

section 1129(a)(2) thereof. In particular, as required by section 1125(b) of the Bankruptcy Code, solicitation of acceptances or rejections of the Plan occurred only after holders of Claims and Equity Interests were provided with a copy of the Plan and Disclosure Statement. The Debtors, including their professionals, have acted in good faith in all respects during the solicitation process.

C. Good Faith: Section 1129(a)(3)

20. Consistent with the purpose of chapter 11 of the Bankruptcy Code, the Plan is designed to liquidate and distribute the Debtors' assets, or proceeds thereof, in an orderly and equitable manner. The Plan was developed, negotiated, and is being proposed in good faith. The Plan and the process leading to its formulation, including the diligently-pursued negotiations with the Debtors' major creditor constituencies, including the Second Lien Noteholders Committee, the Convertible Noteholders Committee and the Committee, provide additional, independent evidence of the good faith of the Debtors. Accordingly, I believe that the Plan complies with section 1129(a)(3) of the Bankruptcy Code.

D. Court Approval of Certain Payments: Section 1129(a)(4)

21. Based on my discussions with the Debtors' legal advisors, I believe the Plan complies with section 1129(a)(4) of the Bankruptcy Code, as all payments made or to be made by the Debtors for services rendered and expenses incurred in connection with the Chapter 11 Cases prior to Confirmation, including, without limitation, all Claims for professional fees, will be paid only after allowance of such Claims by the Court to the extent not already approved and paid in accordance with orders of the Court.

E. Disclosure of Certain Individuals: Section 1129(a)(5)

22. As set forth in the Plan Supplement filed by the Debtors [Docket No. 708] (as amended and/or supplemented, the "Plan Supplement"), I will serve as the Chief Officer of PTL and the Liquidation Trustee of the Liquidation Trust following confirmation of the Plan and subject to the occurrence of the Effective Date. I will be compensated in accordance with the retention documents set forth in the Plan Supplement. Accordingly, I have been advised and believe that the Plan complies with section 1129(a)(5) of the Bankruptcy Code.

F. Rate Changes: Section 1129(a)(6)

23. Because no governmental regulatory commission will have jurisdiction over the rates of the Debtors following the Confirmation Date, I understand that the provisions of section 1129(a)(6) of the Bankruptcy Code are not applicable to the Plan.

G. Best Interests Test: Section 1129(a)(7)

24. As of the Petition Date, the Debtors ceased business operations and have been in the process of liquidating their assets pursuant to various Orders of the Bankruptcy Court. I believe that the Plan provides holders of Claims or Equity Interests who have not voted to accept the Plan with at least as much as they would receive in a liquidation of the Debtors' estates under chapter 7 of the Bankruptcy Code. I assisted in the preparation of the Liquidation Analysis and believe that the ranges of estimated liquidation values set forth therein are fair and reasonable estimates of the value of the Debtors' estates upon a liquidation. Based on those estimates, each Class of Claims or Equity Interests will receive at least as much as that Class would receive in a hypothetical chapter 7 liquidation. As such, I am advised and believe that the Plan satisfies section 1129(a)(7) of the Bankruptcy Code.

25. The Liquidation Analysis is the product of careful analysis by the Debtors and KPMG, the Debtors' Chief Restructuring Officer, of, among other things, the liquidation value of the Debtors' assets, the time it would take a chapter 7 trustee or similar liquidating agent to monetize such assets, and the increase in claims against the Debtors' estates that would arise upon a liquidation. The methodology used and assumptions made therein were carefully constructed and are consistent with industry practice for this type of valuation.

26. The Liquidation Analysis was prepared using the Debtors' books and records, unaudited financial information, certain independent appraisals prepared in conjunction with financings and valuation information prepared in conjunction with the Plan. It is based on a number of estimates and assumptions that are inherently subject to significant uncertainties and contingencies.

27. The Liquidation Analysis examines the effects that a conversion of the Debtors' Chapter 11 Cases to cases under chapter 7 could have on the proceeds that could otherwise be available for distributions to holders of Claims and Interests against the Debtors. As set forth in the Liquidation Analysis, the net proceeds available for distribution to creditors after deduction of liquidation costs would be lower in chapter 7 than in chapter 11 liquidation.

