

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

In re:

GWG HOLDINGS, INC., *et al.*¹

Debtors.

Chapter 11

Case No. 22-90032 (MI) (Jointly
Administered)

**GWG LITIGATION TRUSTEE'S SUPPLEMENTAL
NOTICE OF PROPOSED SETTLEMENTS**

[Relates to Dkt. Nos. 2533, 2535, 2537, 2540]

¹ 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). Information regarding these chapter 11 cases is available at www.gwgholdingstrust.com.

Supplemental Notice of Proposed Settlements

Why am I receiving this supplemental notice?

This supplemental notice² relates to four proposed settlements reached by the GWG Litigation Trustee and for which the Litigation Trustee is seeking the Bankruptcy Court's approval.³

The four settlements are as follows:

- **Director & Officer (“D&O”) Adversary Proceeding:** In April 2024, the Litigation Trustee filed a lawsuit against certain former officers and directors of GWG Holdings, Inc. (“GWG”), including Brad Heppner, a number of trusts and entities related to Mr. Heppner, Beneficient (formerly, The Beneficient Company Group, L.P.), and several entities and trusts affiliated with Beneficient (the “D&O Adversary Proceeding”).

As described in the Litigation Trustee's motion seeking approval of the settlement, the proposed settlement would resolve the Litigation Trustee's claims against all insured defendants in the D&O Adversary Proceeding, including Mr. Heppner, that arose on or before December 16, 2024. The settlement also resolves claims brought in a parallel putative securities class action (the “Class Action”) pending in the U.S. District Court for the Northern District of Texas (the “District Court”).

The proposed settlement **does not** release the Litigation Trust's claims against trusts and other entities affiliated with Mr. Heppner that the Litigation Trustee alleges received more than \$140 million in funds that were improperly transferred from GWG. The Litigation Trustee will continue to pursue claims against those entities.

The settlement is subject to approval by both the Bankruptcy Court and the District Court. Note that the Bankruptcy Court has raised certain public policy questions regarding this settlement, and it is not certain that the proposed settlement will be approved.

The proposed settlement amount is **\$50.5 million**.

- **Whitley Penn LLP:** Whitley Penn LLP (“Whitley Penn”) served as GWG's auditor. The Litigation Trustee and Whitley Penn reached an agreement to settle the Litigation Trust's claims for **\$8.5 million**.

² This Supplemental Notice is provided for informational purposes only and is qualified in its entirety by reference to the related motions to approve the settlements and the underlying settlement agreements, which control in the event of any conflict.

³ All capitalized terms not otherwise defined herein have the same meanings as set forth in the *Findings of Fact, Conclusions of Law, and Order Confirming the Debtors' Further Modified Second Amended Joint Chapter 11 Plan, Submitted by the Debtors, The Bondholder Committee, and L Bond Management, LLC as Co-Proponents* (the “Confirmation Order”), Case No. 22-90032 (Bankr. S.D. Tex.), Dkt. No. 1952.

- **Sabes Adversary Proceeding:** In April 2024, the Litigation Trustee filed a lawsuit against GWG's former CEO Jon Sabes, his brother, and several entities associated with the Sabes (the "Sabes Defendants"). The Litigation Trustee and the Sabes Defendants reached an agreement to settle the Litigation Trust's claims for **\$2.3 million**.
- **Mayer Brown LLP:** Mayer Brown LLP ("Mayer Brown") served as GWG's former counsel. The Litigation Trustee and Mayer Brown reached an agreement to settle the Litigation Trust's claims for **\$30 million**.

Summaries of the four settlement agreements are attached as Exhibit A.

The Bankruptcy Court has directed the Litigation Trustee to give GWG WDT Interest holders additional information regarding the settlements and their effects on former GWG bondholders. The Wind Down Trust previously mailed the Litigation Trustee's motions seeking approval of the four settlements (the "Motions") to WDT Interest holders, including former GWG bondholders, for whom the Wind Down Trustee has contact information. Each of the Litigation Trust's motions seeking court approval of these settlements is available for review at www.gwgholdingstrust.com/litigation-trust. This supplemental notice contains additional information concerning the estimated distributions to WDT Interest holders that will result from the settlements, if approved by the Bankruptcy Court, and the Litigation Trustee's reasons for agreeing to the settlements.

Note: Some former GWG bondholders held their bonds in "street name," meaning that the bonds were held by a brokerage or clearing firm on the bondholders' behalf. In those cases, the broker maintains records identifying the true owner, but the bondholder ***is not*** listed as the registered owner of the bond. The Wind Down Trust does not have contact information for all former GWG bondholders that held their bonds in "street name," and served the Motions on brokers and custodians of record through third-party broker intermediaries and clearing houses for forwarding to those bondholders. The Wind Down Trust requests that former GWG bondholders who held their bonds in "street name" please contact the Wind Down Trust to provide contact information and verify the amount of their holdings. If you or your broker have not already verified your holdings, please send an email to inquiry@gwgholdingstrust.com or call the Wind Down Trust at 713-654-5150.

What is the total amount to be received from the settlements? How much are attorneys' fees and expenses?

