SUN MICROSYSTEMS, INC.
Form 10-Q
May 08, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 29, 2009

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ______ to ______

Commission file number: 0-15086

SUN MICROSYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**94-2805249**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

4150 Network Circle, Santa Clara, CA 95054

(Address of principal executive offices with zip code)

(650) 960-1300

(Registrant s telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES x NO ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ¨ NO ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ¨ NO x

Shares outstanding of the registrant s common stock.

Class	**Outstanding at April 30, 2009**
Common Stock - $0.001 par value	746,252,519

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SUN MICROSYSTEMS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(in millions, except per share amounts)

	Three Months Ended		Nine Months Ended	
	March 29, 2009	March 30, 2008	March 29, 2009	March 30, 2008
Net revenues:				
Products	$ 1,519	$ 2,003	$ 5,222	$ 6,232
Services	1,095	1,263	3,602	3,868
Total net revenues	2,614	3,266	8,824	10,100
Cost of sales:				
Cost of sales-products	877	1,106	3,200	3,296
Cost of sales-services	621	692	1,957	2,022
Total cost of sales	1,498	1,798	5,157	5,318
Gross margin	1,116	1,468	3,667	4,782
Operating expenses:				
Research and development	393	457	1,227	1,366
Selling, general and administrative	843	989	2,679	2,923
Restructuring charges and total related impairment of long-lived assets	46	14	331	159
Purchased in-process research and development	3	24	3	25
Impairment of goodwill			1,445	
Total operating expenses	1,285	1,484	5,685	4,473
Operating income (loss)	(169)	(16)	(2,018)	309
Gain on equity investments, net	3		8	22
Interest and other income (expense), net	(2)	34	(3)	145
Income (loss) before income taxes	(168)	18	(2,013)	476
Provision for income taxes	33	52	74	161
Net income (loss)	$ (201)	$ (34)	$ (2,087)	$ 315
Net income (loss) per common share-basic	$ (0.27)	$ (0.04)	$ (2.80)	$ 0.38
Net income (loss) per common share-diluted	$ (0.27)	$ (0.04)	$ (2.80)	$ 0.38
Shares used in the calculation of net income (loss) per common share-basic	745	785	746	821
Shares used in the calculation of net income (loss) per common share-diluted	745	785	746	837

See accompanying notes.

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SUN MICROSYSTEMS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions, except for par value)

	March 29, 2009 (unaudited)	June 30, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,569	$ 2,272
Short-term marketable debt securities	1,134	429
Accounts receivable (net of allowances of $61 and $64)[(1)]	2,265	3,019
Inventories	561	680
Deferred and prepaid tax assets	185	216
Prepaid expenses and other current assets, net	1,036	1,218
Total current assets	6,750	7,834
Property, plant and equipment (net of accumulated depreciation of $3,118 and $3,269)[(1)]	1,670	1,611
Long-term marketable debt securities	287	609
Goodwill	1,740	3,215
Other acquisition-related intangible assets, net	357	565
Other non-current assets, net	458	506
	$ 11,262	$ 14,340
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 1,049	$ 1,387
Accrued payroll-related liabilities	595	734
Accrued liabilities and other	1,142	1,105
Deferred revenues	2,190	2,236
Warranty reserve	160	206
Current portion of long-term debt	562	
Total current liabilities	5,698	5,668
Long-term debt	695	1,265
Long-term deferred revenues	548	683
Other non-current obligations	970	1,136
Stockholders equity:		
Preferred stock ($0.001 par value, 10 shares authorized; no shares issued and outstanding)[(1)]		
Common stock and additional paid-in-capital ($0.001 par value, 1,800 shares authorized; issued: 901 shares and 901 shares)	7,541	7,391
Treasury stock, at cost: (155 shares and 149 shares)[(1)]	(2,680)	(2,726)
Retained earnings (accumulated deficit)	(1,819)	430
Accumulated other comprehensive income	309	493
Total stockholders equity	3,351	5,588
	$ 11,262	$ 14,340

(1) As of March 29, 2009 and June 30, 2008, respectively.

See accompanying notes.

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SUN MICROSYSTEMS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in millions)

	Nine Months Ended	
	March 29, 2009	**March 30, 2008**
Cash flows from operating activities:		
Net income (loss)	$ (2,087)	$ 315
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	321	354
Amortization of acquisition-related intangible assets	224	224
Stock-based compensation expense	150	157
Purchased in-process research and development	3	25
Impairment of goodwill	1,445	
(Gain) loss on investments and other, net	23	(54)
Deferred taxes	2	8
Changes in operating assets and liabilities:		
Accounts receivable, net	752	603
Inventories	118	(205)
Prepaid and other assets, net	177	(105)
Accounts payable	(341)	(114)
Other liabilities	(405)	31
Net cash provided by operating activities	382	1,239
Cash flows from investing activities:		
Decrease (increase) in restricted cash	(19)	22
Purchases of marketable debt securities	(1,535)	(1,292)
Proceeds from sales of marketable debt securities	423	1,404
Proceeds from maturities of marketable debt securities	684	764
Proceeds from sales of equity investments, net	7	25
Purchases of property, plant and equipment, net	(404)	(297)
Payment for acquisitions, net of cash acquired	(55)	(923)
Net cash used in investing activities	(899)	(297)
Cash flows from financing activities:		
Purchase of common stock under stock repurchase plans	(130)	(2,300)
Proceeds from the exercise of options and ESPP purchases, net	24	121
Principal payments on borrowings and other obligations	(12)	(20)
Net cash used in financing activities	(118)	(2,199)
Effect of exchange rates on cash and cash equivalents	(68)	
Net decrease in cash and cash equivalents	(703)	(1,257)
Cash and cash equivalents, beginning of period	2,272	3,620
Cash and cash equivalents, end of period	$ 1,569	$ 2,363

See accompanying notes.

SUN MICROSYSTEMS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. DESCRIPTION OF BUSINESS

We provide network computing infrastructure solutions that drive global network participation through shared innovation, community development and open source leadership. Guided by a singular vision, The Network is the Computer , we provide a diversity of software, systems, storage, services and microelectronics that power everything from consumer electronics, to developer tools and the world s most powerful data centers. Our core brands include the Java technology platform, the Solaris Operating System, the MySQL database management system, Sun StorageTek storage solutions and the UltraSPARC® processor. Our network computing platforms are used by nearly every sector of society and industry, and provide the infrastructure behind some of the world s best known search, social networking, entertainment, financial services, telecommunications, manufacturing, healthcare, retail, news, energy and engineering companies. By investing in research and development, we create products and services that address the complex information technology issues facing customers today, including increasing demands for network access, bandwidth and storage. We share these innovations in order to grow communities, in turn increasing participation on the network and building new market opportunities while maintaining partnerships with some of the most innovative technology companies in the world.

On April 19, 2009, we entered into a definitive agreement under which Oracle Corporation (Oracle) will acquire all of our common stock, through a merger, for $9.50 per share in cash and Sun will become a wholly owned subsidiary of Oracle. The completion of the transaction is subject to the approval of our stockholders, regulatory approvals and various other closing conditions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiscal Year

Our first three quarters in fiscal year 2009 ended on September 28, 2008, December 28, 2008 and March 29, 2009. In fiscal year 2008, the quarters ended on September 30, 2007, December 30, 2007 and March 30, 2008. The fourth quarter in all fiscal years ends on June 30.

Basis of Presentation

The accompanying condensed consolidated financial statements (Interim Financial Statements) include our accounts and the accounts of our subsidiaries. Intercompany accounts and transactions have been eliminated.

Our Interim Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP) for interim financial information and the rules and regulations of the Securities and Exchange Commission (SEC) for interim financial statements and accounting policies, consistent, in all material respects, with those applied in preparing our audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2008, filed with the SEC on August 29, 2008 (2008 Form 10-K). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts in the condensed consolidated financial statements and accompanying notes. We base our estimates and judgments on historical experience and on various other assumptions that we believe are reasonable under the circumstances. These estimates are based on management s knowledge about current events and expectations about actions we may undertake in the future. Actual results could differ materially from those estimates. Our interim financial statements are unaudited but reflect all adjustments, including normal recurring adjustments management considers necessary for a fair presentation of our financial position, operating results and cash flows for the interim periods presented. The results for the interim periods are not necessarily indicative of the results for the entire year. The condensed consolidated balance sheet as of June 30, 2008, has been derived from the audited consolidated balance sheet as of that date. The information included in this report should be read in conjunction with our 2008 Form 10-K.

Recent Pronouncements

Collaborative Arrangements: In November 2007, the Financial Accounting Standards Board (FASB) ratified Emerging Issues Task Force (EITF) 07-1, Accounting for Collaborative Arrangements, (EITF 07-1). EITF 07-1 requires collaborators to present the result of activities for which they act as the principal on a gross basis and report any payments received from (made to) other collaborators based on other applicable GAAP or, in the absence of other applicable GAAP, based on analogy to authoritative accounting literature or a reasonable, rational and consistently applied accounting policy election. In addition, a participant in a collaborative arrangement should provide the following disclosures separately for each collaborative arrangement: (a) the nature and purpose of the arrangement, (b) its rights and obligations under the

collaborative arrangement, (c) the accounting policy for the arrangement in accordance with APB Opinion 22, Disclosure of Accounting Policies, and (d) the income statement classification and amounts arising from the collaborative arrangement between participants for each period an income statement is presented. EITF 07-1 will be effective for annual periods beginning after December 15, 2008 and we are required to adopt the pronouncement in our first quarter of fiscal 2010. We are currently evaluating the impact of adopting EITF 07-1 on our condensed consolidated financial statements.

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Business Combinations: In December 2007, the FASB issued SFAS No. 141(R), Business Combinations, (SFAS 141(R)) and SFAS No. 160, Non-Controlling Interests in Consolidated Financial Statements, an Amendment of ARB No. 51, (SFAS 160). These new standards will significantly change the accounting and reporting for business combination transactions and non-controlling interests in consolidated financial statements. SFAS 141(R) and SFAS 160 are required to be adopted simultaneously and are effective for the first annual reporting period beginning on or after December 15, 2008 and we are required to adopt the pronouncement in the first quarter of our fiscal 2010. We are currently evaluating the impact of adopting SFAS 141(R) and SFAS 160 on our condensed consolidated financial statements.

Fair Value: In February 2008, the FASB issued FASB Staff Position (FSP) No. SFAS 157-2, Effective Date of FASB Statement No. 157, (FSP SFAS 157-2). FSP SFAS 157-2 amends SFAS 157, to delay the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except for those items that are recognized or disclosed at fair value in the financial statements on a recurring basis. For items within its scope, FSP SFAS 157-2 defers the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years and we are required to adopt the pronouncement in our first quarter of fiscal 2010. We are currently evaluating the impact of adopting FSP SFAS 157-2 on our condensed consolidated financial statements.

Intangibles: In April 2008, the FASB issued FSP No. FAS 142-3, Determination of the Useful Life of Intangible Assets, (FSP 142-3). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, Goodwill and Other Intangible Assets and requires enhanced related disclosures. FSP 142-3 must be applied prospectively to all intangible assets acquired as of and subsequent to fiscal years beginning after December 15, 2008 and we are required to adopt the pronouncement in our first quarter of fiscal 2010. We are currently evaluating the impact, if any, that FSP 142-3 will have on our condensed consolidated financial statements.

Accounting For Convertible Debt: In May 2008, the FASB issued FSP APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion, (FSP APB 14-1). FSP APB 14-1 will require entities to separately account for the liability and equity components of certain convertible instruments in a manner that reflects the nonconvertible debt borrowing rate. The FSP will require bifurcation of a component of the debt, classification of that component in equity and then accretion of the resulting discount on the debt as part of interest expense being reflected in the income statement. In addition, the FSP will require certain additional disclosures.

We first issued convertible debt that is subject to the provisions of FSP APB 14-1 in January 2007. The FSP is effective for fiscal years beginning after December 15, 2008 and we are required to adopt the FSP in our first quarter of fiscal 2010. The FSP does not permit early application and will require retrospective application to all periods presented.

The following tables illustrate our convertible long-term debt, net income (loss) and net income (loss) per share on an as reported basis and the estimated pro forma effect had we applied the provisions of FSP APB 14-1 for all periods affected (in millions):

	March 29, 2009	June 30, 2008
Convertible long-term debt, as reported	$ 700	$ 700
Convertible long-term debt, pro forma	$ 579	$ 558

Amortization of bond discount, for the three and nine months ended March 29, 2009 and March 30, 2008, and for the fiscal years ended June 30, 2008 and June 30, 2007, respectively, is estimated as follows (in millions, except for per share amounts):

	Three Months Ended		Nine Months Ended		Twelve Months Ended	
	March 29, 2009	March 30, 2008	March 29, 2009	March 30, 2008	June 30, 2008	June 30, 2007
Net income (loss), as reported	$ (201)	$ (34)	$ (2,087)	$ 315	$ 403	$ 473
Amortization of bond discount	(7)	(7)	(21)	(20)	(26)	(11)
Pro forma net income (loss)	$ (208)	$ (41)	$ (2,108)	$ 295	$ 377	$ 462
Basic net income (loss) per share						
As reported	$ (0.27)	$ (0.04)	$ (2.80)	$ 0.38	$ 0.50	$ 0.54
Pro forma	$ (0.28)	$ (0.05)	$ (2.83)	$ 0.36	$ 0.47	$ 0.52
Diluted net income (loss) per share						

As reported	$ (0.27)	$ (0.04)	$ (2.80)	$ 0.38	$ 0.49	$ 0.52
Pro forma	$ (0.28)	$ (0.05)	$ (2.83)	$ 0.35	$ 0.46	$ 0.51

The amortization of bond discount required under FSP APB 14-1 is a non-cash expense and has no impact on the total operating, investing or financing cash flows in the prior periods or future condensed consolidated statements of cash flows.

In June 2008, the FASB issued EITF Issue No. 07-5, *Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity s Own Stock* (EITF 07-5). EITF 07-5 provides guidance on determining whether an equity-linked financial instrument, or embedded feature, is indexed to an entity s own stock. EITF 07-5 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years, and we are required to adopt EITF 07-5 in our first quarter of fiscal 2010. We are currently evaluating the impact that EITF 07-5 will have on our condensed consolidated financial statements.

Defined Benefit Plan Disclosures: In December 2008, the FASB issued FSP FAS 132(R)-1, Employers Disclosures about Postretirement Benefit Plan Assets, (FSP FAS 132(R)-1). FSP FAS 132(R)-1 amends SFAS 132(R), Employers Disclosures about Pensions and Other Postretirement Benefits, to provide guidance on an employer s disclosures about plan assets of a defined benefit pension or other postretirement plan. FSP FAS 132(R)-1 is effective for fiscal years ending after December 15, 2009 and we are required to adopt FSP FAS 132(R)-1 in our first quarter of fiscal 2010. We are currently evaluating the impact of adopting FSP FAS 132(R)-1 will have on our condensed consolidated financial statements.

Fair Value and Decreasing Volume and Transactions that are not Orderly: In April 2009 the FASB issued FSP FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly, (FSP FAS 157-4). FSP FAS 157-4 affirms that in an inactive market, fair value is the price to sell the asset in an orderly transaction and clarifies and includes additional factors for determining inactive markets. FSP FAS 157-4 is effective for interim and fiscal years ending after June 15, 2009, and we are required to adopt FSP FAS 157-4 in our fourth quarter of fiscal 2009. We are currently evaluating the impact that FSP FAS 157-4 will have on our condensed consolidated financial statements.

Other-Than-Temporary Impairments: In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments, (FSP FAS 115-2 and FAS 124-2). FSP FAS 115-2 and FAS 124-2 amends the requirements for the recognition and measurement of other-than-temporary impairments for debt securities by modifying the pre-existing intent and ability indicator. Under FSP FAS 115-2 and FAS 124-2, an other-than-temporary impairment is triggered when there is an intent to sell the security, it is more likely than not that the security will be required to be sold before recovery, or the security is not expected to recover the entire amortized cost basis of the security. FSP FAS 115-2 and FAS 124-2 requires the presentation of the total other-than-temporary impairment in the statement of earnings for those impairments involving credit losses with an offset for the remainder of the impairment recognized in other comprehensive income. Upon adoption, FSP FAS 115-2 and FAS 124-2 requires a cumulative-effect adjustment in earnings. FSP FAS 115-2 and FAS 124-2 is effective for interim and fiscal years ending after July 15 , 2009, and we are required to adopt FSP FAS 115-2 and FAS 124-2 in our fourth quarter of fiscal 2009. We are currently evaluating the impact that FSP FAS 115-2 and FAS 124-2 will have on our condensed consolidated financial statements.

Interim Disclosures about Fair Value: In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments, (FSP FAS 107-1 and APB 28-1). FSP FAS 107-1 and APB 28-1 requires FAS 107 disclosures related to the fair value of its financial instruments when summarized financial information is presented for interim reporting periods. FSP FAS 107-1 and APB 28-1 is effective for interim and fiscal years ending after July 15 , 2009, and we are required to adopt FSP FAS 107-1 and APB 28-1 in our fourth quarter of fiscal 2009. We are currently evaluating the impact that FSP FAS 107-1 and APB 28-1 will have on our condensed consolidated financial statements.

3. FAIR VALUE

On July 1, 2008, we adopted SFAS No. 157 Fair Value Measurements, (SFAS 157), for all financial assets and financial liabilities. SFAS 157 defines fair value, establishes a framework for measuring fair value, and enhances fair value measurement disclosure. The adoption of SFAS 157 did not have a significant impact on our condensed consolidated financial statements, and the resulting fair values calculated under SFAS 157 after adoption were not significantly different than the fair values that would have been calculated under previous guidance. We did not elect to adopt SFAS 157 for acquired non-financial assets and assumed non-financial liabilities. On July 1, 2008, we also adopted SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115, (SFAS 159). SFAS 159 permits companies to choose to measure certain financial instruments and other items at fair value using an instrument-by-instrument election. The standard requires that unrealized gains and losses are reported in earnings for items measured using the fair value option. SFAS 159 also requires cash flows from purchases, sales, and maturities of trading securities to be classified based on the nature and purpose for which the securities were acquired. Our debt and equity instruments offsetting deferred compensation will continue to be classified as operating activities as they are maintained to offset changes in liabilities related to the equity market risk of certain deferred compensation arrangements. SFAS 159 does not allow for retrospective application to periods prior to fiscal year 2008, therefore all trading asset activity for prior periods will continue to be presented as operating activities. As we did not elect to fair value any of our current financial instruments under the provisions of SFAS

159, our adoption of this statement did not have an impact on our financial statements.

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SFAS 157 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. There are three levels of inputs to fair value measurements: Level 1, the use of quoted prices for identical instruments in active markets; Level 2, the use of quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or are directly or indirectly observable or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities; and Level 3, the use of unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

Many, but not all, of our financial instruments are carried at fair value. For example, substantially all of our cash equivalents, short-term investments and long-term investments are classified as available-for-sale securities and are carried at fair value, with unrealized gains and losses, net of tax, reported in other comprehensive income.

Our cash equivalents and marketable debt and equity securities are classified within Level 1 or Level 2. This is because our cash equivalents and marketable debt and equity securities are valued using quoted market prices or alternative pricing sources and models utilizing market observable inputs. Our foreign currency derivative contracts are classified within Level 2 because of the use of observable inputs for similar derivative instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or are directly or indirectly observable.

Fair Value Measurements

Information about certain of our financial assets and liabilities for the quarter ended March 29, 2009 (in millions):

		Fair Value		
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets carried at fair value:				
Cash and cash equivalents	$ 1,569	$ 1,147	$ 422	$
Trading securities	45	45		
Asset backed and mortgage backed securities	235		235	
Corporate bonds	272		272	
Government agency	845		845	
U.S. Government notes and bonds	40	40		
Certificates of deposit	14		14	
Commercial paper	15		15	
Available for sale equity securities	11	11		
Interest rate swaps[1][2]	12		12	
Foreign exchange contracts[1]	63		63	
Total	$ 3,121	$ 1,243	$ 1,878	$

(1) See Note 4, Derivative Instruments and Hedging Activities, for more information regarding our foreign exchange contracts.
(2) See Note 8, Borrowing Arrangements, for more information regarding our interest rate contracts.

In the third quarter and the first nine months of fiscal 2009, we determined that the declines in the fair value for certain of our debt investment securities were other than temporary due to the significant deterioration of the financial condition of the investees and our expectation that the investment would not fully recover, or would not recover before they were sold. As a result, we recorded impairment charges of approximately of $6 million and $30 million, respectively, as adjustments to interest and other income (expense), net, in our condensed consolidated statement of operations.

4. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

On December 29, 2008, we adopted SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities An Amendment of FASB Statement No. 133, (SFAS 161). SFAS 161 expanded the disclosure requirements for derivative instruments and hedging activities. Under SFAS

161, we have provided enhanced disclosures addressing how and why we use derivative instruments, how we account for derivative instruments and related hedged items under SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities, as amended (SFAS 133) and its related interpretations, and how derivative instruments and related hedged items affect our financial position, financial performance and cash flows.

SFAS 133 requires us to recognize all of our derivative instruments as either assets or liabilities in our statement of operations at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies

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as part of a hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, we must designate the hedging instrument based upon the exposure being hedged as a cash flow hedge or a fair value hedge. All derivatives are recognized in our condensed consolidated balance sheet at fair value in accordance with SFAS 157 (see Note 3, Fair Value) and are reported in Prepaid expenses and other current assets, net, and Accrued liabilities and other. Classification of all of our derivatives are current because the maturity of the instrument is less than 12 months.

We are exposed to certain risks relating to our ongoing business operations. The primary risks managed by using derivative instruments are foreign currency exchange rate risk and interest rate risk. Option and forward contracts on various foreign currencies are entered into to manage the foreign currency exchange rate risk on forecasted revenue denominated in foreign currencies. Other forward exchange contracts are entered into to hedge against changes in the value of monetary assets and liabilities denominated in a non functional currency. We also use natural hedges by purchasing components and incurring expenses in local currencies.

We are exposed to interest rate risk that is generated by our corporate borrowing activities. Our management has decided that it will have discretion over the levels of fixed and floating rate interest rate exposure present in our debt portfolios, and that derivative instruments may be employed to achieve a desired mix. Approved financial instruments for managing interest rate risk are limited to plain vanilla interest rate swaps.

Cash Flow Hedges

We have significant international sales and purchase transactions denominated in foreign currencies. As a result, we purchase currency option and forward contracts as cash flow hedges to reduce or eliminate certain foreign currency exposures that can be identified and quantified. These contracts generally expire within 12 months. We are primarily exposed to changes in exchange rates for the Euro, Japanese Yen and British Pound.

Our hedging contracts are primarily intended to protect against changes in the value of the U.S. dollar. Accordingly, for forecasted transactions, U.S. dollar functional subsidiaries hedge foreign currency revenues and non-U.S. dollar functional subsidiaries selling in foreign currencies hedge U.S. dollar inventory purchases. Changes in the fair value of our derivatives designated as a cash flow hedge are recorded, net of applicable taxes, in accumulated other comprehensive income, a component of stockholders equity. When net income is affected by the variability of the underlying cash flow, the applicable offsetting amount of the gain or loss from the derivative that is deferred in stockholders equity is released to revenue and cost of sales, and reported in the consolidated statement of operations based on the nature of the underlying cash flow hedged. The net gains or losses relating to ineffectiveness were not material for the three and nine month periods ended March 29, 2009 and March 30, 2008, respectively.

Fair Value Hedges

We enter into interest rate derivatives to modify our aggregate exposure to interest rates generated by our borrowing activities. Interest rate derivatives will not be entered into on a regular basis, but when there is a desire to modify our interest rate exposure with respect to our fixed rate borrowings or other ordinary obligations. These transactions are characterized as fair value hedges for financial accounting purposes because they protect us against changes in the fair value of our fixed rate borrowings or other obligations due to interest rate movements. Interest rate derivatives in this category will be denominated in the same currency as the relevant hedged debt instrument. For our Senior Notes, we have hedged against the risk of changes in fair value associated with their fixed interest rate by entering into fixed-to-variable interest rate swap agreements, designated as fair value hedges, of which four are outstanding, with a total notional amount of $550 million as of March 29, 2009 and March 30, 2008. Our Senior Notes are due on August 15, 2009 (see Note 8).

The gains and losses on our fair value hedges, as well as the offsetting gain or loss on the hedged item attributable to the hedged risk, are recognized in current earnings during the period of change in fair values. If the change in the value of the hedging instrument offsets the change in the value of the hedged item, the hedge is considered perfectly effective. Hedge effectiveness is measured at least quarterly based on the relative change in fair value between the derivative contract and the hedged item over time. Any change in fair value resulting from ineffectiveness, which is the amount by which the change in the value of the hedge does not exactly offset the change in the value of the hedged item, is recognized immediately in earnings. Our interest rate swaps qualify as perfectly effective fair value hedges and therefore there is no ineffective portion to the hedge recognized in earnings. Adjustments to the fair value of the interest rate swap agreements are recorded as either an other asset or other liability. The differential to be paid or received under these agreements is accrued consistently with the terms of the agreements and is recognized in interest expense over the term of the related debt. The related amounts payable to or receivable from counterparties are included in accounts receivable or accrued liabilities.

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Non SFAS 133 Balance Sheet Hedging Strategy

Our balance sheet hedges are designed to hedge the gains and losses generated by remeasurement of nonfunctional currency denominated assets and liabilities. The program is designed so that hedging transactions are entered into to reduce the risk that foreign currency exchange rate fluctuations will adversely impact the functional currency value of nonfunctional currency denominated monetary assets and liabilities. To manage these foreign currency risk exposures, we enter into forward contracts to offset the foreign currency gains and losses. These contracts are entered into at the beginning of a designated fiscal month and mature after the end of such month. In some cases, these transactions may be entered into in the middle of the month to adjust existing hedges for changes in existing or anticipated nonfunctional currency denominated assets and liabilities. These are hedges of less than 3 months in duration.

Currency transaction gains (losses), net of our hedging activities derived from monetary assets and liabilities stated in a currency other than the functional currency, are recognized in Selling, general and administrative (SG&A) expenses in our condensed consolidated statements of operations.

Derivative Activity

We had the following net outstanding foreign currency contracts (in millions of USD):

Foreign Currency Contract	March 29, 2009	June 30, 2008
Euro	140	90
Great British pound	123	32
Japanese yen	90	233

Credit Risk

We manage our counterparty credit risk by monitoring the financial health of the banks with whom we have option and forward contracts on foreign currency and interest rate swaps by analyzing the banks credit rating and the Credit Default Swap (CDS) spread, or the price, denominated in basis points, to obtain a contract to protect against default of an underlying financial instrument. A company with a higher CDS spread is considered more likely to default by the market. Our option or forward contracts do not have credit risk related contingent features such as the requirement for immediate payment of any net liability position in the event a rating agency were to downgrade our Senior Notes.

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Fair Value of Derivative Instruments

As of March 29, 2009 and June 30, 2008 (in millions):

	Asset Derivatives			
	2009		2008	
Derivatives Designated as Hedging Instruments Under SFAS 133	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Interest rate contracts[1][3]	Other current assets	12	Other current assets	21
Foreign exchange contracts[2]	Other current assets	37	Other current assets	6
		49		27

	Liability Derivatives			
	2009		2008	
	Balance Sheet Location	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Foreign exchange contracts[2]	Other current assets	(4)	Other current assets	(3)

	Asset Derivatives			
	2009		2008	
Derivatives Not Designated as Hedging Instruments Under SFAS No. 133	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Foreign exchange contracts[2]	Other current assets	74	Other current assets	26

	Liability Derivatives			
	2009		2008	
	Balance Sheet Location	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Foreign exchange contracts[2]	Other current assets	(44)	Other current assets	(16)

(1) See Note 3, Fair Value, for more information regarding our interest rate contracts.
(2) See Note 3, Fair Value, for more information regarding our foreign exchange contracts.
(3) See Note 8, Borrowing Arrangements, for more information regarding our interest rate contracts.

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Effect of Derivative Instruments on the Statement of Financial Performance

(In millions)

Derivatives in SFAS 133 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion) 2009 Three Months Ended March 29	2009 Nine Months Ended March 29	2008 Three Months Ended March 30	2008 Nine Months Ended March 30
Foreign exchange contracts	15	88	(26)	(50)

Location of Gain (Loss) Reclassified From Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) 2009 Three Months Ended March 29	2009 Nine Months Ended March 29	2008 Three Months Ended March 30	2008 Nine Months Ended March 30
Revenue/Cost of goods sold	27	60	(15)	(34)

Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amounts Excluded From Effectiveness Testing)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amounts Excluded from Effectiveness Testing) 2009 Three Months Ended March 29	2009 Nine Months Ended March 29	2008 Three Months Ended March 30	2008 Nine Months Ended March 30
Other income and expense		8	(2)	(6)

Derivatives Not Designated as Hedging Instruments Under SFAS 133	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative 2009 Three Months Ended March 29	2009 Nine Months Ended March 29	2008 Three Months Ended March 30	2008 Nine Months Ended March 30
Foreign exchange contracts	Operating expenses	(19)	(149)	72	130

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5. BALANCE SHEET DETAILS

Inventories

Inventories consisted of the following (in millions):

	March 29, 2009	June 30, 2008
Raw materials	$ 99	$ 154
Work in process	61	90
Finished goods	401	436
	$ 561	$ 680

Warranty Reserve

We accrue for our product warranty costs at the time of shipment. These product warranty costs are estimated based upon our historical experience and specific identification of product requirements and may fluctuate based on product mix.

The following table sets forth an analysis of warranty reserve activity (in millions):

Balance at June 30, 2008	$ 206
Charged to cost of sales	160
Utilized	(206)
Balance at March 29, 2009	$ 160

6. GOODWILL AND OTHER ACQUISITION-RELATED INTANGIBLE ASSETS, NET

Information regarding our goodwill by operating segment is as follows (in millions):

	Product Group	Services Group	Total
Balance as of June 30, 2008	$ 1,828	$ 1,387	$ 3,215
Goodwill acquired during the period	40		40
Adjustment to acquired companies tax reserves	(35)	(35)	(70)
Impairments	(1,445)		(1,445)
Balance as of March 29, 2009	$ 388	$ 1,352	$ 1,740

Information regarding our other acquisition-related intangible assets is as follows (in millions):

	Gross Carrying Amount			Accumulated Amortization			Net
	June 30, 2008	Additions	March 29, 2009	June 30, 2008	Additions	March 29, 2009	March 29, 2009
Developed technology	$ 1,007	$ 14	$ 1,021	$ (753)	$ (109)	$ (862)	$ 159

Customer base	731	1	732	(523)	(103)	(626)	106
Trademark	97		97	(19)	(7)	(26)	71
Acquired workforce and other	120	1	121	(95)	(5)	(100)	21
	$ 1,955	$ 16	$ 1,971	$ (1,390)	$ (224)	$ (1,614)	$ 357

Amortization expense of other acquisition-related intangible assets was $72 million and $224 million for the three and nine months ended March 29, 2009, respectively, and $76 million and $224 million for the three and nine months ended March 30, 2008, respectively. Our acquisition-related intangible assets are amortized primarily over periods ranging between one and five years on a straight-line basis.

Estimated amortization expense for other acquisition-related intangible assets on our March 29, 2009 balance sheet for the fiscal years ending June 30, is as follows (in millions):

Remainder of 2009	$ 72
2010	107
2011	59
2012	50
2013	27
Thereafter	42
	$ 357

In accordance with SFAS 142, Goodwill and Other Intangible Assets (SFAS 142), we apply a fair value based impairment test to the net book value of goodwill and indefinite-lived intangible assets on an annual basis and, if certain events or circumstances indicate that an impairment loss may have been incurred, on an interim basis. The analysis of potential impairment of goodwill requires a two-step process. The first step is the estimation of fair value. If step one indicates that impairment potentially exists, the second step is performed to measure the amount of impairment. Goodwill impairment exists when the estimated fair value of goodwill is less than its carrying value.

During our quarter ended September 28, 2008, based on a combination of factors, including the current economic environment, our operating results, and a sustained decline in our market capitalization, we concluded that there were sufficient indicators to require us to perform an interim goodwill impairment analysis as of September 28, 2008. As a result, during the first quarter of fiscal 2009, we recorded an impairment charge of $1,445 million which represented our best estimate of the resulting goodwill impairment. We completed our goodwill impairment analysis during the second quarter of fiscal 2009. For the purposes of this analysis, our estimates of fair value were based on a combination of the income approach, which estimates the fair value of our reporting units based on the future discounted cash flows, and the market approach, which estimates the fair value of our reporting units based on comparable market prices. There was no change in the second quarter of fiscal 2009 to the $1,445 million non-cash goodwill impairment charges estimated and recorded in the first quarter of fiscal 2009. In connection with completing our goodwill impairment analysis, we reviewed our long-lived tangible and intangible assets within the impaired reporting unit under SFAS 144, Accounting for the Impairment or Disposal of Long-Lived Assets. We determined that the forecasted undiscounted cashflows related to these assets or asset groups were in excess of their carrying values, and therefore these assets were not impaired.

7. RESTRUCTURING CHARGES AND RELATED IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 112, Employers Accounting for Post Employment Benefits (SFAS 112) and SFAS 146, Accounting for Costs Associated with Exit or Disposal Activities (SFAS 146), we recognized a total of $46 million and $331 million in restructuring for the three and nine months ended March 29, 2009, respectively, and $14 million and $159 million for the three and nine months ended March 30, 2008, respectively. The determination of when we accrue for severance costs, and which standard applies, depends on whether the termination benefits are provided under a one-time benefit arrangement as defined by SFAS 146 or under an on-going benefit arrangement as described by SFAS 112.

We estimated the cost of exiting and terminating our facility leases or acquired leases by referring to the contractual terms of the agreements and by evaluating the current real estate market conditions. In addition, we have estimated sublease income by evaluating the current real estate market conditions, or where applicable, by referring to amounts being negotiated. Our ability to generate this amount of sublease income, as well as our ability to terminate lease obligations at the amounts we have estimated, is highly dependent upon the commercial real estate market conditions in geographies at the time we perform our evaluations or negotiate the lease termination and sublease arrangements with third parties. The amounts we have accrued represent our best estimate of the obligations we expect to incur and could be subject to adjustment as market conditions change.

Restructuring Plan IX

In November 2008, we initiated a restructuring plan to further align our resources with our strategic business objectives through reducing our workforce by approximately 5,000 to 6,000 employees. Under this plan, we estimate in total that we will incur between $500 million to $600 million in severance and benefit costs. Through the third quarter of 2009, we notified approximately 2,900 employees and recognized total related severance and benefit costs of $246 million. The remainder of the estimated costs under this restructuring plan are expected to be incurred over the next several quarters.

Restructuring Plan VIII

In May 2008, we initiated a restructuring plan to further align our resources with our strategic business objectives through reducing our workforce by approximately 1,500 to 2,500 employees. Under this plan, we estimate in total that we will incur up to $220 million in severance and benefit costs. Through the third quarter of fiscal 2009, we notified approximately 1,950 employees and recognized a total related severance and benefit costs of $174 million. The remainder of the estimated costs under this restructuring plan are expected to be incurred during fiscal 2009.

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Restructuring Plan VII

In August 2007, we initiated a restructuring plan to further align our resources with our strategic business objectives. Through the third quarter of fiscal 2009, we notified approximately 1,450 employees of their termination and recognized total related severance and benefit costs of $131 million. Additionally, we incurred $6 million in expenses related to facilities other and restructuring related charges.

Restructuring Plans Prior to Phase VII

Prior to the initiation of Restructuring Plans VII, VIII and IX, we implemented certain workforce reduction and facilities exit actions. All employees to be terminated under these plans have been notified and all facilities relating to the amounts accrued under these restructuring plans have been exited.

The following table sets forth an analysis of our restructuring accrual activity for the nine months ended March 29, 2009 (in millions):

	Restructuring Plans						
	IX	VIII		VII		Prior to VII	
	Severance and Benefits	Severance and Benefits	Facilities Related and Other	Severance and Benefits	Facilities Related and Other	Severance, Benefits, Facilities Related and Other	Total
Balance as of June 30, 2008	$	$ 107	$	$ 20	$ 2	$ 207	$ 336
Severance and benefits	246	73					319
Accrued lease costs			9				9
Provision adjustments		(6)		(4)		13	3
Total restructuring charges	$ 246	$ 67	$ 9	$ (4)	$	$ 13	$ 331
Cash paid	(31)	(152)	(2)	(15)	(1)	(36)	(237)
Translation adjustments		(3)				(3)	(6)
Balance as of March 29, 2009	$ 215	$ 19	$ 7	$ 1	$ 1	$ 181	$ 424

The restructuring charges are based on estimates that are subject to change. Changes to the previous estimates have been reflected as Provision adjustments on the above table in the period the changes in estimates were determined. As of March 29, 2009, our estimated sublease income to be generated from sublease contracts not yet negotiated approximated $15 million. Accrued lease costs include accretion expense associated with the passage of time.

The remaining cash expenditures relating to workforce reductions are expected to be paid over the next several quarters. Our accrual as of March 29, 2009, for facility-related leases (net of anticipated sublease proceeds), will be paid over their respective lease terms through fiscal 2024. As of March 29, 2009, of the total $424 million accrual for workforce reductions and facility-related leases, $282 million was classified as current accrued liabilities and other and the remaining $142 million was classified as other non-current obligations.

We anticipate recording additional charges related to our workforce and facilities reductions over the next several quarters, the timing of which will depend upon the timing of notification of the employees leaving Sun as determined by local employment laws and as we exit facilities. In addition, we anticipate incurring additional charges associated with productivity improvement initiatives and expense reduction measures. The total amount and timing of these charges will depend upon the nature, timing and extent of these future actions.

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8. BORROWING ARRANGEMENTS

As of March 29, 2009 and June 30, 2008, the balance of long-term debt is as follows (in millions):

	Maturities	March 29, 2009	June 30, 2008
7.65% Senior Notes	2009	$ 550	$ 550
0.625% Convertible Notes	2012	350	350
0.75% Convertible Notes	2014	350	350
Interest rate swap agreements[1]		12	21
Other		(5)	(6)
Total borrowing arrangements		$ 1,257	$ 1,265
Less: current maturities		(562)	
Total carrying value long-term borrowing arrangements		$ 695	$ 1,265
Total fair value of long-term borrowings arrangements		$ 592	$ 1,165
Total fair value of current maturities		$ 554	$

[1] See Note 4, Derivative Instruments and Hedging Activities, for more information regarding our interest rate contracts.

In August 1999, we issued $1.5 billion of unsecured senior debt securities in four tranches (the Senior Notes) of which $550 million (due on August 15, 2009 and bearing interest at 7.65%) remains. Interest on the Senior Notes is payable semi-annually. We may redeem all or any part of the Senior Notes at any time at a price equal to 100% of the principal plus accrued and unpaid interest in addition to an amount determined by a quotation agent, representing the present value of the remaining scheduled payments. The Senior Notes are subject to compliance with certain covenants that do not contain financial ratios. We are currently in compliance with these covenants. In addition, we also entered into various interest-rate swap agreements to modify the interest characteristics of the Senior Notes so that the interest associated with the Senior Notes effectively becomes variable. For our publicly traded Senior Notes, estimates of fair value are based on observable market prices.

In January 2007, we issued $350 million principal amount of 0.625% Convertible Senior Notes due February 1, 2012 and $350 million principal amount of 0.75% Convertible Senior Notes due February 1, 2014 (the Convertible Notes), to KKR PEI Solar Holdings, I, Ltd., KKR PEI Solar Holdings, II, Ltd. and Citibank, N.A. in a private placement. Each $1,000 of principal of the Convertible Notes is convertible into 34.6619 shares of our common stock (or a total of approximately 24 million shares), which is the equivalent of $28.85 per share, subject to adjustment upon the occurrence of specified events set forth under terms of the Convertible Notes. Concurrent with the issuance of the Convertible Notes, we entered into note hedge-transactions with a financial institution whereby we have the option to purchase up to 24 million shares of our common stock at a price of $28.85 per share, and we sold warrants to the same financial institution whereby they have the option to purchase up to 24 million shares of our common stock. The separate note hedge and warrant transactions were structured to reduce the potential future share dilution associated with the conversion of the Convertible Notes. For our Convertible Notes, fair value is calculated based on volatility and rates currently estimated to be available to us for debt with similar terms and remaining maturities.

Uncommitted Lines of Credit

At March 29, 2009 and June 30, 2008, we and our subsidiaries had uncommitted lines of credit available for uses including overnight overdrafts, letters of credit and bank guarantees, aggregating approximately $266 million and $277 million, respectively. No amounts were drawn under these lines of credit as of March 29, 2009 and June 30, 2008. Fees and other terms of utilizing these lines of credit vary from country to country depending on local market conditions. There is no guarantee that the banks would approve our request to utilize these uncommitted lines of credit.

9. STOCKHOLDERS EQUITY

Stock-based Compensation

We have a stock-based compensation program that provides our Board of Directors broad discretion in creating employee equity incentives. This program includes incentive and non-statutory stock options and restricted stock-based awards, including restricted stock units and performance-based restricted stock units. These awards are granted under our 2007 Omnibus Incentive Plan, which was approved by our stockholders on November 8, 2007. Stock options and restricted stock unit awards are generally time-based, vesting 25% on or near each annual anniversary of the grant date over four years. Stock options generally expire eight years from the date of grant. Additionally, we have an Employee Stock Purchase Plan (ESPP) that allows employees to purchase shares of common stock at 85% of the fair market value at the date of purchase. Shares issued as a result of stock option exercises, restricted stock-based awards and our ESPP are generally first issued out of treasury stock. As of March 29, 2009, we had approximately 144 million shares of common stock reserved for future issuance under these plans.

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On July 1, 2005, we adopted the provisions of SFAS 123R Share-Based Payment, (SFAS 123(R)) requiring us to recognize expense related to the fair value of our stock-based compensation awards. We elected to use the modified prospective transition method as permitted by SFAS 123R. Under this transition method, stock-based compensation expense after adoption includes compensation expense for all stock-based compensation awards granted prior to, but not yet vested as of July 1, 2005, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123, Accounting for Stock-Based Compensation. Stock-based compensation expense for all stock-based compensation awards granted subsequent to July 1, 2005 was based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. We recognize compensation expense for stock option awards on a straight-line basis over the requisite service period of the award.

The following table sets forth the total stock-based compensation expense resulting from stock options, restricted stock awards, ESPP and options assumed as a result of our acquisitions included in our condensed consolidated statements of operations (in millions):

	Three Months Ended		Nine Months Ended	
	March 29, 2009	March 30, 2008	March 29, 2009	March 30, 2008
Cost of sales - products	$ 2	$ 3	$ 8	$ 8
Cost of sales - services	10	10	31	28
Research and development	14	17	45	47
Selling, general and administrative	23	27	66	74
Stock-based compensation expense	$ 49	$ 57	$ 150	$ 157

Net cash proceeds from the exercise of stock options were $2 million and $4 million for the three and nine months ended March 29, 2009, respectively, and $20 million and $71 million for the three and nine months ended March 30, 2008, respectively.

The fair value of stock options was estimated using the Black-Scholes model with the following weighted-average assumptions for the three and nine months ended March 29, 2009 and March 30, 2008, respectively:

	Three Months Ended		Nine Months Ended	
Options	March 29, 2009	March 30, 2008	March 29, 2009	March 30, 2008
Expected life (in years)	4.88	3.53	5.27	4.27
Interest rate	1.67%	2.43%	3.20%	3.41%
Volatility	57.66%	39.91%	47.13%	41.76%
Dividend yield				
Weighted-average fair value at grant date	$ 2.42	$ 11.72	$ 4.15	$ 9.91

Our computation of expected volatility for the three and nine months ended March 29, 2009, is based on a combination of historical and market-based implied volatility. Our computation of expected life is based on historical settlement patterns. The interest rate for periods within the contractual life of the award is based on the U.S. Treasury yield curve in effect at the time of grant.

Stock option activity for the nine months ended March 29, 2009, is as follows (in millions, except per share amounts):

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at June 30, 2008	91	$ 32.05	3.92	$ 46
Grants				
Exercises	(2)	2.81		
Forfeitures or expirations	(10)	82.23		

Outstanding at March 29, 2009	79	$	26.15	3.26	$	15
Exercisable at March 29, 2009	64	$	28.28	2.60	$	10

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (i.e., the difference between our closing stock price on the last trading day of our third quarter of fiscal 2009 and the exercise price, times the number of shares) that would have been received by the option holders had all option holders exercised their options on March 29, 2009. This amount changes based on the fair market value of our stock. The total intrinsic value of the options exercised was $4 million and $7 million for the three and nine months ended March 29, 2009, respectively, and $82 million and $105 million for the three and nine months ended March 30, 2008, respectively. The total fair value of options that vested during the three and nine months ended March 29, 2009, was $8 million and $73 million, respectively. The total fair value of options that vested during the three and nine months ended March 30, 2008, was $19 million and $98 million, respectively.

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As of March 29, 2009, $104 million of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of two years.

The following table summarizes our restricted stock award activity for the nine months ended March 29, 2009 (in millions, except per share amounts):

	Number of Shares	Weighted-Average Grant Date Fair Value (per share)
Restricted stock awards at June 30, 2008	23	$ 19.90
Granted	15	7.42
Vested	(4)	18.77
Forfeited	(3)	18.03
Restricted stock awards at March 29, 2009	31	$ 13.99

As of March 29, 2009, we retained purchase rights to approximately 33,000 shares issued pursuant to stock purchase agreements and other stock plans at a weighted-average price of approximately $0.03 per share. As of March 29, 2009, $306 million of total unrecognized compensation costs related to restricted stock based awards is expected to be recognized over a weighted-average period of two years.

Computation of Net Income (Loss) per Common Share

Basic net income (loss) per common share is computed using the weighted-average number of common shares outstanding (adjusted for treasury stock and common stock subject to repurchase activity) during the period. Diluted net income per common share is computed using the weighted-average number of common and dilutive common equivalent shares outstanding during the period. Common equivalent shares are anti-dilutive when their conversion would increase earnings per share. Dilutive common equivalent shares consist primarily of stock options and restricted stock awards (restricted stock and restricted stock units that are settled in stock).

For the three and nine months ended March 30, 2008, we added zero and 16 million common equivalent shares, respectively, to our basic weighted-average shares outstanding to compute the diluted weighted-average shares outstanding for the period. We are required to include these dilutive shares in our nine months ended March 30, 2008 calculations of net income per share because we earned a profit during that period.

Shares used in the diluted net income per share calculations exclude anti-dilutive common equivalent shares, consisting of stock options, restricted stock awards, written call options and shares associated with convertible notes. These anti-dilutive common equivalent shares totaled 118 million and 105 million shares for the three and nine month periods ended March 30, 2008, respectively.

As a result of our net loss for the three and nine months ended March 29, 2009, all potentially dilutive shares were anti-dilutive, and therefore, excluded from the computation of diluted net loss per share. While these common equivalent shares are currently anti-dilutive, they could be dilutive in the future.

The following table sets forth the computation of diluted income (loss) per share for the three and nine months ended March 29, 2009 and March 30, 2008 (in millions, except earnings per common share):

	Three Months Ended		Nine Months Ended	
	March 29, 2009	March 30, 2008	March 29, 2009	March 30, 2008
Net income (loss)	$ (201)	$ (34)	$ (2,087)	$ 315
Weighted average common shares outstanding - basic	745	785	746	821
Diluted potential common shares				16
Weighted average common shares outstanding - diluted	745	785	746	837

Basic earnings per common share	$ (0.27)	$ (0.04)	$ (2.80)	$ 0.38
Diluted earnings per common share	$ (0.27)	$ (0.04)	$ (2.80)	$ 0.38

Common Stock Repurchase Programs

On July 31, 2008, our Board of Directors authorized management to repurchase up to $1.0 billion of our outstanding common stock. Under this authorization, the timing and actual number of shares subject to repurchase are at the discretion of management and are contingent on a number of factors, such as levels of cash generation from operations, cash requirements for acquisitions, repayment of debt and our share price.

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In May 2007, our Board of Directors authorized management to repurchase up to $3.0 billion of our outstanding common stock. Under this authorization, the timing and actual number of shares subject to repurchase are at the discretion of management and are contingent on a number of factors, such as levels of cash generation from operations, cash requirements for acquisitions, repayment of debt and our share price. As of September 2008, all funds authorized under the May 2007 authorization were used. We repurchased 161 million shares for an aggregate purchase price of $3.0 billion under the May 2007 authorization, all of which are initially recorded as treasury stock and recorded using the cost method.

When treasury shares are reissued on a first-in-first-out basis, and the price of the reissued shares exceeds the cost of the respective treasury share, the gain is recorded to additional paid in capital. When the price of the reissued shares is lower than the cost of the respective treasury share, the loss is charged to additional paid in capital to the extent of previous gains, and then to retained earnings.

The stock repurchase activity under the stock repurchase programs during the first nine months of fiscal 2009 is summarized as follows (in millions, except per share amounts):

Shares Purchased	Weighted-Average Price per Share

In the first six months of 2014, we recognized revenue from the change in fair value of our life insurance policies, net of premiums and carrying costs, of $11,015,000. Interest expense, including amortization of the deferred financing costs and preferred stock dividends, was $12,935,000, and selling, genera administrative expenses were $4,840,000. Income tax benefit for the six months ended June 30, 2014 was $2,272,000. Our net loss for the first six month was $4,448,000.

To date, we have financed our business principally through the issuance of debt, including debt incurred by our subsidiary DLP Funding II under a senior credit facility provided by Autobahn/DZ Bank, Series I Secured notes issued by our subsidiary GWG Life and our ongoing registered public offering of R Secured Debentures. See the Liquidity and Capital Resources caption below. Since July 31, 2011, we have also issued Series A Convertible Preferred consideration of approximately $[25.2 million], including cash proceeds, conversion of Series I Secured notes and accrued interest on those notes, and sat preferred dividends payable. The outstanding shares of our preferred stock (equaling 3,419,767 preferred shares as of the date of this prospectus), may be our election into an aggregate of 2,564,825 shares of our common stock, but we presently have no intention to do so.

Critical Accounting Policies

Critical Accounting Estimates

The preparation of our consolidated financial statements in accordance with the Generally Accepted Accounting Principles (GAAP) requires us to make j estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of reve expenses during the reporting period. We base our judgments, estimates and assumptions on historical experience and on various other factors believed to reasonable under the circumstances. Actual

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results could differ materially from these estimates. We evaluate our judgments, estimates and assumptions on a regular basis and make changes accordin believe that the judgments, estimates and assumptions involved in the accounting for the valuation of investments in life insurance policies have the great impact on our consolidated financial statements and accordingly believe these to be our critical accounting estimates. Below we discuss the critical accou policies associated with these estimates as well as certain other critical accounting policies.

Ownership of Life Insurance Policies Fair Value Option

Our primary business involves the purchasing and financing of life insurance policies. As such, we account for the purchase of life insurance policies in a with Financial Accounting Standards Board s Accounting Standards Codification (FASB ASC) 325-30, *Investments in Insurance Contracts*, which requi either the investment method or the fair value method. We have elected to account for these life insurance policies as investments using the fair value met

We initially record our purchase of life insurance policies at the transaction price, which is the amount paid for the policy, inclusive of all fees and costs a
with the acquisition. The fair value of our investment in the portfolio of insurance policies is evaluated at the end of each reporting period. Changes in the
the portfolio of life insurance policies are based on periodic evaluations and are recorded as changes in fair value of life insurance policies in our consolid
combined statement of operations. The fair value is determined as the net present value of the life insurance portfolio s future expected cash flows that in
current life expectancy estimates and discount rate assumptions.

In addition to reporting our results of operations and financial condition based on the fair value of our life insurance policies as required by GAAP, mana
makes calculations based on the weighted average expected internal rate of return of the policies. See Non-GAAP Financial Measures below.

Valuation of Life Insurance Policies

Unobservable inputs, as discussed below, are a critical component of our estimate for the fair value of our investments in life insurance policies. We curre
probabilistic method of estimating and valuing the projected cash flows of our portfolio of life insurance policies, which we believe to be the preferred an
prevalent valuation method in the industry. In this regard, the most significant assumptions we make are the life expectancy estimates of the insureds and
rate applied to the projected cash flows to be derived from our portfolio.

In determining life expectancy estimates, we generally use actuarial medical reviews from independent medical underwriters. These medical underwriters
the health of the insured by reviewing historical and current medical records. The medical underwriters evaluate the health condition of the insured in ord
an estimate of the insured s mortality a life expectancy report. In the case of a small face policy ($1,000,000 face value or less), we may use one life ex
or estimate life expectancy based on a modified methodology which does not use actuarial medical reviews from independent medical underwriters. The l
expectancy estimate represents a range of probabilities for the insured s mortality against a group of cohorts with the same age, sex and smoking status. T
mortality probabilities represent a mathematical curve known as a mortality curve, which is then used to generate a series of expected cash flows from the
insurance policy over the expected lifespan of the insured. A discount rate is used to calculate the net present value of the expected cash flows. The disco
represents the internal rate of return we expect to earn on investments in a policy or in the portfolio as a whole at the stated fair value. The discount rate u
calculate fair value of our portfolio incorporates the guidance provided by ASC 820, *Fair Value Measurements and Disclosures*. Many of our current und
review processes, including our policy of obtaining actuarial medical reviews from independent medical underwriters as described above, are undertaken
satisfaction of obligations under our revolving credit facility. As a result, we may in the future modify our underwriting review processes if permitted und
borrowing arrangements.

The table below provides the discount rate used to estimate the fair value of our portfolio of life insurance policies for the period ending:

June 30, 2014	December 31, 2013
11.56%	11.69%

The change in the discount rate incorporates current information about discount rates applied by other reporting companies owning portfolios of life insur
policies, discount rates observed in the life insurance secondary market, market interest rates, the credit exposure to the issuing insurance companies and
of the risk premium a purchaser would require to receive the future cash flows derived from our portfolio of life insurance policies. Because we use the di
to arrive at the fair value of our portfolio, the rate we choose necessarily assumes an orderly and arms-length transaction (i.e., a non-distressed transactio
neither seller nor buyer is compelled to engage in the transaction).

We engaged a third party, Model Actuarial Pricing Systems (MAPS), to prepare a third-party valuation of our life settlement portfolio. MAPS owns and m
portfolio pricing software we use. MAPS processed policy data, future premium data, life expectancy estimate data, and other actuarial information we su
calculate a net present value for our portfolio using the specified discount rate of 11.69%. MAPS independently calculated the net present value of our po
289 policies to be $267,895,692, which is the same fair value estimate we used on the balance sheet as of June 30, 2014, and furnished us with a letter do
calculation. A copy of such letter is filed as Exhibit 99.1 to the registration statement of which this prospectus is a part.

