

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION**

In re:	)	
	)	Chapter 11
GWG Holdings, Inc., <i>et al.</i> , <sup>1</sup>	)	
	)	Case No. 22-90032 (MI)
Debtors.	)	
	)	(Jointly Administered)
	)	

**SUMMARY OF TREATMENT OF BONDHOLDERS UNDER THE  
DEBTORS' SECOND AMENDED JOINT CHAPTER 11 PLAN (THE "PLAN")**

This summary (this "Bondholder Summary") describes the Plan that has been proposed in the GWG Holdings, Inc. bankruptcy case and how Bondholder claims will be treated if the Plan is approved and takes effect (the "Effective Date"). More detailed information can be found in the accompanying Disclosure Statement.<sup>2</sup>

GWG is soliciting votes to accept the Plan. The Plan is supported by the Official Committee of Bondholders, which is a fiduciary appointed by the Office of the United States Trustee, a division of the U.S. Department of Justice, and represents the interests of Bondholders in the bankruptcy (the "Bondholder Committee"). It is also supported by L Bond Management, LLC ("LBM"), which represents holders of Seller Trust L Bonds. **GWG, the Bondholder Committee, and LBM all believe the Plan represents the best option for Bondholders and urge all Bondholders to vote TO ACCEPT the Plan.**

**I. Voting on the Plan**

All Bondholders can vote on the Plan by submitting the Ballot (or Ballots) that you should have received along with this Bondholder Summary and the other solicitation materials. Each Ballot states the principal amount of Bonds you owned as of February 24, 2023, based upon information available to the Debtors or other records. Each Ballot contains detailed instructions

<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: GWG Holdings, Inc. (2607); GWG Life, LLC (6955); GWG Life USA, LLC (5538); GWG DLP Funding IV, LLC (2589); GWG DLP Funding VI, LLC (6955); and GWG DLP Funding Holdings VI, LLC (6955). The location of Debtor GWG Holdings, Inc.'s principal place of business and the Debtors' service address is 325 N. St. Paul Street, Suite 2650 Dallas, TX 75201. Further information regarding the Debtors and these chapter 11 cases is available at the website of the Debtors' claims and noticing agent: <https://donlinrecano.com/gwg>.

<sup>2</sup> This Bondholder Summary is a summary only. In the event of any inconsistency between this Bondholder Summary, on the one hand, and the Plan and Disclosure Statement, on the other hand, the Plan and Disclosure Statement shall control. This Bondholder Summary contains capitalized terms that have specific meanings. Some of these capitalized terms are defined in the Bondholder Summary. If such capitalized terms are not defined in this Bondholder Summary, then please refer to the Plan or the Disclosure Statement for the definition.

regarding how to timely complete and submit your Ballot, and the instructions for each may be different depending upon the type of Ballot(s) you receive.

**The Debtors, the Bondholder Committee, and LBM encourage all Bondholders to vote to ACCEPT the Plan. In deciding how to vote, Bondholders should rely upon only information provided by the Debtors or the Bondholder Committee or whose dissemination has been authorized by the Bankruptcy Court and should not rely upon representations made, or information regarding the Plan provided, by any other party (although you may consult with your own advisors regarding your particular circumstances).**

If any Bondholder has questions regarding the Disclosure Statement, the Plan, this Bondholder Summary, or the Ballots, Bondholders may contact the Bondholder Committee's counsel by email at [GWGBondholders@akingump.com](mailto:GWGBondholders@akingump.com), online at <https://www.donlinrecano.com/GWGBondholders> or otherwise by contacting Bondholder Committee counsel via the contact information contained on that website.

## **II. What does the Plan do?**

The Plan creates two trusts. The purpose of both trusts is to liquidate GWG's assets with the goal of maximizing the value of those assets for the benefit of Bondholders and other creditors. The two trusts will be the Wind Down Trust and the Litigation Trust.

The **Wind Down Trust** will hold the beneficial interest in the Litigation Trust and will hold all of GWG's current assets (except litigation claims). Those assets include all of GWG's interests in (i) Beneficient, (ii) FOXO, and (iii) the Policy Portfolio. The Wind Down Trust will liquidate its assets and distribute the net proceeds first to the Bondholders until they are paid in full, then, if any value remains, to other stakeholders. The Wind Down Trustee is expected to be Elizabeth C. Freeman (or one of her affiliates).

