

GWG WIND DOWN TRUST

Quarterly Report and Financial Statements

(Unaudited)

For the Period January 1, 2024 – June 30, 2024

All information in this Report is based on information available to the Trustee at the time of the report, but this information may be incomplete. This Report is not meant to be relied upon by interest holders or others as a complete description of the GWG Wind Down Trust its condition (financial or otherwise), prospects, assets, or liabilities. The information in this Report will be updated, including corrections, if any, in future reports to the Court. The realized value of certain assets may be zero or different from the estimates on which this Report is based. Selected balances and information contained herein have not and will not be subject to audit or review by external accountants. The Trustee reserves all rights to revise this Report.

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GWG WIND DOWN TRUST

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For the Period January 1, 2024 – June 30, 2024

Quarterly Report from the Trustee

On April 20, 2022, GWG Holdings, Inc. and several affiliates filed voluntary bankruptcy petitions under chapter 11 of the Bankruptcy Code. On October 31, 2022, the DLP Debtors filed their own chapter 11 cases. On June 20, 2023 (the “Confirmation Date”), the Court confirmed the Debtors’ joint Plan (the “Plan”)^{1,2} by entering its Findings of Fact, Conclusions of Law, and Order Confirming Debtors’ Further Modified Second Amended Joint Chapter 11 Plan (ECF No. 1952) (the “Confirmation Order”). The Plan went effective on August 1, 2023 (the “Plan Effective Date”). The Wind Down Trust and the Litigation Trust were created pursuant to the Plan. Michael I. Goldberg was appointed as the trustee of the Litigation Trust (the “Litigation Trustee”). Elizabeth C. Freeman was appointed as the trustee of the Wind Down Trust (the “WDT Trustee”). The Trusts are governed by the Plan, Confirmation Order, the GWG Wind Down Trust Agreement (the “WDT Agreement”), and the Litigation Trust Agreement.

The Litigation Trust received all of the Debtors’ interest in the D&O Liability Insurance Policies (as defined in the Plan) and all of the Debtors’ litigation claims. The net amount recovered from the pursuit or settlement of the litigation claims will be distributed by the Litigation Trust to the Wind Down Trust. The Wind Down Trust was vested with the reversionary and beneficial interest in the Litigation Trust plus all of the Debtors’ non-litigation assets.

The Trustees previously filed a Joint Status Report for the quarter ending September 30, 2023, on November 14, 2023 [ECF No. 2301], on February 15, 2024, for the year ending December 31, 2023 [ECF No. 2381], and on May 15, 2024, for the quarter ending March 31, 2024 [ECF No. 2454]. The Litigation Trustee filed an additional status report on March 1, 2024 [ECF No. 2391].

The WDT Trustee is charged with liquidating the Wind Down Trust assets. As of the Plan Effective Date, the Debtors’ approximately 26,000 L bondholders, as well as other stakeholders (including all other general unsecured creditors, preferred equity holders, and common equity holders), hold interests in the Wind Down Trust (collectively, the “WDT Interest holders”). To the extent available, WDT Interest holders will receive distributions from the Wind Down Trust in accordance with the Plan and WDT Agreement. The Wind Down Trust maintains a website to provide information to the WDT Interest holders at www.gwgholdingstrust.com.

The WDT Trustee provides the following summary of major events to date regarding her efforts to liquidate the Wind Down Trust assets:

¹ The Debtors in these chapter 11 cases (these “Chapter 11 Cases”), along with the last four digits of each Debtor’s federal tax identification number, were: GWG Holdings, Inc. (2607); GWG Life, LLC (6955); GWG Life USA, LLC (5538); GWG DLP Funding IV, LLC (2589); GWG DLP Funding VI, LLC (none); and GWG DLP Funding Holdings VI, LLC (none) 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>.

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Plan.

The Policy Portfolio Sale

Following the Plan Effective Date, the WDT Trustee commenced a marketing process for the sale of the Policy Portfolio Equity Interests. After a thorough evaluation of available alternatives as well as an analysis of the ongoing costs to maintain the Policy Portfolio, the WDT Trustee elected to sell the Wind Down Trust's interests in the Policy Portfolio to Apex Longevity Fund LLC ("Apex"). The Bankruptcy Court approved the sale on October 3, 2023. The sale closed on October 13, 2023. In addition to assuming the secured debt obligation of approximately \$605 million, Apex paid the Wind Down Trust \$10 million in cash.