JOBS Act

On April 5, 2012, the Jumpstart Our Business Startups Act of 2012, or JOBS Act, was enacted. Section 107 of the JOBS Act provides that an emerging
company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933 for complying with new or re

accounting standards. This means that an emerging growth company can make an election to delay the adoption of certain accounting standards until t would apply to private companies. We have elected to delay such adoption of new or revised accounting standards and, as a result, we may not comply w revised accounting standards at the same time as other public reporting companies that are not emerging growth companies. This exemption will apply five years following our first sale of common equity securities under an effective registration statement or until we no longer qualify as an emerging gro as defined under the JOBS Act, whichever is earlier.

Deferred Income Taxes

FASB ASC 740, Income Taxes, requires us to recognize deferred tax assets and liabilities for the future tax consequences attributable to temporary differe between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is established for of deferred tax assets that is not considered more likely than not to be realized.

We have provided a valuation allowance against the deferred tax asset related to a note receivable because we believe that, when realized for tax purposes result in a capital loss that will not be utilized because we have no expectation of generating a capital gain within the applicable carryforward period. The not believe that it is more likely than not that the deferred tax asset will be realized.

We have also provided a valuation allowance against the deferred tax asset related to a tax basis capital loss generated with respect to its settlement and s disposal of our investment in Athena Structured Funds PLC (see Notes to Consolidated Financial Statements Note 10). As we have no expectation of capital gains within the applicable carry-forward period, we do not believe that it is more likely than not that the deferred asset will be realized.

A valuation allowance is required to be recognized to reduce deferred tax assets to an amount that is more likely than not to be realized. Realization of de assets depends upon having sufficient past or future taxable income in periods to which the deductible temporary differences are expected to be recovered

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or within any applicable carryback or carryforward periods. We believe that it is more likely than not that we will be able to realize all of our deferred tax than that which is expected to result in a capital loss.

Deferred Financing and Issuance Costs

Financing costs incurred to obtain financing under the revolving credit facility have been capitalized and are amortized using the straight-line method ove the revolving credit facility. The Series I Secured note obligations are reported net of issuance costs, sales commissions and other direct expenses, which amortized using the interest method over the term of each respective borrowing. The Renewable Secured Debentures are reported net of issuance costs, sa commissions and other direct expenses, which are amortized using the interest method over the term of each respective borrowing. The Series A preferred reported net of issuance costs, sales commissions, including the fair value of warrants issued, and other direct expenses, which are amortized using the in as interest expense over the three-year redemption period.

Principal Revenue and Expense Items

We earn revenues from three primary sources as described below.

Policy Benefits Realized. We recognize the difference between the death benefits and carrying values of the policy when an insured event has occurr determine that settlement and ultimate collection of the death benefits is realizable and reasonably assured. Revenue from a transaction must meet bo order to be recognized. We generally collect the face value of the life insurance policy from the insurance company within 45 days of the insured s

Change in Fair Value of Life Insurance Policies. We have elected to carry our investments in life insurance policies at fair value in accordance with *Investments in Life Insurance Contracts*. Accordingly, we value our investments in our portfolio of life insurance policies each reporting period in ac with the fair value principles discussed herein, which includes the expected payment of premiums for future periods.

Sale of a Life Insurance Policy or a Portfolio of Life Insurance Policies. In an event of a sale of a policy, we recognize gain or loss as the difference sale price and the carrying value of the policy on the date of the receipt of payment on such sale.

Our main components of expense are summarized below.

Selling, General and Administrative Expenses. We recognize and record expenses incurred in the operations of the purchasing and servicing of life in policies. These expenses include professional fees, salaries, and sales and marketing expenditures.

Interest Expense. We recognize and record interest expenses associated with the costs of financing our life insurance portfolio for the current period. expenses include interest paid to our senior lender under our revolving credit facility, as well as all interest paid on our debentures and other outstand indebtedness such as our subsidiary secured notes and dividends on convertible, redeemable preferred stock. When we issue long-term indebtedness, the issuance costs associated with such indebtedness over the outstanding term of the financing, and classify it as interest expense.

Results of Operations 2013 Compared to 2012

The following is our analysis of the results of operations for the periods indicated below. This analysis should be read in conjunction with our consolidate statements and related notes.

Revenue. Revenue recognized from the receipt of policy benefits was $12,036,000 and $6,283,000 in 2013 and 2012, respectively. Revenue recognized fr change in fair value of our life insurance policies, net of premiums and carrying costs, was $17,478,000 in 2013 and $11,154,000 in 2012. That portion of in fair value related to new policies acquired during 2013 and 2012 was $27,475,000 and $12,242,000,

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respectively. In each case, the increases in fair value were due to changes in the discount rates we applied to calculate the net present value of cash flows from our portfolio of life insurance policies, change in fair value of policies acquired during the period, and aging of the policies. The discount rate incorp current information about market interest rates, credit exposure to the insurance companies that issued the life insurance policies in our portfolio and our the risk premium an investor would require to receive the future cash flows from our portfolio of life insurance policies. The discount rate applied to estin value of the portfolio of life insurance policies we own was 11.69% as of December 31, 2013, compared to 12.08% for the same date in 2012. The decrea discount rate was due to an increase in the size of the portfolio and the diversity of policies held in our portfolio of life insurance policies that resulted in a anticipated risk premium to a potential buyer. The carrying value of policies acquired during each quarterly reporting period are adjusted to their current f using the fair value discount rate applied to the entire portfolio as of that reporting date.

Gain Upon Termination of Agreement with Athena Securities Ltd. In June 2013, we entered into a Purchase and Sale Agreement with Athena Securitie Athena Securities Group Ltd. This agreement effected the termination of an earlier agreement that the parties had entered into in 2011. That 2011 agreem contemplated cooperative efforts by the parties aimed at developing a security and related offering in Europe or Ireland, the proceeds of which would be u finance the acquisition of life-insurance related assets in the United States. We sought to terminate the 2011 agreement due to a changing regulatory envir Europe that negatively affected the likelihood of consummating the contemplated offering of securities, and due to our dissatisfaction with Athena s perf under the 2011 agreement. Accordingly, the June 2013 agreement contained mutual general releases of claims and substantially unwound certain capital s transactions that had been effected under the earlier agreement. In particular, Athena returned to us for redemption 865,000 shares of our common stock, a 124,000 common shares in recognition of their earlier efforts under the 2011 agreement. For our part, we sold back to Athena Securities Group Ltd. all of ownership in Athena Structured Funds, PLC that we had originally acquired under the 2011 agreement. As a result of the termination effected by our June agreement with Athena and our re-acquisition of 865,000 shares of our common stock, we recorded a non-cash gain on the transaction of $3,252,000. Pre have no ongoing business relationship with Athena.

Expenses. Interest expense, including amortization of the deferred financing costs and preferred stock dividends, was $20,763,000 during 2013 compared $10,879,000 during 2012, an increase of $9,884,000. The increase was due to increased average debt outstanding and increased issuance costs being amor 2013. Selling, general and administrative expenses were $10,323,000, and $6,467,000 for 2013 and 2012, respectively, representing an increase of $3,856 Employee compensation and benefits increased by $2,140,000. This increase partially resulted from $825,000 in bonuses paid to the original members of Company (prior to its conversion to a corporation) equal to the tax effect of the conversion from an LLC to a corporation, and a $449,000 increase related implementation of a new incentive compensation plan. Legal expenses increased by $745,000 due in part to increased compliance work. Sales and marke expenses increased by $971,000 due to increased activity related to our public offering of Renewable Secured Debentures and increased effort at procurin insurance policies for our investment portfolio.

Income Tax Expense. Income tax expense was $2,174,000 and $1,193,000 in 2013 and 2012, respectively. The effective tax rate for the 12 months ended 31, 2013 and 2012, was 109.8% and 661.8%, respectively, compared to a statutory rate of 40.5%. In 2013 and 2012, there were significant permanent diff between income before income taxes and taxable income. The primary permanent differences between our effective tax rate and the statutory federal rate the accrual of preferred stock dividend expense, state taxes, and other non-deductible expenses. The dividends charged to interest expense were $2,528,00 $2,227,000 in 2013 and 2012, respectively. Excluding the impact of the dividends and other permanent differences, the effective tax rate for 2013 and 20

have been 40.5%.

The most significant temporary differences between GAAP net income and taxable net income are the treatment of interest costs with respect to the acqui life insurance policies and revenue recognition with respect to the mark-to-market of life insurance portfolio.

Results of Operations Six Months Ended June 30, 2014 Compared to the Same Period in 2013

The following is our analysis of the results of operations for the periods indicated below. This analysis should be read in conjunction with our consolidate statements and related notes.

Revenue. Revenue recognized from the receipt of policy benefits was $231,000 during both three and six months ended June 30, 2014. Revenue recogniz receipt of policy benefits was $5,218,000 and $7,728,000 during the three and six months ended June 30, 2013, respectively. Revenue recognized from th fair value of our life insurance policies, net of premiums and carrying costs, was $5,253,000 and $10,770,000 for the three and six months ended June 30, respectively and $2,515,000 and $8,346,000 for the three and six months ended June 30, 2013, respectively. During the six-month period ended June 30, purchased a higher volume of life insurance policies than we did during the same period in 2014. The change in fair value related to new policies acquire three and six month periods ended June 30, 2014 was $1,595,000 and $6,559,000 respectively, and $2,471,000 and $8,770,000 for those acquired during three-month and six-month periods ended June 30, 2013, respectively. In each case, the increases in fair value were due to changes in the discount rates w calculate the net present value of cash flows expected from our portfolio of life insurance policies, change in fair value of policies acquired during the per aging of the policies. Decreases in fair value were due to changes in life expectancy estimates. The discount rate incorporates current information about n interest rates, the credit exposure to the insurance companies that issued the life insurance policies in our portfolio and our estimate of the risk premium a would require to receive the future cash flows from our portfolio of life insurance policies. The discount rate used to estimate the fair value of the life insu policies we own was 11.56% as of June 30, 2014, compared to 11.84% as of June 30, 2013. The decrease in discount rate was due to changes in a variety our fair value methodology. The carrying value of policies acquired during each quarterly reporting period are adjusted to their current fair value using th discount rate applied to the portfolio as of that reporting date.

Expenses. Interest expense, including amortization of the deferred financing costs as well as preferred stock dividends, were $6,608,000 and $12,935,000 three and six months ended June 30, 2014, compared to $4,942,000 and $9,409,000 during the same periods of 2013, increases of $1,666,000 and $3,526, respectively. The increase was due the increased debt outstanding that went up from $210,157,000 at June 30, 2013 to $268,603,000 at June 30, 2014. Se general, and administrative expenses were $2,787,000 and $4,840,000 during the three and six months ended June 30, 2014, compared to $2,507,000 and during the same periods of 2013, an increase of $280,000 and a decrease of $1,075,000, respectively. The decrease is mostly due to $825,000 in discretio equal to the tax effect of the conversion from an LLC to a corporation, paid to the original LLC members in the first quarter of 2013. The payments unde incentive compensation plan were also higher in the first quarter of 2013 compared to those in the same period of 2014 due to higher volume of life insur contracts purchased.

Income Tax Expense. For the three and six months ended June 30, 2014, we had a loss of $3,903,000 and $6,759,000 before income taxes and recorded i benefit of $1,317,000 and $2,272,000, respectively, or 33.7% and 33.6%, respectively. In the same periods of 2013, we had $3,559,000 and $4,192,000 i income taxes and recognized an income tax expense of $1,802,000 and $2,368,000, respectively, or 50.6% and 56.5%, respectively. The primary differen our effective tax rate and the statutory federal rate are the accrual of preferred stock dividend expense, state taxes, and other non-deductible expenses. Ex impact of the dividends and other permanent differences, the effective tax rate for the three and six months ended June 30, 2014 and 2013 would have bee 40.5%, respectively.

The following table provides a reconciliation of our income tax expense at the statutory federal tax rate to our actual income tax expense:

Six months ended:	Three Months Ended June 30, 2014	Six Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Month June 30

Statutory federal income tax	$ (1,327,000)	34.0%	$ (2,298,000)	34.0%	$ 1,210,000	34.0%	$ 1,425,000
State income taxes, net of federal benefit	(209,000)	5.4%	(352,000)	5.2%	271,000	7.6%	356,000
Series A preferred stock dividends	218,000	(5.6) %	434,000	(6.4) %	214,000	6.0%	430,000
Other permanent differences	1,000	(0.1) %	(56,000)	0.8%	107,000	3.0%	157,000
Total income tax expense	$ (1,317,000)	33.7%	$ (2,272,000)	33.6%	$ 1,802,000	50.6%	$ 2,368,000

The most significant temporary differences between GAAP net income and taxable net income are the treatment of interest costs with respect to the acqui life insurance policies and revenue recognition with respect to the mark-to-market of life insurance portfolio.

Liquidity and Capital Resources

We finance our business through a combination of policy benefit revenues, origination fees, equity offerings, debt offerings, and a credit facility. We have debt offerings and credit facility primarily for policy acquisition, policy servicing and portfolio related financing expenditures. We charge an intercompar origination fee in the amount of one to four percent of the face value of a life insurance policy s benefit when we acquire the related life insurance policy origination fee we charge is included in the total purchase price we pay for a life insurance policy for purposes of our valuation and expected internal rate calculations, but is not netted against the purchase price we pay to a seller of an insurance policy. We generated cash flows of $343,000 and $1,309,000 fr origination fees during the three and six-months ended June 30, 2014 and $536,000 and $1,814,000 during the same periods in 2013. Profit from intra-con origination fees for life insurance policies retained by the Company are eliminated from our consolidated statements of operations. As such, the originatio collected under our life insurance policy financing arrangements are reflected in our consolidated statements of cash flows as cash flows from financing a they are received form of borrowings used to finance the acquisition of life insurance policies. Our revolving bank line allows DLP II to borrow the funds pay origination fees to GWG Life. Our borrowing agreements allow us to use net proceeds of the Renewable Secured Debentures for policy acquisition, v includes origination fees. If the policy acquisition is not financed, no fees are included in the consolidated cash flows. See Cash Flows below for furthe We determine the purchase price of life insurance policies in accordance with ASC 325-30, Investments in Insurance Contracts , using the fair value meth the fair value method, the initial investment is recorded at the transaction price. Because the origination fees are paid from a wholly owned subsidiary to t company, these fees are not included in the transaction price as reflected in our consolidated financial statements. For further discussion on our accountin life settlements, please refer to note 1 to our consolidated financial statements.

As of June 30, 2014, we had approximately $28.9 million in combined available cash and available borrowing base surplus capacity under our revolving for the purpose of purchasing additional life insurance policies, paying premiums on existing policies, paying portfolio servicing expenses, and paying pri interest on our outstanding financing obligations.

As of December 31, 2013, we had approximately $43.2 million in combined available cash and available borrowing base surplus capacity under our revol facility for the purpose of purchasing additional life insurance policies, paying premiums on existing policies, paying portfolio servicing expenses, and pa principal and interest on our outstanding financing obligations.

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In September 2012, we concluded a Series A preferred stock offering, receiving an aggregate $24.6 million in subscriptions for our Series A preferred sto subscriptions consisted of $14.0 million in conversions of outstanding Series I Secured notes and $10.6 million of new investments. We have used the pro the sale of our Series A preferred stock, together with the origination fees we received to purchase and finance life insurance policies to fund our operatio expenditures.

In June 2011, we registered a $250.0 million debt offering of our Renewable Secured Debentures with the SEC, which registration became effective on Ja 2012. Through June 30, 2014, the total amount of Renewable Secured Debentures sold, including renewals, is $198.0 million. As of June 30, 2014, we ha approximately $161.0 million in principal amount of Renewable Secured Debentures outstanding.

Additionally, our wholly owned subsidiary GWG Life issued Series I Secured notes beginning in November 2009 on a private placement basis to accredit
only. As of June 30, 2014, we had approximately $28.6 million in principal amount of Series I Secured notes outstanding. This offering was closed in No
2011.

The weighted-average interest rate of our outstanding Series I Secured notes as of June 30, 2014 and December 31, 2013 was 8.36% and 8.35%, respectiv
weighted-average maturity at those dates was 2.06 and 2.49 years, respectively. The Series I Secured notes have renewal features. Since we first issued ou
Secured notes, we have experienced $124,856,000 in maturities, of which as of June 30, 2014 $100,064,000 has renewed for an additional term. This has
with an aggregate renewal rate of approximately 77% for investments in our subsidiary secured notes. Future contractual maturities of Series I Secured no
at June 30, 2014 are:

Years Ending December 31,	
Six months ending December 31 ,2014	$ 4,5
2015	10,7
2016	8,0
2017	4,4
2018	7
Thereafter	
	$ 28,6

The weighted-average interest rate of our outstanding Renewable Secured Debentures as of June 30, 2014 and December 31, 2013 was 7.51 and 7.53%, r
and the weighted average maturity at those dates was 3.60 and 3.69 years, respectively. Our Renewable Secured Debentures have renewal features. Since
issued our Renewable Secured Debentures, we have experienced $37,069,000 in maturities, of which as of June 30, 2014 $23,048,000 has renewed for an
term. This has provided us with an aggregate renewal rate of approximately 62% for investments in our Renewable Secured Debentures. Future contractu
of Renewable Secured Debentures at June 30, 2014 are:

Years Ending December 31,	
Six months ending December 31, 2014	$ 27,8
2015	47,2
2016	37,6
2017	16,9
2018	8,3
Thereafter	22,9
	$ 160,9

The Renewable Secured Debentures and Series I Secured notes are secured by all our assets, and are subordinate to our revolving credit facility with Auto
Bank. The Renewable Secured Debentures and Series I Secured notes are pari passu with respect to our assets pursuant to an inter-creditor agreement (se
8 to our consolidated financial statements).

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We maintain a $100 million revolving credit facility with Autobahn/DZ Bank through GWG Life s wholly owned subsidiary DLP II. As of both June 30
December 31, 2013 we had $79.0 million outstanding under the revolving credit facility and maintained an available borrowing base surplus of $4.7 and
(see note 6 to our consolidated financial statements).

We expect to meet our ongoing operational capital needs through a combination of policy benefit revenues, origination fees, and proceeds from financing
We expect to meet our policy acquisition, servicing, and financing capital needs principally from the receipt of policy benefit revenues from our portfolio
insurance policies, net proceeds from our offering of Renewable Secured Debentures, and from our revolving credit facility. Because we only receive orig
when we purchase a policy, our receipt of those fees is contingent upon our consummation of policy purchases, which is, in turn, contingent upon our rec
external funding. Despite recent adverse capital market conditions, including a prolonged credit crisis, we have demonstrated continued access to credit a
markets. Furthermore, we expect to begin receiving insurance benefit payments on our portfolio of life insurance policies as the average age of the insure

and mortality events occur over time which we expect to begin more significantly in 2015 and steadily increasing until 2018. As a result of the foregoing, that our liquidity and capital resources are sufficient for our current and projected financial needs. Nevertheless, if we are unable to continue our offering Renewable Secured Debentures for any reason (or if we become unsuccessful in selling debentures), and we are unable to obtain capital from other sourc that our business would be materially and adversely affected. In addition, our business would be materially and adversely affected if we did not receive th benefits we forecast and if holders of our Renewable Secured Debentures or Series I Secured notes failed to renew with the frequency we have historicall experienced. In such a case, we could be forced to sell our investments in life insurance policies to service or satisfy our debt-related obligations and cont policy premiums.

Capital expenditures have historically not been material and we do not anticipate making material capital expenditures in 2014 or beyond.

Debt Financings Summary

We had the following outstanding debt balances as of June 30, 2014:

Issuer/Borrower		Principal Amount Outstanding	In
GWG Holdings, Inc.	Renewable Secured Debentures	$ 160,691,000	
GWG Life Settlements, LLC	Series I Secured notes	28,642,000	
GWG DLP Funding II, LLC	Revolving credit facility	79,000,000	
Total		$ 268,603,000	

Our total credit facility and other indebtedness balance as of June 30, 2014 and December 31, 2013 was $268,603,000 and $243,635,000, respectively. At 2014, the total outstanding face amount under our Series I Secured notes outstanding was $28,642,000, less unamortized selling costs of $591,000, resulti carrying amount of $28,051,000. At December 31, 2013, the total outstanding face amount under our Series I Secured notes outstanding was $29,744,000 unamortized selling costs of $469,000, resulting in a carrying amount of $29,275,000. At June 30, 2014, the total outstanding face amount of Renewable Debentures was $160,961,000 plus $1,973,000 of subscriptions in process and pending, less unamortized selling costs of $5,421,000, resulting in a carryi $157,513,000. At December 31, 2013, the total outstanding face amount of Renewable Secured Debentures outstanding was $134,891,000 plus $1,902,00 subscriptions in process, less unamortized selling costs of $5,147,000, resulting in a carrying amount of $131,646,000. At June 30, 2014, the fair value of investments in life insurance policies of $267,896,000 plus our cash balance of $23,060,000 and our restricted cash balance of $2,810,000, totaled $293,7 representing an excess of portfolio assets over secured indebtedness of 25,163,000. At December 31, 2013, the fair value of our investments in life insura of $234,673,000 plus our cash balance of $33,450,000 and our restricted cash balance of $5,833,000, totaled $273,956,000, representing an excess of port

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over secured indebtedness of $30,321,000. The Renewable Secured Debentures and Series I Secured notes are secured by all our assets and are subordina revolving credit facility with Autobahn/DZ Bank. The Renewable Secured Debentures and Series I Secured notes are pari passu with respect to shared co pursuant to an inter-creditor agreement.

The following forward-looking table seeks to illustrate the impact of the sale of our portfolio of life insurance assets at various discount rates in order to s debt obligations as of June 30, 2014. In all cases, the sale of the life insurance assets owned by DLP II will be used first to satisfy all amounts owing unde revolving credit facility with Autobahn/ DZ Bank. The net sale proceeds remaining after satisfying all obligations under the revolving credit facility woul to Renewable Secured Debentures and Series I Secured notes on a pari passu basis.

Portfolio Discount Rate	10%	12%	13%	
Value of portfolio	$ 289,810,000	$ 262,199,000	$ 249,964,000	$ 238
Cash and cash equivalents	25,870,000	25,870,000	25,870,000	25
Total assets	315,680,000	288,069,000	275,834,000	264
Revolving credit facility Autobahn/DZ Bank	79,000,000	79,000,000	79,000,000	79
Net after revolving credit facility	236,680,000	209,069,000	196,834,000	185

Portfolio Discount Rate	10%	12%	13%	
Series I Secured notes and Renewable Secured Debentures	189,603,000	189,603,000	189,603,000	189
Net after Series I Secured notes and Renewable Secured Debentures	47,077,000	19,466,000	7,231,000	(4
Impairment to Series I Secured notes and Renewable Secured Debentures	No impairment	No impairment	No impairment	Imp

The table illustrates that our ability to fully satisfy amounts owing under the Renewable Secured Debentures and Series I Secured notes would likely be i the sale of all our life insurance assets at a price equivalent to a discount rate of approximately % or higher. The discount rates used to calculate the fai our portfolio for mark-to-market accounting were 11.56% and 11.69% as of June 30, 2014 and December 31, 2013, respectively. The table does not inclu allowance for transactional fees and expenses associated with a portfolio sale (which expenses and fees could be substantial), and is provided to demonstr various discount rates used to value our portfolio could affect our ability to satisfy amounts owing under our debt obligations, in light of our senior secure right to priority payments. You should read the above table in conjunction with the information contained in other sections of this prospectus, including o of discount rates included under the Critical Accounting Policies Valuation of Insurance Policies caption above. This discussion and analysis is ba of our management, as well as assumptions made by, and information currently available to, our management. The forward-looking presentation above is numerous risks and uncertainties. Our actual results could differ materially from those suggested or implied by the above table. Please see the caption R Forward-Looking Statements above.

On January 29, 2013, we entered into an Amended and Restated Credit and Security Agreement with Autobahn Funding Company LLC, as the conduit le DZ Bank AG Deutsche Zentral-Genossenschaftsbank, as the committed lender and as the agent on behalf of secured parties under such agreement. The A Restated Credit and Security Agreement extended the maturity date of borrowings made by our subsidiary, GWG DLP Funding II, LLC, to December 31 removed certain GWG-related parties to the original Credit and Security Agreement dated June 15, 2008. In connection with the Amended and Restated C Security Agreement, we entered into certain other agreements and amendments and restatements of earlier agreements entered into in connection with the Credit and Security Agreement. Included among these other agreements was a Reaffirmation and Modification Agreement that reaffirms the performance that GWG Holdings earlier provided in connection with the original Credit and Security Agreement to DZ Bank AG Deutsche Zentral-Genossenschaftsba On May 29, 2014, we entered into an amendment to the Amended and Restated Credit and Security Agreement to extend the maturity date for borrowing December 31, 2016.

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Cash Flows

The payment of premiums and servicing costs to maintain life insurance policies represents our most significant requirement for cash disbursement. Whe purchased, we are able to calculate the minimum premium payments required to maintain the policy in-force. Over time as the insured ages, premium pay increase; however, the probability of actually needing to pay the premiums decreases since mortality becomes more likely. These scheduled premiums an probabilities are factored into our expected internal rate of return and cash-flow modeling described herein. Beyond premiums, we incur policy servicing including annual trustee and tracking costs, and debt servicing costs, including principal and interest payments. Until we receive a stable amount of proce policy benefits, we intend to pay these costs from our credit facility, when permitted, and through the issuance of debt securities, including Renewable Se Debentures.

For the quarter end dates set forth below, the following table illustrates the total amount of face value of policy benefits owned, and the trailing 12 month insurance policy benefits collected and premiums paid on our portfolio. The trailing 12-month benefits/premium coverage ratio indicates the ratio of polic received to premiums paid over the trailing 12-month period from our portfolio of life insurance policies.

Quarter End Date	Portfolio Face Amount	12-Month Trailing Benefits Collected	12-Month Trailing Premiums Paid	Ben Co
March 31, 2012	$ 482,455,000	$ 4,203,000	$ 14,977,000	
June 30, 2012	489,255,000	8,703,000	15,412,000	
September 30, 2012	515,661,000	7,833,000	15,837,000	

Quarter End Date	Portfolio Face Amount	12-Month Trailing Benefits Collected	12-Month Trailing Premiums Paid	Ben Co
December 31, 2012	572,245,000	7,350,000	16,597,000	
March 31, 2013	639,755,000	11,350,000	18,044,000	
June 30, 2013	650,655,000	13,450,000	19,182,000	
September 30, 2013	705,069,000	18,450,000	20,279,000	
December 31, 2013	740,648,000	16,600,000	21,733,000	
March 31, 2014	771,940,000	12,600,000	21,930,000	
June 30, 2014	784,652,000	6,300,000	22,598,000	

We believe that the portfolio cash flow results set forth above represent our general investment thesis: that the life insurance policy benefits we receive w to increase over time in relation to the premiums we are required to pay on the remaining polices in the portfolio. Nevertheless, we expect that our portfol results will remain inconsistent until such time we achieve our goal of acquiring a larger, more diversified portfolio of life insurance policies in order to o normalized actuarial results. For example, we had expected to receive a greater amount of insurance benefits for the periods ended December 31, 2013 an 2014 than we actually experienced. As our receipt of life insurance policy benefits increase, we expect to begin servicing and paying down our outstandin indebtedness, or alternatively purchasing additional life insurance policies, from these cash flows. As indicated above under Liquidity and Capital Resou presently expect that by 2015, the cash inflows from the receipt of policy benefits will exceed the premium obligations on the remaining life insurance po within the portfolio as of December 31, 2013. See Business Portfolio Management.

The amount of payments for anticipated premiums and servicing costs that we will be required to make over the next five years to maintain our current po assuming no mortalities, is set forth in the table below.

Year	Prem an Servi
Six months ending December 31, 2014	$ 12,5
2015	27,0
2016	29,7
2017	33,1
2018	36,1
Total	$ 138,6

The life insurance policies owned by DLP II are subject to a collateral arrangement with the agent to our revolving credit lender, as described in note 6 to consolidated financial statements. Under this arrangement, collection and escrow accounts are used to fund purchases and premiums of the insurance poli pay interest and other charges under our revolving credit facility. The lender and its agent must authorize all disbursements from these accounts, including distributions to GWG Life or Holdings. Distributions are limited to an amount that would result in the borrowers (DLP II, GWG Life, and Holdings) reali annualized rate of return on the equity funded amount for such assets of not more than 18%, as determined by the agent. After such amount is reached, the agreement requires that excess funds be used to fund repayments or a reserve account in a certain amount before any additional distributions may be made future, these arrangements may restrict the cash flows available for payment of principal and interest on our debt obligations.

Inflation

Changes in inflation do not necessarily correlate with changes in interest rates. We presently do not foresee any material impact of inflation on our results operations in the periods presented in our consolidated financial statements.

Off-Balance Sheet Arrangements

Operating Lease We entered into an office lease with U.S. Bank National Association as the landlord. The lease was effective April 22, 2012 with a ter
August 31, 2015. The lease is for 11,695 square feet of office space located at 220 South Sixth Street, Minneapolis, Minnesota. We are obligated to pay b
common area maintenance and a share of the building operating costs. Minimum lease payments under the lease are as follows:

Six months ending December 31, 2014	$ 5
2015	$ 7
Total	$ 12

Credit Risk

We review the credit risk associated with our portfolio of life insurance policies when estimating its fair value. In evaluating the policies credit risk we c
insurance company solvency, credit risk indicators, economic conditions, ongoing credit evaluations, and company positions. We attempt to manage our c
related to life insurance policies typically by purchasing policies issued only from companies with an investment grade credit rating by either Standard &
Moody s, or A.M. Best Company. As of June 30, 2014, 99.08% of our life insurance policies, by face value benefits, were issued by companies that main
investment grade rating (BBB or better) by Standard & Poor s. See the table disclosing the concentration risk of our ten largest insurance company holdi
30, 2014 under Business Portfolio Credit Risk Management on page 73.

Interest Rate Risk

Our credit facility is floating-rate financing. In addition, our ability to offer interest rates that attract capital (including in the offer and sale of Renewable
Debentures) is generally impacted by prevailing interest rates. Furthermore, while our other indebtedness provides us with fixed-rate financing, our debt c
ratio is calculated in relation to our total cost of financing. Therefore, fluctuations in interest rates impact our business by increasing our borrowing costs,
reducing availability under our debt financing arrangements. Furthermore, we calculate our portfolio earnings based upon the spread generated between th
our life insurance portfolio and the cost of our financing. As a result, increases in interest rates will reduce the earnings we expect to achieve from our inv
life insurance policies.

Non-GAAP Financial Measures

We use non-GAAP financial measures when evaluating our financial results, for planning and forecasting purposes, and for maintaining compliance with
contained in our borrowing agreements. Non-GAAP financial measures disclosed by management are provided as additional information to investors in o
provide them with an alternative method for assessing our financial condition and operating results. These non-GAAP financial measures are not in accor
GAAP and may be different from non-GAAP measures used by other companies, including other companies within our industry. This presentation of nor
financial information is not meant to be considered in isolation or as a substitute for comparable amounts prepared in accordance with GAAP. See the not
consolidated financial statements and our audited financial statements contained herein.

We have elected to carry our investments in life insurance policies at fair value in accordance with ASC 325-30, Investments in Life Insurance Contracts
Accordingly, we value our investments in life insurance policies at the conclusion of each reporting period in accordance with GAAP fair value accountin
In addition to GAAP, we are required to report non-GAAP financial measures to Autobahn/DZ Bank under certain financial covenants made to that lende
revolving credit facility. As indicated above, we also use non-GAAP financial reporting to manage and evaluate the financial performance of our business

GAAP-based fair value requires us to mark-to-market our investments in life insurance policies, which by its nature, is based upon Level 3 measurements
unobservable. As a result, this accounting treatment imports financial market volatility and subjective inputs into our financial reporting. We believe this
accounting reporting is at odds with one of the key attractions for purchasing and owning a portfolio life insurance policies: the non-correlated nature of t
be derived from such policies. Therefore, in contrast to a GAAP-based fair valuation, we seek to measure the accrual of the actuarial gain occurring withi
portfolio of life insurance policies at their expected internal rate of return based on statistical mortality probabilities for the insureds (using primarily the i
sex and smoking status). The expected internal rate of return tracks actuarial gain occurring within the policies according to a mortality table as the insure
increases. By comparing the actuarial gain accruing within our portfolio of life insurance policies against our costs during the same period, we can estima
and evaluate the overall financial profitability of our business without regard to mark-to-market volatility. We use this information to balance our life insu
purchasing and manage our capital structure, including the issuance of debt and utilization of our other sources of capital, and to monitor our compliance

borrowing covenants. We believe that these non-GAAP financial measures provide information that is useful for investors to understand period-over-peri
results separate and apart from fair value items that may, or could, have a disproportionately positive or negative impact on results in any particular perio

Our credit facility requires us to maintain a positive net income and tangible net worth each of which are calculated on an adjusted non-GAAP basi
described above, without regard to GAAP-based fair value measures. In addition, our revolving credit facility requires us to maintain an excess spread,
difference between (i) the weighted average of our expected internal rate of return of our portfolio of life insurance policies and (ii) the weighted average
facility s interest rate. These calculations are made using non-GAAP measures in the method described below, without regard to GAAP-based fair value

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In addition, our Renewable Secured Debentures and Series I Secured notes require us to maintain a debt coverage ratio designed to ensure that the exp
flows from our portfolio of life insurance policies is able to adequately service our total outstanding indebtedness. In addition, our Renewable Secured De
requires us to maintain a subordination ratio which limits the total amount of indebtedness that can be issued senior in rank to the Renewable Secured
Series I Secured notes. These ratios are calculated using non-GAAP measures in the method described below, without regard to GAAP-based fair value m

Adjusted Non-GAAP Net Income. Our credit facility requires us to maintain a positive net income calculated on an adjusted non-GAAP basis. We calcula
adjusted net income by recognizing the actuarial gain accruing within our life insurance policies at the expected internal rate of return of the policies we c
regard to fair value. We net this actuarial gain against our costs during the same period to calculate our net income on a non-GAAP basis.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	20
GAAP net income	$ (2,587,000)	$ 1,757,000	$ (4,488,000)	$ 1,82
Unrealized fair value gain (1)	(10,852,000)	(7,449,000)	(22,211,000)	(18,94
Adjusted cost basis increase (2)	10,777,000	8,641,000	22,174,000	18,89
Accrual of unrealized actuarial gain (3)	7,822,000	5,165,000	15,127,000	10,19
Total adjusted non-GAAP income (4)	$ 5,160,000	$ 8,114,000	$ 10,602,000	$ 11,97

(1) Reversal of unrealized fair value gain of life insurance policies for current period.

(2) Adjusted cost basis is increased to include those acquisition and servicing expenses that are not capitalized by GAAP.

(3) Accrual of actuarial gain at expected internal rate of return based on investment cost basis for the period.

(4) We must maintain an annual positive consolidated net income, calculated on a non-GAAP basis, to maintain compliance with our revolving cred
with DZ Bank/Autobahn.

Adjusted Non-GAAP Tangible Net Worth. Our revolving credit facility requires us to maintain a tangible net worth in excess of $15 million calculated on
non-GAAP basis. We calculate the adjusted tangible net worth by recognizing the actuarial gain accruing within our life insurance policies at the expecte
rate of return of the policies we own without regard to fair value. We net this actuarial gain against our costs during the same period to calculate our tang
on a non-GAAP basis.

	As of June 30, 2014	As Decem 20
GAAP net worth (1)	$ 15,176,000	$ 19,2

	As of June 30, 2014	As of Decem[...] 20[...]
Less intangible assets (2)	(7,481,000)	(6,0
GAAP tangible net worth	7,695,000	13,1
Unrealized fair value gain (3)	(136,955,000)	(114,7
Adjusted cost basis increase (4)	128,291,000	106,2
Accrual of unrealized actuarial gain (5)	64,794,000	49,6
Total adjusted non-GAAP tangible net worth (6)	$ 63,825,000	$ 54,2

(1) Includes termination of redeemable member s interest prior to corporate conversion and preferred stock classified as temporary equity.

(2) Unamortized portion of deferred financing costs and pre-paid insurance.

(3) Reversal of cumulative unrealized fair value gain or loss of life insurance policies.

(4) Adjusted cost basis is increased by acquisition and servicing expenses which are not capitalized under GAAP.

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(5) Accrual of cumulative actuarial gain at expected internal rate of return based on investment cost basis.

(6) We must maintain a total adjusted non-GAAP tangible net worth of $15 million to maintain compliance with our revolving credit facility with D
Bank/Autobahn.

Excess Spread. Our revolving credit facility requires us to maintain a 2.00% excess spread between our weighted-average expected internal rate of retu
portfolio of life insurance policies and the credit facility s interest rate. A presentation of our excess spread and our total excess spread is set forth below.
uses the total excess spread to gauge expected profitability of our investments, and uses the excess spread to monitor compliance with our borrowin

	As of June 30, 2014	Dec
Weighted-average expected IRR (1)	12.04%	
Weighted-average revolving credit facility interest rate (2)	6.19%	
Excess spread (3)	5.85%	
Total weighted-average interest rate on indebtedness for borrowed money (4)	7.21%	
Total excess spread	4.83%	

(1) This represents the weighted-average expected internal rate of return of the life insurance policies as of the measurement date based upon our investr
basis in the insurance policies and expected cash flows from the life insurance portfolio. Our investment cost basis is calculated as our cash investme
insurance policies, without regard to GAAP-based fair value measurements, and is set forth below:

Investment Cost Basis	As of June 30, 2014	As of Decem[ber 31,] 20[13]
GAAP fair value	$ 267,896,000	$ 234,6
Unrealized fair value gain (A)	(136,955,000)	(114,7
Adjusted cost basis increase (B)	128,291,000	106,2
Investment cost basis (C)	$ 259,232,000	$ 226,1

(A) This represents the reversal of cumulative unrealized GAAP fair value gain of life insurance policies.

(B) Adjusted cost basis is increased to include those acquisition and servicing expenses that are not capitalized by GAAP.

(C) This is the full cash investment cost basis in life insurance policies from which our expected internal rate of return is calculated.

(2) This is the weighted-average revolving credit facility interest rate as of the measurement date.

(3) We must maintain an excess spread of 2.00% relating to our revolving credit facility to maintain compliance under such facility.

(4) Represents the weighted-average interest rate paid on all outstanding indebtedness as of the measurement date, determined as follows:

Outstanding Indebtedness	As of June 30, 2014	A Decem 20
Revolving credit facility	$ 79,000,000	$ 79,(
Series I Secured notes	28,642,000	29,7
Renewable Secured Debentures	160,961,000	134,8
Total	$ 268,603,000	$ 243,(

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Outstanding Indebtedness	As of June 30, 2014	De
Interest Rates on Indebtedness		
Revolving credit facility	6.19%	
Series I Secured notes	8.36%	
Renewable Secured Debentures	7.51%	
Weighted-average interest rates on indebtedness	7.21%	

Debt Coverage Ratio and Subordination Ratio. Our Renewable Secured Debentures and Series I Secured notes require us to maintain a debt coverage ra than 90%. The debt coverage ratio is calculated by dividing the sum of our total indebtedness by the sum of our cash and cash equivalents and the net p the life insurance portfolio. The subordination ratio for our Renewable Secured Debentures is calculated by dividing the total indebtedness that is senio Secured Debentures and Series I Secured notes by the sum of the company s cash and cash equivalents and the net present value of the life insurance por subordination ratio must be less than 50%. For purposes of both ratio calculations, the net present value of the life insurance portfolio is calculated usi

rate equal to the weighted average interest rate of all indebtedness.

	As of June 30, 2014	As Decem 20
Life insurance portfolio policy benefits	$ 784,652,000	$ 740,6
Discount rate of future cash flows	7.21%	
Net present value of Life insurance portfolio policy benefits	$ 336,987,000	$ 302,7
Cash and cash equivalents	25,870,000	39,2
Total Coverage	362,857,000	332,0
Revolving credit facility	79,000,000	79,0
Series I Secured notes	28,642,000	29,7
Renewable Secured Debentures	160,961,000	134,8
Total Indebtedness	$ 268,603,000	$ 243,6
Debt Coverage Ratio	74.02%	
Subordination Ratio	21.77%	

As of June 30, 2014, we were in compliance with both the debt coverage ratio and the subordination ratio as required under our related financing agreeme Renewable Secured Debentures and Series I Secured notes.

BUSINESS

Overview

We provide financial solutions to consumers in the emerging secondary market for life insurance assets. We target our financial solution offerings toward owning life insurance who can benefit from realizing the actuarial value of their life insurance policy. We believe the value proposition of our services to consumers we serve is compelling and these consumers represent the fastest growing demographic in the United States according to the U.S. Census Bure address this growing need, we recently have expanded our services by offering consumers a range of options to access the actuarial value of their life insu including purchasing (i) all or a portion of their life insurance policy for cash, (ii) all or a portion of their life insurance policy in exchange for a different (iii) all or a portion of their life insurance policy in an installment sale that provides the selling consumer with a stream of cash flow. All of our services in purchase or financing of life insurance assets from consumers in the secondary market at a discount to the face value of the life insurance asset we obtain. where we purchase a life insurance policy, we continue paying the policy premiums until maturity, in order to collect the policy benefit upon the insured this way, we hope to profit from the difference between our cost of obtaining and financing a life insurance asset, and the policy benefit we ultimately rec the mortality of the insured.

In addition to our goal of providing consumers with value-added services based upon the actuarial value of their life insurance policies, we seek to build a and large portfolio of life insurance assets that are well diversified in terms of insurance carriers, mortality profiles and the medical conditions of insureds that successfully diversifying our assets will lower our overall risk exposure and provide our portfolio of life insurance assets with greater actuarial stabili reliable returns. To obtain the growth and diversification we seek, we have raised capital through a variety of financing efforts that have included the priv public offerings of structured debt securities, private offerings of preferred stock, and the use of a senior secured revolving credit facility. This offering of stock is an extension of that strategy.

As of June 30, 2014, we owned approximately $785 million in face value of life insurance policy benefits covering 261 lives with an aggregate non-GAA of approximately $259 million. Aggregate cost basis includes our acquisition costs and ongoing maintenance and financing costs. We have acquired this p through a combination of the issuance of debt in particular, the sale of Renewable Secured Debentures by GWG Holdings, the sale of Series I Secured no Life, and the use of a senior secured revolving credit facility provided to our subsidiary GWG DLP Funding II, as borrower. Our objective is to earn retur life insurance assets that are greater than the costs necessary to purchase and finance those policy assets to their maturity. We expect to accomplish our ob

purchasing life insurance policy assets which generate expected internal rates of returns in excess of our cost of capital;

paying the life insurance asset s premiums and costs until the insured s mortality;

obtaining a large and diverse portfolio of insurance policy assets to mitigate actuarial risk;

maintaining diversified funding sources to reduce our overall cost of financing;

maintaining rigorous portfolio monitoring and servicing practices; and

if appropriate, engaging in hedging strategies that reduce potential volatility to our cost of financing.

We intend to apply the majority of proceeds of this offering, along with amounts we receive under arrangements with senior lenders, to expand the portfo insurance assets we own, and finance those assets until their maturity. See also Use of Proceeds.

In the future, we may determine to create other kinds of investment products that may relate to or be based upon, or otherwise be offered and sold for the permitting us to become involved in, industries and financing opportunities other than life insurance. Although we presently have no definitive plans to do have begun the effort of identifying other industries that present potentially viable financing

opportunities. Any decision to become involved in other industries would likely involve a separate financing effort on our part, and we would expect to le network of broker-dealers that have participated in our earlier financing efforts and with whom we have developed relationships.

Market

According to the American Council of Life Insurers Fact Book 2013 (ACLI), individuals owned over $11.22 trillion of face value of life insurance policie United States in 2012. This figure includes all types of policies, including term and permanent insurance known as whole life, universal life, variable life, universal life. The ACLI reports that the lapse and surrender rate of individual life insurance policies for 2012 was 5.9%, over $649 billion in face value o benefits in 2012 alone. These figures do not include group-owned life insurance, such as employer-provided life insurance, the market for which totaled o trillion of face value of life insurance policies in the United States in 2012, and the policies of which exhibit similar lapse and surrender rates, according t Consumers owning life insurance generally allow policies to lapse or surrender the policies for a variety of reasons, including: (i) the life insurance is no l needed; (ii) unrealistic original earnings assumptions made when the policy was purchased; (iii) increasing premium payment obligations as the insured a changes in financial status or outlook which cause the insured to no longer require life insurance; (v) other financial needs that make the insurance unaffo (vi) a desire to maximize the policy s investment value.

The secondary market for life insurance has developed in response to the large volume of policy lapses and surrenders. Rather than allowing a policy to la worthless, or surrendering a life insurance policy at a fraction of its inherent value, the secondary market can be a source of significant value to consumer inherent actuarial value of a policy in the life insurance secondary market often exceeds the cash surrender value offered by the insurance carrier. Life ins companies earn substantial revenue windfalls due to the lapse and surrender of many insurance policies. These revenue windfalls have enabled life insura companies to issue policies with reduced premiums. The profit opportunity for a purchaser of a life insurance asset in the secondary market is the differen spread, between (i) the cost of obtaining and maintaining a life insurance policy over the insured s lifetime, and (ii) the face value of the policy s ben paid upon the insured s mortality. The secondary market for life insurance policies has also been driven by the creation of life insurance policy pricing to actuarial modeling techniques developed by investors. Without the development of the secondary market, insurance carriers would maintain monopsony p the options offered to consumers who no longer need or want their life insurance.

Although still relatively new and still emerging, Conning Research & Consulting (Conning) reports that the secondary market for life insurance policies g billion in face value of benefits purchased in 2002, to over $12 billion in face value of benefits purchased in 2007. During and after the 2009 credit crisis, secondary market for life insurance contracted significantly, evidenced by Conning s report that investors purchased approximately $2 billion in face val insurance benefits in 2012. Nevertheless, Conning reports that consumer demand for continued development of the secondary market remains strong, and indications of strengthening interest among investors. Conning maintains that, given the current economic environment and investor sentiment, the secon will likely increase. We believe that the market s largest growth will likely come from companies that attract capital to purchase the assets. Conning repo

market potential for policies sold in the secondary market exceeded $109 billion in 2012, and is expected to grow to $151 billion by 2019.

We believe that socio-economic and demographic trends further support the long-term development and growth of the secondary market for life insuranc the secondary market for life insurance represents a significant and expanding market opportunity. According to the United States Census Bureau (Burea population age 65 and older is expected to more than double between 2012 and 2060, from 43.1 million to 92.0 million. The Bureau projects that the incr number of the oldest old will be even more dramatic those 85 and older are projected to more than triple from 5.9 million to 18.2 million, reaching 4.3 total population. We believe that this older demographic, 85 years and older, may be particularly well served by the services we offer.

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In addition to changing demographics, we believe there is a growing need for services that address the post-retirement financial needs of consumers in ge Research published by Natixis Global Asset Management (NGAM) reports that retirees will likely be required to finance a larger portion of their retireme government s ability to support them fades. In response to this growing need, the States of Texas and Kentucky adopted legislation enabling individuals their long-term care needs through the value of their life insurance by allowing individuals to enter the Medicaid program so long as they use the proceed sale of their life insurance policy in the secondary market for long-term care needs. Additional states are considering similar legislation to deal with the in costs of providing long-term care to the growing population of seniors.

As the life insurance secondary market has grown, a regulatory framework has been established to oversee the industry participants and protect consumer 2007, there has been a dramatic increase in the number of states that have adopted legislation and regulations. Today, almost every state has adopted som model laws prohibiting business practices deemed to be abusive and generally requiring the licensing of life insurance purchasers and brokers, the filing a of purchase agreements, disclosure of transaction fees and periodic reporting requirements. The widespread adoption of this regulatory framework by stat brought about standardized practices and procedures for industry participants in the secondary market. In addition, several states have modified their laws notice requirements for the benefit of consumers owning life insurance, alerting them to the existence of the secondary market before they surrender their insurance policy or allow it to lapse.

We believe the strengthened regulatory framework, along with the emergence of best practices adopted by industry participants within the life insurance s market, will lead to a growing awareness of the secondary market among life insurance agents and financial advisors serving the financial needs of consu expect this growing awareness, along with the demographic factors described above, will lead to the continued growth of services related to the secondar life insurance policies.

We believe that the secondary market for life insurance policies has also attracted global investor interest because investments in life insurance policy ass provide non-correlated investment diversification. The ability for investors to invest in the life insurance asset class comes as a result of the development insurance policy pricing tools and actuarial modeling techniques for valuing portfolios of life insurance policies. Standardized life insurance pricing tools actuarial modeling software, including life expectancies, have provided foundational support for the development of services related to the life insurance market. The appeal for investors to achieve non-correlated diversification appears strong, particularly after the global recession of 2008. The appeal of no is that the underlying investment return is independent of the factors contributing to economic downturns such as real estate values, commodity prices, an market indices. In addition, many life insurance policies represent payment obligations from highly rated life insurance companies. As a result, investors the expected risk premium they receive for investing in the asset class as compared to the credit profile of the underlying insurance company. The risk pre offered by the asset class, along with the non-correlated return profile has attracted a large number of investors seeking investment opportunities in the lif secondary market. As innovation and investor awareness of the secondary market for life insurance increases, we expect continued investor interest in the

We believe that we are well positioned to capitalize on this opportunity by providing value-added services to the consumers we serve and by leveraging o alternative investment distribution network. To participate and compete in our growing market, we have spent and intend to continue to spend significant (i) developing a robust operational platform and systems for originating, purchasing, and servicing life insurance policies; (ii) obtaining requisite licensur participate in the life insurance secondary market; (iii) developing financing resources, strategies, and capabilities for servicing a large portfolio of life ins policies; (iv) recruiting and developing a professional management team; and (v) establishing strategic relationships for delivering our services.

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Company History

We were founded in 2006 to develop a platform to evaluate, purchase, service, and track life insurance policies purchased in the secondary market. Our o
was to operate as a joint venture with WestLB, AG, a large German commercial bank, with the goal of having the bank securitize and sell investments in
insurance portfolio we purchased. During 2006 and 2007, we built an institutional platform to underwrite, purchase, service, and track life insurance polic
purchased in the secondary market in conjunction with a $250 million revolving credit facility provided by WestLB. In 2008, however, WestLB informed
were abandoning their effort to securitize and sell investments backed by our life insurance portfolio in light of the global economic and financial crisis. T
in a material change to our business plan, as we had earlier purchased the portfolio of life insurance policies with the expectation these policies would be
a securitization organized by WestLB. Subsequently, in 2010 we sold the original portfolio that had been financed entirely by WestLB.

Since 2008, we have focused on establishing diversified funding sources whose investment expectation is based on the purchase and finance of life insura
to their maturity a buy-and-hold strategy as opposed to the securitized sale of those assets prior to maturity. In 2009, our subsidiary GWG Life, LLC, or
began selling Series I Secured notes to further finance our buy-and-hold strategy. In January 2012, we registered a public offering of our Renewable Secu
Debentures in order to continue to grow and diversify the portfolio we started acquiring with the sale of Series I Secured notes. In addition to the Series I
notes and Renewable Secured Debentures, we have utilized a $100 million senior secured revolving credit facility provided by Autobahn Funding Compa
bank-sponsored commercial paper conduit administered by DZ Bank AG Deutsche Zentral-Genossenschaftsbank, or DZ Bank. This credit facility is p
wholly owned subsidiary GWG DLP Funding II, LLC, or DLP Funding II, as borrower. DLP Funding II holds title to substantially all of our life insura
expect to maintain and expand our credit facility in conjunction with the stated goal of growing and expanding our portfolio of life insurance policies thro
proceeds of our common stock offering.

Our Business Model

All of our services are premised on financial and actuarial modeling that assigns a present value to the face value of an insurance policy benefit. In this re
value we assign to a life insurance asset in the secondary market is primarily a function of: (i) the face value of the life insurance policy or portion thereof
wish to acquire; (ii) the estimated life expectancy of the individual insured under the policy; (iii) the premiums expected to be paid over the life of the ins
market competition from other purchasers in the secondary market; and (v) the particular underwriting characteristics of the policy, relative to the charact
our portfolio of life insurance assets as a whole.

The types of policies for which we provide services are typically, but not always, universal life insurance policies. Universal life insurance is a type of pe
insurance in which premium payments above the cost of insurance are credited to the cash value of the policy. The cash value is credited each month v
based on the terms of the insurance policy agreement. If a universal life insurance policy were to lapse, the insured or other owner of the policy would no
have a right to receive the cash surrender value of the policy. The cash surrender value is the cash value of the policy, less any surrender charges impo
insurance company for removing the cash value. Our services provide greatest value to a consumer when the actuarial value of the life insurance policy b
exceeds the cash surrender value of the policy which is often the case. We also provide services to consumers who own term life insurance. Unlike perm
universal life insurance, term life insurance does not have a cash value associated with it. Nevertheless, most term insurance policies permit the policy to
into permanent universal life insurance. In the future, we may consider offering services in conjunction with variable universal life insurance, which diffe
universal insurance in that the variable component of the policy involves the ownership of securities inside the policy. Regardless of the type of policy
seek to purchase life insurance policies issued by rated life insurance carriers with investment grade credit ratings by Standard & Poor s (AAA through B
(Aaa through Baa3), or A.M. Best Company (aaa through bbb). As of

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December 31, 2013 and June 30, 2014, over 93.5% and 93.7%, respectively, of life insurance policies within our portfolio were issued by companies rate
under Standard & Poor s rating system.

Before acquiring a life insurance asset, we value the related life insurance policy by conducting an underwriting review. Our present underwriting review
generally involves obtaining two life expectancy estimates on each insured from third-party medical-actuarial firms, and then averaging these two estimat
occasion, we may obtain more than two life expectancy estimates, in which case we average the two life expectancy estimates that we believe are the mos
based on our own analyses and conclusions. In this regard, the two life expectancy estimates we ultimately choose to average may not always be the most
conservative estimates we obtain. From time to time and as permitted by applicable borrowing covenants, we may modify our underwriting review proces
example, in anticipation of our planned marketing efforts, we recently changed our definition of a small face policy from $250,000 in policy benefits t
policy benefits. For small face policies, rather than obtaining life expectancy estimates from third-party medical-actuarial firms, we may employ a modifi
underwriting review process involving the use of a combination of standard mortality tables, actuarial or medical consultants, and our own analysis to dev
expectancy estimate for an insured.

We generally transact directly with the policy owner who originally purchased the life insurance in the primary market. Historically, we have purchased p
secondary market through a network of life insurance agents, life insurance brokers, and licensed providers who assist policy owners in accessing the sec

market. We expect to expand our origination practice by marketing directly to consumers through various marketing initiatives.

We have built our business with what we believe to be the following competitive strengths:

Industry Experience: We have actively participated in the development of the secondary market of life insurance as a principal purchaser and financi asset class since 2006. Our position within the marketplace has allowed us to gain a deep understanding of the life insurance secondary market. We h participated in the leadership of various industry associations and forums, including the Life Insurance Settlement Association (LISA) and the Insura Institute (ISI). Our experience gives us confidence in building a company to compete in the industry and acquire a portfolio of life insurance policies perform to our expectations.

