

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

JONATHAN J. GREENFIELD,
(CRD No. 2591266),

Respondent.

Disciplinary Proceeding
No. 2012034936501

Hearing Officer - CC

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: November 12, 2015

INTRODUCTION

Disciplinary Proceeding No. 2012034936501 was filed on December 30, 2014, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Jonathan J. Greenfield submitted an Offer of Settlement (Offer) to Complainant dated November 2, 2015. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, to the entry of findings and violations consistent with the allegations of the Complaint, and to the imposition of

the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

Jonathan Greenfield was registered as a General Securities Representative with several FINRA member firms from March 1995 through December 2013. Greenfield joined Arete Wealth Management in March 2010 as a General Securities Representative and General Securities Principal. Arete Wealth Management terminated Greenfield's registration on December 6, 2013.

Although Greenfield is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (1) this Complaint was filed within two years after the effective date of termination of his registration with Arete Wealth Management, namely December 6, 2013, and (2) this Complaint charges him with misconduct committed while he was registered or associated with a FINRA member.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

SUMMARY

During the period March 2012 to October 2012, Respondent Jonathan Greenfield recklessly and at times intentionally made material misrepresentations and omissions to three customers regarding the features of GWG Renewable Secured Debentures in connection with their purchases of the Debentures. During the same period, Greenfield made additional material misrepresentations and omissions to more than fifty customers who did not purchase the

Debentures. In addition, between September 2012 and November 2012, Greenfield provided twelve customers with GWG sales literature that stated the GWG Debentures were secured by life insurance policies owned by GWG. In fact, the Debentures were not secured by insurance policies.

By recklessly or intentionally making material misrepresentations and omissions to his customers in connection with their purchases of the GWG Debentures, Greenfield willfully violated Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5 thereunder, and FINRA Rules 2020 and 2010 (First Cause of Action).

By recklessly or intentionally making material misrepresentations and omissions regarding the Debentures to customers who did not purchase the Debentures, Greenfield violated FINRA Rule 2010, both independently and by virtue of violating section 17(a)(1) of the Securities Act of 1933 (Second Cause of Action).

In the alternative, by negligently making material misrepresentations and omissions to his customers regarding GWG Debentures—both to those customers who purchased and to those who did not—Greenfield violated FINRA Rule 2010, both independently and by virtue of violating section 17(a)(2) or 17(a)(3) of the Securities Act of 1933 (Third Cause of Action, in the alternative to the First and Second Causes of Action.)

By distributing sales literature that contained false and misleading statements and by making the material misrepresentations and omissions described above, Greenfield violated NASD Rules 2210(d)(1)(A), 2210(d)(1)(B), 2210(d)(2)(B), 2211(d)(1), and FINRA Rule 2010 (Fourth Cause of Action).

FACTS

GWG Renewable Secured Debentures

GWG Holdings, Inc. is a Delaware corporation headquartered in Minnesota. GWG, through its subsidiaries, purchases life insurance policies on the secondary market at a discount to the face value of the policies. Once GWG purchases a policy, it has the obligation to keep the policy in effect by paying the policy premiums until the insured passes away. Upon the insured's death, GWG collects the face value of the insurance benefit. The objective of this business is to earn returns by collecting more money upon the insured's death than the amount that GWG pays to purchase, finance, and service the policies. GWG has a limited operating history, however, and has purchased almost all of the policies it owns with funds borrowed from financial institutions or investors.

In 2012, in an effort to continue funding and operating its business model, GWG began selling "Renewable Secured Debentures" to investors. Renewable Secured Debentures are registered debt instruments that offer investors varying maturity terms and interest rates, ranging from six-month Debentures offering an annual interest rate of 4.75%, to seven-year Debentures offering an annual interest rate of 9.50%.

As stated in the May 2012 prospectus, the Debentures are illiquid, speculative investments that involve a high degree of risk—including the risk of losing the entire investment. There is no trading market for the Debentures and investors cannot access their principal prior to maturity absent death, bankruptcy, or total disability.¹

Unless the investor provides written notification to GWG that the investor wishes to redeem the Debentures upon maturity, the Debentures are automatically renewed.

¹ If GWG opts to prepay, other than under those circumstances, a prepayment fee of 6% is charged to the investor; the prospectus cautions that an investment in the Debentures is not suitable for investors who need liquidity.

In addition to being illiquid and speculative, the Debentures are not directly secured by life insurance policies. The May 2012 prospectus for the Debentures states that the underlying life insurance policies are not direct collateral for obligations under the Debentures. Instead, those policies have been separately pledged to a bank as collateral for the line of credit used by GWG to purchase the policies.