Sale of FOXO Technologies, Inc. Stock

On October 13, 2023, the Wind Down Trust sold its 4,646,698 shares of FOXO Stock. The Wind Down Trust realized net proceeds of \$586,942.

Fifth Season Litigation

Prior to the confirmation of the Plan, the Debtors commenced litigation with Fifth Season Investments, LLC ("Fifth Season"). The dispute centered around Fifth Season's demand for \$18.3 million dollars plus fees and costs (totaling over \$24 million) based on an asserted break-up fee. A trial was conducted on the matter on October 3rd and 4th, 2023. After the close of evidence, but before closing arguments, the Trust and Fifth Season reached a settlement. The agreement provided for Fifth Season to have a claim of \$8 million. On November 16, 2023, the Court entered an Order approving the compromise with Fifth Season [ECF No. 2305]. As of today's date, \$3,859,199 in cash has been paid to Fifth Season.

Beneficient Stock

On September 29, 2023, Beneficient's Registration Statement on Form S-1 (File No. 333-273322) (the "Registration Statement") was declared effective by the Securities and Exchange Commission. The Registration Statement registers the offer and sale of shares of Ben Stock, from time to time, by the Wind Down Trust. Following effectiveness of the Registration Statement, the Wind Down Trust began selling a limited amount of shares of Ben Stock in the open market. As of the date of this report, the Wind Down Trust's Ben Stock represents approximately 43.7% of the outstanding Class A common stock of Beneficient.³

The Beneficient share price has dropped significantly since the Confirmation Date. On June 20, 2023, the share price closed at \$4.57. By the Effective Date, August 1, 2023, the share price closed at \$2.00. The shares began trading at less than \$0.10 a share in mid-March 2024. Beneficient's stockholders approved a reverse share split on March 21, 2024. The shares began trading on a split adjusted basis on April 18, 2024. On August 13, 2024, the share price closed at \$2.34, or \$0.029 on a pre-split basis.

The Trust is selling a limited number of shares on the public market and is also exploring options for the sale of large blocks of shares. Unfortunately, there is very little interest in acquiring substantial blocks of the Class A common stock at this time. The Trustee continues to focus on obtaining the maximum value for the Beneficient shares held by the Trust.

The WDT Trustee received a number of inquiries from WDT Interest holders regarding the possibility of distributing Ben Stock directly to interest holders in lieu of monetizing the shares. The WDT Trustee engaged securities counsel and continues evaluating whether such a distribution of shares is feasible and in compliance with applicable law. The WDT Trustee and the Trust advisors have not found a feasible, compliant, cost-effective path to a distribution of the shares themselves. If a process can be designed, the WDT Trustee will file a motion seeking approval of the process from the Bankruptcy Court.

³ Based on a total of 4,006,365 shares of Beneficient's Class A common stock, outstanding as of July 5, 2024, as disclosed in the Beneficient's Annual Report on Form 10-K, for the fiscal year ended March 31, 2024, as filed with the SEC on July 9, 2024.

Professional Fee Accommodations

After the Effective Date of the Plan, professionals retained during the bankruptcy case that were to be paid by the Debtors filed their applications for final approval of their pre-confirmation fees. The Trustee successfully negotiated accommodations with many professionals. After comments from the Court during a hearing regarding approval of those fees, several additional professionals agreed to accommodations to those reached with other professionals – a 5% reduction from the professional fees requested.

The amounts necessary to pay professional fees was reserved in escrow held by the Wind Down Trust. The savings from accommodations reached over \$4.5 million thus far. One additional fee application is pending and an additional accommodation is expected. The WDT benefits from the accommodations as any unused professional fee escrow funds belong to the Wind Down Trust.

Valuation as of the Effective Date

Pursuant to the Wind Down Trust Agreement, Section 5.4, the Trust was required to provide to the WDT Interest holders, a report of the valuation of the Wind Down Trust Assets as of the Effective Date, August 1, 2023. On January 31, 2024, the Wind Down Trust filed the GWG Wind Down Trust Good Faith Valuation of Trust Assets (the “Valuation Report”). (ECF No. 2339). The Valuation Report and information to assist WDT Interest Holders in determining their respective interests can be found at www.gwgholdingstrust.com/asset-values.

