

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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In re:	:	Chapter 11
	:	
PENSON WORLDWIDE, <i>et al.</i> , ¹	:	Case No. 13-10061 (PJW)
	:	
Debtors.	:	(Jointly Administered)
	:	
	:	
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SEMI-ANNUAL REPORT OF CHIEF OFFICER REGARDING DISTRIBUTIONS

(August 15, 2014 through August 15, 2015)

The following is the report of Bryce Engel, Chief Officer of Penson Technologies LLC (“**PTL**”), the successor in interest to the above-captioned debtors (collectively, the “**Debtors**”), pursuant to section 8.2 of the Operating Agreement of Penson Technologies LLC (the “**Operating Agreement**”):

The Effective Date² of the *Fifth Amended Joint Liquidation Plan of Penson Worldwide, Inc. and its Affiliated Debtors* (the “**Plan**”) occurred on August 15, 2013, at which time PTL was formed. I was appointed as the Chief Officer of PTL in accordance with the terms of the Plan. This is my fourth report pursuant to section 8.2 of the Operating Agreement, and it covers the period from August 15, 2014 through August 15, 2015 (the “**Report Period**”).

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 Futures (6207). The Debtors’ mailing address is 5960 W. Parker Rd. #278-198, Plano, TX 75093.

² Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Plan or the Operating Agreement.



A summary of the cash holdings of each Debtor³ as of February 15, 2014 and as of August 15, 2015 is reported below:

Debtor	February 15, 2015 Cash	August 15, 2015 Cash
Penson Worldwide, Inc.	\$7,084,456.29	\$2,095,611.74
SAI Holdings, Inc.	\$5,917,285.39	\$10,805,488.61
Penson Financial Services, Inc.	\$40,626,036.85 ⁴	\$32,906,633.04 ⁵
Penson Financial Futures, Inc.	\$64.00	\$714.00
Penson Holdings, Inc.	\$0.00	\$0.00
Penson Execution Services, Inc.	\$0.00	\$0.00
Penson Futures	\$50.00	\$700.00
GHP2, LLC	\$0.00	\$0.00
TOTAL	\$53,627,892.53	\$45,809,147.39

A summary of the amounts of all Allowed Claims and Disputed Claims (based on asserted amount or court-estimated amount, solely in the case of claims against PFSI), effective as of August 15, 2015, is attached hereto as Exhibit A. All distributions required to be made under the Plan from the estate of Nexa Technologies, Inc. (“Nexa”) were completed on July 31, 2014 and therefore, claims against Nexa have been omitted from Exhibit A.

As Chief Officer, I have taken and overseen the following actions, among others, in the Report Period:

1. Administrative Matters:

- a. I have had multiple meetings with the Board of Managers of PTL to brief them on the PTL Assets, the Claims against the Debtors in the Chapter 11 Cases, and the operations of PTL.
- b. PTL continues to deal with inquiries from the Securities and Exchange Commission (“SEC”), albeit at a reduced level. One of the investigations arising out of pre-

³ The amount of cash reflected in the foregoing table does not take into account any borrowing among the Debtors or their estates which would be required to be repaid prior to making distributions to pre-Petition Date creditors.

⁴ Of this amount, \$31,903,347 was being held in the PTL Reserve as of February 15, 2015 to be used to make distributions to holders of Disputed Claims against Penson Financial Services, Inc. (“PFSI”) once such claims are Allowed.

⁵ Of this amount, \$26,103,120.70 is being held in the PTL Reserve as of the end of the Report Period to be used to make distributions to holders of Disputed Claims against Penson Financial Services, Inc. (“PFSI”) once such claims are Allowed.

petition conduct by the Debtors and their former officers and directors was settled, and the other investigation remains open.