Operational Platform: We have built and continue to refine and develop an operational platform and systems for efficiently tracking, processing, and life insurance policies that we believe provide competitive advantages when participating in the life insurance secondary marketplace.

Origination and Underwriting Practices: We seek to use underwriting review processes and file documentation standards that generally meet publish guidelines for rated securitizations of life insurance portfolios. We purchase life insurance policies we consider to be non-contestable and that meet o underwriting criteria and reviews. We consider a life insurance policy to be non-contestable once applicable state law prohibits the insurer from c validity of the policy due to fraud. In this regard, state non-contestability laws generally require a period of one to two years to elapse after the initial the policy before that policy is considered non-contestable under state law. Non-contestability laws do not, however, prevent an insurer from challen validity of a policy procured by fraud for lack of an insurable interest at the time at which the policy was purchased, such as is the case with so-calle stranger-originated life insurance policies. To the extent we use modified methodologies for estimating life expectancies for small face policies, th methodologies may not meet published guidelines for rated securitizations of life insurance portfolios.

Origination Relationships and Strategies: We have established origination relationships with life insurance policy brokers and insurance agents who policies for our purchase or financing. Our referral base knows our underwriting standards for purchasing life insurance policies in the secondary ma provides confidence in our bidding and closing processes and streamlines our own due-diligence process. We expect to expand our origination meth channels with the proceeds of this offering (e.g., the addition of consumer marketing).

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Life Expectancy Methodology: We generally rely on two life expectancy estimates obtained from independent third-party medical-actuarial underwri arrive at a life expectancy estimate we use for valuing a life insurance asset. For a majority of our life insurance asset purchases, we rely on estimates from 21st Services and AVS Underwriting to develop our life expectancy estimate. We may, however, also obtain and use life expectancy estimates medical-actuarial underwriting firms. As explained above, we may from time to time modify our underwriting review processes, including our meth arriving at life expectancy estimates we use in ascribing value to a life insurance asset.

Pricing Software and Methodology: To calculate our expected returns on the investments we make in life insurance assets, we use actuarial pricing methodologies and software tools built by a leading independent actuarial service firm and currently supported by Modeling Actuarial Pricing Syster (MAPS).

Financing Strategy: We have actively developed diversified financing strategy for accessing capital markets in support of our buy-and-hold strategy portfolio of life insurance policies, ranging from institutional bank financing to a network of broker-dealers registered with the Financial Industry Re Authority (FINRA), many of whom have participated in one or more of our Series I Secured note financing, our Series A preferred stock financin Renewable Secured Debenture financing. If in the future we determine to offer different kinds of investment products, we expect to leverage the netw broker-dealers that we have built over time.

On the other hand, our business involves a number of challenges and risks described in more detail elsewhere in this prospectus, including the following:

Relatively New Market: Investing in life insurance assets in the secondary market is a relatively new and evolving market. Our ability to source and i insurance assets at attractive prices materially depends on the continued growth of the secondary market for life insurance and the continued solvenc insurance companies that pay the face value of life insurance policy benefits.

Asset Valuation Assumptions: The valuation of our portfolio life insurance assets the principal asset on our balance sheet requires us to make mater that may ultimately prove to be incorrect. These assumptions include appropriate discount rates, cash flow projections, and the life expectancy estima for these purposes, any of which may ultimately prove to be inaccurate.

Ability to Expand Our Portfolio: Our business model requires us to achieve actual results that are in line with those we expect to attain from our inve life insurance assets. In this regard, we believe that the larger the portfolio of life insurance assets we own, the greater likelihood there is that we will results matching our expectations. Although we plan to expand the number of investments in life insurance assets using proceeds from the sale of our stock, we may be unable to meet this goal. Furthermore, even if we successfully grow our portfolio of life insurance assets, we nevertheless may not results we expect.

Reliance on Financing: We have chosen to finance our business almost entirely through the issuance of debt, including the sale of Renewable Secure Debentures, Series I Secured notes, and our use of a senior secured revolving credit facility. Our business model expects that we will have continued financing (including financing to expand or replace our existing financing) in order to purchase a large and diversified portfolio of life insurance asse thereafter pay the attendant premiums and financing costs of maintaining that portfolio. We will be required to rely on our access to financing to pay and interest until such time as we experience a significant amount of mortality within our portfolio and begin receiving significant revenues from the life insurance policy benefits. Even if we obtain the financing we require, we may not receive life insurance policy benefits that match our cash flow or meet them in time to earn profits after the payment of financing costs.

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Risk of Investment in Life Insurance Assets: Our investments in life insurance assets have inherent risks, including fraud and legal challenges to the v life insurance policies. Examples of fraud include the possibility that the seller of a policy may have provided us with inaccurate or misleading inforn during the underwriting review process.

Effects of Regulation: Our business is subject to complex state and federal regulation. Changes in state or federal laws and regulations governing our changes in the interpretation of such laws and regulations, could materially and negatively affect our business.

Our business also involves certain other challenges and risks described in the Risk Factors section of this prospectus.

Our Portfolio

Our portfolio of life insurance policies, owned by our subsidiaries as of June 30, 2014, is summarized below:

Life Insurance Portfolio Summary

Total portfolio face value of policy benefits	$ 784,65
Average face value per policy	$ 2,71
Average face value per insured life	$ 3,00
Average age of insured (yrs.)*	
Average life expectancy estimate (yrs.)*	
Total number of policies	
Number of unique lives	
Demographics	67% Males; 3
Number of smokers	3 insureds are
Largest policy as % of total portfolio	
Average policy as % of total portfolio	
Average Annual Premium as % of face value	

* Averages presented in the table are weighted averages.

Our portfolio of life insurance policies, owned by our subsidiaries as of June 30, 2014, organized by the insured s current age and the associated policy b
summarized below:

Distribution of Policy Benefits by Current Age of Insured

Min Age	Max Age	Policy Benefits	Weighted Average Life Expectancy (yrs.)	Distribution
65	69	$ 9,156,000	7.84	1.17%
70	74	48,617,000	9.16	6.20%
75	79	169,198,000	8.46	21.56%
80	84	300,764,000	7.28	38.33%
85	89	226,596,000	4.96	28.88%
90	95	30,321,000	3.70	3.86%
Total		**$ 784,652,000**	6.85	**100.00%**

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Our portfolio of life insurance policies, owned by our subsidiaries as of June 30, 2014, organized by the insured s current age and number of policies ow
summarized below:

Distribution of Policies by Current Age of Insured

Min Age	Max Age	Policies	Weighted Average Life Expectancy (yrs.)	Distribution
65	69	8	7.84	2.77%
70	74	20	9.16	6.92%
75	79	56	8.46	19.38%
80	84	105	7.28	36.33%
85	89	87	4.96	30.10%
90	95	13	3.70	4.50%
Total		**289**	6.85	**100.00%**

Our portfolio of life insurance policies, owned by our subsidiaries as of June 30, 2014, organized by the insured s estimated life expectancy estimates an
policy benefits, is summarized below:

Distribution of Policies by Current Life Expectancies of Insured

Min LE (Months)	Max LE (Months)	Policy Benefits	Distribution
144	167	$ 9,000,000	1.15%
120	143	99,656,000	12.70%

Min LE (Months)	Max LE (Months)	Policy Benefits	Distribution
96	119	143,774,000	18.32%
72	95	210,583,000	26.84%
48	71	219,773,000	28.01%
16	47	101,866,000	12.98%
Total		**$ 784,652,000**	**100.00%**

We track concentrations of pre-existing medical conditions among insured individuals within our portfolio based on information contained in life expecta
We track these medical conditions with ten primary disease categories: (1) cardiovascular, (2) cerebrovascular, (3) dementia, (4) cancer, (5) diabetes, (6)
disease, (7) neurological disorders, (8) other, no disease, or multiple. Our primary disease categories are summary generalizations based on the ICD-9 coc
on each insured individuals within our portfolio. ICD-9 codes, published by the World Health Organization, are used worldwide for medical diagnoses an
systems, as well as morbidity and mortality statistics. Currently, cardiovascular is the only primary disease category within our portfolio that represents a
concentration over 10%.

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Our portfolio of life insurance policies, owned by our subsidiaries as of June 30, 2014, organized by the primary disease categories of the insured and ass
policy benefits, is summarized below:

Distribution of Policy Benefits by Primary Disease Category

Primary Disease Category	Policy Benefits	Dis
Cancer	$ 57,450,000	
Cardiovascular	141,876,000	
Cerebrovascular	21,960,000	
Dementia	62,699,000	
Diabetes	63,617,000	
Multiple	196,059,000	
Neurological Disorders	15,840,000	
No Disease	94,468,000	
Other	89,483,000	
Respiratory Diseases	41,200,000	
Total Policy Benefits	**$ 784,652,000**	

The primary disease category represents a general category of impairment. Within the primary disease category, there are a multitude of sub-categorizatio
more specifically by ICD-9 codes. For example, a primary disease category of cardiovascular includes subcategorizations such as atrial fibrillation, heart
replacement, coronary atherosclerosis, etc. In addition, individuals may have more than one ICD-9 code describing multiple medical conditions within on
primary disease categories. Where an individual s ICD-9 codes indicate medical conditions in more than one primary disease categories, we categorize th
as having multiple primary disease categories. We expect to continue to develop and refine our identification and tracking on the insured individuals med
conditions as we manage our portfolio of life insurance policies.

The complete detail of the portfolio of all life insurance policies, owned by our subsidiaries as of June 30, 2014, organized by the current age of the insure
associated policy benefits, sex, estimated life expectancy, issuing insurance carrier, and the credit rating of the issuing insurance carrier is set forth below.

Life Insurance Portfolio Detail
(as of June 30, 2014)

	Face Amount	Gender	Age (ALB)(1)	LE (mo.)(2)	Insurance Company
1	$ 4,000,000	M	93	38.1	MetLife Investors USA Insurance Company
2	$ 1,100,000	M	93	32.4	ING Life Insurance and Annuity Company
3	$ 1,770,726	F	93	36.4	Aviva Life Insurance Company
4	$ 3,200,000	M	93	63.8	West Coast Life Insurance Company
5	$ 1,000,000	F	92	42.6	Transamerica Life Insurance Company
6	$ 250,000	M	91	25.5	Transamerica Life Insurance Company
7	$ 2,500,000	M	90	27.2	Columbus Life Insurance Company
8	$ 3,000,000	M	90	56.4	West Coast Life Insurance Company
9	$ 500,000	M	90	22.9	John Hancock Life Insurance Company (U.S.A.)
10	$ 5,000,000	F	90	60.9	American General Life Insurance Company
11	$ 2,000,000	F	90	22.0	Pruco Life Insurance Company
12	$ 5,000,000	F	90	41.2	John Hancock Life Insurance Company (U.S.A.)
13	$ 1,000,000	F	90	38.4	Protective Life Insurance Company
14	$ 1,682,773	F	89	59.4	Hartford Life and Annuity Insurance Company
15	$ 5,000,000	M	89	39.6	John Hancock Life Insurance Company (U.S.A.)
16	$ 3,100,000	F	89	42.0	Lincoln Benefit Life Company
17	$ 1,500,000	F	89	74.2	Jefferson-Pilot Life Insurance Company
18	$ 1,000,000	M	89	34.9	State Farm Life Insurance Company
19	$ 3,000,000	F	89	41.6	Jefferson-Pilot Life Insurance Company
20	$ 500,000	F	89	34.1	Genworth Life Insurance Company
21	$ 1,000,000	F	89	34.1	Genworth Life Insurance Company
22	$ 1,000,000	F	89	34.1	Genworth Life Insurance Company
23	$ 500,000	F	89	34.1	Genworth Life Insurance Company
24	$ 1,000,000	M	89	13.9	ING Life Insurance and Annuity Company
25	$ 600,000	F	89	29.2	Columbus Life Insurance Company
26	$ 1,000,000	F	88	59.4	United of Omaha Life Insurance Company
27	$ 3,500,000	F	88	64.9	John Hancock Life Insurance Company (U.S.A.)
28	$ 1,750,000	M	88	29.6	Transamerica Life Insurance Company
29	$ 2,500,000	F	88	15.8	AXA Equitable Life Insurance Company
30	$ 2,500,000	F	88	15.8	AXA Equitable Life Insurance Company
31	$ 5,000,000	F	88	48.5	ING Life Insurance and Annuity Company
32	$ 5,000,000	F	88	25.8	Lincoln National Life Insurance Company
33	$ 715,000	F	88	68.9	Jefferson-Pilot Life Insurance Company
34	$ 1,203,520	M	88	52.1	Columbus Life Insurance Company
35	$ 1,350,000	F	88	44.0	Jefferson-Pilot Life Insurance Company
36	$ 2,000,000	F	88	37.5	American General Life Insurance Company
37	$ 3,500,000	F	88	50.0	Lincoln National Life Insurance Company
38	$ 5,000,000	F	87	56.0	Massachusetts Mutual Life Insurance Company
39	$ 2,500,000	F	87	56.6	American General Life Insurance Company
40	$ 2,500,000	M	87	47.6	Pacific Life Insurance Company
41	$ 4,000,000	F	87	81.8	Transamerica Life Insurance Company

	Face Amount	Gender	Age (ALB)(1)	LE (mo.)(2)	Insurance Company
42	$ 5,000,000	M	87	62.3	AXA Equitable Life Insurance Company
43	$ 1,500,000	M	87	48.9	John Hancock Life Insurance Company (U.S.A.)
44	$ 1,500,000	M	87	48.9	John Hancock Life Insurance Company (U.S.A.)

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	Face Amount	Gender	Age (ALB)(1)	LE (mo.)(2)	Insurance Company
45	$ 1,000,000	F	87	75.1	Transamerica Life Insurance Company
46	$ 250,000	F	87	75.1	Transamerica Life Insurance Company
47	$ 1,000,000	M	87	63.8	AXA Equitable Life Insurance Company
48	$ 500,000	M	87	70.5	Lincoln National Life Insurance Company
49	$ 4,785,380	F	87	50.5	John Hancock Life Insurance Company (U.S.A.)
50	$ 8,985,000	M	87	40.1	Massachusetts Mutual Life Insurance Company
51	$ 1,803,455	F	87	58.0	Metropolitan Life Insurance Company
52	$ 1,529,270	F	87	58.0	Metropolitan Life Insurance Company
53	$ 802,082	M	87	80.0	Lincoln National Life Insurance Company
54	$ 5,000,000	M	87	60.9	John Hancock Life Insurance Company (U.S.A.)
55	$ 2,225,000	F	87	94.1	Transamerica Life Insurance Company
56	$ 3,000,000	F	87	91.3	Massachusetts Mutual Life Insurance Company
57	$ 1,500,000	M	87	54.7	Union Central Life Insurance Company
58	$ 3,000,000	M	87	52.9	Jefferson-Pilot Life Insurance Company
59	$ 2,000,000	M	87	48.1	John Hancock Life Insurance Company (U.S.A.)
60	$ 3,000,000	M	87	41.7	American General Life Insurance Company
61	$ 500,000	F	86	77.7	Sun Life Assurance Company of Canada (U.S.)
62	$ 5,000,000	F	86	43.2	Transamerica Life Insurance Company
63	$ 3,000,000	M	86	61.7	Transamerica Life Insurance Company
64	$ 1,200,000	M	86	69.2	Transamerica Life Insurance Company
65	$ 250,000	M	86	81.4	Metropolitan Life Insurance Company
66	$ 6,000,000	F	86	65.3	Sun Life Assurance Company of Canada (U.S.)
67	$ 3,000,000	M	86	93.5	AXA Equitable Life Insurance Company
68	$ 5,570,000	F	86	56.5	ING Life Insurance and Annuity Company
69	$ 5,570,000	F	86	56.5	ING Life Insurance and Annuity Company
70	$ 1,000,000	F	86	44.1	New York Life Insurance Company
71	$ 5,000,000	F	86	39.8	Penn Mutual Life Insurance Company
72	$ 10,000,000	F	86	81.5	West Coast Life Insurance Company
73	$ 2,500,000	M	86	56.7	Transamerica Life Insurance Company
74	$ 1,000,000	F	86	60.4	West Coast Life Insurance Company
75	$ 2,000,000	F	86	60.4	West Coast Life Insurance Company
76	$ 800,000	M	86	64.5	National Western Life Insurance Company
77	$ 200,000	M	86	57.2	Lincoln Benefit Life Company
78	$ 4,445,467	M	86	67.6	Penn Mutual Life Insurance Company
79	$ 7,500,000	M	86	59.6	Jefferson-Pilot Life Insurance Company
80	$ 3,600,000	F	86	67.0	AXA Equitable Life Insurance Company
81	$ 5,000,000	M	86	90.7	Lincoln National Life Insurance Company

	Face Amount	Gender	Age (ALB)(1)	LE (mo.)(2)	Insurance Company
82	$ 1,000,000	F	86	35.6	John Hancock Life Insurance Company (U.S.A.)
83	$ 4,513,823	F	86	31.2	Aviva Life Insurance Company
84	$ 2,000,000	F	86	84.5	U.S. Financial Life Insurance Company
85	$ 1,000,000	M	85	69.9	John Hancock Life Insurance Company (U.S.A.)
86	$ 2,000,000	M	85	69.9	John Hancock Life Insurance Company (U.S.A.)
87	$ 5,000,000	M	85	57.6	Jefferson-Pilot Life Insurance Company
88	$ 1,365,000	F	85	94.6	Transamerica Life Insurance Company
89	$ 1,000,000	F	85	94.0	ING Life Insurance and Annuity Company
90	$ 1,000,000	M	85	48.5	Massachusetts Mutual Life Insurance Company
91	$ 2,000,000	M	85	94.1	Transamerica Life Insurance Company
92	$ 8,500,000	M	85	90.5	Massachusetts Mutual Life Insurance Company
93	$ 1,000,000	M	85	33.3	Transamerica Life Insurance Company
94	$ 500,000	M	85	91.4	Metropolitan Life Insurance Company
95	$ 2,000,000	M	85	70.9	Jefferson-Pilot Life Insurance Company

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	Face Amount	Gender	Age (ALB)(1)	LE (mo.)(2)	Insurance Company
96	$ 500,000	F	85	64.8	Beneficial Life Insurance Company
97	$ 1,800,000	M	85	60.7	John Hancock Variable Life Insurance Company
98	$ 2,000,000	M	85	108.5	ING Life Insurance and Annuity Company
99	$ 2,000,000	M	85	108.5	ING Life Insurance and Annuity Company
100	$ 2,000,000	M	85	108.5	ING Life Insurance and Annuity Company
101	$ 1,500,000	M	84	58.0	Transamerica Life Insurance Company
102	$ 3,750,000	M	84	85.1	AXA Equitable Life Insurance Company
103	$ 1,000,000	M	84	69.0	John Hancock Life Insurance Company (U.S.A.)
104	$ 2,000,000	F	84	94.7	AXA Equitable Life Insurance Company
105	$ 3,000,000	F	84	93.3	Sun Life Assurance Company of Canada (U.S.)
106	$ 829,022	F	84	33.3	Hartford Life and Annuity Insurance Company
107	$ 1,500,000	M	84	88.9	AXA Equitable Life Insurance Company
108	$ 2,328,547	M	84	53.1	Metropolitan Life Insurance Company
109	$ 2,000,000	M	84	53.1	Metropolitan Life Insurance Company
110	$ 5,000,000	M	84	98.8	ING Life Insurance and Annuity Company
111	$ 1,500,000	M	84	58.0	ING Life Insurance and Annuity Company
112	$ 1,500,000	M	84	58.0	ING Life Insurance and Annuity Company
113	$ 3,000,000	F	84	80.6	Transamerica Life Insurance Company
114	$ 5,000,000	M	84	82.5	ING Life Insurance and Annuity Company
115	$ 1,000,000	M	84	56.2	John Hancock Life Insurance Company (U.S.A.)
116	$ 4,000,000	F	84	58.5	ING Life Insurance and Annuity Company
117	$ 5,000,000	F	84	102.4	American General Life Insurance Company
118	$ 2,000,000	M	84	73.7	AXA Equitable Life Insurance Company
119	$ 1,750,000	M	84	73.7	AXA Equitable Life Insurance Company
120	$ 2,000,000	M	84	43.2	Transamerica Life Insurance Company
121	$ 1,425,000	M	84	92.1	John Hancock Life Insurance Company (U.S.A.)

	Face Amount	Gender	Age (ALB)(1)	LE (mo.)(2)	Insurance Company
122	$ 5,000,000	F	83	106.8	AXA Equitable Life Insurance Company
123	$ 1,000,000	F	83	93.3	John Hancock Life Insurance Company (U.S.A.)
124	$ 6,000,000	F	83	120.6	American General Life Insurance Company
125	$ 1,500,000	F	83	118.9	Lincoln Benefit Life Company
126	$ 750,000	M	83	98.6	West Coast Life Insurance Company
127	$ 4,000,000	M	83	45.3	John Hancock Life Insurance Company (U.S.A.)
128	$ 1,000,000	M	83	91.4	John Hancock Life Insurance Company (U.S.A.)
129	$ 2,000,000	F	83	108.5	Lincoln Benefit Life Company
130	$ 1,000,000	M	83	63.2	ING Life Insurance and Annuity Company
131	$ 5,000,000	M	83	84.2	Jefferson-Pilot Life Insurance Company
132	$ 2,700,000	M	83	71.0	John Hancock Life Insurance Company (U.S.A.)
133	$ 7,600,000	F	83	107.5	Transamerica Life Insurance Company
134	$ 2,500,000	F	83	72.5	American General Life Insurance Company
135	$ 2,500,000	M	83	68.7	AXA Equitable Life Insurance Company
136	$ 3,000,000	M	83	68.7	Lincoln National Life Insurance Company
137	$ 500,000	M	83	49.7	Genworth Life Insurance Company
138	$ 3,000,000	F	83	52.4	AXA Equitable Life Insurance Company
139	$ 1,703,959	M	83	76.9	Jefferson-Pilot Life Insurance Company
140	$ 500,000	M	83	25.8	Great Southern Life Insurance Company
141	$ 1,000,000	M	83	67.3	Hartford Life and Annuity Insurance Company
142	$ 3,500,000	F	83	117.7	Lincoln Benefit Life Company
143	$ 10,000,000	F	83	66.4	American National Insurance Company
144	$ 500,000	M	83	32.7	West Coast Life Insurance Company
145	$ 5,000,000	M	82	75.1	AXA Equitable Life Insurance Company
146	$ 500,000	M	82	110.5	Metropolitan Life Insurance Company

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	Face Amount	Gender	Age (ALB)(1)	LE (mo.)(2)	Insurance Company
147	$ 2,000,000	M	82	48.3	National Life Insurance Company
148	$ 3,000,000	M	82	48.9	U.S. Financial Life Insurance Company
149	$ 4,200,000	F	82	129.2	Transamerica Life Insurance Company
150	$ 1,900,000	M	82	75.6	American National Insurance Company
151	$ 500,000	M	82	54.5	New York Life Insurance Company
152	$ 500,000	M	82	54.5	New York Life Insurance Company
153	$ 5,000,000	M	82	83.0	AXA Equitable Life Insurance Company
154	$ 250,000	M	82	40.6	Jackson National Life Insurance Company
155	$ 1,500,000	M	82	84.9	Jefferson-Pilot Life Insurance Company
156	$ 3,500,000	F	82	98.9	AXA Equitable Life Insurance Company
157	$ 3,000,000	F	82	104.1	MetLife Investors USA Insurance Company
158	$ 750,000	M	82	91.8	John Hancock Life Insurance Company (U.S.A.)
159	$ 4,500,000	M	82	83.8	AXA Equitable Life Insurance Company
160	$ 2,275,000	M	82	101.1	ING Life Insurance and Annuity Company
161	$ 10,000,000	M	82	89.0	AXA Equitable Life Insurance Company

	Face Amount	Gender	Age (ALB)(1)	LE (mo.)(2)	Insurance Company
162	$ 2,000,000	M	82	95.6	Pacific Life Insurance Company
163	$ 3,500,000	M	82	82.0	AXA Equitable Life Insurance Company
164	$ 6,217,200	F	82	116.5	Phoenix Life Insurance Company
165	$ 3,000,000	M	82	70.5	Metropolitan Life Insurance Company
166	$ 1,500,000	M	82	33.0	Pacific Life Insurance Company
167	$ 2,000,000	F	82	108.4	Jefferson-Pilot Life Insurance Company
168	$ 3,000,000	M	81	77.9	Protective Life Insurance Company
169	$ 1,500,000	M	81	77.9	American General Life Insurance Company
170	$ 2,000,000	F	81	127.5	Transamerica Life Insurance Company
171	$ 3,500,000	F	81	102.7	Jefferson-Pilot Life Insurance Company
172	$ 1,000,000	M	81	78.4	Lincoln National Life Insurance Company
173	$ 1,500,000	M	81	65.3	Pacific Life Insurance Company
174	$ 5,000,000	M	81	120.8	American General Life Insurance Company
175	$ 5,000,000	F	81	85.4	Sun Life Assurance Company of Canada (U.S.)
176	$ 1,995,000	F	81	90.7	Transamerica Life Insurance Company
177	$ 4,000,000	M	81	66.0	Jefferson-Pilot Life Insurance Company
178	$ 1,250,000	F	81	70.7	Columbus Life Insurance Company
179	$ 10,000,000	M	81	91.2	New York Life Insurance Company
180	$ 2,300,000	M	81	28.6	American General Life Insurance Company
181	$ 2,500,000	F	81	82.0	ING Life Insurance and Annuity Company
182	$ 5,000,000	F	81	66.9	Massachusetts Mutual Life Insurance Company
183	$ 5,000,000	M	81	85.8	Transamerica Life Insurance Company
184	$ 2,000,000	M	81	81.1	Ohio National Life Assurance Corporation
185	$ 1,000,000	M	81	81.1	Ohio National Life Assurance Corporation
186	$ 350,000	M	81	44.6	Reassure America Life Insurance Company
187	$ 5,000,000	M	81	93.8	Jefferson-Pilot Life Insurance Company
188	$ 5,000,000	M	80	103.6	AXA Equitable Life Insurance Company
189	$ 8,000,000	M	80	94.6	AXA Equitable Life Insurance Company
190	$ 550,000	M	80	115.6	Genworth Life Insurance Company
191	$ 1,680,000	F	80	79.0	AXA Equitable Life Insurance Company
192	$ 1,000,000	F	80	109.1	Jefferson-Pilot Life Insurance Company
193	$ 1,250,000	M	80	112.7	Metropolitan Life Insurance Company
194	$ 1,000,000	M	80	77.1	AXA Equitable Life Insurance Company
195	$ 1,250,000	F	80	86.5	Principal Life Insurance Company
196	$ 1,000,000	M	80	67.4	AXA Equitable Life Insurance Company
197	$ 3,000,000	M	80	111.1	John Hancock Life Insurance Company (U.S.A.)

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	Face Amount	Gender	Age (ALB)(1)	LE (mo.)(2)	Insurance Company
198	$ 2,000,000	M	80	50.1	Jefferson-Pilot Life Insurance Company
199	$ 1,750,000	M	80	95.1	AXA Equitable Life Insurance Company
200	$ 5,000,000	M	80	84.4	AXA Equitable Life Insurance Company
201	$ 250,000	M	80	91.9	American General Life Insurance Company

	Face Amount	Gender	Age (ALB)(1)	LE (mo.)(2)	Insurance Company
202	$ 10,000,000	M	80	126.6	John Hancock Life Insurance Company (U.S.A.)
203	$ 1,210,000	M	80	75.5	Lincoln National Life Insurance Company
204	$ 3,000,000	F	80	119.4	West Coast Life Insurance Company
205	$ 7,000,000	M	80	99.2	Genworth Life Insurance Company
206	$ 2,000,000	M	79	36.8	Metropolitan Life Insurance Company
207	$ 6,000,000	M	79	137.3	AXA Equitable Life Insurance Company
208	$ 130,000	M	79	60.8	Genworth Life Insurance Company
209	$ 1,000,000	M	79	138.2	Empire General Life Assurance Corporation
210	$ 2,000,000	F	79	102.5	Pacific Life Insurance Company
211	$ 2,000,000	F	79	100.9	Transamerica Life Insurance Company
212	$ 3,000,000	M	79	123.7	Principal Life Insurance Company
213	$ 5,000,000	M	79	106.5	AXA Equitable Life Insurance Company
214	$ 5,000,000	M	79	106.5	AXA Equitable Life Insurance Company
215	$ 500,000	M	79	59.1	Transamerica Life Insurance Company
216	$ 3,000,000	M	78	53.3	Pacific Life Insurance Company
217	$ 3,000,000	M	78	53.3	Minnesota Life Insurance Company
218	$ 3,000,000	M	78	53.3	Prudential Life Insurance Company
219	$ 3,000,000	M	78	104.0	ING Life Insurance and Annuity Company
220	$ 5,000,000	M	78	91.7	Pacific Life Insurance Company
221	$ 5,000,000	M	78	91.7	Pacific Life Insurance Company
222	$ 4,000,000	M	78	93.1	Jefferson-Pilot Life Insurance Company
223	$ 3,601,500	M	78	108.0	Transamerica Life Insurance Company
224	$ 1,000,000	M	78	104.6	Sun Life Assurance Company of Canada (U.S.)
225	$ 5,000,000	M	78	127.7	Principal Life Insurance Company
226	$ 5,000,000	M	78	104.2	John Hancock Life Insurance Company (U.S.A.)
227	$ 7,000,000	M	78	99.9	Lincoln Benefit Life Company
228	$ 476,574	M	78	85.6	Transamerica Life Insurance Company
229	$ 2,250,000	M	78	108.4	Massachusetts Mutual Life Insurance Company
230	$ 4,300,000	F	78	124.6	American National Insurance Company
231	$ 6,000,000	M	78	121.6	AXA Equitable Life Insurance Company
232	$ 5,000,000	F	78	131.6	ING Life Insurance and Annuity Company
233	$ 750,000	M	78	83.0	Lincoln National Life Insurance Company
234	$ 3,000,000	M	78	109.9	Principal Life Insurance Company
235	$ 5,000,000	M	77	133.4	Jefferson-Pilot Life Insurance Company
236	$ 5,000,000	M	77	91.4	John Hancock Life Insurance Company (U.S.A.)
237	$ 500,000	M	77	79.9	John Hancock Life Insurance Company (U.S.A.)
238	$ 5,000,000	M	77	102.9	John Hancock Life Insurance Company (U.S.A.)
239	$ 1,009,467	M	77	60.6	John Hancock Life Insurance Company (U.S.A.)
240	$ 4,000,000	M	77	61.7	MetLife Investors USA Insurance Company
241	$ 2,500,000	M	77	101.8	Massachusetts Mutual Life Insurance Company
242	$ 2,500,000	M	77	101.8	Massachusetts Mutual Life Insurance Company
243	$ 5,000,000	M	77	69.0	John Hancock Life Insurance Company (U.S.A.)
244	$ 500,000	F	77	131.5	Columbus Life Insurance Company
245	$ 3,750,000	M	77	70.7	AXA Equitable Life Insurance Company
246	$ 1,000,000	M	77	125.2	Metropolitan Life Insurance Company
247	$ 2,000,000	F	77	69.7	Transamerica Life Insurance Company
248	$ 1,000,000	M	76	123.8	Metropolitan Life Insurance Company

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	Face Amount	Gender	Age (ALB)(1)	LE (mo.)(2)	Insurance Company
249	$ 2,840,000	M	76	113.5	Transamerica Life Insurance Company
250	$ 750,000	M	76	18.2	U.S. Financial Life Insurance Company
251	$ 1,000,000	F	76	89.7	John Hancock Life Insurance Company (U.S.A.)
252	$ 1,750,000	M	76	75.8	John Hancock Life Insurance Company (U.S.A.)
253	$ 5,000,000	M	76	118.7	Transamerica Life Insurance Company
254	$ 600,000	M	76	99.1	Protective Life Insurance Company
255	$ 3,000,000	M	75	120.3	Protective Life Insurance Company
256	$ 2,000,000	F	75	136.4	Aviva Life Insurance Company
257	$ 4,000,000	M	75	81.5	Massachusetts Mutual Life Insurance Company
258	$ 7,000,000	F	75	139.7	Pacific Life Insurance Company
259	$ 1,000,000	M	75	98.8	Pacific Life Insurance Company
260	$ 490,620	M	75	102.1	Ameritas Life Insurance Corporation
261	$ 5,000,000	M	75	73.7	West Coast Life Insurance Company
262	$ 5,000,000	M	74	166.4	Prudential Life Insurance Company
263	$ 3,000,000	M	74	69.8	Aviva Life Insurance Company
264	$ 200,000	M	74	85.2	ING Life Insurance and Annuity Company
265	$ 8,000,000	M	74	120.1	Metropolitan Life Insurance Company
266	$ 5,000,000	M	74	44.4	Lincoln Benefit Life Company
267	$ 850,000	M	74	81.2	New York Life Insurance Company
268	$ 4,000,000	F	73	162.3	American General Life Insurance Company
269	$ 300,000	M	73	26.5	Lincoln National Life Insurance Company
270	$ 2,000,000	M	73	116.0	American General Life Insurance Company
271	$ 3,000,000	F	73	133.6	General American Life Insurance Company
272	$ 500,000	M	72	47.5	Midland National Life Insurance Company
273	$ 3,000,000	M	72	91.4	AXA Equitable Life Insurance Company
274	$ 1,000,000	M	72	84.8	United of Omaha Life Insurance Company
275	$ 2,500,000	M	71	115.6	American General Life Insurance Company
276	$ 1,167,000	M	71	40.5	Transamerica Life Insurance Company
277	$ 1,500,000	M	71	130.9	Metropolitan Life Insurance Company
278	$ 3,000,000	M	70	93.9	John Hancock Life Insurance Company (U.S.A.)
279	$ 2,000,000	M	70	121.4	New York Life Insurance Company
280	$ 2,000,000	M	70	121.4	New York Life Insurance Company
281	$ 600,000	M	70	104.4	AXA Equitable Life Insurance Company
282	$ 500,000	M	69	112.1	Transamerica Life Insurance Company
283	$ 500,000	M	69	112.1	North American Company for Life And Health Insurance
284	$ 2,000,000	M	67	134.3	Transamerica Life Insurance Company
285	$ 1,000,000	M	67	134.3	Genworth Life Insurance Company
286	$ 2,000,000	M	67	65.9	MetLife Investors USA Insurance Company
287	$ 2,000,000	M	67	65.9	MetLife Investors USA Insurance Company
288	$ 156,538	F	66	126.2	New York Life Insurance Company
289	$ 1,000,000	M	65	63.7	Lincoln National Life Insurance Company
	$ 784,651,923				

(1) The insured s age is current as of the measurement date.

(2) The insured s life expectancy estimate, other than for a small face value insurance policy benefit, is the average of two life expectancy estimates independent third-party medical-actuarial underwriting firms at the time of purchase, actuarially adjusted through the measurement date. Numbe column represent months. For more information, see disclosure under the caption *Pricing Life Insurance Policies*.

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Obtaining Life Insurance Assets

We seek to offer our services nationwide. In general, we work directly with consumers in states where we hold proper licensure, and in states where we a licensed we work through other licensed providers. Historically, sourcing policy assets typically begins with life insurance agents and financial advisors (identify consumers owning life insurance who could benefit from the extraction of value from their life insurance in the secondary market. The agents typ with professional life insurance policy brokers specializing in packaging the policies for presentation to participants in the secondary market. Their packa includes obtaining medical records on the insured, life expectancy estimates from medical-actuarial firms, current insurance policy illustrations, and other needed to properly evaluate the policy. The only parties able to evaluate the policies are regulated licensed providers. Once the providers have evaluate offers are made to the owner through a competitive auction process whereby brokers facilitate competing offers from providers, concurrently negotiating

We maintain membership affiliations and representation within key industry groups, such as the Life Insurance Settlement Association. Our Executive Cl Siegert, currently serves on the board of the Life Insurance Settlement Association. We typically sponsor events and/or maintain a trade booth at events w able to maintain contacts with existing life settlement brokers and meet new brokers to submit policies for purchase.

In the future, we expect to develop new channels for obtaining life insurance assets by soliciting consumers directly, which may eliminate fees we pay br competition we experience when a policy is auctioned through a broker. While these new channels are unproven, we believe that consumer awareness of insurance secondary market is relatively low while the consumer value proposition is very high and, as a result, provides a significant growth opportunity business.

Life Insurance Policy Underwriting and Investment Process

The process used to value and underwrite life insurance policies is relatively new and continues to be refined. We underwrite and service all the life insur that we purchase. When we identify a life insurance policy that meets our criteria, we seek to invest in the policy at a discount sufficient to provide us wit expected internal rate of return that meets our internal guidelines. Once our offer to invest in a policy is accepted, we enter into a purchase agreement wit This agreement gives us the right to, among other things, pay premiums, collect policy benefits, file collateral assignments, change the ownership, and ob records. The general terms and conditions of the agreement are standardized and regulated by most states.

We maintain an underwriting department with experience in underwriting life insurance policies for investment. The underwriting due diligence process careful review and analysis of available materials related to a life insurance policy and the covered individual. The goal of the underwriting process is to informed investment decision with respect to the life insurance policy. While we believe that our underwriting policies and practices are consistent with i practices, it is possible that the processes may change or may not accurately reflect actual mortality experience or catch fraud or deception by sellers. To underwriting is not accurate or we are subject to fraud or deception by sellers, the performance of policies may be different from the expected results, wh adversely affect profitability.

Life Insurance Policy Characteristics

We typically invest in universal life insurance policies whose insureds are 65 years or older and whose actuarial life expectancies are estimated to be less months. In some cases, however, we invest in term life insurance policies that are convertible into universal life insurance policies, depending on the anal life insurance policy and the insured s life expectancy estimate. The life expectancy estimate is the number of months the insured is expected to live bas mortality (meaning roughly half of the individuals with similar age, sex, smoking and medical statuses will have died within that number of months), wh based upon actuarial tables.

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We invest only in life insurance assets that have been in force for more than two years from the policy issuance date and meet our other underwriting guic
reserve the right to disqualify some life insurance companies or categories of life insurance policies for purchasing in our sole discretion.

Pricing Life Insurance Policies

Pricing involves an analysis of both the policy and the insured. An analysis of the insurance policy starts with an illustration obtained from the insurance
providing a schedule of level premium payments until the insured reaches age 125. Then, utilizing pricing software now owned by Modeling Actuarial Pr
Systems, Inc. (MAPS), we reverse engineer the premium schedule of the policy to determine a premium schedule that provides for the minimum paym
keep the policy in effect. An analysis of the insured involves an actuarial evaluation of the insured s probable mortality at different points in the future t
curve. This analysis covers the insured s entire projected lifespan using life expectancy estimates generated by third-party medical-actuarial underwriting
generated from base actuarial tables in the case of small face policies.

In determining the life expectancy estimate, we presently require two life expectancy estimates from independent third-party medical-actuarial underwriti
unless the life insurance policy is a small face policy (defined as a policy with $1,000,000 in face value benefits or less), in which case we may use a life
estimate derived from base actuarial mortality table assumptions. When a life expectancy estimate is obtained from a medical-actuarial firm, the health of
is summarized by the underwriters in a written health assessment based on the review of the insured s historical and current medical records. Underwritin
characteristics and health risks of the insured in order to quantify the health into a mortality rating that represents their life expectancy estimate. We curre
the life expectancy estimates provided by two independent medical-actuarial underwriting firms to form our life expectancy estimate for life insurance po
than small face policies. In some cases, we may obtain more than two life expectancy estimates. In those cases, we average the two life expectancy estima
believe are the most reliable of those we have received, based on our own analyses and conclusions. In this regard, the two life expectancy estimates we u
choose to average may not always be the most conservative. If in the future our we believe our business model will benefit from changes in our underwrit
and are permitted under our borrowing covenants, we may change our underwriting processes and policies, including our present policy under which we
obtain two life expectancy estimates from independent third-party medical-actuarial firms (other than for small face policies).

By combining the optimized premiums and the insured s life expectancy estimate within the MAPS software, we generate detailed information, includin
mortality curve over the insured s total projected lifespan; the expected premiums and related costs over the insured s total projected lifespan; the expec
benefit paid over the insured s total projected lifespan; the account values within the policy; and the expected internal rate of return we will achieve at va
investment amounts. From this information, we are able to calculate the present value of the life insurance policy by discounting the anticipated cash flow
targeted internal rate of return using the probabilistic pricing methodology employed by the MAPS program. The actuarial value of the life insurance poli
the present value of the policy s cash flows discounted at an expected internal rate of return. We expect that our investments in life insurance assets will
yields in excess of our borrowing and operating costs.

On January 22, 2013, one of the independent medical-actuarial underwriting firms we utilize, 21st Services, announced advancements in its underwriting
methodology, resulting in revised estimated life expectancy mortality tables for life settlement transactions. We were advised by 21st Services that the ch
very granular and relate to both specific medical conditions and lifestyles of insureds. These changes resulted from the application of additional medical i
gathered by 21st Services over a period of time. While we do not believe these revised methodologies indicate the previous estimated life expectancies w
inaccurate, we believe the revised methodologies provide additional information that should be considered in updating our estimate of the life expectanci
insureds within our portfolio. Based upon our evaluation and analysis of data made available by 21st Services, as well as information regarding the insure
our portfolio, we have estimated the impact of the changes in 21st Services methodologies for

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determining life expectancies on a policy-by-policy basis within our portfolio as of December 31, 2012 and applied such changes to the life expectancy in
estimate fair value. We have adjusted the original life expectancies provided by 21st Services based on four factors, the impact of each analyzed individu
insured in the GWG portfolio. The four factors are gender, anti-selection, age, and primary impairment. GWG applied this set of adjustments to all 21st S
expectancy reports used in valuation of the portfolio as of December 31, 2012. At that time, the portfolio contained 211 policies on 194 insured lives. Of
policies, 199 were valued using a 21st Services life expectancy report as part of the pricing life expectancy estimate calculation. While the analysis and ad
were applied on an individual policy basis, the result was an average overall increase in the original life expectancy estimates of 8.67%. We have a standa

of obtaining two third-party life expectancy estimates for each policy in our portfolio. As a result, the effective change in life expectancy on the portfolio December 31, 2012 was an average of approximately 4.33%, which resulted in an aggregate decrease in the fair value of our life settlements portfolio of S as of December 31, 2012. Life expectancy reports by their very nature are estimates.

During 2013, we sought to update our life expectancy estimates from all four of the major independent third-party medical-actuarial underwriting firms (i 21st Services) with updated medical records on all of the 211 policies we originally used a life expectancy report from 21st Services. As of December 31, had successfully procured new life expectancy reports on 176 of the 211 policies owned as of December 31, 2012. We experienced ten mortalities in 2013 no updated life expectancy reports were necessary. We also had two small face policies in our portfolio for which we did not update life expectancy repor Accordingly, as of December 31, 2013 we had updated our life expectancy estimates based on updated life expectancy reports on all but 22 policies (cove people) in our portfolio that we are still seeking to update.

In order to assess the reasonableness of our adjustments made effective December 31, 2012, we compared the life expectancy estimates including any adj used on December 31, 2012 to the updated life expectancy estimates used on December 31, 2013. Because an additional year has elapsed since the Decem 2012 date, the older set of adjusted life expectancy estimates were rolled down to shorter numbers based on an actuarial calculation to make them com updated life expectancy estimates used on December 31, 2013. The average amount of roll down to account for the 12-month passage of time was eight a months. We concluded that our the adjustments we made a year ago were reasonable when we the compared the rolled down life expectancy estimates fro December 31, 2012 to the updated life expectancy estimates on December 31, 2013. The average rolled down life expectancy estimate from December 31 80.9 months. The average updated life expectancy estimate obtained from updated life expectancy reports as of December 31, 2013 is 79.4 months, shorte one-half months. We see no need to make any further adjustments to our life expectancy estimates at this time.

Portfolio Administration

We have developed a comprehensive administration and servicing platform to manage the life insurance assets we own. This allows us to safeguard our li assets and to process and report on the assets in our portfolio. We regularly contact each insurance company on every policy we own to verify policy acco confirm the correct application of premium payments made, and the resulting account values inside the life insurance policy after application of the premi and the deduction of the cost of insurance. We typically maintain little account value inside the policy and seek to make only minimum premium paymen to keep the life insurance policy in force until the next scheduled premium payment.

In addition to policy servicing, we monitor insureds by periodically contacting them directly, or their appointed representatives, to confirm their location a status. We monitor the social security database for mortalities as well as online obituary databases. When we are notified of an insured s mortality, we ar obtain a copy of the death certificate and present it to the life insurance company for payment of the face value of the policy benefit.

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Portfolio Management

We realize profits by earning a spread between our investment cost in our life insurance assets and the face value of the policy benefits that will be paid u insured s mortality. We believe that building and managing a profitable portfolio of life insurance policies is complex, requires considerable technical kn resources, and is subject to numerous regulations. We have developed extensive experience and disciplines to work toward a stable and profitable portfoli update our actuarial projections each month for the portfolio based on the life expectancy estimates, premium payments made, and mortalities experience points combine to provide us with future forecasted cash flows with respect to our portfolio of life insurance assets. These forecasted future cash flows, al current financial position, are combined in a comprehensive model that includes detailed assumptions as to interest rates, financing costs, life insurance as acquisitions, and capital markets activities. This comprehensive financial model enables us to closely monitor and manage our necessary capital reserves to project our future profitability.

While we believe our portfolio of life insurance assets represents a balanced and stable portfolio of life insurance assets, we seek to grow the size of the p order to further mitigate risk and improve our profitability. In order to assess the stability of our portfolio, we analyze longevity risk, which is the risk of t living longer than his/her life expectancy estimate. Longevity risk is the single largest variable affecting the returns on an investment in life insurance asse ability to predict the portfolio s value over time. Research by A.M. Best and others indicates that, as the number of insured lives increase within a portfol insurance policies, there is a decrease in the standard deviation of the value of the portfolio i.e., the stability of longevity risk increases with an increase i of insured lives. While Standard & Poor s has indicated that statistical credibility is unlikely to be achieved with a pool of less than 1,000 lives, a study p 2014 by A.M. Best concluded that at least 300 lives are necessary to narrow the band of expected cash flow volatility using the Monte Carlo simulations, same methodology we use to evaluate our portfolios. Our internal analysis of our portfolio, which as of June 30, 2014 consisted of 261 lives, resulted in a deviation that is comparable with the A.M. Best measurement for a portfolio of 200 lives. We believe this result is due to the specific portfolio make up o portfolio relative to the variation in underlying life expectancy estimates. Further, A.M. Best suggests that no one life should comprise more than 3.33% o

value of an entire portfolio or collateral pool. As of June 30, 2014, the largest face value policy on one life in our portfolio represented approximately 1.2
total portfolio. We intend to maintain a well-diversified portfolio as we continue to expand our investments in life insurance assets.

We also believe our portfolio represents a profitable portfolio. In order to assess the profitability, we analyze the future cash flows expected from our port
insurance assets. The standard practice within the insurance industry is to analyze the timing of uncertain future cash flows through stochastic modeling, c
Carlo simulations. We continue to analyze the expected internal rates of return and spread against borrowing costs represented by our portfolio. As of Dec
2013, the expected internal rate of return on our portfolio of life insurance assets was 12.21% and our weighted-average borrowing costs to finance our po
7.20%.

Portfolio Credit Risk Management

The life insurance assets that we invest in represent obligations of third-party life insurance companies to pay the benefits under the relevant policy. Beca
finance life insurance policies, we rely on the payments from the face value of policy benefits from life insurance companies for revenue collections. We
face value of the life insurance policy benefit at maturity as the exclusive form of payment.

The possible insolvency or loss by a life insurance company is a significant risk to our business. To manage this risk, we seek to invest in life insurance as
issued by insurance companies with investment-grade ratings from either A.M. Best, Moody s or Standard & Poor s. To further mitigate risk, we seek to
value of policy benefits issued by any one life insurance company within the total portfolio to 20%. State guaranty funds generally guaranty policy benefi
$200,000. In addition, to assure diversity and stability in our portfolio, we regularly review the various metrics of our portfolio relating

to credit risk. We track industry rating agency reports and industry journals and articles in order to gain insight into possible financial problems of life ins
companies. Recently, some of the credit ratings on insurance companies were downgraded and we will no longer consider purchasing policies issued by t
insurance companies. Finally, we will only invest in those life insurance policies that meet the underwriting standards established in the indenture govern
securities, as applicable.

As of June 30, 2014, 99.08% of insurance companies in our portfolio hold an investment-grade rating by Standard & Poor s (BBB- or better), and the fac
policy benefits issued by one life insurance company with in the portfolio was 15.72%. Of the 44 insurance companies that insure the policies we own, te
insure approximately 72.66% of total face value of insurance benefits and the remaining 34 insurance companies insure the remaining approximately 27.3
face value of insurance benefits. The concentration risk of our ten largest insurance company holdings as of June 30, 2014 is set forth in the table below.

Rank	Policy Benefits	Percentage of Policy Benefit Amt.	Insurance Company
1	$ 123,380,000	15.72%	AXA Equitable Life Insurance Company
2	$ 85,920,000	10.95%	John Hancock Life Insurance Company (U.S.A.)
3	$ 73,920,000	9.42%	Transamerica Life Insurance Company
4	$ 58,769,000	7.49%	Jefferson-Pilot Life Insurance Company
5	$ 56,215,000	7.16%	ING Life Insurance and Annuity Company
6	$ 43,550,000	5.55%	American General Life Insurance Company
7	$ 42,735,000	5.45%	Massachusetts Mutual Life Insurance Company
8	$ 30,500,000	3.89%	Pacific Life Insurance Company
9	$ 28,450,000	3.63%	West Coast Life Insurance Company
10	$ 26,661,000	3.40%	Metropolitan Life Insurance Company

Servicing Agents

We have contracted with Wells Fargo Bank to provide servicing, collateral agent, and trustee services with respect to certain life insurance policies owne Funding II. We have contracted with Bank of Utah to provide servicing, collateral agent, and trustee services with respect to all other life insurance polici Wells Fargo Bank and Bank of Utah provide services for certain life insurance policies in connection with ownership and tracking of life insurance polici including paying premiums, posting of payments (receipts) of the life insurance policies, certain monitoring, enforcement of rights and payer notification services. We reserve the right to service and provide collateral agent services for certain life insurance policies directly, or appoint additional third-party s the future.

Competition

We encounter significant competition in the life insurance purchasing and financing business from numerous companies, including hedge funds, investm secured lenders, specialty life insurance finance companies and life insurance companies themselves. Many of these competitors have greater financial an resources than we do and may have significantly lower cost of funds because they have greater access to insured deposits or the capital markets. Moreove these competitors have significant cash reserves and can better fund shortfalls in collections that might have a more pronounced impact on companies suc They also have greater market share. In the event that the life insurance companies make a significant effort to compete against the business, we would e significant challenges with our business model.

Competition can take many forms, including the pricing of the financing, transaction structuring, timeliness and responsiveness in processing a seller s a customer service. Some of the competitors may outperform us in these areas. Some competitors target the same type of life insurance clients as we do and have operated in the markets we service for a longer period of time. Increased competition may result in increased costs of purchasing policies, or it may availability and quality

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of policies that are available for our purchase. These factors could adversely affect our profitability by reducing our return on investment or increasing ou

Government Regulation

The life insurance sector is highly regulated at both the federal and state levels. We are subject to federal and state regulation and supervision in the life i purchasing and finance business. There are significant regulations in many states that require us to obtain specific licenses or approvals to be able to purc insurance policies in those states. We continually research and monitor regulations and apply for the appropriate licenses in the required states.

Governments at both the federal and state levels have continued to review the impact of the business on the life insurance industry. Moreover, recent fed government actions with respect to insurance companies have increased the federal government s role in regulating the insurance industry. Recently we legislative efforts by state governments to mandate the sale or liquidation of a life insurance policy as part of the Patient Protection and Affordable Care to increase the number of Americans covered by health insurance and decrease the cost of health care. The legislative effort is designed to monetize all as insured prior to eligibility under the health care provided under the Patient Protection and Affordable Care Act. These efforts may affect the number of li policies available for purchase and their attractiveness.

State statutes typically provide state regulatory agencies with significant powers to interpret, administer and enforce the laws relating to the purchase of l policies in those states. Under statutory authority, state regulators have broad discretionary power and may impose new licensing requirements, interpret existing regulatory requirements in different ways or issue new administrative rules, even if not contained in state statutes. State regulators may also imp are generally adverse to our industry. Because the life insurance secondary market is relatively new and because of the history of certain abuses in the ind believe it is likely that state regulation will increase and grow more complex in the foreseeable future. We cannot, however, predict what any new regula specifically involve.

Any adverse change in present laws or regulations, or their interpretation, in one or more states in which we operate (or an aggregation of states in which significant amount of business) could result in our curtailment or termination of operations in such jurisdictions, or cause us to modify our operations in a adversely affects our ultimate profitability. Any such action could have a corresponding material and negative impact on our results of operations and fin condition, primarily through a material decrease in revenues, and could also negatively affect our general business prospects.

Some states and the SEC have, on occasion, attempted to regulate the purchase of non-variable life insurance policies as transactions in securities under f state securities laws. In July 2010, the SEC issued a Staff Report of its Life Settlement Task Force. In that report, the Staff recommended that certain typ purchased life insurance policies be classified as securities. The SEC has not taken any position on the Staff Report, and there is no indication if the SEC advocate for any action to implement the recommendations of the Staff Report. In addition, there have been several federal court cases in which transacti the purchase and fractionalization of life insurance contracts have been held to be transactions in securities under the federal Securities Act of 1933. We b

the matters discussed in the Staff Report, and existing case law, do not impact our current business model since our purchases of life settlements are disti
from those cases that have been held by courts, and advocated by the Staff Report, to be transactions in securities. For example, we are not involved in
fractionalization of any life insurance policies, and we do not purchase variable life insurance policies.

If federal law were to change, whether by action of the Congress or through the courts, with the result that purchases of non-fractionalized and non-variab
insurance policies would be considered transactions in securities, we would be in violation of existing covenants under our revolving credit facility req
be an investment company under the Investment Company Act of 1940. This could in the short-term or long-term affect our liquidity and increase our
and operational expenses, all of which would

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adversely affect our operating results. It is possible that such an outcome could threaten the viability of our business and our ability to satisfy our obligati
come due.

With respect to state securities laws, almost all states currently treat the sale of a life insurance policy as a securities transaction under state laws, althoug
exclude from the definition of a security the original sale from the insured or the policy owner to the life settlement provider. To date, due to the manner i
conduct and structure our activities and the availability, in certain instances, of exceptions and exemptions under securities laws, such laws have not adve
impacted our business model.

