

GWG L Bonds

The Case Against Western International Securities

Marc Fitapelli, Esq.

MDF Law PLLC

28 Liberty Street, 30th Fl

New York, NY 10005

Tel- 800-767-8040

www.GWGCase.com



DISCLAIMERS

1. I am a private attorney licensed in New York. I am interested in pursuing arbitration claims nationwide against the financial advisors who marketed GWG L Bonds to the general public.
2. I am not providing you with legal advice. I am not your attorney, but want you to consider retaining my law firm.
3. This information is considered ATTORNEY ADVERTISING. Prior results do not guarantee a similar outcome.
4. The information discussed herein are allegations.
5. You must individually retain an attorney to file a FINRA arbitration seeking damages for GWG L Bonds. These claims are not covered by a class action or the bankruptcy.

Introduction

- GWG Holdings filed for Chapter 11 bankruptcy protection on April 20, 2022.
- Chapter 11 = reorganization.
- June 15, 2022, the Securities and Exchange Commission sued Western International Securities and several brokers for selling GWG L bonds.
- The government's case against Western International seeks the return of commissions and civil penalties – *not the return of your investment.*

Government's Case Against Western International

Key Points

1. Brokers did not know or did not care to know that L bonds were high risk.
2. Important issues regarding GWG L Bonds were misunderstood by salespeople.
3. Western International had poor internal controls and supervision.

High Risks Were Ignored

In their own words...

- Two brokers “did not consider L Bonds to be high risk, instead describing them as relatively safe.”
- Another broker acknowledged that L Bonds were high risk “but disregarded that disclosure.”

SEC Complaint Pg. 16. ¶¶ 81-83.

FACT: GWG L Bonds were not directly secured by collateral.

84. ...Put another way, other creditors had first claim on those life insurance policies, not the L Bond investors. This was important, because the value of GWG's life insurance portfolio was not sufficient to repay all of GWG's outstanding debt.

85. However, defendants Gitipityapon, Swan, and Egan did not understand the nature of the collateral for L Bonds. They failed to appreciate [that] the life insurance policies themselves did not collateralize the bonds.

SEC Complaint Pg. 16. ¶¶ 84-85.

**FACT: GWG was
not a profitable
business.**

86. As described above, both GWG and Beneficient had histories of substantial net losses. These net losses were readily apparent in GWG's 2019 Form 10-K filing, which was incorporated into the 2020 Prospectus.

SEC Complaint Pg. 17. ¶ 86

Examples of Negligent Conduct

87. However, several of the Registered Representative Defendants knew little, if anything, about Beneficient's finances, including its history of operating losses, and did nothing to educate themselves.

88. For example, Egan acknowledged that he should have reviewed Beneficient's financial statements and admitted he did not do so, but rather erroneously assumed that Beneficient was profitable.

SEC Complaint Pg. 17. ¶¶ 87-88.

Poor Internal Controls

56.the Chief Compliance Officer did not provide the Due Diligence Report to Western registered representatives, supervisors, or other compliance personnel.

57. Although the 2020 Prospectus expressly stated L Bonds were only suitable for customers with “substantial financial resources,” Western did not set any criteria or thresholds for its customers to invest in L Bonds. Western also did not restrict the sale of L Bonds to customers with certain risk profiles or investment objectives.

SEC Complaint Pg. 12. ¶¶ 56-57.

Key Take Aways and Next Steps...

1. Brokers from did not understand and often misrepresented key features of GWG L Bonds. They were negligent or worse.
2. Western International Securities will (probably) consent to a civil fine. *This fine will not involve investor restitution.*
3. Customers of Western International Securities that purchased GWG L Bonds must hire an attorney to seek compensation from Western International Securities.

Next Steps...

Call 800-767-8040 or visit
www.GWGcase.com for more information.

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