UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 100615 / July 29, 2024

INVESTMENT ADVISERS ACT OF 1940
Release No. 6640 / July 29, 2024

ADMINISTRATIVE PROCEEDING
File No. 3-21983

In the Matter of **GEOFFREY WOLTERSTORFF** **Respondent.**	**CORRECTED ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTIONS 15(b) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934 AND SECTION 203(f) OF THE INVESTMENT ADVISERS ACT OF 1940, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 ("Exchange Act") and Section 203(f) of the Investment Advisers Act of 1940 ("Advisers Act"), against Geoffrey Wolterstorff ("Wolterstorff" or "Respondent").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement ("Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V., Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds[1] that:

Summary

1. Regulation Best Interest, Exchange Act Rule 15*l*-1, which had a compliance date of June 30, 2020, is intended to enhance the standard of conduct for brokers, dealers and associated persons of a broker or dealer and requires them to act in the best interest of retail customers when recommending a securities transaction or investment strategy involving securities. Regulation Best Interest's General Obligation requires, in relevant part: "[a] broker, dealer, or a natural person who is an associated person of a broker or dealer, when making a recommendation of any securities transaction or investment strategy involving securities (including account recommendations) to a retail customer, shall act in the best interest of the retail customer at the time the recommendation is made, without placing the financial or other interest of the broker, dealer, or natural person who is an associated person of a broker or dealer making the recommendation ahead of the interest of the retail customer." Exchange Act Rule 15*l*-1(a)(1); *see also* Regulation Best Interest: The Broker-Dealer Standard of Conduct, Exchange Act Release No. 86031, at 45-46, 371 (June 5, 2019) (hereinafter "Adopting Release").

2. Associated persons of a broker or dealer can satisfy the General Obligation only if they comply with its component obligations, including exercising reasonable diligence, care, and skill in making the recommendation ("Care Obligation"). *See* Exchange Act Rule 15*l*-1(a)(2)(ii); Adopting Release at 13. Because all of Regulation Best Interest's component obligations are mandatory, failure to comply with any of them constitutes a violation of Regulation Best Interest's General Obligation. *See id.* at 72.

3. Between July 2020 and January 2022, Wolterstorff, a registered representative with a dually registered broker-dealer and investment adviser, Broker-Dealer A, failed to comply with Regulation Best Interest's Care Obligation, Exchange Act Rule 15*l*-1(a)(2)(ii), when recommending a certain corporate bond known as an L Bond to retail customers without exercising reasonable diligence, care, and skill to understand the potential risks, rewards and costs associated with his recommendations (the "reasonable basis" prong of the Care Obligation). Exchange Act Rule 15*l*-1(a)(2)(ii)(A).

4. In December 2021, Wolterstorff also failed to comply with Regulation Best Interest's Care Obligation, Exchange Act Rule 15*l*-1(a)(2)(ii), when recommending L Bonds to a retail customer without exercising reasonable diligence, care, and skill to have a reasonable basis to believe the recommendation was in that particular customer's best interest (the "customer specific" prong of the Care Obligation). Exchange Act Rule 15*l*-1(a)(2)(ii)(B).

5. As a result of Respondent's failures to comply with Regulation Best Interest's Care Obligation, he willfully violated Regulation Best Interest's General Obligation. Exchange Act Rule 15*l*-1(a)(1).

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[1] The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Respondent

6. Wolterstorff is a resident of Eau Claire, Wisconsin. He has worked as a registered representative with Broker-Dealer A since September 2018 and currently holds FINRA series 7 and 63 licenses.

GWG L Bonds

7. GWG Holdings, Inc. ("GWG") was a publicly traded financial services company. Prior to 2018, GWG's business model involved acquiring life insurance policies in the secondary market. Following several corporate transactions in 2018 and 2019 with the Beneficient Company Group, L.P. ("Beneficient"), GWG reoriented its business to focus on Beneficient's business model of providing liquidity to holders of illiquid investments and alternative assets.

8. The L Bonds at issue were offered by GWG pursuant to a prospectus dated June 3, 2020 ("June 2020 Prospectus"). In the June 2020 Prospectus, GWG disclosed several risks associated with L Bonds, including that: (a) investing in L Bonds involves a "high degree of risk, including the risk of losing [one's] entire investment[;]" (b) "[i]nvesting in L Bonds may be considered speculative[;]" and (c) "L Bonds are only suitable for persons with substantial financial resources and with no need for liquidity in this investment."