Taxes

Grantor Trust Letters were made available to WDT Interest holders holding direct interests. Information regarding obtaining the Grantor Trust Letters was posted on the Trust website under the Taxes/Financials tab. The Wind Down Trust published information for interest holders with indirect interests on the FIS Tax Information Reporting Suite (formerly Wall Street Concepts) and the LENS, (Legal Notice System) for Securities| DTCC Issuer Services.

The Litigation Trust

The Litigation Trustee filed two adversary proceedings on April 19, 2024, which are pending before the Court. The first adversary proceeding is styled *Goldberg v. Heppner, et al.*, Adv. Pro. No. 24-3090, and alleges claims and causes of action arising out of, among other things, the relationship between the Debtors and Beneficient. The defendants include Mr. Bradley K. Heppner, Beneficient, parties related to Mr. Heppner and/or Beneficient, and various former directors and officers of the Debtors. The complaint is available on the Trust’s website: https://gwgholdingstrust.com/wp-content/uploads/2024/05/2024-04-19_Unsealed-Complaint.pdf.

The second adversary proceeding is styled *Goldberg v. Sabes, et al.*, Adv. Pro. No. 24-03089, and asserts avoidance and other claims arising out of the Debtors’ payment of a dividend to shareholders in September 2018. The defendants in that adversary proceeding include Jon R. Sabes, Steven F. Sabes, and various related parties. That complaint is available on the Trust’s website: <https://gwgholdingstrust.com/wp-content/uploads/2024/05/2024-04-19-1-Complaint-re-Avoidance.pdf>.

In June 2024, the Litigation Trustee commenced an arbitration proceeding against one of the Debtors’ former auditors, and the parties participated in an early mediation. In addition, the Litigation Trustee has entered into tolling agreements with a number of parties and anticipates engaging in pre-suit negotiations and/or mediations with some of those parties in the coming months. The Litigation Trust also participated in one mediation with certain of the Debtors’ former directors and officers in August 2023 and may do so again in the coming months.

The Trustee encourage holders to review the information found on the Trust website www.gwgholdingstrust.com.

The foregoing Quarterly Report from the Trustee has been derived from the Joint Status Report of the Wind Down Trust and the Litigation Trust for the quarter ended June 30, 2024, as previously filed: Case 22-90032 Document 2475 Filed in TXSB on August 14, 2024.

GWG WIND DOWN TRUST
STATEMENT OF NET ASSETS IN LIQUIDATION (Unaudited)
As of June 30, 2024

ASSETS

| | |
|--|-----------------------------|
| Cash | \$ 11,011,947 |
| Restricted Cash | 3,089,280 |
| Marketable Securities – Beneficient Shares | 4,084,141 |
| Prepaid Insurance | 848,202 |
| TOTAL ASSETS | <u>\$ 19,033,570</u> |

LIABILITIES

| | |
|--|-----------------------------|
| Accounts Payable | 1,074,071 |
| Accrued Expenses Payable | 1,520,021 |
| Accrued Litigation Costs | 4,417,071 |
| Liability for Estimated Costs During Liquidation | 11,011,947 |
| TOTAL LIABILITIES | <u>\$ 18,023,110</u> |

NET ASSETS IN LIQUIDATION

| | |
|--|----------------------------|
| | <u>\$ 1,010,460</u> |
|--|----------------------------|