2. Collection and Liquidation of PTL Assets:

- a. In the Report Period, PTL received cash in the amount of \$64,744,716 from the liquidation or other monetization of PTL Assets. This section includes a description of certain of the transaction that contributed to this amount.
- b. On September 3, 2014, PTL sold its 93.75% ownership interest in Apex Clearing Holdings LLC ("**Apex**") to Apex Clearing Solutions, LLC. In connection with that sale, PTL also settled the adversary proceeding commenced against Apex arising out of the NAV True-Up and Penson-Apex Credit Facility, and resolved the claims asserted by Apex and certain of its affiliates. In connection with these transactions, PTL received cash proceeds of \$53,500,000 on the closing date of the sale.
- c. PTL is continuing to market the Illiquid Instruments, primarily consisting of municipal bonds, previously held by SAI Holdings, Inc. ("**SAI**"). During the Report Period, PTL sold certain bonds issued by the following municipalities or agencies and received gross proceeds of \$2,306,450: Will County, Illinois; Dade County, Florida; Roxborough Village, Colorado; and the Texas Student Housing Authority.
- d. PTL is in the process of liquidating certain illiquid equity securities previously held by PFSI.
- e. PTL is reviewing the patent portfolio owned by PWI and assessing the ability to monetize the value of these patents through, among other things, prosecution of claims for patent infringement. PTL engaged new counsel in September 2014 in connection with such review and is reviewing options related to its patent portfolio.
- f. On February 24, 2014, PTL commenced a cause of action in the County Court at Law No. 3 of Dallas County, Texas, styled as Penson Technologies LLC v. Pendergraft, et al., Case No. CC-14-00873-E, against certain of the Debtors' former directors and officers seeking damages for breaches of fiduciary duties, aiding and abetting breaches of fiduciary duties, unjust enrichment and equitable disgorgement, and negligence and gross negligence (the "**D&O Litigation**"). On December 23, 2014, PTL entered into a settlement of the D&O Litigation with the defendants named therein and certain other parties that resulted in a settlement payment of \$7,000,000 which was collected in the Report Period. Additionally, PTL entered into a settlement with its auditor that resolved claims related to the D&O Litigation in exchange for a payment of \$1,000,000, which was fully collected in the Report Period.
- g. On January 27, 2014, PTL commenced an arbitration proceeding against Opus Trading Fund LLC ("**Opus**") before FINRA, styled as Opus Trading Fund LLC v. Penson Technologies, LLC (the "**Opus Arbitration**"), which seeks damages arising from Opus's breach of its contract with PFSI. Discovery in the Opus Arbitration is on-going and hearings on the merits are scheduled for this fall.

- h. Following the Effective Date, PTL continued to prosecute claims against SAMCO Capital Markets, Inc. and Roger J. Engemoen (together "**SAMCO**"), a former officer and director of the Debtors. The claims against SAMCO were originally asserted prepetition in an arbitration proceeding before FINRA (the "**SAMCO Arbitration**"). PTL entered into a settlement of the SAMCO Arbitration and received settlement proceeds of \$1,625,000 during the Report Period.

3. Liquidation of Claims:

- a. As of the end of the Report Period, there were 453 claims filed against the Debtors.
- b. On October 27, 2014, the Court entered an order (the "**PFSI Claim Estimation Order**") estimating the maximum amount of certain Disputed claims against PFSI to assist PTL in determining the amounts required to be placed into the PTL Reserve when making distributions to holders of Allowed Claims against PFSI. As of the end of the Report Period, there are only 6 remaining claims against PFSI that remain Disputed, each of which is subject to a maximum estimated amount established under the PFSI Claim Estimation Order, the aggregate amount of which is \$29,003,467.
- c. The Chief Officer, in his capacity as administrator of the ADR Procedures approved by the Court, designated the claims of 20 separate persons or entities (31 claims in total) for inclusion in the ADR Procedures, in addition to extensive informal settlement discussions. To date, the Chief Officer has either settled or obtained court or arbitral resolution of 18 separate disputes that were subject to the ADR Procedures (29 total claims). The two remaining disputes that are subject to the ADR Procedures are scheduled to be jointly heard before FINRA in October 2015 (with a maximum claim amount set by the PFSI Claim Estimation Order at \$14,491,451), although the timing of that proceeding can change.
- d. In addition to claims that were submitted to the ADR Procedures, one claim (with a maximum claim amount set by the PFSI Claim Estimation Order at \$610,463) was submitted for summary consideration by FINRA, which was granted with no damages awarded to the claimant. The claimant has sought to have FINRA's decision vacated, and oral argument on the motion to vacate is expected to take place in the fall.
- e. The Chief Officer has also entered into settlement discussions and alternative dispute resolution processes outside of the ADR Procedures that have resulted in the resolution and allowance of a number of other claims.
- f. PTL filed and prosecuted 2 omnibus objections to claims (the eleventh and twelfth omnibus objections filed in the Chapter 11 Cases) seeking to disallow (in whole or in part) or reclassify 18 claims.
- g. As of the end of the Report Period, there were approximately 52 proofs of claim filed in the Chapter 11 Cases that remain Disputed Claims. Certain of these claims relate to litigation pending as of the Petition Date and may not be resolved in these chapter 11 cases.