9. GWG had a history of net losses and had never generated sufficient operating and investing cash flows to fund its operations. As such, GWG depended on financing – primarily debt financing, such as L Bonds – to fund its operations. Since 2012, GWG had raised funds for its operations by selling corporate bonds – initially called Renewable Secured Debentures, but since 2015 known as L Bonds – to retail customers through a nationwide network of broker-dealers.

10. L Bonds were not rated by any bond rating agency and the June 2020 Prospectus made clear there was no secondary market for the bonds. Except in cases of death, bankruptcy or total permanent disability, L Bond investors had no right to redeem their L Bonds prior to their respective maturity date; GWG could, in its sole discretion, redeem L Bonds for a 6% fee upon an investor's request.

11. For L Bonds offered pursuant to the June 2020 Prospectus, GWG also issued several supplements; both the June 2020 Prospectus and the prospectus supplements contained important information about GWG and L Bonds.

12. GWG temporarily suspended the sale of L Bonds in April of 2021 because it was unable to file its Form 10-K for the year ended December 31, 2020 ("2020 Form 10-K"). GWG subsequently filed its 2020 Form 10-K on November 5, 2021.

13. GWG issued a Prospectus Supplement on or about November 24, 2021 ("November 2021 Prospectus Supplement") and resumed selling L Bonds shortly thereafter. The November 2021 Prospectus Supplement and 2020 Form 10-K contained additional important information and disclosures about GWG and L Bonds, including: (a) there was "substantial doubt" about GWG's ability to continue as a going concern for the next 12 months following the filing of the 2020 Form 10-K; (b)

there was material weakness in GWG's internal control over financial reporting for all periods from December 31, 2019 to December 31, 2020; (c) GWG's ability to service and repay debt obligations would be compromised if it was forced to again suspend L Bond sales; (d) there was a possibility GWG would lose its ability to exercise control over Beneficient; and (e) there could be impairments to goodwill, which constituted the majority of GWG's consolidated assets, and such impairments would require GWG to write down the value of that goodwill.

14. On January 15, 2022, GWG again suspended sales of L Bonds. GWG did not make the January 15, 2022 interest or principal payments on outstanding L Bonds and has not made any subsequent interest or principal payments on L Bonds.

15. On April 20, 2022, GWG filed for Chapter 11 bankruptcy.

Respondent Failed to Comply with the Reasonable Basis Prong of Regulation Best Interest's Care Obligation.

16. Regulation Best Interest's Care Obligation requires, among other things, that in making a recommendation of any securities transaction or investment strategy involving securities to a retail customer, brokers, dealers and associated persons of a broker or dealer exercise reasonable diligence, care, and skill to understand the potential risks, rewards, and costs associated with the recommendation. Exchange Act Rule 15*l*-1(a)(2)(ii)(A).

17. Respondent recommended L Bonds to retail customers between July 2020 and January 2022 without exercising reasonable diligence, care, and skill to understand the potential risks, rewards and costs associated with the recommendations.

18. Before recommending L Bonds to retail customers after GWG issued the November 2021 Prospectus Supplement and L Bond sales resumed in December 2021, Respondent did not consider the potential risk in light of the changed risk profile associated with L Bonds.

19. Respondent unreasonably disregarded, dismissed, misunderstood, or failed to take reasonable steps to understand significant disclosures and information regarding GWG and L Bonds contained in the June 2020 Prospectus, November 2021 Prospectus Supplement, and 2020 Form 10-K.

20. Respondent relied on Broker-Dealer A's approval of L Bonds without question or inquiry. Respondent's failure to exercise reasonable diligence, care, and skill to understand the L Bonds he was recommending materialized in his failure to understand, or his misunderstanding of, important elements of the investment product.

21. With respect to the June 2020 Prospectus, notwithstanding express language that, except in cases of death, bankruptcy or total permanent disability, redemption of L Bonds prior to maturity was at GWG's sole discretion, Respondent mistakenly believed investors could redeem L Bonds without restriction less a 6% fee.

22. Respondent also did not know what was meant by GWG's statement in the June 2020 Prospectus that L Bonds were only suitable for people with substantial financial resources and did

nothing to find out prior to recommending L Bonds to retail customers.

23. Respondent dismissed GWG's going concern and material weakness disclosures in the November 2021 Prospectus Supplement and GWG's 2020 Form 10-K as boilerplate and did nothing to better understand either disclosure or the basis for them prior to recommending L Bonds to retail customers.