The **Litigation Trust** will receive all of GWG's litigation claims and all of GWG's interests in the D&O Liability Insurance Policies. The Litigation Trust will receive \$3 million of funding to pursue these claims under the direction of a trustee (called the Litigation Trustee). The Bondholder Committee and the Investigations Committee believe the Debtors hold significant colorable claims against Beneficient, certain parties related to Beneficient, the Debtors' former directors and officers, and certain other parties. These claims include claims for, among other things, constructive and actual fraudulent transfers and breaches of fiduciary duty. The net amount recovered from the pursuit or settlement of these litigation claims will be distributed to the Wind Down Trust for further distribution predominantly to Bondholders, as provided in the Plan. The Litigation Trustee will have sole authority with respect to the Litigation Trust Assets and will be an independent, third-party fiduciary appointed by the Bondholder Committee.<sup>3</sup>

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<sup>3</sup> The responsibilities of the Wind Down Trustee and the Litigation Trustee will be governed by the Plan and by agreements governing each trust, called the Wind Down Trust Agreement and the Litigation Trust Agreement, that will be filed on or before May 24, 2023. This filing will be made available to Bondholders free of charge at: <https://www.donlinrecano.com/Clients/gwg/Index>.

### **III. The Plan is the Best Option for Maximizing Recoveries for Bondholders**

**The Debtors, the Bondholder Committee and LBM believe that the Plan represents the best available option under the circumstances for completing these Chapter 11 Cases.** If the Plan is not accepted by Bondholders and approved by the Bankruptcy Court, the most likely only other alternative will be liquidation of the Debtors assets under Chapter 7 of the Bankruptcy Code. As demonstrated by the “Liquidation Analysis” included in the Disclosure Statement and as reflected below, a “Chapter 7” liquidation would result in significantly lower distributions for Bondholders than the liquidation provided for in the Plan. This is because, in a “Chapter 7” liquidation, certain of the Debtors’ assets would have to be sold in a less orderly manner and over a shorter period of time, which almost certainly would result in those assets being sold at significantly lower prices. **As a result, less money would be available for distribution to Bondholders if the Plan is not confirmed and the cases are converted to Chapter 7.**

### **IV. How Will Bondholders Be Paid?**

Bondholders will receive, on account of their Bonds (including interest accrued on the Bonds through April 20, 2022), senior-most interests in the Wind Down Trust called “New Series A1 WDT Interests.” Those interests will entitle each Bondholder to future cash distributions resulting from the monetization of the assets of the Wind Down Trust and the Litigation Trust, including amounts the Litigation Trust might realize by litigating or settling claims and causes of action. If available, Bondholders might also receive a small cash payment on or around the Effective Date of the Plan. The Debtors understand and fully appreciate that Bondholders want to be repaid now the amounts that are owed to them. Unfortunately, the Debtors regret that this is not possible now because the Debtors do not have the cash available that would allow them to do so.

### **V. When Will Bondholders Be Paid and How Much Will Bondholders Be Paid?**

Bondholders will receive payments over time. Although, due to the nature of the Debtors’ assets, it could take several years and the amount of cash distributions are uncertain and only can be estimated within a broad range at this time (see below), with limited exceptions, under the Plan the Bondholders are first in line to receive all distributions from the Wind Down Trust, which will make periodic cash distributions resulting from the monetization of the assets in the Wind Down Trust or the Litigation Trust. A “Chapter 7” liquidation likewise would take several years and have uncertain (but lower) cash distributions for Bondholders. Specifically, under the Plan, Bondholders will receive every dollar of cash resulting from the monetization of the Wind Down Trust Assets and approximately 99 cents of every dollar of cash recovered on account of the Litigation Trust Assets (in each case after the payment of certain costs and expenses) until Wind Down Trust interests distributed to Bondholders are satisfied in full. Although the total payments that Bondholders ultimately will receive under both the Plan and a “Chapter 7” liquidation is uncertain and dependent upon a variety of factors, the following chart, subject in all respects to the risks noted below, provides the best information that the Debtors have at this time<sup>4</sup>:

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<sup>4</sup> The Debtors, through their professionals, estimated the valuation ranges for the Life Policy Portfolio, Debtors’ Interests in FOXO and the Debtors’ Interests in Beneficient. The Plan valuation range for the Retained Causes

Asset	Plan Valuation Range	Potential Range of Value in a Chapter 7 Liquidation
<b>Life Policy Portfolio</b>	\$0 to \$78 million	\$0 to \$10.7 million
<b>Debtors' Interests in FOXO</b>	\$3.3 million	\$2.9 million
<b>Debtors' Interests in Beneficient</b>	\$0 to \$1.428 billion	\$0 to \$1.285 billion
<b>Retained Causes of Action<sup>5</sup></b>	\$155 million to \$382 million <i>(Bondholder Committee View: \$155 million to \$585 million)</i>	\$139.5 million to \$343.8 million
<b>Estimated Total Recovery Percentage for Bondholders</b>	9.0% – 100%	3.9% – 94.2%

The ability of the Wind Down Trust and Litigation Trust to receive cash for these assets, and the amount of cash that may be received and distributed to Bondholders, is subject to the risks set forth below and others discussed in greater detail in the Disclosure Statement.

Asset	Risks Associated with the Asset
<b>Life Policy Portfolio</b>	<ul style="list-style-type: none"> <li>Although the Policy Portfolio has a face amount of approximately \$1.6 billion as of December 31, 2022, (i) premium payments must be made to maintain the Policy Portfolio, (ii) the timing of maturities of the Policy Portfolio is uncertain, and (iii) the Policy Portfolio will be collateral for a loan that must be repaid before the Wind Down Trust can receive value for the Policy Portfolio.</li> </ul>
<b>Debtors' Interests in FOXO</b>	<ul style="list-style-type: none"> <li>The Wind Down Trust's ability to sell the Debtors' interests in FOXO depends upon the market value of those interests and finding a buyer for those interests. The valuation of the Debtors' interests in FOXO is based on market data as of April 14, 2023, but such value changes on a daily basis.</li> </ul>
<b>Debtors' Interests in Beneficient</b>	<ul style="list-style-type: none"> <li>The Debtors cannot independently verify or determine the value of Beneficient because the Debtors do not have a business plan for Beneficient or other information needed to do so.</li> <li>Based upon all currently available information, the Bondholder Committee believes that no weight should be given to the high end of the value range of the Debtors' interests in Beneficient.</li> <li>The stated value of the Debtors' interests in Beneficient is based entirely upon the announced terms of the potential "SPAC merger" with a third party called Avalon (the "<u>SPAC Transaction</u>"). In order for the Debtors' interests in Beneficient to be worth the</li> </ul>

of Action is based on the independent investigations and analyses performed by the Investigations Committee of the Debtors' Board of Directors and/or the Bondholder Committee.

<sup>5</sup> The range of value for the Retained Causes of Action reflects the Debtors' application of a discount rate to account for fees, litigation risk and potential difficulties in collections. For example, as is expected, should the Litigation Trustee or a Chapter 7 trustee retain attorneys on a contingency fee basis to pursue the Retained Causes of Action, such contingency fees commonly range from 25% - 33.33% of litigation recoveries obtained. Additional information regarding this discount rate can be found in the Disclosure Statement.