4. Distributions to Creditors:

- a. All holders of Allowed claims against Nexa have received distributions that satisfy their claims in full in accordance with the Plan, and the remaining assets of the Nexa estate have been distributed to SAI.
- b. Substantially all Priority Claims and Administrative Expense Claims have been resolved, and all of such claims that have been Allowed have been paid.
- c. As of August 15, 2015, PTL has authorized three distributions to holders of Allowed General Unsecured Claims against PFSI that provide for an aggregate level of distribution equal to 90% of the Allowed amount of such claims. PTL distributed the aggregate amount of \$21,241,490 for purposes of making distributions to holders of General Unsecured Claims against PFSI that are Allowed. PTL is also holding \$26,103,120.70 in the PTL Reserve on account of all General Unsecured Claims against PFSI that were Disputed as of August 15, 2015.
- d. There have been no distributions to holders of Second Lien Note Claims or Convertible Notes Claims, holders of General Unsecured Claims against any Debtor other than PFSI, or holders of claims in any other junior Classes.

[signature page follows]

Dated: October 2, 2015

Penson Technologies LLC

/s/ Bryce B. Engel
Bryce B. Engel, Chief Officer

EXHIBIT A**Summary of Pending Claims**

The following table is a summary of the aggregate amount of Allowed Claims and Disputed Claims asserted against the Debtors (other than Nexa), as of August 15, 2015:

Debtor	Admin Priority	Priority	Secured	General Unsecured	Securities Law Claims
GHP2, LLC	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Penson Execution Services, Inc.	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Penson Financial Futures, Inc.	\$0.00	\$0.00	\$0.00	\$13,025,021.34	\$0.00
Penson Financial Services, Inc.	\$0.00	\$227,289.45	\$58,003.12	\$116,225,747.17	\$0.00
Penson Futures	\$0.00	\$0.00	\$34,190.81	\$25,218,742.12	\$0.00
Penson Holdings, Inc.	\$0.00	\$0.00	\$0.00	\$753,617.00	\$0.00
Penson Worldwide, Inc.	\$0.00	\$248,118.40	\$216,967,490.02	\$70,696,483.43	\$34,287,368.49
SAI Holdings, Inc.	\$0.00	\$0.00	\$0.00	\$3,783,932.00	\$0.00

Notes:

1. No amount has been included in these totals for Disputed Claims asserted in “unknown” or “unliquidated” amounts; provided that, solely with respect to PFSI, this summary uses the Estimated Amount (as defined in the PFSI Claims Estimation Order) for all Disputed Claims against PFSI. Allowance of Disputed claims that have not been estimated in a maximum amount by the Court may increase the total amount of claims against any particular Debtor.
2. The deadline for PTL to object to claims has not yet passed. PTL reserves the rights to object to any and all claims except to the extent that such claims are Allowed under the express terms of the Plan or a Final Order. Successful objections to claims may decrease the total amount of claims against any particular Debtor.
3. Debtors PWI and SAI hold Subordinated Loan Claims against PFSI in the aggregate amount of \$57,000,000 that are included in the total amount of General Unsecured Claims against PFSI. Pursuant to the Plan, the Subordinated Loan Claims are subordinate in payment to all other General Unsecured Claims against PFSI and will be paid *pari passu* with each other once all other senior claims against PFSI are paid in full.
4. The Second Lien Note Claims were Allowed in the amount of \$216,940,625.00. PWI is the primary obligor on account of such claims, and SAI and Penson Holdings, Inc. (“**PHI**”) are guarantors of such amounts. Additionally, the primary obligation is secured by the equity in SAI, and the guaranty obligations are secured by the equity of Debtors PHI and Penson Financial Services, Inc., the equity of non-Debtor GHP 1, Inc., and 65% of the equity of PHI’s non-Debtor Canadian subsidiary. For purposes of this summary, the amounts owed on account of the Second Lien Note Claim are only reflected as a secured claim against PWI, although such claims may be treated and satisfied as secured claims against SAI and PHI, as well as deficiency claims against PWI, SAI or PHI.
5. A complete copy of the claims register in these cases can be accessed at <http://www.kccllc.net/penon/creditor/search>.