According to the May 2012 prospectus, proceeds from the sale of the Debentures may be used: (i) to purchase life insurance policies; (ii) to pay premiums on life insurance policies; (iii) to pay for offering and operational expenses; (iv) for general working capital; (v) to pay principal and interest on the Debentures; (vi) to pay commissions on sales of the Debentures; and (vii) to pay principal amounts owed under its subsidiary secured notes when such notes become due and payable. The amount of such notes that GWG would repay with proceeds from the Debenture sales depends on whether the holders of previous notes elect repayment rather than renewal of such notes.

The May 2012 prospectus for the Debentures further indicates that the company's success is dependent upon, among other things, its continued ability to raise funds to pay its obligations—including interest payments under the Debentures.

One of the fundamental risks of the Debentures, according to the May 2012 prospectus, is GWG's reliance on financing. The prospectus states that GWG has chosen to finance its business "almost entirely" through the issuance of debt, and that its business model expects that GWG will have continued access to financing. GWG states that it expects to rely on debt to satisfy its ongoing financing and liquidity needs, including the costs associated with the ongoing offer and sale of the Debentures.

The May 2012 prospectus outlines some additional risk factors, such as GWG's limited operating history, the illiquidity of the Debentures and the relative illiquidity of life insurance policies, GWG's financing requirements, risks related to a bankruptcy "claw back" litigation involving GWG's controlling stockholders and principal executives, and the valuation of assets listed on GWG's financial statements.

Further, the May 2012 prospectus warns that if holders of GWG's subsidiary secured notes were to fail to renew those notes with the frequency GWG has historically experienced, and cash flows from its portfolio of life insurance policies do not occur as actuarial projections have forecasted, there is a risk that investors will lose their entire investments.

During the period March to October 2012, Greenfield made numerous material misrepresentations and misleading statements concerning the features and risks of GWG Debentures to customers and potential customers to whom he was trying to sell the Debentures, three of whom purchased the GWG Debentures.

Greenfield's Material Misrepresentations to Customers Who Purchased GWG Debentures

During the period March 2012 through October 2012, Greenfield recklessly or intentionally made material misrepresentations concerning the GWG Debentures in connection with customers BG, EA, and YSN's purchases of the Debentures.

Beginning in March 2012, Greenfield emailed between 50 and 75 potential customers, including customer BG, to invite them to a dinner that would include a sales presentation regarding GWG Debentures.

In the emails, Greenfield stated that an investment in the Debentures involved "no fluctuation in principal" and suggested that GWG Debentures were comparable to FDIC-insured certificates of deposit by comparing the interest rates each paid.

These representations were materially false and misleading and omitted material facts in that, as disclosed in the prospectus, an investment in the Debentures carried significant risk, including the potential loss of principal.

BG, who received this email, later purchased \$100,000 of GWG Debentures from Greenfield.

On May 7, 2012, Greenfield emailed customer EA and stated in the email that GWG Debentures were a “very good and safe investment.” Greenfield also claimed that GWG’s assets “consist[ed] of life insurance policies.”

The representations made to EA were materially false and misleading and omitted material facts. As disclosed in the prospectus, an investment in the Debentures carried significant risk, including the risk of losing the entire investment. In addition, contrary to the representation made to EA, the life insurance policies purchased by GWG’s affiliates were not owned by GWG, but by a trust operated by GWG’s subsidiaries and created for the benefit of GWG’s senior creditor, not debenture holders. The life insurance policies are not collateral securing the Debenture holders.

EA later purchased \$50,000 of GWG Debentures from Greenfield.

In May and October 2012, Greenfield emailed customers EA and YSN and falsely represented that GWG had an approximately 4 to 1 asset to debt ratio.

This representation was materially false and misleading because GWG did not have anything close to a 4-to-1 asset-to-debt ratio during 2012.

Also in these same emails, Greenfield described GWG’s business model using an “average case” that greatly simplified and underestimated GWG’s costs and implied a 117-153% investment return for GWG.

This hypothetical “average case,” however, omitted material facts regarding GWG’s actual costs and was materially false and misleading in that, according to the prospectus, GWG expected to achieve internal rates of return between approximately 12% and 14%.

As stated above, EA later purchased \$50,000 of GWG Debentures from Greenfield, and YSN later purchased \$50,000 of GWG Debentures from Greenfield.

Greenfield’s Material Misrepresentations to Customers Who Did Not Purchase GWG Debentures

During the period March through October 2012, Greenfield made material misrepresentations and misleading statements concerning the GWG Debentures as part of his efforts to sell the Debentures to other customers who ultimately did not purchase the Debentures.

As described above, beginning in March 2012, Greenfield emailed dinner invitations to a series of sales presentations regarding GWG Debentures to between 50 and 75 potential customers.

The emails represented that an investment in the Debentures involved “no fluctuation in principal” and suggested that GWG Debentures were comparable to FDIC-insured certificates of deposit.

These representations were materially false and misleading and omitted material facts in that, as disclosed in the prospectus, investment in the Debentures carried significant risk, including potential loss of principal.