State Life Settlement License Requirements

State laws differ as to the extent to which purchasers of life insurance policies are required to be licensed by a state regulatory agency. We may elect to co
insurance policy purchasing only in those states in which we are licensed or where no licensure is required. The licensing requirements differ from state t
where they exist, they typically require the payment of licensing fees, periodic reporting, and submission to audit by state regulators. We do not intend to
any life insurance policies in any states that require a license or similar qualification without first obtaining such license or qualification or purchasing thr
licensed provider in that state.

The table below identifies all states (and the District of Columbia) in which we can conduct business directly with the seller of a life insurance policy or t
licensed provider. An asterisk (*) indicates that the state does not require licensing. In those states identified in the right-hand column, we can purchase p
through our provider relationships with Magna Administrative Services, Inc. Abacus Settlements, LLC, and Lotus Life, LLC. If our relationships with ei
Administrative Services, Abacus Settlements or Lotus Life were to end, for any reason, we believe we would be able to replace that relationship quickly.

States Where We Conduct Business Directly	States Where We Conduct Business Through Other Licensed Providers
Alabama*	Colorado
Arizona	Georgia
Arkansas	Indiana
California	Kentucky
Connecticut	Nevada
Delaware	New Jersey
District of Columbia*	Oregon
Florida	Utah
Illinois	
Iowa	
Kansas	
Louisiana	
Maine	
Maryland	
Massachusetts	
Michigan*	

States Where We Conduct Business Directly	States Where We Conduct Business Through Other Licensed Providers
Minnesota	
Mississippi	
Missouri*	
Nebraska	
New Mexico*	
New York	
North Carolina	
Ohio	
Oklahoma	

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States Where We Conduct Business Directly	States Where We Conduct Business Through Other Licensed Providers
Pennsylvania	
Rhode Island	
South Carolina*	
South Dakota*	
Tennessee	
Texas	
Virginia	
Washington	
Wisconsin	
Wyoming*	

We are not presently able to conduct business in the following states due to the fact that we neither have a license to operate in that state nor do we have a
with another licensed provider in that state: Alaska, Hawaii, Idaho, Montana, New Hampshire, North Dakota, Vermont, and West Virginia.

Health Insurance Portability and Accountability Act (HIPAA)

HIPAA requires that holders of medical records maintain such records and implement procedures in ways designed to assure the privacy of patient record
has precipitated widespread changes in record keeping, including patient consent forms and access restrictions in data processing software. In order to car
business, we receive medical records and obtain a release to share such records with a defined group of persons. We are entitled to have access to patient
take on the responsibility for preserving the privacy of that information, and use the information only for purposes related to the life insurance policies.

Regulatory Matters

We have been informed that the SEC is conducting a private investigation of our company and its offering of Renewable Secured Debentures. The SEC h
us in writing that the investigation is a fact-finding inquiry and does not mean the SEC has concluded that we, or anyone else, have violated any laws or r
Also, the SEC has advised us in writing that the investigation does not mean that they have a negative opinion of any person, entity or security. The SEC
informed us of any intent on its part to stop order our registration statement; it has not asked us to modify our registration statement in any way; and it has
that it has found the registration statement to be deficient in any respect. We are fully cooperating with this investigation.

Employees

We employ approximately 40 employees.

Properties

Our principal executive offices are located at 220 South Sixth Street, Suite 1200, Minneapolis, Minnesota 55402. At that location, we lease 11,695 square
space for a lease term expiring in August 2015. We believe that these facilities are adequate for our current needs and that suitable additional space will b
as needed.

Legal Proceedings

Our Chief Executive Officer, Jon R. Sabes and President and Secretary, Steven F. Sabes, who together beneficially own approximately 94.3% of our com
are subject to litigation relating to claims by a bankruptcy trustee for loan payments made to an affiliate, Opportunity Finance, LLC. The litigation stems
2010 conviction of an individual operating a fraudulent business scheme which filed for bankruptcy in 2008. The bankruptcy trustee alleges that loan repa
Opportunity Finance were avoidable transfers

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under preference or other legal theories and seeks to recover amounts for other creditors of the bankruptcy estate. Such payments may ultimately be deem
avoidable transfers under preference or other legal theories. Case No. 08-45257 (U.S. Bankruptcy Court District of Minnesota). In addition, GWG Holdin
$1.0 million in Opportunity Finance, LLC in 2006 and was repaid and received $176,948 of interest income from that investment in 2007. To date, no cla
made against us.

While we believe there are numerous meritorious defenses to the claims made by the bankruptcy trustee, and we are advised that the defendants in that ac
vigorously defend against the trustee s claims, such defendants may not prevail in the litigation with the bankruptcy trustee. If the bankruptcy trustee sou
transfer the equity interests of Jon R. Sabes or Steven F. Sabes as a result of the litigation, there could be a change in control of the Company and our busi
together with all of our investors, including investors in our debentures, could be materially and adversely impacted. Such adverse results would likely ari
connection with negative change-in-control covenants contained in our revolving credit facility agreements, the breach of those covenants and an ensuing
default under such facility. In addition, if the bankruptcy trustee sought to sell or transfer the equity interests of Jon R. Sabes or Steven F. Sabes as a resul
litigation, such transfers would adversely affect holders of our Renewable Secured Debentures by reducing the number of shares of common stock of GW
that have been pledged as collateral security for our obligations under the debentures. Finally, regardless of the outcome of this litigation, these matters ar
distract management and reduce the time and attention that they are able to devote to our business.

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MANAGEMENT AND DIRECTORS

Directors and Executive Officers

The name, age and positions of our current executive officers and directors are as follows:

Name	Age	Positions
Jon R. Sabes	47	Chief Executive Officer and Director
Paul A. Siegert	75	Director (Executive Chairman)
Steven F. Sabes	45	President, Secretary and Director
William Acheson	49	Chief Financial Officer
Jon Gangelhoff	56	Chief Operating Officer
Jeffrey L. McGregor	61	Director

Name	Age	Positions
Charles H. Maguire III	71	Director
David H. Abramson	73	Director
Shawn R. Gensch	45	Director

Jon R. Sabes, co-founder and Chief Executive Officer of our company, is a financial professional with over 20 years of experience in the fields of financ capital, business development, managerial operations, and federal taxation. Since 1999, Mr. Sabes has served as Chief Executive Officer of Opportunity F LLC, a family investment company specializing in structured finance. Over his career, Mr. Sabes has been active in receivable financing, life insurance fi casualty insurance financing, structuring over $900 million in financing commitments for his related businesses. Mr. Sabes experience includes co-foun leading the development of two leading insurance-related finance companies: GWG Life, a company in the life insurance finance industry founded in 200 MedFinance, an innovator in casualty insurance and healthcare finance founded in 2005. Through these companies, Mr. Sabes has developed and applied structuring techniques, underwriting algorithms, and business modeling aspects to the insurance industry. Mr. Sabes education includes a Juris Doctor d laude from the University of Minnesota Law School; and a Bachelor of Arts degree in Economics, from the University of Colorado. Over his career, Mr. held several licenses and professional association memberships including FINRA Series 7, Series 63, Minnesota State Bar Association, and American Ba Association. In addition to being an active father of three, Mr. Sabes serves on the boards of Saving Children and Building Families, and the Insurance St Institute. Mr. Sabes is the brother of Steven F. Sabes. Mr. Sabes has served as our Chief Executive Officer, and a director, since 2006.

Paul A. Siegert, co-founder of our company, has over 50 years of experience in national and international business with focus on general business, financ investment strategies, management practices, fiscal controls, profit incentives, systems and corporate structuring and governance. Over his career, Mr. Sie consulted to Fortune 500 corporations, regional firms, emerging businesses, government and education, and has served as director, general partner and ad partnerships and corporations, including restructuring of economically troubled businesses. Mr. Siegert has provided written testimony to the Senate Fina Committee regarding SEC practices and created two companies registered under the Investment Advisors Act of 1940. Mr. Siegert was an active participa formation and direction of the Colorado Institute for Artificial Intelligence at the University of Colorado. Mr. Siegert s education includes studies toward Business Administration, University of Chicago; and Bachelor of Science and Industrial Management, Purdue University. His insurance-related experienc the creation of one of the nation s first employer self-funded life, medical and disability insurance programs; designing medical, life insurance and social opt-out programs for educational institutions; incorporation of financial analysis disciplines in life insurance and estate planning; and strategizing of key-r insurance plans and life insurance in business continuation planning for corporations and senior executives. From 1979 to 1986, Mr. Siegert was nationall as a tax and estate planning expert. In 1999, Mr. Siegert retired from active business to engage in various personal financial and investment endeavors. In founded Great West Growth, LLC, a Nevada limited liability company and a predecessor to GWG Life, to purchase life insurance policies. In his capaciti GWG Life, he created an insurance policy valuation and pricing model, created life insurance policy purchase documentation, undertook state licensing a compliance and developed operating and

marketing systems. Mr. Siegert currently serves as the President and Chief Executive Officer of the Insurance Studies Institute, which he founded in 2007 serves on the Board of Directors of the Life Insurance Settlement Association. Mr. Siegert currently serves as Director and Executive Chairman of the Bo Holdings, Inc., and served as its President until May 30, 2014. He has been active in a variety of charities and foundations, including Rotary International

Steven F. Sabes, co-founder and President and Secretary of our company, is responsible for various managerial aspects of our business, with a specific fo treasury and financial operations, life insurance policy purchasing, and specialty finance operations. Since 1998, Mr. Sabes has served as a Managing Dir Opportunity Finance, LLC, a family investment company specializing in structured finance. Mr. Sabes holds a Master of Science and Doctor of Philosoph chemistry from the University of Minnesota, as well as a Bachelor of Arts degree from The Colorado College. Mr. Sabes is the brother of Jon Sabes. Mr. served as our Secretary, and a director, since 2006. He also served as our Chief Operating Officer from 2006 until May 30, 2014, when he was appointed President.

William Acheson became our Chief Financial Officer on May 30, 2014. Prior to joining us, Mr. Acheson served as Chief Financial Officer and Senior V of Strategic Development for The Homeownership Preservation Foundation, a residential real estate foreclosure prevention organization seeded by GMA through 2013. Prior to that, Mr. Acheson served as Managing Director of Global Structured Finance and Investments at Merrill Lynch in London, Englan through 2008. From 1991 to 2007, Mr. Acheson spent his career at GMAC-RESCAP, where he served as Managing Director for a number of business un concluding his career as Chief Financial Officer of the United Kingdom division from 2005 through 2007. Mr. Acheson earned a Bachelor of Science deg accounting from the College of St. Thomas in St. Paul, Minnesota, and earned his Certified Public Accountant certificate in 1991 while working for Ernst Minneapolis, Minnesota.

Jon Gangelhoff, our Chief Operating Officer, served rapidly growing businesses in several industries as chief financial officer with a strong focus on bus operations since 1986. Prior to joining our company as Chief Financial Officer in March 2009, he served as chief financial officer for Northern Metal Rec metal recycling firm the sales of which exceeded $500 million annually, from 2006 to 2008. Mr. Gangelhoff s responsibilities at Northern Metal Recycli acquisition and related integration operations focused on finance, information systems, and human resources functions. Prior to that, from 2003 to 2006, M Gangelhoff served as the chief financial officer of Kuhlman Company, formerly a public reporting company, where he established corporate infrastructur financial reporting and internal control systems, and managed the SEC reporting process. During his 25-year career, Mr. Gangelhoff has used an integrate and financial management approach to improve the performance of the companies he served in a variety of industries. Mr. Gangelhoff holds a Bachelor o from Mankato State University. Mr. Gangelhoff was appointed as our Chief Operating Officer on May 30, 2014.

Jeffrey L. McGregor has had an extensive career in the insurance and financial services industry, serving as President for three major financial sales and companies. Mr. McGregor has 34 years of experience in sales, distribution strategies and leadership with a proven track record in sales and growth of ann insurance, and mutual fund products. Mr. McGregor has been a quoted industry source for Ignites, Foxfire, Dalbar, Mutual Fund Forum and Investment N has served on numerous industry boards and associations, including the Life and Annuity Advisory Board, the Mutual Fund Forum, and the International for Financial Planning. Mr. McGregor has written, published and presented a number of papers focused on the insurance and financial industry. Througho career, Mr. McGregor s primary focus has been to promote successful collaboration with employees, clients and colleagues to create respectful, profitabl long-term relationships.

Mr. McGregor has lead teams that represented all traditional life insurance products term, whole life, universal life, disability insurance, long-term care high-net worth and estate planning strategies that maximize the protection and tax advantages that life insurance products provide. Mr. McGregor has wo with product development teams in determining the risk and required sales results necessary to meet profitability targets. Mr. McGregor professional care encompasses the oversight and creation of

marketing, sales presentations and advisor/only materials, seeking a balanced approached to the risks and rewards of the insurance, annuity and asset man products offered.

From 2005 to 2010, Mr. McGregor served as the President of RiverSource Distributors and Senior Vice President of Ameriprise Financial, Inc. During hi the President of RiverSource Distributors, he was responsible for the sales and distribution of all insurance, annuity and asset management product lines o through existing and new channels. In this position, Mr. McGregor identified and greatly influenced strategy, compliance, profitability and the success of insurance and investment products offered by Ameriprise.

From 2001 to 2004, Mr. McGregor was President of AXA Distributors, where he was responsible for the sales and distribution of insurance and annuity p manufactured by AXA Financial. In 2003, Mr. McGregor s sales team achieved annuity sales of $7.0 billion. This record sales year resulted in AXA Dis market share position going from number six in 2002 to number two in 2003.

From 1988 to 1998, Mr. McGregor served in a variety of senior leadership positions for Colonial Investment Services. Mr. McGregor was named Preside Colonial Investment Services in 1990 and joined Colonial s Board of Directors. During his tenure, assets under management grew from $9.0 billion to $2 During Mr. McGregor s leadership, Colonial earned a number one rating in wholesaler and marketing support three times, according to Dalbar Survey.

Over his career, Mr. McGregor has also worked with American Capital, Prudential-Bache Securities, Planco and IDS, where he began his career as a fina in 1978. Mr. McGregor has earned numerous industry degrees and certifications, including LUTC CFP, CLU, and NASD licenses Series 7 and 24. Mr. M received his B.S. and M.B.A. from California Coast University. In 2012, Mr. McGregor authored a life experience and motivational book A Spirit Neve echoes his results driven style to inspire others through passion, energy, courage and a positive attitude.

Charles H. Maguire III, a registered FINRA Arbitrator, has over 35 years of experience in the financial services industry. The core of Mr. Maguire s ca with Merrill Lynch and Company from 1969 to 2004. In one of his last positions with Merrill Lynch, Mr. Maguire served as Director of Financial Institut Group, where he had complete responsibility for the Merrill Lynch s institutional client services within its domestic branch office system. In addition, M oversaw the professional teams responsible for product creation and had oversight of an institutional trading desk in New York City. Mr. Maguire s most contribution to Merrill Lynch was the creation of the Consults Product, which to this day is one of the most profitable products at Merrill Lynch. In additi as Director of Financial Institutions Services Group, Mr. Maguire held a variety of sales and management roles at Merrill Lynch, including Sales Manage Vice President, Regional Sales Manager, Senior Resident Vice President, and Managing Director.

From 2009 to 2011, Mr. Maguire served as a leadership consultant for the University of Cincinnati School of Medicine and the Economic Center, Univers
Cincinnati. From 2005 to 2007, Mr. Maguire also served as the Senior Advisor on Staff to the Governor of the State of South Carolina, the Director of Ca
Affairs, and the Chief of Staff of the Department of Commerce for the State of South Carolina. During his tenure as Director of Cabinet Affairs for the Go
the State of Carolina, Mr. Maguire was fully responsible for overseeing the operations of all agencies that reported to the Governor of South Carolina. In
Chief of Staff of the South Carolina Department of Commerce, Mr. Maguire was responsible for the daily operations of the Department of Commerce. Du
tenure with the Department of Commerce, Mr. Maguire led the restructuring of the Department of Commerce, which led to South Carolina becoming one
three states for job creation and corporate relocations.

Mr. Maguire has served on the boards (or similar functions) of over 25 nonprofit organizations, including services as a trustee for Centre College, trustee
Seven Hills School, member of the Charter Review Committee of Cincinnati, trustee for the Queen City Foundation, trustee and executive committee me
Elizabeth Medical Center, and President for the Joy Outdoor Education Center. Mr. Maguire holds a B.A. from Centre College.

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David H. Abramson, a certified public accountant, is presently the Chairman and Chief Executive Officer of David Abramson & Associates, LLC, an ex
search and leadership development and financial consulting firm that he founded in 2002. The firm provides retained executive search services at the seni
levels as well as senior leadership mentoring and coaching. In addition, the firm provides financial and other consulting services to clients.

In 2001, Mr. Abramson was a Senior Vice President of AXA Financial/Equitable Life Insurance based in New York City, and served as Chairman and Cl
Executive Officer of Grant Thornton Advisors, a joint venture of AXA Financial and Grant Thornton. Required by his responsibility, Mr. Abramson held
series 7, 24 and 66 licenses during his tenure at Grant Thornton Advisors. From 1999 to 2001 Mr. Abramson was Grant Thornton s National Managing P
Financial Advisory Services where he led the design of the vision, strategy, governance and operational planning for Grant Thornton Advisors. Grant Tho
Advisors was designed to offer personal financial and estate planning, and investment and insurance products and services to middle-market companies, t
and officers and other high net worth individuals.

The core of Mr. Abramson s career was as a Partner in Grant Thornton from 1972 until 2001. In 1972, Mr. Abramson became an Audit Partner and the M
Office Managing Partner, and he continued serving in those roles throughout most of his time at Grant Thornton. Mr. Abramson also became a member o
Thornton s National Senior Leadership Team in 1982 and continued in that role until 2001. In this regard, his primary responsibility was Regional Mana
with direct line responsibility over assigned operating offices throughout the country. From 1988 to 1990, Mr. Abramson was Grant Thornton s National
Director of Client Services directly responsible for Accounting, Tax, Management Consulting, Human Resources, Marketing and Strategic Planning. Dur
1990s, Mr. Abramson also led the development and implementation of the Manufacturing/Distribution Services practice. Mr. Abramson s partners at Gra
elected him to serve on Grant Thornton s 11-person Partnership Board for three terms from 1982 to 1990. This board provided oversight and direction re
governance, partner admission and compensation, financial and strategic issues.

Mr. Abramson previously served on the Board of Directors of Southwest Casino Corporation, and served as Chairman of that board s Audit Committee a
of its Governance and Nominating Committee from 2006 to 2009. Mr. Abramson has also served as a board member, Chairman or President of a number
organizations, including President of the Minnesota Society of CPAs, Chairman of The Greater Minneapolis Chamber of Commerce, and President of Te
He currently is a Member of the University of Minnesota Carlson School Of Management Alumni Board, and an Advisory Board Member of the Univers
Minnesota Carlson Consulting Enterprise.

Mr. Abramson received his B.S. degree (Accounting) from the University of Minnesota and his M.B.A. from the University of Michigan.

Shawn R. Gensch is a financial and marketing executive with over 20 years of professional experience. Previously, Mr. Gensch was the Senior Vice Pres
Marketing, at Target Corporation, a role he held from 2012 through 2013, and in which he led, among other things, that corporation s media strategy, pu
events and lifestyle marketing efforts. In previous marketing roles with Target, beginning in 2008, Mr. Gensch led brand marketing, storewide and season
campaigns, agency management, and marketing finance, production and technology teams. Prior to 2008, Marketing, Mr. Gensch served as the initial Pre
Target Bank (2003-2007), served as Vice President, Financial Product Design & Development, at Target Financial Services (2005-2008), and served as D
New Business Development (2003-2005). Prior to joining Target Corporation in 2003, Mr. Gensch worked in various roles in the structured finance, insu
banking and related consulting industries, including work as Vice President and Assistant Treasurer of Green Tree Financial Corporation (Conseco Finan
role he led that corporation s commercial paper program and asset-based funding conduits, syndicated banking lines and structured-finance securitization
a variety of asset classes. Mr. Gensch began his career with KPMG as an Assurance Accountant in 1992.

Mr. Gensch presently serves as a director of Anser Innovation, a technology company developing Internet-based software and hardware to enhance remot
interaction, and is currently also Vice-Chair of the

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Board of Directors of Avenues for Homeless Youth based in Minneapolis, Minnesota. He previously served on the Board of Directors of the Walker Art C
Minneapolis, Minnesota. Mr. Gensch graduated from the University of Wisconsin-Eau Claire with a B.S. degree in accounting.

Director Qualifications, Independence and Board Committees

When considering whether directors have the experience, qualifications, attributes and skills to enable the Board of Directors to satisfy its oversight respo
effectively in light of the Company s business and structure, the Board of Directors focuses primarily on the information discussed in each of the director
biographies set forth above. With regard to Mr. Jon R. Sabes, the board considered his significant experience, expertise and background with regard to fin
matters, and his demonstrated experience and skills in managing the Company s business. With respect to Mr. Siegert, the board considered his significa
in securities and finance, and his background in secondary life insurance market. With regard to Mr. Steven F. Sabes, the board considered his backgroun
experience with the Company and its business. With regard to Mr. McGregor, the board considered his experience in the financial and insurance industrie
particular his sales, marketing and leadership experience relative to those industries. In the case of Mr. Maguire, the board considered his extensive backg
financial services industry and service in various leadership positions for multiple organizations. With regard to Mr. Abramson, the board considered his
background and knowledge of accounting and finance, his focus on wealth management, and prior leadership positions. With regard to Mr. Gensch, the b
considered his finance background as well as his marketing expertise.

The Board of Directors periodically reviews relationships that directors have with the Company to determine whether the directors are independent. Direc
considered independent as long as they do not accept any consulting, advisory or other compensatory fee (other than director fees) from the Company,
affiliated person of the Company or its subsidiaries (e.g., an officer or a greater-than-ten-percent stockholder) and are independent within the meaning of
laws, regulations and the NASDAQ listing rules. In this latter regard, the Board of Directors uses the NASDAQ listing rules (specifically, Section 5605(a
rules) as a benchmark for determining which, if any, of its directors are independent, solely in order to comply with applicable SEC disclosure rules.

The Board of Directors has determined that, of its current directors, Messrs. Abramson, McGregor, Maguire III and Gensch are independent within the m
NASDAQ listing rule cited above. In the case of Mr. Siegert, his position as an executive officer of the Company precludes him from being considered in
In the case of both Messrs. Jon R. and Steven F. Sabes, their positions as executive officers of the Company, together with their beneficial ownership of m
percent of the common stock of the Company, similarly precludes them from being considered independent within the meaning of the cited NASDAQ lis

Our Board of Directors has an Audit Committee, Compensation Committee and Nomination and Corporate Governance Committee. The Audit Committe
composed of Messrs. Abramson (Chair), McGregor, Maguire and Gensch. The Compensation Committee is composed of Messrs. Maguire (Chair), Abran
Gensch. The Nomination and Corporate Governance Committee is composed of Messrs. McGregor (Chair) and Abramson.

Our Audit Committee, Compensation Committee, and Nomination and Corporate Governance Committee each comply with the listing requirements of T
NASDAQ Marketplace rules. At least one member of the Audit Committee, Mr. Abramson, is an audit committee financial expert, as that term is defin
401(h)(2) of Regulation S-K, and is independent as that term is defined in Rule 5605(a) of the NASDAQ Marketplace Rules.

Indemnification of Directors and Executive Officers

Section 145 of the Delaware General Corporation Law provides for, under certain circumstances, the indemnification of our officers, directors, employees
against liabilities that they may incur in such capacities. A summary of the circumstances in which such indemnification provided for is contained herein,

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but that description is qualified in its entirety by reference to the relevant Section of the Delaware General Corporation Law.

In general, the statute provides that any director, officer, employee or agent of a corporation may be indemnified against expenses (including attorneys f
judgments, fines and amounts paid in settlement, actually and reasonably incurred in a proceeding (including any civil, criminal, administrative or investi
proceeding) to which the individual was a party by reason of such status. Such indemnity may be provided if the indemnified person s actions resulting i
liabilities: (i) were taken in good faith; (ii) were reasonably believed to have been in or not opposed to our best interest; and (iii) with respect to any crimi
such person had no reasonable cause to believe the actions were unlawful. Unless ordered by a court, indemnification generally may be awarded only afte
determination of independent members of the Board of Directors or a committee thereof, by independent legal counsel or by vote of the stockholders that
applicable standard of conduct was met by the individual to be indemnified.

The statutory provisions further provide that to the extent a director, officer, employee or agent is wholly successful on the merits or otherwise in defense
proceeding to which he was a party, he is entitled to receive indemnification against expenses, including attorneys fees, actually and reasonably incurred
with the proceeding.

Indemnification in connection with a proceeding by or in the right of GWG Holdings, Inc. in which the director, officer, employee or agent is successful i
only with respect to expenses, including attorneys fees actually and reasonably incurred in connection with the defense. In such actions, the person to be
must have acted in good faith, in a manner believed to have been in our best interest and must not have been adjudged liable to us unless and only to the e
the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability, in v
the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expense which the Court of Chancery or such other cour
proper. Indemnification is otherwise prohibited in connection with a proceeding brought on behalf of GWG Holdings, Inc. in which a director is adjudged
or in connection with any proceeding charging improper personal benefit to the director in which the director is adjudged liable for receipt of an improper
benefit.

Delaware law authorizes us to reimburse or pay reasonable expenses incurred by a director, officer, employee or agent in connection with a proceeding in
a final disposition of the matter. Such advances of expenses are permitted if the person furnishes to us a written agreement to repay such advances if it is d
that he is not entitled to be indemnified by us.

The statutory section cited above further specifies that any provisions for indemnification of or advances for expenses does not exclude other rights under
Certificate of Incorporation, corporate bylaws, resolutions of our stockholders or disinterested directors, or otherwise. These indemnification provisions c
person who has ceased to be a director, officer, employee or agent of the corporation and inure to the benefit of the heirs, executors and administrators of
persons.

The statutory provision cited above also grants the power to GWG Holdings, Inc. to purchase and maintain insurance policies that protect any director, of
employee or agent against any liability asserted against or incurred by him in such capacity arising out of his status as such. Such policies may provide fo
indemnification whether or not the corporation would otherwise have the power to provide for it.

Article 6 of our corporate bylaws provides that we shall indemnify our directors, officers, employees and agents to the fullest extent permitted by the Dela
General Corporation Law. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or pers
controlling GWG Holdings, Inc. pursuant to the foregoing provisions, we understand that in the opinion of the SEC such indemnification is against public
expressed in that Act and is therefore unenforceable.

We have purchased directors and officers liability insurance in order to limit the exposure to liability for indemnification of directors and officers, inclu
under the Securities Act of 1933.

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EXECUTIVE COMPENSATION
AND RELATED-PARTY TRANSACTION DISCLOSURES

Summary Compensation Table

The following table sets forth the cash and non-cash compensation awarded to or earned by: (i) each individual who served as the principal executive offi
principal financial officer of GWG Holdings during the years ended December 31, 2013 and 2012; and (ii) each other individual that served as an executi
either GWG Holdings or GWG Life, Inc. at the conclusion of the years ended December 31, 2013 and 2012 and who received more than $100,000 in the
salary and bonus during such fiscal year. For purposes of this document, these individuals are collectively the named executives of the Company.

Name and Principal Position		Salary	Bonus (1)	All Other Compensation (2)
Jon R. Sabes	2013	$350,000	$544,581	$16,905
Chief Executive Officer	2012	$350,000	$163,182	$ 0
Jon Gangelhoff	2013	$120,000	$ 57,276	$13,244
Chief Financial Officer	2012	$120,000	$ 28,244	$ 0
Paul A. Siegert	2013	$150,000	$ 54,236	$ 2,631
President and Chairman of the Board	2012	$150,000	$113,967	$ 0
Steven F. Sabes	2013	$150,000	$426,836	$11,063
COO and Secretary	2012	$150,000	$ 35,591	$ 0

(1) In 2013, Messrs. Jon R. Sabes, Steven F. Sabes, and Paul A. Siegert each received a discretionary bonus related to the tax impact of the conversi Company from a limited liability company to a corporation. In this regard, Mr. Jon R. Sabes received a discretionary tax-related bonus of $436,7 Steven F. Sabes received a discretionary tax-related bonus of $380,600, and Mr. Paul A. Siegert received a discretionary tax-related bonus of $8, addition, each named executive received a cash bonus under the Company s incentive compensation plan. Mr. Jon R. Sabes received a $107,881 Mr. Gangelhoff received a $57,276 cash bonus, Mr. Siegert received a $46,236 cash bonus, and Mr. Steven F. Sabes received a $46,236 cash bon that incentive compensation plan.

(2) All Other Compensation includes payment of unused and accrued vacation, and premiums paid by the Company that are reported on the named e W-2 forms as a component of gross income.

Employment Agreements and Change-in-Control Provisions

In June 2011, we entered into employment agreements with each of Messrs. Jon R. Sabes, Steven F. Sabes, Paul A. Siegert and Jon Gangelhoff. Mr. Jon I our Chief Executive Officer; Mr. Steven F. Sabes is our President and Secretary and previously served as our Chief Operating Officer; Mr. Siegert previo as our President and Chairman of the Board and is currently the Executive Chairman of the Board; and Mr. Gangelhoff previously served as our Chief Fi Officer and is currently our Chief Operating Officer. On May 30, 2014, we entered into an employment agreement with William Acheson coincident with appointment as our new Chief Financial Officer. These employment agreements establish key employment terms (including reporting responsibilities, ba discretionary and bonus opportunity and other benefits), provide for severance benefits in certain situations, and contain non-competition, non-solicitatio confidentiality covenants.

Under their respective employment agreements, Mr. Jon R. Sabes receives an annual base salary of $350,000, Messrs. Steven F. Sabes, William Acheson Siegert receive an annual base salary of $200,000, and Mr. Gangelhoff receives an annual base salary of $250,000. The employment agreements contain provisions prohibiting the executives from soliciting our employees for a period of 12 18 months after any termination of employment, and from compet Company for either two years (if

the executive is terminated for good cause or if he resigns without good reason) or one year (if we terminate the executive s employment without good c resigns with good reason). In the case of Mr. Acheson, his employment agreement prohibits him from competing against the Company for a one-year per termination of employment, regardless of the circumstances relating to that termination. If an executive s employment is terminated by us without good executive voluntarily resigns with good reason, then the executive will be entitled to (i) severance pay for a period of 12 months and (ii) reimburseme insurance premiums for his family if he elects continued coverage under COBRA.

The employment agreements for Messrs. Jon R. Sabes, Steve F. Sabes and Paul A. Siegert also provide that we will reimburse them for any legal costs th
enforcing their rights under the employment agreement and, to the fullest extent permitted by applicable law, indemnify them for claims, costs and expen
connection with their employment, regardless of the outcome of any such legal contest, as well as interest at the prime rate on any payments under the em
agreements that are determined to be past due, unless prohibited by law.

All of the executive employment agreements include a provision allowing us to reduce their severance payments and any other payments to which the exe
becomes entitled as a result of our change in control to the extent needed for the executive to avoid paying an excise tax under Code Section 280G, unless
executive officer is better off, on an after-tax basis, receiving the full amount of such payments and paying the excise taxes due.

Outstanding Equity Awards at Fiscal Year End

As of December 31, 2013, our named executives had the following outstanding options to purchase common stock:

	Vested Shares	Un-Vested Shares
Jon R. Sabes		6,000
Steven F. Sabes	25,000	2,500
Paul Siegert	25,000	2,500
Jon Gangelhoff	50,000	26,000
	100,000	38,000

2013 Stock Incentive Plan

In April 2013, our Board of Directors and our stockholders adopted the 2013 Stock Incentive Plan and reserved 1,000,000 shares of common stock for iss
that plan. The 2013 Stock Incentive Plan permits the grant of both incentive and non-statutory stock options. As of the date of this prospectus, there are 4
common shares issuable upon exercise of outstanding incentives granted under the plan. The Board of Directors adopted the 2013 Stock Incentive Plan to
means by which our employees, directors, officers and consultants may be granted an opportunity to purchase our common stock, to assist in retaining the
such persons, to secure and retain the services of persons capable of filling such positions and to provide incentives for such persons to exert maximum e
success.

Related-Party Transactions

As explained above under Employment Agreements and Change-in-Control Provisions, we were party to an arrangement with each of Jon R. Sabes,
and Steven F. Sabes whereby those individuals received loan advances that accrued interest at rates ranging from 4.2% to 5.0% per annum. Under this arr
made during the time when GWG Holdings was a limited liability company, these advance amounts were to be repaid upon or in connection with operati
distributions made by us. From inception through June 13, 2011, advances aggregating approximately $981,167 were made to Jon R. Sabes with cumulat
owed of $114,496, $287,500 to Paul A. Siegert with cumulative interest owed of $22,708, and $861,976 were made to Steven F. Sabes with cumulative i
of $94,438. On July 27, 2011, Messrs. Jon R. Sabes, Steven F. Sabes and Paul A. Siegert repaid their loan balances.

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In May 2008, our affiliate, Insurance Strategies Fund, LLC, a Delaware limited liability company beneficially owned by Mr. Jon R. Sabes, our Chief Exe
Officer, agreed to make discretionary unsecured general working capital loans to GWG Holdings for short-term working capital needs. As of December 3
2012, we owed no amounts to Insurance Strategies Fund. Nevertheless, an Amended and Restated Investment Agreement with Insurance Strategies Fund
September 3, 2009, remains in place. That agreement permits Insurance Strategies Fund to make additional discretionary unsecured short-term work capit
the future.

Effective July 14, 2008, we entered into an Addendum No. 1 to Sub-Sublease Agreement with Opportunity Finance, LLC, a limited liability company of
Sabes, our Chief Executive Officer, also serves as Chief Executive Officer. Pursuant to the Addendum, Opportunity Finance, LLC assigned to us, and we
of Opportunity Finance s rights and obligations under a Sub-Sublease Agreement between Opportunity Finance and an unrelated third party. The Sub-Su
Agreement relates to the facilities in which we conduct our business operations. Under the Sub-Sublease Agreement, as assigned, we assumed the obliga

monthly payments of base rent that range from $7,310 (from the commencement date through July 31, 2009) to $8,770 (for the period from August 1, 201
the April 20, 2012 expiration of the Sub-Sublease Agreement). In addition, the Sub-Sublease Agreement, as assigned, requires that we pay additional mon
amounts in respect of operating costs as additional rent. We made aggregate payments under the Sub-Sublease Agreement of $0 and $50,000 for the caler
ended December 31, 2013 and 2012, respectively.

On July 11, 2011, we entered into a Purchase and Sale Agreement with Athena Securities Group, Ltd. and Athena Structured Funds PLC. Under this agre
issued to Athena Securities Group, Ltd. (Athena) 494,500 shares of common stock, which was equal to 9.9% of our then-outstanding shares, in exchan
equal to 9.9% of the outstanding shares in Athena Structured Funds, PLC and cash of $5,000. This 2011 agreement had contemplated cooperative efforts
parties aimed at developing a security and related offering in Europe or Ireland, the proceeds of which would be used to finance the acquisition of life-ins
related assets in the United States. In 2013, we sought to terminate the 2011 agreement due to a changing regulatory environment in Europe that negativel
the likelihood of consummating the contemplated offering of securities, and our dissatisfaction with Athena s performance under the 2011 agreement. As
June 2013 we entered into a second Purchase and Sale Agreement with Athena Securities Ltd. and Athena. This agreement effected the termination of the
agreement. The June 2013 agreement contained mutual general releases of claims and substantially unwound certain capital stock transactions that had be
under the 2011 agreement. In particular, Athena returned to us for redemption 432,500 shares of our common stock, and retained 62,000 common shares
recognition of their earlier efforts under the 2011 agreement. For our part, we sold back to Athena all of our ownership in Athena Structured Funds, PLC
originally acquired under the 2011 agreement. Presently, we have no ongoing business relationship with Athena.

Related-Party Transaction Policy

In all cases, we abide by applicable state corporate law when approving all transactions, including transactions involving officers, directors or affiliates. M
particularly, our policy is to have any related-party transactions (i.e., transactions involving a director, an officer or an affiliate of the Company) be approv
a majority of the disinterested and independent directors serving on our Board of Directors. Presently, we have four independent directors on the board, an
maintain a board on which independent directors comprise a majority of directors serving on the board.

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DIRECTOR COMPENSATION

The following table sets forth the cash and non-cash compensation awarded to or earned by each individual who served as a member of the board of direc
GWG Holdings during the year ended December 31, 2013.

Director s Name	Fees Pai
Paul A. Siegert (Chairman)	$1
Jon R. Sabes	$1
Steven F. Sabes	$1
Brian Tyrell	$2
Laurence Zipkin	$2
Kenneth Fink	$2
David H. Abramson	$
Charles H. Maguire III	$
Jeffrey L. McGregor	$

On October 28, 2013, Messrs. Tyrell, Zipkin, and Fink voluntarily resigned from the board and three new directors, Messrs. David H. Abramson, Jeffrey
McGregor, and Charles H. Maguire III, were appointed to the board. Each independent board member receives base compensation of $5,000 and an optio
purchase 1,000 shares of the Company s common stock per quarter. In addition, the chairman of the audit committee receives $4,000 and an option to pu
1,000 shares of the Company s common stock per quarter. The chairmen of the compensation committee and the corporate governance committee each r
and an option to purchase up to 500 shares of the Company s common stock per quarter. Also each non-chair member of committees receive $1,000 and
purchase up to 250 shares of the Company s common stock per quarter.

On December 12, 2013, Messrs. Zipkin and Fink each received an option with a ten-year term to purchase 15,000 shares of the Company s common stoc
service as board members.

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**SECURITY OWNERSHIP OF
CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth the number and percentage of outstanding common shares beneficially owned as of August 28, 2014, by:

each person known by us to be the beneficial owner of more than five percent of our outstanding common stock

each of our current directors

each our current executive officers and any other persons identified as a named executive in the Summary Compensation Table above, and

all current executive officers and directors as a group.

Shares beneficially owned and percentage ownership is based on 4,562,000 shares of common stock outstanding. Beneficial ownership is determined in a
with the rules of the SEC, and includes general voting power and/or investment power with respect to securities. Shares of common stock issuable upon e
options or warrants that are currently exercisable or exercisable within 60 days of the record rate, and shares of common stock issuable upon conversion o
securities currently convertible or convertible within 60 days, are deemed outstanding for computing the beneficial ownership percentage of the person ho
securities but are not deemed outstanding for computing the beneficial ownership percentage of any other person. Under the applicable SEC rules, each pe
beneficial ownership is calculated by dividing the total number of shares with respect to which they possess beneficial ownership by the total number of o
shares of the Company. In any case where an individual has beneficial ownership over securities that are not outstanding, but are issuable upon the exerci
or warrants or similar rights within the next 60 days, that same number of shares is added to the denominator in the calculation described above. Because
calculation of each person s beneficial ownership set forth in the Percentage of Common Shares column of the table may include shares that are not pr
outstanding, the sum total of the percentages set forth in such column may exceed 100%. Unless otherwise indicated, the address of each of the following
220 South Sixth Street, Suite 1200, Minneapolis, Minnesota 55402, and each such person has sole voting and investment power with respect to the shares
opposite his, her or its name.

Name and Address	Shares Beneficially Owned	Pe B
Jon R. Sabes (1)	2,427,394	
Steven S. Sabes (2)	2,386,247	
Paul A. Siegert (3)	225,445	
Jon Gangelhoff (4)	50,000	
William B. Acheson (5)	2,500	
David H. Abramson (6)	10,000	
Jeffrey L. McGregor (7)	7,000	
Charles H. Maguire III (8)	7,000	
Shawn R. Gensch (9)	1,500	
All current directors and officers as a group	4,628,000	

* less than one percent.

(1) Mr. Sabes is our Chief Executive Officer and a director of the Company. Shares reflected in the table include 1,092,276 shares held individually, shares held by Opportunity Finance, LLC, a Minnesota limited liability company of which Mr. Sabes is a manager and member, 169,671 shares Sabes 1992 Trust No.1, a trust of which Mr. Sabes is the beneficiary, 168,801 shares held by Jon Sabes 12.30.92 Trust, a trust of which Mr. Sabe beneficiary, 241,631 shares held by Jon Sabes1982 Trust, a trust of which Mr. Sabes is a beneficiary, and 163,737 shares held by Jon Sabes 1976

trust of which Mr. Sabes is a beneficiary. Also 102,191 shares held by Mr. Sabes immediate family members. The trustees of each of the trusts are Sabes, Steve F. Sabes and Ross A. Sabes.

(2) Mr. Sabes is our President, Secretary and a director of the Company. Shares reflected in the table include 799,779 shares held individually, 489,0 held by Opportunity Finance, LLC, a Minnesota limited liability company of which Mr. Sabes is a manager and member, 521,158 shares held by 1982, a trust of which Mr. Sabes is the beneficiary, 350,779 shares held by SFS Trust 1992 Esther, a trust of which Mr. Sabes is a beneficiary, an shares held by SFS Trust 1976, a trust of which Mr. Sabes is a beneficiary. The trustees of each of the trusts are Robert W. Sabes, Jon R. Sabes a Sabes. The number of shares also include 25,000 of vested stock options granted pursuant to stock option agreement dated September 5, 2013 fo shares at a per-share exercise price of $8.28 vesting over a three-year period.

(3) Mr. Siegert is a director of the Company (Executive Chairman). Shares reflected in the table include 200,445 shares held individually and 25,000 stock options granted pursuant to stock option agreement dated September 5, 2013 for 27,500 shares at a per-share exercise price of $7.52 vestin three-year period.

(4) Mr. Gangelhoff is our Chief Operating Officer. Shares reflected in the table include 50,000 of vested stock options granted pursuant to stock opti agreement dated September 5, 2013 for 77,000 shares at a per-share exercise price of $7.52 vesting over a three-year period.

(5) Mr. Acheson is our Chief Financial Officer. Shares reflected in the table include 2,500 of vested stock options granted pursuant to a stock option dated May 27, 2014 for 32,500 shares at a per-share exercise price of $7.52 and vesting over a three-year period.

(6) Mr. Abramson is a director of the Company. Shares reflected in the table include 10,000 of vested stock options granted pursuant to a stock optio dated October 28, 2013 for 30,000 shares at a per-share exercise price of $7.52 and vesting quarterly over a three-year period.

(7) Mr. McGregor is a director of the Company. Shares reflected in the table include 7,000 of vested stock options granted pursuant to a stock optior dated November 12, 2013 for 21,000 shares at a per-share exercise price of $7.52 and vesting quarterly over a three-year period.

(8) Mr. Maguire is a director of the Company. Shares reflected in the table include 7,000 of vested stock options granted pursuant to a stock option a dated November 12, 2013 for 21,000 shares at a per-share exercise price of $7.52 and vesting quarterly over a three-year period.

(9) Mr. Gensch is a director of the Company. Shares reflected in the table include 1,500 of vested stock options granted pursuant to a stock option ag dated July 1, 2014 for 18,000 shares at a per-share exercise price of $7.52 and vesting quarterly over a three-year period.

DESCRIPTION OF THE SERIES L BONDS

General

The Series L Bonds will be secured obligations of GWG Holdings. The Series L Bonds will be issued under an indenture between us and Bank of Utah as indenture trustee. The terms and conditions of the Series L Bonds include those stated in the indenture and those made part of the indenture by reference t Indenture Act of 1939. The following is a summary of the material provisions of the indenture. For a complete understanding of the Series L Bonds, you s review the definitive terms and conditions contained in the indenture, which include definitions of certain terms used below. A copy of the indenture has l with the SEC as an exhibit to the registration statement of which this prospectus is a part, and is available from us at no charge upon request.

The following is a summary of the material terms associated with the Series L Bonds:

The Series L Bonds are general secured obligations of GWG Holdings. The obligations are secured by a grant of a security interest in all of the as GWG Holdings, which assets will serve as collateral for our obligations under the Series L Bonds. This grant of a security interest is effected pur pledge and security agreement attached to the indenture.

The Series L Bonds are fully and unconditionally guaranteed by our wholly owned direct subsidiary, GWG Life, but otherwise are not guarantee other person or entity. The guarantee is backed by a grant of a security interest in all of the assets of GWG Life, which assets will serve as additio collateral for our obligations under the Series L Bonds. Chief among these assets is GWG Life s ownership interest in DLP Funding II. This gua effected pursuant to provisions contained in the indenture.

The Series L Bonds are also secured by a pledge of the equity ownership interests in GWG Holdings by its principal stockholders Jon R. Sabes Sabes which pledge is effected pursuant to a pledge and security agreement attached to the indenture.

The collateral granted for our obligations under the Series L Bonds (i.e., the security interest in all of the assets of GWG Holdings, and the guara GWG Life and corresponding security interest in all of its assets including a pledge of the equity ownership interests in DLP Funding II), togethe certain covenants contained in the documents relating to our earlier issued Series I Secured notes (of which approximately $28.0 million was outs of June 30, 2014), and (ii) an intercreditor agreement among GWG Holdings, GWG Life, Bank of Utah (on behalf of the Series L Bond holders, behalf of the Renewable Secured Debentures) and Lord Securities Corporation (the collateral trustee for the Series I Secured notes), make the Se pari passu with the Series I Secured notes and the Renewable Secured Debentures (of which approximately $157.5 million was outstanding as of 2014) with respect to payment, security and collateral. The intercreditor agreement is attached to the indenture.

The Series L Bonds will be junior to the $100 million revolving credit facility of DLP Funding II with Autobahn/DZ Bank, which currently has a outstanding balance of approximately $79 million. The Series L Bonds will also be junior to any other senior lending facility we may later obtain

The Series L Bonds are not savings accounts, certificates of deposit (CDs) or other forms of deposits, and are not insured by the FDIC or any governmental agency.

The Series L Bonds are not directly secured by any life insurance assets not owned by GWG Life. A significant amount of our life insurance asse our policies, representing approximately 79.0% of the face value of policy benefits as of June 30, 2014) are held by our DLP Funding II subsidia GWG Life s equity ownership interests in DLP Funding II is an asset in which GWG Life has pursuant to its guarantee granted a security interes collateral for obligations under the Series L Bonds, the payment on such equity interests will be subordinate to the interests of creditors of DLP F including our senior creditor Autobahn/DZ Bank.

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The Series L Bonds do not have the benefit of a sinking fund for the retirement of principal.

The Series L Bonds are not convertible into our capital stock or other securities.

We have the option to call and redeem the entire outstanding principal balance and accrued but unpaid interest of any Series L Bonds at any time premium or penalty. If we elect to call and redeem your Series L Bonds, those redeemed Series L Bonds will cease to accrue interest after the red date under the terms and subject to the conditions of the indenture.

Except in limited circumstances (death, bankruptcy or total disability), Series L Bond holders will have no right to require us to redeem any Serie prior to its maturity date. Any early redemption will be for the total outstanding principal balance and accrued but unpaid interest. If we in our so nonetheless elect to accommodate a redemption request, we will redeem the entire (but not less than the entire) outstanding principal balance and

unpaid interest of the Series L Bonds and impose a redemption fee of 6% against the outstanding principal balance of the Series L Bond redeeme
will be subtracted from the amount paid to you.

The Series L Bonds will be denominated in U.S. dollars and we intend to sell the Series L Bonds at 100% of their principal face amount. The minimum in
amount in the Series L Bonds will be $25,000. Above that minimum amount, Series L Bonds may be purchased in $1,000 increments. Subject to the mini
investment amount, you may select the principal amount and term of the Series L Bonds (ranging from one year to seven years) you would like to purcha
subscribe. The interest rate of your Series L Bond will remain fixed until maturity. Depending on our capital requirements, we may not, however, always
L Bonds with the particular terms you seek. See Description of the Series L Bonds Interest Rate and Maturity below.

Upon acceptance of your subscription, we will create an account in a book-entry registration and transfer system for you, and credit the principal amount
subscription to your account. We will also send you a purchase confirmation that will indicate our acceptance of your subscription. If your subscription is
funds deposited will be promptly returned to you without any interest. See Registration and Exchange below. Alternatively, you may subscribe for Se
a direct participant with Depository Trust Company (DTC settlement). See Plan of Distribution Settlement Procedures for more information.

Investors whose subscriptions for Series L Bonds have been accepted and anyone who subsequently acquires Series L Bonds in a qualified transfer are re
holders or registered holders in this prospectus. We may modify or supplement the terms of the Series L Bonds described in this prospectus from tin
supplement to the indenture and a supplement to this prospectus. Except as set forth under Amendment, Supplement and Waiver below, any modifica
amendment will not affect Series L Bonds outstanding at the time of such modification or amendment.

The Series L Bonds are transferable pursuant to the terms of the indenture. The Series L Bonds may be transferred or exchanged for other Series L Bonds
series and class of a like aggregate principal amount subject to limitations contained in the indenture. We will not charge a fee for any registration, transfe
exchange of Series L Bonds. However, we may require the holder to pay any tax, assessment fee, or other governmental charge required in connection wi
registration, transfer or exchange of Series L Bonds. The registered holder of a Series L Bond will be treated as its owner for all purposes.

Denomination

You may purchase Series L Bonds in the minimum principal amount of $25,000, and in whole increments of $1,000 above $25,000. You will determine t
principal amount of each Series L Bond you purchase when you subscribe. You may not cumulate purchases of multiple Series L Bonds with principal an
than $25,000 to satisfy the minimum requirement. In our discretion, we may waive the $25,000 minimum purchase requirement for any investor.

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Term

We may offer Series L Bonds with the following terms to maturity:

one year	five years
two years	seven years
three years	

You will select the term of each Series L Bond you purchase when you subscribe. You may purchase multiple Series L Bonds with different terms by filli
investment amounts for more than one term on your Subscription Agreement. Nevertheless, during this offering we may not always offer Series L Bonds
the maturity terms outlined above.

The actual maturity date will be on the last day of the month in which the Series L Bond matures (i.e., the month in which the Series L Bond s term ends
example, if you select a one-year term and your Series L Bond becomes effective on January 1, 2015, the actual maturity date will be January 31, 2016. A
maturity, we will pay all outstanding principal and accrued but unpaid interest on the Series L Bond no later than the 15th day of the calendar month next
maturity (or the first business day following the 15th day of such month). So, in the case of a Series L Bond with a maturity date of January 31, 2016, actu
will be made on or prior to February 15, 2016 (unless such date is not a business day, in which case actual payment will be made on the next business day
L Bonds do not earn interest after the maturity date or any date set for prepayment.

Should the original Series L Bond holder (x) no longer be the holder of the Series L Bond or (y) be unavailable, or a change in payee be necessary, such a
of a surviving estate, we may require a copy of the executed assignment to any transferee, or an order from a court or probate commission, as the case ma
order that we know the principal is returned to the rightful party.

Interest Rate

The rate of interest we will offer to pay on Series L Bonds at any particular time will vary based upon market conditions, and will be determined by the te
maturity of the Series L Bonds, our capital requirements and other factors described below. The interest rate on a particular Series L Bond will be determi
time of subscription or renewal and then remain fixed for the original or renewal term of the Series L Bond. We will establish and may change the interes
payable for Series L Bonds of various terms and at various investment levels in an interest rate supplement to this prospectus.

We may offer Series L Bonds that earn incrementally higher interest rates when, at the time they are purchased or renewed, the aggregate principal amou
Series L Bond portfolio of the holder increases. If applicable, the interest rates payable at each level of investment will be set forth in an interest rate supp
this prospectus. We may change the interest rate for any or all maturities to reflect market conditions at any time by supplementing this prospectus. If we
interest rates, the interest rate on Series L Bonds issued before the date of the change will not be affected.

Payments on the Series L Bonds; Paying Agent and Registrar

Investors will have the opportunity to select whether interest on their Series L Bonds will be paid quarterly or annually. For investors using direct settleme
Company, this selection opportunity will be presented in the Subscription Agreement.

Interest will accrue on the Series L Bonds at the stated rate from and including the effective date of the Series L Bond until maturity. The effective date of
Bond will be as follows:

If you purchase a Series L Bond through DTC settlement, the first business day after the monthly closing cycle with DTC. In this regard, you sho
that the final settlement date for participating in a closing cycle will generally require you to have paid your subscription at least ten days prior to
calendar month. So for example, to participate in a closing cycle on which

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Series L Bonds will be issued on May 1, your DTC settlement subscription must be effected and paid for no later than April 20.

If you purchase a Series L Bond through direct settlement with the Company, the effective date of your bond will be the following, as applicable
where you pay for your bond via wire transfer directly to us, the first business day of the next calendar month after which we receive the wire; (ii
where you pay for your bond by bank draft directly to us, the first business day of the next calendar month after which we receive the draft; or (ii
where you pay for your bond by personal check, the first business day of the calendar month that is at least five full business days after which we
check.

Interest payments on Series L Bonds will be paid on the 15th day immediately following the last day of the applicable interest payment period. Interest w
without any compounding. The first payment of interest will include interest for the partial period in which the purchase occurred. The indenture provides
interest will be calculated based on a year with twelve 30-day months.

If you purchase your Series L Bond through direct settlement, we will pay the principal of, and interest on, Series L Bonds by direct deposit to the accoun
in your Subscription Agreement. We will not accept subscriptions from investors who are not willing to receive their interest payments via direct deposit.
foregoing payment method is not available, principal and interest payments on the Series L Bonds will be payable at our principal executive office or at su
place as we may designate for payment purposes. If you purchase your Series L Bond through DTC settlement, our payments of principal and interest wil
the depositary (DTC) and then be credited to your brokerage or custodial account through the DTC procedures followed by your brokerage firm or custod
more information, please see Registration and Exchange Global Certificates Deposited with DTC below.

We will withhold 28% of any interest payable to any investor who has not provided us with a social security number, employer identification number, or
satisfactory equivalent in the Subscription Agreement (or another document) or where the IRS has notified us that backup withholding is otherwise requir
see Material Federal Income Tax Considerations Backup Withholding and Information Reporting.

Registration and Exchange

The Series L Bonds that we settle directly will generally be issued in book-entry form, which means that no physical Series L Bond is created, subject, ho
limited exceptions described in the indenture. The Series L Bonds settled through DTC settlement will be represented by global certificates deposited wit
depositary as described below.

Book-Entry Registration

Evidence of your ownership will be provided by written confirmation. As described below, holders may, under certain circumstance described below, opt
physical delivery of a certificated security that evidences their Series L Bonds. Otherwise, the issuance and transfer of Series L Bonds will be accomplish
exclusively through the crediting and debiting of the appropriate accounts in our book-entry registration and transfer system.

The holders of the accounts established upon the purchase or transfer of Series L Bonds will be deemed to be the owners of the Series L Bonds under the
The holder of the Series L Bonds must rely upon the procedures established by the trustee to exercise any rights of a holder of Series L Bonds under the i
will regularly provide the trustee with information regarding the establishment of new accounts and the transfer of existing accounts.

