

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

|  |   |                         |
|--|---|-------------------------|
| -----  | X |                         |
| In re:   | : | Chapter 11              |
|  | : |                         |
| PENSON WORLDWIDE, <i>et al.</i> , <sup>1</sup> | : | Case No. 13-10061 (PJW) |
|  | : |                         |
| Debtors.                                       | : | (Jointly Administered)  |
|  | : |                         |
|  | : |                         |
| -----  | X |                         |

**SEMI-ANNUAL REPORT OF CHIEF OFFICER REGARDING DISTRIBUTIONS**

**(February 15, 2015 through February 15, 2016)**

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 Date<sup>2</sup> 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 fifth report pursuant to section 8.2 of the Operating Agreement, and it covers the period from February 15, 2015 through February 15, 2016 (the “**Report Period**”).

<sup>1</sup> 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.

<sup>2</sup> 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 Debtor<sup>3</sup> as of August 15, 2015 and as of February 15, 2016 is reported below:

| Debtor                                 | August 15, 2015 Cash   | February 15, 2016 Cash       |
|--|------------------------|------------------------------|
| <b>Penson Worldwide, Inc.</b>          | \$2,095,611.74         | \$5,525,736.05               |
| <b>SAI Holdings, Inc.</b>              | \$10,805,488.61        | \$1,425,131.23 <sup>4</sup>  |
| <b>Penson Financial Services, Inc.</b> | \$32,906,633.04        | \$24,339,462.42 <sup>5</sup> |
| <b>Penson Financial Futures, Inc.</b>  | \$714.00               | \$64.00                      |
| <b>Penson Holdings, Inc.</b>           | \$0.00                 | \$50.00                      |
| <b>Penson Execution Services, Inc.</b> | \$0.00                 | \$0.00                       |
| <b>Penson Futures</b>                  | \$700.00               | \$50.00                      |
| <b>GHP2, LLC</b>                       | \$0.00                 | \$0.00                       |
| <b>TOTAL</b>                           | <b>\$45,809,147.39</b> | <b>\$31,290,443.70</b>       |

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 February 15, 2016, 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-

<sup>3</sup> 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.

<sup>4</sup> Of this amount, \$189,196.60 is required to be 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 SAI Holdings, Inc. (“SAI”) once such claims are Allowed.

<sup>5</sup> Of this amount, \$19,830,137.99 is required to be 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 \$1,188,105 from the liquidation or other monetization of PTL Assets. This section includes a description of the transactions that contributed to this amount, as well as the status of efforts to liquidate the PTL Assets.
- b. PTL received \$963,138.02 from the Lehman Brothers bankruptcy and SIPA proceedings on account of allowed claims PFSI held.
- c. PTL received \$193,841 from the MF Global bankruptcy and SIPA proceedings on account of allowed claims PFSI held.
- d. PTL is continuing to market the Illiquid Instruments, primarily consisting of municipal bonds, previously held by SAI. No transaction occurred during the Report Period.
- e. PTL is in the process of liquidating certain illiquid equity securities previously held by PFSI.
- f. PTL is reviewing the patent portfolio owned by Penson Worldwide, Inc. (“**PWI**”) and assessing the ability to monetize the value of these patents through, among other things, prosecution of claims for patent infringement. PTL is reviewing with counsel options related to its patent portfolio.
- 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. Hearings in the OPUS Arbitration concluded in February 2016. Subsequent to the conclusion of the Report Period, FINRA entered an award in favor of PTL in the amount of \$1,000,000. No payment has been made on the award.

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, which was supplemented by an order entered on December 13, 2015 (together, the “**PFSI Claim Estimation Orders**”), estimating the maximum amount of certain Disputed claims against PFSI and any associated post-Effective Date interest 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 4 remaining claims against PFSI that remain Disputed, each of which is subject to a maximum estimated amount established under the PFSI Claim Estimation

Orders, the aggregate amount of which is \$19,830,138 (inclusive of post-Effective Date interest).

- 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 (with a maximum claim amount set by the PFSI Claim Estimation Orders at \$15,216,023.59, inclusive of post-Effective Date interest) have been scheduled to be jointly heard before FINRA. That proceeding is currently scheduled to commence at the end of April 2016, but counsel to the respondents has recently withdrawn.
- 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 Orders at \$640,985.79, inclusive of post-Effective Date interest) was submitted for summary consideration by FINRA, which was granted with no damages awarded to the claimant. The claimant unsuccessfully sought to have FINRA's award vacated in New York state court and is now seeking to appeal the denial of its request to vacate.
- 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. As of the end of the Report Period, there were approximately 23 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 December 22, 2015, PTL authorized and effectuated distributions in the amount necessary to pay in full all Allowed General Unsecured Claims against PFSI plus post-Effective Date interest. The total amount distributed to holders of Allowed General Unsecured Claims against PFSI, inclusive of post-Effective Date interest, was \$24,843,667. PTL is also holding \$19,830,138 in the PTL Reserve on account of all General Unsecured Claims against PFSI that remain Disputed.
- d. Shortly after making final distributions on account of General Unsecured Claims against PFSI, PTL made distributions on account of Subordinated Loan Claims to the

estates of SAI, in the amount of \$1,022,109, and Penson Worldwide, Inc., in the amount of \$3,833,517.

- e. On or about December 30, 2015, PTL caused a distribution to be made on account of claims against the SAI estate in Classes 3C and 4C, equal to 5% of the Allowed claim amount. This resulted in a distribution of \$10,847,030 in the aggregate to holders of Allowed claims, although some amounts have not yet been delivered due to certain holders' failure to satisfy reporting and withholding requirements. Additionally, PTL has placed \$189,196.60 in the PTL Reserve on account of Disputed Claims in those Classes.

*[signature page follows]*

Dated: March 16, 2016

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 February 15, 2016:

| <b>Debtor</b>                   | <b>Admin Priority</b> | <b>Priority</b> | <b>Secured</b>   | <b>General Unsecured</b> | <b>Securities Law Claims</b> |
|---------------------------------|-----------------------|-----------------|------------------|--------------------------|------------------------------|
| 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      | \$42,281,924.76          | \$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           | \$0.00                   | \$0.00                       |
| Penson Worldwide, Inc.          | \$0.00                | \$248,118.40    | \$216,967,490.02 | \$71,758,038.43          | \$33,225,813.49              |
| 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 are being paid *pari passu* with each other once.
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>.