Respondent Failed to Comply with the Customer Specific Prong of Regulation Best Interest's Care Obligation.

24. Regulation Best Interest's Care Obligation also requires that, in making a recommendation of any securities transaction or investment strategy involving securities to a retail customer, brokers, dealers and associated persons of a broker or dealer exercise reasonable diligence, care, and skill to have a reasonable basis to believe the recommendation is in the best interest of a particular retail customer based on that retail customer's investment profile and the potential risks, rewards, and costs associated with the recommendation. Exchange Act Rule 15*l*-1(a)(2)(ii)(B).

25. In December 2021, Respondent recommended a $50,000 L Bond with a 5-year term to a retail customer: (1) who was a 63-year old semi-retiree; (2) who had a moderate risk tolerance; (3) whose only documented investment objective was preservation of capital; (4) who specifically explained to Respondent he did not want to lose his principal; and (5) who used retirement funds to make the purchase.

26. Respondent did not know and could not explain how it was in the customer's best interest to buy an illiquid 5-year L Bond when, at the time he made the recommendation, there was "substantial doubt" about GWG's ability to continue as a going concern for the next 12 months following the filing of its 2020 Form 10-K.

27. Respondent's recommendation was inconsistent with the customer's investment profile. The customer's account agreement and suitability form identified his only investment objective as "Preservation of Capital [I (We) cannot tolerate loss of principal." The retail customer's risk tolerance and his investment objective are generally inconsistent with L Bonds, a high-risk, potentially speculative investment whose risks included "losing your entire investment." The customer also had specifically explained to Respondent that he did not want to lose the principal he was investing.

Violations

28. As a result of the conduct discussed above, Respondent failed to comply with Regulation Best Interest's Care Obligation, Exchange Act Rule 15*l*-1(a)(2)(ii), and willfully violated Regulation Best Interest's General Obligation. Exchange Act Rule 15*l*-1(a)(1).

Disgorgement and Civil Penalties

29. The disgorgement and prejudgment interest ordered in Section IV.E. below is consistent with equitable principles and does not exceed Respondent's net profits from his violations and will be distributed to harmed investors to the extent feasible. The Commission will hold funds paid pursuant to

Section IV.E. in an account at the United States Treasury pending distribution. Upon approval of the distribution final accounting by the Commission, any amounts remaining that are infeasible to return to investors, and any amounts returned to the Commission in the future that are infeasible to return to investors, may be transferred to the general fund of the U.S. Treasury, subject to Section 21F(g)(3) of the Exchange Act.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent's Offer.

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act and Section 203(f) of the Advisers Act, it is hereby ORDERED that:

A. Respondent cease and desist from committing or causing any violations and any future violations of Rule 15*l*-1(a)(1) of the Exchange Act.

B. Respondent is censured.

C. Respondent is suspended from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization for 6 months, effective the second Monday following the entry of this Order.

D. Respondent is suspended from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock for 6 months, effective the second Monday following the entry of this Order.

E. Respondent shall pay $24,991 in disgorgement, $3,430 in prejudgment interest, and a civil money penalty of $15,000 to the Securities and Exchange Commission. Payment shall be made in the following installments: $21,710.50 within twenty-one (21) days of the entry of this Order and $21,710.50 within one hundred eighty (180) days of the entry of this Order. Payments shall be applied first to post order interest, which accrues pursuant to SEC Rule of Practice 600 as to disgorgement and prejudgment interest and pursuant to 31 U.S.C. 3717 as to the civil penalty. Prior to making the final payment set forth herein, Respondent shall contact the staff of the Commission for the amount due. If Respondent fails to make payment by the dates agreed and/or in the amounts agreed according to the schedule set forth above, all outstanding payments under this Order, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application to the Commission.

Payments must be made in one of the following ways:

(1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

(3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Wolterstorff as Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Charles J. Kerstetter, Assistant Director, Division of Enforcement, Securities and Exchange Commission, 175 West Jackson Blvd., Suite 1450, Chicago, IL 60604.

F. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended, a Fair Fund is created for the disgorgement, prejudgment interest, and penalties referenced in Section IV.E. above. The Fair Fund may be added to or combined with any other fair fund created in a related district court action or administrative proceeding arising out of the same violations. The Fair Fund will be distributed to harmed investors in accordance with a Commission-approved plan of distribution. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of his payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within thirty (30) days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the findings in this Order are true and admitted by Wolterstorff, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. § 523(a)(19).

By the Commission.

Vanessa A. Countryman,
Secretary