On or prior to any interest payment date or upon redemption, we will also provide the trustee with information regarding the total amount of any principa
due to holders of Series L Bonds. On each interest payment date, we will credit interest due on each account and direct payments to the holders.

We will determine the interest payments to be made to the book-entry accounts and maintain, supervise and review any records relating to book-entry acc
Series L Bonds.

Book-entry notations in the accounts evidencing ownership of the Series L Bonds are exchangeable for certificated Series L Bonds only: (i) at the request
holder, at the end of the Company s next fiscal quarter; or (ii) after the occurrence of an event of default under the indenture, if holders of more than 50%
aggregate outstanding principal amount of the Series L Bonds advise the trustee in writing that the continuation of a book-entry system is no longer in the
interests of the holders of Series L Bonds. In its discretion, the Company may elect to terminate the book-entry system and replace book-entry notations w
certificates.

Global Certificates Deposited with DTC

Series L Bonds may be issued in the form fully registered global certificates deposited with, or on behalf of, The Depository Trust Company (DTC), N
and registered in the name of Cede & Co., as nominee of DTC. Unless and until exchanged, in whole or in part, for Series L Bonds in definitive registered
global certificate may not be transferred except as a whole by the depositary to a nominee of such depositary, by a nominee of such depositary to such dep
another nominee of such depositary, or by such depositary or any nominee of such depositary to a successor of such depositary or a nominee of such succ

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Ba
member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agenc
pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities of its participants and to facilitate the clearance and se
securities transactions, such as transfers and pledges, among its participants in such securities through electronic computerized book-entry changes in acc
participants, thereby eliminating the need for physical movement of securities certificates. DTC s participants include securities brokers and dealers (incl
managing broker-dealer), banks, trust companies, clearing corporations and certain other organizations, some of whom own DTC. Access to DTC s book
is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, ei
or indirectly. The rules applicable to DTC and its participants are on file with the SEC.

If available, purchases of the Series L Bonds within the DTC system must be made by or through direct participants, which will receive a credit for the Se
on DTC s records. The ownership interest of each beneficial owner of the Series L Bonds will be recorded on the direct and indirect participants record
owners will not receive written confirmation from DTC of their purchases, but beneficial owners are expected to receive written confirmations providing
transactions, as well as periodic statements of their holdings, from the direct or indirect participants through which the beneficial owners entered into the
Transfers of ownership interests in the Series L Bonds are to be accomplished by entries made on the books of participants acting on behalf of beneficial

To facilitate subsequent transfers, all Series L Bonds deposited by participants with DTC will be registered in the name of DTC s nominee, Cede & Co. T the Series L Bonds with DTC and their registration in the name of Cede & Co. will effect no change in beneficial ownership. DTC will have no knowledg actual beneficial owners of the Series L Bonds. DTC s records will reflect only the identity of the direct participants to whose accounts such notes are cre may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants and by direct and indirect pa beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to tim

We will make payments due on the notes to Cede & Co., as nominee of DTC, in immediately available funds. DTC s practice is to credit direct participa upon DTC s receipt of funds and corresponding detailed information, on the relevant payment date in accordance with their respective holdings shown o records. Payments by participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities he account of customers in bearer form or registered in street name, and will be the responsibility of such participant and not our responsibility or DTC, su statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. is our responsibility. Disbursement of such payments t participants is the responsibility of Cede & Co. Disbursement of such payments to the beneficial owners is the responsibility of direct and indirect particip

Except as provided herein, a beneficial owner of an interest in a global certificate will not be entitled to receive physical delivery of the Series L Bonds. A each beneficial owner must rely on the procedures of DTC to exercise any rights under the Series L Bonds. The laws of some jurisdictions require that cer purchasers of securities take physical delivery of securities in definitive form. Such laws may impair the ability to transfer beneficial interests in a global c

As long as the depositary, or its nominee, is the registered holder of a global certificate, the depositary or such nominee will be considered the sole owner of the Series L Bonds represented thereby for all purposes under the Series L bonds and the indenture. Except in the limited circumstances referred to belo of beneficial interests in a global certificate will not be entitled to have such global certificate or any Series L Bonds represented thereby registered in thei will not receive or be entitled to receive physical delivery of certificated Series L Bonds in exchange for the global certificate and will not be considered t owners or holders of such global certificate or any certificates represented thereby for any purpose under the Series L Bonds or the indenture. Accordingly person owning a beneficial interest in such global certificate must rely on the procedures of the depositary and, if such person is not a participant, on the p the participant through which such person owns its interest to exercise any rights of a holder under the indenture.

If the depositary for a global certificate representing Series L Bonds is at any time unwilling or unable to continue as depositary and a successor depositar appointed by us within 90 days, we will issue Series L Bonds in definitive form in exchange for such global certificate. In addition, we may at any time an sole discretion determine not to have the Series L Bonds represented by one or more global certificates and, in such event, we will issue the notes in defin exchange for all of the global certificates representing the Series L Bonds. Finally, if an event of default, or an event which with the giving of notice or la or both would constitute an event of default, with respect to the Series L Bonds represented by a global certificate has occurred and is continuing, then we Series L Bonds in definitive form in exchange for all of the global certificates representing the notes.

Although DTC has agreed to the procedures provided above in order to facilitate transfers, it is under no obligation to perform these procedures, and these may be modified or discontinued at any time.

Limited Rescission Right

If you are purchasing Series L Bonds through direct settlement with the Company and your Subscription Agreement is accepted at a time when we have d that a post-effective amendment to the registration statement of which this prospectus is a part must be filed with the SEC, but such post-effective amendm yet been declared effective, we will send to you at your registered address a notice and a copy of the related prospectus once it has been declared effective thereupon have the right to rescind your investment upon written request within ten business days from the postmark date of the notice we send to you tha post-effective amendment has been declared effective (and containing the related prospectus). We will promptly return any funds sent with a Subscription that is properly rescinded without penalty, although any interest previously paid on a rescinded Series L Bond will be deducted from the funds returned to rescission. A written request for rescission, except in the case of a mailed rescission, must be postmarked on or before the tenth business day after our not (described above). If you notify us

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other than by mail, we must actually receive your rescission request on or before the tenth business day after our notice to you.

We will not accept purchases of Series L Bonds through DTC settlement if you attempt to consummate a purchase of bonds if, as of the end of the month DTC settlement, we have determined that a post-effective amendment to the registration statement of which this prospectus is a part must be filed with th such post-effective amendment has not yet been declared effective. In any such case, settlement of your Series L Bond purchase must occur in the followi

Renewal or Repayment on Maturity

At least 45 days prior to the maturity of your Series L Bond, we will provide you with a notice indicating that your Series L Bond is about to mature and will allow automatic renewal of your Series L Bond. If we allow you to renew your Series L Bond, we will also provide to you the then-current form of p which may include an interest rate or prospectus supplement and any other updates to the information contained in this prospectus. The prospectus, or the or prospectus supplement, will set forth the interest rates then in effect. The notice will recommend that you review the then-current prospectus, including rate or prospectus supplement, prior to exercising one of the below options. If we do not provide you a new prospectus because the prospectus has not cha the delivery of this prospectus in connection with your original investment or any prior renewal, we will nonetheless send you a new copy of the prospect request. Unless the election period is extended as described below, you will have until 15 days prior to the maturity date to exercise one of the following o

You can do nothing, in which case (subject to applicable law) your Series L Bond will automatically renew for a new term equal to the original te the interest rate in effect at the time of renewal. Interest on renewed Series L Bonds will be paid on the same schedule (i.e., quarterly or annually) original Series L Bond. If applicable, a new certificate will be issued.

You can elect repayment of your Series L Bond, in which case the principal amount will be repaid in full along with any accrued but unpaid inter choose this option, your Series L Bond will not earn interest on or after the maturity date.

You can elect repayment of your Series L Bond and use all or part of the proceeds to purchase a new Series L Bond with a different term or princ To exercise this option, you will need to complete a new Subscription Agreement for the new Series L Bond and mail it along with your request, with your broker if you wish to purchase your new Series L Bond through DTC settlement. Any proceeds from the old Series L Bond that are no the new Series L Bond will be sent to you.

The foregoing options will be available to holders unless and until terminated under the indenture. Interest will accrue from the first day of each renewed renewed Series L Bond will retain all its original provisions, including provisions relating to payment, except that the interest rate payable during any ren will be the interest rate that is being offered at that time to other holders with similar aggregate Series L Bond portfolios for Series L Bonds of the same te forth in the interest rate supplement delivered with the maturity notice. If similar Series L Bonds are not then being offered, the interest rate upon renewal rate specified by us on or before the maturity date, or the rate of the existing Series L Bond if no such rate is specified.

If we notify the holder of our intention to repay a Series L Bond at maturity, or if the holder timely requests repayment, we will pay the principal and all a unpaid interest on the Series L Bond on or prior to the 15th day of the calendar month after the maturity date (or the first business day following the 15th month). Thus, in the case of a Series L Bond with a maturity date of January 31, 2015, actual payment will be made on or prior to February 15, 2015 (unl is not a business day, in which case actual payment will be made on the next business day). No interest will accrue after the maturity date. You should be because payment is made by ACH transfer, funds may not be received in the holder s account for two to three business days.

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We will be required from time to time to file post-effective amendments to the registration statement of which this prospectus is a part to update the infor contains. If you would otherwise be entitled to renew your Series L Bonds upon their stated maturity at a time when we have determined that a post-effec amendment must be filed with the SEC, but such post-effective amendment has not yet been declared effective, then the period during which you can ele (or repayment) will be automatically extended until ten days following the postmark date of our notice to you that the post-effective amendment has been effective, which notice shall contain a copy of the related prospectus. All other provisions relating to the renewal or redemption of Series L Bonds upon th maturity described above shall remain unchanged.

For any Series L Bonds offered hereby that mature on or after the three-year anniversay of the date on which the registration statement of which this prosp
part shall have been declared effective, we expect that the renewal of such Series L Bonds may require us to file a new registration statement. In such a ca
registration statement must be declared effective before we can renew your Series L Bond. In this event, if the new registration statement has not yet been
become effective, we will extend your election period until ten days following the date of our notice to you that the new registration statement has become
which notice will include a new prospectus.

Call and Redemption Prior to Stated Maturity

We may call and redeem, in whole or in part, principal amount and accrued but unpaid interest on any Series L Bonds prior to their stated maturity only a
the indenture and described below. The holder has no right to put or otherwise require us to redeem any Series L Bond prior to its maturity date (as origin
as it may be extended), except as indicated in the indenture and described below.

Our Voluntary Redemption

We have the right to redeem any Series L Bond, in whole or in part, at any time prior to its stated maturity upon at least 30 days written notice to the hold
Series L Bond. The holder of the Series L Bond being redeemed will be paid a redemption price equal to the outstanding principal amount thereof plus ac
unpaid interest up to but not including the date of redemption without any penalty or premium. We may use any criteria we choose to determine which Se
we will redeem if we choose to do so. We are not required to redeem Series L Bonds on a pro rata basis.

Holder s Put Election Upon Death, Bankruptcy or Total Permanent Disability

Series L Bonds may be redeemed prior to maturity at the election of a holder who is a natural person (including Series L Bonds held in an individual retir
account and the holders of a beneficial interest in a global certificate held by a depositary or its nominee), by giving us written notice within 45 days follo
holder s total permanent disability or bankruptcy, as established to our satisfaction, or at the election of the holder s estate, by giving written notice with
following the death of the holder. Subject to the limitations described below, we will redeem the Series L Bonds not later than the 15th day of the month n
following the month in which we establish to our satisfaction the holder s death, bankruptcy or total permanent disability. In the event that the 15th day o
next following the month in which we so establish such facts is not a business day, we will redeem the Series L Bonds on the next business day. The rede
in the event of such a death, bankruptcy or total permanent disability, will be the entire principal amount of the Series L Bonds, plus accrued but unpaid in
thereon up to and through the last day of the calendar month preceding the redemption date.

If spouses are joint registered holders of a Series L Bond, the right to elect to have us redeem Series L Bonds will apply when either registered holder dies
bankruptcy or suffers a total permanent disability. If the Series L Bond is held jointly by two or more persons who are not legally married, none of these p
have the right to request that we redeem the Series L Bonds unless all joint holders have died, filed bankruptcy or suffered a total permanent disability. If
Bond is held by a trust, partnership,

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corporation or other similar entity, the right to request redemption upon death or total permanent disability does not apply.

Redemption at Request of Holder

We have no obligation to redeem any Series L Bonds other than upon maturity, or upon the death, bankruptcy or total permanent disability of a natural pe
Nevertheless, at our sole discretion we may agree from time to time, at the written request of a holder (including the holder of a beneficial interest in a glo
certificate held by a depositary or its nominee), to redeem a Series L Bond, subject, however, to a redemption fee of 6.0% of the principal amount of such
Bond. If we so redeem any Series L Bond prior to maturity, we will redeem the entire principal amount of such Series L Bond together with accrued but u
interest thereon, The redemption fee will be subtracted from the amount paid to you.

Transfers

The Series L Bonds will be transferable in accordance with the indenture. For Series L Bonds that are issued solely in book-entry form, transfers will be e
upon the delivery to us of an executed assignment or other conveyance instrument in customary form. For Series L Bonds that are represented by a global
held by a depositary or its nominee, transfers of beneficial interests in such certificate must be effected in accordance with the procedures and rules of the

Upon transfer of a Series L Bond, we will provide the new holder of the Series L Bond with a purchase confirmation that will evidence the transfer of the our records. If applicable (e.g., if transferred to a custodial account), a new certificate will be issued. No written confirmations will be provided with resp transfers of beneficial interests in a global certificate held by a depositary or its nominee.

Quarterly Statements

We will provide holders of the Series L Bonds with quarterly statements, which will indicate, among other things, the account balance at the end of the qu interest credited, redemptions made, if any, and the interest rate paid during the quarter. These statements will be sent electronically on or prior to the 10th day after the end of each calendar quarter. If a holder is unwilling or unable to receive quarterly statements electronically, we will mail the statements to t record on or prior to the 10th business day after the end of each calendar quarter. In such a case, we may charge such holders a reasonable fee to cover ou incurred in mailing the statements.

Ranking

The Series L Bonds will constitute secured debt of GWG Holdings. The payment of principal and interest on the Series L Bonds will be:

- pari passu with respect to payment and collateral securing the approximately $28.0 million in outstanding principal amount of Series I Secured no previously issued by our subsidiary GWG Life and the Renewable Secured Debentures issued by GWG Holdings, at any time, of which approxin $157.5 million in principal amount is outstanding as of June 30, 2014 (see the caption Collateral Security below);

- structurally junior to the present and future obligations owed by our subsidiary DLP Funding II under the senior secured revolving credit facility Autobahn/DZ Bank (including the approximately $79 million outstanding under such facility as of June 30, 2014), and structurally or contractual any future obligations that DLP Funding II or other primary obligors or guarantors may have under future senior secured borrowing facilities; an

- structurally junior to the present and future claims of creditors of our subsidiaries, other than GWG Life, including trade creditors, including trad

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The indenture will permit us to issue other forms of debt, including secured and senior debt, in the future.

Pari passu means that claims for payment and entitlement to security among the holders of Series L Bonds, the holders of Renewable Secured Debentu holders of Series I Secured notes previously issued by GWG Life, together with the holders of any later-created class of pari passu debt, will be treated without preference. Although we have no present intention of causing GWG Life to issue additional secured debt in the future, any such debt issued on a basis in the future would also be treated equally and without preference in respect of the Series L Bonds, Renewable Secured Debentures and Series I Sec We may continue our ongoing offering of Renewable Secured Debentures and Series I Secured Notes for renewals only, and any such debt issued on a pa basis in the future would also be treated equally and without preference in respect of the Series L Bonds and any secured debt issued by GWG Life. Thus of any default on the Series L Bonds (or any other debt securities of ours that is pari passu with the Series L Bonds) resulting in claims for payment or cla collateral security, the holders of the Series L Bonds and all such other debt securities pari passu with the Series L Bonds would share in payment or colla proportion to the amount of principal and interest owed on each such debt instrument.

Guarantee by GWG Life Subsidiary

The payment of principal and interest on the Series L Bonds is fully and unconditionally guaranteed by GWG Life. This guarantee, together with (i) the accompanying grant of a security interest in all of the assets of GWG Life, including GWG Life s entire ownership interest in DLP Funding II, (ii) the pl ownership interests in GWG Holdings, Inc. by our principal stockholders, and (iii) an intercreditor agreement among GWG Holdings, GWG Life, Bank o behalf of the Series L Bond holders and on behalf of the holders of Renewable Secured Debentures) and Lord Securities Corporation (the collateral truste Series I Secured notes), make the Series L Bonds pari passu with the Series I Secured notes and the Renewable Secured Debentures with respect to paym and collateral. For an explanation of the term pari passu, see Ranking above. There were approximately $28.0 million in principal amount of Serie and approximately $157.5 million in principal amount of Renewable Secured Debentures outstanding as of June 30, 2014.

Collateral Security

The Series L Bonds are secured by the assets of GWG Holdings, Inc. We will grant a security interest in all of the assets of GWG Holdings to the indentu
the benefit of the Series L Bond holders. The assets of GWG Holdings consist, and are expected to consist, primarily of (i) any cash proceeds received fro
subsidiaries as distributions derived from life insurance assets of subsidiaries, (ii) all other cash and investments held in various accounts, (iii) the equity o
interests in subsidiaries of GWG Holdings, including the equity ownership interest in GWG Life, together with (iv) all proceeds from the foregoing. This
security granted by us is referred to as the GWG Holdings Assets Collateral.

As indicated above, our direct and wholly owned subsidiary, GWG Life, will fully and unconditionally guarantee our obligations under the Series L Bond
guarantee will be supported by GWG Life s grant of a security interest in all of its assets. The assets of GWG Life consist, and are expected to consist, pr
certain life insurance assets, (ii) any cash proceeds received from life insurance assets owned by GWG Life or received from its direct subsidiary DLP Fu
distributions derived from life insurance policies owned by that subsidiary, (iii) all other cash and investments held by GWG Life in its various accounts,
Life s equity ownership interest in its direct subsidiary DLP Funding II, together with (v) all proceeds from the foregoing. The collateral security granted
pursuant to its guarantee of our obligations under the Series L Bonds is referred to as the GWG Life Assets Collateral.

In addition, Messrs. Jon R. Sabes and Steven F. Sabes, our principal stockholders beneficially holding approximately 94.3% of the outstanding shares of c
stock, have pledged all of the shares they own in GWG Holdings to further secure our obligations under the Series L Bonds. This collateral security grant
Messrs. Jon R. Sabes and Steven F. Sabes is referred to as the GWG Holdings Equity Collateral.

Together, the GWG Holdings Assets Collateral, GWG Life Assets Collateral and GWG Holdings Equity Collateral comprise all of the collateral security
obligations under the Series L Bonds. To the extent that we subsequently establish one or more wholly owned subsidiaries of GWG Holdings or GWG Li
L Bonds will have a security interest in the equity ownership interests of those subsidiaries if and to the extent owned by GWG Holdings or GWG Life.

The guarantee by GWG Life is contained in the indenture, and the grant of security interests in the GWG Holdings Assets Collateral, GWG Life Assets C
GWG Holdings Equity Collateral is effected through a Pledge and Security Agreement that is an exhibit to the indenture. The grant of collateral securi
the GWG Life Assets Collateral and GWG Holdings Equity Collateral is designed to afford the holders of Series L Bonds with rights to the same paymen
collateral as that granted to holders of our Series I Secured notes and the holders of our Renewable Secured Debentures on a pari passu basis. To effect th
arrangement, the trustee under the indenture, Bank of Utah (to whom the security grant for Series L Bonds is made under the Pledge and Security Agreem
under a similarly titled agreement relating to the Renewable Secured Debentures), has entered into an Amended and Restated Intercreditor Agreement
Holdings, GWG Life and Lord Securities Corporation (the trustee for our Series I Secured notes). This intercreditor agreement is an exhibit to the indentu
the indenture nor the Pledge and Security Agreement contain any provision preventing a pledging party from disposing of any collateral in the ordinary co
business. In this regard, the Pledge and Security Agreement permits the disposition of GWG Holdings Equity Collateral to the extent the number of share
to constitute such collateral represents at least 10% of the number of shares held by each individual grantor as of the date of the Pledge and Security Agre

A significant amount of our life insurance assets (76.8% of our policies, representing approximately 79.0% of the face value of policy benefits as of June
are held in our subsidiary GWG DLP Funding II, LLC, which we refer to throughout this prospectus as DLP Funding II. The Series L Bonds will not b
secured by any security interest in the assets of DLP Funding II. Instead, the Series L Bonds will be secured by a pledge of the equity ownership interests
Funding II owned by GWG Life by virtue of the guarantee provisions in the indenture and the Pledge and Security Agreement referenced above. An equit
interest is, by its very nature, subordinate to the interests of creditors. **Therefore, although investors in the Series L Bonds will have a security interes
ownership of DLP Funding II, any claim they may have to the assets owned by such entity will be subordinate to the interests of creditors of that
including (i) Autobahn/DZ Bank which is the lender to DLP Funding II under our revolving credit facility, and (ii) all other creditors of DLP Fu
including trade creditors. In addition, there is the risk that the collateral security granted for our obligations under the Series L Bonds may be in
repay the Series L Bonds upon an event of default. See Risk Factors, page 28** *(The collateral granted as security...).*

Subordination; Other Indebtedness

Our obligations under the Series L Bonds will be subordinate to all our senior debt. For this purpose, our senior debt presently includes all indebtednes
subsidiaries with respect to which the Series L Bonds are not pari passu with respect to payment and collateral (i.e., other than our Series I Secured notes
Renewable Secured Debentures). In this regard, our subsidiary DLP Funding II has, as of June 30, 2014, approximately $79 million of debt outstanding u
revolving credit facility. With respect to pari passu indebtedness, as of June 30, 2014 our subsidiary GWG Life has approximately $28.0 million of debt o
under our Series I Secured notes, and we had approximately $157.5 million of debt outstanding under our Renewable Secured Debentures.

The maximum amount of debt, including the Series L Bonds, we may issue is limited by the indenture. In particular, the indenture prohibits us from issuin
amount such that our debt coverage ratio would exceed 90%. The indenture defines the debt coverage ratio as a percentage calculated by the ratio of (A
owing by us and our subsidiaries on all outstanding debt for borrowed money (including the Series L Bonds), over (B) the net present asset value of all lif

assets we own, directly or indirectly, plus any cash held in our accounts. For this purpose, the net present asset value of our life insurance assets is

equal to the present value of the cash flows derived from the face value of policy benefit assets we own, discounted at a rate equal to the weighted averag capital for all our indebtedness for the prior month.

We are required to notify the indenture trustee in the event that we violate this restrictive covenant. An event of default will exist under the indenture i this covenant persists for a period of 30 calendar days after our initial notice to the trustee.

The Series L Bonds are guaranteed by GWG Life but otherwise are not guaranteed by any of our subsidiaries, affiliates or control persons. Neither indent Pledge and Security Agreement prevent holders of debt issued by our subsidiaries from disposing of, or exercising any other rights with respect to, any or collateral securing that debt. Accordingly, in the event of a liquidation or dissolution of one of our subsidiaries (other than GWG Life), creditors of that su are senior in rank will be paid in full, or provision for such payment will be made, from the assets of that subsidiary prior to distributing any remaining as an equity owner of that subsidiary.

The indenture also contains specific subordination provisions, benefitting lenders under senior credit facilities to our operating subsidiaries, restricting the Series L Bond holders to enforce certain of their rights in certain circumstances, including:

- a prohibition on challenging any enforcement action taken by a senior lender or interfering with any legal action or suits undertaken by the senior against us and our affiliates;
- a 180-day standstill period during which there may not be brought any action to enforce an event of default against us or our affiliates unless our credit facility has been repaid in full, which period may be extended if the credit facility provider takes action during such standstill period; and
- a prohibition on filing a bankruptcy or insolvency case against us or our affiliates for at least one year plus one day after the revolving credit faci has been paid in full.

We will not make any payment, direct or indirect (whether for interest, principal, as a result of any redemption or repayment at maturity, on default, or oth the Series L Bonds and any other indebtedness, and neither the holders of the Series L Bonds nor the trustee will have the right, directly or indirectly, to s the indenture or the Series L Bonds, if a default or event of default under any senior credit facility has occurred and is continuing, or if any default or even under any senior credit facility would result from such payment, in each case unless and until:

- the default and event of default has been cured or waived or has ceased to exist; and
- the end of the period commencing on the date the indenture trustee receives written notice of default from a holder of such credit facility and end earlier of the indenture trustee s receipt of (i) a valid waiver of default from the holder of a credit facility, or (ii) a written notice from the holder facility terminating the payment blockage period.

Notwithstanding the foregoing, if any of the blockage events described above have occurred and 179 days have passed since the indenture trustee s recei notice of default without the occurrence of the cure, waiver, termination, or extension of all blockage periods described above, the trustee may thereafter s enforce the indenture and our obligations thereunder and under the Series L Bonds as long as any funds paid as a result of any such suit or enforcement ac paid toward the senior credit facility until it is indefeasibly paid in full before being applied to the Series L Bonds. The indenture contains provisions whe investor in the Series L Bonds consents to the subordination provisions contained in the indenture and related agreements governing collateral security.

If the 180-day standstill period noted above or any other limitation on the rights of the trustee or Series L Bond holders to assert their rights to payment of interest under the indenture or Series L Bonds is ultimately determined to conflict with provisions of the Trust Indenture Act of 1939 (most notably sectio and 317(a) of that Act), then the trustee, as well as any holder who shall not have earlier consented to such subordination provisions, shall (notwithstandin provision contained in the indenture) be

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authorized to institute a lawsuit for the enforcement of any payment of principal or interest after their respective due dates.

No Sinking Fund

The Series L Bonds are not associated with any sinking fund. A sinking fund is generally any account to which contributions will be made, from which pa principal or interest owed on the Series L Bonds will be made. See Risk Factors, page 19.

Restrictive Covenants

The indenture contains covenants that restrict us from certain actions as described below. In particular, the indenture provides that:

- we will not declare or pay any dividends or other payments of cash or other property solely in respect of our capital stock to our stockholders (oth dividend paid in shares of our capital stock on a pro rata basis to all our stockholders) unless no default and no event of default with respect to the Bonds exists or would exist immediately following the declaration or payment of the dividend or other payment;

- to the extent legally permissible, we will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or the performa indenture;

- our Board of Directors will not adopt a plan of liquidation that provides for, contemplates or the effectuation of which is preceded by (a) the sale, conveyance or other disposition of all or substantially all of our assets, otherwise than (i) substantially as an entirety, or (ii) in a qualified sales an transaction, and (b) the distribution of all or substantially all of the proceeds of such sale, lease, conveyance or other disposition and of our remai to the holders of our capital stock, unless, prior to making any liquidating distribution pursuant to such plan, we make provision for the satisfactio obligations under the renewable unsecured subordinated notes; and

- our debt coverage ratio may not exceed 90%.

The indenture defines the debt coverage ratio as a percentage calculated by the ratio of (A) obligations owing on all outstanding debt for borrowed money the Series L Bonds), over (B) the net present asset value of all life insurance assets we own, plus any cash held in our accounts. For this purpose, the net p value of our life insurance assets is equal to the present value of the face value of policy benefit assets we own, discounted at a rate equal to the weighted- of capital for all our indebtedness for the prior month.

Importantly, we are not restricted from entering into qualified sale and financing transactions as defined in the indenture, or incurring additional inde including additional senior debt.

Consolidation, Mergers or Sales

The indenture generally permits a consolidation or merger between us and another entity. It also permits the sale or transfer by us of all or substantially al property and assets. These transactions are permitted if:

- the resulting or acquiring entity, if other than us, is a United States corporation, limited liability company or limited partnership and assumes all o responsibilities and liabilities under the indenture, including the payment of all amounts due on the notes and performance of the covenants in the and

- immediately after the transaction, and after giving effect to the transaction, no event of default shall exist under the indenture.

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If we consolidate or merge with or into any other entity or sell or lease all or substantially all of our assets, according to the terms and conditions of the in
resulting or acquiring entity will be substituted for us in the indenture with the same effect as if it had been an original party to the indenture. As a result,
entity may exercise our rights and powers under the indenture in our name, and we (as an entity) will be released from all our liabilities and obligations u
indenture and under the Series L Bonds. Nevertheless, no such transaction will by itself eliminate or modify the collateral that we have provided as securi
obligations under the indenture.

Events of Default and Remedies

The indenture provides that each of the following constitutes an event of default:

- the failure to pay interest or principal on any Series L Bond for a period of 30 days after it becomes due and payable;
- a failure to observe or perform any material covenant, condition or agreement in the indenture, but only after notice of failure from the indenture such failure is not cured within 60 days;
- our debt coverage ratio exceeds 90% for a period of 30 consecutive calendar days, but only after notice of such breach from the indenture trustee breach is not cured within 60 days;
- certain events of bankruptcy, insolvency or reorganization with respect to us; or
- the cessation of our business.

In addition, the indenture provides that for so long as any Series I Secured notes or Renewable Secured Debentures remain outstanding, an event of defau
borrowing agreements relating to the Series I Secured notes or the Renewable Secured Debentures (as the same may from time to time be amended) will
event of default under the indenture. In this regard, a default under the Series I Secured note or Renewable Secured Debenture borrowing agreements incl
default under our revolving credit facility. As explained in other parts of this prospectus, our revolving credit facility is currently provided by Autobahn F
Company, LLC, as lender, and DZ Bank AG Deutsche Zentral-Genossenschaftsbank, as agent, pursuant to a Credit and Security Agreement dated July 1
which was amended and restated effective as of January 29, 2013. DLP Funding II is the borrower under the line of credit, and GWG Holdings is a party
as performance guarantor (primarily for the obligations of GWG Life, as the servicer of policy assets).

The maximum line of credit is $100 million subject to a borrowing base, which permits us to borrow up to 70% of the amount of eligible policies purchas
in our portfolio. As of June 30, 2014, approximately $79 million was outstanding under the line of credit. Proceeds of the line of credit may be used to pu
policies and loans. The credit facility matures in December 31, 2016. Advances under the line of credit bear interest based either at the commercial paper
available to the lender at the time of funding or at the lender s cost of borrowing plus an applicable margin.

The line of credit is secured by a pledge of substantially all of each borrower s assets and requires GWG Holdings to provide certain indemnities to the l
addition, the borrowers are required to maintain a reserve account for the benefit of the lenders. If at any time the ratio of outstanding borrowings under t
credit, together with accrued and unpaid interest and fees, exceeds 50% of the borrower s net eligible receivables balance (as defined in the loan agreeme
collections from the maturity of life insurance policies are required to be deposited in the reserve account.

The line of credit is subject to customary affirmative and negative covenants. In addition, we must maintain certain financial covenants, including a positi
consolidated net income measured annually and, at all times, a tangible net worth in excess of $15,000,000 (calculated on a prescribed non-GAAP basis).
the line of credit requires us to maintain a reserve equal to 12 months of certain projected expenditures, including anticipated premium payments required
our life insurance portfolio.

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Finally, the line of credit is subject to certain customary events of default (e.g., payment defaults, covenant defaults, cross-defaults, material adverse chan
in control and changes in management) and certain events of default specifically relating to our business, including but not limited to (i) portfolio defaults
10% on an annualized basis, (ii) failure to obtain an unqualified opinion on our annual consolidated financial statements, (iii) failure to maintain certain h
transactions or replace hedge counterparties under any certain hedging transactions required under the credit agreement, (iv) any governmental authority
the purchase and/or servicing of loans be terminated or any law, rule or regulation makes it unlawful to originate, purchase and/or service loans, (v) the p
guaranty of GWG Holdings shall cease to be in full force and effect (vi) a deficiency in the borrowing base, as calculated under the credit agreement, or (
default in the payment when due of other indebtedness in excess of $100,000.

The indenture requires that we give immediate notice to the indenture trustee upon the occurrence of an event of default, unless it has been cured or waive
indenture trustee may then provide notice to the Series L Bond holders or withhold the notice if the indenture trustee determines in good faith that withho
notice is in your best interest, unless the default is a failure to pay principal or interest on any Series L Bond.

If an event of default occurs, the indenture trustee or the holders of at least 25% in principal amount of the outstanding Series L Bonds, may by written no
declare the unpaid principal and all accrued but unpaid interest on the Series L Bonds to be immediately due and payable. Notwithstanding the foregoing,
indenture limits the ability of the Series L Bond holders to enforce certain rights under the indenture in certain circumstances. These limitations are requir
subordination provisions under our revolving credit facility and are summarized above under Subordination; Other Indebtedness. The Pledge and Sec
permits the trustee to exercise on behalf of the holders of Series L Bonds all rights and remedies as are available to a secured creditor under applicable law
any limitations in the indenture, that agreement or the intercreditor agreement. In this regard, the trustee is not authorized under the Pledge and Security A
distribute in kind any collateral in its possession to the holders of Series L Bonds.

Amendment, Supplement and Waiver

Except as provided in this prospectus or the indenture, the terms of the indenture or the Series L Bonds then outstanding may be amended, supplemented
with the consent of the holders of at least a majority in principal amount of the Series L Bonds then outstanding (which consent will be presumed if a hold
object within 30 days of a request for consent), and any existing default or compliance with any provision of the indenture or the Series L Bonds may be
the affirmative consent of the holders of a majority in principal amount of the then outstanding Series L Bonds.

Notwithstanding the foregoing, an amendment or waiver will not be effective with respect to the Series L Bonds held by a holder who him, her or itself h
consented if such amendment or waiver:

- reduces the principal of, or changes the fixed maturity of, any Series L Bond;
- reduces the rate of or changes the time for payment of interest, including default interest, on any Series L Bond;
- waives a default or event of default in the payment of principal or interest on the Series L Bonds, except for a rescission or withdrawal of acceler Series L Bonds made by the holders of at least a majority in aggregate principal amount of the then-outstanding Series L Bonds and a waiver of t default that resulted from such acceleration;
- makes any change in the provisions of the indenture relating to waivers of past defaults or the rights of holders of Series L Bonds to receive payn principal of or interest on the Series L Bonds; or
- makes any change to the subordination provisions of the indenture that has a material adverse effect on holders of Series L Bonds.

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Notwithstanding the foregoing, the following kinds of amendments or supplements to the indenture may be effected by us and the trustee without any con
holder of the Series L Bonds:

- to cure any ambiguity, defect or inconsistency;
- to provide for assumption of our obligations to holders of the Series L Bonds in the case of a merger, consolidation or sale of all or substantially assets;

to provide for additional uncertificated or certificated Series L Bonds;

to make any change that does not materially and adversely affect the legal rights under the indenture of any holder of Series L Bonds, including b
limited to an increase in the aggregate dollar amount of Series L Bonds which may be outstanding under the indenture and limited in amount ther

to modify or eliminate our policy regarding redemptions elected by a holder of Series L Bonds prior to maturity, including our obligation to rede
Bonds upon the death, bankruptcy or total permanent disability of any holder of the Series L Bonds, but only so long as such modifications do no
and adversely affect any then-existing obligations under pending repurchase commitments for Series L Bonds;

to comply with requirements of the SEC in order to effect or maintain the qualification of the indenture under the Trust Indenture Act of 1939, or
with other applicable federal or state laws or regulations;

to comply with the rules or policies of a depositary of the Series L Bonds; or

in connection with an amendment, extension, replacement, renewal or substitution of any senior debt, to amend the subordination provisions of th
to conform to the reasonable requirements of the holder or holders of such senior debt.

Rights of Series L Bond Holders

As a Series L Bond holder, you have limited rights to vote on our actions as they are limited by the indenture. In general, you will have the right to vote o
not to approve some amendments to the indenture. For a description of these rights, see Amendment, Supplement and Waiver above. You will also h
direct some actions that the trustee takes if there is an event of default with respect to the Series L Bonds. For a description of these rights, see above unde
Events of Default. For a complete description of your rights as a Series L Bond holder, we encourage you to read a copy of the indenture, which is fil
to the registration statement of which this prospectus is a part. We will also provide you with a copy of the indenture upon your request.

The trustee and the Series L Bond holders will have the right to direct the time, method and place of conducting any proceeding for some of the remedies
except as otherwise provided in the indenture. The trustee may require reasonable indemnity, satisfactory to the trustee, from Series L Bond holders befor
their direction. You will not have any right to pursue any remedy with respect to the indenture or the Series L Bonds unless you satisfy the conditions con
indenture.

The Indenture Trustee

General

Bank of Utah has agreed to be the trustee under the indenture. The indenture contains certain limitations on the rights of the trustee, should it become one
creditors, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any claim as security or otherwise. The trust
permitted to engage in other transactions with us.

Subject to certain exceptions, the holders of a majority in principal amount of the then-outstanding Series L Bonds will have the right to direct the time, m
place of conducting any proceeding for

exercising any remedy available to the trustee. The indenture provides that if an event of default specified in the indenture shall occur and not be cured, th
will be required, in the exercise of its power, to use the degree of care of a reasonable person in the conduct of his own affairs. Subject to such provisions,
will be under no obligation to exercise any of its rights or powers under the indenture at the request of any holder of Series L Bonds, unless the holder sha
offered to the trustee security and indemnity satisfactory to it against any loss, liability or expense.

Resignation or Removal of the Trustee

The trustee may resign at any time, or may be removed by the holders of a majority of the aggregate principal amount of the outstanding Series L Bonds. we may remove the trustee for certain failures in its duties, including the insolvency of the trustee or the trustee s ineligibility to serve as trustee under th Indenture Act of 1939. However, no resignation or removal of the trustee may become effective until a successor trustee has accepted the appointment as the indenture.

Reports to Trustee

We will provide the trustee with (i) a calculation date report by the 15th day of each month containing a calculation of the debt coverage ratio that include of all cash, life insurance policy investments serving as collateral, as well as our total outstanding indebtedness including outstanding principal balances, credited and paid, transfers made, any redemption or repayment and interest rate paid; (ii) copies of our audited annual financials, no earlier than when th become a matter of public record; and (iii) any additional information reasonably requested by the trustee.

Certain Charges

We and our servicing agents, if any, may assess service charges for changing the registration of any Series L Bond to reflect a change in name of the hold changes in interest payment dates or transfers (whether by operation of law or otherwise) of a Series L Bond by the holder to another person. The indentu to set off, against amounts otherwise payable to you under the Series L Bonds, the amount of these charges.

Variations in Terms and Conditions

We may from time to time vary the terms and conditions of the Series L Bonds offered, including but not limited to minimum initial principal investment requirements, maximum aggregate principal amount limits, interest rates, minimum denominations, service and other fees and charges, and redemption p Terms and conditions may be varied by state, locality, principal amount, type of investor (for example, new or current investor) or as otherwise permitted indenture governing the securities offered by this prospectus. No change in terms, however, will apply to any Series L Bonds already issued and outstand time of such change.

Satisfaction and Discharge of Indenture

The indenture shall cease to be of further effect upon the payment in full of all of the outstanding Series L Bonds and the delivery of an officer s certifica trustee stating that we do not intend to issue additional Series L Bonds under the indenture or, with certain limitations, upon deposit with the trustee of fu for the payment in full of all of the outstanding Series L Bonds.

Reports

We will publish annual reports containing financial statements and quarterly reports containing financial information for the first three quarters of each fi will send copies of these reports, at no charge, to any holder of Series L Bonds who sends us a written request.

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PLAN OF DISTRIBUTION

General

We are offering up to $1,000,000,000 in principal amount of Series L Bonds on a continuous basis. The Series L Bonds will be sold at their face value an of $25,000 or more in principal. There is no minimum amount of Series L Bonds that must be sold before we access and use the proceeds. The proceeds of Series L Bonds will be paid directly to us promptly following each sale and will not be placed in an escrow account. Even if we sell less than the entire $1,000,000,000 in Series L Bonds being offered, the Series L Bonds that we sell will be issued, and the proceeds of those Series L Bond sales will be inv described in this prospectus.

The Series L Bonds will be offered and sold on a best efforts basis by Emerson Equity LLC (our dealer manager) and any participating broker-dealers this purpose (together the selling group). Emerson Equity LLC will be an underwriter of the Series L Bonds for purposes of the Securities Act of 1933 directly offer and sell Series L Bonds apart from the selling group. We and the selling group will offer the Series L Bonds to the public on the terms set f prospectus and any prospectus supplements we may file from time to time. Both we and the selling group plan to market the Series L Bonds directly to th primarily through presentations, the Internet, and personal contacts made by us and through the selling group. We may also sell Series L Bonds to registe

investment advisors. Neither our dealer manager nor any other broker-dealer participating in our selling group will have any obligation to take or purchas
L Bonds. Our dealer manager and each broker-dealer member of our selling group is expected to assist in the offering by: (1) conducting informational m
subscribers and other qualified potential purchasers; (2) keeping records of all subscriptions; and (3) training and educating employees regarding the mec
regulatory requirements of the offering process.

Members of the selling group will receive sales commissions of up to 5.00% of the gross offering proceeds depending upon the maturity of the Series L B
addition, members of our selling group may receive up to 3.00% of the gross offering proceeds as additional underwriting compensation consisting of (i)
accountable and non-accountable expense allowance, (ii) a dealer-manager fee (payable only to Emerson Equity LLC) for managing and coordinating the
and (iii) a wholesaling fee (payable only to wholesaling dealers), in each case depending upon the maturity of the Series L Bond sold. We have also agree
reimburse Emerson Equity for certain pre-offering expenses that we expect will aggregate to approximately $150,000. We will not pay referral or similar
accountants, attorneys or other persons in connection with the distribution of the Series L Bonds.

Our dealer manager will enter into participating dealer agreements with certain other broker-dealers that are members of FINRA, referred to as selling gro
members, to authorize such broker-dealers to sell our Series L Bonds. Upon the sale of Series L Bonds by such broker-dealers, the broker-dealer effecting
receive selling commissions and additional underwriting compensation in connection therewith.

As part of the accountable expense allowance, the dealer manager and members of the selling group are expected to be reimbursed for accountable due di
expenses incurred by them. Expenses eligible for reimbursement may include travel, lodging, meals and other reasonable out-of-pocket expenses incurred
participating broker-dealers and their personnel when visiting our office to verify information relating to us and this offering, and reimbursement of actua
third-party professionals retained to provide due diligence services to our dealer manager and selling group members. In no event will the total selling co
additional underwriting compensation and accountable due diligence expenses (including reimbursements) exceed 8.00% of the aggregate principal amou
L Bonds sold.

Our Series L Bonds will also be distributed through registered investment advisors who are generally compensated on a fee-for-service basis by the inves
event of the sale of Series L Bonds in our primary offering through an investment advisor compensated on a fee-for-service basis by the investor, our sell
member will waive its right to a commission.

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In addition to the sales commissions, fees, allowances, reimbursements and expenses described above, we expect to pay approximately $1,350,000 in offe
related costs and expenses in connection with this offering. These kinds of expenses include all expenses to be paid by us in connection with the offering
sales commissions, additional underwriting compensation, and expense allowances and reimbursement to our selling group members), including but not l
legal, accounting, printing and mailing expenses, registration, qualification and associated securities filing fees and other costs and expenses.

The table below sets forth the maximum amount of sales commissions and additional underwriting compensation (consisting of accountable and non-acco
expense allowances, a dealer-manager fee (payable only to Emerson Equity LLC), and a wholesaling fee (payable only to wholesaling dealers), and more
described in fn. 1 to the table below) we may pay in connection with this offering.

Debenture Term	Sales Commission	Additional Underwriting Compensation (1)
1 year	1.00%	3.00%
2 years	3.25%	3.00%
3 years	4.25%	3.00%
5 years	4.90%	3.00%
7 years	5.00%	3.00%

(1) As described above, additional underwriting compensation includes: (i) a non-accountable allowance expense of 1.00% for all Series L Bond ma
an accountable allowance expense of up to 0.70% of gross offering proceeds for all Series L Bond maturities; (iii) a dealer-manager fee of 0.50%
offering proceeds for all Series L Bond maturities; and (iv) if applicable, a wholesaling fee of up to 0.80% of gross offering proceeds for all Serie

maturities.

The line items reflected in the table below are our current estimates of average sales commissions and additional underwriting compensation (including ac due diligence expenses) that we will pay. Specifically, we estimate that the average sales commission will be 4.25%, or $42,500,000 based on $1,000,000 principal amount of Series L Bonds sold, and the average additional underwriting compensation will be 3.00%, or $30,000,000 based on $1,000,000,000 amount of Series L Bonds sold. The components of additional underwriting compensation are detailed in fn. 1 to the table below. Actual costs may dif percentages and amounts shown in the table below, subject, however, to the limitations noted above.

Series L Bonds Sold	Sales Commission	Additional Underwriting Compensation (1)	Total
$300,000,000	$ 12,750,000	$ 9,000,000	7.25%
500,000,000	21,250,000	15,000,000	7.25%
1,000,000,000	42,500,000	30,000,000	7.25%

(1) Additional underwriting compensation consists of all selling compensation (other than sales commissions) paid in the form of an accountable and non-accountable expense allowance, a dealer-manager fee, and wholesale commissions. We have assumed the maximum accountable and non-ac allowance expense of 1.70% or $17,000,000 of gross offering proceeds (assuming $1,000,000,000 in principal amount of Series L Bonds sold), dealer-manager fees of 0.50% or $5,000,000 of gross offering proceeds (assuming $1,000,000,000 in principal amount of Series L Bonds sold), a wholesale commissions of 0.80% or $8,000,000 of gross offering proceeds (assuming $1,000,000,000 in principal amount of Series L Bonds solc paid by us in connection with the offering.

Our dealer manager holds the FINRA licenses for wholesalers employed by us, who attend local, regional and national conferences of the participating br and who contact participating broker-dealers and their registered representatives to make presentations concerning us and this offering and to encourage t our Series L Bonds. The wholesalers receive base salaries and bonuses as compensation for their efforts.

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We host training and education meetings for broker-dealers and their representatives. The costs of the training and education meetings will be borne by us

In accordance with FINRA rules, in no event will our total underwriting compensation to FINRA members, including but not limited to sales commission dealer-manager fee and accountable and non-accountable expense and other reimbursements to our dealer manager and selling group broker-dealers, exce our gross offering proceeds, in the aggregate.

We will indemnify the participating broker-dealers and our dealer manager against some civil liabilities, including certain liabilities under the Securities A and liabilities arising from breaches of our representations and warranties contained in the Managing Broker-Dealer Agreement. If we are unable to provi indemnification, we may contribute to payments the indemnified parties may be required to make in respect of those liabilities.

The foregoing is a summary of the material terms relating to the plan of distribution of the Series L Bonds contained in the Managing Broker-Dealer Agre amendment to the Managing Broker-Dealer Agreement will be filed as an exhibit to an amendment to the registration statement of which this prospectus i

Settlement Procedures

If you purchase Series L Bonds through a broker-dealer who is a DTC participant and offers DTC settlement, then you can place an order for the purch Bonds through your broker-dealer. A broker-dealer using this service will have an account with DTC in which your funds will be placed to facilitate the a monthly closing cycle. Orders will be executed by your broker-dealer electronically and you must coordinate with your broker-dealer s registered represe the full purchase price of the Series L Bonds by the settlement date, which depends on when you place the order during the monthly settlement cycle. If y

your Series L Bonds in this manner, your purchase price will not be held in escrow.

You also have the option to elect to settle your purchase directly with us, the Company. If you elect to use direct settlement with us, you should complete Subscription Agreement similar to the one filed as an exhibit to the registration statement of which this prospectus is a part. A form of Subscription Agree available from your broker-dealer s registered representative. Once completed and signed, your Subscription Agreement should be provided to your brok will deliver it to us to be held, together with your related subscription funds, until our acceptance of your subscription. In connection with a direct settlem subscription, you should pay the full purchase price of the Series L Bonds to us as set forth in the Subscription Agreement. Subscribers may not withdraw the subscription account. Subscriptions will be effective upon our acceptance of your Subscription Agreement and related funds, and we reserve the right subscription in whole or in part.

Covered Security

Our Series L Bonds are expected to be a covered security. The term covered security applies to securities exempt from state registration because of federal authorities and national-level regulatory bodies pursuant to Section 18 of the Securities Act of 1933. Generally, securities listed on national excha most common type of covered security exempt from state registration. A non-traded security also can be a covered security if it has a seniority greater tha other securities from the same issuer that are listed on a national exchange. We expect that our Series L Bonds will be a covered security because they wil to our common stock, which we anticipate will be listed on T he Nasdaq Capital Market, and therefore our offering of Series L Bonds will be exempt fron registration.

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MATERIAL FEDERAL INCOME TAX CONSIDERATIONS

The following is a general discussion of the material United States (U.S.) federal income tax considerations relating to the initial purchase, ownership a of the Series L Bonds by U.S. and non-U.S. holders. This discussion is a summary only and is not a complete analysis of all the potential tax consideratio the purchase, ownership and disposition of the Series L Bonds. We have based this summary on current provisions of the Code of 1986, as amended (the applicable U.S. Treasury Regulations promulgated thereunder, judicial opinions, and published rulings of the Internal Revenue Service (the IRS), all a the date of this prospectus. However, these laws and other guidance are subject to differing interpretations or change, possibly with retroactive effect. In a have not sought, and will not seek, a ruling from the IRS or an opinion of counsel with respect to any tax consequences of purchasing, owning or disposin Bonds. Thus, the IRS could take a different position regarding one or more of the tax consequences or matters described in this prospectus; and there can assurance that any position taken by the IRS would not be sustained.

This discussion is limited to purchasers of Series L Bonds who acquire the Series L Bonds from us in this offering and hold the Series L Bonds as capital federal income tax purposes. This discussion does not address all possible tax consequences that may be applicable to you in light of your specific circum instance, this discussion does not address the alternative minimum tax provisions of the Code, or special rules applicable to some categories of investors s financial institutions, insurance companies, tax-exempt organizations, dealers in securities, real estate investment trusts, regulated investment companies, who hold Series L Bonds as part of a hedge, conversion or constructive sale transaction, straddle or other risk reduction transaction that may be subject to rules. This discussion also does not address the tax consequences arising under the laws of any foreign, state or local jurisdiction; or any U.S. estate or gif

If you are considering the purchase of a Series L Bond, you should consult your own tax advisors as to the particular tax consequences to you of acquirin otherwise disposing of the Series L Bonds, including the effect and applicability of state, local or foreign tax laws, or any U.S. estate and gift tax laws.

As used in this discussion, the term U.S. holder means a holder of a Series L Bond that is:

(i) for United States federal income tax purposes, a citizen or resident of the United States;

(ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof or c characterized as a corporation or partnership for federal income tax purposes;

(iii) an estate, the income of which is subject to United States federal income taxation regardless of its source; or

(iv) a trust, the administration of which is subject to the primary supervision of a court within the United States and which has one or more United St with authority to control all substantial decisions, or if the trust was in existence on August 20, 1996, and has elected to continue to be treated as States trust.

For the purposes of this discussion, a non-U.S. holder means any holder of Series L Bonds other than a U.S. holder. Any Series L Bond purchaser who citizen will be required to furnish documentation, on IRS Form W-8BEN, that clearly states whether it is subject to U.S. withholding taxes, in accordance applicable requirements of the United States taxing authority.

Characterization of the Series L Bonds

The federal income tax consequences of owning Series L Bonds depend on characterization of the Series L Bonds as debt for federal income tax purposes as equity interests or a partnership among the holders of the Series L Bonds. We believe that the Series L Bonds have been structured in a manner that wi Series L Bonds to be characterized as debt for federal income tax purposes. However, this is only

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our belief; and no ruling from the IRS or an opinion of counsel has been sought in this regard. Thus, the IRS could successfully challenge this characteriz

If the Series L Bonds were treated as equity interests, there could be adverse effects on some holders. For example, payments on the Series L Bonds could to non-U.S. holders, be subject to federal income tax withholding; (2) constitute unrelated business taxable income to some tax-exempt entities, including funds and some retirement accounts (if the relationship were characterized as a partnership for tax purposes); and (3) cause the timing and amount of inco accrues to holders of Series L Bonds to be different from that described below.

Because of these potential adverse effects, you are urged to consult your own tax advisors as to the tax consequences that may apply to your particular sit event the Series L Bonds are re-characterized as equity interests; and as to the likelihood that the Series L Bonds could be so re-characterized. The remain discussion assumes that the Series L Bonds are characterized as debt.

Taxation of U.S. Holders

Stated Interest

Under general federal income tax principles, you must include stated interest in income in accordance with the method of accounting you use for federal i purposes. Accordingly, if you are using the accrual method of tax accounting, you must include stated interest in income as it accrues. If you are using the method of tax accounting, you must include stated interest in income as it is actually or constructively received. Payments of interest to taxable holders of Bonds will constitute portfolio income, and not passive activity income, for the purposes of the passive loss limitations of the Code. Accordingly, income payments on the Series L Bonds will not be subject to reduction by losses from passive activities of a holder.

Income attributable to interest payments on the Series L Bonds may be offset by investment expense deductions, subject to the limitation that individual i only deduct miscellaneous itemized deductions, including investment expenses other than interest, to the extent these deductions exceed 2% of the invest gross income.

If a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds Series L Bonds, the tax treatment of a generally will depend upon the status of the partner and the activities of the partnership. If you are a partner in a partnership purchasing Series L Bonds, w to consult your tax advisor.

Disposition of Series L Bonds

In general, a U.S. holder will recognize gain or loss upon the sale, exchange or other taxable disposition of a Series L Bond measured by the difference be the sum of the cash and the fair market value of all other property received on such disposition, excluding any portion of the payment that is attributable t interest on the Series L Bonds; and (2) your adjusted tax basis in the Series L Bond. A U.S. holder s adjusted tax basis in a Series L Bond generally will price the U.S. holder paid for the Series L Bond. Any of this gain or loss generally will be long-term capital gain or loss if, at the time of any such taxable the Series L Bond was a capital asset in the hands of the holder and was held for more than one year. Net long-term capital gain recognized by individual is eligible for a reduced rate of taxation. The deductibility of capital losses is subject to annual limitations.

The terms of the Series L Bonds may be modified upon the consent of a specified percentage of holders and, in some cases, without consent of the holder addition, the Series L Bonds may be assumed upon the occurrence of specific transactions. The modification or assumption of a Series L Bond could, in s instances, give rise to a deemed exchange of a Series L Bond for a new debt instrument for federal income tax purposes. If an exchange is deemed to occu of a modification or assumption, you could realize gain or loss without receiving any cash.

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Additional Tax on Net Investment Income

If you are a U.S. holder other than a corporation, you generally will be subject to a 3.8% additional tax on the lesser of (1) your net investment income year, and (2) the excess of your modified adjusted gross income for the taxable year over a certain threshold. Your net investment income generally will i income or gain recognized by you with respect to our Series L Bonds, unless such income or gain is derived in the ordinary course of the conduct of your business (other than a trade or business that consists of certain passive or trading activities).