28. It is my belief that the Liquidation Analysis reasonably estimates the potential proceeds that would be realized from a hypothetical chapter 7 liquidation of the Debtors and that would be available to satisfy Claims, under the assumptions set forth therein. These assumptions include, among others, the inability or failure to effectuate a dissolution of the Debtors in an expeditious manner and the unique costs associated with the chapter 7 trustee and related professionals.

29. I believe that the Plan meets the so-called "best interests test" under section 1129(a)(7) of the Bankruptcy Code. Based on the assumptions, qualifications and limitations described in the Liquidation Analysis, the holders of Allowed Administrative Expense Claims, Fee Claims, Non-Tax Priority Claims, and Other Secured Claims would receive an estimated 100% recovery on their Claims in a chapter 7 liquidation scenario and under the Plan. As the following table indicates, the recoveries realized by other Classes of Claims and Interests receiving distributions under the Plan are estimated to be greater than the distributions they would receive in a hypothetical chapter 7 case.

Class of Claims	**Distribution Percentage Under Hypothetical Chapter 7 Liquidation**	**Distribution Percentage Under the Plan**
Class 3A: General Unsecured Claims Against PWI	0 - 7%	0 - 15%
Class 4A: Second Lien Note Claims Against PWI	0 - 7%	0 - 15%
Class 5A: Convertible Note Claims Against PWI	0 - 7%	0 - 15%
Class 6A: Intercompany Claims Against PWI	0%	0%
Class 7A: Securities Law Claims Against PWI	0%	0%
Class 8A: Equity Interests in PWI	0%	0%
Class 3B: General Unsecured Claims Against PFSI	34 - 100%	50 - 100%
Class 4B: Subordinated Loan Claims Against PFSI	0 - 32%	0 - 100%
Class 5B: Intercompany Claims Against PFSI	0%	0%
Class 6B: Equity Interests in PFSI	0%	0 to $35 million ($)[3]
Class 3C: General Unsecured Claims Against SAI and PHI	4 - 9%	4 - 12%
Class 4C: Second Lien Note Guarantee Claims Against SAI and PHI	4 - 9%	4 - 12%
Class 5C: Intercompany Claims Against SAI and PHI	0%	0%
Class 5C: Equity Interests in SAI and PHI	0%	0%
Class 3D: General Unsecured Claims against	100%	100%

[3] The 0 to $35.7 million estimate for holders of Equity Interests in PFSI in Class 6B is based on the Debtors' estimate of potential recoveries in the range of $20 to $110 million with respect to any claims, rights or causes of action that they may have in connection with the Apex Transaction. Under the high recovery scenario against Apex of $110 million, after payment of intercompany debt to PWI and SAI of $57 million, the holders of Equity Interests in PFSI could potentially recover $35.7 million.

Nexa		
Class 4D: Intercompany Claims Against Nexa	N/A	N/A
Class 5D: Equity Interests in Nexa	100%	100%
Class 3E: General Unsecured Claims Against Remaining Filed Subsidiary Debtors	0%	0%
Class 4E: Intercompany Claims Against Remaining Filed Subsidiary Debtors	0%	0%
Class 5E: Equity Interests in Remaining Filed Subsidiary Debtors	0%	0%

30. Accordingly, I believe that (a) the Plan is in the best interests of each of the Classes of Claims discussed above, (b) the Plan maximizes recoveries for holders of Claims in each such Class, and (c) the liquidation of the Debtors in chapter 11, rather than chapter 7, will allow the realization of greater value for the holders of Claims in the Classes.

H. Acceptance Of Impaired Classes: Section 1129(a)(8); Cramdown: Section 1129(b)

31. Subject to the exceptions identified in section 1129(b) of the Bankruptcy Code, section 1129(a)(8) of the Bankruptcy Code requires that each class of claims or interests either has accepted the Plan or is not impaired under the Plan. Holders of Claims in Classes 6A, 7A, 8A, 5B, 6B, 5C, 6C, 4D, 5D, 4E, and 5E consist of Intercompany Claims, Securities Law Claims, and Equity Interests against various Debtors (the "Deemed Rejecting Classes"). The Deemed Rejecting Classes will receive no distributions under the Plan, were not entitled to vote on the Plan, and thus were deemed to have rejected the Plan. As the Plan does not satisfy the acceptance requirements of section 1129(a)(8) of the Bankruptcy Code, it must be confirmed under the "cram down" provisions of Bankruptcy Code section 1129(b), which requires that a plan does not "discriminate unfairly" and is "fair and equitable" with respect to each rejecting class.