In October 2012, Greenfield emailed customers DU and EF and falsely represented that GWG had an approximately 4 to 1 asset to debt ratio.

This representation was materially false and misleading because GWG did not have anything close to a 4-to-1 asset-to-debt ratio during 2012.

Also in these emails, Greenfield described GWG’s business model using a hypothetical

scenario that greatly simplified and underestimated GWG's costs and implied a 117-153% investment return for GWG.

This hypothetical, however, omitted material facts regarding GWG's costs and was materially misleading in that, according to the prospectus, GWG expected to achieve internal rates of return between approximately 12% and 14%.

On September 27, 2012, Greenfield emailed customer EF stating that that GWG was "extremely profitable."

GWG, however, was not profitable at the time of the email.

On September 28, 2012, Greenfield emailed customer EF describing GWG as "a 76 employee company."

GWG did not have 76 employees.

On October 4, 2012, Greenfield emailed customer DU stating that GWG has "no other debt" than the GWG Debentures.

As disclosed in the prospectus, however, GWG had significant other debt in the form of a credit line with a major bank.

On October 11, 2012, Greenfield emailed customer EF asserting that the GWG Debentures were not "risky at all."

As disclosed in the prospectus, however, an investment in the Debentures involves a high degree of risk.

On October 16, 2012, Greenfield emailed AS, an individual who appeared to be acting as an accountant to a trust that earlier purchased GWG Debentures. Greenfield falsely stated that GWG Debentures are "liquid and can be sold at any time."

As disclosed in the prospectus, however, the Debentures were illiquid and could be sold

or redeemed at the sole discretion of GWG.

Greenfield Distributed False and Misleading Sales Material about GWG Debentures

Between September and November 2012, Greenfield distributed a GWG brochure regarding the Debentures to a total of twelve customers.

The brochure, which was created by GWG and included in its sales kit, stated that “Renewable Secured Debentures are secured by the corporate assets of GWG, which consist primarily of investments in life insurance policies purchased in the secondary market.”

The brochure further stated that the Debentures “are secured by all the corporate assets of GWG. GWG’s assets consist primarily of the life insurance policies purchased in the secondary market and are summarized in the table below.”

The table represented that GWG held over \$472 million of life insurance policies.

However, the \$472 million value was the face value of the policies and not their current value, a significantly lower number estimated to be approximately \$122 million.

Moreover, as stated in the prospectus for the Debentures, those policies were not collateral for the debentures and instead had been pledged as collateral for a separate line of credit.

The brochure therefore contained false and misleading statements.

**FIRST CAUSE OF ACTION
Misrepresentations and Omissions of Material Facts
in Connection with the Sale of GWG Renewable Secured Debentures
(Section 10(b) of the Securities Exchange Act of 1934,
Rule 10b-5 thereunder, and FINRA Rules 2020 and 2010)**

Greenfield at least recklessly (and at times intentionally) communicated false and misleading information, and omitted material facts, when he sent emails soliciting customers BG, EA, and YSN to purchase GWG Renewable Secured Debentures. Those material

misstatements and omissions concerned material facts for investors, including the actual financial condition of the issuer, the safety of the Debentures, and the profitability of the issuer's business. BG, EA, and YSN later purchased the Debentures.

Greenfield utilized the means or instrumentalities of interstate commerce in connection with the sale of GWG Renewable Secured Debentures, including sending emails to his customers.

Greenfield, in connection with the purchase or sale of securities, directly or indirectly, by the use of the means or instrumentalities of interstate commerce, or of the mails, at least recklessly employed manipulative or deceptive devices, schemes or artifices to defraud; made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and engaged in acts, practices, or a course of business which operated or would operate as a fraud or deceit upon any person.

By recklessly or intentionally making material misstatements and omitting material facts in connection with the sale of the Debentures, Greenfield failed to observe high standards of commercial honor and just and equitable principles of trade.

As a result of the foregoing conduct, Greenfield willfully violated Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5 thereunder, FINRA Rule 2020, and FINRA Rule 2010.

SECOND CAUSE OF ACTION
Misrepresentations and Omissions of Material Facts
in Connection with the Offer of GWG Renewable Secured Debentures
(FINRA Rule 2010, both independently and by virtue of
violating Section 17(a)(1) of the Securities Act of 1933)

Greenfield at least recklessly (and at times intentionally) communicated false and

misleading information, and omitted material facts about the GWG Debentures when he sent the March 2012 dinner-invitation email to between 50 and 75 customers and emails to customers EF, DU, and AS. Those material misstatements and omissions concerned material facts for investors, including the actual financial condition of the issuer, the safety and liquidity of the Debentures, and the profitability of the issuer's business.

Greenfield utilized the means or instrumentalities of interstate commerce in connection with the offer of GWG Renewable Secured Debentures, including sending emails to his customers.