Considerations for Tax-Exempt Holders of Series L Bonds

Tax-exempt entities, including charitable corporations, pension plans, profit sharing or stock bonus plans, individual retirement accounts and some other benefit plans are subject to federal income tax on unrelated business taxable income. For example, net income derived from the conduct of a trade or busi regularly carried on by a tax-exempt entity or by a partnership in which it is a partner is treated as unrelated business taxable income.

A $1,000 special deduction is allowed in determining the amount of unrelated business taxable income subject to tax. Tax-exempt entities taxed on their u business taxable income are also subject to the alternative minimum tax for items of tax preference which enter into the computation of unrelated business income.

In general, interest income does not constitute unrelated business taxable income. However, under the debt-financed property rules, if tax-exempt holders Bonds finance the acquisition or holding of Series L Bonds with debt, interest on the Series L Bonds will be taxable as unrelated business taxable income L Bonds will be treated as debt-financed property if the debt was incurred to acquire the Series L Bonds or was incurred after the acquisition of the Series long as the debt would not have been incurred but for the acquisition and, at the time of the acquisition, the incurrence of the debt has already occurred or foreseeable.

Non-U.S. Holders

The following discussion is a summary of the principal U.S. federal income consequences resulting from the ownership of the Series L Bonds by non-U.S However, application of the U.S. federal income tax rules associated with non-U.S. holders is complex and factually sensitive. Thus, if you could be cons a non-U.S. holder, you are urged to consult your own tax advisors with respect to the application of the federal income tax rules for your particular situati

Payments of Interest to Non-U.S. Holders

Subject to the discussion below under Backup Withholding and Information Reporting, payments of interest received by a non-U.S. holder generally w subject to U.S. federal withholding tax, provided (1) that (a) the non-U.S. holder does not own, actually or constructively, 10% or more of the total combi power of all classes of our stock entitled to vote; (b) the non-U.S. holder is not a controlled foreign corporation, actually or constructively, through stock and (c) the beneficial owner of the Series L Bond complies with the certification requirements, including delivery of a statement, signed by the holder und of perjury, certifying that the holder is a foreign person and provides its name and address; or (2) that the non-U.S. holder is entitled to the benefits of an i treaty under which the interest is exempt from U.S. withholding tax and the non-U.S. holder complies with the reporting requirements. If a Series L Bond through a securities clearing organization or other specified financial institutions (an Intermediary), the Intermediary may provide the relevant signed s unless the Intermediary is a qualified intermediary as defined under the Code, the signed statement provided by the Intermediary must be accompanied valid Form W-8BEN provided by the non-U.S. beneficial holder of the Series L Bond.

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Payments of interest not exempt from United States federal withholding tax as described above will be subject to a withholding tax at the rate of 30%, sub
reduction under an applicable income tax treaty. Payments of interest on a Series L Bond to a non-U.S. holder generally will not be subject to U.S. federa
as opposed to withholding tax, unless the income is effectively connected with the conduct by the non-U.S. holder of a trade or business in the United Sta
the benefit of a lower treaty withholding rate, a non-U.S. holder must provide a properly executed IRS Form W-8BEN to us or our paying agent before th
stated interest; and may be required to obtain a U.S. taxpayer identification number and provide documentary evidence issued by foreign governmental au
prove residence in the foreign country. You should consult your own tax advisor to determine the effects of the application of the U.S. federal withholding
particular situation.

Disposition of the Series L Bonds by Non-U.S. Holders

Subject to the discussion below under Backup Withholding and Information Reporting, a non-U.S. holder generally will not be subject to United States
income tax, and generally no tax will be withheld with respect to gains realized on the disposition of a Series L Bond, unless (a) the gain is effectively con
a United States trade or business conducted by the non-U.S. holder or (b) the non-U.S. holder is an individual who is present in the United States for 183
during the taxable year of the disposition and other requirements are satisfied.

Non-U.S. Holders Subject to U.S. Income Taxation

If interest and other payments received by a non-U.S. holder with respect to the Series L Bonds, including proceeds from the disposition of the Series L B
effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States, or the non-U.S. holder is otherwise subject
States federal income taxation on a net basis with respect to the holder s ownership of the Series L Bonds, or are individuals that have by operation of law
residents in the United States for federal income tax purposes, the non-U.S. holder generally will be subject to the rules described above applicable to U.S
Series L Bonds, subject to any modification provided under an applicable income tax treaty. If any of these non-U.S. holders is a corporation, it may also
a U.S. branch profits tax at a 30% rate.

Backup Withholding and Information Reporting

Non-corporate U.S. holders may be subject to backup withholding at a rate of 28% on payments of principal, premium, and interest on, and the proceeds o
disposition of, the Series L Bonds. In general, backup withholding will be imposed only if the U.S. holder (1) fails to furnish its taxpayer identification nu
which for an individual would be his or her Social Security number; (2) furnishes an incorrect TIN; (3) is notified by the IRS that it has failed to report pa
interest or dividends; or (4) under some circumstances, fails to certify under penalty of perjury that it has furnished a correct TIN and has been notified by
it is subject to backup withholding tax for failure to report interest or dividend payments. In addition, the payments of principal and interest to U.S. holder
will be subject to information reporting. You should consult your tax advisors regarding your qualification for exemption from backup withholding and th
for obtaining an exemption, if applicable.

Backup withholding generally will not apply to payments made to a non-U.S. holder of a Series L Bond who provides the certification that it is a non-U.S
the payor does not have actual knowledge that a certificate is false, or otherwise establishes an exemption from backup withholding. Payments by United
of a broker of the proceeds of a disposition of the Series L Bonds generally will be subject to backup withholding at a rate of 28% unless the non-U.S. hol
it is a non-U.S. holder under penalties of perjury or otherwise establishes an exemption. In addition, if a foreign office of a foreign custodian, foreign nom
foreign agent of the beneficial owner, or if a foreign office of a foreign broker pays the proceeds of the sale of a Series L Bond to the seller, backup wi
information reporting will not apply; provided that the nominee, custodian, agent or broker is not a United States related person, or a person which der
50% of its gross income for some periods from

the conduct of a trade or business in the United States or is a controlled foreign corporation. The payment by a foreign office of a broker that is a United S
or a United States related person of the proceeds of the sale of Series L Bonds will not be subject to backup withholding, but will be subject to informatio
unless the broker has documentary evidence in its records that the beneficial owner is not a United States person for purposes of the backup withholding a
information reporting requirements and other conditions are met, or the beneficial owner otherwise establishes an exemption.

The amount of any backup withholding imposed on a payment to a holder of a Series L Bond will be allowed as a credit against the holder s United State
income tax liability and may entitle the holder to a refund; provided that the required information is furnished to the IRS.

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STATE, LOCAL AND FOREIGN TAXES

We make no representations regarding the tax consequences of the purchase, ownership or disposition of the Series L Bonds under the tax laws of any sta
or foreign country. You should consult your own tax advisors regarding these state and foreign tax consequences.

ERISA CONSIDERATIONS

General

Title I of the Employee Retirement Income Security Act of 1974, as amended (ERISA), and Section 4975 of the Code impose restrictions on employee
that are subject to ERISA, or plans or arrangements that are subject to Code Section 4975, and on persons who are parties in interest or disqualified perso
respect to those plans or arrangements. Some employee benefit plans, like governmental plans and church plans (if no election has been made under Secti
the Code), are not subject to the restrictions of Title I of ERISA or Code Section 4975, and assets of these plans may be invested in the Series L Bonds wi
to the ERISA considerations described below, subject to the Code and other applicable federal and state laws affecting tax-exempt organizations generally
fiduciary that proposes to cause a plan to acquire any of the Series L Bonds should consult with its counsel with respect to the potential consequences und
and the Code of the plan s acquisition and ownership of the Series L Bonds. Investments by plans are also subject to ERISA s and the Code s general fi
requirements, including the requirement of investment prudence and diversification and the requirement that a plan s investments be made in accordance
documents governing the plan.

Prohibited Transactions

General

Section 406 of ERISA and Section 4975 of the Code prohibits certain parties in interest and disqualified persons with respect to a plan from engagi
transactions involving a plan and its assets unless a statutory, regulatory or administrative exemption applies to the transaction. Section 4975 of the Code
excise taxes on parties in interest that engage in non-exempt prohibited transactions. Section 502(i) of ERISA requires the Secretary of the U.S. Depar
(Labor) to assess a civil penalty against a fiduciary who breaches any fiduciary responsibility under, or commits any other violation of, part 4 of Title I
any other person who knowingly participates in a breach or violation.

Plan Asset Regulations

Labor has issued regulations concerning the definition of what constitutes the assets of a plan for purposes of ERISA and the prohibited transaction provi
Code. The plan asset regulations describe the circumstances where the assets of an entity in which a plan invests will be considered to be plan assets, s
person who exercises control over the assets would be subject to ERISA s fiduciary standards. Generally, under the plan asset regulation, when a plan in
another entity, the plan s assets do not include, solely by reason of the investment, any of the underlying assets of the entity. However, the plan asset regu
provides that, if a plan acquires an equity interest in an entity that is neither a publicly-offered security nor a security issued by an investment comp
under the Investment Company Act of 1940 the assets of the entity will be treated as assets of the plan investor unless exceptions apply.

Under the plan asset regulations the term equity interest is defined as any interest in an entity other than an instrument that is treated as indebtedness u
local law and that has no substantial equity features. Although the plan asset regulation is silent with respect to the question of which law constitutes
law for this purpose, Labor has stated that these determinations should be made under the state law governing interpretation of the instrument in questio
preamble to the plan asset regulation, Labor declined to provide a precise definition of what features are equity features or the circumstances under which
would be considered substantial, noting that the question of whether

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a plan s interest has substantial equity features is an inherently factual one, but that in making that determination it would be appropriate to take into acc

the equity features are such that a plan s investment would be a practical vehicle for the indirect provision of investment management services. We belie
Series L Bonds will be classified as indebtedness without substantial equity features for ERISA purposes.

Under the plan asset regulations the term publicly-offered security is defined as a security that is (i) freely transferable, (ii) part of a class of securities
held, and (iii) either (A) part of a class of securities registered under section 12(b) or 12(g) of the Securities Exchange Act of 1934 or (B) sold to the plan
offering of securities to the public pursuant to an effective registration statement under the Securities Act of 1933 and the class of securities of which such
part is registered under the Securities Exchange Act of 1934 within 120 days after the end of the fiscal year of the issuer during which the offering of such
to the public occurred. For purposes of the above, a class of securities is considered to be widely held if it is owned by 100 or more investors independ
and of one another. In the case of this offering, while the offer and sale of the Series L Bonds have been registered under the Securities Act of 1933, the S
Bonds themselves have not been registered under the Securities Exchange Act of 1934. For this reason, we believe that the Series L Bonds will not likely
definition for publicly-offered security under the plan asset regulations.

In light of the foregoing, if the Series L Bonds were deemed to be equity interests for this purpose and no statutory, regulatory, or administrative exceptio
could be considered to hold plan assets by reason of a plan s investment in the Series L Bonds. These plan assets would include an undivided interest in
assets. In this case, we may be considered a fiduciary with respect to the investing plans. We would be subject to the fiduciary responsibility provisions o
ERISA, including the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code, and to Section 4975 of the Code with res
transactions involving any of our assets. The ERISA fiduciary standards could affect the way we conduct the business, which would have consequences f
investors, not just those that are employee benefit plans.

Depending on the relevant facts and circumstances, prohibited transaction exemptions may apply to the purchase or holding of the Series L Bonds. See, f
Prohibited Transaction Class Exemption (PTE) 96-23, which exempts some transactions effected on behalf of a plan or by an in-house asset manage
which exempts some transactions between insurance company general accounts and parties in interest; PTE 91-38, which exempts some transactions betw
collective investment funds and parties in interest; PTE 90-1, which exempts some transactions between insurance company pooled separate accounts and
interest; or PTE 84-14, which exempts some transactions effected on behalf of a plan by a qualified professional asset manager. However, there can be
that any of these exemptions will apply with respect to any plan s investment in the Series L Bonds, or that the exemption, if it did apply, would apply to
transactions that may occur in connection with the investment.

Any plan fiduciary considering whether to purchase Series L Bonds on behalf of a plan should consult with its counsel regarding the applicability of the f
responsibility and prohibited transaction provisions of ERISA and the Code. Before purchasing any Series L Bonds, a fiduciary of a plan should make its
determination as to (1) whether GWG Holdings, as issuer of and borrower under the Series L Bonds, is a party in interest under ERISA or a disqualif
the Code with respect to the plan; (2) the availability of the relief provided in the plan asset regulation and (3) the availability of any other prohibited tran
exemptions. In addition, purchasers that are insurance companies should consult their own ERISA counsel with respect to their fiduciary responsibilities
with their purchase and ownership of the Series L Bonds, including any responsibility under the Supreme Court case *John Hancock Mutual Life Insuranc
Harris Trust and Savings Bank*.

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LEGAL MATTERS

Certain legal matters in connection with the Series L Bonds will be passed upon for us by Maslon Edelman Borman & Brand, LLP, of Minneapolis, Minn

EXPERTS

The consolidated financial statements of GWG Holdings, Inc. and its subsidiaries as of and for the year ended December 31, 2013, included in this prospe
the registration statement of which this prospectus is a part, have been audited by Baker Tilly Virchow Krause, LLP, an independent registered public acc
firm. The consolidated financial statements of GWG Holdings, Inc. and its subsidiaries as of and for the year ended December 31, 2012, included in this p
and in the registration statement of which this prospectus is a part, have been audited by Mayer Hoffman McCann P.C., an independent registered public
firm. As indicated in their reports with respect thereto, these consolidated financial statements are included in this prospectus in reliance upon the authorit
firms as experts in auditing and accounting, with respect to each such respective report.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the Series L Bonds to be offered and sold pursu
prospectus which is a part of that registration statement. This prospectus does not contain all the information contained in the registration statement. For f
information with respect to us and the Series L Bonds to be sold in this offering, we refer you to the registration statement, including the agreements, othe

and schedules filed as exhibits to the registration statement.

We file annual, quarterly and current reports, and other information with the SEC. We intend to make these filings available on our website at www.gwgl Information on our website is not incorporated by reference in this prospectus. We maintain an office at 220 South Sixth Street, Suite 1200, Minneapolis, where all records concerning the Series L Bonds are to be retained. Series L Bond holders and their representatives can request information regarding the Bonds by contacting our office by mail at our address or by telephone at (612) 746-1944 or by fax at (612) 746-0445. Upon request, we will provide copi filings with the SEC free of charge to our investors. Our SEC filings, including the registration statement of which this prospectus is a part, will also be av the SEC s Internet site at *http://www.sec.gov*. You may read and copy all or any portion of the registration statement or any reports, statements or other in file at the SEC s public reference room at 100 F Street, N.E., Washington, D.C. 20549. In addition, you may call the SEC at 1-800-SEC-0330 for further on the operation of the public reference room. You may receive copies of these documents upon payment of a duplicating fee by writing to the SEC.

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GWG HOLDINGS, INC.

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Consolidated Statements of Changes in Stockholders Equity (Deficit) for the years ended December 31, 2013 and December 31, 2012
Consolidated Statements of Cash Flows for the years ended December 31, 2013 and December 31, 2012
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Condensed Consolidated Balance Sheets as of June 30, 2014 (unaudited) and December 31, 2013
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders, Audit Committee and Board of Directors
GWG Holdings, Inc.
Minneapolis, MN

We have audited the accompanying consolidated balance sheet of GWG Holdings, Inc. as of December 31, 2013, and the related consolidated statements operations, changes in stockholders equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require th and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The company required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of its internal

financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on effectiveness of the company s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a tes evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used significant estimates made by management as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provi reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of GWG Holdings, Inc December 31, 2013 and the results of their operations and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting

/s/ Baker Tilly Virchow Krause, LLP
Minneapolis, Minnesota
March 19, 2014, except for Note 18, as to which the date is June 24, 2014

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors

GWG HOLDINGS, INC. AND SUBSIDIARIES

We have audited the accompanying consolidated balance sheet of GWG Holdings, Inc. and Subsidiaries (Company) as of December 31, 2012, and the rel consolidated statements of operations, changes in stockholders (deficit), and cash flows for the year then ended. These consolidated financial statements responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require th and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal co financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a tes evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit prov reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of GWG Holdings, Inc Subsidiaries as of December 31, 2012, and the results of their operations and their cash flows for the year then ended, in conformity with U.S. generally a accounting principles.

/s/ Mayer Hoffman McCann P.C.
Minneapolis, MN
March 30, 2013, except for Note 18 as to which the date is June 24, 2014

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GWG HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2013	December 31 2012

ASSETS		
Cash and cash equivalents	$ 33,449,793	$ 27,497,044
Restricted cash	5,832,970	2,093,092
Due from related parties		8,613
Investment in life settlements, at fair value	234,672,794	164,317,183
Deferred financing costs, net	357,901	97,040
Death benefits receivable		2,850,000
Other assets	1,067,018	1,085,063
TOTAL ASSETS	$ 275,380,476	$ 197,948,035
LIABILITIES & STOCKHOLDERS EQUITY (DEFICIT)		
LIABILITIES		
Revolving credit facility	$ 79,000,000	$ 71,000,000
Series I Secured notes payable	29,275,202	37,844,711
Renewable Secured Debentures	131,646,062	55,718,950
Accounts payable	839,869	470,059
Interest payable	7,209,408	3,477,320
Other accrued expenses	504,083	1,291,499
Deferred taxes, net	7,675,174	5,501,407
TOTAL LIABILITIES	256,149,798	175,303,946
COMMITMENTS AND CONTINGENCIES (NOTES 14 AND 15)		
CONVERTIBLE, REDEEMABLE PREFERRED STOCK (par value $0.001; shares authorized 40,000,000; shares issued and outstanding 3,368,109 and 3,361,076; liquidation preference of $25,261,000 and $25,208,000 on December 31, 2013 and 2012, respectively)	24,722,693	23,905,878
STOCKHOLDERS EQUITY (DEFICIT)		
Common stock (par value $0.001: shares authorized 210,000,000; shares issued and outstanding 4,562,000 and 4,994,500 on December 31, 2013 and 2012)	4,562	4,995
Additional paid-in capital	2,942,000	6,976,838
Accumulated deficit	(8,438,577)	(8,243,622)
TOTAL STOCKHOLDERS EQUITY (DEFICIT)	(5,492,015)	(1,261,789)
TOTAL LIABILITIES & EQUITY (DEFICIT)	$ 275,380,476	$ 197,948,035

The accompanying notes are an integral part of these Consolidated Financial Statements.

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GWG HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

Year Ended

	December 31, 2013	Decemb 201
REVENUE		
Gain on life settlements, net	$29,513,642	$17,43
Gain upon termination of agreement with Athena Securities Ltd.	$ 3,252,400	
Interest and other income	298,732	8
TOTAL REVENUE	33,064,774	17,52
EXPENSES		
Interest expense	20,762,644	10,87
Employee compensation and benefits	5,043,848	2,90
Legal and professional fees	1,754,209	1,07
Other expenses	3,525,261	2,48
TOTAL EXPENSES	31,085,962	17,34
INCOME BEFORE INCOME TAXES	1,978,812	18
INCOME TAX EXPENSE	2,173,767	1,19
NET LOSS	(194,955)	(1,01
Accretion of preferred stock to liquidation value	(806,624)	(1,57
LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ (1,001,579)	$ (2,59
NET LOSS PER COMMON SHARE (BASIC AND DILUTED)		
Net loss	$ (0.04)	$
Accretion of preferred stock to liquidation value	$ (0.17)	$
Net loss per share attributable to common shareholders	$ (0.21)	$
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic and diluted	4,758,699	4,99

The accompanying notes are an integral part of these Consolidated Financial Statements.

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GWG HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (DEFICIT)

	Common Shares	Common Stock (par)	Additional Paid-in Capital	Accumulated Deficit	
Balance, December 31, 2011	**4,994,500**	**$4,995**	**$ 8,174,297**	**$(7,230,723)**	**$**
Net loss				(1,012,899)	(1
Issuance of warrants to purchase common stock			380,946		
Accretion of preferred stock to liquidation value			(1,578,405)		(1

	Common Shares	Common Stock (par)	Additional Paid-in Capital	Accumulated Deficit	
Balance, December 31, 2012	**4,994,500**	**4,995**	**6,976,838**	**(8,243,622)**	**(1**
Net loss				(194,955)	
Repurchase of common stock	(432,500)	(433)	(3,251,967)		(3
Stock-based compensation			23,753		
Accretion of preferred stock to liquidation value			(806,624)		
Balance, December 31, 2013	**4,562,000**	**$ 4,562**	**$ 2,942,000**	**$ (8,438,577)**	**$ (5**

The accompanying notes are an integral part of these Consolidated Financial Statements.

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GWG HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended	
	December 31, 2013	Decemb 201
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (194,955)	$ (1,01
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Gain on life settlements	(39,337,542)	(27,85
Amortization of deferred financing and issuance costs	2,470,390	1,90
Deferred income taxes	2,173,767	1,19
Convertible, redeemable preferred stock issued in lieu of cash dividends	623,899	56
Convertible, redeemable preferred stock dividends payable	255	33
Gain upon termination of agreement with Athena Securities Ltd.	(3,252,400)	
(Increase) decrease in operating assets:		
Due from related parties	8,613	(
Death benefits receivable	2,850,000	(2,85
Other assets	(566,418)	(86
Increase (decrease) in operating liabilities:		
Accounts payable	369,809	(25
Interest payable	3,418,432	1,74
Other accrued expenses	50,642	(6
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(31,385,508)	(27,16
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in life settlements	(34,997,500)	(15,06
Proceeds from settlement of life settlements	4,563,896	1,06
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(30,433,604)	(14,00

	Year Ended	
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from revolving credit facility	8,000,000	11,00
Payments for redemption of Series I Secured notes payable	(8,671,624)	(7,47
Proceeds from issuance of Renewable Secured Debentures	85,260,976	58,55
Payment of deferred issuance costs for Renewable Secured Debentures	(4,320,542)	(3,02
Payments for redemption of Renewable Secured Debentures	(8,143,363)	(11
Proceeds from (uses of) restricted cash	(3,739,878)	2,70
Issuance (redemption) of convertible, redeemable preferred stock	(613,708)	6,41
Payments of issuance cost for convertible, redeemable preferred stock		(1,26
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	67,771,861	66,78
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,952,749	25,61
CASH AND CASH EQUIVALENTS		
BEGINNING OF PERIOD	27,497,044	1,87
END OF PERIOD	$ 33,449,793	$ 27,49

The accompanying notes are an integral part of these Consolidated Financial Statements.

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GWG HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS CONTINUED

	Year Ended	
	December 31, 2013	**Decem 20**
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest and preferred dividends paid	$13,627,000	$6,28
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Non-cash conversion of Series I Secured notes	$ 912,000	$4,22
Non-cash conversion of accrued interest payable on Series I Secured notes	$	$
Warrants issued to purchase common stock	$	$ 38
Options issued to purchase common stock	$ 24,000	$
Accrued interest payable on Series I Secured notes added to principal	$ 185,000	$ 14
Accrued interest payable on Renewable Secured Debentures added to principal	$ 141,000	$ 1
Unsettled life settlements included in accounts payable	$	$ 29

The accompanying notes are an integral part of these Consolidated Financial Statements.

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GWG HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Nature of business and summary of significant accounting policies

Nature of business GWG Holdings, Inc. and subsidiaries, located in Minneapolis, Minnesota, facilitates the purchase of life insurance policies for its o investment portfolio through its wholly owned subsidiary, GWG Life Settlements, LLC (GWG Life), and its subsidiaries, GWG Trust (Trust), GWG DLF LLC (DLP II) and its wholly owned subsidiary, GWG DLP Master Trust II (the Trust II). Our wholly owned subsidiary, GWG Broker Services, LLC (Br Services), was formed to earn fees for brokering policy transactions between market participants. Our wholly owned subsidiary United Lending, LLC (Ur Lending) and its wholly owned subsidiary United Lending SPV, LLC (United Lending SPV) were formed to finance life settlement premiums and policy these entities are legally organized in Delaware. Unless the context otherwise requires or we specifically so indicate, all references in this report to we , Company , GWG , or the Company refer to these entities collectively. GWG Member, LLC, a wholly owned subsidiary formed November 2010 to acquisition of policies, has not commenced operations as of December 31, 2013. The entities were legally organized in Delaware and are collectively refe to as GWG, or the Company.

Use of estimates The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumpti the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the amounts of revenues and expenses during the reporting period. The Company regularly evaluates estimates and assumptions. The Company bases its estir assumptions on current facts, historical experience, and various other factors that it believes to be reasonable under the circumstances, the results of which basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from othe The actual results experienced by the Company may differ materially and adversely from the Company s estimates. To the extent there are material diffe between the estimates and the actual results, future results of operations will be affected. The most significant estimates with regard to these consolidated statements relates to (1) the determination of the assumptions used in estimating the fair value of the investment in life insurance policies, and (2) the valu deferred tax assets and liabilities.

Cash and cash equivalents The Company considers cash in demand deposit accounts and temporary investments purchased with an original maturity o months or less to be cash equivalents. The Company maintains its cash and cash equivalents with highly rated financial institutions. From time to time, th balances in its bank accounts exceed Federal Deposit Insurance Corporation limits. The Company periodically evaluates the risk of exceeding insured lev transfer funds as it deems appropriate. The Company has not experienced any losses with regards to balances in excess of insured limits or as a result of o concentrations of credit risk.

Life settlements ASC 325-30, Investments in Insurance Contracts, allows a reporting entity the election to account for its investments in life settlement the investment method or the fair value method. The election shall be made on an instrument-by-instrument basis and is irrevocable. Under the investmen investor shall recognize the initial investment at the purchase price plus all initial direct costs. Continuing costs (policy premiums and direct external costs keep the policy in force shall be capitalized. Under the fair value method, an investor shall recognize the initial investment at the purchase price. In subse periods, the investor shall re-measure the investment at fair value in its entirety at each reporting period and shall recognize the change in fair value in cur income net of premiums paid. The Company uses the fair value method to account for all life settlements.

The Company recognizes realized gains (revenue) from life settlement contracts upon one of the two following events:

1) Receipt of death notice or verified obituary of insured

2) Sale of policy and filing of change of ownership forms and receipt of payment

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The Company recognizes the difference between the death benefits and carrying values of the policy when an insured event has occurred and the Compan determines that settlement and ultimate collection of the death benefits is realizable and reasonably assured. Revenue from a transaction must meet both c order to be recognized. In an event of a sale of a policy the Company recognizes gain or loss as the difference between the sale price and the carrying valu policy on the date of the receipt of payment on such sale.

Deposits and initial direct costs advanced on unsettled policy acquisitions are recorded as other assets until policy ownership has been transferred to the C Such deposits and direct cost advances were $201,000 and $785,000 at December 31, 2013 and 2012 respectively.

Deferred financing and issuance costs Costs incurred to obtain financing under the revolving credit facility, as described in note 6, have been capitali amortized using the straight-line method over the term of the revolving credit facility. Amortization of deferred financing costs was $455,000 and $233,0 years ended December 31, 2013 and 2012, respectively. The future amortization is expected to be $358,000 for the year ending December 31, 2014. The Secured notes payable, as described in note 7, are reported net of issuance costs, sales commissions and other direct expenses, which are amortized using method over the term of each respective borrowing. The Renewable Secured debentures, as described in note 8, are reported net of issuance costs, sales c and other direct expenses, which are amortized using the interest method over the term of each respective borrowing. The Series A preferred stock, as des note 9, is reported net of issuance costs, sales commissions, including the fair value of warrants issued, and other direct expenses, which are amortized us interest method as interest expense over the three-year redemption period.

Earnings (loss) per share Basic per share earnings (loss) attributable to non-redeemable interests is calculated using the weighted-average number of s outstanding during the period. Diluted earnings per share is calculated based on the potential dilutive impact, if any, of the Company s convertible, redee preferred stock, and outstanding warrants, and stock options.

Subsequent events Subsequent events are events or transactions that occur after the balance sheet date but before consolidated financial statements are Company recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that ex date of the balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Company s consolidated statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the sheet date and before the consolidated financial statements are available to be issued. The Company evaluates subsequent events and transactions that occ balance sheet date up to the date that the consolidated financial statements are filed for potential recognition or disclosure.

Recently adopted pronouncements Pronouncements issued by the FASB or other authoritative accounting standards groups with future effective date applicable or are not expected to be significant to the Company.

(2) Restrictions on cash

The Company is required by its lenders to maintain collection and escrow accounts. These accounts are used to fund the acquisition, pay annual premium insurance policies, pay interest and other charges under the revolving credit facility, and collect policy benefits. DZ Bank AG, as agent for Autobahn Fun Company, LLC, the lender for the revolving credit facility as described in note 6, authorizes the disbursements from these accounts. At December 31, 201 there was a balance of $5,833,000, and $2,093,000, respectively, maintained in these restricted cash accounts.

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(3) Investment in life insurance policies

The life insurance policies (Level 3 fair value measurements) are valued based on unobservable inputs that are significant to the overall fair value measur Changes in the fair value of these instruments are recorded in gain or loss on life insurance policies in the consolidated statements of operations (net of th premiums paid on the policies). The fair value is determined on a discounted cash flow basis that incorporates life expectancy assumptions. Life expectan have been obtained from widely accepted life expectancy providers. The discount rate incorporates current information about market interest rates, the cr to the insurance company that issued the life insurance policy and our estimate of the risk premium an investor in the policy would require. As a result of management s analysis, discount rates of 11.69% and 12.08% were applied to the portfolio as of December 31, 2013 and 2012, respectively.

A summary of the Company s life insurance policies accounted for under the fair value method and their estimated maturity dates, based on remaining li
is as follows:

	As of December 31, 2013			As of December 31, 2012		
Years Ending December 31,	Number of Contracts	Estimated Fair Value	Face Value	Number of Contracts	Estimated Fair Value	V
2014		$	$		$	$
2015	4	5,065,000	6,750,000			
2016	8	8,174,000	13,750,000	2	1,163,000	2,
2017	25	33,345,000	63,916,000	13	11,608,000	22,
2018	33	37,243,000	80,318,000	17	21,155,000	53,
2019	34	32,844,000	89,295,000	31	28,252,000	75,
2020	34	27,741,000	75,644,000	35	26,947,000	84,
Thereafter	125	90,261,000	410,975,000	113	75,192,000	334,
Totals	263	$234,673,000	$740,648,000	211	$164,317,000	$572,

The Company recognized death benefits of $16,600,000 and $7,350,000 during 2013 and 2012, respectively, related to policies with a carrying value of $
and $1,067,000, respectively. The Company recorded realized gains of $12,036,000 and $6,283,000 on such policies.

Reconciliation of gain on life settlements:

	2013	2
Change in fair value	$ 39,338,000	$ 27,8
Premiums and other annual fees	(21,860,000)	(16,7
Policy maturities	12,036,000	6,2
Gain on life settlements, net	$ 29,514,000	$ 17,4

The estimated expected premium payments to maintain the above life insurance policies in force for the next five years, assuming no mortalities, are as fo

Years Ending December 31,	
2014	$ 22,7
2015	25,0
2016	27,5
2017	30,6
2018	33,5
	$139,4

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Management anticipates funding the estimated premium payments as noted above with proceeds from the DZ Bank revolving credit facility and through a
debt and equity financing as well as from cash proceeds from maturities of life insurance policies. The proceeds of these capital sources are also intended
for the purchase, financing, and maintenance of additional life insurance policies.

(4) Fair value definition and hierarchy

ASC 820 establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring assets and
fair value. Market price observability is affected by a number of factors, including the type of investment, the characteristics specific to the investment an
the marketplace including the existence and transparency of transactions between market participants. Assets and liabilities with readily available active q
or for which fair value can be measured from actively quoted prices in an orderly market generally will have a higher degree of market price observability
degree of judgment used in measuring fair value. ASC 820 establishes a three-level valuation hierarchy for inputs used in measuring fair value that maxim
of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable input
that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Un
inputs are inputs that reflect the Company s assumptions about the assumptions market participants would use in pricing the asset or liability developed b
best information available in the circumstances. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e.,
price) in an orderly transaction between market participants at the measurement date.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Since valua
based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of j

Level 2 Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either direct
indirectly.

Level 3 Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary by types of assets and liabilities and is affected by a wide variety of factors, including, for example, whethe
instrument is established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is b
models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree o
exercised by management in determining fair value is greatest for assets and liabilities categorized in Level 3.

Level 3 Valuation Process

The estimated fair value of the Company s portfolio of life settlements is determined on a quarterly basis by the Company s portfolio management comm
into consideration changes in discount rate assumptions, estimated premium payments and life expectancy estimate assumptions, as well as any changes i
and other relevant conditions. These inputs are then used to estimate the discounted cash flows using the Model Actuarial Pricing System (MAPS), proba
portfolio pricing model, which estimates the cash flows using various probabilities and scenarios. The valuation process includes a review by senior mana
each valuation date. Management has also engaged a third party expert to independently test the accuracy of the valuations using the inputs provided by m
on a quarterly basis.

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Life insurance policies, as well as the portfolio taken as a whole, represent financial instruments recorded at fair value on a recurring basis. The following
reconciles the beginning and ending fair value of the Company s Level 3 investments in its portfolio of life insurance policies for the years ending Decem
follows:

	2013	2

	2013	2[cut off]
Beginning balance	$164,317,000	$122,1[cut off]
Purchases	35,582,000	15,3[cut off]
Maturities (acquisition cost)	(4,564,000)	(1,0[cut off]
Gross unrealized gains	39,338,000	28,0[cut off]
Gross unrealized losses		(1[cut off]
Ending balance	$234,673,000	$164,3[cut off]

The fair value of a portfolio of life insurance policies is based on information available to the Company at the reporting date. Fair value is based upon a di[cut off] cash flow model that incorporates life expectancy estimate assumptions. Life expectancy estimates are obtained from independent, third-party widely acc[cut off] expectancy estimate providers at policy acquisition. The life expectancy values of each insured, as determined at policy acquisition, are rolled down mont[cut off] passage of time by the MAPS actuarial software the Company uses for ongoing valuation of its portfolio of life insurance policies. The discount rate inco[cut off] current information about discount rates applied by other reporting companies owning portfolios of life insurance policies, discount rates observed in the [cut off] insurance secondary market, market interest rates, the credit exposure to the insurance company that issued the life insurance policy and management s e[cut off] risk premium a purchaser would require to receive the future cash flows derived from our portfolio of life insurance policies.

On January 22, 2013, one of the independent medical actuarial underwriting firms we utilize, 21st Services, announced advancements in its underwriting [cut off] methodology, resulting in revised estimated life expectancy mortality tables for life settlement transactions. We have been advised by 21st Services that t[cut off] are very granular and relate to both specific medical conditions and lifestyles of insureds. These changes are the result of the application of additional me[cut off] information that has been gathered by 21st Services over a period of time, and which has now been applied to the inputs and methodologies used to devel[cut off] actuarial life expectancies. While we do not believe these revised methodologies indicate the previous estimated life expectancies were inaccurate, we be[cut off] revised methodologies provide additional information that should be considered in updating our estimate of the life expectancies of the insureds within ou[cut off] of life settlement contracts as of December 31, 2012. Based upon our evaluation and analysis of data made available by 21st Services, as well as informat[cut off] regarding the insureds within our portfolio, we have estimated the impact of the changes in 21st Services methodologies for determining life expectanci[cut off] policy-by-policy basis within our portfolio as of December 31, 2012 and applied such changes to the life expectancy inputs used to estimate fair value. W[cut off] adjusted the original life expectancies provided by 21st Services based on four factors, the impact of each analyzed individually for each insured in the G[cut off] portfolio. The four factors are gender, anti-selection, age, and primary impairment. GWG applied this set of adjustments to all 21st Services LEs used in [cut off] the portfolio as of December 31, 2012. At that time, the portfolio contained 211 policies on 194 insured lives. Of those 211 policies, 199 were valued usi[cut off] Services LE as part of the pricing LE calculation. While the analysis and adjustments were applied on an individual policy basis, the result was an averag[cut off] increase in the original life expectancy estimates of 8.67%. We have a standard practice of obtaining two third-party life expectancy estimates for each po[cut off] portfolio. As a result, the effective change in life expectancy on the portfolio was an average of approximately 4.33%, which resulted in an aggregate dec[cut off] fair value of our life settlements portfolio of $12.4 million. Life expectancy reports by their very nature are estimates.

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The fair value of life insurance policies is estimated using present value calculations of estimated cash flows based on the data specific to each individual [cut off] insurance policy. Estimated future policy premium payments are calculated based on the terms of the policy and the premium payment history. The follo[cut off] summarizes the unobservable inputs utilized in estimating the fair value of the portfolio of life insurance policies:

	As of December 31, 2013	A[cut off] Dece[cut off] 2[cut off]
Weighted average age of insured	82.1	
Weighted average life expectancy, months*	87.0	
Average face amount per policy	$2,816,000	$2,7[cut off]
Discount rate	11.69%	

* Standard life expectancy as adjusted for insured s specific circumstances.

These assumptions are, by their nature, inherently uncertain and the effect of changes in estimates may be significant. The techniques used in estimating t value of estimated cash flows are derived from valuation techniques generally used in the industry that include inputs for the asset that are not based on ol market data. The extent to which the fair value could reasonably vary in the near term has been quantified by evaluating the effect of changes in significar assumptions used to estimate the fair value. If the life expectancy estimates were increased or decreased by four and eight months on each outstanding po discount factors were increased or decreased by 1% and 2%, while all other variables are held constant, the fair value of the investment in life insurance p would increase or (decrease) by the amounts summarized below:

	Change in life expectancy			
	plus 8 months	minus 8 months	plus 4 months	m 4 m
Investment in life policies				
December 31, 2013	$(34,382,000)	$36,152,000	$(17,417,000)	$17,8
December 31, 2012	$(24,072,000)	$25,268,000	$(12,185,000)	$12,4

	Change in discount rate			
	plus 2%	minus 2%	plus 1%	min
Investment in life policies				
December 31, 2013	$(22,944,000)	$27,063,000	$(11,933,000)	$12,9
December 31, 2012	$(16,811,000)	$19,978,000	$ (8,759,000)	$ 9,5

Other Fair Value Considerations

Carrying value of receivables, prepaid expenses, accounts payable and accrued expenses approximate fair value due to their short-term maturities and low The estimated fair value of the Company s Series I Secured notes payable is approximately $33,067,000 based on a weighted-average market interest rat based on an income approach. The Company began issuing Renewable Secured Debentures in the first quarter of 2012. The current interest rates on the R Secured Debentures approximate market rates. The carrying value of the Renewable Secured Debentures approximates fair value. The carrying value of t credit facility reflects interest charged at the commercial paper rate plus an applicable margin. The margin represents our credit risk, and the strength of th of life insurance policies collateralizing the debt. The overall rate reflects market, and the carrying value of the revolver approximates fair value. All of th instruments are level 3 fair value measurements.

The Company has issued warrants to purchase common stock in connection with the issuance of its convertible, redeemable preferred stock. Warrants we determined by the Company as permanent equity. The fair value measurements associated with the warrants, measured at issuance represent level 3 instru

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As of December 31, 2013:

Month issued	Warrants issued	Fair value per share	Risk free rate	Volatility
December 2011	68,937	$0.22	0.42%	25.25%
March 2012	38,130	$0.52	0.38%	36.20%
June 2012	161,841	$1.16	0.41%	47.36%
July 2012	144,547	$1.16	0.41%	47.36%
September 2012	2,500	$0.72	0.31%	40.49%
	415,955			

Volatility is based upon the weekly percentage change in the stock price of selected comparable insurance companies. In June 2012, we evaluated the cor companies used, and made certain changes to those used. The percentage change is calculated on the average price of those selected stocks at the weekly business for the year preceding the balance sheet date. We compare annual volatility based on this weekly information.

(5) Notes receivable from related parties

As of December 31, 2013 and December 31, 2012, the Company had receivables totaling $5,000,000 due from an affiliate, Opportunity Finance, LLC, wl fully reserved. Opportunity Finance ceased operations in 2008.

(6) Credit facilities

Revolving credit facility Autobahn Funding Company LLC

On July 15, 2008, DLP II and United Lending entered into a revolving credit facility pursuant to a Credit and Security Agreement (Agreement) with Auto Funding Company LLC (Autobahn), providing the Company with a maximum borrowing amount of $100,000,000. Autobahn is a commercial paper cond issues commercial paper to investors to provide funding to DLP II and United Lending. DZ Bank AG acts as the agent for Autobahn. The original Agreer expire on July 15, 2013. On January 29, 2013, Holdings, together with GWG Life and DLP II, entered into an Amended and Restated Credit and Security with Autobahn, extending the facility expiration date to December 31, 2014, and removing United Lending as a party to the amended and restated Agreer amount outstanding under this facility as of December 31, 2013 and 2012, was $79,000,000 and $71,000,000, respectively.

The Agreement requires DLP II to pay, on a monthly basis, interest at the commercial paper rate plus an applicable margin, as defined in the Agreement. rate was 6.19% and 2.02% at December 31, 2013 and December 31, 2012, respectively. The weighted average effective interest rate (excluding the unuse was 6.14% and 2.14% for the years ended December 31, 2013 and 2012, respectively. The Agreement also requires payment of an unused line fee of 0.30 unfunded amount under the revolving credit facility. The note is secured by substantially all of DLP II assets which consist primarily of life settlement po

The Agreement has certain financial and nonfinancial covenants. The Company was in compliance with these covenants at December 31, 2013 and 2012. Agreement generally prohibits the Company from:

- changing its corporate name, offices, and jurisdiction of incorporation
- changing any deposit accounts or payment instructions to insurers;
- changing any operating policies and practices such that it would be reasonably likely to adversely affect the collectability of any asset in any material

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merging or consolidating with, or selling all or substantially all of its assets to, any third party;

selling any collateral or creating or permitting to exist any adverse claim upon any collateral;

engaging in any other business or activity than that contemplated by the Agreement;

incurring or guaranteeing any debt for borrowed money;

amending the Company s certificate of incorporation or bylaws, making any loans or advances to, investments in, or paying any dividends to, any p both before and after any such loan, advance, investment or dividend there exists no actual event of default, potential event of default or termination

removing an independent director on the board of directors except for cause or with the consent of the lender; or

making payment on or issuing any subsidiary secured notes or debentures, or amending any agreements respecting such notes or debentures, if an ev default, potential event of default or termination event exists or would arise from any such action.

In addition, the Company has agreed to maintain (i) a positive consolidated net income (as defined and calculated under the Agreement) for each complet and (ii) a tangible net worth (again, as defined and calculated under the Agreement) of not less than $15 million, and (iii) maintain a borrowing base surp cushion sufficient to pay three to twelve months (increasing throughout 2013) of premiums and facility fees.

Consolidated net income and tangible net worth as of and for the year ended December 31, 2013, as calculated under the agreement, was $20,916,000 an $54,286,000 respectively.

Advances under the Agreement are subject to a borrowing base formula, which limits the availability of advances on the borrowing base calculation base attributes of policies pledged to the facility. Over-concentration of policies by insurance carrier, over-concentration of policies by insurance carriers with below a AA- rating, and the premiums and facility fees reserve are the three primary factors with the potential of limiting availability of funds on the faci funds available for additional borrowings under the borrowing base formula criteria at December 31, 2013 and 2012, were $3,937,000 and $15,043,000 r

On July 15, 2008, Holdings delivered a performance guaranty in favor of Autobahn pursuant to which it guaranteed the obligations of GWG Life, in its c seller and master servicer, under the Credit and Security Agreement and related documents. On January 29, 2013 and in connection with the Amended an Credit and Security Agreement, Holdings delivered a reaffirmation of its performance guaranty. The obligations of Holdings under the performance guar subsequent reaffirmation do not extend to the principal and interest owed by DLP II as the borrower under the credit facility.

(7) Series I Secured notes payable

Series I Secured notes payable have been issued in conjunction with the GWG Series I Secured notes private placement memorandum dated August 25, 2 revised November 15, 2010). On June 14, 2011 the Company closed the offering to additional investors, however, existing investors may elect to continu amounts outstanding upon maturity subject to the Company s option. Series I Secured notes have maturity dates ranging from six months to seven years interest rates varying from 5.65% to 9.55% depending on the term of the note. Interest is payable monthly, quarterly, annually or at maturity depending o of the note. At December 31, 2013 and 2012 the weighted average interest rates of Series I Secured notes were 8.35% and 8.22%, respectively. The notes by assets of GWG Life. The principal amount outstanding under these Series I Secured notes was $29,744,000 and $38,570,000 at December 31, 2013, a 31, 2012, respectively. The difference between the amount outstanding on the Series I

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Secured notes and the carrying amount on the consolidated balance sheet is due to netting of unamortized deferred issuance costs. Overall, interest expens amortization of deferred financing and issuance costs of $606,000 and $1,170,000 in 2013 and 2012, respectively. Future expected amortization of defer

costs is $468,000 over the next six years.

On November 15, 2010, Jon Sabes and Steve Sabes pledged their ownership interests in the Company to the Series I Trust as security for advances under
Trust arrangement.

The use of proceeds from the issuances of Series I Secured notes was limited to the following: (1) payment of commissions of Series I Secured note sales
purchase life insurance policies, (3) pay premiums of life insurance policies, (4) pay principal and interest to Senior Liquidity Provider (DZ Bank), (5) pa
note operating fees or costs, (6) pay trustee (Wells Fargo Bank, N.A.), (7) pay servicer and collateral fees, (8) pay principal and interest on Series I Secur
make distributions to equity holders for tax liability related to portfolio, (10) purchase interest rate caps, swaps, or hedging instruments, (11) pay GWG S
Trustee fees, and (12) pay offering expenses.

On November 1, 2011, GWG entered into a Third Amended and Restated Note Issuance and Security Agreement with Lord Securities Corporation after
majority approval from the holders of Series I Secured notes. Among other things, the amended and restated agreement modified the use of proceeds and
provisions relating to the distribution of collections and subordination of cash flow. Under the amended and restated agreement, GWG is no longer restri
use of proceeds or subject to restrictions on certain distributions of collections and subordination of cash flows. Under the amended and restated agreeme
may extend the maturity of Series I Secured notes of a six month term for up to two additional six month terms, and Series I Secured notes of a one year
six months.

Future contractual maturities of Series I Secured notes payable at December 31, 2013 are as follows:

Years Ending December 31,	
2014	$16,1
2015	6,7
2016	2,0
2017	4,0
2018	7
Thereafter	
	$29,7

(8) Renewable Secured Debentures

The Company has registered with the Securities and Exchange Commission, effective January 2012, the offer and sale of $250,000,000 of secured deben
Renewable Secured Debentures have maturity dates ranging from six months to seven years with fixed interest rates varying from 4.75% to 9.50% depen
term of the note. Interest is payable monthly, annually or at maturity depending on the terms of the debenture. At December 31, 2013 and 2012, the weig
interest rate of Renewable Secured Debentures was 7.53% and 7.65%, respectively. The debentures are secured by assets of GWG Life and GWG Holdin
amount outstanding under these Renewable Secured Debentures was $134,891,000 and $57,609,000 at December 31, 2013 and 2012, respectively. The d
between the amount outstanding on the Renewable Secured Debentures and the carrying amount on the consolidated balance sheet is due to netting of un
deferred issuance costs and cash receipts for new issuances in process at December 31, 2013 and 2012. Amortization of deferred issuance costs was $1,8
$506,000 in 2013 and 2012, respectively. Future expected amortization of deferred financing costs is $5,147,000. Subsequent to December 31, 2013, the
has issued approximately an additional $17,715,000 in principal amount of these Renewable Secured Debentures.

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The use of proceeds from the issuances of Renewable Secured Debentures is limited to the following: (1) payment of commissions on sales of Renewable
Debentures, (2) payment of offering expenses, (3) purchase of life insurance policies, (4) Payment of premiums on life insurance policies, (5) payment of
and interest on Renewable Secured Debentures, (6) payment of portfolio operations expenses, and (7) for general working capital.

Future contractual maturities of Renewable Secured Debentures at December 31, 2013 are as follows:

Years Ending December 31,	
2013	$ 34,2
2014	41,5
2015	29,1
2016	7,6
2017	5,3
Thereafter	16,9
	$ 134,8

The Company entered into an Indenture effective October 19, 2011 with Holdings as obligor, GWG Life as guarantor, and Bank of Utah as trustee for the
the debenture holders. The Indenture has certain financial and nonfinancial covenants. The Company was in compliance with these covenants at Decembe
and 2012.

(9) Convertible, redeemable preferred stock

The Company began offering 3,333,333 shares of convertible redeemable preferred stock (Series A preferred stock) for sale to accredited investors in a pr
placement on July 31, 2011. The offering of Series A preferred stock concluded on September 2, 2012 and resulted in 3,278,000 shares being issued for g
consideration of $24,582,000. As of December 31, 2013, 166,000 shares have been issued as a result of conversion of $1,163,000 in dividends into shares
preferred stock. The Series A preferred stock was sold at an offering price of $7.50 per share. Series A preferred stock has a preferred dividend yield of 1
annum, and each share has the right to convert into 0.75 shares of the Company s common stock. The Company may elect to automatically convert the S
preferred stock to common stock as described below. Series A preferred shareholders also received three-year warrants to purchase, at an exercise price p
$12.50, one share of common stock for every 40 shares of Series A preferred stock purchased. The warrants are exercisable immediately. In the Certificat
Designations for the Series A preferred stock dated July 31, 2011, the Company agreed to permit preferred shareholders to sell their shares back to the Co
the stated value of $7.50 per share, plus accrued dividends, according to the following schedule:

Up to 33% of the holder s unredeemed shares one year after issuance:

Up to 66% of the holder s unredeemed shares two years after issuance; and

Up to 100% of the holder s unredeemed shares three years after issuance.

The Company s obligation to redeem Series A preferred shares will terminate upon the Company completing a registration of its common stock with the
Company may redeem the Series A preferred shares at a price equal to 110% of their liquidation preference ($7.50 per share) at any time after December

At the election of the Company, the Series A preferred shares may be automatically converted into the common stock of the Company in the event of eith
registered offering of the Company s common stock with the SEC aggregating gross proceeds of at least $5.0 million at a price equal to or greater than $
share of common stock, or (2) the consent of shareholders holding at least a majority of the then-outstanding shares of Series A preferred stock. As of De
2013, the Company had issued 3,450,000

GWG HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

preferred shares resulting in gross consideration of $25,799,000 (including cash proceeds, conversion of Series I Secured notes and accrued interest on Se
and conversion of preferred dividends payable). In 2013, the Company redeemed 82,000 shares valued at $614,000 resulting in 3,368,000 shares outstand
gross value of $25,176,000. The Company incurred Series A preferred stock issuance costs of $2,838,000, of which $2,385,000 was amortized to additio
capital as of December 31, 2013, resulting in a carrying amount of $24,723,000.

The Company determined that the grant date fair value of the outstanding warrants attached to the Series A preferred stock was $395,000 for warrants iss
December 31, 2013. The Company may redeem outstanding warrants prior to their expiration, at a price of $0.01 per share upon 30 days written notice to
investors at any time after (i) the Company has completed a registration of its common stock with the SEC and (ii) the weighted-average sale price per sh
common stock equals or exceeds 14.00 per share for ten consecutive trading days ending on the third business day prior to proper notice of such redempti
warrants outstanding as of December 31, 2013, were 415,955 with a weighted-average remaining life of 1.34 years. Total warrants outstanding at Decemb
were 415,955 with a weighted-average remaining life of 2.34 years.

Dividends on the Series A preferred stock may be paid in either cash or additional shares of Series A preferred stock at the election of the holder and appr
Company. The dividends are reported as an expense and included in the caption interest expense in the consolidated statements of operations.

The Company declared and accrued dividends of $2,528,000 and $2,227,000 in 2013 and 2012, respectively, pursuant to a board resolution declaring the
89,000 and 81,000 shares of Series A preferred stock were issued in lieu of cash dividends in 2013 and 2012. The shares issued in lieu of cash dividends v
at $7.00 per share. As of December 31, 2013, Holdings has $629,000 of accrued preferred dividends which were paid or converted to shares of Series A p
stock on January 15, 2014.

(10) Income taxes

The Company did not have any current income taxes for the years ended December 31, 2013 or 2012. The components of deferred income tax expense fo
ended December 31, 2013 and 2012, respectively, consisted of the following:

	2013	
Income tax provision:		
Deferred:		
Federal	$ 1,826,000	$ 1,(
State	348,000	1
Total income tax expense	$ 2,174,000	$ 1,1

The following table provides a reconciliation of our income tax expense at the statutory federal tax rate to our actual income tax expense:

	2013		2012
Statutory federal income tax	$ 673,000	34.0%	$ 61,000
State income taxes, net of federal benefit	298,000	15.1%	165,000
Series A preferred stock dividends	860,000	43.4%	757,000
Other permanent differences	343,000	17.3%	210,000
Total income tax expense	$ 2,174,000	109.8%	$ 1,193,000

The most significant temporary differences between GAAP net income and taxable net income are the treatment of interest costs with respect to the acqui
life insurance policies and revenue recognition with respect to the mark-to-market of life insurance portfolio.

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GWG HOLDINGS, INC. AND SUBSIDIARIES
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The tax effects of temporary differences that give rise to deferred income taxes were as follows:

	2013	2

	2013	2
Deferred tax assets:		
Athena Securities Group, LTD, advisory services	$	$ 1,4
Note receivable from related party	2,023,000	2,0
Net operating loss carryforwards	2,596,000	1,6
Other assets	164,000	
Subtotal	4,783,000	5,1
Valuation allowance	(2,164,000)	(2,0
Net deferred tax asset	2,619,000	3,1
Deferred tax liabilities:		
Investment in life settlements	(10,294,000)	(8,6
Net deferred tax liability	$ (7,675,000)	$ (5,5

At December 31, 2013 and 2012, the Company had federal net operating loss (NOL) carryforwards of $4,182,000 and $4,129,000, respectively, which wi expire in 2031. Future utilization of NOL carryforwards is subject to limitation under Section 382 of the Internal Revenue Code. This section generally re more than 50 percent change in ownership over a three-year period. We currently do not believe that any issuance of common stock has resulted in an ow change under Section 382.

The Company provides for a valuation allowance when it is not considered more likely than not that our deferred tax assets will be realized. At December and 2012, based upon all available evidence, the Company has provided a valuation allowance of $2,164,000, and 2,023,000, respectively, against deferre related to the likelihood of recovering the tax benefit of a capital loss on a note receivable from a related entity. The change was $141,000 and $0 for the y December 31, 2013 and 2012, respectively. Management believes all other deferred tax assets are recoverable.

ASC 740, Income Taxes, requires the reporting of certain tax positions which do not meet a threshold of more-likely-than-not to be recorded as uncert It is management s responsibility to determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including reso related appeals or litigation, based upon the technical merits of the position. Management has reviewed all income tax positions taken or expected to be ta open years and determined that the income tax positions are appropriately stated and supported. The Company does not anticipate that the total unrecogni benefits will significantly change prior to December 31, 2014.