32. On the basis of my discussions with the Debtors' legal advisors, I believe that the Plan satisfies these requirements because no Claims or Equity Interests junior to the

Deemed Rejecting Classes are receiving any property. Furthermore, as evidenced by the estimated recoveries set forth in the Disclosure Statement, no holders of Claims or Equity Interests junior to the Claims or Equity Interests in the Deemed Rejecting Classes will receive or retain any property under the Plan on account of their respective Claims or Equity Interests, and, as evidenced by the estimates contained in the Disclosure Statement, no holders of Claims or Equity Interests senior to the Deemed Rejecting Classes are receiving more than full payment on account of such senior Claims and Equity Interests. Although the Disclosure Statement indicates that holders of Equity Interests in Class 6B may potentially recover 0 to $35.7 million on account of such Interests, the Plan does not unfairly discriminate with respect to holders of the Intercompany Claims in Cass 5B senior to Class 6B because such Intercompany Claims are being disallowed under the Plan. Accordingly, based on my discussions with the Debtors' legal advisors, I believe that the Plan does not unfairly discriminate with respect to Deemed Rejecting Classes, and that the cram down test of section 1129(b) of the Bankruptcy Code is satisfied.

I. Treatment of Priority Claims: Section 1129(a)(9)

33. I believe that PTL and/or the Liquidation Trust will have the financial ability to make payments of Allowed Administrative Expense Claims, Fee Claims, Priority Tax Claims, Non-Tax Priority Claims and Other Secured Claims as and when they come due in accordance with the terms of the Plan, except to the extent the holders of a particular Claim agreed to a different treatment with respect to such Claim. As such, the Plan satisfies section 1129(a)(9) of the Bankruptcy Code.

J. Impaired Accepting Class: Section 1129(a)(10)

34. As required by section 1129(a)(10) of the Bankruptcy Code, the Plan satisfies the requirement that at least one Class of Claims that is impaired under the Plan accept

the Plan, excluding votes cast by insiders. As set forth in the Voting Declaration, Classes 3A, 3B, 3C, 3D, 3E, 4A, 4C and 5A voted to accept the Plan, not counting any votes cast by insiders.

K. Feasibility: Section 1129(a)(11)

35. The Plan proposes liquidation of the Debtors' estates, and as such, the Plan is not likely to be followed by the need for a future financial reorganization of the Debtors. Accordingly, I believe that the Plan is feasible and the Plan complies with section 1129(a)(11) of the Bankruptcy Code.

L. Payment of Certain Fees: Section 1129(a)(12)

36. The Debtors have paid fees to the Office of the United States Trustee as required under 28 U.S.C. § 1930 during the pendency of these Chapter 11 Cases. In accordance with section 1129(a)(12) of the Bankruptcy Code, the Plan provides that all fees payable on or before the Effective Date pursuant to 28 U.S.C. § 1930 will be paid by the Debtors on or before the Effective Date. The Debtors have adequate means to pay such fees.

M. Continuation of Retiree Benefits: Section 1129(a)(13)

37. Section 1129(a)(13) of the Bankruptcy Code requires that a chapter 11 plan provide for the continuation of retiree benefits at levels established pursuant to section 1114 of the Bankruptcy Code. The Debtors do not have any retiree benefit programs within the meaning of section 1114 of the Bankruptcy Code.

N. Only One Plan: Section 1129(c)

38. The Plan is the sole plan of reorganization that has been proposed, and thus I am advised that the requirement of section 1129(c) has been met.

O. Principal Purpose of the Plan: Section 1129(d)

39. The Plan does not have as one of its principal purposes the avoidance of taxes or the requirements of section 5 of the Securities Act of 1933, and I am unaware of any filing by any governmental agency asserting such avoidance. As such, I am advised and believe that the requirements set forth in section 1129(d) of the Bankruptcy Code have been met.

II. The Discretionary Contents of the Plan Are Appropriate (Section 1123(b))

40. I am advised that section 1123(b) of the Bankruptcy Code permits various discretionary provisions to be included in a plan. Based on my discussions with the Debtors' legal advisors, I am informed and believe that the Plan's discretionary provisions are appropriate and satisfy this provision. In particular, consistent with section 1123(b) of the Bankruptcy Code, Article III of the Plan leaves certain Classes of Claims unimpaired and impairs certain other Classes of Claims and Equity Interests. In addition, as permitted by section 1123(b)(2) and section 365(d) of the Bankruptcy Code, Section 13.01 of the Plan provides that all executory contracts and unexpired leases that are not assumed and assigned by the Debtors shall be rejected, effective as of the Confirmation Date.