Greenfield, in connection with the offer of securities by the use of the means or instrumentalities of interstate commerce, directly or indirectly, employed devices, schemes, or artifices to defraud.

By recklessly or intentionally making material misstatements and omitting material facts in connection with the offer of the Debentures, Greenfield failed to observe high standards of commercial honor and just and equitable principles of trade.

As a result of the foregoing conduct, Greenfield violated FINRA Rule 2010, both independently and by virtue of violating Section 17(a)(1) of the Securities Act of 1933.

THIRD CAUSE OF ACTION
Negligent Misrepresentations and Omissions of Material Facts
in Connection with the Offer or Sale of GWG Renewable Secured Debentures
(FINRA Rule 2010, both independently and by virtue of
violating Sections 17(a)(2) and/or 17(a)(3) of the Securities Act of 1933)
(In the Alternative to the First and Second Causes of Action)

Greenfield negligently made material misstatements and omissions of material facts about the GWG Debentures when he sent the March 2012 dinner-invitation email to 50–75 customers and emails to customers BG, EA, YSN, EF, DU, and AS in connection with the offer or sale of the Debentures.

Those material misstatements and omissions concerned material facts for investors, including the actual financial condition of the issuer, the safety of the Debentures, and the profitability of the issuer's business.

Greenfield utilized the means or instrumentalities of interstate commerce in connection with the offer of GWG Renewable Secured Debentures, including sending emails to his customers.

Greenfield, in connection with the offer or sale of securities by the use of the means or instrumentalities of interstate commerce, directly or indirectly, obtained money or property by means of untrue statements of material facts or omission to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading or engaged in a transaction, practice, or course of business which operated or would have operated a fraud or deceit upon a purchaser.

By negligently making material misstatements and omitting material facts in connection with the offer or sale of the Debentures, Greenfield failed to observe high standards of commercial honor and just and equitable principles of trade.

By negligently making material misrepresentations and omissions in connection with the offer or sale of GWG Debentures, Greenfield violated FINRA Rule 2010, both independently and by virtue of violating sections 17(a)(2) and/or 17(a)(3) of the Securities Act of 1933.

**FOURTH CAUSE OF ACTION
Communications with the Public
Related to GWG Advertising Materials
(NASD Rule 2210 and 2211 and FINRA Rule 2010)**

Between September 2012 and November 2012, Greenfield distributed a GWG sales brochure related to the Debentures to a total of twelve customers.

The brochure contained false and misleading statements related to GWG's assets and the

collateral used to secure repayment of the GWG Debentures.

By distributing the GWG brochure as described above, Greenfield violated NASD Rule 2210(d)(1)(A).

In addition, as described above, Greenfield sent emails to numerous customers—the March 2012 dinner-invitation email to 50–75 customers and emails to BG, EA, YSN, EF, DU, and AS— that contained misrepresentations and omissions concerning the features and risks of the GWG Debentures and about the financial condition of GWG. By making the false and misleading statements described above to his customers in emails, Greenfield violated NASD Rules 2210(d)(1)(B) and 2211(d)(1).

By failing to disclose the material differences between GWG Debentures and bank certificates of deposit in the March 2012 dinner-invitation email described above, Greenfield also violated NASD Rules 2210(d)(2)(B).

By virtue of his violation of NASD Rules 2210(d)(1)(A), 2210(d)(1)(B), 2210(d)(2)(B), and 2211(d)(1), Greenfield also violated FINRA Rule 2010.

Based on the foregoing, Respondent willfully violated Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5 thereunder, and FINRA Rules 2020 and 2010 (both independently and by virtue of violating sections 17(a) of the Securities Act of 1933), and NASD Rules 2210(d)(1)(A), 2210(d)(1)(B), 2210(d)(2)(B), and 2211(d)(1).

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

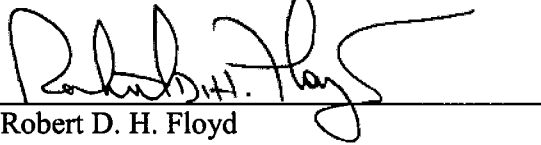
It is ordered that Respondent be barred from associating with any FINRA member in any capacity.

The sanctions imposed herein shall be effective on a date set by FINRA staff. A bar or expulsion shall become effective upon approval or acceptance of this Order.

SO ORDERED.

FINRA

Signed on behalf of the
Director of ODA, by delegated authority

A handwritten signature in black ink, appearing to read "Robert D. H. Floyd", is written over a horizontal line.

Robert D. H. Floyd
Principal Counsel
FINRA Department of Enforcement
15200 Omega Drive, Suite 300
Rockville, Maryland 20850
(301) 258-8578 (direct phone)
(202) 721-7526 (direct facsimile)