GWG WIND DOWN TRUST
STATEMENT OF CHANGES IN NET ASSETS IN LIQUIDATION (Unaudited)
Year-to-Date June 30, 2024

| | |
|--|----------------------|
| NET ASSETS IN LIQUIDATION, BEGINNING OF PERIOD | \$ 77,306,728 |
| Cash Receipts | |
| Sales of Marketable Securities | 1,964,929 |
| Interest and Other Income | 435,957 |
| Total Cash Receipts | 2,400,886 |
| Cash Disbursements: | |
| Payment of Accrued GWG WDT Expenses | (498,593) |
| Payment of Accrued Litigation Expenses | (1,964,929) |
| Payment of Consulting Costs | (637,787) |
| Payments for General and Administrative Costs | (1,955,405) |
| Total Cash Disbursements | (5,056,714) |
| NET CASH FLOW | (2,655,828) |
| Non-Cash Changes: | |
| Change in Value of Beneficent Shares Held for Resale | (31,919,672) |
| Disposition of Beneficent Shares | (46,216,514) |
| Change in Accounts Receivable | (149,040) |
| Change in Accounts Payable | 450,621 |
| Change in Accrued GWG Expenses Payable | 211,131 |
| Change in Estimated Costs During Litigation | 1,964,929 |
| Change in Liability for Estimated Costs During Liquidation | 2,735,345 |
| Change in Prepaid Insurance | (717,240) |
| | (73,640,440) |
| TOTAL CHANGES IN NET ASSETS IN LIQUIDATION | (76,296,268) |
| NET ASSETS IN LIQUIDATION, END OF PERIOD | \$ 1,010,460 |

GWG WIND DOWN TRUST

Notes to Unaudited Financial Statements

June 30, 2024

1. Description of Business and Significant Accounting Policies

The GWG Wind Down Trust (“Trust”) was formed in connection with the voluntary bankruptcy petition filed under chapter 11 of the United States Bankruptcy Code in the bankruptcy case of GWG Holdings, Inc., (“GWG”). The Trust became effective on August 1, 2023 (“Effective Date”). The Trust issued units of beneficial interest (“Units”). The Units entitle their holders (“Beneficiaries”) to receive a proportionate amount of cash distributions (“Declared Distributions”) made by the Trust.

Basis of Presentation

The unaudited Financial Statements (the “Statements”) reflect the accounts of the Trust. The Statements reflect all adjustments that are, in management’s opinion, necessary for the fair presentation of the results for the periods presented. The Statements have not been prepared in accordance with generally accepted accounting principles; rather they have been prepared using a liquidation basis of accounting, which the Trust considers an appropriate basis of accounting at this time. Assets are stated at their estimated net realizable value, which is the amount of cash into which an asset is expected to be converted during the liquidation period. The Trust also accrues costs that it expects to incur through to the end of its liquidation. The Trust may be further extended beyond August 1, 2026, resulting in an increase to future accrued costs for such extended periods and a corresponding reduction in cash available. The Trust will record and value affirmative settlements or judgements when realized and collectability is reasonably anticipated. The Trust does not accrue contingent costs.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and short-term deposits and governmental money market funds.

Income Taxes

The Trust is a Grantor Trust, treated as a flow-through entity for U.S. federal and state income tax purposes. The Trust is not subject to U.S. federal or state income taxes; therefore, no accrual for these taxes is made. The Trust files a federal return. While there are no ongoing examinations, the federal return dating to the 2023 calendar year remains eligible for examination.

2. Estimated Costs to Operate the Trust

The Trust accrues for all costs it expects to incur during its lifetime based on approved strategic assumptions and the Trust’s current estimates. These costs are estimated based on asset resolution strategies, litigation timelines and modeled wind-down expenses of the Trust’s operations and are recorded as liabilities. Actual future costs could vary significantly depending upon a wide variety of factors due to the uncertainties inherent in a complex Trust. On a periodic basis, the Trust evaluates such estimates to take into consideration the overall status of the Trust and any material changes in circumstances or factors affecting the Trust, including but not limited to evaluation of claims, the fair value of assets held by the Trust and other factors that may affect such estimates. The Trust does not accrue contingent costs.

Estimated costs to operate the Trust are comprised of the following (in \$000’s):

As of June 30, 2024, the estimated cost to operate the Trust are approximately \$11 million including \$2.6 million of expenses that have been incurred but not yet paid and \$8.4 million of expected future costs for the period July 1, 2024, through August 1, 2026. Of the future \$8.4 million cost, \$0.4 million supports claims that may be paid by the Trust.