41. Additionally, I am advised that section 1123(b)(6) of the Bankruptcy Code permits a plan to include additional terms so long as they are not inconsistent with the other provisions of the Bankruptcy Code. Accordingly, Article XIV of the Plan includes various release, exculpation and injunction provisions that I am advised are typically afforded to debtors and certain third parties under a plan of liquidation. I believe these discretionary provisions, including the releases discussed below, are appropriate because, among other things, they are (i) integral to the terms, conditions and settlements contained in the Plan; (ii) fair, equitable and reasonable and in the best interests of the Debtors and their estates; (iii) the product of extensive

arm's length negotiations among sophisticated parties; and (iv) supported by fair consideration. Furthermore, I understand that the Voting Classes have voted overwhelmingly in favor of the Plan.

(i) Release and Exculpation Provisions

42. The Plan contains certain releases and exculpation provisions (collectively, the "Releases").[4] For example, Section 14.06(a) of the Plan provides for releases by the Debtors, in their individual capacities and as debtors in possession, and PTL against the Released Parties (the "Debtor Releases"). Further, Section 14.06(b) of the Plan provides for consensual releases by non-Debtors against the Released Parties (the "Non-Debtor Releases"), provided, however, that the Non-Debtor Releases will apply only to any holder of a Claim that (i) was entitled to vote on the Plan, and (ii) "opted-in" to the releases provided in Section 14.06(b) of the Plan by means of a timely and properly submitted Ballot.

43. Section 14.07 of the Plan provides for the exculpation of the Debtors, PTL, the Board of Managers, the individual members of the Board of Managers, the Committee, the Indenture Trustees, the individual members of the Committee, or any of their respective current members, partners, officers, directors, employees, advisors, professionals, affiliates or agents and advisors of any of the foregoing (including any attorneys, financial advisors, investment bankers and other professionals retained by such Persons, but solely in their capacities as such) (collectively, the "Exculpated Parties") for any liability incurred in connection with any acts or omissions in connection with or arising out of the Chapter 11 Cases, the Canadian Proceeding, the Prepetition Restructuring, the negotiation and execution of the Plan, the Disclosure Statement, the solicitation of votes for and the pursuit of confirmation of the

[4] The summary of Releases below is qualified in full by the Releases set forth in Article XIV of the Plan.

Plan, the consummation of the Plan, or the administration of the Plan, and the property to be distributed under the Plan.

44. The Debtors are unaware of the existence of any claims against any of the Released Parties or the Exculpated Parties that are being released through the Debtor Releases. Nonetheless, the Debtor Releases are important in that they remove the threat of litigation and allow all interested parties to put these cases behind them and move forward with the liquidation of the Debtors' Estates in a manner most beneficial to the Debtors' creditors and stakeholders.

45. The Non-Debtors Releases are also appropriate because the Plan provides for consensual Releases only by those holders of Claims who (i) are entitled to vote on the Plan and (ii) actually mark their ballots to grant such releases. The Plan does not include non-consensual, third-party releases of Claims against the Released Parties.

46. Further, I believe that there are other numerous justifications for the Releases. First, the Releases are a key component of the Settlements (as defined below) embodied in the Plan. The Released Parties and the Exculpated Parties have played critical roles in formulating and developing the Plan and the settlement of complex issues related thereto. I believe that absent the compromises set forth in the Plan, the Debtors would be forced to undertake significant and complex litigation with various creditor constituencies with respect to the Plan. I also believe that such litigation would place an extreme burden on the Debtors' Estates, both in the overall cost of funding the litigation and in the potential prejudice that the Debtors would face if unable to dissolve within the timeframe contemplated in the Plan.

47. Second, due to contractual and indemnification obligations between the Debtors and certain of the Released Parties and the Exculpated Parties, including the Debtors' officers and directors, an identity of interest may exist between the Debtors and those parties.

The failure to approve the Releases and exculpation may result in the Debtors' obligation to defend and indemnify certain of the Released Parties and Exculpated Parties resulting in a depletion of the resources attendant to defending such actions, regardless of merit, and frustrating the injunction against and discharge of prepetition claims that the Debtors are provided under the Plan and Bankruptcy Code.