Under the Company s accounting policies, interest and penalties on unrecognized tax benefits, as well as interest received from favorable tax settlements recognized as components of income tax expense. At December 31, 2013 and 2012, the Company has recorded no accrued interest or penalties related to positions.

The Company s income tax returns for tax years ended December, 31 2013, 2012 and 2011 remain open to examination by the Internal Revenue Service state taxing jurisdictions.

(11) Common Stock

On July 11, 2011, the Company entered into a Purchase and Sale Agreement with Athena Securities Group, LTD and Athena Structured Funds PLC. Und agreement, Holdings issued to Athena Securities Group, LTD (Athena) 494,500 shares of common stock, which was equal to 9.9% of the outstanding sha Company, in exchange for shares equal to 9.9% of the outstanding shares in Athena Structured

GWG HOLDINGS, INC. AND SUBSIDIARIES
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Funds, PLC (Athena Funds) and cash of $5,000. In accordance with Accounting Standards Codification (ASC) 505-50, the Company recorded the share-b

payment transaction with Athena at the fair value of the Company s 494,500 shares of common stock issued as it was the most reliable measurable form
consideration in this exchange the total value ascribed to the common stock issued to Athena was $3.6 million. The $5,000 cash paid by Athena, which re
fair value of the shares of Athena Funds, is included in financing activities of the Consolidated Statement of Cash Flows.

On June 28, 2013, GWG Holdings, Inc. entered into a new Purchase and Sale Agreement with Athena Securities Limited and Athena Securities Group Li
June 28, 2013 agreement terminated the parties original Purchase and Sale Agreement dated July 11, 2011. Under the new agreement, Holdings appoint
Securities Group Limited (i) as Holdings exclusive representative for the offer and sale of Holdings Renewable Secured Debentures in Ireland, and (ii)
for the offer and sale of those debentures in Europe and the Middle East, in each case until May 8, 2014. Any compensation payable to Athena Securities
Limited will be in accordance with the compensation disclosures set forth in Holdings prospectus for the offering filed with the SEC on dated June 4, 20
same may be supplemented or amended from time to time. In addition, the new agreement effected the sale by Athena Securities Limited to Holdings of 4
shares of Holdings common stock, and Holdings sale back to Athena Securities Group Limited of certain shares of GWG Securities International Publ
Company (formerly known as Athena Structured Funds PLC) originally transacted under the original July 11, 2011 agreement. The Company recorded a
gain on the transaction of $3,252,000.

(12) Stock Incentive Plan

The Company adopted the GWG Holdings, Inc. 2013 Stock Incentive Plan on March 27, 2013. The plan shall be administered by Compensation Commit
Board of Directors of the Company. The Company s Chief Executive Officer may, on a discretionary basis and without committee review or approval, g
to new employees of the Company who are not Officers of the Company. Incentives under the plan may be granted in one or a combination of the followi
(a) incentive stock options and non-statutory stock options; (b) stock appreciation rights; (c) stock awards; (d) restricted stock; (e) restricted stock units; a
performance shares. Eligible participants include officers and employees of the company, members of the Board of Directors, and consultants or other ind
contractors. 1,000,000 shares are issuable under the plan. No person shall receive grants of stock options and SARs under the plan that exceed, in the aggr
200,000 shares of common stock in any one year. The term of each stock option shall be determined by the committee but shall not exceed ten years. Ves
options may be exercised in whole or part by the holder giving notice to the Company. The holder of the option may provide payment for the exercise pri
surrender shares equal to the exercise price.

The Company issued stock options for 433,250 shares of common stock to employees, officers, and directors of the Company in 2013. Options for 208,75
vested immediately, and the remaining options vested over three years. The shares were issued with an exercise price of $7.52, which is equal to the estim
price of the shares on the date of grant valued using Black-Scholes Binomial option pricing model. The expected volatility used in the Black-Scholes mod
of options issued during the year was 19.73% annualized. The annual volatility rate is based on the standard deviation of the average continuously compo
return of five selected comparable companies over the previous 52 weeks. Forfeiture rate of 15% is based on historical company information and expecte
trend. In 2013 stock options for 52,750 shares were forfeited.

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Stock options granted during the year ended December 31, 2013:

Grant Date	Exercise Price	Shares	Vesting	Binomial Value	Forfeiture Factor	Comp Exp
9/5/2013	$ 7.46	1,250.00	Immediate	0.36	0.87	3
9/5/2013	$ 7.52	142,500.00	Immediate	0.36	0.87	44,6
9/5/2013	$ 8.28	25,000.00	Immediate	0.36	0.87	7,8
9/5/2013	$ 7.46	1,500.00	1 year	0.36	0.85	4
9/5/2013	$ 7.52	44,338.50	1 year	0.36	0.85	13,5
9/5/2013	$ 8.28	2,833.50	1 year	0.36	0.85	8
9/5/2013	$ 7.46	1,500.00	2 years	0.6	0.7225	6
9/5/2013	$ 7.52	44,333.00	2 years	0.6	0.7225	19,2
9/5/2013	$ 8.28	2,833.50	2 years	0.6	0.7225	1,2
9/5/2013	$ 7.46	1,500.00	3 years	0.82	0.6141	7

Grant Date	Exercise Price	Shares	Vesting	Binomial Value	Forfeiture Factor	Comp Exp
9/5/2013	$ 7.52	44,328.50	3 years	0.82	0.6141	22,3
9/5/2013	$ 8.28	2,833.00	3 years	0.82	0.6141	1,4
9/30/2013	$ 7.52	4,000.00	Immediate	0.66	0.87	2,2
10/28/2013	$ 7.52	4,250.00	Immediate	0.66	0.87	2,4
10/28/2013	$ 7.52	17,000.00	1 year	0.66	0.85	9,5
10/28/2013	$ 7.52	17,000.00	2 years	0.92	0.7225	11,2
10/28/2013	$ 7.52	12,750.00	3 years	1.14	0.6141	8,9
11/11/2013	$ 7.52	4,167.00	1 year	0.66	0.85	2,3
11/11/2013	$ 7.52	4,166.50	2 years	0.92	0.7225	2,7
11/11/2013	$ 7.52	4,166.50	3 years	1.14	0.6141	2,9
11/12/2013	$ 7.52	1,750.00	Immediate	0.66	0.87	1,0
11/12/2013	$ 7.52	7,000.00	1 year	0.66	0.85	3,9
11/12/2013	$ 7.52	7,000.00	2 years	0.92	0.7225	4,6
11/12/2013	$ 7.52	5,250.00	3 years	1.14	0.6141	3,6
12/12/2013	$ 7.52	30,000.00	Immediate	0.66	0.87	17,2
		433,250.00				

* Amounts reflected in current period earnings.

Outstanding stock options:

	Vested	Un-vested
Balance as of December 31, 2012		
Granted during the year	208,750	224,500
Exercised during the year		
Forfeited during the year	(13,750)	(14,250)
Expired during the year		
Balance as of December 31, 2013	195,000	210,250

Compensation expense related to un-vested options not yet recognized is $104,851. We expect to recognize this compensation expense over the next 2.7 y

(13) Net loss per common share

The Company began issuing Series A preferred stock September, 1, 2011, as described in note 9. The Series A preferred stock is anti-dilutive to the net lo common share calculation at December 31, 2013 and 2012. The Company has also issued warrants to purchase common stock in conjunction with the sal convertible preferred stock, as discussed in note 9. The warrants are anti-dilutive at December 31, 2013 and 2012 and have not been included in the fully loss per common share calculation.

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GWG HOLDINGS, INC. AND SUBSIDIARIES
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	December 31, 2013	Dece[...]
NET LOSS	$ (194,955)	$(1,0
Accretion of preferred stock to liquidation value	(806,624)	(1,5
LOSS ATTRIBUTABE TO COMMON SHAREHOLDERS	$(1,001,579)	$(2,5
Basic and diluted weighted average shares outstanding	4,758,699	4,9
NET LOSS PER COMMON SHARE (BASIC AND DILUTED)		
Net loss	$ (0.04)	$
Accretion of value to preferred stock	$ (0.17)	$
Net loss attributable to common shareholders	$ (0.21)	$

(14) Commitments

The Company entered into an office lease with U.S. Bank National Association as the landlord. The lease was effective April 22, 2012 with a term throug 2015. The lease is for 11,695 square feet of office space located at 220 South Sixth Street, Minneapolis, Minnesota. The Company is obligated to pay bas common area maintenance and a share of the building operating costs. Rent expenses under this and previous agreements were $200,000 and $162,000 in December 31, 2013 and 2012, respectively. Minimum lease payments under the lease agreement effective April 22, 2012 are as follows:

2014	1(
2015	
Total	$1

(15) Contingencies

Litigation In the normal course of business, the Company is involved in various legal proceedings. In the opinion of management, any liability resulting proceedings would not have a material adverse effect on the Company s financial position, results of operations or cash flows.

Opportunity Finance, LLC, owned by Jon Sabes and Steven Sabes, is subject to litigation clawback claims by the bankruptcy trustee for third-party matte payments that may have been deemed preference payments. In addition, Jon Sabes and Steven Sabes are subject to litigation clawback claims by the bank trustee for third-party matters for payments received from Opportunity Finance that may have been deemed preference payments. If the parties are unsuc defending against these claims, their equity ownership in the Company may be sold or transferred to other parties to satisfy such claims. In addition, the C loaned $1,000,000 to Opportunity Finance, LLC, and was repaid in full plus interest of $177,000. This investment amount may also be subject to clawbac the bankruptcy court.

(16) Guarantees of secured debentures

Holdings has registered with the SEC the offer and sale $250,000,000 of secured debentures as described in note 8. The secured debentures are secured b of Holdings as described in note 8 and a pledge of all the common stock by the largest shareholders. Obligations under the debentures are guaranteed by This guarantee involves the grant of a security interest in all the assets of GWG Life. The payment of principal and interest on the secured debentures is f unconditionally guaranteed by GWG Life. Substantially all of the Company s life insurance policies are held by DLP II and the Trust. The policies held not collateral for the debenture obligations as such policies are collateral for the credit facility.

The consolidating financial statements are presented in lieu of separate financial statements and other related disclosures of the subsidiary guarantors and because management does not believe that separate financial statements and related disclosures would be material to investors. There are currently no sig restrictions on the ability of Holdings or GWG Life, the guarantor subsidiary, to obtain funds from its

GWG HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

subsidiaries by dividend or loan, except as follows. DLP II is a borrower under a credit agreement with Autobahn, with DZ Bank AG as agent, as describe
The significant majority of insurance policies owned by the Company are subject to a collateral arrangement with DZ Bank AG described in notes 3 and 6
arrangement, collection and escrow accounts are used to fund premiums of the insurance policies and to pay interest and other charges under the revolvin
facility. DZ Bank AG and Autobahn must authorize all disbursements from these accounts, including any distributions to GWG Life. Distributions are lin
amount that would result in the borrowers (DLP II, GWG Life and Holdings) realizing an annualized rate of return on the equity funded amount for such
more than 18%, as determined by DZ Bank AG. After such amount is reached, the credit agreement requires that excess funds be used for repayments of
before any additional distributions may be made.

The following represents consolidating financial information as of December 31, 2013 and 2012, with respect to the financial position, and for the years e
December 31, 2013 and 2012 with respect to results of operations and cash flows of Holdings and its subsidiaries. The parent column presents the financi
information of Holdings, the primary obligor of the secured debentures. The guarantor subsidiary column presents the financial information of GWG Life
guarantor subsidiary of the secured debentures, presenting its investment in DLP II and Trust under the equity method. The non-guarantor subsidiaries co
presents the financial information of all non-guarantor subsidiaries including DLP II, United Lending, GWG Broker Services and the Trust.

Consolidating Balance Sheets

December 31, 2013	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Co
ASSETS					
Cash and cash equivalents	$ 32,711,636	$ 738,157	$	$	$ 3
Restricted cash		1,420,000	4,412,970		
Investment in life settlements, at fair value			234,672,794		23
Deferred financing costs, net			357,901		
Other assets	381,883	484,510	200,625		
Investment in subsidiaries	129,839,241	159,798,490		(289,637,731)	
TOTAL ASSETS	$ 162,932,760	$ 162,441,157	$ 239,644,290	$ (289,637,731)	$ 27
LIABILITIES & STOCKHOLDERS EQUITY (DEFICIT)					
LIABILITIES					
Revolving credit facility	$	$	$ 79,000,000	$	$ 7
Series I Secured notes payable		29,275,202			2
Renewable Secured Debentures	131,646,062				13
Accounts payable	233,214	106,655	500,000		
Interest payable	3,806,820	3,065,465	337,123		
Other accrued expenses	340,812	154,594	8,677		
Deferred taxes	7,675,174				
TOTAL LIABILITIES	143,702,082	32,601,916	79,845,800		25
CONVERTIBLE, REDEEMABLE PREFERRED STOCK	24,722,693				2

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GWG HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidating Balance Sheets (continued)

December 31, 2012	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Co
STOCKHOLDERS EQUITY (DEFICIT)					
Member capital		129,839,241	159,798,490	(289,637,731)	
Common stock	4,562				
Additional paid-in capital	2,942,000				
Accumulated deficit	(8,438,577)				(
TOTAL STOCKHOLDERS EQUITY (DEFICIT)	(5,492,015)	129,839,241	159,798,490	(289,637,731)	(
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)	$ 162,932,760	$ 162,441,157	$ 239,644,290	$ (289,637,731)	$ 27

ASSETS

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Co
Cash and cash equivalents	$ 25,035,579	$ 2,461,465	$	$	$ 2
Restricted cash		1,748,700	344,392		
Due from related parties		8,613			
Investment in life settlements, at fair value			164,317,183		16
Deferred financing costs, net			97,040		
Death benefits receivable			2,850,000		
Other assets	96,994	202,979	785,090		
Investment in subsidiaries	60,608,585	96,914,613		(157,523,198)	
TOTAL ASSETS	$ 85,741,158	$ 101,336,370	$ 168,393,705	$ (157,523,198)	$ 19

LIABILITIES & STOCKHOLDERS EQUITY (DEFICIT)

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Co
LIABILITIES					
Revolving credit facility	$	$	$ 71,000,000	$	$ 7
Series I Secured notes payable		37,844,711			3
Renewable Secured Debentures	55,718,950				5
Accounts payable	73,084	104,975	292,000		
Interest payable	905,017	2,444,097	128,206		
Other accrued expenses	898,611	382,522	10,366		
Deferred taxes	5,501,407				
TOTAL LIABILITIES	63,097,069	40,776,305	71,430,572		17

December 31, 2012	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Co
CONVERTIBLE, REDEEMABLE PREFERRED STOCK	23,905,878				2
STOCKHOLDERS EQUITY (DEFICIT)					
Member capital		60,560,065	96,963,133	(157,523,198)	
Common stock	4,995				
Additional paid-in capital	6,976,838				
Accumulated deficit	(8,243,622)				(
TOTAL STOCKHOLDERS EQUITY (DEFICIT)	(1,261,789)	60,560,065	96,963,133	(157,523,198)	(
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)	$ 85,741,158	$ 101,336,370	$ 168,393,705	$ (157,523,198)	$ 19

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GWG HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidating Statements of Operations

For the year ended December 31, 2013	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Co
REVENUE					
Contract servicing fees	$	$ 3,710,737	$	$ (3,710,737)	$
Gain on life settlements, net			29,513,642		2
Gain upon termination of agreement with Athena Securities Ltd.	$ 3,252,400				$
Interest and other income	81,931	2,612,420	79,767	(2,475,386)	
TOTAL REVENUE	3,334,331	6,323,157	29,593,409	(6,186,123)	3
EXPENSES					
Origination and servicing fees			3,710,737	(3,710,737)	
Interest expense	11,800,718	3,684,811	5,277,115		2
Employee compensation and benefits	3,424,383	1,619,465			
Legal and professional fees	1,206,520	514,728	32,961		
Other expenses	2,004,636	1,463,084	2,532,927	(2,475,386)	
TOTAL EXPENSES	18,436,257	7,282,088	11,553,740	(6,186,123)	3
INCOME (LOSS) BEFORE EQUITY IN INCOME OF SUBSIDIARIES	(15,101,926)	(958,931)	18,039,669		

For the year ended December 31, 2013	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Co
EQUITY IN INCOME OF SUBSIDIARIES	17,080,738	18,088,189		(35,168,927)	
NET INCOME BEFORE INCOME TAXES	1,978,812	17,129,258	18,039,669	(35,168,927)	
INCOME TAX EXPENSE	2,173,767				
NET INCOME (LOSS)	(194,955)	17,129,258	18,039,669	(35,168,927)	
Accretion of preferred stock to liquidation value	(806,624)				
LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ (1,001,579)	$ 17,129,258	$ 18,039,669	$ (35,168,927)	$ (

For the year ended December 31, 2012	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Co
REVENUE					
Contract servicing fees	$	$ 2,539,437	$	$ (2,539,437)	$
Gain on life settlements, net			17,436,743		1
Interest and other income	42,668	223,311	42,747	(219,671)	
TOTAL REVENUE	42,668	2,762,748	17,479,490	(2,759,108)	1
EXPENSES					
Origination and servicing fees			2,539,437	(2,539,437)	
Interest expense	4,311,719	4,833,058	1,953,521	(219,671)	1
Employee compensation and benefits		2,903,373			
Legal and professional fees	899,588	162,323	14,783		
Other expenses	937,562	1,496,752	52,499		
TOTAL EXPENSES	6,148,869	9,395,506	4,560,240	(2,759,108)	1
INCOME (LOSS) BEFORE EQUITY IN INCOME OF SUBSIDIARIES	(6,106,201)	(6,632,758)	12,919,250		
EQUITY IN INCOME OF SUBSIDIARIES	6,286,492	13,035,698		(19,322,190)	
NET INCOME BEFORE INCOME TAXES	180,291	6,402,940	12,919,250	(19,322,190)	
INCOME TAX EXPENSE	1,193,190				
NET INCOME (LOSS)	(1,012,899)	6,402,940	12,919,250	(19,322,190)	(
Accretion of preferred stock to liquidation value	(1,578,405)				(
LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ (2,591,304)	$ 6,402,940	$ 12,919,250	$ (19,322,190)	$ (

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GWG HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidating Statements of Cash Flows

For the year ended December 31, 2013	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Co
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss)	$ (194,955)	$ 17,129,258	$ 18,039,669	$ (35,168,927)	$
Adjustments to reconcile net income (loss) to cash flows from operating activities:					
Equity of subsidiaries	(17,080,738)	(18,088,189)		35,168,927	
Gain on life settlements			(39,337,542)		(3
Amortization of deferred financing and issuance costs	1,908,248	823,004	(260,861)		
Deferred income taxes	2,173,767				
Preferred stock issued for dividends	623,899				
Convertible, redeemable preferred stock dividends payable	255				
Gain upon termination of agreement with Athena Securities Ltd.	(3,252,400)				(
(Increase) decrease in operating assets:					
Due from related parties		8,613			
Death benefits receivable			2,850,000		
Other assets	(51,522,808)	(45,077,218)		96,033,606	
Increase (decrease) in operating liabilities:					
Accounts payable	160,130	1,680	208,000		
Interest payable	2,399,975	809,540	208,918		
Other accrued expenses	277,321	(224,990)	(1,690)		
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(64,507,306)	(44,618,302)	(18,293,506)	96,033,606	(3
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in life settlements			(34,997,500)		(3
Proceeds from settlement of life settlements			4,563,896		
NET CASH FLOWS USED IN INVESTING ACTIVITIES			(30,433,604)		(3
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from revolving credit facility			8,000,000		
Payments for redemption of Series I Secured notes payable		(8,671,624)			(
Proceeds from issuance of debentures	85,260,976				8
Payments for issuance of debentures	(4,320,542)				(
Payments for redemption of debentures	(8,143,363)				(
Proceeds (payments) from restricted cash		328,700	(4,068,578)		(
Issuance of member capital		51,237,918	44,795,688	(96,033,606)	
Payments for redemption of preferred stock	(613,708)				
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	72,183,363	42,894,994	48,727,110	(96,033,606)	6

For the year ended December 31, 2013	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Co
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,676,057	(1,723,308)			
CASH AND CASH EQUIVALENTS					
BEGINNING OF THE YEAR	25,035,579	2,461,465			2
END OF THE YEAR	$ 32,711,636	$ 738,157	$	$	$ 3

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GWG HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidating Statements of Cash Flows (continued)

For the year ended December 31, 2012	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Co
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss)	$ (1,012,899)	$ 6,402,940	$ 12,919,250	$ (19,322,190)	$ (
Adjustments to reconcile net income (loss) to cash flows from operating activities:					
Equity of subsidiaries	(6,286,492)	(13,035,698)		19,322,190	
Gain on life settlements			(27,856,374)		(2
Amortization of deferred financing and issuance costs	506,279	1,169,755	232,896		
Deferred income taxes	1,193,190				
Preferred stock issued for dividends	567,478				
Convertible, redeemable preferred stock dividends payable	338,695				
(Increase) decrease in operating assets:					
Due from related parties		(6,348)			
Death benefits receivable			(2,850,000)		(
Other assets	(33,137,100)	(22,587,090)	(772,090)	55,627,115	
Increase (decrease) in operating liabilities:					
Accounts payable	(306,373)	48,665			
Interest payable	918,374	806,058	20,167		
Other accrued expenses	(55,890)	(16,352)	2,950		
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(37,274,738)	(27,218,070)	(18,303,201)	55,627,115	(2
CASH FLOWS FROM INVESTING ACTIVITIES					

For the year ended December 31, 2012	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Co
Investment in life settlements			(15,067,495)		(1
Proceeds from settlement of life settlements			1,067,210		
NET CASH FLOWS USED IN INVESTING ACTIVITIES			(14,000,285)		(1
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from revolving credit facility			11,000,000		1
Payments for redemption of Series I Secured notes payable		(7,477,197)			(
Proceeds from issuance of debentures	58,553,280				5
Payments for issuance of debentures	(3,024,545)				(
Payments for redemption of debentures	(112,500)				
Proceeds (payments) from restricted cash		(926,473)	3,627,683		
Issuance of member capital		37,951,312	17,675,803	(55,627,115)	
Issuance of preferred stock	6,414,273				
Payments for issuance of preferred stock	(1,266,647)				(
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	60,563,861	29,547,642	32,303,486	(55,627,115)	6
NET INCREASE IN CASH AND CASH EQUIVALENTS	23,289,123	2,329,572			2
CASH AND CASH EQUIVALENTS					
BEGINNING OF THE YEAR	1,746,456	131,893			
END OF THE YEAR	$ 25,035,579	$ 2,461,465	$	$	$ 2

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GWG HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(17) Concentration

GWG purchases life insurance policies written by life insurance companies having investment grade ratings by independent rating agencies. As a result th
certain concentrations of contracts with life insurance companies. The following summarizes the face value of insurance contracts with specific life insura
companies exceeding 10% of the total face value held by the Company.

	December 31, 2013	De
	%	
Life insurance company		
Company A	16.58	
Company B	11.34	
Company C	*	

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* percentage does not exceed 10% of the total face value.

The following summarizes the number of insurance contracts held in specific states exceeding 10% of the total face value held by the Company:

	December 31, 2013	De
	%	
State of residence		
California	28.14	
Florida	15.59	
New York	10.65	

(18) Subsequent events

Stock split On June 24, 2014, the Company s Board of Directors and majority stockholders approved a joint resolution to effect an amendment to the C
Certificate of Incorporation in the state of Delaware whereby the company shall enact a reverse split of the common stock such that for every two (2) shar
common stock issued and outstanding immediately prior to the effective date shall, automatically and without any action on the part of the respective hold
be combined and converted into one (1) share of common stock. The effective date of the amendment and reverse stock split is June 24, 2014. In lieu of fr
shares, stockholders received cash payments in an amount equal to the fraction to which the stockholder would otherwise be entitled multiplied by the pri
common stock, as determined by the Board of Directors of the Corporation, but adjusted so as to give effect to the reverse stock split. The par value of the
stock remained at $0.001 per share.

All share and per-share information presented elsewhere in these financial statements and corresponding notes have been adjusted to reflect the stock spli

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GWG HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2014	December 31, 2013
	(unaudited)	
ASSETS		
Cash and cash equivalents	$ 23,059,955	$ 33,449,793
Restricted cash	2,810,432	5,832,970
Investment in life settlements, at fair value	267,895,692	234,672,794
Other assets	2,822,074	1,424,919
TOTAL ASSETS	$ 296,588,153	$ 275,380,476
LIABILITIES & STOCKHOLDERS EQUITY (DEFICIT)		
LIABILITIES		
Revolving credit facility	$ 79,000,000	$ 79,000,000

	June 30, 2014	December 31, 2013
Series I Secured notes payable	28,051,113	29,275,202
Renewable Secured Debentures	157,513,267	131,646,062
Interest payable	9,730,193	7,209,408
Accounts payable and accrued expenses	1,714,418	1,343,952
Deferred taxes, net	5,403,604	7,675,174
TOTAL LIABILITIES	281,412,595	256,149,798
CONVERTIBLE, REDEEMABLE PREFERRED STOCK (par value $0.001; shares authorized 40,000,000; shares issued and outstanding 3,419,767 and 3,368,109; liquidation preference of $25,648,000 and $25,261,000 on June 30, 2014 and December 31, 2013, respectively)	25,309,946	24,722,693
STOCKHOLDERS EQUITY		
Common stock (par value $0.001: shares authorized 210,000,000; shares issued and outstanding is 4,562,000 on both June 30, 2014 and December 31, 2013)	4,562	4,562
Additional paid-in capital	2,787,494	2,942,000
Accumulated deficit	(12,926,444)	(8,438,577
TOTAL STOCKHOLDERS EQUITY (DEFICIT)	(10,134,388)	(5,492,015
TOTAL LIABILITIES & STOCKHOLDERS EQUITY (DEFICIT)	$ 296,588,153	$ 275,380,476

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

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GWG HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 20
REVENUE				
Gain on life settlements, net	$ 5,484,889	$ 7,733,245	$ 11,001,094	$ 16,07
Interest and other income	6,380	3,274,323	13,747	3,44
TOTAL REVENUE	5,491,269	11,007,568	11,014,841	19,51
EXPENSES				
Employee compensation and benefits	1,178,819	1,063,923	2,147,564	3,00
Legal and professional fees	419,337	351,910	826,339	78
Interest expense	6,608,043	4,941,942	12,934,591	9,40
Other expenses	1,188,479	1,091,132	1,865,784	2,12
TOTAL EXPENSES	9,394,678	7,448,907	17,774,278	15,32

	Three Months Ended		Six Months Ended	
INCOME (LOSS) BEFORE INCOME TAXES	(3,903,409)	3,558,661	(6,759,437)	4,19
INCOME TAX EXPENSE (BENEFIT)	(1,316,712)	1,801,971	(2,271,570)	2,36
NET INCOME (LOSS)	$ (2,586,697)	$ 1,756,690	$ (4,487,867)	$ 1,82
Accretion of preferred stock to liquidation value	(101,271)	(208,877)	(226,984)	(46
LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ (2,687,968)	$ 1,547,813	$ (4,714,851)	$ 1,35
NET INCOME (LOSS) PER SHARE				
Basic	$ (0.59)	$ 0.31	$ (1.03)	$
Diluted	$ (0.59)	$ 0.21	$ (1.03)	$
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic	4,562,000	4,984,994	4,562,000	4,77
Diluted	4,562,000	7,511,099	4,562,000	7,29

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

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GWG HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 3 201
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	$ (2,586,697)	$ 1,756,690	$ (4,487,867)	$ 1,82
Adjustments to reconcile net income (loss) to net cash flows from operating activities:				
Gain on life settlements	(10,852,425)	(7,449,180)	(22,211,338)	(18,94
Amortization of deferred financing and issuance costs	1,354,007	837,133	1,707,664	1,93
Deferred income taxes	(1,316,712)	1,802,920	(2,271,570)	2,36
Convertible, redeemable preferred stock dividends payable	196,991	178,235	389,331	26
(Increase) decrease in operating assets:				
Other assets	(997,073)	(4,164,004)	(1,248,919)	(3,61
Increase (decrease) in operating liabilities:				
Accounts payable and accrued expenses	1,890,337	402,739	3,168,163	1,69
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(12,311,572)	(6,635,467)	(24,954,536)	(14,47

	Three Months Ended		Six Months Ended	
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in life settlements	(2,608,232)	(2,972,944)	(10,879,435)	(12,88
Proceeds from settlement of life settlements	68,500	1,382,152	68,500	2,87
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(2,539,732)	(1,590,792)	(10,810,935)	(10,01
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from revolving credit facility				8,000
Payments for redemption of Series I Secured notes payable	(670,621)	(2,423,052)	(1,538,924)	(3,930
Proceeds from issuance of renewable secured debentures	14,868,830	18,588,867	33,234,487	42,439
Payments for redemption and issuance of renewable secured debentures	(4,393,523)	(3,033,303)	(9,322,411)	(5,336
Proceeds from restricted cash	43,330	2,160,333	3,022,537	(2,370
Repurchase of common stock		(3,252,400)		(3,252
Issuance (redemptions) of convertible, redeemable preferred stock	(20,056)	(125,135)	(20,056)	(311
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	9,827,960	11,915,310	25,375,633	35,237
NET INCREASE IN CASH AND CASH EQUIVALENTS	(5,023,344)	3,689,051	(10,389,838)	10,743
CASH AND CASH EQUIVALENTS				
BEGINNING OF PERIOD	28,083,299	34,551,582	33,449,793	27,497
END OF PERIOD	$ 23,059,955	$ 38,240,633	$ 23,059,955	$ 38,240

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

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GWG HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS CONTINUED
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2014	**June 30, 2013**	**June 30, 2014**	**Jun 20**
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION				
Interest paid	$ 3,531,000	$ 3,214,000	$ 7,781,000	$ 6,5
NON-CASH INVESTING AND FINANCING ACTIVITIES				

	Three Months Ended		Six Months Ended	
Series I secured notes:				
Non-cash conversion of accrued interest and commissions payable to principal	$ 40,000	$ 86,000	$ 105,000	$ 1
Renewable secured debentures:				
Non-cash conversion of accrued interest and commission payable to principal	$ 162,000	$ 59,000	$ 282,000	$ 1
Convertible, redeemable preferred stock				
Non-cash conversion of dividends payable	$ 193,000	$ 178,000	$ 380,000	$ 2
Non-cash accretion of convertible, redeemable preferred stock to redemption value	$ 101,000	$ 209,000	$ 227,000	$ 4
Investment in life settlements included in accounts payable	$ 75,000	$ 262,000	$ 75,000	$ 2

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

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GWG HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

	Common Shares	Common Stock (par)	Additional Paid-in Capital	Accumulated Deficit	
Balance, December 31, 2012	**4,994,500**	**4,995**	**6,976,838**	**(8,243,622)**	**(1**
Net loss				(194,955)	
Repurchase of common stock	(432,500)	(433)	(3,251,967)		(3
Issuance of stock options			23,753		
Accretion of preferred stock to liquidation value			(806,624)		
Balance, December 31, 2013	**4,562,000**	**$ 4,562**	**$ 2,942,000**	**$ (8,438,577)**	**$ (5**
Net loss				(4,487,867)	(4
Issuance of stock options			72,478		
Accretion of preferred stock to liquidation value			(226,984)		
Balance, June 30, 2014	**4,562,000**	**4,562**	**2,787,494**	**(12,926,444)**	**(10**

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

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GWG HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(1) Nature of business and summary of significant accounting policies

Nature of business GWG Holdings, Inc. and subsidiaries, located in Minneapolis, Minnesota, facilitates the purchase of life insurance policies for its o investment portfolio through its wholly owned subsidiary, GWG Life, LLC (GWG Life), and its subsidiaries, GWG Trust (Trust), GWG DLP Funding II II) and its wholly owned subsidiary, GWG DLP Master Trust II (the Trust II). Our wholly owned subsidiary, GWG Broker Services, LLC (Broker Servic formed to earn fees for brokering policy transactions between market participants. Our wholly owned subsidiary United Lending, LLC (United Lending) wholly owned subsidiary United Lending SPV, LLC (United Lending SPV) were formed to finance life settlement premiums and policy loans. All of thes legally organized in Delaware. Unless the context otherwise requires or we specifically so indicate, all references in this prospectus supplement to we , Company , GWG , or the Company refer to these entities collectively. GWG Member, LLC, a wholly owned subsidiary formed November 2010 to acquisition of policies, has not commenced operations as of June 30, 2014.

Basis of presentation The condensed consolidated balance sheet as of June 30, 2014, the condensed consolidated statements of operations for the three months ended June 30, 2014 and 2013, and the condensed consolidated statements of cash flows for the three and six months ended June 30, 2014 and 20 related information presented in these notes, have been prepared by management in accordance with U.S. generally accepted accounting principles (GA interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X, without audit. To the extent that information and required by U.S. generally accepted accounting principles for complete financial statements are contained in or are consistent with the consolidated audite statements in the Company s Form 10-K for the year ended December 31, 2013, such information and notes have not been duplicated herein. In the opin management, all adjustments considered necessary for a fair presentation of results have been included. The condensed consolidated balance sheet at Dec 2013 was derived from the audited consolidated financial statements as of that date. Operating results for the three and six months ended June 30, 2014 a necessarily indicative of the results that may be expected for the year ending December 31, 2014. For further information, refer to the consolidated financ statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2013.

Use of estimates The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumpti the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the amounts of revenues and expenses during the reporting period. The Company regularly evaluates estimates and assumptions. The Company bases its esti assumptions on current facts, historical experience, and various other factors that it believes to be reasonable under the circumstances, the results of whic basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from othe The actual results experienced by the Company may differ materially and adversely from the Company s estimates. To the extent there are material diffe between the estimates and the actual results, future results of operations will be affected. The most significant estimates with regard to these consolidated statements relates to (1) the determination of the assumptions used in estimating the fair value of the investment in life insurance policies, and (2) the valu deferred tax assets and liabilities.

Life settlements ASC 325-30, *Investments in Insurance Contracts*, allows a reporting entity the election to account for its investments in life settlemen the investment method or the fair value method. The election shall be made on an instrument-by-instrument basis and is irrevocable. Under the investmen investor shall recognize the initial investment at the purchase price plus all initial direct costs. Continuing costs (policy premiums and direct external cost keep the policy in force shall be capitalized. Under the fair value method, an investor shall recognize the initial investment at the

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GWG HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

purchase price. In subsequent periods, the investor shall remeasure the investment at fair value in its entirety at each reporting period and shall recognize fair value in current period income net of premiums paid. The Company uses the fair value method to account for all life settlements.

The Company recognizes realized gains (revenue) from life settlement contracts upon one of the two following events:

1) Receipt of death notice or verified obituary of insured

2) Sale of policy and filing of change of ownership forms and receipt of payment

The Company recognizes the difference between the death benefits and carrying values of the policy when an insured event has occurred and the Compar
determines that settlement and ultimate collection of the death benefits is realizable and reasonably assured. Revenue from a transaction must meet both c
order to be recognized. In an event of a sale of a policy the Company recognizes gain or loss as the difference between the sale price and the carrying valu
policy on the date of the receipt of payment on such sale.

Deposits and initial direct costs advanced on unsettled policy acquisitions are recorded as other assets until policy ownership has been transferred to the C
Such deposits and direct cost advances were $0 and $201,000 at June 30, 2014 and December 31, 2013, respectively.

Deferred financing and issuance costs Costs incurred to obtain financing under the revolving credit facility, as described in note 6, have been capitali
amortized using the straight-line method over the term of the revolving credit facility. Amortization of deferred financing costs was $89,000 for both the t
periods ended June 30, 2014 and 2013, and $179,000 and $276,000 for the six-month periods ended June 30, 2014 and 2013, respectively. The future am
expected to be $179,000 for the six months ending December 31, 2014. The Series I Secured notes payable, as described in note 7, are reported net of issu
sales commissions and other direct expenses, which are amortized using the interest method over the term of each respective borrowing. The Renewable S
Debentures, as described in note 8, are reported net of issuance costs, sales commissions and other direct expenses, which are amortized using the interest
over the term of each respective borrowing. The Series A preferred stock, as described in note 9, is reported net of issuance costs, sales commissions, incl
fair value of warrants issued, and other direct expenses, which are amortized using the interest method as interest expense over the three-year redemption

Earnings (loss) per share Basic per share earnings (loss) attributable to non-redeemable interests is calculated using the weighted-average number of s
outstanding during the period. Diluted earnings per share is calculated based on the potential dilutive impact, if any, of the Company s convertible, redee
preferred stock, and outstanding warrants, and stock options.

Subsequent events Subsequent events are events or transactions that occur after the balance sheet date but before consolidated financial statements are
Company recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that ex
date of the balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Company s consolidated
statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the
sheet date and before the consolidated financial statements are available to be issued. The Company evaluates subsequent events and transactions that occ
balance sheet date up to the date that the consolidated financial statements are filed for potential recognition or disclosure.

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GWG HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Recently adopted pronouncements Pronouncements issued by the FASB or other authoritative accounting standards groups with future effective date
applicable or are not expected to be significant to the Company.

(2) Restrictions on cash

The Company is required by its lenders to maintain collection and escrow accounts. These accounts are used to fund the acquisition, pay annual premium
insurance policies, pay interest and other charges under the revolving credit facility, and collect policy benefits. DZ Bank AG, as agent for Autobahn Fun
Company, LLC, the lender for the revolving credit facility as described in note 6, authorizes the disbursements from these accounts. At June 30, 2014 and
31, 2013 there was a balance of $2,810,000, and $5,833,000, respectively, maintained in these restricted cash accounts.

(3) Investment in life insurance policies

The life insurance policies (Level 3 fair value measurements) are valued based on unobservable inputs that are significant to the overall fair value measur
Changes in the fair value of these instruments are recorded in gain or loss on life insurance policies in the consolidated statements of operations (net of th
premiums paid on the policies). The fair value is determined on a discounted cash flow basis that incorporates life expectancy assumptions. Life expectan
have been obtained from widely accepted life expectancy providers. The discount rate incorporates current information about market interest rates, the cre
to the insurance company that issued the life insurance policy and our estimate of the risk premium an investor in the policy would require. As a result of
management s analysis, discount rates of 11.56% and 11.69% were applied to the portfolio as of June 30, 2014 and December 31, 2013.

A summary of the Company s life insurance policies accounted for under the fair value method and their estimated maturity dates, based on remaining li
is as follows:

Years Ending December 31,	As of June 30, 2014			As of Decembe
	Number of Contracts	Estimated Fair Value	Face Value	Number of Contracts
2014		$	$	
2015	3	4,781,000	6,000,000	4
2016	11	11,035,000	16,450,000	8
2017	26	33,191,000	59,716,000	25
2018	29	35,358,000	70,017,000	33
2019	44	44,279,000	109,795,000	34
2020	38	35,833,000	91,224,000	34
Thereafter	138	103,419,000	431,450,000	125
Totals	289	267,896,000	784,652,000	263

The Company recognized policy benefits of $300,000 and $6,600,000 during the three-month periods ended June 30, 2014 and 2013, respectively, related
with a carrying value of $68,000 and $1,382,000, respectively. During the six-month periods ended June 30, 2014 and 2013, the Company recorded realiz
$232,000 and $5,218,000 on such policies. The Company recognized policy benefits of $300,000 and $10,600,000, respectively, related to policies with c
value of $68,000 and $2,872,000, respectively. The Company recorded realized gains of $232,000 and $7,728,000 on such policies.

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GWG HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Reconciliation of gain on life settlements:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	20
Change in fair value	$ 10,852,000	$ 7,449,000	$ 22,211,000	$ 18,94
Premiums and other annual fees	(5,599,000)	(4,934,000)	(11,442,000)	(10,59
Policy maturities	232,000	5,218,000	232,000	7,72
Gain on life settlements, net	$ 5,485,000	$ 7,733,000	$ 11,001,000	$ 16,07

The estimated expected premium payments to maintain the above life insurance policies in force through 2018, assuming no mortalities, are as follows:

Years Ending December 31,	
Six months ending December 31 ,2014	$ 12,2
2015	26,6
2016	29,4

Years Ending December 31,	
2017	32,8
2018	35,7
	$ 136,9

Management anticipates funding the estimated premium payments as noted above with proceeds from the DZ Bank revolving credit facility and through a
debt and equity financing as well as from cash proceeds from maturities of life insurance policies. The proceeds of these capital sources are also intended
for the purchase, financing, and maintenance of additional life insurance policies.

(4) Fair value definition and hierarchy

ASC 820 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring assets and li
fair value. Market price observability is affected by a number of factors, including the type of investment, the characteristics specific to the investment an
the marketplace including the existence and transparency of transactions between market participants. Assets and liabilities with readily available active q
or for which fair value can be measured from actively quoted prices in an orderly market generally will have a higher degree of market price observability
degree of judgment used in measuring fair value. ASC 820 establishes a three-level valuation hierarchy for inputs used in measuring fair value that maxim
of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable input
that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Un
inputs are inputs that reflect the Company s assumptions about the assumptions market participants would use in pricing the asset or liability developed b
best information available in the circumstances. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e.,
price) in an orderly transaction between market participants at the measurement date.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Since valu
based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of

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Level 2 Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either direct
indirectly.

Level 3 Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary by types of assets and liabilities and is affected by a wide variety of factors, including, for example, whethe
is established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on mo
inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgmen
by management in determining fair value is greatest for assets and liabilities categorized in Level 3.

Level 3 Valuation Process

The estimated fair value of the Company s life settlements are determined on a quarterly basis by the Company s portfolio management committee, taki
consideration changes in discount rate assumptions, estimated premium payments and life expectancy assumptions, as well as any changes in economic a
relevant conditions. These inputs are then used to estimate the discounted cash flows using the MAPS probabilistic portfolio pricing model, which estima
flows using various different probabilities and scenarios. The valuation process includes a review by senior management as of each valuation date. Manag

engages a third party expert to independently test the accuracy of the valuations using the inputs provided by management.

Life insurance policies represent financial instruments recorded at fair value on a recurring basis. The following table reconciles the beginning and ending
of the Company s Level 3 investments in life insurance policies for the three and six-month periods ending June 30, 2014 and 2013, as follows:

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	201
Beginning balance	$ 254,504,000	$ 185,020,000	$ 234,673,000	$ 164,31
Purchases	2,608,000	2,805,000	11,080,000	13,50
Maturities (cash in excess of carrying value)	(68,000)	(1,382,000)	(68,000)	(2,87
Net change in fair value	10,852,000	7,449,000	22,211,000	18,94
Ending balance (June 30)	$ 267,896,000	$ 193,892,000	$ 267,896,000	$ 193,89

The fair value of a portfolio of life insurance policies is based on information available to the Company at the reporting date. Fair value is based upon a di
cash flow model that incorporates life expectancy estimate assumptions. Life expectancy estimates are obtained from independent, third-party, widely acc
expectancy estimate providers at policy acquisition. The life expectancy values of each insured, as determined at policy acquisition, are rolled down mont
passage of time by the MAPS actuarial software the Company uses for ongoing valuation of its portfolio of life insurance policies. The discount rate inco
current information about discount rates applied by other reporting companies owning portfolios of life insurance policies, discount rates observed in the
insurance secondary market, market interest rates, the credit exposure to the insurance company that issued the life insurance policy and management s e
risk premium a purchaser would require to receive the future cash flows derived from our portfolio of life insurance policies.

On January 22, 2013, one of the independent medical actuarial underwriting firms we utilize, 21st Services, announced advancements in its underwriting
methodology, resulting in revised estimated life expectancy mortality tables for life settlement transactions. We were advised by 21st Services that the ch

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are very granular and relate to both specific medical conditions and lifestyles of insureds. These changes were the result of the application of additional m
information gathered by 21st Services over a period of time, and which were applied to the inputs and methodologies used to develop the actuarial life ex
While we do not believe these revised methodologies indicate the previous estimated life expectancies were inaccurate, we believe the revised methodolo
additional information that should be considered in updating our estimate of the life expectancies of the insureds within our portfolio. Based upon our eva
analysis of data made available by 21st Services, as well as information regarding the insureds within our portfolio, we have estimated the impact of the c
21st Services methodologies for determining life expectancies on a policy-by-policy basis within our portfolio as of December 31, 2012 and applied suc
the life expectancy inputs used to estimate fair value. We have adjusted the original life expectancies provided by 21st Services based on four factors, the
each analyzed individually for each insured in the GWG portfolio. The four factors are gender, anti-selection, age, and primary impairment. GWG applie
adjustments to all 21st Services life expectancy reports used in valuation of the portfolio as of December 31, 2012. At that time, the portfolio contained 2
on 194 insured lives. Of those 211 policies, 199 were valued using a 21st Services life expectancy report as part of the pricing life expectancy estimate ca
While the analysis and adjustments were applied on an individual policy basis, the result was an average overall increase in the original life expectancy es
8.67%. We have a standard practice of obtaining two third-party life expectancy estimates for each policy in our portfolio. As a result, the effective chang
expectancy on the portfolio as of December 31, 2012 was an average of approximately 4.33%, which resulted in an aggregate decrease in the fair value of
settlements portfolio of $12.4 million as of December 31, 2012. Life expectancy reports by their very nature are estimates.

During 2013, we sought to update our life expectancy estimates from all four of the major independent third-party medical-actuarial underwriting firms (i
21st Services) with updated medical records on all of the 211 policies we originally used a life expectancy report from 21st Services. As of December 31,
had successfully procured new life expectancy reports on 176 of the 211 policies owned as of December 31, 2012. We experienced ten mortalities in 201
no updated life expectancy reports were necessary. We also had two small face policies in our portfolio for which we did not update life expectancy repor
Accordingly, as of June 30, 2014 we had updated our life expectancy estimates based on updated life expectancy reports on all but 12 policies (covering 1

our portfolio that we are still seeking to update.

In order to assess the reasonableness of our adjustments, made effective December 31, 2012, we compared the life expectancy estimates including any adj used on December 31, 2012 to the updated life expectancy estimates used on December 31, 2013. Because an additional year has elapsed since the Decem 2012 date, the older set of adjusted life expectancy estimates were rolled down to shorter numbers based on an actuarial calculation to make them com updated life expectancy estimates used on December 31, 2013. The average amount of roll down to account for the 12-month passage of time was eight a months.

We concluded that the adjustments we made a year ago were reasonable when we the compared the rolled down life expectancy estimates from Decembe the updated life expectancy estimates on December 31, 2013. The average rolled down life expectancy estimate from December 31, 2012 is 80.9 months. updated life expectancy estimate obtained from updated life expectancy reports as of December 31, 2013 is 79.4 months, shorter by one and one-half mon no need to make any further adjustments to our life expectancy estimates at this time.

The fair value of life insurance policies is estimated using present value calculations of estimated cash flows based on the data specific to each individual insurance policy. Estimated future policy premium payments are calculated based on the terms of the policy and the premium payment history. The follov

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summarizes the unobservable inputs utilized in estimating the fair value of the portfolio of life insurance policies:

	As of June 30, 2014	A Decem 2
Weighted average age of insured	82.5	
Weighted average life expectancy, months*	82.2	
Average face amount per policy	$ 2,715,000	$ 2,8
Discount rate	11.56%	

* Standard life expectancy as adjusted for insured s specific circumstances.

These assumptions are, by their nature, inherently uncertain and the effect of changes in estimates may be significant. The techniques used in estimating t value of estimated cash flows are derived from valuation techniques generally used in the industry that include inputs for the asset that are not based on ol market data. The extent to which the fair value could reasonably vary in the near term has been quantified by evaluating the effect of changes in significar assumptions used to estimate the fair value. If the life expectancy estimates were increased or decreased by four and eight months on each outstanding po discount factors were increased or decreased by 1% and 2%, while all other variables are held constant, the fair value of the investment in life insurance p would increase or (decrease) by the amounts summarized below:

	Changes in fair value of life insurance policies			
Change in life expectancy estimates	**plus 8 months**	**minus 8 months**	**plus 4 months**	**mi 4 m**
June 30, 2014	$ (38,249,000)	$ 40,171,000	$ (19,368,000)	$ 19,8
December 31, 2013	$ (34,382,000)	$ 36,152,000	$ (17,417,000)	$ 17,8

Change in discount rate	plus 2%	minus 2%	plus 1%	m
June 30, 2014	$ (24,381,000)	$ 28,624,000	$ (12,666,000)	$ 13
December 31, 2013	$ (22,944,000)	$ 27,063,000	$ (11,933,000)	$ 12

Other Fair Value Considerations

Carrying value of receivables, prepaid expenses, accounts payable and accrued expenses approximate fair value due to their short-term maturities and low
The estimated fair value of the Company s Series I Secured notes payable and Renewable Secured Debentures is approximately $192,177,000 based on a
weighted-average market interest rate of 7.12% based on an income approach, the combined face value of these notes is $189,603,000 as of June 30, 2014
carrying value of the revolving credit facility reflects interest charged at the commercial paper rate plus an applicable margin. The margin represents our c
and the strength of the portfolio of life insurance policies collateralizing the debt. The overall rate reflects market, and the carrying value of the revolver a
fair value. All of the financial instruments are level 3 fair value measurements.

The Company has issued warrants to purchase common stock in connection with the issuance of its convertible, redeemable preferred stock. Warrants we
determined by the Company as permanent equity. The fair value measurements associated with the warrants, measured at issuance represent level 3 instru

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As of June 30, 2014:

Month issued	Warrants issued	Fair value per share	Risk free rate	Volatility
December 2011	68,937	$ 0.22	0.42%	25.25%
March 2012	38,130	$ 0.52	0.38%	36.20%
June 2012	161,841	$ 1.16	0.41%	47.36%
July 2012	144,547	$ 1.16	0.41%	47.36%
September 2012	2,500	$ 0.72	0.31%	40.49%
	415,955			

Volatility is based upon the weekly percentage change in the stock price of selected comparable insurance companies. In June 2012, we evaluated the con
companies used, and made certain changes to those used. The percentage change is calculated on the average price of those selected stocks at the weekly
business for the year preceding the balance sheet date. We compare annual volatility based on this weekly information.

(5) Notes receivable from related parties

As of June 30, 2014 and December 31, 2013, the Company had receivables totaling $5,000,000 due from an affiliate, Opportunity Finance, LLC, which w
reserved. Opportunity Finance ceased operations in 2008.

(6) Credit facilities

Revolving credit facility Autobahn Funding Company LLC

On July 15, 2008, DLP II and United Lending entered into a revolving credit facility pursuant to a Credit and Security Agreement (Agreement) with Auto
Funding Company LLC (Autobahn), providing the Company with a maximum borrowing amount of $100,000,000. Autobahn is a commercial paper cond
issues commercial paper to investors in order to provide funding to DLP II and United Lending. DZ Bank AG Deutsche Zentral-Genossenschaftsbank (D
as the agent for Autobahn. The original Agreement was to expire on July 15, 2013. On January 29, 2013, Holdings, together with GWG Life and DLP II,
an Amended and Restated Credit and Security Agreement with Autobahn, extending the facility expiration date to December 31, 2014, and removing Uni
as a party to the amended and restated agreement. On May 29, 2014, Holdings, together with GWG Life and DLP II, entered into an Amendment No. 1 to
and Restated Credit and Security Agreement with Autobahn and DZ Bank (as committed lender and Agent). The amendment was entered into for the pur
extending the maturity date for borrowings under the agreement to December 31, 2016. The amount outstanding under this facility as of both June 30, 20
December 31, 2013 was $79,000,000.

The Agreement requires DLP II to pay, on a monthly basis, interest at the commercial paper rate plus an applicable margin, as defined in the Agreement.
rate was 6.19% at both at June 30, 2014 and December 31, 2013, respectively. The weighted average effective interest rate was 6.20% and 6.26% (exclud
unused line fee) for the three months ended June 30, 2014 and 2013, respectively. The Agreement also requires payment of an unused line fee on the unfu
amount under the revolving credit facility. The note is secured by substantially all of DLP II assets which consist primarily of life insurance policies.

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The Agreement has certain financial and nonfinancial covenants. The Company was in compliance with these covenants at June 30, 2014 and December 3
The Agreement generally prohibits the Company from:

- changing its corporate name, offices, and jurisdiction of incorporation
- changing any deposit accounts or payment instructions to insurers;
- changing any operating policies and practices such that it would be reasonably likely to adversely affect the collectability of any asset in any material
- merging or consolidating with, or selling all or substantially all of its assets to, any third party;
- selling any collateral or creating or permitting to exist any adverse claim upon any collateral;
- engaging in any other business or activity than that contemplated by the Agreement;
- incurring or guaranteeing any debt for borrowed money;
- amending the Company s certificate of incorporation or bylaws, making any loans or advances to, investments in, or paying any dividends to, any pe
both before and after any such loan, advance, investment or dividend there exists no actual event of default, potential event of default or termination e
- removing an independent director on the board of directors except for cause or with the consent of the lender; or
- making payment on or issuing any subsidiary secured notes or debentures, or amending any agreements respecting such notes or debentures, if an eve
default, potential event of default or termination event exists or would arise from any such action.

In addition, the Company has agreed to maintain (i) a positive consolidated net income on a Non-GAAP basis (as defined and calculated under the Agree
each complete fiscal year and (ii) a tangible net worth on a Non-GAAP basis (again, as defined and calculated under the Agreement) of not less than $15
(iii) maintain a borrowing base surplus or cash cushion sufficient to pay 12 months of premiums and facility fees.

Consolidated net income and tangible net worth as of and for the four quarters ended June 30, 2014, as calculated under the agreement, was $19,543,000
$63,825,000 respectively.

Advances under the Agreement are subject to a borrowing base formula, which limits the availability of advances on the borrowing base calculation base attributes of policies pledged to the facility. Over-concentration of policies by insurance carrier, over-concentration of policies by insurance carriers with below a AA- rating, and the premiums and facility fees reserve are the three primary factors with the potential of limiting availability of funds on the facil funds available for additional borrowings under the borrowing base formula criteria at June 30, 2014 and December 31, 2013, were $5,824,000 and $3,93 respectively.

On July 15, 2008, Holdings delivered a performance guaranty in favor of Autobahn pursuant to which it guaranteed the obligations of GWG Life, in its ca seller and master servicer, under the Credit and Security Agreement and related documents. On January 29, 2013 and in connection with the Amended an Credit and Security Agreement, Holdings delivered a reaffirmation of its performance guaranty. The obligations of Holdings under the performance guara subsequent reaffirmation do not extend to the principal and interest owed by DLP II as the borrower under the credit facility.