GWG WIND DOWN TRUST

Notes to Unaudited Financial Statements

June 30, 2024

3. Sale of Subsidiary / Portfolio Sale

Following the Plan Effective Date, the WDT Trustee commenced a marketing process for the sale of the Policy Portfolio Equity Interests. After a thorough evaluation of available alternatives as well as an analysis of the ongoing costs to maintain the Policy Portfolio, the WDT Trustee elected to sell the WDT's interests in the Policy Portfolio to Apex Longevity Fund LLC ("Apex"). The Bankruptcy Court approved the sale on October 3, 2023. The sale closed on October 13, 2023. The purchaser acquired 100% of the Trust's membership interest in Trust's wholly owned subsidiary Life Recovery Company, LLC ("Life Recovery"). Through the acquisition of the membership interest in Life Recovery, the purchaser acquired the portfolio of life insurance policies, assumed a Sr. Secured Credit Facility with a balance of approximately \$605 million collateralized by those same policies and gave the WDT \$10 million in cash.

4. Litigation Trust

The WDT maintains a beneficial and reversionary interest in the GWG Litigation Trust. The WDT does not believe that it can ascribe an estimated value to the WDT's beneficial and reversionary interests in the Litigation Trust net of attorney's fees and collection costs, as of June 30, 2024. These amounts, once quantified, could be expected to be available for remittance to the WDT for the benefit of the WDT's beneficiaries. The Litigation Trust's expectations of the amount of any distributions and when they may be paid are subject to risks and uncertainties and are based on certain estimates and assumptions, one or more of which may prove to be incorrect. As a result, the actual amount of any distributions may differ materially, perhaps in adverse ways, from the Trust estimates. Furthermore, it is not possible to predict the timing of any distributions.

5. Marketable Securities and Marketable Securities Litigation Share Reserve

The table below summarizes common shares included in Marketable Securities and Marketable Securities Litigation Share Reserve as of June 30, 2024. (The Beneficent Company completed an 80 for 1 reverse share split on April 18, 2024, share values herein have been effectuated for the reverse share split)

| <u>Common Shares Held</u> | <u>Jan. 1, 2024</u> | <u>Changes in Share Count</u> | <u>June 30, 2024</u> |
|---|---------------------|-------------------------------|----------------------|
| Beneficent Shares Held for Resale | 1,786,428 | 53,275 (b) | 1,839,703 |
| Beneficent Share Litigation Share Reserve | 328,292 | (328,292) (a)(b) | - |

(a) The Wind Down Trust sold 275,017 Beneficent shares, between January 1, 2024 and June 30, 2024, net sales proceeds received from Beneficent share sales during the period amounted to \$1,964,929, this amount includes \$149,040 that was included in accounts receivable as of December 31, 2023.

(b) Includes reclassification of 53,275 shares from the Beneficent Litigation Share Reserve to Beneficent Shares Held for Resale.

GWG WIND DOWN TRUST

Notes to Unaudited Financial Statements

June 30, 2024

The table below summarizes adjustments for the Marketable Securities - Beneficient Shares and Beneficient Litigation Share Reserve for the quarter ended June 30, 2024. **(a)**

| Common Shares \$ | Jan. 1, 2024 | Unrealized Gains (Losses) | Realized Gains (Losses) | Other Adjustments | June 30, 2024 |
|--------------------------------------|----------------------|---------------------------|-------------------------|-----------------------|---------------------|
| | (unaudited) | (unaudited) | (unaudited) | | (unaudited) |
| Beneficient Shares | \$ 69,456,327 | \$(31,919,672) (b) | \$ - | \$ (33,452,514) | \$ 4,084,141 |
| Beneficient Litigation Share Reserve | 12,764,000 | - | (46,216,514) (c) | 33,452,514 (d) | - |
| | \$ 82,220,327 | \$(31,919,672) | \$ (46,216,514) | \$ - | \$ 4,084,141 |

(a) Share values utilized herein have been derived from published market data. The market values utilized herein are not indicative of the Wind Down Trust's opinion of value.

(b) Represents mark-to market adjustment related to the market value of the Beneficient shares held by the Wind Down Trust as of June 30, 2024.

(c) Represents realized losses incurred in connection with the sale of Beneficient shares held by the Wind Down Trust.

(d) Represents the previously recognized net unrealized gains (losses) for shares sold and those transferred to Beneficient Shares Held for Resale from Beneficient Litigation Share Reserve.