48. I also believe that the Released Parties and Exculpated Parties have made substantial contributions to the Debtors' Chapter 11 Cases and that such contributions represent good and valuable consideration to the Debtors, their Estates and all holders of Claims for the Releases. Put differently, without such contributions, the Debtors would have been unable to propose the Plan, confirm the Plan, and the holders of Allowed Claims would receive significantly less than the distribution proposed under the Plan.

49. Based on the facts and circumstances of the Debtors' Chapter 11 Cases, I believe that the Debtor Releases are fair and reasonable and a legitimate exercise of the Debtors' business judgment. Further, based also on the facts and circumstances of the Debtors' Chapter 11 Cases, I believe that the Non-Debtor Releases are fair, reasonable and appropriate since the Non-Debtor Releases are consensual and the third parties granting the Non-Debtor Releases that were entitled to vote to accept or reject the Plan voted to accept the Plan and opted in to grant such releases.

50. In sum, I believe that the Plan's release, exculpation and injunction provisions will eliminate the costs and risks of litigation and allow, among other things, the managers of PTL to focus entirely on implementing the Plan. The release, exculpation and injunction provisions have been critical to obtaining the support of the Second Lien Noteholders Committee, the Convertible Noteholders Committee and the Committee with respect to the Plan.

I submit that the release, exculpation and injunction provisions of the Plan are necessary and appropriate under the circumstances. I have been advised that the release, exculpation, and injunction provisions of the Plan are not inconsistent with the Bankruptcy Code and, thus, I believe the requirements of section 1123(b) of the Bankruptcy Code are satisfied.

(ii) The Settlements Under the Plan

51. I also believe that the Settlements (as defined below) embodied in the Plan are fair and reasonable. The Debtors, the Noteholder Committees and the Committee entered into good faith and arms' length negotiations in an attempt to resolve various issues with respect to the Plan. Those negotiations resulted in the Intercompany Claims Settlement and the settlement with the Committee with respect to the Plan (the "Settlements").

52. Under the terms of the Intercompany Claims Settlement, in recognition of the arguments that the Second Lien Noteholders and the Convertible Noteholders have made with respect to the PWI Subordinated Loan and the SAI Subordinated Loan, the Claims on account of the PWI Subordinated Loan Note shall be Allowed in the amount of $45 million and the Claims on account of the SAI Subordinated Loan shall be Allowed in the amount of $12 million. The Intercompany Claims Settlement does not affect distributions to the subsidiary unsecured creditors because the applicable unsecured creditors would get paid in full before any amounts would be paid on account of the PWI Subordinated Loan and the SAI Subordinated Loan. Accordingly, I believe that the Intercompany Claims Settlement is fair, reasonable, and in the best interests of the Debtors and their creditors.

53. In addition, the Debtors, the Noteholder Committees and the Committee reached mutual agreement with respect to, among other things, (i) specific allocation of assets by Debtor entity as set forth on Exhibit 8 attached to the Disclosure Statement and a mechanism to

resolve any potential issues with respect to the allocation of any other assets not included on Exhibit 8; (ii) the structure of the Board of Managers of PTL; (iii) preservation of certain estate causes of action, as outlined in the Disclosure Statement; and (iv) payment of post-Effective Date interest on the amounts outstanding on Allowed General Unsecured Claims in Class 3B against PFSI Estate, as set forth in the Plan.

54. These Settlements were entered into in good faith, were the product of arms' length negotiations between the Debtors, the Noteholder Committees, and the Committee, represent the exercise of the Debtors' sound business judgment, and are in the best interests of the Debtors' Estates and creditors. Entry into, and approval of, the Settlements on the terms and conditions set forth in the Plan will enable the Debtors to avoid potentially costly and time-consuming litigation, resolve potential future claims by various creditors of the Debtors, and resolve a significant creditor dispute prior to Plan confirmation. As such, approval of the Settlements through the Plan is appropriate.

CONCLUSION

I believe that the Plan will enable the holders of Claims to realize the highest possible recoveries under the circumstances of these Chapter 11 Cases. I therefore conclude that the Plan is in the best interests of all creditors and respectfully request that the Court enter an order confirming the Plan.

I declare under penalty of perjury under the laws of the United States of America that, to the best of my knowledge and after reasonably inquiry, the foregoing is true and correct. Executed this 29th day of July, 2013.

/s/ Bryce B. Engel
Bryce B. Engel
President and Chief Operating Officer