The four settlements, if approved, would result in \$91.3 million in total gross recoveries to the Litigation Trust. After fees, expenses, and replenishing the Litigation Trust reserve, the Litigation Trustee estimates that approximately \$59.8 million will be available for distribution by the Wind Down Trust to WDT Interest holders. The following chart shows the anticipated fees and expenses associated with each settlement:

Settlement Amount	Trustee Counsel Contingency Fee	Class Counsel Fee (Maximum)⁴	Class Counsel Expense (Maximum)⁴	Gross Distributable Amount (Estimated)
D&O Adv. Proceeding \$ 50,500,000.00	\$ 8,928,400.00	\$ 8,484,000.00	\$ 500,000.00	\$ 33,087,600.00
Whitley Penn LLP \$ 8,500,000.00	\$ 2,125,000.00	\$ -	\$ -	\$ 6,375,000.00
Sabes Defendants \$ 2,300,000.00	\$ 782,000.00	\$ -	\$ -	\$ 1,518,000.00
Mayer Brown LLP \$ 30,000,000.00	\$ 7,500,000.00	\$ -	\$ -	\$ 22,500,000.00
Subtotal				\$ 63,480,600.00
Less: Litigation Trust Expense Reserve⁵				\$ (2,500,000.00)
Notice Costs (Estimated)				\$ (350,000.00)
Litigation Trustee Success Fee (Est)⁶				\$ (805,215.84)
Net Distribution to Wind Down Trust (Estimated)				\$ 59,825,384.16

⁴ The proposed settlement of claims asserted in the D&O Adversary Proceeding also resolves claims in the Class Action pending in the District Court. Under the terms of that settlement agreement, Class Counsel will apply to the District Court for a fee payment in an amount not to exceed \$8,484,000 plus reimbursement of expenses in an amount not to exceed \$500,000. Dkt. No. 2533-1 at ¶ 22.

⁵ This amount represents a reserve by Litigation Trustee to fund reasonably anticipated expenses associated with multiple pending arbitrations and adversary proceedings against other non-settling parties (described on pages 10-11 below), in accordance with the terms of the GWG Litigation Trust Agreement. See Dkt. No. 1910 at § 3.4.

⁶ The Litigation Trustee's compensation under the GWG Litigation Trust Agreement includes a success fee comprised of (a) 2% of the net amount available for distribution to the Wind Down Trust Beneficiaries plus (b) 2% of the amount of any fees and expenses paid to any experts and/or contingency counsel retained by the Litigation Trustee on behalf of the Litigation Trust ("Success Fee"). See Dkt. No. 1910 at Schedule A. At the time a Success Fee is paid, 50% of all monthly compensation paid or payable to the Litigation Trustee is credited against any Success Fee. Because this credit depends on when the Settlements are approved and ultimately fund, this amount is based on the Litigation Trustee's best current estimate as to the timing of each and therefore may be subject to change. For the settlement in the D&O Adversary Proceeding (Dkt. No. 2533), the Success Fee is calculated solely on the portion of the settlement allocated to the GWG Litigation Trust (52%), net of fees owed to the Litigation Trustee's counsel; it excludes amounts allocated to settle the Class Action.

How much money will the Wind Down Trust distribute to WDT Interest holders from the settlement proceeds?

If the Bankruptcy Court approves all four settlements, the Wind Down Trust estimates that the cumulative distribution from the four settlements will be between 2.694% and 3.446% of the approximately \$1.67 billion in pre-petition GWG L Bond holdings that are now Series A1 WDT Interests. The anticipated distribution amount to a typical former GWG bondholder for each of the low and high distribution estimates is:

Prepetition L Bond Investment	Distribution Estimate – Low (2.694%)	Distribution Estimate – High (3.446%)
\$5,000.00	\$134.70	\$172.31
\$10,000.00	\$269.40	\$344.62
\$20,000.00	\$538.79	\$689.24
\$100,000.00	\$2,693.97	\$3,446.21

The Wind Down Trust's calculations are attached as Exhibit B.

Based on the Wind Down Trust's analysis, the Litigation Trust has estimated the amount that would be distributed on account of the approximately \$1.67 billion in pre-petition GWG L Bond holdings for each individual settlement alone (as though no other settlement was approved). Those estimated distributions are shown in the following charts, with the exception of the settlement with the Sabes Defendants for the reasons discussed below.⁷

D&O Adversary Proceeding Settlement (Only)

Prepetition L Bond Investment	Distribution Estimate – Low (1.278%)	Distribution Estimate – High (1.63%)
\$5,000.00	\$63.90	\$81.49
\$10,000.00	\$127.79	\$162.98
\$20,000.00	\$255.58	\$325.96
\$100,000.00	\$1,277.92	\$1,629.80

Whitley Penn LLP Settlement (Only)

Prepetition L Bond Investment	Distribution Estimate – Low (0.055%)	Distribution Estimate – High (0.070%)
\$5,000.00	\$2.75	\$3.51
\$10,000.00	\$5.51	\$7.02
\$20,000.00	\$11.01	\$14.05
\$100,000.00	\$55.07	\$70.24

⁷ Please note that these are not final calculations; these are estimates and are subject to change.