	<p>high end of the value range of \$1.4 billion after completion of the SPAC Transaction, the Beneficient share price must be \$10 per share. The only current basis known to the Debtors at this time for valuing the Debtors’ interests in Beneficient using a price of \$10 per share for Beneficient shares is the public disclosure that Avalon and Beneficient have negotiated that Avalon shareholders may elect to participate in the SPAC Transaction at that price.</p> <ul style="list-style-type: none"> <li>• Avalon public shareholders, unlike GWG, will have the option either to receive shares in Beneficient at \$10 per share or full repayment in cash of their investment. Based upon current information, it is reasonable to expect that at least a substantial portion of the Avalon shareholders will not invest in Beneficient and instead will elect to receive cash. However, the Debtors cannot control or predict whether any Avalon shareholder will exercise their right to acquire Beneficient shares at the \$10 per share price.</li> <li>• The sponsor investors in Avalon (the “<u>Avalon Sponsors</u>”) who negotiated the deal with Beneficient do not have the right to get their money back and will receive shares in Beneficient. However, as is common in SPAC transactions, the Avalon Sponsors purchased their Avalon shares at significant discount. Based on the amount the Avalon Sponsors paid for their Avalon shares and warrants, the Avalon Sponsors will profit if the Beneficient shares are worth greater than \$1.57 per share, as compared to the approximately \$10 per share required for the other Avalon shareholders to profit. In addition, if the SPAC Transaction is not completed, the Avalon Sponsors will lose their full investment in Avalon (approximately \$8 million).</li> <li>• The Debtors are unaware of any third party that has agreed to make a material investment in Beneficient that would provide independent validation of the value of Beneficient.</li> <li>• It is uncertain whether the SPAC Transaction will be completed.</li> <li>• If the SPAC Transaction is completed, (i) the value of Beneficient may be significantly less than the value purportedly implied by the SPAC Transaction for the reasons noted above and others, and (ii) Beneficient may not be successful in executing on its business plan for a number of reasons. Moreover, if the SPAC Transaction closes, the equity interests will be subject to constant public market valuation and re-valuation after the consummation of the SPAC Transaction as a result of such equity interests being listed on a national stock exchange and could be worth significantly less than implied by the current valuation. It is important to note that market prices associated with equity interests issued in connection with the consummation of SPAC transactions have been particularly volatile over the last twelve months.</li> <li>• If the SPAC Transaction is completed, it is proposed that Beneficient will be under the control of many of the same individuals that were in control of the Debtors when the Debtors engaged in the transactions with Beneficient that the Bondholder Committee believes harmed the Debtors’ estates.</li> <li>• Regardless of the value of the Debtors’ interests in Beneficient, those interests will be subject to restrictions on transferability and it may be challenging to find a buyer for such interests. This could delay and/or impede the conversion of the interests into cash for distribution to Bondholders.</li> <li>• The value of the Debtors’ interests in Beneficient could be negatively impacted by litigation against Beneficient.</li> </ul>
<p><b>Retained Causes of Action</b></p>	<ul style="list-style-type: none"> <li>• Defendants are likely to vigorously defend any claims brought against them and will assert defenses to the causes of action.</li> <li>• Litigation may take at least several years.</li> <li>• Litigation is risky. It may be unsuccessful, resulting in no recovery on certain claims.</li> </ul>

	<ul style="list-style-type: none"><li>• Any judgments achieved in litigation may not be collectible. The high end of the range noted above for litigation assumes that any judgments will be collectible. The Debtors and the Bondholders Committee have not determined the extent to which any judgments will be collectible.</li><li>• Any settlements will take time to negotiate and consummate.</li><li>• Legal counsel for the Litigation Trust will be paid a percentage of any recoveries on account of the Retained Causes of Action before those recoveries are distributed to Bondholders.</li><li>• In addition to attorney's fees, there are other costs associated with litigation, including expert witness costs.</li></ul>
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## **VI. Recommendation to Bondholders**

After giving consideration to all of the facts and circumstances, the Debtors, the Bondholder Committee and LBM have determined that **the Plan represents the best available option under the circumstances to maximize recoveries for Bondholders and a Chapter 7 liquidation would result in significantly lower recoveries for Bondholders.**

For these reasons, and others, the Debtors, the Bondholder Committee and LBM **recommend that Bondholders vote to ACCEPT the Plan** by checking the box set forth in your Ballot on or before the Voting Deadline of May 31, 2023 at 4:00 p.m. (prevailing Central Time) as follows:

**ACCEPT (vote FOR) the Plan**

If you have any questions, including regarding the Disclosure Statement or the Second Amended Plan, you may contact the Bondholder Committee as noted above or contact the Debtors' via one of the following methods:

*By electronic mail to:* [gwginfo@donlinrecano.com](mailto:gwginfo@donlinrecano.com)

*By telephone (toll free) at:* 1 (888) 508-2507.