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(7) Series I Secured notes payable

Series I Secured notes payable have been issued in conjunction with the GWG Series I Secured notes private placement memorandum dated August 25, 2 revised November 15, 2010). On June 14, 2011, the Company closed the offering to additional investors, however, existing investors may elect to continu amounts outstanding upon maturity subject to the Company s option. Series I Secured notes have maturity dates ranging from six months to seven years interest rates varying from 5.65% to 9.55% depending on the term of the note. Interest is payable monthly, quarterly, annually or at maturity depending o of the note. At June 30, 2014 and December 31, 2013, the weighted-average interest rate of Series I Secured notes was 8.36% and 8.35%, respectively. T secured by assets of GWG Life. The principal amount outstanding under these Series I Secured notes was $28,642,000 and $29,744,000 at June 30, 2014 December 31, 2013, respectively. The difference between the amount outstanding on the Series I Secured notes and the carrying amount on the consolida sheet is due to netting of unamortized deferred issuance costs. Overall, interest expense includes amortization of deferred financing and issuance costs of and $301,000 for the three and six months ended June 30, 2014, respectively, and $161,000 and $217,000 for the three and six months ended June 30, 20 respectively. Future expected amortization of deferred financing costs is $591,000 over the next six years.

On November 15, 2010, Jon Sabes and Steve Sabes pledged their ownership interests in the Company to the Series I Trust as security for advances under Trust arrangement.

The use of proceeds from the issuances of Series I Secured notes was limited to the following: (1) payment of commissions of Series I Secured note sales purchase life insurance policies, (3) pay premiums of life insurance policies, (4) pay principal and interest to Senior Liquidity Provider (DZ Bank), (5) pa note operating fees or costs, (6) pay trustee (Wells Fargo Bank, N.A.), (7) pay servicer and collateral fees, (8) pay principal and interest on Series I Secur make distributions to equity holders for tax liability related to portfolio, (10) purchase interest rate caps, swaps, or hedging instruments, (11) pay GWG S Trustee fees, and (12) pay offering expenses.

On November 1, 2011, GWG entered into a Third Amended and Restated Note Issuance and Security Agreement with Lord Securities Corporation after r majority approval from the holders of Series I Secured notes. Among other things, the amended and restated agreement modified the use of proceeds and provisions relating to the distribution of collections and subordination of cash flow. Under the amended and restated agreement, GWG is no longer restric use of proceeds or subject to restrictions on certain distributions of collections and subordination of cash flows. Under the amended and restated agreeme may extend the maturity of Series I Secured notes of a six-month term for up to two additional six-month terms, and Series I Secured notes of a one year to six months.

Future contractual maturities of Series I Secured notes payable at June 30, 2014 are as follows:

Years Ending December 31,	
Six months ending December 31 ,2014	$ 4,5
2015	10,7

Years Ending December 31,	
2016	8,0
2017	4,4
2018	7
Thereafter	
	$ 28,6

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(8) Renewable Secured Debentures

The Company has registered with the Securities and Exchange Commission, effective January 2012, the offer and sale of $250,000,000 of secured debent
Renewable Secured Debentures have maturity dates ranging from six months to seven years with fixed interest rates varying from 4.75% to 9.50% depen
term of the note. Interest is payable monthly, annually or at maturity depending on the terms of the debenture. At June 30, 2014 and December 31, 2013,
weighted-average interest rate of Renewable Secured Debentures was 7.51% and 7.53%, respectively. The debentures are secured by assets of GWG Life
Holdings. The amount outstanding under these Renewable Secured Debentures was $160,961,000 and $134,891,000 at June 30, 2014 and December 31,
respectively. The difference between the amount outstanding on the Renewable Secured Debentures and the carrying amount on the consolidated balance
to netting of unamortized deferred issuance costs and cash receipts for new issuances in process. Amortization of deferred issuance costs was $908,000 a
$1,755,000 for the three and six months ended June 30, 2014, respectively, and $344,000 and $622,000 for the three and six months ended June 30, 2013
respectively. Future expected amortization of deferred financing costs as of June 30, 2014 is $5,421,000. Subsequent to June 30, 2014, the Company has
approximately an additional $5,379,000 in principal amount of these Renewable Secured Debentures.

The use of proceeds from the issuances of Renewable Secured Debentures is limited to the following: (1) payment of commissions on sales of Renewable
Debentures, (2) payment of offering expenses, (3) purchase of life insurance policies, (4) Payment of premiums on life insurance policies, (5) payment of
and interest on Renewable Secured Debentures, (6) payment of portfolio operations expenses, and (7) for general working capital.

Future contractual maturities of Renewable Secured Debentures at June 30, 2014 are as follows:

Years Ending December 31,	
Six months ending December 31, 2014	$ 27,8
2015	47,2
2016	37,6
2017	16,9
2018	8,3
Thereafter	22,9
	$ 160,9

The Company entered into an indenture effective October 19, 2011 with Holdings as obligor, GWG Life as guarantor, and Bank of Utah as trustee for the
the debenture holders. The Indenture has certain financial and nonfinancial covenants. The Company was in compliance with these covenants at June 30,
December 31, 2013.

(9) Convertible, redeemable preferred stock

The Company began offering 3,333,333 shares of convertible redeemable preferred stock (Series A preferred stock) for sale to accredited investors in a p
placement on July 31, 2011. The offering of Series A preferred stock concluded on September 2, 2012 and resulted in 3,278,000 shares being issued for g
consideration of $24,582,000. As of June 30, 2014, 220,000 shares have been issued as a result of conversion of $1,543,000 in dividends into shares of S

preferred stock. The Series A preferred stock was sold at an offering price of $7.50 per share. Series A preferred stock has a preferred yield of 10% per ar
each share has the right to convert into 0.75 shares of the Company s common stock. The Company may elect to automatically convert the Series A prefe
common stock as described below. Series A preferred shareholders also received three-year warrants to purchase, at an exercise price per

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share of $12.50, one share of common stock for every 40 shares of Series A preferred stock purchased. The warrants are exercisable immediately. In the C
Designations for the Series A preferred stock dated July 31, 2011, the Company has agreed to permit preferred shareholders to sell their shares back to th
for the stated value of $7.50 per share, plus accrued dividends, according to the following schedule:

Up to 33% of the holder s unredeemed shares one year after issuance:

Up to 66% of the holder s unredeemed shares two years after issuance; and

Up to 100% of the holder s unredeemed shares three years after issuance.

The Company s obligation to redeem Series A preferred shares will terminate upon the Company completing a registration of its common stock with the
Company may redeem the Series A preferred shares at a price equal to 110% of their liquidation preference ($7.50 per share) at any time after December
of June 30, 2014, the Company had redeemed an aggregate of 86,000 shares of Series A preferred stock.

At the election of the Company, the Series A preferred shares may be automatically converted into the common stock of the Company in the event of eith
registered offering of the Company s common stock with the SEC aggregating gross proceeds of at least $5.0 million at a price equal to or greater than $
share of common stock, or (2) the consent of shareholders holding at least a majority of the then-outstanding shares of Series A preferred stock. As of Jun
the Company had issued 3,420,000 preferred shares resulting in gross consideration of $25,536,000 (including cash proceeds, conversion of Series I Secu
and accrued interest on Series I notes, and conversion of preferred dividends payable). The Company incurred Series A preferred stock issuance costs of $
of which $2,612,000 was amortized to additional paid in capital through June 30, 2014, resulting in a carrying amount of $25,310,000.

The Company determined that the grant date fair value of the outstanding warrants attached to the Series A preferred stock was $395,000 for warrants out
of June 30, 2014. The Company may redeem outstanding warrants prior to their expiration, at a price of $0.01 per share upon 30 days written notice to th
any time after (i) the Company has completed a registration of its common stock with the SEC and (ii) the volume of weighted-average sale price per shar
common stock equals or exceeds $14.00 per share for ten consecutive trading days ending on the third business day prior to proper notice of such redemp
warrants outstanding as of June 30, 2014, were 415,955 with a weighted-average remaining life of 0.85 years. Total warrants outstanding at December 31
415,955 with a weighted-average remaining life of 1.34 years. As of June 30, 2014, none of these warrants have been exercised.

Dividends on the Series A preferred stock may be paid in either cash or additional shares of Series A preferred stock at the election of the holder and appr
Company. The dividends are reported as an expense and included in the caption interest expense in the consolidated statements of operations. The Compa
and accrued dividends of $638,000 and $628,000 during the three months ended June 30, 2014 and 2013, respectively, and $1,276,000 and $1,263,000 du
months ended June 30, 2014 and 2013, respectively, pursuant to a board resolution declaring the dividend. 28,000 and 25,000 shares of Series A preferred
issued in lieu of cash dividends in the three month periods ended June 30, 2014 and 2013, and 54,000 and 37,000 shares of Series A preferred stock were
lieu of cash dividends in the six month periods ended June 30, 2014 and 2013, respectively. The shares issued in lieu of cash dividends were issued at $7.
As of June 30, 2014, Holdings has $638,000 of accrued preferred dividends which were paid or converted to shares of Series A preferred stock on July 15

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(10) Income taxes

For the three and six months ended June 30, 2014, the Company recorded income tax benefit of $1,317,000 and $2,272,000, or 33.7% and 33.6%, respect
income before taxes, compared to the recognition of an income tax expense of $1,802,000 and $2,368,000, or 50.6% and 56.5%, respectively, of income
for the three and six months ended June 30, 2013, respectively. The primary differences between the Company s June 30, 2014 effective tax rate and the
federal rate are the accrual of non-deductible preferred stock dividend expense of $1,276,000, state taxes, and other non-deductible expenses.

The most significant temporary differences between GAAP net income and taxable net income are the treatment of interest costs with respect to the acqui
life insurance policies and revenue recognition with respect to the mark-to-market of life insurance portfolio.

(11) Common Stock

On July 11, 2011, we entered into a Purchase and Sale Agreement with Athena Securities Group, Ltd. and Athena Structured Funds PLC. Under this agre
issued to Athena Securities Group, Ltd. (Athena) 494,500 shares of common stock, which was equal to 9.9% of our outstanding shares, in exchange for sh
to 9.9% of the outstanding shares in Athena Structured Funds, PLC and cash of $5,000. This 2011 agreement had contemplated cooperative efforts by the
aimed at developing a security and related offering in Europe or Ireland, the proceeds of which would be used to finance the acquisition of life-insurance
in the United States. In 2013, we sought to terminate the 2011 agreement due to a changing regulatory environment in Europe that negatively affected the
of consummating the contemplated offering of securities, and our dissatisfaction with Athena s performance under the 2011 agreement. As a result, in Ju
entered into a second Purchase and Sale Agreement with Athena Securities Ltd. and Athena. This agreement effected the termination of the 2011 agreeme
2013 agreement contained mutual general releases of claims and substantially unwound certain capital stock transactions that had been effected under the
agreement. In particular, Athena returned to us for redemption 432,500 shares of our common stock, and retained 62,000 common shares in recognition o
efforts under the 2011 agreement. For our part, we sold back to Athena all of our ownership in Athena Structured Funds, PLC that we had originally acqu
the 2011 agreement. Presently, we have no ongoing business relationship with Athena.

Stock split On June 24, 2014, the Company s Board of Directors and majority stockholders approved a joint resolution to effect an amendment to the C
Certificate of Incorporation to effect a reverse split of the issued and outstanding common stock on a 2-for-1 basis. The effective date of the amendment a
stock split was June 24, 2014. In lieu of fractional shares, stockholders received cash payments in an amount equal to the fraction to which the stockholde
otherwise be entitled multiplied by the price of the common stock, as determined by the Board of Directors of the Corporation, but adjusted so as to give
reverse stock split. The par value of the common stock remained at $0.001 per share.

(12) Stock Incentive Plan

The Company adopted the GWG Holdings, Inc. 2013 Stock Incentive Plan on March 27, 2013. The plan is administered by Compensation Committee of
Directors of the Company. The Company s Chief Executive Officer may, on a discretionary basis and without committee review or approval, grant incen
employees of the Company who are not Officers of the Company. Incentives under the plan may be granted in one or a combination of the following form
incentive stock options and non-statutory stock options; (b) stock appreciation rights; (c) stock awards; (d) restricted stock; (e) restricted stock units; and (
performance shares. Eligible participants include officers and employees of the company, members of the Board of Directors, and consultants or other inc
contractors. 1,000,000 shares are issuable under the

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plan. No person shall receive grants of stock options and SARs under the plan that exceed, in the aggregate 200,000 shares of common stock in any one y
term of each stock option shall be determined by the committee but shall not exceed ten years. Vested stock options may be exercised in whole or part by
giving notice to the Company. The holder of the option may provide payment for the exercise price or surrender shares equal to the exercise price.

The Company issued stock options for 551,185 shares of common stock to employees, officers, and directors of the Company through June 30, 2014. Opt
221,185 shares vested immediately, and the remaining options vested over three years. The shares were issued with an exercise price between $8.20 and $
those owning more than 10% of the Company s stock and between $7.46 $7.52 for others, which is equal to the estimated market price of the shares on t
grant valued using Black-Scholes Binomial option pricing model. The expected volatility used in the Black-Scholes model valuation of options issued du
was 19.73% annualized. The annual volatility rate is based on the standard deviation of the average continuously compounded rate of return of five select
comparable companies over the previous 52 weeks. Forfeiture rate of 15% is based on historical company information and expected future trend. As of Ju
stock options for 60,750 shares were forfeited.

Stock options granted through June 30, 2014:

Grant Date	Exercise Price	Shares	Vesting	Binomial Value	Forfeiture Factor	Com Ex
9/5/2013	$ 7.52	143,750	Immediate	0.360	0.8700	4
9/5/2013	$ 8.28	25,000	Immediate	0.360	0.8700	
9/5/2013	$ 7.52	45,839	1 year	0.360	0.8500	1
9/5/2013	$ 8.28	2,834	1 year	0.360	0.8500	
9/5/2013	$ 7.52	45,833	2 years	0.600	0.7225	1
9/5/2013	$ 8.28	2,833	2 years	0.600	0.7225	
9/5/2013	$ 7.52	45,828	3 years	0.820	0.6141	2
9/5/2013	$ 8.28	2,833	3 years	0.820	0.6141	
9/30/2013	$ 7.52	4,000	Immediate	0.660	0.8700	
10/28/2013	$ 7.52	6,000	Immediate	0.660	0.8700	
10/28/2013	$ 7.52	24,000	1 year	0.660	0.8500	1
10/28/2013	$ 7.52	24,000	2 years	0.920	0.7225	1
10/28/2013	$ 7.52	18,000	3 years	1.140	0.6141	1
11/11/2013	$ 7.52	4,167	1 year	0.660	0.8500	
11/11/2013	$ 7.52	4,167	2 years	0.920	0.7225	
11/11/2013	$ 7.52	4,166	3 years	1.140	0.6141	
12/12/2013	$ 7.52	30,000	Immediate	0.660	0.8700	1
4/1/2014	$ 7.46	1,935	Immediate	0.468	0.8700	
4/1/2014	$ 7.46	11,008	1 year	1.028	0.8500	
4/1/2014	$ 7.46	10,999	2 years	1.240	0.7225	
4/1/2014	$ 7.46	10,993	3 years	1.292	0.6141	
4/7/2014	$ 7.46	3,334	1 year	1.028	0.8500	
4/7/2014	$ 8.20	3,334	1 year	1.028	0.8500	
4/7/2014	$ 7.46	3,333	2 years	1.240	0.7225	
4/7/2014	$ 8.20	3,333	2 years	1.240	0.7225	
4/7/2014	$ 7.46	3,333	3 years	1.292	0.6141	
4/7/2014	$ 8.20	3,333	3 years	1.292	0.6141	
4/28/2014	$ 7.46	5,000	Immediate	0.468	0.8700	

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Grant Date	Exercise Price	Shares	Vesting	Binomial Value	Forfeiture Factor	Con F

Grant Date	Exercise Price	Shares	Vesting	Binomial Value	Forfeiture Factor	Con E
4/28/2014	$ 7.46	2,500	1 year	1.028	0.8500	
4/28/2014	$ 7.46	2,500	2 years	1.240	0.7225	
4/28/2014	$ 7.46	2,500	3 years	1.292	0.6141	
5/27/2014	$ 7.46	2,500	Immediate	0.468	0.8700	
5/27/2014	$ 7.46	10,000	1 year	1.028	0.8500	
5/27/2014	$ 7.46	10,000	2 years	1.240	0.7225	
5/27/2014	$ 7.46	10,000	3 years	1.292	0.6141	
6/20/2014	$ 7.46	3,000	Immediate	0.468	0.8700	
6/20/2014	$ 7.46	6,000	1 year	1.028	0.8500	
6/20/2014	$ 7.46	6,000	2 years	1.240	0.7225	
6/20/2014	$ 7.46	3,000	3 years	1.292	0.6141	
		551,185				

Outstanding stock options:

	Vested	Un-vested	Total
Balance as of December 31, 2013	195,000	210,250	405,250
Granted during the year	12,435	105,500	117,935
Exercised during the year			
Forfeited during the year	(10,000)	(22,750)	(32,750)
Expired during the year			
Balance as of June 30, 2014	197,435	293,000	490,435

Compensation expense related to un-vested options not yet recognized is $186,000. We expect to recognize this compensation expense over the next 3.50
Stock-based compensation cost for the three and six months ended June 30, 2014 was $17,000 and $72,000, respectively.

(13) Net loss per common share

The Company began issuing Series A preferred stock September, 1, 2011, as described in note 9. The Series A preferred stock is anti-dilutive to the net lo
common share calculation at June 30, 2014 and dilutive at June 30, 2013. The Company has also issued warrants to purchase common stock in conjunctio
sale of convertible preferred stock, as discussed in note 9. The warrants are anti-dilutive at June 30, 2014 and 2013, and have not been included in the full
loss per common share calculation.

(14) Commitments

The Company entered into an office lease with U.S. Bank National Association as the landlord. The lease was effective April 22, 2012 with a term throug
2015. The lease is for 11,695 square feet of office space located at 220 South Sixth Street, Minneapolis, Minnesota. The Company is obligated to pay bas
common area maintenance and a share of the building operating costs. Rent expenses under this agreement were $101,000 and $98,000 during the six-mo
ended June 30, 2014 and 2013, respectively, and $49,000 and $50,000 during the three-month periods ended June 30, 2014 and 2013, respectively. Minim
payments under the lease agreement effective April 22, 2012 are as follows:

Six months ending December 31, 2014	5
2015	7
Total	$ 12

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(15) Contingencies

Litigation In the normal course of business, the Company is involved in various legal proceedings. In the opinion of management, any liability resulting proceedings would not have a material adverse effect on the Company s financial position, results of operations or cash flows.

Opportunity Finance, LLC, owned by Jon Sabes and Steven Sabes, is subject to litigation clawback claims by the bankruptcy trustee for third-party matte payments that may have been deemed preference payments. In addition, Jon Sabes and Steven Sabes are subject to litigation clawback claims by the bank trustee for third-party matters for payments received from Opportunity Finance that may have been deemed preference payments. If the parties are unsucc defending against these claims, their equity ownership in the Company may be sold or transferred to other parties to satisfy such claims. In addition, the C loaned $1,000,000 to Opportunity Finance, LLC, and was repaid in full plus interest of $177,000. This investment amount may also be subject to clawbac the bankruptcy court.

(16) Guarantees of secured debentures

Holdings has registered with the SEC the offer and sale $250,000,000 of secured debentures as described in note 8. The secured debentures are secured by of Holdings as described in note 8 and a pledge of all the common stock by the largest shareholders. Obligations under the debentures are guaranteed by C This guarantee involves the grant of a security interest in all the assets of GWG Life. The payment of principal and interest on the secured debentures is fu unconditionally guaranteed by GWG Life. Substantially all of the Company s life insurance policies are held by DLP II and the Trust. The policies held l not collateral for the debenture obligations as such policies are collateral for the credit facility.

The consolidating financial statements are presented in lieu of separate financial statements and other related disclosures of the subsidiary guarantors and because management does not believe that separate financial statements and related disclosures would be material to investors. There are currently no sign restrictions on the ability of Holdings or GWG Life, the guarantor subsidiary, to obtain funds from its subsidiaries by dividend or loan, except as follows. borrower under a credit agreement with Autobahn, with DZ Bank AG as agent, as described in note 6. The significant majority of insurance policies owne Company are subject to a collateral arrangement with DZ Bank AG described in note 6. Under this arrangement, collection and escrow accounts are used premiums of the insurance policies and to pay interest and other charges under the revolving credit facility. DZ Bank AG and Autobahn must authorize al disbursements from these accounts, including any distributions to GWG Life. Distributions are limited to an amount that would result in the borrowers (D Life and Holdings) realizing an annualized rate of return on the equity funded amount for such assets of not more than 18%, as determined by DZ Bank A such amount is reached, the credit agreement requires that excess funds be used for repayments of borrowings before any additional distributions may be

The following represents consolidating financial information as of June 30, 2014 and December 31, 2013, with respect to the financial position, and for th months ended June 30, 2014 and 2013 with respect to results of operations and cash flows of Holdings and its subsidiaries. The parent column presents th information of Holdings, the primary obligor of the secured debentures. The guarantor subsidiary column presents the financial information of GWG Life guarantor subsidiary of the secured debentures, presenting its investment in DLP II and Trust under the equity method. The non-guarantor subsidiaries co presents the financial information of all non-guarantor subsidiaries including DLP II and Trust.

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GWG HOLDINGS, INC. AND SUBSIDIARIES
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Condensed Consolidating Balance Sheets

June 30, 2014	Parent	Guarantor Sub	Non-Guarantor	Eliminations	Con

		Sub		
ASSETS				
Cash and cash equivalents	$ 22,305,910	$ 754,045	$	$	$ 2
Restricted cash		565,000	2,245,432		
Investment in life settlements, at fair value			267,895,692		26
Other assets	457,677	1,385,447	978,950		
Investment in subsidiaries	161,418,051	190,380,058		(351,798,109)	
TOTAL ASSETS	$ 184,181,638	$ 193,084,550	$ 271,120,074	$ (351,798,109)	$ 29
LIABILITIES & STOCKHOLDERS EQUITY (DEFICIT)					
LIABILITIES					
Revolving credit facility	$	$	$ 79,000,000	$	$ 7
Series I Secured notes payable		28,051,113			2
Renewable Secured Debentures	157,513,267				15
Interest payable	5,305,764	3,272,079	1,152,350		
Accounts payable and other accrued expenses	783,445	343,308	587,665		
Deferred taxes	5,403,604				
TOTAL LIABILITIES	169,006,080	31,666,500	80,740,015		28
CONVERTIBLE, REDEEMABLE PREFERRED STOCK	25,309,946				2
STOCKHOLDERS EQUITY (DEFICIT)					
Member capital		161,418,050	190,380,059	(351,798,109)	
Common stock	9,124				
Additional paid-in capital	2,782,932				
Accumulated deficit	(12,926,444)				(1
TOTAL STOCKHOLDERS EQUITY (DEFICIT)	(10,134,388)	161,418,050	190,380,059	(351,798,109)	(1
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)	$ 184,181,638	$ 193,084,550	$ 271,120,074	$ (351,798,109)	$ 29

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GWG HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Condensed Consolidating Balance Sheets (continued)

December 31, 2013	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Con
ASSETS					
Cash and cash equivalents	$ 32,711,636	$ 738,157	$	$	$ 3
Restricted cash		1,420,000	4,412,970		
Investment in life settlements, at fair value			234,672,794		234
Other assets	381,883	484,510	558,526		
Investment in subsidiaries	129,839,241	159,798,490		(289,637,731)	
TOTAL ASSETS	$ 162,932,760	$ 162,441,157	$ 239,644,290	$ (289,637,731)	$ 27
LIABILITIES & STOCKHOLDERS EQUITY (DEFICIT)					
LIABILITIES					
Revolving credit facility	$	$	$ 79,000,000	$	$ 79
Series I Secured notes payable		29,275,202			29
Renewable Secured Debentures	131,646,062				13
Interest payable	3,806,820	3,065,465	337,123		
Accounts payable and other accrued expenses	574,026	261,249	508,667		
Deferred taxes	7,675,174				
TOTAL LIABILITIES	143,702,082	32,601,916	79,845,800		256
CONVERTIBLE, REDEEMABLE PREFERRED STOCK	24,722,693				24
STOCKHOLDERS EQUITY (DEFICIT)					
Member capital		129,839,241	159,798,490	(289,637,731)	
Common stock	9,124				
Additional paid-in capital	2,937,438				
Accumulated deficit	(8,438,577)				(
TOTAL STOCKHOLDERS EQUITY (DEFICIT)	(5,492,015)	129,839,241	159,798,490	(289,637,731)	(
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)	$ 162,932,760	$ 162,441,157	$ 239,644,290	$ (289,637,731)	$ 27

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GWG HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Condensed Consolidating Statements of Operations

For the six months ended June 30, 2014	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Co
REVENUE					
Contract servicing fees	$	$ 1,308,906	$	$ (1,308,906)	$
Gain on life settlements, net			11,001,094		1
Interest and other income	12,929	169,976	63	(169,221)	
TOTAL REVENUE	12,929	1,478,882	11,001,157	(1,478,127)	1
EXPENSES					
Origination and servicing fees			1,308,906	(1,308,906)	
Employee compensation and benefits	1,255,079	892,485			
Legal and professional fees	723,106	103,233			
Interest expense	8,691,989	1,572,269	2,670,333		1
Other expenses	1,106,635	734,138	194,232	(169,221)	
TOTAL EXPENSES	11,776,809	3,302,125	4,173,471	(1,478,127)	1
INCOME (LOSS) BEFORE EQUITY IN INCOME OF SUBSIDIARIES	(11,763,880)	(1,823,243)	6,827,686		(
EQUITY IN INCOME OF SUBSIDIARY	5,004,443	6,827,686		(11,832,129)	
NET INCOME BEFORE INCOME TAXES	(6,759,437)	5,004,443	6,827,686	(11,832,129)	(
INCOME TAX BENEFIT	(2,271,570)				(
NET LOSS	$ (4,487,867)	$ 5,004,443	$ 6,827,686	$ (11,832,129)	$ (

For the six months ended June 30, 2013	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Co
REVENUE					
Contract servicing fees	$	$ 1,814,202	$	$ (1,814,202)	$
Gain on life settlements, net			16,073,601		1
Interest and other income	3,267,454	977,855	37,620	(840,935)	
TOTAL REVENUE	3,267,454	2,792,057	16,111,221	(2,655,137)	1
EXPENSES					
Origination and servicing fees			1,814,202	(1,814,202)	
Employee compensation and benefits	2,213,056	788,287			
Legal and professional fees	672,317	116,883			
Interest expense	4,976,599	1,849,861	2,582,697		
Other expenses	1,283,269	816,009	865,934	(840,935)	
TOTAL EXPENSES	9,145,241	3,571,040	5,262,833	(2,655,137)	1
INCOME (LOSS) BEFORE EQUITY IN INCOME OF SUBSIDIARIES	(5,877,787)	(778,983)	10,848,388		
EQUITY IN INCOME OF SUBSIDIARY	10,069,405	10,896,907	10,848,388	(20,966,312)	
NET INCOME BEFORE INCOME TAXES	4,191,618	10,117,924	10,848,388	(20,966,312)	
INCOME TAX EXPENSE	2,367,794				

For the six months ended June 30, 2013	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Co
NET LOSS	$ 1,823,824	$ 10,117,924	$ 10,848,388	$ (20,966,312)	$

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GWG HOLDINGS, INC. AND SUBSIDIARIES
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Condensed Consolidating Statements of Operations (continued)

For the three months ended June 30, 2014	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Co
REVENUE					
Contract servicing fees	$	$ 342,850	$	$ (342,850)	$
Gain on life settlements, net			5,484,889		
Interest and other income	6,000	362	18		
TOTAL REVENUE	6,000	343,212	5,484,907	(342,850)	
EXPENSES					
Origination and servicing fees			342,850	(342,850)	
Employee compensation and benefits	664,495	514,324			
Legal and professional fees	375,243	44,094			
Interest expense	4,475,461	793,702	1,338,880		
Other expenses	767,096	408,883	12,500		
TOTAL EXPENSES	6,282,295	1,761,003	1,694,230	(342,850)	
INCOME (LOSS) BEFORE EQUITY IN INCOME OF SUBSIDIARIES	(6,276,295)	(1,417,791)	3,790,667		(
EQUITY IN INCOME OF SUBSIDIARY	2,372,886	3,790,667		(6,163,563)	
NET INCOME BEFORE INCOME TAXES	(3,903,409)	2,372,886	3,790,667	(6,163,563)	(
INCOME TAX BENEFIT	(1,316,712)				(
NET LOSS	$ (2,586,697)	$ 2,372,886	$ 3,790,667	$ (6,163,563)	$ (

For the three months ended June 30, 2013	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Co
REVENUE					
Contract servicing fees	$	$ 536,100	$	$ (536,100)	$
Gain on life settlements, net			7,733,245		
Interest and other income	3,259,362	841,286	14,610	(840,935)	
TOTAL REVENUE	3,259,362	1,377,386	7,747,855	(1,377,035)	1

For the three months ended June 30, 2013	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Co
EXPENSES					
Origination and servicing fees			536,100	(536,100)	
Employee compensation and benefits	666,354	397,569			
Legal and professional fees	272,794	79,116			
Interest expense	2,655,430	942,686	1,343,826		
Other expenses	649,112	429,520	853,435	(840,935)	
TOTAL EXPENSES	4,243,690	1,848,891	2,733,361	(1,377,035)	
INCOME (LOSS) BEFORE EQUITY IN INCOME OF SUBSIDIARIES	(984,328)	(471,505)	5,014,494		
EQUITY IN INCOME OF SUBSIDIARY	4,543,289	5,014,494		(9,557,783)	
NET INCOME BEFORE INCOME TAXES	3,558,961	4,542,989	5,014,494	(9,557,783)	
INCOME TAX EXPENSE (BENEFIT)	1,802,271	(300)			
NET LOSS	$ 1,756,690	$ 4,543,289	$ 5,014,494	$ (9,557,783)	$

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GWG HOLDINGS, INC. AND SUBSIDIARIES
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Condensed Consolidating Statements of Cash Flows

For the six months ended June 30, 2014	Parent	Guarantor Sub	Non-Guarantor Sub	Eliminations	Co
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss)	$ (4,487,867)	$ 5,004,443	$ 6,827,686	$ (11,832,129)	$ (
Adjustments to reconcile net loss to cash:					
(Equity) loss of subsidiaries	(5,004,443)	(6,827,686)		11,832,129	
Life settlements change in fair value			(22,211,338)		(2
Amortization of deferred financing and issuance costs	1,727,610	301,104	(321,050)		
Deferred income taxes	(2,271,570)				(
Preferred stock issued for dividends	389,331				
(Increase) in operating assets:					
Other assets	(26,622,350)	(24,654,818)	(300,000)	50,328,249	(
Increase in operating liabilities:					
Accounts payable and other accrued expenses	1,971,543	302,402	894,218		
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(34,297,746)	(25,874,555)	(15,110,484)	50,328,249	(2

For the six months ended June 30, 2014	Parent	Guarantor Sub	Non-Guarantor Sub	Eliminations	Co
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in life settlements			(10,879,435)		(1
Proceeds from settlement of life settlements			68,500		
NET CASH FLOWS USED IN INVESTING ACTIVITIES			(10,810,935)		(1
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments for redemption of Series I Secured notes payable		(1,538,924)			(
Proceeds from issuance of debentures	33,234,487				3
Payments for issuance costs and redemption of Renewable Secured Debentures	(9,322,411)				(
Proceeds from restricted cash		855,000	2,167,537		
Payments for redemption of preferred stock	(20,056)				
Issuance of member capital		26,574,367	23,753,882	(50,328,249)	
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	23,892,020	25,890,443	25,921,419	(50,328,249)	2
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,405,723)	15,888			(1
CASH AND CASH EQUIVALENTS					
BEGINNING OF THE PERIOD	32,711,636	738,157			3
END OF THE PERIOD	$ 22,305,910	$ 754,045	$	$	$ 2

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Consolidating Statements of Cash Flows (continued)

For the six months ended June 30, 2013	Parent	Guarantor Sub	Non-Guarantor Sub	Eliminations	Co
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income	$ 1,823,824	$ 10,117,924	$ 10,848,388	$ (20,966,312)	$
Adjustments to reconcile net income to cash:					
Equity income of subsidiaries	(982,826)	(867,920)		1,850,746	
(Gain) loss on life settlements			(18,943,905)		(1

For the six months ended June 30, 2013	Parent	Guarantor Sub	Non-Guarantor Sub	Eliminations	Co
Amortization of deferred financing and issuance costs	737,959	434,431	758,490		
Deferred income taxes	2,366,794				
Preferred stock issued for dividends	261,937				
(Increase) decrease in operating assets:					
Other assets	(27,278,091)	(24,355,215)	(3,330,802)	51,349,976	(
Increase (decrease) in operating liabilities:					
Accounts payable and other accrued expenses	1,485,107	119,503	90,187		
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(21,585,296)	(14,551,277)	(10,577,642)	32,234,410	(1
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in life settlements			(12,885,993)		(1
Proceeds from settlement of life settlements			2,872,152		
NET CASH FLOWS USED IN INVESTING ACTIVITIES			(10,013,841)		(1
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from revolving credit facility			8,000,000		
Payments for redemption of Series I Secured notes payable		(3,930,876)			(
Proceeds from issuance of debentures	42,439,661				4
Payments from issuance of debentures	(2,140,704)				(
Payments from redemption of debentures	(3,195,867)				(
Proceeds (payments) from restricted cash		(752,800)	(1,617,975)		(
Issuance of member capital		18,024,952	14,209,458	(32,234,410)	
Repurchase of common stock	(3,252,400)				(
Payments for redemption of preferred stock	(311,804)				
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	33,538,886	13,341,276	20,591,483	(32,234,410)	3
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,953,590	(1,210,001)			1
CASH AND CASH EQUIVALENTS					
BEGINNING OF THE PERIOD	25,035,579	2,461,465			2
END OF THE PERIOD	$ 36,989,169	$ 1,251,464	$	$	$ 3

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Consolidating Statements of Cash Flows (continued)

For the three months ended June 30, 2014	Parent	Guarantor Sub	Non-Guarantor Sub	Eliminations	Co
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss)	$ (2,586,697)	$ 2,372,886	$ 3,790,677	$ (6,163,563)	$ (
Adjustments to reconcile net loss to cash:					
(Equity) loss of subsidiaries	(2,372,886)	(3,790,677)		6,163,563	
Life settlements change in fair value			(10,852,425)		(1
Amortization of deferred financing and issuance costs	880,374	134,158	339,475		
Deferred income taxes	(1,316,712)				(
Preferred stock issued for dividends	196,991				
(Increase) in operating assets:					
Other assets	(10,674,637)	(9,406,461)	(300,000)	19,384,025	
Increase in operating liabilities:					
Accounts payable and other accrued expenses	1,257,758	72,959	559,620		
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(14,615,809)	(10,617,135)	(6,462,653)	19,384,025	(1
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in life settlements			(2,608,232)		(
Proceeds from settlement of life settlements			68,500		
NET CASH FLOWS USED IN INVESTING ACTIVITIES			(2,539,732)		(
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments for redemption of Series I Secured notes payable		(670,621)			
Proceeds from issuance of debentures	14,868,830				1
Payments for issuance costs and redemption of Renewable Secured Debentures	(4,393,523)				(
Proceeds from restricted cash		(215,000)	258,330		
Issuance of member capital		10,639,970	8,744,055	(19,384,025)	
Payments for redemption of preferred stock	(20,056)				
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	10,455,251	9,754,349	9,002,385	(19,384,025)	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,160,558)	(862,786)			(
CASH AND CASH EQUIVALENTS					
BEGINNING OF THE PERIOD	26,466,468	1,616,831			2
END OF THE PERIOD	$ 22,305,910	$ 754,045	$	$	$ 2

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GWG HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Consolidating Statements of Cash Flows (continued)

For the three months ended June 30, 2013	Parent	Guarantor Sub	Non-Guarantor Sub	Eliminations	Co
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income	$ 1,756,690	$ 4,543,289	$ 5,014,494	$ (9,557,783)	$
Adjustments to reconcile net income to cash:					
Equity income of subsidiaries	4,543,289	5,014,494		(9,557,783)	
(Gain) loss on life settlements			(7,449,180)		(
Amortization of deferred financing and issuance costs	344,482	161,926	330,725		
Deferred income taxes	1,802,920				
Preferred stock issued for dividends	178,235				
(Increase) decrease in operating assets:					
Other assets	(13,002,552)	(13,654,889)	(4,000,000)	26,493,437	
Increase (decrease) in operating liabilities:					
Accounts payable and other accrued expenses	639,763	(12,024)	(225,000)		
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(3,737,173)	(3,947,204)	(6,328,961)	7,377,871	(
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in life settlements			(2,972,944)		(
Proceeds from settlement of life settlements			1,382,152		
NET CASH FLOWS USED IN INVESTING ACTIVITIES			(1,590,792)		(
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments for redemption of Series I Secured notes payable		(2,423,052)			(
Proceeds from issuance of debentures	18,588,867				1
Payments from issuance of debentures	(768,249)				
Payments from redemption of debentures	(2,265,054)				(
Proceeds (payments) from restricted cash		(2,222,476)	4,382,809		
Issuance of member capital		3,840,927	3,536,944	(7,377,871)	
Repurchase of common stock	(3,252,400)				(
Payments for redemption of preferred stock	(125,135)				
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	12,178,029	(804,601)	7,919,753	(7,377,871)	1
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,440,856	(4,751,805)			
CASH AND CASH EQUIVALENTS					
BEGINNING OF THE PERIOD	28,548,313	6,003,269			3
END OF THE PERIOD	$ 36,989,169	$ 1,251,464	$	$	$ 3

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GWG HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

(17) Concentrations

GWG purchases life insurance policies written by life insurance companies having investment grade ratings by independent rating agencies. As a result th
certain concentrations of contracts with life insurance companies. The following summarizes the face value of insurance contracts with specific life insura
companies exceeding 10% of the total face value held by the Company.

	June 30, 2014	Dec
	%	
Life insurance company		
Company A	15.72	
Company B	10.95	

The following summarizes the number of insurance contracts held in specific states exceeding 10% of the total face value held by the Company:

	June 30, 2014	Dec
	%	
State of residence		
California	28.72	
Florida	17.30	
New York	10.03	

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$1,000,000,000

GWG HOLDINGS, INC.

Series L Bonds

PROSPECTUS

, 2014

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

Set forth below are expenses (other than the selling agent s commissions, dealer-manager fees and allowance expenses) we expect to be incurred in conn the issuance and distribution of the securities registered hereby. With the exception of the Securities and Exchange Commission registration fee, the amou below are estimates and actual expenses may vary considerably from these estimates depending upon how long the notes are offered and other factors:

Securities and Exchange Commission registration fee	$ 12
Accounting fees and expenses	$ 20
Legal fees and expenses	$55
Blue sky fees and expenses	$ 2
Printing expenses	$ 20
Trustee fees and expenses	$ 15
Miscellaneous	$ 10
Total	$1,35

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 145 of the Delaware General Corporation Law provides for, under certain circumstances, the indemnification of our officers, directors, employees against liabilities that they may incur in such capacities. A summary of the circumstances in which such indemnification provided for is contained herein, description is qualified in its entirety by reference to the relevant Section of the Delaware General Corporation Law.

In general, the statute provides that any director, officer, employee or agent of a corporation may be indemnified against expenses (including attorneys f judgments, fines and amounts paid in settlement, actually and reasonably incurred in a proceeding (including any civil, criminal, administrative or investi proceeding) to which the individual was a party by reason of such status. Such indemnity may be provided if the indemnified person s actions resulting i liabilities: (i) were taken in good faith; (ii) were reasonably believed to have been in or not opposed to our best interest; and (iii) with respect to any crimi such person had no reasonable cause to believe the actions were unlawful. Unless ordered by a court, indemnification generally may be awarded only afte determination of independent members of the Board of Directors or a committee thereof, by independent legal counsel or by vote of the stockholders that applicable standard of conduct was met by the individual to be indemnified.

The statutory provisions further provide that to the extent a director, officer, employee or agent is wholly successful on the merits or otherwise in defense proceeding to which he was a party, he is entitled to receive indemnification against expenses, including attorneys fees, actually and reasonably incurred with the proceeding.

Indemnification in connection with a proceeding by or in the right of GWG Holdings, Inc. (the Company) in which the director, officer, employee or a
successful is permitted only with respect to expenses, including attorneys fees actually and reasonably incurred in connection with the defense. In such a
person to be indemnified must have acted in good faith, in a manner believed to have been in our best interest and must not have been adjudged liable to u
only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjud
liability, in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expense which the Court of Chanc
other court shall deem proper. Indemnification is otherwise prohibited in connection with a proceeding brought on behalf of the Company in

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which a director is adjudged liable to us, or in connection with any proceeding charging improper personal benefit to the director in which the director is a
liable for receipt of an improper personal benefit.

Delaware law authorizes us to reimburse or pay reasonable expenses incurred by a director, officer, employee or agent in connection with a proceeding in
a final disposition of the matter. Such advances of expenses are permitted if the person furnishes to us a written agreement to repay such advances if it is d
that he is not entitled to be indemnified by us.

The statutory section cited above further specifies that any provisions for indemnification of or advances for expenses does not exclude other rights under
certificate of incorporation, corporate bylaws, resolutions of our stockholders or disinterested directors, or otherwise. These indemnification provisions co
person who has ceased to be a director, officer, employee or agent of the corporation and inure to the benefit of the heirs, executors and administrators of
persons.

The statutory provision cited above also grants the power to the Company to purchase and maintain insurance policies that protect any director, officer, em
agent against any liability asserted against or incurred by him in such capacity arising out of his status as such. Such policies may provide for indemnifica
or not the corporation would otherwise have the power to provide for it.

Article 6 of our corporate bylaws provides that we shall indemnify our directors, officers, employees and agents to the fullest extent permitted by the Dela
General Corporation Law. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or pers
controlling the Company pursuant to the foregoing provisions, we understand that in the opinion of the SEC such indemnification is against public policy
in that Act and is therefore unenforceable.

We have purchased directors and officers liability insurance in order to limit the exposure to liability for indemnification of directors and officers, inclu
under the Securities Act of 1933.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

In 2011, the Company s wholly owned subsidiary, GWG Life, LLC (GWG Life), sold $13,537,876 in principal amount of Series I Secured notes for c
$61,782 in principal amount of such notes were sold in consideration of reinvested interest payable on account of issued notes. The Company is a guarant
Life s obligations under the Series I Secured notes. The notes were offered and sold solely to accredited investors in a private placement under Section 4(
Securities Act of 1933, and Regulation D/Rule 506 thereunder. Arque Capital Ltd. was the managing broker-dealer for the offering of the notes and receiv
customary sales commissions aggregating $387,048.

In 2011, the Company sold a total of 1,858,891 shares of Series A Preferred Stock for aggregate cash consideration of $13,941,683. In addition, 2,387 pre
were issued as in-kind dividends payable on account of the preferred stock. In connection with the sales of preferred stock, the Company issued three-yea
for the purchase of up to 137,874 shares of common stock at the per-share price of $6.25. The preferred stock and warrants were offered and sold solely to
investors in a private placement under Section 4(a)(2) of the Securities Act of 1933, and Regulation D/Rule 506 thereunder. Arque Capital Ltd. was the m
broker-dealer for the offering of the preferred stock and received customary sales commissions aggregating $1,447,127.

In 2012, the Company s wholly owned subsidiary, GWG Life, sold $50,000 in principal amount of Series I Secured notes for cash. In addition, $141,052
amount of such notes were sold in consideration of reinvested interest payable on account of earlier issued notes. The Company is a guarantor of GWG L
obligations under the Series I Secured notes. The notes were offered and sold solely to accredited investors in a private placement under Section 4(a)(2) o
Securities Act of 1933, and Regulation D/Rule 506 thereunder.

In 2012, the Company sold a total of 855,240 shares of Series A Preferred Stock for aggregate cash consideration of $6,414,300. In addition, 563,467 pre
were sold in consideration of converted principal and interest owing under Series I Secured notes, and 82,323 preferred shares were issued as in-kind

dividends payable on account of the preferred stock. In connection with the sales of preferred stock, the Company issued three-year warrants for the purch
694,034 shares of common stock at the per-share price of $6.25. The preferred stock and warrants were offered and sold solely to accredited investors in a
placement under Section 4(a)(2) of the Securities Act of 1933, and Regulation D/Rule 506 thereunder. Arque Capital Ltd. was the managing broker-deale
offering of the preferred stock and received customary sales commissions aggregating $1,051,000.

In 2013, the Company s wholly owned subsidiary, GWG Life, sold $196,484 in principal amount of Series I Secured notes in consideration of reinvested
payable on account of earlier issued notes. The Company is a guarantor of GWG Life s obligations under the Series I Secured notes. The notes were offe
solely to accredited investors in a private placement under Section 4(a)(2) of the Securities Act of 1933, and Regulation D/Rule 506 thereunder. Arque Ca
was the managing broker-dealer for the offering of the notes.

In 2013, the Company issued 82,606 shares of Series A Preferred Stock as in-kind dividends payable on account of the preferred stock. The preferred stoc
sold solely to accredited investors in a private placement under Section 4(a)(2) of the Securities Act of 1933, and Regulation D/Rule 506 thereunder.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits. The exhibits listed below are filed as a part of this registration statement.

Exhibit Number	Description
3.1	Certificate of Incorporation (1)
3.2	Certificate of Amendment of Certificate of Incorporation (2)
3.3	Certificate of Designations for Series A Convertible Preferred Stock (2)
3.4	Bylaws (1)
3.5	Certificate of Amendment of Certificate of Incorporation, dated June 24, 2014 (14)
4.1	Indenture with Bank of Utah, dated October 19, 2011 (3)
4.2	Form of Debenture (2)
4.3	Form of Subscription Agreement (revised November 2013) (12)
4.4	Pledge and Security Agreement by and among GWG Holdings, Inc., GWG Life Settlements, LLC, Jon R. Sabes, Steven F. Sabes, Bank of Utah, dated October 19, 2011 (3)
4.5	Form of Amended and Restated Intercreditor Agreement by and between Bank of Utah and Lord Securities Corporation (filed her *****
4.6	Amendment No. 1 to Indenture with Bank of Utah, dated December 15, 2011 (6)
4.7	Amendment No. 1 to Pledge and Security Agreement, dated December 15, 2011 (6)
4.8	Form of Indenture with Bank of Utah for Series L Bonds (filed herewith)
4.9	Form of Series L Bond (to be filed by amendment)
4.10	Form of Subscription Agreement for Series L Bonds (filed herewith)
4.11	Form of Pledge and Security Agreement by and among GWG Holdings, Inc., GWG Life, LLC, Jon R. Sabes, Steven F. Sabes, an of Utah (filed herewith)
5.1	Opinion of Maslon Edelman Borman & Brand, LLP (filed herewith)
10.1	Amended and Restated Credit and Security Agreement with DZ Bank AG Deutsche Zentral-Genossenschaftsbank (as agent), and Autobahn Funding Company LLC (as lender), dated effective January 25, 2013 (7)*
10.2	Performance Guaranty of GWG Holdings, LLC dated July 15, 2008, delivered in favor of DZ Bank AG Deutsche Zentral-Genossenschaftsbank (as agent), and Autobahn Funding Company LLC (as lender) (2)

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Exhibit Number	Description
10.3	General Reaffirmation and Modification Agreement dated effective January 29, 2013 delivered in favor of DZ Bank AG Deutsche Zentral-Genossenschaftsbank (as agent), and Autobahn Funding Company LLC (as lender) (7)**
10.4	Third Amended and Restated Note Issuance and Security Agreement dated November 1, 2011, with Lord Securities Corporation (trustee), GWG LifeNotes Trust (as secured party), and noteholders (12)
10.5	Pledge Agreement dated November 15, 2010, among Jon R. Sabes, Steven F. Sabes, Opportunity Finance, LLC, SFS Trust 1976, Trust 1992 Esther, SFS Trust 1982, Mokeson, LLC (collectively as pledgors), and Lord Securities Corporation (as trustee and ple (2)
10.6	Fourth Amended and Restated Managing Broker-Dealer Agreement with Arque Capital dated effective April 5, 2013 (12)***
10.7	Amended and Restated Investment Agreement with Insurance Strategies Fund, LLC, dated as of September 3, 2009 (2)
10.8	Addendum No. 1 to Sub-Sublease Agreement effective as of July 14, 2008 by Opportunity Finance, LLC and GWG Life, LLC (5)
10.9	Employment Agreement with Jon R. Sabes, dated June 14, 2011 (4)
10.10	Employment Agreement with Steven F. Sabes, dated June 14, 2011 (4)
10.11	Employment Agreement with Paul A. Siegert, dated June 14, 2011 (4)
10.12	Purchase and Sale Agreement with Athena Securities Group Ltd. and Athena Structured Funds PLC, dated July 11, 2011 (2)
10.13	Shareholders Agreement with respect to Athena Structured Funds PLC, dated July 11, 2011 (2) (10)
10.14	Amendment to Third Amended and Restated Note Issuance and Security Agreement, dated as of November 18, 2013, with Lord Securities Corporation (as trustee for the GWG LifeNotes Trust) (12)
10.15	Purchase and Sale Agreement among GWG Holdings, Inc., Athena Securities Group Limited and GWG Securities International P Limited Company, dated June 28, 2013 (9)
10.16	2013 Stock Incentive Plan dated March 27, 2013 (8)
10.17	Form of Stock Option Agreement used under 2013 Stock Incentive Plan (revised June 2014) (13)****
10.18	Addendum to Third Amended and Restated Managing Broker-Dealer Agreement with Arque Capital dated effective February 28, (11)
10.19	Employment Agreement with William Acheson, dated May 30, 2014 (13)
10.20	Amendment No. 1 to Amended and Restated Credit and Security Agreement with DZ Bank AG Deutsche Zentral-Genossenschaft and Autobahn Funding Company LLC, dated May 29, 2014 (13)
10.21	Managing Broker-Dealer Agreement with Emerson Equity LLC, dated July 8, 2014 (to be filed by amendment)
21	List of Subsidiaries (8)
23.1	Consent of Mayer Hoffman McCann P.C. (filed herewith)
23.2	Consent of Baker Tilly Virchow Krause, LLP (filed herewith)
23.3	Consent of Maslon Edelman Borman & Brand, LLP (contained within Exhibit 5.1 above)
25	Statement of Eligibility of Trustee (to be filed by amendment)

(1) Incorporated by reference to Form S-1 Registration Statement filed on June 14, 2011 (File No. 333-174887).

(2) Incorporated by reference to Form S-1/A Registration Statement filed on August 23, 2011 (File No. 333-174887).

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Incorporated by reference to Form S-1/A Registration Statement filed on October 20, 2011 (File No. 333-174887).

Incorporated by reference to Form S-1/A Registration Statement filed on September 20, 2011 (File No. 333-174887).

Incorporated by reference to Form S-1/A Registration Statement filed on July 26, 2011 (File No. 333-174887).

Incorporated by reference to Post-Effective Amendment No. 1 to Form S-1/A filed on April 30, 2012 (File No. 333-174887).

Incorporated by reference to Current Report on Form 8-K filed on February 1, 2013.

Incorporated by reference to Annual Report on Form 10-K for the period ended December 31, 2013, filed on March 20, 2014.

Incorporated by reference to Current Report on Form 8-K filed on July 8, 2013.

Agreement was terminated effective June 28, 2013.

Incorporated by reference to Post-Effective Amendment No. 6 to Form S-1/A filed on April 4, 2013 (File No. 333-174887).

Incorporated by reference to Post-Effective Amendment No. 8 to Form S-1/A filed on November 12, 2013 (File No. 333-174887).

Incorporated by reference to Form S-1/A Registration Statement filed on June 6, 2014 (File No. 333-195505).

Incorporated by reference to Quarterly Report on Form 10-Q for the period ended June 30, 2014, filed on August 8, 2014.

The registrant has earlier filed the original Credit and Security Agreement dated July 15, 2008, Consent and Amendment No. 1 to the Credit and Security dated December 14, 2010, and Consent and Amendment No. 2 to the Credit and Security Agreement dated June 10, 2011. These documents were filed as 10.1, 10.2 and 10.3, respectively, to the Form S-1/A Registration Statement filed on August 23, 2011.

The registrant has earlier filed a Reaffirmation of Guaranty dated as of June 10, 2011, which was filed as Exhibit 10.7 to the Form S-1/A Registration Sta on August 23, 2011.

The registrant has earlier filed a Managing Broker-Dealer Agreement dated August 14, 2011, an amended Managing Broker-Dealer Agreement dated Oct 2011, an Amended and Restated Managing Broker-Dealer Agreement dated November 16, 2011, and a Second Amended and Restated Managing Broker- Agreement dated effective as of November 16, 2011. These documents were filed as Exhibits 10.8 to the Form S-1/A Registration Statements filed on Au October 20, November 28 and December 15, 2011, respectively.

The registrant has earlier filed a Form of Stock Option Agreement for use under the 2013 Stock Incentive Plan, which was filed as Exhibit 10.17 to the re Annual Report on Form 10-K filed on March 20, 2014.

The registrant has earlier filed an Intercreditor Agreement dated October 19, 2011, which was filed as Exhibit 4.5 to the Form S-1/A Registration Stateme October 20, 2011.

ITEM 17. UNDERTAKINGS

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the Securities Act) may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question

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whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) to include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, an increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement;

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) [intentionally omitted]

(5) For the purpose of determining any liability under the Securities Act to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(6) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities: The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

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(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Amendment No. 1 to Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Minneapolis, State of Minnesota, on August 28, 2014.

GWG HOLDINGS, INC.

By: /s/ Jon R. Sabes
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 to Registration Statement has been signed, as of August 28, 2014, by the following persons in the capacities indicated below.

Name	Title
/s/ Jon R. Sabes Jon R. Sabes	Director, Chief Executive Officer (Principal Executive Officer)
/s/ Paul A. Siegert* Paul A. Siegert	Director, Executive Chairman
/s/ William Acheson William Acheson	Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ Steven F. Sabes* Steven F. Sabes	Director, President and Secretary
/s/ David H. Abramson* David H. Abramson	Director
/s/ Shawn R. Gensch* Shawn R. Gensch	Director
/s/ Charles H. Maguire III* Charles H. Maguire III	Director
/s/ Jeffrey L. McGregor* Jeffrey L. McGregor	Director

* Signed pursuant to power of attorney held by Jon R. Sabes.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Amendment No. 1 to Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Minneapolis, State of Minnesota, on August 28, 2014.

GWG LIFE, LLC

By: /s/ Jon R. Sabes
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 to Registration Statement has been signed, as of August 28, 2014, by the following persons in the capacities indicated below.

Name	Title
/s/ Jon R. Sabes Jon R. Sabes	Chief Executive Officer (Principal Executive Officer)
/s/ William Acheson William Acheson	Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ Jon R. Sabes Jon R. Sabes	Manager of GWG Life, LLC